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,	**CHAPTER 11**
	Case No. 12-01220
	Joint Administration Pending
Debtors.	

DECLARATION OF TIMOTHY P. CHERRY IN SUPPORT OF FIRST DAY MOTIONS

STATE OF SOUTH CAROLINA)
) **ss**
COUNTY OF GREENVILLE)

I, Timothy P. Cherry, hereby state and declare as follows:

1. I am the interim President and Chief Executive Officer of The Cliffs Club & Hospitality Group, Inc. and its affiliated debtors in the above-captioned Chapter 11 cases, as the debtors and debtors-in-possession (the "Debtors"). I am generally familiar with the day-to-day operations, business and financial affairs and books and records of the Debtors.

2. I have over thirty-six years of experience in the financial fields, including twenty-seven years in public accounting. My areas of expertise include real estate development, complex tax transactions and planning, mergers and acquisitions, tax controversy, corporate tax

[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 (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).

planning, executive compensation and estate, gift and trust planning. As Chief Financial Officer of The Cliffs Communities, Inc. ("CCI"), I am also familiar with the operations of the many Debtor affiliates, which affiliates are involved in the development of a collection of luxury residential and golf communities in South Carolina and North Carolina generally known as "The Cliffs." I am a graduate of the University of Kentucky and have held a license as a Certified Public Accountant for over 34 years. I am currently licensed as a Certified Public Accountant in South Carolina.

3. On the date hereof (the "Petition Date"), each of the above-captioned debtors and debtors in possession filed their voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District South Carolina (the "Bankruptcy Court").

4. To enable the Debtors to minimize the adverse effects of the commencement of these Chapter 11 cases on their businesses, the Debtors have requested various types of relief in a number of applications and motions (collectively the "First Day Motions"). The First Day Motions seek relief intended to maintain the Debtors' business operations to preserve value for the Debtors, their stakeholders and parties in interest. Each First Day Motion is crucial to the Debtors' reorganization efforts.

5. I make this Declaration in support of the First Day Motions. Any capitalized term not expressly defined herein shall have the meaning ascribed to that term in the relevant First Day Motion. The facts set forth in this declaration are personally known to me, and, if called as a witness, I could and would testify thereto.

I. BACKGROUND

A. The Debtors' Businesses and Their Relationship to the Cliffs Communities

6. Each of the Debtors is owned, directly or indirectly, by CCI. CCI has other subsidiaries or affiliates that are dedicated to the development and sale of residential real estate, unimproved company lots and finished homes at a number of Cliffs communities. CCI and these non-debtor affiliates are generally referred to as the Cliffs development companies or "DevCos" while the Debtors are referred to as the "ClubCos." The Debtors own and operate eight exclusive private membership clubs located in South Carolina and North Carolina focused on golf, tennis, wellness and social activities at eight Cliffs communities. The clubs (individually a "Club" and collectively the "Clubs") are (i) The Cliffs at Glassy Golf & Country Club ("The Club at Glassy"), (ii) The Cliffs Valley Golf & Country Club ("The Club at Cliffs Valley"), (iii) The Cliffs at Keowee Vineyards Golf & Country Club ("The Club at Keowee Vineyards"), (iv) The Cliffs at Walnut Cove Golf & Country Club ("The Club at Walnut Cove"), (v) The Cliffs at Keowee Falls Golf & Country Club ("The Club at Keowee Falls"), (vi) The Cliffs at Keowee Springs Golf & Country Club ("The Club at Keowee Springs"), (vii) The Cliffs at Mountain Park Golf & Country Club ("The Club at Mountain Park"), and (viii) The Cliffs at High Carolina Golf & Country Club ("The Club at High Carolina"). The Club at Walnut Cove and The Club at High Carolina are located in the State of North Carolina. The remaining six Clubs are each located in the State of South Carolina. Construction of the club amenities at six of the eight Cliffs communities is largely complete while construction of the club amenities at two of the Cliffs communities is not.[2] The Debtors' headquarters are located in Travelers Rest, South Carolina.

[2] The golf course at The Club at Mountain Park has been 70% completed while construction of the club house and other amenities there has not. The amenities for The Club at High Carolina are still in the planning stage.

7. The first Cliffs community opened in 1991 and The Cliffs grew to become an award-winning collection of eight premier, private master-planned residential communities, each ultimately to have its own world-class designed golf course, encompassing a total of 23,000 acres that would accommodate over 9,000 units at full build-out. The Cliffs offers a full range of premier-quality products and services for primary and secondary homeowners while preserving the communities in mountain and lakeside surroundings. The Cliffs markets primarily to affluent move-up, pre-retirement and retirement buyers looking for world-class golf and commensurate amenities. The golf courses at The Cliffs have been designed by internationally renowned professional golfers, designers and architects, including Jack Nicklaus, Tom Fazio, Ben Wright, Gary Player, Tiger Woods and Tom Jackson. The Cliffs has invested well over $500 million over the past 20 years to systematically develop and market The Cliffs communities.

8. Throughout all of The Cliffs communities, approximately 3,734 lots have been sold. Although not owned by the Debtors, there are currently 1,384 finished homes, with 63 under construction. The eight Clubs have approximately 2,280 members. There are approximately 766 former members on the resigned lists of the Clubs, with refundable initiation deposits totaling approximately $37,000,000. Pursuant to the Membership Plan for the Clubs,[3] these refunds would be paid only from the initiation deposits of new members, as a result of the

[3] The Cliffs Golf & Country Club, Inc. ("CGCC"), an affiliate of the Debtors that is owned by Jim Anthony, owned the first two Clubs that opened in Cliffs communities, and CGCC managed those Clubs as well as the other Clubs as they opened until 2010 when CGCC conveyed its assets to two ClubCos, and Cliffs Club & Hospitality Service Company, LLC ("ServCo"), one of the ClubCos, began to manage the Clubs. Membership plans have been modified during the past twenty years as additional Clubs have been formed. These membership plans are referred to collectively as the "Membership Plan." After the first two Clubs opened, new entities were formed to own and operate each Club. Under CGCC's management and thereafter, the Debtors have done business as The Cliffs Golf & Country Club. CGCC, prior to April 30, 2010, acted as the manager of the Clubs and entered to contracts on their behalf. For example, when a new Member joins a Club, even when CGCC managed the Clubs, a new Member would contract with CGCC to join the Club which the Member selected as the Member's home club. These transactions were always reflected separately for the Clubs. Consequently, the Debtors have operated with the

(footnote continued on next page)

sale of additional lots, with $100,000 being paid out for each $500,000 received in new member initiation deposits at the Cliffs at Mountain Park, at High Carolina, at Walnut Cove, at Keowee Falls and at Keowee Springs, and with $100,000 being paid out for each $300,000 received in new member initiation deposits at the Cliffs at Glassy, Valley and at Keowee Vineyards. The initiation deposits related to active members total approximately $181,000,000.[4] It is important to note that the Debtors' financial statements state this liability at the full amount of all initiation deposits received, plus the mark-to-market adjustment noted above, instead of at the discounted present value of refunds due 30 years from the initial deposit. Any refund payable before that time is contingent upon the receipt of sufficient cash flow to refund resigned Member deposits, or 30 days after the purchase of the membership in a resale transaction. Accordingly, the actual present value of this liability is less than 10% of the stated amount, in my opinion. Historically, as an industry benchmark, real estate developments offering 30 year refundable initiation deposits pay approximately 4% of the gross amount due from their own funds. The remainder is paid by new members, and is renewed every time a membership transfers with the 30 year period beginning anew. I understand that the Debtors reserve all rights regarding the valuation of these contingent unsecured claims.

9. Through its development, operations, marketing, sales efforts and provision of

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understanding that the membership agreements to which CGCC originally was a party are now held by The Cliffs Club & Hospitality Group, Inc. and the home ClubCo for The Cliffs community where the Member resides.

[4] The Debtors' financial statements reflect an additional "mark- to-market" liability of about $27 million above the $181 million contingent liability to active members representing an estimate of additional amounts that would be due if all Members who joined the Clubs under the "80/20 Plan" sold their property in the current year to buyers who become Members. The 80/20 Plan was available to certain Members who joined the Clubs on or before 1999 . The 80/20 plan provides that such a Member would receive, upon the sale of such Member's property where the buyer of the property acquires the Club membership (indirectly through the Clubs), 80% of the amount of the initiation fee paid by such buyer, regardless of the amount of the initiation fee the Member had originally paid. The mark-to-market liability represents an estimate of the difference between 80% of the initiation fees paid by such Members and 80% of the initiation fees in effect at the end of financial statement reporting period.

services and amenities through The Cliffs, CCI has developed The Cliffs® internationally known brand. The development of the brand allowed CCI to generate revenues from two primary sources: (1) the development and sale of residential real estate, including unimproved company lots and finished homes, and (2) the operation of country clubs, wellness facilities and other amenities for the members of the facilities (the "Members").[5]

10. None of the DevCos have filed bankruptcy petitions at this time. Only the Debtors, those entities dedicated to the operation of country clubs, wellness facilities and other amenities for the Members, have filed voluntary petitions for protection under chapter 11 of the Bankruptcy Code, in order to preserve the value of the operating entities within The Cliffs.

Club Membership Description

11. None of the Debtors own any lots for sale. Upon purchase of a new residential lot at one of the communities from a DevCo entity, the purchaser had the right, within thirty days, to obtain a full golf membership, or anytime thereafter to obtain other types of memberships, and become a Member in exchange for payment of a membership initiation deposit, periodic dues and service fees. The initiation deposits are refundable after 30 years, without interest. At maturity, the refunds are due in full, and the membership then continues. If the membership is acquired by a new purchaser, through the Club, the 30 year period starts again. The purchaser of a resale lot also has the opportunity to acquire a Club Membership and such purchasers from sellers who hold golf memberships may obtain a full golf membership while purchasers from sellers who did not hold golf memberships may obtain other types of Club Memberships. The first refundable initiation deposits were accepted in 1991, and would be refundable in 2021. Such a club membership entitled the Member to use any of the recreational, dining and social facilities

[5] CCI has licensed to the Debtors a non-exclusive right to use its intellectual property.

of any of The Cliffs communities. With each community as close as a 15-minute drive and no more than a 90-minute drive from each other, the proximity provides significant value for purchasing property at The Cliffs that cannot be replicated by other comparable projects. Furthermore, the relative proximity of the properties provides for operational economies of scale not available at "one-off" developments. A club membership is a non-exclusive, revocable license which, as of the Petition Date, costs $100,000 for a refundable initiation deposit, or $50,000 for a non-refundable initiation deposit. By acquiring a club membership, the Member does not acquire any ownership interest in any of the Clubs or its facilities. A Member is prohibited from transferring the club membership to any person, including a purchaser of the Member's property in a resale transaction. Rather, a Member may resign the club membership, at which time the Debtors, pursuant to the Membership Plan, are obligated to refund the amount of the Club Membership as specified in the Membership Plan to the Member.

The Club at Glassy

12. Established in 1991, The Club at Glassy is situated in a beautiful mountain setting on the Cherokee Foothills Scenic Highway in the northwest corner of South Carolina. The Club at Glassy amenities include an 18-hole Tom Jackson golf course, natural areas, hiking trails, wellness center, chapel and 22,000 square-foot clubhouse all of which are located in a 3,500-acre Cliffs community bordered by 12,000 acres of Greenville watershed property and protected forests. The Cliffs at Glassy community includes approximately 1,000 single-family residential lots. Nearly 95% of the platted lots at the Cliffs at Glassy have been sold as of the Petition Date. The number of full and part time associates employed at The Club at Glassy ranges, on a seasonal basis, between 68 and 88. The Club at Glassy currently has 459 Members.

The Club at Cliffs Valley

13. Established in 1994, The Club at Cliffs Valley is situated along the southernmost edge of the Blue Ridge Mountains, upon a picturesque terrain of rolling hills. Known for its 18-hole, Parkland-style golf course designed by world-renowned golf architect, Ben Wright and its 15,000 square-foot wellness center and 28,000 square-foot clubhouse, The Club at Cliffs Valley enhances an exclusive golf course living experience. As of the Petition Date, of the 900 total lots scheduled to be platted in the Cliffs Valley community, 860 have been platted and, of those, nearly 90% have been sold. The number of full and part time associates employed at The Club at Cliffs Valley ranges, on a seasonal basis, between 85 and 112. The Club at Cliffs Valley currently has 486 Members.

The Club at Keowee Vineyards

14. The Club at Keowee Vineyards was established in 1997 in the oldest and most mature of the three Cliffs at Keowee communities that span the Lake Keowee shoreline. Similar to The Club at Keowee Springs, The Club at Keowee Vineyards includes an 18-hole Tom Fazio-designed golf course. Additional amenities include tennis courts, a clubhouse/restaurant, a Lake house, hiking trails and a private marina, a marina market and equestrian center. Since the founding of the Cliffs at Keowee Vineyards community, 634 platted home sites have been developed, with more sites projected for the remaining undeveloped land. Over 550 lots have been sold at the Cliffs at Keowee Vineyards as of the Petition Date. The number of full and part time associates employed at The Club at Keowee Vineyards ranges, on a seasonal basis, between 69 and 86. The Club at Keowee Vineyards currently has 375 Members.

The Club at Walnut Cove

15. The Club at Walnut Cove, just minutes from downtown Asheville, NC, is home to

a Jack Nicklaus Signature Course, a wellness center featuring an indoor lap pool, state-of-the-art fitness equipment, an outdoor pool, sauna and tennis courts surrounded by a private, residential golf community that spans nearly 1,300 acres of dense forests, interspersed with meadowlands and streams on the border of the Pisgah National Forest. Sales of single-family lots in the Cliffs at Walnut Cove began in the summer of 2002, with 82 home sites being presold at an aggregate sales price of $36,262,900 or $442,270 per lot on average. As of the Petition Date, 70.6% of the platted lots in the Cliffs at Walnut Cove have been sold. The number of full and part time associates employed at The Club at Walnut Cove ranges, on a seasonal basis, between 55 and 78. There are currently 328 Members in The Club at Walnut Cove.

The Club at Keowee Falls

16. The Club at Keowee Falls is located in the Cliffs at Keowee Falls South which sits on over 2,500 acres of land. Amenities of the Club at Keowee Falls include a Jack Nicklaus-designed 18-hole course, a clubhouse and restaurant that sit atop the mountain, and hiking trails. Members also have access to Keowee Towne, a small commercial village that includes a wellness center, a gourmet grocer now closed for the season, The Market at Keowee Town, and a hardware store. Of the 950 total lots scheduled to be platted in The Cliffs at Keowee Falls South community, 565 have been platted, and of those platted lots, nearly 75% have been sold as of the Petition Date. Title to the land planned for certain of the amenities and to the tennis courts at The Club at Keowee Falls is vested in one of the DevCo affiliates of the Debtors as of the Petition Date. The number of full and part time associates employed at The Club at Keowee Falls ranges, on a seasonal basis, between 57 and 82. There are currently 286 Members of The Club at Keowee Falls.

The Club at Keowee Springs

17. The Club at Keowee Springs contains a Tom Fazio-designed 18-hole golf course, a beach club and a golf training center, currently leased by the PGA Tour Academy. Additional planned amenities for The Club at Keowee Springs include tennis courts, a clubhouse/restaurant, hiking trails and a private marina. The Cliffs at Keowee Springs community sits on over 1,500 acres of land and is platted for 473 home sites with more than 220 additional sites scheduled for development. Established in 2004, Keowee Springs has sold 244 home sites—more than 50% of its total platted lots—as of the Petition Date. The number of full and part time associates employed at The Club at Keowee Springs ranges, on a seasonal basis, between 23 and 45. There are currently 144 Members of The Club at Keowee Springs.

The Club at Mountain Park

18. The Club at Mountain Park will contain a Gary Player-designed golf course, which is approximately 70% complete. Other planned Club amenities including a clubhouse, garden and nature center, swimming pools, tennis courts, wellness and fitness centers, a lake pavilion, a children's adventure center and hiking trails. The Club is located in The Cliffs at Mountain Park which, in turn, is situated amidst over 5,000 acres of rolling terrain at the edge of the Blue Ridge Mountains in the Western Carolinas, between Asheville, North Carolina and Greenville, South Carolina. Mountain Park entered the initial phase of development in the latter part of 2006. As of the Petition Date, 61% of the approximately 400 platted lots at Mountain Park have been sold. The master plan for this development includes approximately 1,500 lots over the 5,000 acres after all development is completed. The number of full and part time associates employed at The Club at Mountain Park ranges, on a seasonal basis, between 10 and 18. The Club at Mountain Park currently has 172 Members.

The Club at High Carolina

19. In November 2007, CCI and Tiger Woods Design entered into an agreement whereby professional golfer Tiger Woods would design his first North American signature golf course at The Club at High Carolina in a 1,000-acre community master-planned for approximately 1,200 homes in Buncombe County, North Carolina. CCI began acquiring land for this development in 2004, commenced development in 2006 and began marketing the lots starting in 2008. The Cliffs at High Carolina remains in the initial stages of development and is the newest of the eight Cliffs communities. The primary road through the project is partially graded with a gravel base, and numerous secondary roads are at a similar stage of development and some utilities have been installed. As of the Petition Date, less than 10% of the lots at The Cliffs at High Carolina have been platted, and 37 lots have been sold. Title to the land planned for the golf course and club amenities is vested in one of the DevCo affiliates of the Debtors as of the Petition Date. There are no full or part time associates employed at The Club at High Carolina. The Club at High Carolina currently has 31 Members.

Corporate Structure

20. The ClubCos are one of five divisions of CCI which is the parent holding company of multiple qualified sub-chapter S subsidiaries and single-member limited liability companies. Each of CCI's subsidiaries represents specific communities, development companies, golf and country clubs and support organizations. CCI is owned by James B. Anthony ("Jim Anthony"), who owns 79.12%; Victoria Anthony, who owns 0.80%; Cliffs Tradition, LLC, which owns .08%; and an Employee Stock Ownership Plan trust (the "ESOP"), which owns 20.00%. CCI is governed by a Board of Directors. Mr. Anthony serves as the Chairman of the Board of Directors, as well as the President of CCI.

21. CCI's organizational divisions primarily fall into one of five categories: (a) the

Commercial Properties Division; (b) the Real Estate Sales & Marketing Division; (c) the Development Division; (d) the Operations Division; and (e) the Club Division or the ClubCos. The Debtors solely comprise the ClubCos, and as subsidiaries of CCI own, with limited exceptions, or lease (with the right to purchase or assume leases) all of the core amenities necessary for the operation of the Clubs at Walnut Cove, Mountain Park, Glassy, Valley, Keowee Springs, Keowee Vineyards and Keowee Falls -- the Debtors do not currently own any property at High Carolina, including all golf courses, practice areas, clubhouses, wellness centers, pools, tennis courts, pavilions, nature centers, restaurants, an equestrian center and other clubhouse amenities. Furthermore, one of the Debtors is Cliffs Club & Hospitality Service Company, LLC ("ServCo"), which employs the personnel who operate the amenities at the Clubs and provides administrative support to the other Debtors. For example, all but one of the Debtors' bank accounts are in the name of ServCo which collects the revenues of the Debtors, pays the payroll expense of the personnel who operate the amenities for the Debtors and processes and pays accounts payable for the Debtors.

22. ServCo employs about 400 people during the low season and about 560 people during the high season. There are between 40 and 50 administrative staff, including accounting, membership, purchasing, maintenance, human resources and information technology personnel who support the ClubCo operations for all of the Clubs, depending on the season.

23. None of CCI's other organizational divisions is included in these bankruptcy cases, and no liability or secured debt obligation of CCI or any of its other subsidiaries is contemplated or affected in these bankruptcy cases. The descriptions of the debts set forth below relate solely to the obligations of the Debtors.

B. Existing Debt

Senior Secured Debt

The Indenture

24. The Debtors' principal senior secured liabilities consist of $64,050,000 in the aggregate principal sum, plus accrued interest, owing to the holders (collectively, the "Note Holders") of those certain Series A Notes due 2017 (the "Series A Notes") and those certain Series B Notes due 2017 (the "Series B Notes" together with the Series A Notes, collectively, the "Notes") issued in connection with that certain Indenture dated as of April 30, 2010 (as in effect on the date hereof, the "Indenture"), by and among The Cliffs Club & Hospitality Group, Inc., the Guarantors (as defined in the Indenture), the Note Holders and Wells Fargo Bank, National Association, as trustee (in such capacity, the "Indenture Trustee"), and all promissory notes, security instruments and collateral and ancillary documents referenced therein or associated therewith are held by Wells Fargo Bank, National Association, as Collateral Trustee.

25. Under the Indenture, there are two series of Notes, the Series A Notes which were issued in the original principal amount of $39,800,000 and the Series B 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 as the "Note Obligations". In order to secure the Note Obligations (among other obligations), The Cliffs Club & Hospitality Group, Inc. and each of the ClubCo guarantors granted to the Collateral Trustee a security interest in and a continuing lien on all of their right, title and interest in, to and under all of their personal property (the "Personal Property Collateral") pursuant to a Pledge and Security Agreement dated as of April 30, 2010. In addition, certain of the Debtors granted a mortgage, deed of trust, or leasehold mortgage as applicable (collectively, the "Mortgages") to the Collateral Trustee (collectively, the "Real Property Collateral") to secure the Note Obligations,

among other obligations. Together, the Personal Property Collateral and the Real Property Collateral, are referred to as the "Prepetition Note Collateral". In addition to the Note Obligations, as provided in the Collateral Trust Agreement dated April 30, 2010 (the "Collateral Trust Agreement"), the Prepetition Note Collateral also secures on a subordinated basis certain membership deposit obligations (as defined in the Collateral Trust Agreement) owed to the Note Holders.

26. Further, payment of the Note Obligations was guaranteed jointly and severally by CCHG Holdings, Inc., each of The Cliffs Club & Hospitality Group, Inc. subsidiaries, and James B. Anthony, individually, pursuant to Article X of the Indenture. Collectively, the Indenture, the Notes, the Pledge and Security Agreement, the Mortgages, the Collateral Trust Agreement, and any other documents related to the Notes are referred to as the "Note Documents".

27. ServCo, which was not initially a guarantor under the Indenture, in September of 2011 executed signature pages that were attached to the Indenture, to the Collateral Trust Agreement and to the Pledge & Security Agreement. The other Debtors executed the Indenture, the Collateral Trust Agreement and the Pledge & Security Agreement on or about April 30, 2010. UCC-1 Financing Statements regarding each of the Debtors have been filed and those Debtors that own real property executed mortgages or deeds of trust that were recorded, all more than ninety days before the commencement of these Chapter 11 cases. Except as provided in the immediately succeeding sentence, Debtors' obligations under the Indenture are secured by a first priority security interest in substantially all of the Debtors' assets, which pre-petition security interest is subordinate only to liens granted with respect to the Prepetition Bridge Loan Agreement and the Amended and Restated Prepetition Bridge Loan Agreement, described below. TCF Equipment Finance, Inc. and VGM Financial Services, a division of TCF

Equipment Finance, Inc., hold perfected liens on the accounts, money, general intangibles, instruments, documents and chattel paper of The Cliffs Club & Hospitality Group, Inc. that are superior to the Indenture Trustee to secure that Debtor's guaranty of certain equipment lease obligations of six of its subsidiaries.

28. As of the Petition Date, the aggregate outstanding principal and accrued interest under the Indenture is approximately $72,222,780.

Bridge Loan

29. The Debtors' additional senior secured liabilities consist of approximately $2,000,000 owing with respect to that certain Agreement Relating to Bridge Loan executed by the Indenture Trustee, The Cliffs Club & Hospitality Group, Inc., and SP 50, on or about January 31, 2012 (as in effect on the date hereof, the "Prepetition Bridge Loan Agreement"); together with that certain Amended and Restated Agreement Relating to Bridge Loan executed by the Indenture Trustee, The Cliffs Club & Hospitality Group, Inc., and SP 50, on or about February 21, 2012 (as in effect on the date hereof, the "Amended and Restated Prepetition Bridge Loan Agreement"); and all promissory notes, security instruments and collateral and ancillary documents referenced therein or associated therewith.

30. The Debtors' obligations under the Prepetition Bridge Loan Agreement and the Amended and Restated Prepetition Bridge Loan Agreement have a priority right to repayment out of the trust administered by the Indenture Trustee.

31. As of the Petition Date, the aggregate outstanding principal and accrued interest under the Prepetition Bridge Loan Agreement and the Amended and Restated Prepetition Bridge Loan Agreement is approximately $2,000,000.

Other Secured Obligations

32. The Debtors directly or indirectly lease machinery and equipment such as golf

carts, golf course maintenance equipment, copiers, containers and modular spaces under various secured leasing agreements.

Claims Asserted Against the Debtors

33. As of the Petition Date, approximately $1,460,000 in mechanics lien claims have been asserted against the Debtors.

34. As of the Petition Date, more than $4,000,000 in litigation and potential litigation claims have been asserted against the Debtors, some of which are unliquidated claims and most which the Debtors dispute.

Deposits Owing to Resigned Members, and Contingent Deposits Owing to Current Members

35. As set forth above, upon the resignation of any Member, the Debtors are obligated refund the amount of the club membership to the Member, pursuant to the Membership Plan.

36. As of the Petition Date, the Debtors owe, on a contingent basis, approximately $37,000,000 in club membership refunds to resigned Members.

37. As of the Petition Date, the Debtors owe, on a contingent basis, approximately $181,000,000 in face amount of potential club membership refunds to current Members, should any current Members elect to resign their memberships.[6] As noted in Paragraph 8 above, the estimated current fair market value of these Membership refunds is less than $18,000,000, in my opinion.

38. As of the Petition Date, the Debtors show a liability for dues prepayments and credits in the amount of approximately $6,600,000.

[6] See, supra, footnote 4 and Paragraph 8.

Additional Accounts Payable and Accrued Expenses

39. As of the Petition Date, the Debtors have accounts payable of approximately $4,300,000 (not including mechanics' liens listed in paragraph 33) that are due and payable and other accrued expenses (not including interest accrued under the Notes that is included in paragraph 28 above or taxes included in paragraph 40 below) in the approximate amount of $1,400,000 not yet due and payable, all of which have arisen in the ordinary course of the Debtors' businesses.

40. As of the Petition Date, the Debtors owe approximately $1,100,000 in unpaid real property taxes.

C. Events Leading to Chapter 11

41. Debt historically plays a large role in the development and sale of real estate. As a result of the prolonged recession in the high-end real estate market, beginning in 2008, CCI began to look for replacement debt as banks and traditional lenders withdrew from the marketplace because of governmental regulations and the overall U.S. and global recession. CCI, over the last two years, has engaged five different investment banking groups (Trilyn, LLC, a boutique real estate group, the Sonnenblick Goldman division of Cushman Wakefield, KPG Investments, LLC, the Carl Marks Advisory Group and Carlton, LLC) to run a process to identify potential investors and to facilitate the infusion of new capital as debt, equity or both, into the CCI entities. Those investment banking groups, through the course of time, led to the execution of over 40 nondisclosure agreements or led to significant business discussions with the various parties, see attached Exhibit "A". Other than the parties listed under the Column entitled "ClubCo Negotiations" on the attached Exhibit "A," no interested parties ultimately emerged from any of these groups, and the current interested investors listed under ClubCo Negotiations have all come from other business relationships.

42. Additionally, the sale of certain notes owed by certain DevCos (but not the ClubCos) to The National Bank of South Carolina by that bank on December 31, 2010 to a third party, and that third party's inability to fund capital commitments have further exacerbated this situation, creating uncertainty in the marketplace and a decline in sales of lots by the DevCos. Additionally, the third party, Urbana Communities, has been named in a lawsuit filed by one of the DevCo affiliates, alleging certain improprieties in several matters, including the transaction with the bank when the notes were initially purchased. DevCo affiliates have also filed lis pendens on certain lots owned by Urbana Communities, which has further slowed the sale of lots in the Cliffs communities, thereby depressing the number of new members for ClubCo.

43. The Debtors have faced severe liquidity pressures that precipitated the decision to commence these bankruptcy cases. The Debtors' revenues and liquidity have been severely impacted by the overall slowdown in the United States economy and real estate market. As a result, the Debtors have experienced a slower than anticipated sales pace of club memberships, reduced utilization of club facilities, difficulty in servicing their existing debt, difficulty in obtaining additional or replacement financing, and challenges in funding the completion of planned club amenities and the renovation of existing amenities.

44. The Debtors have undertaken drastic cost-cutting measures in an attempt to curb their accelerating cash shortfall. Construction at High Carolina, including the Tiger Woods-designed golf course, has been temporarily halted, as well as at the Gary Player-designed golf course at Mountain Park. Additionally, in the months leading up to the Petition Date, the Debtors engaged in various rounds of employee reductions. Yet, these actions have proved insufficient. The Debtors' deteriorating financial condition has left the Debtors with no choice but to seek relief under chapter 11 of the Bankruptcy Code by filing the Petitions.

45. For the fiscal year ending December 31, 2011, the Debtors' consolidated financial statements reflect $29,000,000 in revenue, assets of $175,000,000 at book value, and liabilities of $333,000,000. Included in these liabilities are the full amounts of all refundable membership initiation deposits, regardless of the fact that these liabilities are only payable in the future, without interest, and only when certain cash flow and other requirements are met, or with the lapse of the 30 year refund period, as noted elsewhere.

Restructuring Initiatives and Outlook for the Future

46. Beginning in August, 2011, the Debtors began an intensive process to locate a "stalking horse' for the purchase of the Debtors' assets. The Debtors negotiated with, among other parties, Reed Development, Arendale Holdings, the Advisory Board of Note Holders and Carlile Development Group. ("Carlile"). The Board of Directors of the Debtors after a thorough and deliberative process selected Carlile as its "stalking horse" and executed a term sheet which is attached hereto as Exhibit "B" (the "Term Sheet"). Pursuant to the Term Sheet, through a confirmed plan of reorganization, it is contemplated that the Debtors will: (i) transfer substantially all of their assets (other than avoidance actions and certain other causes of action) to Carlile subject to existing liens in favor of the Indenture Trustee and free and clear of all other liens, claims and encumbrances; (ii) Carlile will assume the principal outstanding on the senior secured notes on restructured terms; (iii) all administrative expenses and priority claims will be paid in full; (iv) any valid undisputed Mechanics or Materialman's liens will be paid in full over time by Carlile; (v) any valid undisputed trade unsecured claims (other than Member claims) will be paid pro rata and in the aggregate 75% over time by Carlile; (vi) executory contracts of Members will be rejected and all current and former Members, in good standing, will be invited to join a new club upon paying a transfer fee and dues on a go forward basis; (vii) a litigation

trust will be established holding $100,000 cash and the Debtors' avoidance actions and certain causes of action for payment of member claims for the benefit of those members who do not elect to join the new club; and (ix) all equity interests in the Debtors will be extinguished.

47. The transaction described in the Term Sheet is subject to higher and better offers in this bankruptcy case pursuant to bid procedures to be approved by the Bankruptcy Court, and the payment of a "break up" fee to Carlile.

48. I understand that Carlile, and other interested investors, are currently in discussions with various secured creditors of different DevCo entities about the potential acquisition of specific real estate collateral, including lots and undeveloped land in the Cliffs communities.

49. The Debtors' goal in these chapter 11 cases is to propose and obtain confirmation by the Bankruptcy Court of a plan of reorganization, consistent with the Term Sheet or such higher of better offer as the Debtors may accept, permitting continued sustainable ongoing business operations for the benefit of their stakeholders and parties in interest. The Debtors have secured additional debtor-in-possession financing from Carlile Development Company, LLC (the "DIP Lender") in connection with their bankruptcy filings.

50. Without such additional financing, the Debtors believe that their operations will cease in the near term, resulting in significant loss of value to all of their stakeholders and parties in interest. With such additional financing in place, however, the Debtors believe that they can continue operations and institute improved operations. Consistent with these plans, the Debtors have presented a thirteen week budget cash projection to the Indenture Trustee and to the DIP Lender.

51. During the chapter 11 process, the Debtors intend to continue normal operations

as they complete their operational and financial restructuring for the benefit of their creditors, stakeholders and all other parties in interest.

II. FIRST DAY MOTIONS AND APPLICATIONS

52. Concurrently with the filing of their Chapter 11 petitions, the Debtors are filing certain applications, motions, and proposed orders. The Debtors request that the relief described below be granted, as each request constitutes a critical element in achieving the successful rehabilitation and restructuring of the Debtors for the benefit of all parties in interest.

53. Concurrently with the filing of these chapter 11 cases, the Debtors filed the First Day Motions, which request various forms of relief. Generally, the First Day Motions have been designed to meet the Debtors' goals of: (a) continuing their operations in chapter 11 with as little disruption and loss of productivity as possible; (b) maintaining the confidence and support of their employees, vendors, suppliers and service providers during the Debtors' reorganization process; (c) establishing procedures for the smooth and efficient administration of these chapter 11 cases; and (d) obtaining the necessary financing through cash collateral usage and a $7,500,000 debtor in possession loan to finance the Debtors' operations during these Chapter 11 cases.

54. I have reviewed and discussed with Debtors' counsel each of the First Day Motions filed contemporaneously herewith (including the exhibits thereto and supporting memoranda) and incorporate by reference any factual statements set forth in the First Day Motions. It is my belief that the relief sought in each of the First Day Motions is tailored to meet the goals described above and, ultimately, will be critical to the Debtors' ability to achieve a successful reorganization.

55. It is my further belief that, with respect to those First Day Motions requesting the authority to honor prepetition obligations, the relief requested is essential to the Debtors'

reorganization and necessary to avoid immediate and irreparable harm to the Debtors. Any diminution in the Debtors' ability to maintain their operations in the ordinary course will have an immediate and irreparable harmful effect on the going concern value of the Debtors' estates to the detriment of all of the Debtors' constituencies.[7]

A. Motion for Joint Administration of the Debtors' Bankruptcy Cases

56. The Debtors commenced the eleven (11) Chapter 11 cases captioned above by filing the appropriate petitions with this Court. The Debtors are "affiliates" as that term is defined in section 101(2) of the Bankruptcy Code. By this motion, pursuant to Bankruptcy Rule 1015(b), the Debtors request entry of an order directing the joint administration of their Chapter 11 cases for procedural purposes only. Because of the administrative relationship of the Debtors and the similarity of their creditor constituencies, the relief requested herein is in the best interests of the Debtors' estates and will lessen the administrative costs of these Chapter 11 cases.

57. The Debtors believe that these cases should be administered jointly because the business operations of the Debtors are related and have common ownership. Entry of an order directing joint administration of these cases will obviate the need for duplicative notices, applications and orders, and thereby save considerable time and expense for the Debtors and their estates.

58. The Debtors request that one file and one docket be maintained for all of the jointly administered cases, which file and docket should be the file and docket established for the case of the corporation, In re: The Cliffs Club & Hospitality Group, Inc., *et al.*

[7] Unless otherwise defined herein, any capitalized term used herein shall have the meaning ascribed thereto in the particular motion described below.

59. I believe that the relief requested in this motion is in the best interests of the Debtors' estates and creditors, is both necessary and appropriate to the efficient administration of these Chapter 11 cases, and is critical to the Debtors' reorganization efforts.

B. Motion to Approve Use of Cash Collateral

60. By this motion, the Debtors respectfully request the entry of the Interim Order for authority to use Cash Collateral, consistent with the terms set forth in the Interim Order attached to the motion as Exhibit A, until the entry of the Final Order authorizing the Debtors to use Cash Collateral (the "Interim Period"), to grant adequate protection to the Prepetition Secured Parties for such use, and schedule the Final Hearing, pursuant to Bankruptcy Rule 4001(b), to consider entry of the Final Order authorizing the Debtors to use Cash Collateral during the administration of these bankruptcy cases. The use of Cash Collateral, coupled with debtor-in-possession financing that is the subject of a separate motion filed contemporaneously herewith, will provide the Debtors with the necessary capital, for which an immediate and critical need exists, to operate their businesses, pay their employees, maximize value and pursue reorganization.

61. Under section 363(c)(2) of the Bankruptcy Code, a debtor may not use cash collateral unless "(a) each entity that has an interest in such cash collateral consents; or (b) the court, after notice and a hearing, authorizes such use in accordance with the provisions of this section." 11 U.S.C. § 363(c)(2). The Indenture Trustee has consented to the use of Cash Collateral on the terms set forth in the motion and in the Interim Order. The Debtors require the use of the Cash Collateral to fund their day-to-day operations. Indeed, absent such relief, the Debtors' businesses would be brought to an immediate halt, with damaging consequences to the Debtors and their estates and creditors. As more fully described in the motion, the interests of the Prepetition Secured Parties in the Cash Collateral will be protected by the adequate protection set forth in the motion and in the Interim Order.

62. The Debtors have an emergency need for the immediate use of the Cash Collateral to, among other things, maintain ongoing day-to-day operations and fund their working capital needs. The Debtors believe that the proposed adequate protection, as described in the motion, is sufficient to protect any diminution in the value of the Prepetition Secured Parties' claims, obligations, and collateral interests, and are fair and reasonable. Additionally, to the extent the Debtors are prohibited from using Cash Collateral, it is likely that the Debtors would be forced to cease operations, thus destroying the going concern value of their estates and harming all constituencies, including the Prepetition Secured Parties.

63. The Debtors request authorization to use Cash Collateral on an interim basis in accordance with the budget attached as Schedule 1 to the Interim Order (the "DIP Budget"). Absent access to the Cash Collateral, and the proceeds from the DIP Facility, the Debtors are without adequate funds with which to operate. Thus, the Debtors must request interim authorization to use Cash Collateral on an emergency basis. The Debtors require the interim use of Cash Collateral to pay for any and all payments on account of prepetition obligations authorized by the Court, such as payroll and taxes, to meet their postpetition payroll obligations and salaries, and to pay operating expenses, general and administrative expenses, postpetition insurance and taxes, and other essential costs and expenses. The Debtors' failure to timely pay such items would result in immediate and irreparable harm to their estates.

64. I believe that the relief requested in this motion is in the best interests of the Debtors' estates and creditors, is both necessary and appropriate to the efficient administration of these Chapter 11 cases, and is critical to the Debtors' reorganization efforts.

C. Motion to Approve Debtor in Possession Financing

65. By this motion, the Debtors request the authority to enter into the DIP Facility, pursuant to the terms of the motion, the DIP Orders, and the DIP Credit Agreement. Pending

entry of the Final Order, the Debtors request that the Court authorize the Debtors, on an interim basis, to borrow up to $3 million of the $7.5 million pursuant to the terms and conditions of the DIP Facility. Moreover, the Debtors request that the Court approve the proposed notice of the Final Hearing and the adequacy of the proposed service thereof, and schedule the Final Hearing.

66. The Debtors lack sufficient unencumbered funds with which to operate and maintain their businesses and assets during the pendency of these Chapter 11 cases. The Debtors' ability to satisfy critical operating expenses is essential to the Debtors' ability to maintain their asset values. Accordingly, the Debtors have an immediate need for debtor-in-possession financing, coupled with the use of cash collateral that is the subject of a separate motion filed contemporaneously herewith.

67. To provide the Debtors with the funding necessary to fulfill their administrative and operational obligations throughout the duration of these Chapter 11 cases, the Debtors require a postpetition lending facility. In exploring their options, the Debtors recognized that the obligations owed to the Debtors' prepetition senior secured parties, including the Indenture Trustee, are secured, in whole or in part, by all of their assets, and therefore, (i) the liens of the Indenture Trustee would have to be primed to obtain postpetition financing, (ii) the Debtors would have to find a postpetition lender willing to extend credit that would be junior to the liens of the Indenture Trustee or (iii) postpetition financing would have to be extended on an unsecured basis.

68. As set forth in the DIP Credit Agreement and the Interim Order, the Prepetition Secured Parties have consented to the priming of their liens in accordance with the terms of the Interim Order. Ultimately, the Debtors concluded that the DIP Credit Agreement proposed by the DIP Lender is desirable because, among other things, the DIP Credit Agreement permits the

Debtors to secure the postpetition financing required for their reorganization.

69. A comparison of the DIP Lender's proposal to the postpetition facilities obtained by other comparable debtors shows substantial similarities, particularly with respect to pricing and fees.

70. Importantly, the DIP Credit Agreement provides that the Debtors may draw funds immediately (on an interim basis) to meet their administrative and operational obligations during these Chapter 11 cases. Finally, because the DIP Lender is one of the parties to the Prepetition Bridge Loan Agreement, it has a substantial base of knowledge with respect to the Debtors' businesses and assets that provide significant benefits, including, but not limited to, the speed with which it would be able to close the proposed DIP Facility. Consequently, the Debtors determined that the DIP Lender's proposed postpetition financing is the best financing option available under the circumstances.

71. The Debtors and the DIP Lender engaged in vigorous and extensive arms'-length negotiations with respect to the terms and conditions of the DIP Credit Agreement. Indeed, the Debtors estimate that over fifty (50) hours were spent in face-to-face meetings and conference calls, and numerous e-mails and other forms of communications were directed between the parties.

72. Approval of the DIP Credit Agreement will provide the Debtors with immediate and ongoing access to borrowing availability to pay the Debtors' current and ongoing operating expenses, including postpetition wages and salaries, and utility and vendor costs. Unless these expenditures are made, the Debtors would be forced to cease operations, which would result in irreparable harm to their businesses and going concern value and would jeopardize the Debtors' ability to reorganize. The Debtors' reorganization depends in large part on maintaining and/or

restoring customer and employee confidence and maintaining the operation of their businesses as they restructure. Accordingly, the Debtors have an immediate need to access the DIP Facility in order to, among other things, permit the orderly operation of their businesses by timely procuring and paying vendors, providing customer care and paying the employees at their facilities, thereby maximizing recoveries for the Debtors' stakeholders. The Debtors believe that such financing, coupled with the use of cash collateral, will enable them to stabilize operations and ultimately, in conjunction with a reorganization, restore their profitability. Accordingly, the timely approval of the relief requested in the motion is imperative.

73. The terms and conditions of the DIP Facility are fair and reasonable, and were negotiated extensively by well-represented, independent parties in good faith and at arms' length. Accordingly, the DIP Lender and all obligations incurred under the DIP Facility should be accorded the benefits of section 364(e) of the Bankruptcy Code.

74. I believe that the relief requested in this motion is in the best interests of the Debtors' estates and creditors, is both necessary and appropriate to the efficient administration of these Chapter 11 cases, and is critical to the Debtors' reorganization efforts.

D. Motion for Authorization to Continue Using Existing Centralized Cash Management System and Maintain Existing Bank Accounts

75. By this motion, the Debtors seek entry of an order, pursuant to sections 105(a) and 363 of the Bankruptcy Code, authorizing (a) the continued maintenance and use of the Debtors' existing cash management system, (b) the continued maintenance and use of the Debtors' existing bank accounts, (c) the continued use of existing business forms and checks, and (d) a waiver of investment and deposit requirements.

76. Before the commencement of these Chapter 11 cases, the Debtors used independent cash management systems to collect, transfer and disburse funds generated by their

operations and to accurately record all such transactions as they are made (collectively, the "Cash Management System") in the ordinary course of business.

77. The Cash Management System consists primarily of seven (7) active bank accounts at The National Bank of South Carolina ("NBSC"), Bank of Travelers Rest, and Park Sterling Bank (CapitalBank) utilized by the Debtors through which the Debtors are able to manage cash receipts and disbursements (collectively, the "Bank Accounts"). The Bank Accounts at NBSC and Park Sterling Bank (CapitalBank) are held in the name of The Cliffs Club & Hospitality Service Company, LLC, which is the service company Debtor entity that employs the personnel who operate the amenities at the Debtors' clubs, and which Debtor entity operates and manages the Debtors' Cash Management System for the benefit of all the Debtors. The Bank Account at Bank of Travelers Rest is held in the name of The Cliffs at Walnut Cove Golf & Country Club, LLC, which account is denominated as a petty cash account used in connection with the operations of that facility, from which checks are drafted to North Carolina vendors for liquor purchases. A schedule of the Bank Accounts maintained by the Debtors, including the names and addresses of the institutions, the general purpose of the Bank Accounts, and the Bank Account numbers, is attached as Exhibit A to the motion.

78. The Debtors' Cash Management System involves an integrated network of separate accounts to manage and control receipts and disbursements. The Cash Management System is centralized at the Debtors' corporate offices and allows the Debtors, through the use of accounting software, to track their cash situation on a daily basis. The Debtors' Cash Management System is similar to those commonly employed by corporate enterprises of comparable size and scope. The Debtors' Cash Management System enables the Debtors' management to quickly and accurately create reports on the status, location and availability of

funds and helps to facilitate the movement of such funds.

79. Specifically, in the ordinary course of business, the Debtors maintain two operating accounts, one at NBSC and one at Capital Bank (the "Operating Accounts"), from which the Debtors pay operating expenses and into which the Debtors deposit payments received in the ordinary course of business. The Debtors maintain two payroll accounts, one at NBSC and one at Capital Bank (the "Payroll Accounts"), to pay all of their employees. The Debtors maintain two credit card accounts, one at NBSC and one at Capital Bank (the "Credit Card Accounts"), in which to deposit payments received from credit card transactions. The Credit Card Account at NBSC is designated as a credit card control account, and the Credit Card Account at Capital Bank is designated as a credit card sweep account. Finally, the Debtors maintain a petty cash account at the Bank of Traveler's Rest.

80. In sum, the Debtors' Cash Management System allows for (a) overall corporate control of funds, (b) cash availability when and where needed by the Debtors, and (c) the reduction of administrative costs through a method of coordinating funds collection and movement. The Debtors' smooth transition into, and out of, Chapter 11 depends on their ability to maintain these Bank Accounts and operate this Cash Management System without interruption. The Cash Management System allows the Debtors to manage all of their cash flow needs and includes the necessary accounting controls to enable the tracing of funds through the system to ensure that all transactions are adequately documented and readily ascertainable. The Debtors will continue to maintain detailed records reflecting all transfers of funds. The cash management procedures utilized by the Debtors constitute ordinary, usual and essential business practices and are similar to those used by other major corporate enterprises.

81. The operation of the Debtors' businesses requires that the Cash Management

System continue during the pendency of these Chapter 11 cases. Requiring the Debtors to adopt a new, segmented cash management system at this early and critical stage of these Chapter 11 cases would be expensive, would create unnecessary administrative problems, and would be much more disruptive than productive. Any such disruption could have an adverse impact upon the Debtors' ability to reorganize.

82. I believe that the relief requested in this motion is in the best interests of the Debtors' estates and creditors, is both necessary and appropriate to the efficient administration of these Chapter 11 cases, and is critical to the Debtors' reorganization efforts.

E. Motion to Prohibit Utility Companies from Altering or Discontinuing Service on Account of Prepetition Invoices, Approving the Adequate Assurance of Postpetition Payment to be Provided to the Utility Companies, and Establishing Procedures for Resolving any Subsequent Requests by the Utility Companies for Additional Adequate Assurance of Payment

83. In connection with the operation of their businesses, the Debtors obtain Utility Services from various Utility Companies.[8] By this motion, the Debtors seek entry of interim and final orders: (a) prohibiting the Utility Companies from altering or discontinuing service on account of unpaid prepetition invoices, (b) approving the adequate assurance arrangements set forth in the motion as providing Utilities Companies with "adequate assurance of payment" under section 366 of the Bankruptcy Code and deeming all utilities entitled to such assurance of payment under section 366 of the Bankruptcy Code to have received adequate assurance of

[8] The Utility Companies known and identified by the Debtors to date are listed on Exhibit A to the motion. While the Debtors have used their best efforts to list their Utility Companies in Exhibit A, it is possible that certain Utility Companies may have been inadvertently omitted from the list. Accordingly, the Debtors reserve the right, under the terms and conditions of the motion and without further order of the Court, to amend Exhibit A to add any Utility Company that was omitted therefrom and to request that the relief requested therein apply to any and all such entities as well. In addition, the Debtors reserve the right to argue that (a) any of the entities now or hereafter listed in Exhibit A are not "utilities" within the meaning of section 366 of the Bankruptcy Code, and (b) any such entity is compelled by contractual obligation, state or local law, or otherwise, to continue to furnish services to the Debtors notwithstanding the Debtors filing for relief under Chapter 11 of the Bankruptcy Code.

payment pursuant to section 366; and (c) approving the Additional Adequate Assurance Procedures set forth in the motion as the method for resolving disputes regarding adequate assurance of payment. The Debtors request the immediate entry of an interim order, to be followed by a Final Hearing on notice to the Utility Companies identified on Exhibit A to the motion to be held within twenty-five (25) days of the Petition Date, and entry of a final order at the conclusion of that hearing.

84. As of the Petition Date, fifteen (15) principal Utility Companies provide Utility Services to the Debtors at their facilities: (i) for electricity, Blue Ridge Electric Cooperative, Progress Energy, and Duke Energy; (ii) for natural gas, Fort Hill Natural Gas, Freeman Gas, Henderson Oil Company Inc., and Psnc Energy; (iii) for water, Greenville Water System, Blue Ridge Rural Water Co., Inc., City Of Asheville, Six Mile Water District, and Town Of Salem; and (iv) for sewer, Metropolitan Sewerage District.

85. Prior to the Petition Date, the Debtors had a consistent history of making timely payment for their Utility Services. However, due to the timing of the filing of these Chapter 11 cases in relationship to the Utility Companies' billing cycles, and the Debtors' financial situation leading to the filing of these Chapter 11 cases, certain utility costs may have been invoiced to the Debtors for which payment is currently due but has not been paid. In addition, the Debtors may have incurred utility costs for services provided since the end of the last billing cycle that have not been invoiced to the Debtors.

86. The services provided by the Utility Companies are crucial to the continued operations of the Debtors. If the Utility Companies refuse or discontinue service, even for a brief period, the Debtors could be forced to cease operations.

87. By this motion, the Debtors preserve the protections that the Utility Companies

have under the Bankruptcy Code, while affording the Debtors an opportunity to provide and negotiate adequate protection without facing the threat of imminent termination of Utility Services. In particular, the Debtors request approval of certain procedures that balance the protections afforded the Utility Companies under section 366 of the Bankruptcy Code and the Debtors' need for continuous and uninterrupted Utility Services.

88. The Debtors intend to pay all postpetition obligations owed to the Utility Companies in a timely manner using operating revenue and in accordance with the DIP Budget. Moreover, the Debtors expect that availability under its proposed DIP Facility will be more than sufficient to pay such postpetition utility obligations, in accordance with the DIP Budget.

89. The Debtors respectfully submit that none of the Utility Companies requires a deposit for the provision of Utility Services to the Debtors in the postpetition period of these Chapter 11 cases, in light of the fact that the Debtors have paid all amounts due and owing to the Utility Companies in the ordinary course of prepetition business and invoicing, and the Debtors anticipate that they will timely pay all amounts that come due to the Utility Companies during the postpetition period of these Chapter 11 cases, in accordance with the DIP Budget. Nevertheless, the Debtors propose to pay as a deposit to each Utility Company an amount equal to the two-week average charge for Utility Services provided by each Utility Company.

90. The Debtors submit that the foregoing constitutes adequate assurance of future payment to the Utility Companies to satisfy the requirements of Section 366 of the Bankruptcy Code; however, notwithstanding such proposed adequate assurance, the Debtors anticipate that certain Utility Companies may request additional adequate assurance of payment pursuant to section 366(c)(2) of the Bankruptcy Code. Accordingly, the Debtors propose via the motion that such requests be addressed pursuant to certain Additional Adequate Assurance Procedures set

forth in the motion.

91. I believe that the relief requested in this motion is in the best interests of the Debtors' estates and creditors, is both necessary and appropriate to the efficient administration of these Chapter 11 cases, and is critical to the Debtors' reorganization efforts.

F. Motion for Authorization to Pay Pre-Petition Wages, Compensation, and Employee Benefits

92. By this motion, the Debtors seek to make payments to and on behalf of the Employees for certain pre-petition wages, benefits and related taxes, subject to the terms of the Budget and the Financing Orders. In the ordinary course of business, Service Company incurs payroll and related obligations to 402 employees for the performance of services in connection with the operations of the Debtors. However, there is a seasonality to the operations of the Debtors. As golf play and club use increases in Spring and Summer, the need for additional seasonal employees will increase the employee headcount, estimated as follows: February, 8-10 additional seasonal employees; March, 20-25 additional seasonal employees; April, 40-45 additional seasonal employees; and May, 80-85 additional seasonal employees.

93. All full-time employees are eligible for certain benefits, including 401(k) participation, health and dental insurance, short-term and long-term disability, and basic term life insurance. Part-time employees are eligible for participation in the Debtors' 401(k) program.

94. In addition to the employees, Service Company retains 25 independent contractors (the "Contractors") to provide commission-based services at the Debtors' club facilities, including personal trainers, massage therapists, an event planner, and tennis professionals. The Contractors are compensated solely through commissions earned or flat fees, and are not eligible for employment benefits or severance payments.

95. The employees are paid on an hourly and salary basis. The employees are

generally paid on a bi-weekly schedule. As of the Petition Date, the Debtors' employees consist of: (i) approximately 323 who are paid bi-weekly, on an hourly basis; and (ii) approximately 79 who are salaried employees paid bi-weekly. The Debtors' monthly gross payroll is approximately $680,000. The Debtors' monthly net payroll is approximately $575,000. The aggregate payroll amount does not include any annual discretionary bonuses, which are paid in March for the preceding year, or commissions for catering managers, which are paid monthly on a calendar basis and typically range from $0 to $4,500.

96. As of the Petition Date, the Debtors' payrolls were substantially current as to payment, but the Debtors' payrolls include a period of arrearage. As a result of the timing of the Debtors' Chapter 11 filings, the Debtors' salaried and hourly employees are owed salary and wages on account of what now constitutes pre-petition services.

97. The Debtors estimate that, as of the Petition Date, the total amount of employee compensation obligations (the "Wage Claims") owed by the Debtors directly to employees equals approximately $200,000. It is the Debtors' belief that no employee's unpaid prepetition salary or wages exceeds the $11,725 threshold provided in Section 507(a)(4) of the Bankruptcy Code.

98. To maintain the loyalty of the Debtors' employees, it is essential to fulfill the obligations arising from certain employee benefit programs. The Debtors have established a variety of employee benefit plans and policies, including: (a) benefit plans such as medical, dental, term life, accidental death and dismemberment, and short and long-term disability benefits and/or insurance, and (b) a 401(k) savings plan for certain employees (collectively, the

"Employee Benefits").[9] The Debtors estimate that, as of the Petition Date, their accrued and unpaid obligations in respect of the Employee Benefits aggregate approximately $150,000. The Debtors seek authorization to pay all accrued but unpaid Employee Benefits.

99. The Debtors incur costs incident to the Employee Obligations, such as processing costs and the employer portion of payroll-related taxes, as well as accrued but unpaid prepetition charges for administration of the Employee Benefits (collectively, the "Prepetition Processing Costs"). The Debtors estimate that the aggregate amount of Prepetition Processing Costs accrued but unpaid, as of the Petition Date, is approximately $20,000.[10] Payment of the Prepetition Processing Costs is justified because the failure to pay any such amounts might disrupt services provided by third-party providers with respect to the Employee Obligations. By paying the Prepetition Processing Costs, the Debtors may avoid even temporary disruptions of such services and thereby ensure that the Employees obtain all compensation and benefits without interruption. The Debtors seek authorization to pay all Prepetition Processing Costs.

100. The Debtors customarily reimburse their employees for a variety of business expenses incurred in the ordinary course of their businesses, for example, employees may use cash or credit cards (including company credit cards for which they are liable) to pay expenses and seek reimbursement from the Debtors (the "Prepetition Employee Reimbursements"). On

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[9] In addition, the Debtors provide the Employees with certain leave policies and benefits (including military duty leave, jury duty leave, maternity leave, workers' compensation leave, medical leave and family medical leave), some of which are mandated or encouraged by law and some of which may have pay or benefits components. The Debtors also provide their employees with paid holidays, paid personal days, and paid bereavement leave.

The descriptions of the Debtors' benefit programs contained herein are provided for convenience only and are qualified in all respects by the actual terms of such programs. Nothing contained herein shall have the effect of modifying the terms of the benefit programs or altering any party's rights and obligations thereunder.

[10] Of this amount, approximately $5,000 is attributable to payments required for the continued administration of the Debtors' self-insured and stop-loss health insurance programs.

average, the Debtors reimburse approximately $8,000 in Prepetition Employee Reimbursements on a monthly basis. Because employees submit reimbursement forms on a monthly basis, however, it is difficult for the Debtors to determine the exact amount of Prepetition Employee Reimbursements that are outstanding. The Debtors estimate that, as of the Petition Date, their obligation to employees for Prepetition Employee Reimbursements is very similar to the monthly average of such expenses set forth above. The Debtors seek authorization to reimburse all Prepetition Employee Reimbursements up to an amount not to exceed $16,000.

101. Pursuant to sections 105(a), 363(b), 507(a)(4), 507(a)(5) and 507(a)(8) of the Bankruptcy Code, the Debtors request entry of an order authorizing, but not directing, the Debtors to pay their employees for work performed prepetition, to honor certain other prepetition employee-related obligations and benefits, to continue paying their Employee Obligations (as such term is defined in the motion) and to continue administering their employee programs and plans in the ordinary course of business. The Debtors seek this relief to minimize the personal hardship that the employees would suffer if they are not paid when due and to maintain the morale of their essential workforce at this critical time. The Employee Obligations (as such term is defined in the motion) include: Wage Claims, Employment Tax Claims, Employee Benefits, Pre-Petition Processing Costs, Prepetition Employee Reimbursements, and all fees and costs incident to the foregoing, including amounts owed to third-party administrators (collectively, the "Employee Obligations"). Because of the potential for irreparable harm if the Employee Obligations are not paid or otherwise satisfied when due, the Debtors seek authority to pay such obligations as they become due in the ordinary course of business.

102. The Debtors seek the relief requested in this motion because any delay in paying any of the Employee Obligations could severely disrupt Debtors' relationships with their

employees and irreparably impair their morale at the very time that their dedication, confidence, retention and cooperation are most critical. At this critical stage, the Debtors simply cannot risk the substantial disruption of their business operations that would attend any decline in workforce morale or composition attributable to Debtors' failure to pay the Employee Obligations in the ordinary course of business.

103. Furthermore, the Debtors: (i) withhold from each employee's pay, and remit to the appropriate taxing authorities, certain federal, state, and local income taxes, and social security and Medicare taxes (collectively, the "Payroll Tax Obligations"); and (ii) directly pay state and local unemployment taxes and contributions ("Unemployment Taxes" together with the Payroll Tax Obligations, the "Employment Tax Claims"). Depending on the week, total Payroll Tax payments range from approximately $100,000 to $110,000. Because some payments are paid in arrears, the Debtors estimate that as of the Petition Date, the amount of such unpaid Payroll Tax Obligations and Unemployment Taxes is approximately $60,000. The Debtors seek authorization to pay all Employment Tax Claims. Federal and State Unemployment Taxes for the previous calendar quarter are current.

104. I believe that the relief requested in this motion is in the best interests of the Debtors' estates and creditors, is both necessary and appropriate to the efficient administration of these Chapter 11 cases, and is critical to the Debtors' reorganization efforts.

G. Motion for Authorization to (A) Continue Workers' Compensation, Liability, Property, and Other Insurance Programs, (B) Pay All Obligations in Respect Thereof and (C) Enter Into Premium Financing Agreements in the Ordinary Course of Business

105. The Debtors request, pursuant to sections 105(a), 362(d), 363(b), 363(c) and 503(b) of the Bankruptcy Code, authorization to continue various Insurance Programs uninterrupted, and to honor their undisputed prepetition obligations thereunder (the "Insurance

Obligations") and enter into Premium Financing Obligations in the ordinary course of business.

106. In connection with the operation of their businesses, the Debtors maintain many workers' compensation, general liability and property insurance programs, which provide the Debtors with insurance coverage for claims relating to, among other things, workers' compensation, automobile losses and liability, directors' and officers' liability, fiduciary liability, general liability, employee health, employee dental, employee disability, and employee life insurance benefits (the "Insurance Programs") through several different insurance carriers (the "Insurance Carriers") including, but not limited to, the Insurance Programs and Insurance Carriers identified in Exhibit A to the motion.

107. The Debtors are required to pay, either directly or through the Debtors' insurance brokers, premiums for coverage under the Insurance Programs noted above, including under the Debtors' Workers' Compensation Program (collectively, the "Insurance Premiums"). The Insurance Premiums are based upon a fixed rate established and billed by each Insurance Carrier. The premiums for most of the Insurance Programs are determined annually and are paid at the inception of each policy. The Debtors seek authorization to satisfy these obligations as they become due.

108. Because it is not always economically advantageous for the Debtors to pay the Insurance Premiums on all of the Insurance Policies on a lump-sum basis, in the ordinary course of the Debtors' businesses, the Debtors finance the premiums on certain of their Insurance Policies pursuant to premium financing agreements with third-party lenders. In exchange for the financing, the Debtors agree to pay monthly installments in accordance with a pre-set payment schedule and grant their lender a security interest in "unearned premiums" to secure their payment obligations. As of the Petition Date, the Debtors believe that approximately $160,368

remains outstanding with respect to the current insurance premium financing agreements.

109. Out of an abundance of caution, the Debtors seek authorization pursuant to section 363(c) of the Bankruptcy Code to renew the Insurance Programs in the ordinary course of business. In connection therewith, the Debtors also seek authorization pursuant to section 363(c) of the Bankruptcy Code to finance the premiums due under those Insurance Policies in the ordinary course of the Debtors' businesses.

110. I believe that the relief requested in this motion is in the best interests of the Debtors' estates and creditors, is both necessary and appropriate to the efficient administration of these Chapter 11 cases, and is critical to the Debtors' reorganization efforts.

H. Application for Order Authorizing Retention and Employment of McKenna Long & Aldridge LLP, as Bankruptcy Counsel for the Debtors in Possession

111. The Debtors desire to retain and employ McKenna Long & Aldridge LLP ("McKenna") as their bankruptcy attorneys in these Chapter 11 cases. By this Application, the Debtors respectfully request that the Court enter an order authorizing the Debtors to retain and employ McKenna as the Debtors' bankruptcy attorneys, *nunc pro tunc* to the Petition Date, to represent the Debtors in all phases of these Chapter 11 cases.

112. The Debtors request approval of the employment of McKenna *nunc pro tunc* to the Petition Date. Such relief is warranted by the extraordinary circumstances presented by these Chapter 11 cases. The complexity, intense activity and speed that have characterized these Chapter 11 cases have necessitated that the Debtors, McKenna and the Debtors' other professionals focus their immediate attention on time-sensitive matters and promptly devote substantial resources to the affairs of the Debtors pending submission and approval of the Application.

113. Prior to the commencement of these Chapter 11 cases, McKenna has provided

restructuring advice and general legal counsel to the Debtors. The Debtors request that the Court approve their retention of McKenna as their attorneys to perform certain continued legal services that will be necessary during these Chapter 11 cases, under a general retainer, in accordance with McKenna's standard hourly rates and disbursement policies.

114. The Debtors seek to retain McKenna because of the firm's extensive experience and knowledge in the fields of, *inter alia*, Debtors' and creditors' rights, business reorganizations under Chapter 11 of the Bankruptcy Code, and general corporate law. The attorneys at McKenna who will be employed in these Chapter 11 cases are members in good standing in the courts in which they are admitted to practice and, as necessary in the conduct of these cases, will seek admission to practice before this Court. Accordingly, McKenna is well qualified to deal effectively with the potential legal issues and problems that may arise in the context of these Chapter 11 cases.

115. To the best of the Debtors' knowledge, information and belief, and except to the extent otherwise indicated in the Levengood Declaration, none of McKenna's partners, counsel or associates hold or represent any interest adverse to the Debtors' estates or their creditors, and McKenna is a "disinterested person," as defined in section 101(14) of the Bankruptcy Code.

116. McKenna was retained by the Debtors under an advance payment retainer pursuant to an engagement letter executed by the Debtors on December 20, 2011 (the "Engagement Agreement"). McKenna has received retainer payments from the Debtors totaling $330,405.36 for work to be done with respect to these Chapter 11 cases, against which McKenna has applied $330,405.36. Accordingly, McKenna currently holds a balance of $0.00 as an advance payment for services to be rendered and expenses to be incurred in connection with its representation of the Debtors. McKenna has not received any other compensation from the

Debtors.

117. I believe that the relief requested in this application is in the best interests of the Debtors' estates and creditors, is both necessary and appropriate to the efficient administration of these Chapter 11 cases, and is critical to the Debtors' reorganization efforts.

I. Application for Order Authorizing Retention and Employment of Local Bankruptcy Counsel

118. The Debtors desire to retain and employ Däna Wilkinson as their bankruptcy local counsel in these Chapter 11 cases. By this Application, the Debtors respectfully request that the Court enter an order authorizing the Debtors to retain and employ Wilkinson as the Debtors' bankruptcy local counsel, *nunc pro tunc* to the Petition Date, to represent the Debtors as local counsel in all phases of these Chapter 11 cases.

119. The Debtors request approval of the employment of Wilkinson *nunc pro tunc* to the Petition Date. Such relief is warranted by the extraordinary circumstances presented by these Chapter 11 cases. Time pressure to begin service and absence of prejudice are factors favoring *nunc pro tunc* retention. The complexity, intense activity and speed that have characterized these Chapter 11 cases have necessitated that the Debtors, Wilkinson and the Debtors' other professionals focus their immediate attention on time-sensitive matters and promptly devote substantial resources to the affairs of the Debtors pending submission and approval of the Application.

120. Prior to the commencement of these Chapter 11 cases, Wilkinson has provided certain restructuring advice to the Debtors solely in connection with the commencement of these Chapter 11 cases. The Debtors request that the Court approve their retention of Wilkinson as their local counsel to perform certain continued legal services that will be necessary during these Chapter 11 cases, under a general retainer, in accordance with Wilkinson's standard hourly rates

and disbursement policies.

121. The Debtors seek to retain Wilkinson because of the firm's experience practicing before this Court, as well as knowledge in the fields of, *inter alia*, debtors' and creditors' rights and business reorganizations under chapter 11 of the Bankruptcy Code. The attorney at Wilkinson who will be employed in these Chapter 11 cases is a member in good standing in the courts in which she is admitted to practice, including this Court. Accordingly, Wilkinson is well qualified to deal effectively with the potential legal issues and problems that may arise in the context of these Chapter 11 cases.

122. The Debtors believe that the services of Wilkinson are necessary to enable them to execute faithfully their duties as debtors-in-possession. Subject to further order of this Court, Wilkinson will serve as the Debtors' local bankruptcy counsel.

123. To the best of the Debtors' knowledge, information and belief, and except to the extent otherwise indicated in the Wilkinson Declaration, no attorney at Wilkinson holds or represents any interest adverse to the Debtors' estates or their creditors, and Wilkinson is a "disinterested person," as defined in section 101(14) of the Bankruptcy Code.

124. Wilkinson was retained by the Debtors under an advance payment retainer pursuant to an engagement letter executed by the Debtors on February 8, 2012 (the "Engagement Agreement"). Wilkinson received two retainer payments from the Debtors totaling $22,552 for work to be done and for the filing fees with respect to these Chapter 11 Cases, against which Wilkinson has applied $3,175 in fees and will pay a total of $11,506 in filing fees for total of $14,681. Accordingly, Wilkinson currently holds a balance of $7,871 as an advance payment for services to be rendered and expenses to be incurred in connection with its representation of the Debtors. Wilkinson has not received any other compensation from the Debtors.

125. I believe that the relief requested in this application is in the best interests of the Debtors' estates and creditors, is both necessary and appropriate to the efficient administration of these Chapter 11 cases, and is critical to the Debtors' reorganization efforts.

J. Motion To Establish Procedures For Monthly Compensation and Reimbursement of Expenses of Professionals

126. By this motion, the Debtors respectfully request the entry of an order, pursuant to sections 105(a) and 331 of the Bankruptcy Code and Rules 2014 and 2016 of the Bankruptcy Rules, establishing procedures by which each professional retained by the Debtors or any official committee appointed in these bankruptcy cases under sections 327 and 1103 of the Bankruptcy Code (the "Professionals" and each a "Professional") may obtain monthly payment of its fees and expenses, subject to review and adjustment in connection with regular fee applications filed with the Court.

127. Concurrent with this filing, the Debtors seek approval of employment of several professionals in these bankruptcy cases: McKenna Long & Aldridge LLP, as bankruptcy counsel; The Law Office of Däna Wilkinson, as local bankruptcy counsel; GGG Partners, LLC ("GGG"), as financial advisor (inclusive of the retention of Katie S. Goodman as Chief Restructuring Officer of the Debtors); and BMC Group, Inc. ("BMC"), as claims, noticing, and balloting agent. The Debtors anticipate that they may need to retain other professionals as these bankruptcy cases progress. The Debtors also anticipate that any official committee, including an official committee of unsecured creditors (the "Committee"), if formed, will need to retain professionals in these bankruptcy cases under section 1103 of the Bankruptcy Code.

128. Under 11 U.S.C. § 331, each professional person is limited to applying for interim compensation not more than once every one hundred twenty (120) days after the order for relief, unless the Court authorizes applications for interim compensation more frequently, and to the

extent section 331 applies to that professional's retention. The Debtors have requested authorization to compensate GGG and BMC without formal fee applications or other filings with this Court, on the basis that neither GGG nor BMC is a "professional" whose retention is subject to approval under section 327 of the Bankruptcy Code or whose compensation is subject to approval of the Court under sections 330 and 331 of the Bankruptcy Code. If GGG's and BMC's retention applications are granted as requested, then the procedures set forth in this motion will not apply to GGG or BMC, and the compensation of both GGG and BMC will be governed by the Orders approving their retention by the Debtors.

129. The Debtors believe that the relief requested in this motion will streamline the professional compensation process and enable the Court and all other parties to monitor the professional fees incurred in these bankruptcy cases more effectively.

130. I believe that the relief requested in this motion is in the best interests of the Debtors' estates and creditors, is both necessary and appropriate to the efficient administration of these Chapter 11 cases, and is critical to the Debtors' reorganization efforts.

K. Application for Order Authorizing Retention and Employment of GGG Partners, LLC ("GGG") to provide restructuring management and advisory services to the Debtors, and (ii) the employment of Katie S. Goodman as the Chief Restructuring Officer (the "CRO") for the Debtors

131. By this motion, the Debtors seek entry of an order, under Bankruptcy Code sections 105(a) and 363(b), authorizing and approving: (i) the employment and retention of GGG to provide restructuring management and advisory services in these Chapter 11 cases, effective as of the Petition Date, pursuant to the professional services agreement executed on or about February 8, 2012, as amended by the motion and proposed order (the "Services Agreement"), attached to the motion as Exhibit B, and (ii) the employment of Katie S. Goodman as CRO, and additional professional personnel, effective as of the Petition Date.

132. GGG specializes in providing turnaround, crisis management and restructuring services for public and private companies, lenders, equity holders and impartial constituents (such as examiners or trustees). Working closely with client management, GGG develops and implements comprehensive turnaround programs that increase value through improving operations and asset performance, refocusing business models and restructuring debt.

133. Ms. Goodman has more than 10 years of experience in the practice of turnarounds and restructuring. She has participated in more than 30 successful turnaround engagements in a variety of industries including food & beverage, retail, textiles & other manufacturing, healthcare, telecommunications, real estate, and others.

134. In anticipation of the commencement of these Chapter 11 bankruptcy cases, the Debtors retained GGG and Ms. Goodman pursuant to the terms of the Services Agreement. Since GGG's and Ms. Goodman's retention, Ms. Goodman and GGG's professionals have commenced efforts to become familiar with the Debtors' financial matters, businesses, and restructuring strategy. If the Debtors are not permitted to retain GGG and Ms. Goodman, the Debtors would be forced to retain a new CRO not familiar with the Debtors' financial matters, businesses, and restructuring efforts, given the requirements under the DIP Facility and the Interim Order on Cash Collateral. The time expended in locating and retaining a new financial advisory firm and CRO and in bringing them up to speed at this juncture likely would delay and hinder the Debtors' restructuring efforts.

135. The Debtors have engaged GGG and Ms. Goodman to complete crucial time-sensitive and work-intensive projects. GGG and Ms. Goodman are providing services currently, and the continued assistance of GGG and Ms. Goodman is crucial to the Debtors' successful reorganization. For example, GGG and Ms. Goodman will assist the Debtors in developing and

implementing short-term cash flow forecasting. GGG and Ms. Goodman will work with senior management as well as other employees to ensure that the Debtors comply with the operational requirements imposed as a result of the filing of the Chapter 11 cases. In addition, GGG and Ms. Goodman will assist other professionals sought to be retained by the Debtors in the Chapter 11 cases by acting as a medium through which professionals can obtain information regarding the Debtors. GGG's and Ms. Goodman's role as a conduit to information enables the other professionals in the Chapter 11 cases to provide better service to the Debtors during the early stages of the cases, thereby maximizing the Debtors' going concern value while simultaneously allowing the Debtors' senior management, as well as other employees, to concentrate on maintaining business operations. To provide such services in an effective manner, it will be necessary for GGG and Ms. Goodman to take the necessary actions immediately upon the filing of the Chapter 11 cases.

136. The Debtors have determined, in the exercise of their business judgment, that the fee structure set forth in the Services Agreement appropriately reflects the nature of the services to be provided by GGG and Ms. Goodman, contains reasonable terms and conditions of employment, and should be approved under section 363 of the Bankruptcy Code.

137. GGG has received a $105,000 retainer from the Debtors for work to be done with respect to these Chapter 11 cases, against which GGG has applied $91,839.12 for services rendered and expenses incurred prior to the Petition Date. Accordingly, GGG currently holds a balance of $13,160.88 as an advance payment for services to be rendered and expenses to be incurred in connection with its engagement by the Debtors. GGG has not received any other compensation from the Debtors.

138. The Debtors do not believe that either GGG or Ms. Goodman is a "professional"

whose retention is subject to approval under section 327 of the Bankruptcy Code or whose compensation is subject to approval of the Court under sections 330 and 331 of the Bankruptcy Code. As such, neither GGG nor Ms. Goodman has completed a disinterestedness review under section 327(a) of the Bankruptcy Code. Nevertheless, the Debtors are not aware of any relationship which would present a disqualifying conflict of interest. To the extent either GGG or Ms. Goodman discovers any such relationship, GGG or Ms. Goodman will make appropriate disclosures to the Bankruptcy Court. Accordingly, the Debtors believe that each of GGG and Ms. Goodman is a "disinterested person" as that term is defined in section 101(14) of the Bankruptcy Code.

139. I believe that the relief requested in this motion is in the best interests of the Debtors' estates and creditors, is both necessary and appropriate to the efficient administration of these Chapter 11 cases, and is critical to the Debtors' reorganization efforts.

L. Application for Order Authorizing Retention and Employment of BMC Group, as Claims, Balloting and Noticing Agent

140. The Debtors have approximately 8,000 creditors and other parties in interest, many of whom are expected to file proofs of claim. The Debtors believe that noticing, receiving, docketing and maintaining proofs of claim would impose heavy administrative and other burdens upon the Court and the Office of the Clerk of the United States Bankruptcy Court for the District of South Carolina (the "Clerk's Office"). Upon information and belief, preparing and serving the notices on all such creditors and parties in interest and docketing and maintaining the large number of proofs of claim that may be filed in these cases would strain the resources of the Clerk's Office.

141. Pursuant to 28 U.S.C. § 156(c), Bankruptcy Rule 2002 and Local Rule 2081-1, the Debtors seek the entry of an order (a) appointing BMC to perform certain claims, noticing

and other administrative functions in these Chapter 11 cases (in such role, the "Claims Agent"); and (b) authorizing the Debtors to compensate BMC for its services and reimburse BMC for any related expenses in accordance with applicable provisions of the agreement for services between BMC and the Debtors dated as of February 8, 2012 (the "Services Agreement"), a copy of which is attached to the motion as Exhibit B.

142. The number of the Debtors' creditors makes it impracticable for the Clerk's Office to undertake such tasks. The Debtors respectfully submit that the Debtors' engagement of an independent third party to act as agent for the Court and to perform such services is the most effective and efficient manner by which to perform, among others, the following tasks: (i) transmitting certain notices to creditors and parties in interest in these cases; (ii) receiving, docketing, maintaining, photocopying and transmitting proofs of claim in these cases; (iii) overseeing the distribution of solicitation materials; (iv) receiving, reviewing and tabulating ballots; and (v) performing other administrative tasks that the Debtors or the Clerk's Office may request under the terms of the Services Agreement, such as maintaining creditor lists and mailing notices.

143. The Debtors believe that BMC's services in these cases will expedite service of notices, will streamline the claims administration process and will generally ease the burden on the Debtors to perform administrative tasks when their attention is best focused elsewhere. The Debtors believe that BMC is well qualified to provide such services.

144. The Debtors propose to compensate BMC at the rates set forth in the Services Agreement. The Debtors and BMC (subject to the Court's authorization hereof) agree that BMC will bill the Debtors monthly for services rendered to the Debtors during the preceding month. The prices set forth in the Services Agreement are at least as favorable as those charged by BMC

to other Chapter 11 debtors for similar services under similar circumstances.

145. The Debtors have provided retainer payments in the total amount of $31,216.50 to BMC, against which BMC has applied $31,216.50 in connection with the services performed by BMC pursuant to the Services Agreement. Accordingly, BMC currently holds a balance of $0.00 as an advance payment for services to be rendered and expenses to be incurred in connection with its engagement by the Debtors. BMC has not received any other compensation from the Debtors.

146. The Debtors do not believe that BMC, as an administrative agent, is a "professional" whose retention is subject to approval under section 327 of the Bankruptcy Code or whose compensation is subject to approval of the Court under sections 330 and 331 of the Bankruptcy Code. As such, BMC has not completed a disinterestedness review under section 327(a) of the Bankruptcy Code. Nevertheless, the Debtors are not aware of any relationship which would present a disqualifying conflict of interest. To the extent BMC discovers any such relationship, it will make appropriate disclosures to the Bankruptcy Court. Accordingly, the Debtors believe that BMC is a "disinterested person" as that term is defined in section 101(14) of the Bankruptcy Code.

147. I believe that the relief requested in this motion is in the best interests of the Debtors' estates and creditors, is both necessary and appropriate to the efficient administration of these Chapter 11 cases, and is critical to the Debtors' reorganization efforts.

M. Motion to Authorize the Payment of Trust Fund Taxes

148. In the ordinary course of business, the Debtors collect sales, use and other trust fund type taxes (however denominated) (the "Trust Fund Taxes"), and subsequently remit such taxes to the appropriate federal, state and local taxing authorities (each, a "Taxing Authority"). For example, the Debtors collect and remit sales taxes in connection with the sale of various

services and goods. The Debtors may also be responsible for remitting use taxes to the appropriate Taxing Authorities on personal property and certain related services.

149. There is often a lag-time between the time when the Debtors incur an obligation to pay the Trust Fund Taxes and the date when payment of such taxes is due. Various governmental units may therefore have claims against the Debtors for Trust Fund Taxes that have accrued, but are unpaid and not yet due, as of the Petition Date. The relevant Taxing Authority may also make retrospective adjustments to determine any payment deficiency or surplus for a particular period resulting in a demand for further payment from or refund to the taxpayer. While the Debtors are making their best efforts to calculate the amounts with respect to the Trust Fund Taxes owed as of the Petition Date, the calculation of such amount is difficult to determine with complete certainty because the Debtors' books have not yet been closed for the most recent month. Accordingly, the amounts set forth in the motion may be subject to change; however, the Debtors estimate that the total amount of prepetition Trust Fund Taxes owing to the various Taxing Authorities will not exceed $200,000.

150. By this motion, pursuant to sections 105(a), 507(a) and 541(d) of the Bankruptcy Code, the Debtors seek entry of an order authorizing, but not directing, the Debtors to pay prepetition Trust Fund Taxes owed to the appropriate Taxing Authorities in the ordinary course of business, as such payments become due and payable and to the extent adequate finds are available to make such payments, and to the extent consistent with any orders entered by the Court in connection with the use of cash collateral and debtor-in-possession financing.

151. Because the Trust Fund Taxes do not constitute estate property, their payment will not adversely affect the Debtors or their creditors. Moreover, many Taxing Authorities impose personal liability on the officers and directors of corporations to the extent such taxes are

collected but not remitted. The Debtors' officers and directors may be subject to civil or even criminal liability as a result of such non-payment. The prosecution of such actions during the pendency of these cases would be a significant distraction, and therefore, be detrimental to the Debtors' reorganization efforts.

152. I believe that the relief requested in this motion is in the best interests of the Debtors' estates and creditors, is both necessary and appropriate to the efficient administration of these Chapter 11 cases, and is critical to the Debtors' reorganization efforts.

N. Motion for Authority to Honor Certain Pre-Petition Customer Obligations

153. Prior to the Petition Date, in the ordinary course of business, the Debtors engaged in certain activities to develop and sustain a positive reputation and relationship with its customers. To that end, the Debtors implemented various customer programs and policies (collectively, the "Customer Programs") designed to ensure customer satisfaction, meet competitive pressures, develop and sustain customer relationships and loyalty, improve profitability, and generate goodwill for the Debtors and their products and services.

154. By this motion, pursuant to sections 105(a), 363(b), and 503(b)(1) of the Bankruptcy Code, the Debtors request authorization to continue their Customer Programs in the ordinary course of business and to perform and honor, at the Debtors' sole discretion, their prepetition obligations thereunder.

155. The Customer Programs are integral to the Debtors' efforts to stabilize their businesses, restore vitality, and ultimately deliver the most value to all stakeholders in the Debtors' Chapter 11 cases. The Debtors believe that they must promptly assure customers of their continued ability to satisfy prepetition and postpetition obligations under the Customer Programs to maintain their valuable customer base, and myriad other important benefits derived therefrom, following the commencement of these Chapter 11 cases. The Debtors' Customer

Programs are summarized below.

156. The Debtors' books and records reflect approximately $338,000 in outstanding gift cards redeemable for merchandise sold by the Debtors (and food and entertainment), for which the Debtors seek the authority, but not the obligation, to honor in the ordinary course of the Debtors' businesses.

157. The Debtors' books and records reflect approximately $298,000 outstanding, in the aggregate, for: (i) prepaid golf passes redeemable for golf play at the Debtors' golf facilities (excluding ancillary charges such as golf cart rentals, range balls or other merchandise, goods or services); (ii) event deposits for events scheduled to be conducted at the Debtors' facilities;[11] and (iii) credit books reflecting credits earned through tournament play or similar prizes redeemable for merchandise sold by the Debtors, for which the Debtors seek the authority, but not the obligation, to honor in the ordinary course of the Debtors' businesses.

158. The Debtors believe that the continuation of the Customer Programs constitutes "ordinary course of business" practices, and, therefore, does not require court approval. However, out of an abundance of caution, the Debtors seek authorization, but not direction, pursuant to sections 105(a), 363, and 503(b)(1) of the Bankruptcy Code to continue, renew, replace, implement, modify, and/or terminate the Customer Programs as they deem appropriate, and to honor their undisputed prepetition obligations in respect thereof, in the ordinary course of business, without interruption, in accordance with prepetition practices.

159. I believe that the relief requested in this motion is in the best interests of the

[11] For example, the Debtors are holding deposits in the total amount of $140,550 with respect to over fifty (50) weddings and/or wedding receptions planned to be held at the Debtors' facilities following the Petition Date. The average deposit is approximately $2,500, and represents approximately twenty percent (20%) of the anticipated revenue that the Debtors will receive from each event.

Debtors' estates and creditors, is both necessary and appropriate to the efficient administration of these Chapter 11 cases, and is critical to the Debtors' reorganization efforts.

O. Motion to Establish Certain Notice, Case Management and Administrative Procedures

160. By this motion, the Debtors seek authority to implement certain notice, case management and administrative procedures (as such may be modified or amended, the "Case Management Procedures") in connection with the administration of the Chapter 11 cases. A copy of the Case Management Procedures is attached to the motion as Schedule 1 to the proposed order granting the motion. The Debtors request that, to the extent the Case Management Procedures conflict with or diverge from the provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, the order designating the Chapter 11 Cases as Complex Chapter 11 Cases entered in these cases or the Operating Order, the Case Management Procedures shall govern and supersede such provisions and rules.

161. The Debtors anticipate that they will have thousands of creditors, potential creditors and other parties in interest. Thus, they believe that hundreds of parties may request service of Filings pursuant to Bankruptcy Rule 2002 in the Chapter 11 Cases. The Debtors also expect that numerous motions and applications will be filed in the Chapter 11 Cases in pursuit of various forms of relief. As a result, the Debtors believe the Case Management Procedures are necessary to streamline the administration of the Chapter 11 cases and to promote efficiency and organization to the greatest extent possible.

162. The Debtors submit that approval of the Case Management Procedures is in the best interests of the Debtors, their estates and their creditors, and is well within the Court's equitable powers under the applicable Bankruptcy Rules and sections of the Bankruptcy Code. As explained above, these cases are large and complex, are expected to be fast-moving, and

involve many creditors and parties in interest. Because of the size and complexity of the cases, the Debtors believe that the establishment of the Case Management Procedures is necessary to promote the efficient and orderly administration of the Chapter 11 cases. Many of these parties may have various issues of concern that may be brought to this Court for redress. By scheduling regular, monthly Omnibus Hearings in advance and requiring that all matters be heard at Omnibus Hearings, this Court will facilitate the Debtors' reorganization efforts by enabling parties in interest, and certainly the Debtors, to prepare for and present motions in an orderly and timely manner and to schedule attendance at hearings. This will reduce the need for emergency hearings and requests for expedited relief, and will foster consensual resolution of important matters. The costs and burdens associated with the possibility of numerous, fragmented hearings, plus the costs associated with copying and mailing or otherwise serving all Filings to parties without the limitations proposed in the motion, will impose an administrative and economic burden on the Debtors' estates, this Court and other parties in interest.

163. I believe that the relief requested in this motion is in the best interests of the Debtors' estates and creditors, is both necessary and appropriate to the efficient administration of these Chapter 11 cases, and is critical to the Debtors' reorganization efforts.

P. Motion For Authority to Retain and Compensate Professionals Used in the Ordinary Course of Business

164. By this motion, the Debtors respectfully request the entry of an order, pursuant to sections 105(a), 327 and 328 of the Bankruptcy Code, authorizing them to retain and compensate professionals used by the Debtors in the ordinary course of business as of the Petition Date and thereafter (the "Ordinary Course Professionals"), subject to certain monthly expenditure limitations. Exhibit A attached to the motion contains a list of the Ordinary Course Professionals identified by the Debtors as of the Petition Date.

165. The Debtors desire to continue to employ the Ordinary Course Professionals to render services to their estates similar to those services provided prior to the Petition Date. These services include: (a) tax preparation and other tax advice; (b) legal services; (c) accounting and auditing services, and (d) other relatively minor matters requiring the expertise and assistance of professionals.

166. The Debtors submit that, in light of the costs associated with the preparation of employment applications for professionals who will receive relatively small fees, it would be impractical, inefficient, and unnecessarily costly for the Debtors to submit individual applications and proposed retention orders for each professional. Accordingly, the Debtors request that this Court dispense with the requirement of individual employment applications, retention orders, and fee applications (subject to the limitation described below) with respect to each Ordinary Course Professional, and that the Debtors be permitted to employ the Ordinary Course Professionals from time to time as their services are needed.

167. The Debtors desire to continue to employ the Ordinary Course Professionals to render services to their estates similar to those rendered prior to the Petition Date. It is essential that the employment of the Ordinary Course Professionals, who are already familiar with the Debtors' affairs, be continued on an ongoing basis to enable the Debtors to conduct, without disruption, their ordinary business affairs. The relief requested will save the Debtors the expense of separately applying for the employment of each professional. Furthermore, relieving the Ordinary Course Professionals of the requirement of preparing and prosecuting fee applications will save the estate additional professional fees and expenses. Likewise, the procedure outlined above will spare the Court and the United States Trustee from having to consider numerous fee applications involving relatively modest amounts of fees and expenses. The Debtors submit that

the proposed employment of the Ordinary Course Professionals and the payment of compensation on the basis set forth above is in the best interests of the Debtors' estates and their creditors.

168. I believe that the relief requested in this motion is in the best interests of the Debtors' estates and creditors, is both necessary and appropriate to the efficient administration of these Chapter 11 cases, and is critical to the Debtors' reorganization efforts.

Q. Motion for Extension of Time to File Schedules

169. By this motion, the Debtors respectfully request that the Court extend the 14-day period to submit their Schedules for an additional thirty (30) days, which is from March 13, 2012 through and including April 12, 2012.

170. While the Debtors are dedicating their resources to the task of diligently and expeditiously preparing the Schedules with respect to the thousands of creditors and parties in interest in these cases, the Debtors' resources are limited, and must also be focused on maintaining the Debtors' continued operations. In view of the amount of work entailed in completing the Schedules and the competing demands upon the Debtors' personnel to stabilize business operations during the initial postpetition period, the Debtors respectfully submit that they will be unable to fully and accurately complete the Schedules within the required 14-day time period.

171. The Debtors anticipate that they will require thirty (30) additional days to complete their Schedules. The Debtors therefore request that the Court extend the deadline for the Debtors to submit their Schedules for an additional thirty (30) days, which is from March 13, 2012 through and including April 12, 2012.

172. I believe that the relief requested in this motion is in the best interests of the Debtors' estates and creditors, is both necessary and appropriate to the efficient administration of

these Chapter 11 cases, and is critical to the Debtors' reorganization efforts.

R. Motion for Complex Case Designation

173. By this motion, the Debtors seek entry of an order designating the Bankruptcy Cases as "Complex Chapter 11 Cases" pursuant to Local Rule 2081-2.

174. Collectively, the Debtors have thousands of creditors and parties in interest and a large and complicated capital structure with over $100 million in debt. In light of the size and complexity of the Debtors' businesses and operations, the Debtors submit that it is necessary to adopt streamlined notice and hearing procedures for the bankruptcy cases. The Debtors anticipate that the number of filings in the bankruptcy cases, both by the Debtors and other parties in interest, will be voluminous and, to be handled expeditiously and efficiently, will need to be governed by global notice and hearing procedures.

175. Further, the Debtors believe it is an absolute necessity that a hearing on the first day motions being filed concurrently with the filing of their voluntary petitions for relief occur on an expedited or emergency basis. In the absence of such hearing, the Debtors will be unable to, among other things: (a) pay critical prepetition claims of employees, taxing authorities and other essential parties, (b) utilize their existing bank accounts to make such payments, (c) obtain debtor in possession financing, and (d) utilize cash collateral to operate their businesses in the ordinary course. The potential disruption and damage to the Debtors' businesses as going concerns as a result of any delay in hearing the first day motions cannot be understated.

176. The Debtors respectfully submit that the size and complexity of their businesses, the number of their creditors and other parties in interest and the number of filings anticipated by the Debtors all support the entry of an order designating the bankruptcy cases as "Complex Chapter 11 Cases" pursuant to Local Rule 2081-2.

177. I believe that the relief requested in this motion is in the best interests of the

Debtors' estates and creditors, is both necessary and appropriate to the efficient administration of these Chapter 11 cases, and is critical to the Debtors' reorganization efforts.

S. Motion for Authority to Pay Certain Prepetition Claims of Alcoholic Beverage Vendors

178. By this motion, the Debtors seek entry of an order authorizing the Debtors to pay certain prepetition claims of alcoholic beverage vendors. The statutory bases for the relief requested in the motion are sections 105, 363, 1107(a) and 1108 of the Bankruptcy Code and Rule 6003 of the Federal Rules of Bankruptcy Procedure.

179. The Debtors have identified various vendors with prepetition claims for payments who sold the Debtors alcoholic beverages prior to the Petition Date and who, pursuant to various state laws in jurisdictions in which the Debtors operate, must be paid for such goods at the time of delivery (collectively, the "Beverage Claimants").

180. Compliance with the various state laws in the states in which the Debtors operate requires that the Debtors pay such vendors via cash or check on delivery. If such vendors are not paid, state liquor licensing agencies may terminate or suspend the Debtors' liquor licenses, severely disrupting their business operations. As of the Petition Date, the Debtors have issued checks in the approximate aggregate amount of $21,500 to Beverage Claimants for beverages delivered prior to the Petition Date, but certain of such checks have likely not cleared (collectively, the "Beverage Claims"). The Beverage Claims were "paid" prior to the Petition Date, but became prepetition claims only as a result of the fact that such checks have not cleared before the commencement of these Chapter 11 cases.

181. In light of the fact that the continued delivery of alcoholic beverages by the Beverage Claimants is critical to the Debtors' businesses, and to avoid any termination or suspension of the Debtors' liquor licenses, by this motion the Debtors request authority to direct

the financial institutions at which the Debtors maintain their accounts relating to the payment of Beverage Claims to honor checks presented for payment of Beverage Claims and all fund transfer requests made by the Debtors related thereto, to the extent that sufficient funds are on deposit in such accounts.

182. Here, it is critical that checks held by the Beverage Claimants are paid and honored by the Debtors' banks and financial institutions in the ordinary course of business to avoid any interruption in the Debtors' business operations. Suspension or termination of the Debtors' liquor licenses would immediately and irreparably damage the Debtors' revenues and reputation.

183. It is critical to the success of the Chapter 11 cases that the Debtors continue to receive sufficient supplies of liquor of the same quality, quantity, consistency and price as the Debtors received prepetition. The hardship the Debtors would suffer from the disruptions in their business in the event of a refusal of a Beverage Claimant to ship to the Debtors or from the termination or suspension of the Debtors' liquor licenses would result in decreased revenues, and thus, in immediate and irreparable harm to the Debtors' businesses.

184. I believe that the relief requested in this motion is in the best interests of the Debtors' estates and creditors, is both necessary and appropriate to the efficient administration of these Chapter 11 cases, and is critical to the Debtors' reorganization efforts.

T. Motion for Consolidated List of Creditors and Equity Security Holders, Consolidated List of the Debtors' Fifty Largest Unsecured Creditors

185. By this motion, the Debtors seek entry of an order, pursuant to 11 U.S.C. §§ 105, 521; Bankruptcy Rule 1007; and Local Rule 1007-1, authorizing the Debtors to prepare a consolidated list of creditors and equity security holders in lieu of a mailing matrix, and file a consolidated list of the Debtors' fifty largest unsecured creditors.

186. Permitting the Debtors to maintain a consolidated list of their creditors in electronic format only in lieu of filing a creditor matrix is warranted. The Debtors have approximately 8,000 creditors and parties in interest. Converting the Debtors' computerized information to a format compatible with the matrix requirements would be an extremely burdensome task and would greatly increase the risk and recurrence of error with respect to information already intact on computer systems maintained by the Debtors or their agents.

187. Moreover, in accordance with Local Rule 2081-1, the Debtors have filed an application (the "Claims and Noticing Agent Application") seeking the appointment of BMC as claims, noticing and balloting agent in the Chapter 11 cases. If such application is granted, BMC will, among other things, (a) assist with the consolidation of the Debtors' computer records into a creditor database and (b) complete the mailing of notices to the parties in such database. Accordingly, it is in the best interest of the Debtors' estates to avoid the cost and risks associated with preparing and filing a separate matrix.

188. After consultation with BMC, the Debtors believe that preparing the consolidated list in the format or formats currently maintained in the ordinary course of business will be sufficient to permit BMC to promptly notice all applicable parties. Accordingly, it is in the best interest of the Debtors' estates to avoid the costs and risks associated with preparing and filing separate matrices for each of the Debtors.

189. Moreover, the Debtors have thousands of potential unsecured creditors. Requiring each of the Debtors to file a separate top twenty (20) list in each of their respective cases would generate numerous names, addresses and claim amounts of materially varying sizes. The Debtors do not believe that such voluminous and disjointed filings would facilitate the Office of the United States Trustee for the District of South Carolina (the "U.S. Trustee"), or any

other parties', review of creditor claims. In addition, the exercise of compiling eleven (11) separate lists of twenty (20) would consume an excessive amount of the Debtors' scarce time and resources. In light of the foregoing, the Debtors submit that authority to file a single, consolidated list of the fifty (50) largest unsecured creditors in these cases on a consolidated basis is in the best interests of the estates and will facilitate the efficient and orderly administration of these cases.

190. I believe that the relief requested in this motion is in the best interests of the Debtors' estates and creditors, is both necessary and appropriate to the efficient administration of these Chapter 11 cases, and is critical to the Debtors' reorganization efforts.

U. Motion to Approve Bid Procedures, Break-Up Fee and Substitution Conditions in DIP Loan Agreement

191. Pursuant to this motion, the Debtors request the entry of an order approving, *inter alia*, procedures (the "Bidding Procedures") for the submission of higher or better proposals to become the Designated Sponsor (as defined in the Motion) of the Debtors' Chapter 11 plan of reorganization, as well as payment of a break-up fee and reimbursement of expenses to Carlile, upon certain occurrences. As mentioned in paragraph 47 above, the transaction described in the Term Sheet is subject to higher and better offers in these bankruptcy cases, pursuant to the Bid Procedures subject to Bankruptcy Court approval, and the payment of a "break up" fee to Carlile. The details of the proposed Bidding Procedures, the proposed break up fee and the "Substitution Conditions" are set forth in the motion.

192. Before the Petition Date, the Debtors held extensive discussions with several parties, including Carlile, that each sought to acquire the Debtors' assets through a bankruptcy reorganization and plan. As part of this process, no fewer than four potential sponsors submitted detailed term sheets to the Debtors. The terms of these proposals, however, were far more

complex than what might be expected to occur in most bankruptcy auctions. They did not simply include a proposed purchase price for the Debtors' assets, but were rather comprised of detailed term sheets explaining the terms upon which a particular sponsor proposed to reorganize the Debtors through a bankruptcy plan. As such, these proposals described treatment of secured and unsecured creditors, the rights of members of the clubs, and generally how the clubs would be operated going-forward. Many of the payments described in the term sheet descriptions were dependant on future cash flows which necessitated understanding projections based on future real estate sales and other income that the Debtors might be entitled to receive. Because of all of these factors, and others, negotiations were very slow moving and it was difficult to determine at any given time which party had the best offer on the table. All the while, the Debtors' liquidity situation worsened.

193. Ultimately, the Debtors reached a point where it was clear that they needed to choose a front-runner as the Designated Sponsor and file under chapter 11. However, it was not readily apparent that the current offers of any of the proposed sponsors represented the highest and best offers that might be available as the Designated Sponsor. With this goal in mind, the Debtors informed each of the proposed sponsors that they intended to choose a "stalking horse" purchaser and make that party's proposed term sheet subject to higher and better offers through Bidding Procedures to be approved in the bankruptcy proceedings. Following a final round of presentations, the Board of Directors of ClubCo selected Carlile as its proposed Designated Sponsor.

194. As described in more detail in the motion, both of the consensual and negotiated proposed orders relating to debtor-in-possession financing and the use of cash collateral require that these cases and the Bidding Procedures be conducted on an accelerated schedule.

Specifically, for instance, the Debtors are obligated under the DIP Credit Agreement and proposed Orders in regard to the use of cash collateral and the obtaining of DIP Financing to seek and to obtain entry of an Order approving bid procedures within fourteen (14) days of the Petition Date regarding an auction of the right to be a joint proponent with the Debtors of a Plan of Reorganization. The purpose of the proposed bid procedures is to establish an orderly and open process to solicit higher and better bids than the Term Sheet.

195. I believe that the relief requested in this motion is in the best interests of the Debtors' estates and creditors, is both necessary and appropriate to the efficient administration of these Chapter 11 cases, and is critical to the Debtors' reorganization efforts.

CONCLUSION

I declare under penalty of perjury pursuant to 28 U.S.C. § 1746 that the foregoing is true and correct to the best of my knowledge, information and belief.

[*signature follows*]

Respectfully submitted this 28th day of February, 2012.

Timothy P. Cherry

Name: Timothy P. Cherry
Title: Interim President and Chief Executive Officer of the Debtors

EXHIBIT A

NDAs Executed, and/or Significant Business Discussions

Atrium Holding Company
Carpe Vita
Celebration Associates
Cerberus
Clarent Capital
DDRM Companies
East West Partners
Evolution Golf
Five Mile
Fortress Investment Group
FTH Group
Gibbs International
Halter Properties
Iron Bridge Capital
JBGL Capital / Greenlight Capital
Kennedy Funding
KSL
Kyss International
Landcap
Landeavor
Lantern Asset Management
LNR Property Corporation
Lowe Enterprises
Lupert Adler
McKinney Fund
Miraval (Steve Case)
Mount Kellett Capital Management
MSD Capital
National Land Partners
Oaktree
Ronto Group
Silverpoint
Starwood Capital
South Carolina Retirement Fund
The Carlton Group
The Seaport Group
Tiburon Management Consultants
TM Equity Inc
Trilyn LLC
Trump Golf
Vergo
Versa
Vision Ventures
Wheelock Street Acquisitions

ClubCos Negotiations

The Carlile Group
NatureFirst Real Estate Holdings, LLC
Reed Development
Stokes Land Group (Arendale)

EXHIBIT B

Term Sheet

CARLILE DEVELOPMENT GROUP TERM SHEET

FEBRUARY 22, 2012

This document is the term sheet (the "Term Sheet") on behalf of Carlile Development Group (sometimes the "Investor"), containing terms of a proposed restructuring transaction by (the "Restructuring") of the following: CCHG Holdings, Inc.; The Cliffs Club & Hospitality Group, Inc.; The Cliffs at Mountain Park Golf & Country Club, LLC; The Cliffs at Keowee Vineyards Golf & Country Club, LLC; The Cliffs at Walnut Cove Golf & Country Club, LLC; The Cliffs at Keowee Falls Golf & Country Club, LLC; The Cliffs at Keowee Springs Golf & Country Club, LLC; The Cliffs at High Carolina Golf & Country Club, LLC; The Cliffs at Glassy Golf & Country Club, LLC; The Cliffs Valley Golf & Country Club, LLC; and The Cliffs Club & Hospitality Service Company, LLC (collectively, the "Filing Debtors").

We understand that management intends to file chapter 11 bankruptcy cases for the Filing Debtors, and that management does not intend a bankruptcy filing of any other affiliates. If that understanding is wrong or if management's intent changes, the Carliles request the opportunity to modify the Term Sheet accordingly. In addition, the Carliles and their professionals will immediately engage in substantial due diligence. If the results of that effort show material changes from what we now know, then the Carliles reserve the right to change what you read below.

This Term Sheet does not contain all terms, conditions, and other provisions of the Restructuring. In particular, this Term Sheet does not state various procedures that arise as a matter of law and/or that are generally common to reorganization plans, for example, deadlines for filing claims or requests for administrative expense payment.

The transactions contemplated by this Term Sheet are subject to conditions to be set forth in definitive documents. This Term Sheet is made in the nature of a settlement proposal in furtherance of settlement discussions and is entitled to protection from any use or disclosure to any party or person pursuant to Federal Rule of Evidence 408 and any other rule or statute of similar import. The Investor reserves all rights pursuant to applicable law (including but not limited to the Bankruptcy Code) and the applicable loan documents. The Restructuring is of course subject to Bankruptcy Court approval.

This Term Sheet and the information contained herein are strictly confidential and contain material non-public information. Disclosure of the material contained herein is prohibited without the express written consent of the Investor (as defined below). This Term Sheet does not constitute an offer of securities, nor is it an offer or solicitation for any chapter 11 plan, and is being presented for discussion and settlement purposes only.

A. TRANSACTIONS REQUIRED TO IMPLEMENT RESTRUCTURING

The Restructuring will be consummated through the following transactions:

(i) The Filing Debtors shall on the same day commence chapter 11 filings under title 11, United States Code ("Bankruptcy Code" or "11 U.S.C.") in the United States Bankruptcy Court for the District of South Carolina (the "Bankruptcy Court").

(ii) At the time the chapter 11 cases are commenced (the "Petition Date"), the Filing Debtors shall file customary first day motions, including but not limited to motions for joint administration under F.R.B.P. 1015(b).

(iii) On the Petition Date, the Filing Debtors shall file motions seeking authority to borrow from the Investor debtor-in-possession financing under 11 U.S.C. § 364(c) (the "DIP Loan") discussed in part B below.

(iv) As soon as practicable after the Petition Date, the Filing Debtors shall file a joint Plan of Reorganization (the "Reorganization Plan") discussed below beginning in Part C.

(v) The parties to the Restructuring will execute such other agreements and take such other actions as may be necessary to implement the Restructuring.

B. THE DIP LOAN

1. General Description

The DIP Loan will be a revolving credit facility. Its provisions will protect the Carliles' risk through broad access to information, appropriate events of default and cure rights, and normal remedies on default. Its purpose is to provide operating capital for the chapter 11 cases during the Reorganization process, not to seize control of that process.

2. Parties

The Investor or an affiliate will be the lender. Each of the Filing Debtors will be a borrower.

3. Principal, Interest, and Fees

The original principal amount will be $7.5 million (exclusive of the existing bridge loan). Interest will be 12% per annum on the outstanding balance. Fees will consist of a 2% origination fee and payment of the lender's reasonable legal expenses and monitoring costs.

4. Security and Priority

The facility will be secured by a super-priority lien on all property of the Filing Debtors' estates that the Bankruptcy Court will permit, including without limitation all properties now liened by the Trust Indenture other than "Debtors' Actions," as defined below. (For example, the Filing Debtors may own mortgaged lots on which bankruptcy law would not permit a superpriority lien.)

5. Covenants, Defaults, Access to Information, and other Provisions

Conditions to lending, covenants (whether considered affirmative, negative, financial, or otherwise), events of default, and remedies on default will be standard for DIP financing. The Carliles seek timely access to information to monitor the loan. The loan itself should not be used as a tool in the Reorganization process.

6. Maturity

The facility matures in six months, with a right to extend (absent default) for another six months.

C. THE CHAPTER 11 REORGANIZATION PLAN – GENERAL

1. Parties – Plan Proponents and New Entity

The Filing Debtors and the Investor will be Reorganization Plan's "proponents." The Investor will form a new entity under Texas law ("NewCo") to act as set forth below.

2. General Description, Governing Law

NewCo will acquire substantially all the assets of the Filing Debtors, except for "Debtors' Actions," defined below. NewCo will operate the clubs, complete the Mountain Park golf course, and offer memberships to existing members in good standing and new members. Newco will fund the Reorganization Plan as described below, i.e., NewCo will pay or provide for payment in full of administrative expenses and priority claims, and will provide for secured and unsecured debt .

South Carolina substantive law will govern the Reorganization Plan with two exceptions: (i) law of the state in which collateral is located may govern perfection of and recovery upon that collateral; and (ii) federal law, including bankruptcy law, shall govern to the extent that federal law supersedes otherwise applicable state law.

3. Effective Date and Conditions to Closing

The Reorganization Plan will become effective at a closing (the "Plan Closing") that shall occur no later than a reasonable date certain after the order confirming the Reorganization Plan (the "Confirmation Order") becomes a final order, but may occur earlier, at the Investor's discretion, at a time when the Confirmation Order is in effect, i.e., an appeal of the Confirmation Order, without the posting of a bond, will not automatically

stop the Plan Closing.

Usual conditions to closing will apply. In addition, the Investor must be reasonably satisfied that, no later than the Plan Closing, it can acquire all assets of those other than the Filing Debtors needed to effectuate its post-Plan Closing operations and land acquisitions.

4. Higher and Better Offers

As noted above, the purpose of this Term Sheet is to set forth a process for the Filing Debtors' Reorganization, not to determine the outcome of their chapter 11 cases before those cases begin, and before various parties in interest have the opportunity under the Bankruptcy Code to advocate for their positions. Accordingly, the Investor will relinquish its position in any Reorganization Plan to a higher and better offer, as long as the Investor can be made whole, get compensation for its contribution to the Reorganization process, and exit.

Accordingly, the conditions to the substitution of NewCo (the "Substitution Conditions") are payment in full of the following, no later than Plan Closing: (i) all outstanding obligations of the prepetition bridge loan; (ii) all outstanding obligations of the DIP Loan facility; and (iii) to the extent earned (as described in the motion to approve bid procedures filed by one or more Borrowers on the Petition Date), a $1,000,000 break-up fee, plus a $750,000 expense reimbursement which shall increase by an additional $100,000 per month for each month after the first six months after the Petition Date until paid in full.

And accordingly, the Filing Debtors will not file, nor otherwise propose, nor consent, to any Reorganization Plan that does not fully meet the requirements of paragraphs C.4(i), (ii), and (iii) just above, unless, before that act of filing, proposing, or consenting, either (i) the Investor has given its express written consent to that act, (ii) the Investor has withdrawn as a plan proponent or sponsor, or (iii) the Bankruptcy Court has approved the Substitution Conditions in full in a final order no longer subject to appeal.

D. TREATMENT OF BANKRUPTCY CLAIMS AND EXPENSES

The Reorganization Plan shall provide treatment for expenses, claims, and interests, and the Investor shall fund such treatment, as follows. **The Carliles will negotiate the details of the terms below in good faith with all interested parties, and reserve the right to improve their offer if they so desire. The Reorganization Plan will contain sufficient detail to clarify and to protect all interested parties' rights**:

1. DIP Loan and Other Administrative Expenses

The DIP Loan, professional fees, and other expenses of administration under 11 U.S.C. § 503(b) shall be paid in full a week after the later of the Plan Closing or the date upon which such expense is allowed.

2. Priority Claims

Prepetition priority claims shall be paid in full a week after the later of the Plan Closing or the date upon which such claim is allowed, unless otherwise set forth in the Reorganization Plan.

3. Consensually Secured Claims

The ClubCo Secured PPM Notes (the "Indenture Notes") will remain secured and will be paid, all as set forth below. Where a lot is subject to a mortgage, the Investor may at its discretion either abandon the lot or reach a settlement with the mortgagee to remove the mortgage.

4. Mechanic's and Materialman's Liens

Mechanic's and Materialman's liens shall be paid in their full allowed amounts in four equal quarterly payments beginning three months after the Plan Closing.

5. Non-Member Unsecured Claims

All general prepetition unsecured claims not classified in any other class shall be paid an aggregate dividend of 75% in six equal semi-annual payments beginning six months after the Plan Closing.

6. Member Claims

Contracts of existing club members are considered "executory contracts" in the Bankruptcy Code. They will be "rejected," which constitutes a prepetition default on the contract. Dues credits, club credits, and agreements to refund initiation deposits in excess of amounts paid will not be honored, but will be added to the amounts of the club members' general prepetition unsecured claims.

Club members in good standing will have a choice: they may elect new membership, described in Section H below, or they may do nothing, in which event they will be classified in a class of club member claimants. Election to enter new membership constitutes a decision to leave this class and to receive no dividend, i.e., no repayment of debt, under the Reorganization Plan.

Club members who remain in the class of club member claimants will receive their pro rata share, according to the allowed amounts of their claims, of a Non-rejoining Members' Fund, which will consist of (i) $100,000, plus (ii) net proceeds of actions brought under 11 U.S.C. §§ 545 – 551 or causes of action owned by a Filing Debtor pre-bankruptcy and brought into a Filing Debtor's bankruptcy estate under 11 U.S.C. § 541 (collectively, "Debtors' Actions").

7. Equity Interests

All equity interests in the Filing Debtors will be extinguished.

E. POST-PLAN CLOSING ADMINISTRATION AND OTHER ISSUES

1. Responsible Person for Remaining Bankruptcy Estates

Following the Plan Closing, the Debtors' estates will include the Debtors' Actions and any other property that the Plan provides that the estates will retain, rather than be transferred to NewCo. The estates will then be administered by a Responsible Person, who shall be vested with exclusive power, authority and control over all remaining estate property.

The Responsible Person will be authorized and empowered to institute, prosecute, settle, compromise, abandon or release all causes of action, at the estates' expense. The Responsible Person shall be authorized to (a) prosecute objections to claims; (b) resolve disputed claims; (c) make distributions to the holders of allowed claims in accordance with the Reorganization Plan; (d) perform administrative services needed to implement the Reorganization Plan (such as filing post-confirmation reports) and (e) retain counsel and other necessary professionals for such purposes. The costs for performing such services shall be paid from the estates as set forth in the Reorganization Plan.

2. Releases

At the Plan Closing, the Plan Proponents and Investor will receive and the Bankruptcy Plan shall provide for a full discharge and mutual release of liability from and in favor of each of their respective principals, employees, agents, officers, directors, shareholders, managers, members, partners and professionals from: (i) any and all claims and causes of action arising prior to the Plan Closing; and (ii) any and all claims arising from the actions taken or not taken in good faith in connection with the Restructuring and the Reorganization Plan. Without limitation, those released shall be released from any and all claims or causes of action arising out of, or relating to, any purchase and sale agreements related to any property previously owned by the Filing Debtors (including, without limitation, any claims relating to alleged errors and/or omissions in the offering materials used to market and sell the such properties and any claims related to alleged non-registration or other alleged non-compliance with applicable laws), without regard to whether such claims or causes of action were asserted or filed as of the Petition Date, and notwithstanding whether the holders of such claims or causes of action filed claims at all or voted to reject the Bankruptcy Plan.

F. NEWCO GOVERNANCE, LAND ACQUISITION, ETC.

1. Governance

NewCo shall be governed by a board of no more than nine directors, of which two shall be members at large. The Investor shall choose the initial board.

2. Land Acquisition and Development

Carlile Development shall commit up to $85 million to acquire, joint venture, land bank, or otherwise gain control of development land and lots. NewCo will remain the

clubs' operator. A separate development company shall be created to develop, market and sell lots, i.e., to take on all the functions of the current development and sales divisions or entities.

3. Access Fees

Eight percent (8%) of the sale price of each lot in the developments will be designated as an "Access Fee" and paid to NewCo.

4. Mountain Park Golf Course and other Amenities.

NewCo will own all golf courses. The Carlile Group or an affiliate will advance up to $5 million to Newco as pre-paid Access Fees to complete the Mountain Park golf course and golf house, to be repaid from Access Fees on Lots in which Carlile Development has an interest, as those Access Fees are collected. After that repayment in full, Carlile Access Fees go into a capital reserve on NewCo's balance sheet. In addition, future amenities may be funded out of the 25% capital reserve described in Section G.5 below. Any additional amenity construction funded by Carlile will be treated as prepaid Access Fees. Access Fees from other non-Carlile lots will go to NewCo as "Free Cash Flow," defined in Section G.5 below.

G. NEWCO DEBT STRUCTURE

1. General

The existing secured debt memorialized in the Trust Indenture will remain, now restructured to 15 year notes (called "Notes," and their holders called "Noteholders"). **Newco will allocate the "Free Cash Flow" to the benefit of the Noteholders and the Clubs as defined and set forth in G.5 below.** NewCo will place no senior debt ahead of the Trust Indenture at Plan Closing, but must reserve the right to do so later if needed.

2. Senior Debt

The Investor does not contemplate the need for debt that will be senior to the restructured debt of the Indenture Notes, but reserves the right to incur up to $4 million of such senior debt at commercial rates and terms for uncontemplated circumstances.

3. Indenture Notes -- – Principal, Interest, Maturity

The total Note debt will have original principal amount of $64.05 million (no pre-Plan Closing interest carries through). Interest will not accrue. Notes will mature 15 years after Plan Closing. Notes will not be amortized, but will be paid down as set forth below.

4. Security and Ranking

New Notes will keep their existing security. New Notes will be subordinate to Senior Debt, if any. New Notes will remain subordinate to the bridge loan advance as is now the case, and to any DIP financing, until those loans are repaid in full.

5. Free Cash Flow and its Uses

"Free Cash Flow" means total gross revenue from operations, including membership fees, up to $50,000 of an initiation fee, and Access Fees (other than Carlile Access Fees which are addressed in Section F.4 above), less cost of goods sold, operating expenses (including 3% for management services of the Carlile Group) maintenance costs, interest, taxes, and service on senior debt, if any.

NewCo will use Free Cash Flow as follows:

50% -- paid annually to Noteholders until Notes paid in full.

25% -- "Redemption Cash," applied to a "dutch auction" redemption. Subject to a reserve for emergencies, unused Redemption Cash will be added to the annual payment to Noteholders set forth above.

25% -- capital reserve, which will include reserves for capitalized maintenance, repairs, renovations and amenity construction. (This reserve shall also include Access Fees paid by Carlile on Carlile owned real estate in accordance with Section F.4 above).

6. Release of Collateral

The parties shall agree upon a schedule for the release of the Notes' collateral based upon reasonable financial metrics to be agreed upon by the Investor and the Noteholders. However, the schedule will be subject to the remaining collateral's maintenance of adequate protection for repayment of the outstanding Note obligations, as measured at the time of release.

7. Early Repayment and other Covenants

NewCo may repay the Notes in whole or in part at any time. NewCo may offer to purchase any portion of the Notes for any price at any time.

Covenants, including negative covenants, will be market standard, including rights of first refusal and specified events of default, and the approval of the annual budget and impact of variances.

H. NEW MEMBERSHIPS

1. Election to Join as Members of NewCo

Existing Clubmembers in good standing may elect to opt out of the class of general prepetition unsecured creditors and instead become members of NewCo ("Rejoining Members") as follows. Election to become a Rejoining Member constitutes a relinquishment of any claim to any repayment of the Rejoining Member's claim in the Bankruptcy Case.

2. Membership Transfer Fees

Every Rejoining Member will pay a one-time Transfer Fee as follows, if paid within 30 days of the Plan Closing, unless otherwise indicated: (i) Wellness -- $1,500; (ii) Family -- $2,500; and (iii) Golf – either $5,000 in one payment, or $5,500 paid as follows: a first payment of $2,500, followed by five quarterly payments of $600. Rejoining Members will receive back their pro rata share of any excess of the total amount of Transfer Fees over the aggregate amount of expenses related to the Bankruptcy Case. If such Bankruptcy Case expenses exceed the total amount of Transfer Fees, then NewCo may fund or borrow capital at commercially reasonable rates, to be repaid as Free Cash Flow.

3. Membership Dues

Annual dues will be $10,380 for Golf, $5,280 for Family, and $3,720 for Wellness. Nonresident member dues will be reduced by 20% until the second anniversary of rejoining, and other exceptions will apply as set forth in the Membership Plan.

4. Revesting of Lost Filing Debtor Deposits

Every Rejoining Member who joins within 30 days of the Plan Closing will be entitled to a payment equal to the following percentage of an amount (the "Vesting Amount") that equals the lesser of (i) that member's vested Filing Debtor deposit or (ii) 75% of the NewCo membership initiation fee:

1st anniversary of rejoining:	20% of Vesting Amount
2d anniversary of rejoining:	40% of Vesting Amount
3d anniversary of rejoining:	60% of Vesting Amount
4th anniversary of rejoining:	80% of Vesting Amount
5th anniversary of rejoining:	100% of Vesting Amount

5. Refund List

No refund or resigned list carries over from a Filing Debtor to NewCo.

Every Rejoining Member may go onto a newly constituted refund list. Upon sale of Member's property, an amount equal to its previously vested Filing Debtor deposit, less any amount repaid as set forth in paragraph 4 just above, will be added to the refund list and refunded in accordance with the Membership Plan. In the event the Rejoining Member resigns his or her membership without a replacement membership, the full value of that newly vested amount will be placed on the refund list and repaid in accordance with the Membership Plan.

6. New Membership Initiation Fees

Every NewCo member who is not an electing Club member as set forth in paragraph 1 above shall pay the following membership initiation fee, which may be raised in the future: Golf -- $50,000; Family -- $25,000; Wellness -- $14,000.

* * *

If you are in agreement with the foregoing, kindly sign and return to us the enclosed copy of this Term Sheet.

Very truly yours,

Carlile Development Group

By: Steve B. Carlile
Name: Steve B. Carlile
Title: President

Accepted and agreed to as of the date first above written:

THE CLIFFS CLUB & HOSPITALITY GROUP, INC.

By: Timothy P. Cherry
Name: Timothy P. Cherry
Title: Interim President & CEO

CCHG Holdings, Inc.

By: Timothy P. Cherry
Name: Timothy P. Cherry
Title: Interim President & CEO

The Cliffs at Mountain Park Golf & Country Club, LLC
By: THE CLIFFS CLUB & HOSPITALITY GROUP, INC., AS SOLE MEMBER

By: Timothy P. Cherry
Name: Timothy P. Cherry
Title: Interim President / CEO

The Cliffs at Keowee Vineyards Golf & Country Club, LLC
By: THE CLIFFS CLUB & HOSPITALITY GROUP, INC., AS SOLE MEMBER

By: Timothy P. Cherry
Name: Timothy P. Cherry
Title: Interim President / CEO

The Cliffs at Walnut Cove Golf & Country Club, LLC

By: THE CLIFFS CLUB & HOSPITALITY GROUP, INC., AS SOLE MEMBER

By: Timothy P. Cherry
Name: Timothy P. Cherry
Title: Interim President / CEO

The Cliffs at Keowee Falls Golf & Country Club, LLC
By: THE CLIFFS CLUB & HOSPITALITY GROUP, INC., AS SOLE MEMBER

By: Timothy P. Cherry
Name: Timothy P. Cherry
Title: Interim President / CEO

The Cliffs at Keowee Springs Golf & Country Club, LLC
By: THE CLIFFS CLUB & HOSPITALITY GROUP, INC., AS SOLE MEMBER

By: Timothy P. Cherry
Name: Timothy P. Cherry
Title: Interim President / CEO

The Cliffs at High Carolina Golf & Country Club, LLC
By: THE CLIFFS CLUB & HOSPITALITY GROUP, INC., AS SOLE MEMBER

By: Timothy P. Cherry
Name: Timothy P. Cherry
Title: Interim President & CEO

The Cliffs at Glassy Golf & Country Club, LLC

By: THE CLIFFS CLUB & HOSPITALITY GROUP, INC., AS SOLE MEMBER

By: Timothy P. Cherry
Name: Timothy P. Cherry
Title: Interim President & CEO

The Cliffs Valley Golf & Country Club, LLC
By: THE CLIFFS CLUB & HOSPITALITY GROUP, INC., AS SOLE MEMBER

By: Timothy P. Cherry
Name: Timothy P. Cherry
Title: Interim President & CEO

The Cliffs Club & Hospitality Service Company, LLC
By: THE CLIFFS CLUB & HOSPITALITY GROUP, INC., AS SOLE MEMBER

By: Timothy P Cherry
Name: Timothy P. Cherry
Title: Interim President & CEO