

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF SOUTH CAROLINA**

In re:)	
)	
The Cliffs Club & Hospitality Group, Inc.,)	
et al. ¹ , d/b/a The Cliffs Golf & Country Club,)	Case No. 12-01220-jw
)	Chapter 11
Debtors.)	
)	Joint Administration

**OBJECTION OF UNITED STATES TRUSTEE TO DEBTORS’
MOTION FOR ORDER (A) APPROVING BIDDING PROCEDURES
FOR AUCTION; (B) APPROVING BREAK-UP FEE
AND EXPENSES REIMBURSEMENT; AND
(C) APPROVING THE SUBSTITUTION CONDITIONS**

The United States Trustee (the UST) objects to the debtors’ motion for order (A) approving bidding procedures for auction to become the designated sponsor of the debtors’ chapter 11 plan of reorganization; (B) approving break-up fee and expenses reimbursement payable in certain circumstances to The Carlile Development Group; and (C) approving the substitution conditions contained in the DIP loan agreement. The UST files this objection pursuant to the authority granted to him by 28 U.S.C. § 586 and 11 U.S.C. § 307.

¹The Debtors, followed by the last four digits of their respective taxpayer identification numbers, are as follows: The Cliffs Club & Hospitality Group, Inc. (6338); CCHG Holdings, Inc. (1356); The Cliffs at Mountain Park Golf & Country Club, LLC (2842); The Cliffs at Keowee Vineyards Golf & Country Club, LLC (5319); The Cliffs at Walnut Cove Golf & Country Club, LLC (9879); The Cliffs at Keowee Falls Golf & Country Club, LLC (3230); The Cliffs a Keowee Springs Golf & Country Club, LLC (2898); The Cliffs at High Carolina Golf & Country Club, LLC (4293); The Cliffs at Glassy Golf & Country Club, LLC (6559); The Cliffs Valley Golf & Country Club, LLC (6486); and Cliffs Club & Hospitality Service Company, LLC (9665).

The grounds for this objection are:

1. It is not clear that the best and highest offer would be subject to approval by the Court. The Court should be made aware of the occurrences at the auction, how the best and highest offer was selected, and for the Court to approve such selection and for any party with a basis for objection to be heard.
2. The reimbursement of expenses should be limited to actual expenses incurred unless it can be demonstrated that the amount requested is likely to be less than the expenses incurred, thus, setting a maximum recovery for expenses. Moreover, in this case, the debtors indicated that the potential bidders had undertaken extensive due diligence over a period months prior to the bankruptcy. It is unlikely that the potential bidders expected to be reimbursed for those expenses when they were incurred.

The break up should be reasonable. The debtors have stated that the break-up fee was tailored to the actual costs incurred by the proposed stalking horse bidder. The debtors should be prepared to show the reasonable basis of the proposed fee.

3. The best and highest offer is subject to a maximum of damages of \$1 million if it fails to close. It is not clear if the proposed limitation in damages adequately protects the estate.
4. It is not clear that the bridge loan should be paid as part of the substitution conditions. It is a pre-petition loan advanced by the Indenture Trust from funds SP50 provided to the Indenture Trust. The debtors should establish why this loan must be paid to allow a substitution of the joint proponent of the plan.
5. The debtors should demonstrate why the best and highest offer should be a joint proponent of the plan.

The UST asks the Court to deny the relief sought by the debtors, unless the debtors can adequately address each of these objections and any additional objections raised at the hearing.

The UST asks the Court to grant to the UST such other relief as is appropriate.

W. CLARKSON MCDOW, JR.
UNITED STATES TRUSTEE
REGION FOUR

By: /s/ Linda K. Barr
Linda K. Barr, Id. 6284
Trial Attorney
1835 Assembly Street, Ste. 953
Columbia, SC 29201
(803) 765-5219
(803) 765-5260 (facsimile)
linda.k.barr@usdoj.gov

Date: 3-14-12

CERTIFICATE OF SERVICE

I, Linda K. Barr, do hereby certify that on March 14, 2012, I served the below-named documents upon the parties listed below by electronic transmission through the Court's Electronic Case Filing system to the participants of such system, to include:

Dana Wilkinson, Esquire
Gary W. Marsh, Esquire
Michael Levensgood, Esquire

**OBJECTION OF UNITED STATES TRUSTEE TO DEBTORS'
MOTION FOR ORDER (A) APPROVING BIDDING PROCEDURES
FOR AUCTION; (B) APPROVING BREAK-UP FEE
AND EXPENSES REIMBURSEMENT; AND
(C) APPROVING THE SUBSTITUTION CONDITIONS**

CERTIFICATE OF SERVICE

/s/ Linda K. Barr
Linda K. Barr
Trial Attorney
Office of the United States Trustee
1835 Assembly Street, Ste. 953
Columbia, SC 29201
(803) 765-5219
linda.k.barr@usdoj.gov

Date: 3-14-12