

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF SOUTH CAROLINA

In re:

The Cliffs Club & Hospitality Group, Inc., et al.,<sup>1</sup> d/b/a The Cliffs Golf & Country Club,

Debtors.

CHAPTER 11

Case No. 12-01220

Jointly Administered

**FIRST INTERIM FEE APPLICATION OF MCKENNA LONG & ALDRIDGE LLP FOR ALLOWANCE OF COMPENSATION AND REIMBURSEMENT OF EXPENSES**

Name of Applicant:	McKenna Long & Aldridge LLP
Authorized to Provide Professional Services to:	The Cliffs Club & Hospitality Group, Inc., et al.
Date of Retention Order:	March 26, 2012 ( <i>nunc pro tunc</i> to February 28, 2012)
Compensation and Reimbursement Period:	February 28, 2012 to May 31, 2012
Compensation Sought:	\$798,873.00
Reimbursement Sought:	\$16,049.53
Compensation Paid:	\$639,098.40
Reimbursement Paid:	\$16,049.53
Total Unpaid Compensation & Reimbursement:	\$159,774.60

This is an:                      X   Interim Application                           Final Application

<sup>1</sup> The Debtors, followed by the last four digits of their respective taxpayer identification numbers and Chapter 11 case numbers, are as follows: The Cliffs Club & Hospitality Group, Inc. (6338) (12-01220); CCHG Holdings, Inc. (1356) (12-01223); The Cliffs at Mountain Park Golf & Country Club, LLC (2842) (12-01225); The Cliffs at Keowee Vineyards Golf & Country Club, LLC (5319) (12-01226); The Cliffs at Walnut Cove Golf & Country Club, LLC (9879) (12-01227); The Cliffs at Keowee Falls Golf & Country Club, LLC (3230) (12-01229); The Cliffs at Keowee Springs Golf & Country Club, LLC (2898) (12-01230); The Cliffs at High Carolina Golf & Country Club, LLC (7576) (12-01231); The Cliffs at Glassy Golf & Country Club, LLC (6559) (12-01234); The Cliffs Valley Golf & Country Club, LLC (6486) (12-01236); and Cliffs Club & Hospitality Service Company, LLC (9665) (12-01237).

**Prior Applications:**

Period Covered:	Requested		Awarded	
	Fees	Expenses	Fees	Expenses
N/A				

**Summary of Monthly Statements:**

PERIOD COVERED	FEES REQUESTED	EXPENSES REQUESTED	FEES PAID	EXPENSES PAID	TOTAL UNPAID
2/28/2012 - 3/31/2012	\$323,041.00	\$5,095.75	\$258,432.80	\$5,095.75	\$64,608.20
4/1/2012 - 4/30/2012	\$227,736.50	\$5,185.92	\$182,189.20	\$5,185.92	\$45,547.30
5/1/2012 - 5/31/2012	\$248,095.50	\$5,767.86	\$198,476.40	\$5,767.86	\$49,619.10
Grand Totals:	\$798,873.00	\$16,049.53	\$639,098.40	\$16,049.53	\$159,774.60

COMES NOW McKenna Long & Aldridge LLP (“Applicant”) and files its First Interim Fee Application of McKenna Long & Aldridge LLP for Allowance of Compensation and Reimbursement of Expenses (the “First Interim Fee Application”) relating to the above-styled bankruptcy cases for the period from February 28, 2012 through May 31, 2012 (the “First Interim Fee Application Period”). In support of this First Interim Fee Application, Applicant shows the Court the following:

1. On February 28, 2012 (the “Petition Date”), the Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code.
2. On March 12, 2012, the United States Trustee appointed the Official Committee of Unsecured Creditors (the “Committee”) in these Chapter 11 cases pursuant to that certain Fourth Amended Appointment of Committee of Unsecured Creditors [Docket Entry No. 141]. No trustee or examiner has been appointed in these Chapter 11 cases.

3. The Debtors are authorized to operate their businesses as debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

4. A description of the Debtors' businesses, the reasons for filing these Chapter 11 cases, and the relief sought from this Court to allow for a smooth transition into operations under Chapter 11 are set forth in the Declaration of Timothy P. Cherry in Support of First Day Motions (the "Cherry Declaration"), which has been filed with the Court [Docket Entry No. 44].

5. On the Petition Date, the Debtors filed their Motion to Establish Procedures for Monthly Compensation and Reimbursement of Expenses of Professionals [Docket Entry No. 39] (the "Monthly Compensation Motion"). On March 26, 2012, this Court approved the Monthly Compensation Motion [Docket Entry No. 206] (the "Monthly Compensation Order").

6. On May 22, 2012, the Debtors filed the Joint Chapter 11 Plan filed by the Debtors and the Plan Sponsor [Docket Entry No. 365] (the "Plan") and the Disclosure Statement to Accompany the Joint Chapter 11 Plan filed by the Debtors and the Plan Sponsor [Docket Entry No. 366] (the "Disclosure Statement").

#### **I. Preliminary Statement**

7. Pursuant to this First Interim Fee Application, Applicant seeks allowance and payment of attorneys' fees and expenses incurred in representing the Debtors during the period from February 28, 2012 through May 31, 2012. Specifically, Applicant seeks approval of interim compensation for attorneys' fees and expenses in the amount of \$798,873.00 in fees and \$16,049.53 in expenses. During the First Interim Fee Application Period, Applicant expended a total of 1,630.8 hours representing the Debtors.

## **II. Background**

8. On February 28, 2012, the Debtors made application to this Court for the approval of the employment of Applicant as their legal counsel in the above-styled cases. By Order entered March 26, 2012, the Court granted approval for the Debtors to employ Applicant as their counsel *nunc pro tunc* to February 28, 2012. The application for employment as Debtors' legal counsel included the affidavit of J. Michael Levengood in support of that application, and a statement of attorney compensation pursuant to Rule 2016(b) of the Federal Rule of Bankruptcy Procedure.

## **III. Applicant's First Interim Fee Application**

9. Applicant makes this First Interim Fee Application pursuant to Sections 330 and 331 of the Bankruptcy Code and Bankruptcy Rule 2016.

10. This Court has jurisdiction over this matter pursuant to 28 U.S.C. § 1334(b). This matter is a core proceeding under 28 U.S.C. § 157(b).

11. By this Application, Applicant submits its invoices in the total amount of \$814,922.50 (\$798,873.00 in fees and \$16,049.53 in expenses) for services performed and expenses incurred during the First Interim Fee Application Period for which Applicant seeks approval as an administrative expense. In accordance with the Monthly Compensation Order, Applicant has received \$655,147.93 in payments during the First Interim Fee Application Period, representing 80% of Applicant's fees and 100% of Applicant's expenses requested. As of the date of this Application, Applicant has an outstanding balance of \$159,774.60 in fees for the First Interim Fee Application Period.

12. Applicant proposes to serve a copy of this Application and the notice of hearing thereon in accordance with the Order Establishing Certain Notice, Case Management and Administrative Procedures [Docket Entry No. 121].

13. Under Section 330 of the Bankruptcy Code, the Court may allow compensation and reimbursement of Applicant's expenses only after notice and hearing. Bankruptcy Rule 2002(a) provides that hearings on applications for compensation and reimbursement of expenses totaling in excess of \$1,000 must be on 21-days notice to parties in interest.

14. All legal services performed by Applicant were performed for and on behalf of the Debtors and not on behalf of any other person or entity.

15. Attached hereto as Exhibit "A" is a breakdown of the hours, hourly rates and fees attributable to the various individuals at Applicant who rendered the services for which compensation is sought in the First Interim Fee Application.

16. Attached hereto as Exhibits "B-1" through "B-3" are copies of Applicant's monthly billing statements for the period covered during the First Interim Fee Application Period. The billing statements sort the time descriptions by Applicant professionals by code, related to the type of projects or tasks reflected in the time entries.

17. Applicant has incurred a total of \$16,049.53 in expenses in connection with its representation of the Debtors during the First Interim Fee Application Period. Expense details are set forth in Exhibits "B-1" through "B-3."

18. In connection with the reimbursement of expenses, it is Applicant's practice to charge its clients in all areas of practice for expenses, other than fixed and routine overhead expenses, incurred in connection with representing its clients. The expenses charged to Applicant's clients include, among other things, telephone and telecopy toll and other charges,

mail and express mail charges, special or hand delivery charges, photocopying charges, out-of-town travel expenses, transportation expenses, expenses for working meals, computerized research and transcription costs. Applicant has charged the Debtors for these expenses at rates consistent with those charged to Applicant's other clients. Attorneys at Applicant have not incurred expenses for luxury accommodations or deluxe meals. Throughout the First Interim Fee Application Period, Applicant has been keenly aware of cost considerations and has tried to minimize the expenses it incurs.

19. In accordance with Section 330 of the Bankruptcy Code, Applicant seeks reimbursement only for the actual cost of such expenses to Applicant. Applicant submits that the expenses incurred during the First Interim Fee Application Period were customary and necessary.

20. The following is a brief summary of the qualifications of the principal professionals from Applicant representing the Debtors for which compensation is sought:

Attorneys:

Gary W. Marsh: Gary Marsh is a partner with the law firm of McKenna Long & Aldridge, LLP, practicing since 1985, whose extensive bankruptcy experience is reflected in the attached curriculum vitae in Exhibit "C."

J. Michael Levensgood: Mike Levensgood is a partner with the law firm of McKenna Long & Aldridge, LLP, practicing since 1980, whose extensive bankruptcy experience is reflected in the attached curriculum vitae in Exhibit "C."

Mark Lange: Mark Lange is a partner with the law firm of McKenna Long & Aldridge, LLP, practicing since 1980, whose extensive tax law experience is reflected in the attached curriculum vitae in Exhibit "C."

Shannon Baxter: Shannon Baxter is counsel with the law firm of McKenna Long & Aldridge, LLP, practicing since 1996, whose commercial lending experience is reflected in the attached curriculum vitae in Exhibit "C."

Bryan E. Bates: Bryan Bates is an associate with the law firm of McKenna Long & Aldridge, LLP, practicing since 2004, whose bankruptcy experience is reflected in the attached curriculum vitae in Exhibit "C."

Jeffrey Phillips: Jeffrey Phillips is an associate with the law firm of McKenna Long & Aldridge, LLP, practicing since 2006, whose corporate law experience is reflected in the attached curriculum vitae in Exhibit "C."

**IV. Activities in the Chapter 11 Case During the Time Period Covered by this Application**

21. The major activities undertaken by Applicant in representing the Debtors during the First Interim Fee Application Period are summarized below, broken down by billing code. The following summary is intended to highlight the primary and most time consuming services rendered by Applicant to or on behalf of the Debtors, and is not meant to be a detailed description of all of the work performed. Detailed descriptions of the day-to-day services provided by Applicant and the time expended performing such services in each project billing category are fully set forth in Exhibits "B-1" through "B-3." The total amount of time spent and fees incurred for each major activity billing code is set forth in Exhibit "D."

- A. Case Administration: Time recorded under this code reflects Applicant's efforts during the First Interim Fee Application Period to engage in the administration of the bankruptcy case, including planning conferences, due diligence, and other general matters that may not directly relate to other billing categories specified herein.
- B. Asset Analysis and Recovery: Time recorded under this code reflects Applicant's efforts during the First Interim Fee Application Period to analyze the Debtors' assets, including the preparation of the Debtors' schedules of assets and liabilities and statements of financial affairs.
- C. Asset Disposition: Time recorded under this code reflects Applicant's efforts during the First Interim Fee Application Period to assist in the disposition of the Debtors' assets through the transactions contemplated in the Plan.

- D. Meetings and Communications with Creditors: Time recorded under this code reflects Applicant's efforts during the First Interim Fee Application Period in communicating and meeting with the Debtors' creditors regarding matters related to the bankruptcy proceedings, specifically including the assertion of claims against the Debtors' estates and matters concerning the Plan.
- E. Fee/Employment Applications: Time recorded under this code reflects Applicant's efforts during the First Interim Fee Application Period in obtaining Court approval of the Debtors' employment of professionals, as well as communications and analysis regarding professional compensation.
- F. Avoidance Action Analysis: Time recorded under this code reflects Applicant's efforts during the First Interim Fee Application Period in assisting the Debtors analyze potentially avoidable transfers of the Debtors' property.
- G. Assumption / Rejection of Leases and Contracts: Time recorded under this code reflects Applicant's efforts during the First Interim Fee Application Period in assisting the Debtors analyze whether to assume or reject the Debtors' executory contracts and leases.
- H. Other Contested Matters: Time recorded under this code reflects Applicant's efforts during the First Interim Fee Application Period in assisting the Debtors with contested matters that may not directly relate to other billing categories specified herein.
- I. Financing/Cash Collections: Time recorded under this code reflects Applicant's efforts during the First Interim Fee Application Period in assisting the Debtors obtain adequate financing.



- J. Tax Issues: Time recorded under this code reflects Applicant's efforts during the First Interim Fee Application Period in assisting the Debtors with analysis regarding tax issues with respect to the Plan.
- K. Claims Administration and Objections: Time recorded under this code reflects Applicant's efforts during the First Interim Fee Application Period in assisting the Debtors with analysis and preparation of bar date and proof of claim materials, communications with parties in interest regarding bar date matters, and analysis of claims asserted against the Debtors.
- L. Plan and Disclosure Statement: Time recorded under this code reflects Applicant's efforts during the First Interim Fee Application Period in assisting the Debtors with reorganization strategies, as well as the preparation of the Plan, Disclosure Statement and related materials.

22. Applicant respectfully represents that the fees and expenses requested to be paid are allowable and reasonable pursuant to the twelve factor test as set forth in Johnson v. Georgia Highway Express, Inc., 488 F.2d 714 (5th Cir. 1974) as well as the amendments to Section 330 of the Code. Those tests and the applicability of each test to the services performed by Applicant in these cases are set forth below:

1. Time and Labor Required:

During the period of February 28, 2012 to May 31, 2012, Applicant expended 1,630.8 hours in the representation of the Debtors at an average hourly rate of approximately \$490. The substance of the time expended is set forth fully in Exhibits "B-1" through "B-3" to this First Interim Fee Application.

2. Novelty and Difficulty of Questions Presented:

The bankruptcy cases thus far have raised certain novel and difficult issues as further described herein and as more fully detailed in the attached invoices.

3. Skill Requisite to Perform Legal Services:

The Debtors selected Applicant as their counsel due to Applicant's considerable experience and reputation in bankruptcy matters and related fields. Applicant respectfully submits its professionals are duly qualified to perform the legal services required by the Debtors.

4. Preclusion of Other Employment Due to Acceptance of the Case:

The amount of time devoted to these cases by Applicant's professionals significantly precluded them from performing other work to the extent of the time devoted to these cases, though it did not preclude Applicant from otherwise taking on other engagements generally.

5. Customary Fees for the Type of Services Rendered:

Applicant respectfully represents that the fees requested herein, including the rates charged by timekeepers as reflected in the attached fee invoices, are within the range of customary fees for the type of services rendered and are based upon the hours actually spent and multiplied by the normal billing rates for work of this nature, and that the billing rates are equal to or less than the hourly rates charged by Applicant in matters where it does not represent a debtor in bankruptcy.

6. Whether the Fee is Fixed or Contingent:

Applicant believes that its fees and expenses in this matter are contingent only to the extent that they are subject to this Court's approval and that there are assets recovered by the estate sufficient to satisfy administrative expenses.

7. Time Limitations Imposed by the Client or the Circumstances:

The time limitations imposed or created by the circumstances of these cases at times required intense work by Applicant under short time-frames.

8. Amounts Involved and Results Obtained:

The Debtors' bankruptcy cases are ongoing, complex matters. Applicant respectfully represents that it has obtained positive results for the Debtors in these cases.

9. Experience, Reputation and Ability of Attorneys:

Applicant respectfully submits that its professionals have reputations as lawyers of the highest quality, and have the experience and skills necessary to be engaged in this matter that presents complex and sophisticated issues.

10. Undesirability of the Case:

Applicant respectfully represents that this factor is not applicable to this proceeding.

11. Nature and Length of Professional Relationship with Client:

Applicant has represented the Debtors since February 28, 2012, solely on matters related to the above-captioned cases. Applicant was first retained by The Cliffs Club & Hospitality Group, Inc., et al. on or about January 5, 2012 in preparation for the Debtors' bankruptcy filings.

12. Awards in Similar Cases:

Applicant respectfully represents that its Application is in keeping with similar applications for the payment of administrative expenses, including attorneys' fees in other cases.

23. Applicant hereby certifies that the Debtors have received and approved the invoices attached to this Application.

24. Attached hereto as Exhibit "E" is the Disclosure Statement of Attorney Compensation required by Bankruptcy Rule 2016(a).

25. Notice of this Application has been given in accordance with the Order Establishing Certain Notice, Case Management and Administrative Procedures [Docket Entry No. 121]. Applicant respectfully submits that no further notice is necessary.

WHEREFORE, Applicant respectfully requests the following relief:

1. That the Court enter an Order substantially in the form attached hereto as Exhibit "F" approving on an interim basis the fees and expenses incurred by Applicant during the First Interim Fee Application Period in the total amount of \$798,873.00 in fees and \$16,049.53 in expenses;
2. That the Court direct the Debtors to pay to Applicant the unpaid amount of such approved fees and expenses; and

3. That the Court grant such other and further relief as the Court deems just and proper.

Dated: June 21, 2012

Respectfully submitted,

/s/ Däna Wilkinson

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