THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF THE CLIFFS CLUB & HOSPITALITY GROUP, INC., ET AL.

July 5, 2012

A Letter of Recommendation to all Unsecured Creditors to Vote in Favor of the Plan

The Official Committee of Unsecured Creditors of The Cliffs Club & Hospitality Group, Inc., et al. (the "***Committee***")[1] unanimously recommends that you vote in favor of the First Amended and Restated Joint Chapter 11 Plan Filed by the Debtors and the Plan Sponsor (the "***Plan***"), described in the First Amended and Restated Disclosure Statement (the "***Disclosure Statement***").[2]

A vote in favor of the Plan allows the Clubs to remain in business under new capable ownership, while providing real recoveries for the trade, Club Members and Note Holders. A vote in opposition to the Plan, however, leaves the Debtors in peril of immediate and forced liquidation of the Clubs, with the likely result that the only creditor that will realize any recovery will be the DIP Lender. This letter explains why.

Who are we and why are we relevant?

By way of background, the Committee is the only official representative of all unsecured creditors in these cases. The Committee was appointed by the Office of the U.S. Trustee in South Carolina to act as fiduciaries on behalf of the Debtors' unsecured creditors and is made up entirely of volunteers holding unsecured claims. The Committee monitors the Debtors' operations, consults with the Debtors and expresses its opinion as to the best means to obtain a successful reorganization and maximize recoveries for all concerned. In connection with performing its duties, the Committee has relied upon Bingham McCutchen LLP (principal contact: Jonathan B. Alter) and John B Butler, III to act as its counsel.

The Committee has worked hard in these cases. These cases are complex, involving 11 affiliated Debtors, intercompany transactions among the Debtors and their non-debtor affiliates, disparate secured creditors and hundreds of Club Members at different properties (many of which are secured creditors themselves). During the last four months, the Committee and its counsel have (i) investigated the Debtors' historical financial affairs and business operations, including membership matters, assets, contracts and leases, financing arrangements, and the development of the club courses and other amenities; (ii) monitored the Debtors' current financial affairs; (iii) participated in the negotiations and related court proceedings pertaining to post-bankruptcy financing, the bidding and sale process, and numerous other matters; and (iv) negotiated the terms of the Plan and Disclosure Statement, and the documentation including membership agreements comprising the New Club Membership Option, as well as the Plan Sponsor's business plan, forecasts and underlying assumptions. Our goal is a fair result that keeps the Clubs open with a promising future and pays the most possible to claimants.

[1] Capitalized terms have the meanings ascribed to them in the Plan or Disclosure Statement.

[2] You are receiving the Plan and Disclosure Statement from the Debtors in the same package as this letter.

Why vote in favor of the Plan?

The Committee unequivocally supports the Plan as fair, reasonable, and appropriate in these cases. Here's why -

Lack of Alternative; Viability of Plan Sponsor Proposal

There are no alternative bidders. After an extensive marketing process, 33 entities expressed initial interest in acquiring the Debtors' assets, four of which stuck around up until the auction. However, the Plan Sponsor (a company owned by The Carlile Group, Arendale Holdings and SunTx Urbana) was the only bidder that put forth a qualified offer providing a well-defined vision and future for the Clubs, and a potential for a recovery for unsecured creditors. While disappointing that a more robust bidding process did not ensue, it was unsurprising to some extent.

Based upon the collective ownership interests of the Plan Sponsor, the Plan Sponsor is in a unique position to develop the real estate necessary for the success of the Plan and the survival of the Clubs (630 platted lots and over 4600 acres of undeveloped land). The Clubs will operate under the Plan (and provide for capital improvements) largely through access fees and net membership deposits generated from future real estate sales (as shown in the Plan Sponsor's financial projections). Current active dues paying members will help sustain Club operations.

Additionally, the lack of alternative bidders with a workable solution was also undoubtedly driven by (i) the existing down market for similar properties; (ii) the complications emanating from the substantial debt and liens on the properties as a result of the recent financings during a recessionary period; (iii) the Debtors' lack of ownership or interest in several properties necessary for operations (some of which are held by affiliates of the Debtors that are not even part of the bankruptcy proceedings); and (iv) the Debtors' current insolvent condition with cash on hand that barely gets the Clubs to the middle of the summer.

Detrimental Effect if the Plan is not Confirmed and of Liquidation

Simply stated, the Committee believes that if there is an insufficient number of members transferring into the New Clubs (in sufficient numbers such that projected annualized dues of New ClubCo will be at least $16.5 million) or the Plan is not otherwise timely confirmed and consummated, it will be a disaster - and one that could have been easily avoided. The Debtors are already running out of money. In the absence of the consummation of the transaction contemplated by the Plan, the Debtors' cases likely will be converted to chapter 7 (liquidation) proceedings and the DIP Lender could exercise its remedies to take over the properties. The recoveries for members, the trade creditors and the Note Holders would likely be gone.

The Committee believes it to be irrefutable that a successful reorganization under the Plan would be preferable to a liquidation under chapter 7 of the Bankruptcy Code. In a liquidation, the following events would, or are likely to, occur:

- The operation of the Clubs would cease and employees will face being laid off.
- A chapter 7 trustee will be appointed, whose duty is to liquidate the assets within a short timeframe.
- The Clubs may be sold as a single enterprise, as individual standalone Clubs, or the Debtors' assets may be sold piecemeal. There would be no guarantee that any sale of the Debtors' assets would succeed or would result in the Clubs continuing to operate and provide services and amenities as they have in the past (either as a single enterprise or as individual standalone Clubs).
- Any sale of the Debtors' assets would be at liquidation values (which the Debtors have estimated to be less than $9.5 million).
- In the event the Clubs are sold as a single enterprise to a third party, the purchaser would require the cooperation of the Plan Sponsor in order to operate the Clubs because the Plan Sponsor controls real property necessary for the operation of the Clubs. There is no assurance that the Plan Sponsor would be willing to cooperate, in which case the Clubs could not successfully operate. Furthermore, the purchaser could unilaterally dictate the terms of a membership plan without input from any members.
- There would be no assurance that the Plan Sponsor would remain interested in acquiring the Clubs if the Plan is not confirmed and consummated as proposed. Moreover, the Plan Sponsor holds liens on substantially all of the Debtors' assets and could gain control of the Debtors' property, including the Clubs, through foreclosure.
- There would likely be no recovery for unsecured creditors or for the Note Holders. Any funds available for distribution would first be used to satisfy claims with the highest priority, including the DIP Lender and the Bridge Lender, administrative expenses, and then other secured claims and priority tax claims. Sale proceeds would have to exceed all claims with higher priority before there could be any distribution to the Note Holders or any unsecured creditors.[3]

[3] In most instances, the Committee is relying on information provided by the Debtors, the Plan Sponsor and others, which the Committee has not independently verified. We make no assurance or guarantee concerning any factual information contained in this letter. Our opinions and views are solely those of the Committee. Our statements contained herein are based upon the current forms of the Plan, the Disclosure Statement, as well as all of the various other documents referred to therein, and the Committee reserves the right to modify this letter in the event that the documents are modified or circumstances change.

FINAL RECOMMENDATION

FOR THE REASONS STATED ABOVE, THE COMMITTEE ENDORSES THE PLAN AND RECOMMENDS THAT ALL HOLDERS OF CLAIMS IN CLASSES 5 AND 7 VOTE TO "ACCEPT" THE PLAN.

OF COURSE, THE COMMITTEE CANNOT ACT AS A SUBSTITUTE FOR EACH CREDITOR'S INDIVIDUAL EVALUATION AND DECISION. CREDITORS SHOULD NOT RELY SOLELY ON THE COMMITTEE'S RECOMMENDATION. BEFORE VOTING, EACH CREDITOR SHOULD INDEPENDENTLY REVIEW THE PLAN, DISCLOSURE STATEMENT AND RELATED DOCUMENTS, TAKE ADVANTAGE OF MEETINGS AND WEBCASTS WITH THE PLAN SPONSOR AND THE DEBTORS SCHEDULED DURING JULY 2012, AND EVALUATE AND DETERMINE WHETHER THE PLAN AND/OR ACCEPTANCE OR REJECTION OF THE NEW MEMBERSHIP OPPORTUNITY MAKES SENSE BASED ON EACH INDIVIDUAL CASE AND CIRCUMSTANCE, NOTWITHSTANDING THE COMMITTEE'S RECOMMENDATION. EACH CREDITOR SHOULD CONSULT WITH ITS OWN LEGAL AND/OR FINANCIAL ADVISORS.

Very truly yours,

THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF THE CLIFFS CLUB & HOSPITALITY GROUP, INC., *ET AL.*

John ("Jack") W. Sager, Chairman
Janet D. Hilligoss
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