

**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,**

Debtors.

CHAPTER 11

Case No. 12-01220

Jointly Administered

**NOTICE AND APPLICATION FOR
SETTLEMENT AND COMPROMISE**

TO: CREDITORS AND PARTIES IN INTEREST

YOU ARE HEREBY NOTIFIED THAT, pursuant to Rule 9019 of the Federal Rules of Bankruptcy Procedure, and Rule 9019-1 of the Local Bankruptcy Rules, The Cliffs Club & Hospitality Group, Inc. and its affiliated debtors in the above-captioned Chapter 11 cases, as debtors and debtors-in-possession (collectively, the "Debtors") and Wells Fargo Bank, National Association as Indenture Trustee (the "Indenture Trustee") are applying for approval of the Stipulation Regarding Bar Date Motion (the "Stipulation") pursuant to the attached proposed order and annexed thereto.

TAKE FURTHER NOTICE that any response, return and/or objection to this application should be filed with the Court no later than twenty-one (21) days from service of the application and a copy simultaneously served on all parties in interest.

TAKE FURTHER NOTICE that no hearing will be held on this application, except at the direction of the judge, unless a response, return and/or objection is timely filed and served, in which case, the Court will conduct a hearing on July 2, 2012 at 10:00 a.m. at the United States Bankruptcy Court for the District of South Carolina located at 1100 Laurel Street, Columbia, SC 29201. No further notice of this hearing will be given.

NATURE OF DISPUTE: The Indenture Trustee asserts that pursuant to Section 3.1 of the Pledge and Security Agreement dated as of April 30, 2010 (the "Agreement") the refundable membership or initiation deposit obligations owed to the holders of those certain Series A Notes and Series B Notes (together, the "Notes") issued in connection with that certain Indenture dated

¹ The 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 at Keowee Springs Golf & Country Club, LLC (2898); The Cliffs at High Carolina Golf & Country Club, LLC (7576); 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).

April 30, 2010 (the "Indenture") are secured by the Collateral (as defined in the Agreement). The Debtors' schedules list each of the membership or initiation deposit obligations owing to holders of the Notes as being unsecured.

AMOUNT DISPUTED: N/A.

PROPOSED SETTLEMENT OR COMPROMISE: The Debtors and the Indenture Trustee have agreed that holders of the Notes shall not be required to file a proof of claim solely to assert the secured status of their refundable membership or initiation deposit. Each of the parties reserves its respective rights as to the secured nature of any claim relating to the membership and/or initiation deposits of the holders of the Notes. In the event it becomes necessary or beneficial to determine the secured status of the refundable membership or initiation deposits of the holders of the Notes, the Indenture Trustee or the Debtors may, prior to confirmation of any plan of reorganization in these cases, file an appropriate motion with the Court. **The Debtors and the Indenture Trustee have further agreed that, in the event this Court does not approve the Stipulation for any reason, the holders of the Notes shall have thirty (30) days from the date of the order disapproving the Stipulation (or in the event there is no such order, thirty (30) days from such date that the Indenture Trustee files a notice with the Court that such thirty (30) day period has commenced; provided, however, the thirty (30) day period shall not extend beyond the date that any plan of reorganization in these cases is confirmed) to file proofs of claim to assert solely that their membership or initiation deposit claims are secured.**

BENEFIT TO THE ESTATE: The Debtors' estates benefit by reserving rights as set forth above on the ultimate issue of the secured status of the refundable membership or initiation deposits while avoiding the potential costs of having to unnecessarily respond to and otherwise process numerous proofs of claim asserting that such claims are secured.

MOVING PARTIES: See signatories below.

The Debtors and the Indenture Trustee hereby certify that the terms set out above as further detailed in the Stipulation are complete and have been agreed upon by the moving parties named herein.

WHEREFORE, the Debtors and the Indenture Trustee request the Court issue an order authorizing the settlement and compromise and such other and further relief as may be proper.

[SIGNATURES FOLLOW]

Dated: June 5, 2012

Respectfully submitted,

/s/ Däna Wilkinson

Däna Wilkinson

District Court I.D. No. 4663

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Indenture Trustee

Stipulation

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,

Debtors.

CHAPTER 11

Case No. 12-01220

Jointly Administered

STIPULATION REGARDING BAR DATE MOTION

This stipulation is made as of this 9th day of May 2012 by and among the debtors and debtors in possession in the above-captioned Chapter 11 cases (the "Debtors") and Wells Fargo Bank, National Association in its capacity as indenture trustee (the "Indenture Trustee") for the holders of certain Notes (as defined below). The Debtors and the Indenture Trustee are collectively referred to herein as the "Parties".

RECITALS

WHEREAS, on February 28, 2012 (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code (the "Chapter 11 Cases") by filing a petition for relief in the United States Bankruptcy Court for the District of South Carolina (the "Bankruptcy Court").

WHEREAS, the Indenture Trustee is the trustee for the holders of certain notes (the "Notes") that were issued in the aggregate principal amount of \$64,050,000 pursuant to that certain Indenture dated April 30, 2010 (the "Indenture") between the Cliffs Club & Hospitality Group, Inc. ("ClubCo"), certain Guarantors (the "Guarantors"), and the Indenture Trustee. Under the Indenture, there are two series of Notes, the Series A Notes (the "Series A Notes") which were issued in the original principal amount of \$39,800,000 and the Series B Notes (the "Series B Notes") and with the Series A Notes, the "Notes") which were issued in the original principal amount of \$24,250,000. The obligations created by the Notes and any of the other Note Documents (as defined below) are referred to herein as the "Note Obligations".

WHEREAS, on March 30, 2012, the Debtors filed a motion [Docket Entry No. 221] (the "Motion") seeking entry of an order (i) establishing certain bar dates for filing proofs of claim, (ii) approving bar date notice and mailing and publication procedures, (iii) implementing

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uniform procedures regarding section 503(b)(9) claims, and (iv) providing certain supplemental relief. The order (the "Bar Date Order") approving the Motion was entered by the Bankruptcy Court on April 10, 2012.

WHEREAS, paragraph 11 of the Bar Date Order provides in relevant part:

"The following Entities **do not** need to file proofs of claim:

* * *

(e) any Entity asserting a claim **solely** for a refundable membership or initiation deposit and/or an amount due under the Notes, **and**, with respect to the refundable membership or initiation deposit claim, the Entity agrees with the description and amount of such Prepetition Claim as identified in the Schedules;"

See Bar Date Order, at ¶ 11 (bold in original).

WHEREAS, paragraph 13 of the Bar Date Order provides:

"Any Entity asserting a claim **solely** for a refundable membership or initiation deposit will be deemed to have filed a timely contingent claim in the amount and of the type as set forth in Schedule F of each of the Debtor's Schedules of Assets and Liabilities filed on March 30, 2012, wherein each such refundable membership or initiation deposit claim is denominated as a contingent "Member Initiation Deposit" in a specified amount (a copy of each Debtor's Schedule F may be obtained at the website maintained for these cases by the Claims Agent at the address www.bmcgroup.com/cliffs). Any Entity asserting any claim in addition to a claim for a refundable membership or initiation deposit (or other amounts included in Paragraph 11(a) – (f) of this Order for which a proof of claim need not be filed, including but not limited to a claim with respect to any obligation under the Notes) **must file a separate proof of claim as to such claim or it will not be deemed to have filed a proof of claim with regard to any such non-membership or initiation deposit claim(s).** Nothing herein precludes any Entity from filing a separate proof of claim in accordance with the procedures set forth herein.

See Bar Date Order, at ¶ 13 (bold in original).

WHEREAS, the Debtors' schedules list each membership or initiation deposit as being unsecured.

WHEREAS, the Indenture Trustee asserts that pursuant to Section 3.1 of the Pledge and Security Agreement dated as of April 30, 2010 (the "Agreement") the Membership Deposit Obligations (as defined in the Collateral Trust Agreement dated April 30, 2010 (the "Collateral"))

Trust Agreement")) owed to the holders of the Notes are secured by the Collateral (as defined in the Agreement).

WHEREAS, pursuant to the Collateral Trust Agreement, the liens securing the Membership Deposit Obligations are subordinate to those securing the Note Obligations and therefore, depending upon the future events in these Bankruptcy Cases it may not be necessary to determine whether the Membership Deposit Obligations are secured obligations.

WHEREAS, the Parties hereto, recognizing the costs, expenses and burden inherent in requiring each holder of the Notes to file a proof of claim asserting that such holder's Membership Deposit Obligation is secured, hereby agree to the following:

1. **No Need for Noteholders To Assert Secured Status of Membership or Initiation Deposits.** Holders of Notes shall not be required to file a proof of claim solely to assert the secured status of a refundable membership or initiation deposit. Nothing herein shall affect the requirement in the Bar Date Order that if a holder of the Notes disagrees with the amount of a membership or initiation deposit as listed in the Debtors' schedules, such holder must file a proof of claim in order to contest such amount.

2. **Determination of Secured Status.** In the event it becomes necessary or beneficial to determine the secured status of the refundable membership or initiation deposits of the holders of the Notes, the Indenture Trustee or the Debtors may, prior to confirmation of any plan of reorganization in these cases, file an appropriate motion with the Court, and all parties reserve their respective rights with respect thereto.

For the Debtors

Wells Fargo Bank, NA as Indenture Trustee

By: 

By: _____

Title: Chief Restructuring Officer

Title: _____

Trust Agreement")) owed to the holders of the Notes are secured by the Collateral (as defined in the Agreement).

WHEREAS, pursuant to the Collateral Trust Agreement, the liens securing the Membership Deposit Obligations are subordinate to those securing the Note Obligations and therefore, depending upon the future events in these Bankruptcy Cases it may not be necessary to determine whether the Membership Deposit Obligations are secured obligations.

WHEREAS, the Parties hereto, recognizing the costs, expenses and burden inherent in requiring each holder of the Notes to file a proof of claim asserting that such holder's Membership Deposit Obligation is secured, hereby agree to the following:

1. No Need for Noteholders To Assert Secured Status of Membership or Initiation Deposits. Holders of Notes shall not be required to file a proof of claim solely to assert the secured status of a refundable membership or initiation deposit. Nothing herein shall affect the requirement in the Bar Date Order that if a holder of the Notes disagrees with the amount of a membership or initiation deposit as listed in the Debtors' schedules, such holder must file a proof of claim in order to contest such amount.

2. Determination of Secured Status. In the event it becomes necessary or beneficial to determine the secured status of the refundable membership or initiation deposits of the holders of the Notes, the Indenture Trustee or the Debtors may, prior to confirmation of any plan of reorganization in these cases, file an appropriate motion with the Court, and all parties reserve their respective rights with respect thereto.

For the Debtors

Wells Fargo Bank, NA as Indenture Trustee

By: _____

By: Michael J. Glavin

Title: _____

Title: Vice President

Proposed Order

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

Chapter 11 Case No. 12-01220 (Jointly Administered)

**ORDER APPROVING APPLICATION
FOR SETTLEMENT AND COMPROMISE**

The foregoing Application for Settlement and Compromise having been considered, the Court being duly advised in the premises, and good cause appearing therefore; the relief set forth on the following pages, for a total of 3 pages including this page,

IS HEREBY ORDERED.

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,

Debtors.

CHAPTER 11

Case No. 12-01220

Jointly Administered

ORDER APPROVING APPLICATION
FOR SETTLEMENT AND COMPROMISE

The matter before the Court is the Notice and Application of Settlement and Compromise (the "Application"). Pursuant to the Application, The Cliffs Club and Hospitality Group, Inc. and its affiliated debtors in the above-captioned cases, as debtors and debtors-in-possession (the "Debtors") and Wells Fargo Bank, National Association as Indenture Trustee (the "Indenture Trustee") seek Court approval to enter into the Stipulation Regarding Bar Date Motion annexed hereto.

WHEREAS, the Debtors have represented that (1) given the efficiencies involved in addressing the issues under the Stipulation, the Debtors and Indenture Trustee believe that the approval of the Stipulation as set forth therein and in the Application is in the best interest of the Debtors' estates and their beneficiaries, is reasonable, and should be approved in accordance with the Bankruptcy Code and Rules, including Rule 9019 of the Federal Rules of Bankruptcy Procedure; and (2) the Debtors have served the Application on all applicable parties requesting

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notices under Rule 2002 and other parties in interest; and

WHEREAS, any party wishing to object to the Application was given ample and reasonable opportunity to do so and an opportunity for a hearing, and notice was appropriate under the circumstances; and

WHEREAS, the Court, finding that the relief requested in the Application is in the best interest of the Debtors' estates, hereby overrules any objections that may have been filed or presented prior to or at any hearing on the matter, and it is hereby

ORDERED, ADJUDGED, and DECREED THAT:

A. The Stipulation Regarding Bar Date Motion (the "Stipulation") set forth in the Application is hereby approved in its entirety in accordance with the Bankruptcy Code and Rules, including Rule 9019 of the Federal Rules of Bankruptcy Procedure.

B. The Debtors are hereby authorized to enter into the Stipulation and may take any actions necessary or desirable to consummate the Stipulation and all such actions taken before the date hereof are ratified and approved hereby.

C. The Court shall retain jurisdiction to hear and determine all matters arising from and related to implementation of this Order.

AND IT IS SO ORDERED.