UNITED STATES BANKRUPTCY COURT
DISTRICT OF SOUTH CAROLINA

In re: **The Cliffs Club & Hospitality Group, Inc., *et al.*,[1] *d/b/a* The Cliffs Golf & Country Club,** **Debtors.**	**CHAPTER 11** **Case No. 12-01220** **Jointly Administered**

OBJECTION OF WELLS FARGO BANK, N.A., AS INDENTURE TRUSTEE, TO DISCLOSURE STATEMENT TO ACCOMPANY JOINT CHAPTER 11 PLAN FILED BY THE DEBTORS AND THE PLAN SPONSOR

Wells Fargo Bank, National Association, in its capacity as indenture trustee (the "Indenture Trustee") for the holders of certain notes (as defined further herein, the "Notes"), objects to Debtors' *Disclosure Statement to Accompany Joint Chapter 11 Plan Filed by the Debtors and the Plan Sponsor* [Docket No. 366] (as defined further herein, the "Disclosure Statement").[2] The Indenture Trustee objects to the Disclosure Statement on the basis it fails to provide the holders of the Notes (the "Note Holders") with adequate and necessary information to allow the Note Holders to assess how their claims will be paid under the proposed Plan (which is attached to the Disclosure Statement, and as further defined herein, the "Plan"). Further, the proposed Plan contains various provisions which may impact the ability of the Debtors to

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[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) (the "Debtors").

[2] Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Disclosure Statement.

confirm the proposed Plan. The Indenture Trustee expressly reserves all rights to object to these provisions at the time of the confirmation hearing.

The Disclosure Statement is deficient for, among other reasons, the following:

- The Disclosure Statement (and accompanying Plan) does not include the most important documents – specifically, the Asset Purchase Agreement, the Mountain Park Facility, and the Exit Facility, the Subordination and Intercreditor Agreement -- for the Note Holders to understand the terms and conditions of payments to the Indenture Trustee under the Plan (the Indenture Trustee notes that it is the Debtors' intention to attach these documents prior to soliciting votes to accept or reject the Plan and the Indenture Trustee and others have been working to finalize these documents);

- The Disclosure Statement fails to adequately explain key provisions of the Plan that are important for the Note Holders to understand, including the proposed deal structure and the proposed business models for the clubs and the affiliated real estate side of the Plan Sponsor's business post-confirmation (which models are the framework and basis to the payments that the Note Holders will receive under the Plan);

- The Disclosure Statement fails to provide adequate information as to the amenity construction referenced in the two (2) page pro forma attached to the Disclosure Statement; and

- The Disclosure Statement does not adequately explain the basic assumptions used in the Plan to reach key conclusions, including the assumptions and calculations behind the liquidation analysis and the methodology used to calculate the proposed level of Transfer Fees that will be required for members to join the new clubs.

The Disclosure Statement also describes a Plan that contains numerous provisions not supported by law, including impermissible third-party releases, deemed consent by the Indenture Trustee for the Debtors use of its cash collateral, and a forced waiver of the Indenture Trustee's deficiency claim. As noted, the Indenture Trustee reserves the right to raise objections to these Plan provisions, as well as others, at the time of the confirmation hearing.

The Indenture Trustee has had various conversations with the Debtors' counsel relating to

these and other matters pertaining to the information contained in the Disclosure Statement. It is the expectation that the Debtors will make revisions to their Disclosure Statement prior to the hearing to address certain of these matters; however, the Indenture Trustee files this objection to reserve its rights with respect to same.

In support of its objection, the Indenture Trustee respectfully states as follows:

Background

1. On February 28, 2012 (the "Petition Date"), the Debtors filed their voluntary petitions for relief under the Bankruptcy Code. The Debtors are authorized to operate their businesses as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

2. On March 12, 2012, the United States Trustee appointed the Official Committee of Unsecured Creditors (the "Committee") in these Chapter 11 cases pursuant to that certain Fourth Amended Appointment of Committee of Unsecured Creditors [Docket No. 141]. No trustee or examiner has been appointed in these Chapter 11 cases.

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

4. The Notes were issued in the aggregate principal amount of $64,050,000 pursuant to that certain Indenture dated April 30, 2010 (the "Indenture") between the Cliffs Club & Hospitality Group, Inc., certain Guarantors (as defined in the Indenture), and the Indenture Trustee. Under the Indenture, there are two series of Notes, the Series A Notes (the "Series A Notes") which were issued in the original principal amount of $39,800,000 and the Series B Notes (the "Series B Notes" and with the Series A Notes, the "Notes") which were issued in the original principal amount of $24,250,000.

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

6. On May 24, 2012, this Court entered the Order Setting Hearing on Disclosure [Docket No. 368], setting a hearing on July 2, 2012 to consider approval of the Disclosure Statement.

7. Under the proposed Plan, the Debtors are in essence selling substantially all of their assets to the Plan Sponsor. As part of the transaction, the Plan Sponsor will be assuming the principal amount owed under the Notes based upon restructured terms (the "Restructured Notes"). The terms of the Restructured Notes provide that there will be twenty (20) annual payments, beginning on the one (1) year anniversary of the Effective Date, in an amount equal to the greater of $1.0 million or 50% of the New Clubco Net Cashflow. These Restructured Notes will accrue 0% interest and will be secured by various assets.

8. These Restructured Notes are also intended to be subordinated to two (2) separate debt facilities: (i) an exit facility which will be equal to the difference between the "Exit Costs" as defined under the Plan, less $1.60 million (which will be an equity contribution of the Plan Sponsor), and less "Transfer Fees" collected; and (ii) the Mountain Park Facility in an amount not to exceed $7.50 million to fund the completion of the Mountain Park golf course along with certain amenities.

Argument

A. The Disclosure Statement Should Not Be Approved Because It Does Not Contain "Adequate Information"

9. The Debtors' Disclosure Statement fails to provide necessary disclosures to

enable the Note Holders to make an informed decision regarding the merits of the Debtors' Plan. As the Debtors are well aware, the Note Holders are a very sophisticated group of individuals with a great deal of experience in finance, mergers and acquisitions, as well as the underlying aspects of the law. Indeed, certain Note Holders are well known restructuring attorneys.

10. Section 1125 of the Bankruptcy Code states that a plan proponent must provide holders of impaired claims with "adequate information" so that "a hypothetical investor typical of" the Note Holders can make an informed decision on whether they should support a proposed chapter 11 plan. Specifically, section 1125(a)(1) of the Bankruptcy Code provides:

> "[A]dequate information" means information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the debtor and the condition of the debtor's books and records, including a discussion of the potential material Federal tax consequences of the plan to the debtor, any successor to the debtor, and a hypothetical investor typical of the holders of claims or interests in the case, that would enable such a hypothetical investor of the relevant class to make an informed judgment about the plan . . . .

11 U.S.C. § 1125(a)(1). In determining whether a plan proponent has provided "adequate protection" to creditors and parties in interest, the standard is not whether the failure to disclose information would harm creditors but whether "hypothetical reasonable investors receive such information as will enable them to evaluate for themselves what impact the information might have on their claims and the outcome of the case, and to decide for themselves what course of action to take." In re Applegate Prop., Ltd., 133 B.R. 827, 831 (W.D. Tex. 1991); see also Nelson v. Dalkon Shield Claimants Trust (In re A.H. Robins Co.), 216 B.R. 175, 180 (Bankr. E.D. Va. 1997) (adequate disclosure "is designed to provide information to creditors to permit them to determine whether to vote for or against the plan . . . It plays a pivotal role in the give and take among creditors and between creditors and the debtor that leads to a confirmed

negotiated plan of reorganization by requiring adequate disclosure to the parties so they can make their own decisions on the plan's acceptability"); In re United States Brass Corp., 194 B.R. 420, 423 (Bankr. E.D. Tex. 1996) ("The purpose of the disclosure statement is not to assure acceptance or rejection of a plan, but to provide enough information to interested persons so they may make an informed choice between two alternatives").

11. The legislative history to section 1125 of the Bankruptcy Code states that "the disclosure statement was intended by Congress to be the primary source of information upon which creditors and shareholders would make an informed judgment about a plan of reorganization." In re Jeppson, 66 B.R. 269, 291 (Bankr. D. Utah 1986). Because creditors rely on the disclosure statement prior to voting on a plan of reorganization, "it is crucial that a [plan proponent] be absolutely truthful so that the disclosure statement" satisfies section 1125(a)(1) of the Bankruptcy Code. In re Galerie Des Monnaies of Geneva, Ltd., 55 B.R. 253, 259 (Bankr. S.D.N.Y. 1985). Moreover, it is of prime importance that a plan proponent's disclosure be "full and fair." In re Momentum Mfg. Corp., 25 F.3d 1132, 1136 (2d Cir. 1994); see also In re Readco Props., Inc., 402 B.R. 666, 682 (Bankr. E.D.N.C. 2009 ("[T]he importance of full and honest disclosure is critical and cannot be overstated"). In the absence of honest, full and fair disclosure, a disclosure statement should not be approved. See In re Copy Crafters Quickprint, Inc., 92 B.R. 973, 980 (Bankr. N.D.N.Y. 1988).

12. Here, the Disclosure Statement includes more questions than answers as it fails to adequately explain the manner in which the Note Holders will be paid, the timing of those payments, the contributions that the Plan Sponsors are making to the clubs, and basic assumptions upon which the Debtors' Plan is based.

i. Failure to Include the Underlying Financial Models.

13. The Indenture Trustee has filed a proof of claim asserting that it is owed not less

than $74,777,999.75 from the Debtors, of which $64,050,000.00 is on account of principal loaned to the Debtors pursuant to the Note Documents. Although substantially all of the assets of the Debtors will be transferred to the Plan Sponsor, a significant portion of the "purchase price" for these assets is the assumption of the obligations owed under the Notes, as they are restructured under the Plan.

14. Under the Plan, the Debtors propose to repay the obligations under the Notes by restructuring the Notes in the principal amount ($64,050,000.00), without interest, payable in twenty (20) annual payments, with each payment being the greater of $1.0 million or 50% of New ClubCo Net Cashflow (any unpaid amounts are due at maturity). As such, the Note Holders recovery is largely dependent on the cashflows being generated by the new owners.

15. Given that the repayment of the Restructured Notes is almost entirely dependent on the success of the Plan Sponsor in operating the golf community and selling the underlying real estate, it is absolutely essential that the Disclosure Statement provides "adequate information" relating to the business models and underlying structure of the transaction. Yet this information is not included in the Disclosure Statement.

16. Indeed a significant portion of ClubCo's cashflow (and thus the cash available for repayment to Note Holders) is derived from Access Fees generated from the sale of real estate surrounding the clubs (traditionally, the Debtors have received a percentage of the gross purchase price of these land sales as an "Access Fee" payment in exchange for allowing the purchaser of the lot to become a member of the clubs). Accordingly, the velocity by which the Plan Sponsor intends to sell lots will directly affect the speed with which the Note Holders are paid. Consequently, for Note Holders to fully understand whether they will be paid and how quickly they will be paid, the Debtors must disclose the underlying real estate business plan

including, but not limited to, all assumptions relating to such business models as well as all available financial information relating to the operations of the golf courses themselves. All of this information should be provided to Note Holders in a clear and understandable manner so that they can determine whether, how, and when they will be paid.

ii. Failure to Adequately Describe Transaction

17. The transactions whereby the clubs are transferred from the Debtors to the Plan Sponsors are extraordinarily complex and cannot be readily understood from the description contained in the Disclosure Statement. This description should be revised so that Note Holders can understand the proposed transactions. Attached to this objection as **Exhibit A** is proposed language relating to this matter. In addition, the Debtors should attach a schematic of the underlying transactions which will provide necessary information to the Note Holders to allow them to fully understand the structure being proposed under the Plan.

iii. Failure to Describe Amenity Construction

18. Under the proposed Plan and pro formas, the Plan Sponsor is suggesting that it will be providing in excess of $26.0 million of amenity construction to support the clubs in the future. The Disclosure Statement requires additional information relating to this matter including a further description of the future amenities that the Plan Sponsors intend to build, the timetable for this construction (if any), the amount of the Plan Sponsors' commitment, and whether the Plan Sponsors are bound by such plans or whether they are discretionary. This should also include the Plan Sponsors' specific plans for the Mountain Park golf course, including what build out is intended and the proposed timeline for completion. Given that these amenities will become part of the collateral for the Note Holders, and will otherwise support the operations of the clubs (and hopefully increase cashflow), this information is necessary for the Note Holders in determining whether to vote to accept or reject the Plan.

iv. Failure to Provide Assumptions and Methods of Calculation of Transfer Fees

19. The Disclosure Statement does not adequately explain the assumptions behind the amount of Transfer Fees calculated. As noted, under the Plan the Debtors and Plan Sponsor are suggesting that an "Exit Facility" be established senior to the restructured Notes. In order to assess the magnitude of this debt facility, it is necessary for the Debtors to disclose the assumptions and bases for the proposed calculations of "Transfer Fees". In addition, the Debtors should provide in a simple one (1) page schedule the total anticipated amount of "Exit Costs", and the sources of funds to pay these obligations (including the estimated amount of the Indenture Trustee's cash collateral sought to be used by the Debtors).

v. Miscellaneous Information that Should Also be Included in the Proposed Disclosure Statement.

a) **The Liquidation Analysis** – The Debtors, without any supporting information, suggest that the liquidation value of the various golf courses is between $6.0 million and $8.0 million. Given that this will not pay the costs of the "DIP Facility" and "Bridge Loan", a number of Note Holders have expressed a concern as to the basis of this information. The Debtors should be required to provide greater information as to the liquidation valuation including the underlying assumptions of this valuation.

b) **The Amount of Recovery to Note Holders**. The Disclosure Statement suggests that the recovery to Note Holders is approximately 87%. As the Debtors are aware, the Restructured Notes are payable over a period of twenty-one (21) years from the date of the first payment, without interest. The Debtors, at the very most, should indicate that the recovery to Note Holders is unknown given the time

for repayment and the lack of any interest component relating to the restructured Notes.

c) **The Disclosure Statement Should Highlight that the Collateral Package to Note Holders is Not Without Risk**.

There are a number of collateral protections granted to the Note Holders to secure the restructured Notes. There should be a general statement provided that there is no guaranty as to the enforceability of these collateral documents, including to the extent of another bankruptcy filing.

d) **The Indenture Trustee Fees and Expense will not be Paid under the Plan**.

The Disclosure Statement should be amended to expressly indicate that the Indenture Trustee's fees and expenses will not be reimbursed by the Debtor or the Plan Sponsor under the Plan. Further, the Disclosure Statement should note that payments made to the Note Holders shall first be applied to these unpaid costs and expenses which fees and expenses are currently estimated to be approximately $1.20 million as of the Effective Date.

e) **Transfer of Non-Debtor Assets to Indenture Trustee SPE**. Various discussions have been held as to the transfer of certain non-debtor assets to the Indenture Trustee SPE which will become part of the collateral of the Note Holders. The Debtors should specifically set forth in a schedule what assets will be transferred to the Indenture Trustee SPE.

f) **Conditions to Effectiveness of Plan**. There are a number of conditions which must occur for the Plan to become effective. For example, (i) the Debtors must be successful in generating annual dues revenue in the aggregate amount of $16,500,000.00; and (ii) certain non-Debtor assets must be acquired by the Plan

Sponsor. The Debtors should list on a one (1) page schedule the conditions precedent, and the likelihood of achieving each condition.

g) **Releases Under Guaranty**. As noted below, Mr. James Anthony personally guaranteed the obligations owed under the Notes. If it is the Debtors' intention to release Mr. Anthony from this Guaranty if the Plan is confirmed, that intention should be fully disclosed in conspicuous language as required by Federal Rule of Bankruptcy Procedure 2002(c)(3).

h) **Claims Against DevCo Affiliates**. The Disclosure Statement is unclear as to the Debtors' intentions with respect to obligations owed by the DevCo affiliates to the Debtor. It is the understanding of the Indenture Trustee that the Debtors intend to preserve these claims against these entities and such claims will be transferred to the Liquidating Trust. This transfer should be clearly disclosed in the Disclosure Statement, as should the likelihood of collectability. Moreover, since the Indenture Trustee's lien extends to these claims against DevCo, the Debtors should be required to disclose their justification for extinguishing these liens.

B. In Addition, The Disclosure Statement and Plan Contain Provisions that Should Not be Approved

20. In addition to the disclosure issues, the Plan appears to contain various provisions which may prevent the Plan from being confirmed. Although consideration of whether a plan satisfies the conditions of Section 1129 of the Bankruptcy Code is generally addressed at a confirmation hearing, the Indenture Trustee believes it is appropriate and necessary to highlight these concerns with the Court and other parties.

21. The Debtors' Plan includes unduly broad releases in favor of non-Debtors, most significantly in favor of James B. Anthony. See Disclosure Statement, at §VIII(C)(c)(b). Under

the pre-petition financing arrangement, Mr. Anthony personally guaranteed the obligations owed under the Notes. See Indenture, at Article 10. The Plan expressly provides that this Guaranty will be released and otherwise extinguished if the Plan, is confirmed, thus denying the Note Holders another source of recovery.

22. The Fourth Circuit Court of Appeals recently clarified that approval of non-debtor releases – such as those that the Debtors seek to approve in the Plan – should only be granted "cautiously and infrequently", and indicated that a Bankruptcy Court must make specific factual findings in support of any decision to grant such equitable relief. See Berhmann v. National Heritage Foundation, Inc., 663 F.3d 704, 712 (4th Cir. 2011). While the Fourth Circuit did not mandate the specific factors the Bankruptcy Court must consider, it did commend the multi-factor tests adopted by the courts in Dow Corning and In re Railworks Corp. See id. at 711-12 (citing the seven factor test[3/] in Class Five Nev. Claimants. Dow Corning Corp. (In re Dow Corning Corp.), 280 F.3d 648 (6th Cir. 2002) and the four factor test[4/] in In re Railworks Corp, 345 B.R. 529 (Bankr D. Md. 2006)). These tests require the Debtors to prevail on multiple factors in order to procured releases in favor of third parties, yet there are no disclosures with relating to these test. For example, under both the Dow Corning and In re Railworks Corp. tests

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3/ The Dow Corning text provides that when the following seven factors are present, the bankruptcy court may enjoin a non-consenting creditor's claims against a non-debtor: (i) there is an identity of interest between the debtor and the third party, usually an indemnity relationship, such that a suit against the non-debtor is, in essence, a suit against the debtor or will deplete the assets of the estate; (ii) the non-debtor has contributed substantial assets to the reorganization, (iii) the injunction is essential to the reorganization; (iv) the impacted class, or classes, has overwhelmingly voted to accept the plan; (v) the plan provides a mechanism to pay for all, or substantially all, of the class or classes affected by the injunction; (vi) the plan provides an opportunity for those claimants who choose not to settle to recover in full; and (vii) the bankruptcy court made a record of specific factual findings that support its conclusion.

4/ The four factors are (i) overwhelming approval for the plan, (ii) a close connection between the causes of action against the third party and the causes of action against the debtor, (iii) that the injunction is essential to the reorganization, and (iv) that the plan of reorganization provides for payment of substantially all of the claims affected by the injunction.

the Debtors must show that there is identity between the debtor and the third party, usually an indemnity relationship, such that a suit against the non-debtor is, in essence, a suit against the debtor or will deplete the assets of the estate. But there is no disclosure on this issue. Similarly, both tests require that the injunction is essential to the reorganization, and the Dow Corning test requires that the Debtors show that any party receiving a release has contributed substantial assets to the reorganization. Again, there is no disclosure on these issues. Without these essential disclosures, the Note Holders cannot adequately determine the advisability of voting for a Plan that eliminates their right to pursue parties that expressly agreed to guaranty their Notes.

23. The Plan also fails to account for the Note Holders' deficiency claim other than requiring such claim be "waived". See Disclosure Statement, at § VII(F)(h)(b) ("By accepting the Plan, the Note Holders and the Indenture Trustee will be deemed to waive the right . . . to any deficiency claim against the Debtors and Guarantors of the Note Holder Claims . . ."). The Debtors neither disclose any methodology under Section 506 of the Bankruptcy Code in order to separate the Indenture Trustee's claim into a secured and unsecured portion, nor do they disclose the basis by which they propose to "waive" the Indenture Trustee's deficiency claim, which would properly be valued in the tens of millions of dollars. The seemingly obvious explanation for the Debtors' failure to account for this claim is that they cannot justify its separate classification, see Travelers Insurance Company v. Bryson Properties, XVIII, 961 F.2d 496, 501-02 (4th Cir. 1992), nor do they have the funds available to provide it with the same treatment as other unsecured creditors. "Deeming" a claim "waived" is not proper treatment under the Bankruptcy Code.

24. Similar to the Debtors' "deemed" waiver of the Note Holders' deficiency claim, the Debtors also fail to disclose the basis by which they suggest they have "deemed" consent to

use the Indenture Trustee's cash collateral to fund "Distributions" under the Plan. See Disclosure Statement, at § VII(F)(h)(b) ("Each of the Note Holders by voting its Class 1 Claim to accept the Plan is deemed to consent to the use of the Indenture Trustee's cash collateral by the Debtors to fund Distributions under the Plan . . ."). The Debtors fail to disclose any authority for the "deemed" consent of the use of Indenture Trustee's cash collateral, nor do they adequately describe the amount of the Distributions that will be paid by using the Indenture Trustee's cash collateral (and clearly there is no way that the Debtors can provide the Indenture Trustee with adequate protection for such payments).[5/]

C. The Plan and Disclosure Statement Require Further Modifications

25. In addition to the foregoing deficiencies, the Plan and Disclosure Statement require additional modifications which the Indenture Trustee believes are not controversial. These additional comments are reflected in the mark-up of the Plan and Disclosure Statement attached hereto as **Exhibit B**.

Conclusion

26. Based upon the foregoing, the Disclosure Statement fails to provide meaningful "information of a kind, and in sufficient detail," that "would enable a hypothetical reasonable investor typical of holders of claims or interests of the relevant class to make an informed judgment about the plan" as required by section 1125(a)(1) of the Bankruptcy Code.

WHEREFORE, the Indenture Trustee respectfully requests that the Court enter an order requiring the Debtors to amend their Disclosure Statement and granting the Indenture Trustee such other and further relief as is just and proper.

[5/] The Debtors' failure to describe the amount of the Distributions is another example of the Debtors' failure to provide adequate information for the Note Holders to vote on the Plan.

Dated: June 29, 2012

Respectfully submitted,

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EXHIBIT A

Plain-English Narrative

The Plan provides that the Debtors shall restructure the debt owed to the Note Holders under the Notes. Pursuant to the terms of the Plan and the Note Restructuring Agreement, the Notes will be amended by the Restructured Notes, providing for an aggregate principal amount owed of $64,050,000, that do not bear interest. The Restructured Notes will have a maturity of 20 years from the Effective Date of the Plan (the "Maturity Date"), although the Plan pro forma indicates full repayment within 11 years.

Repayment on the Restructured Notes will be made in annual payments, beginning on the one-year anniversary of the Effective Date of the Plan, in an amount equal to the greater of $1 million or 50% of Net Cash Flow, with a final payment of the remaining principal, if any, upon the Maturity Date. Prior to any payment to Note Holders, the Indenture Trustee's fees and expenses will be paid. As of the date of this Disclosure Statement, the outstanding fees and expenses of the Indenture Trustee are approximately $1.20 million. The Restructured Notes will continue to be secured by first priority liens on the same collateral that secured the Notes – that is, the Golf Courses and related assets.

Once the parties have restructured the debt, the Debtors will transfer the Golf Courses to Cliffs Club Partners, LLC ("CCP"). Pursuant to the Plan and the Debt Assumption and Assignment Agreement, CCP will assume the liability owed to the Note Holders under the Restructured Notes. Although the Golf Courses will be transferred to CCP, the liens of the Indenture Trustee against these assets will remain intact.

In connection with its acquisition of the Golf Courses, CCP will make arrangements with its affiliate, Cliffs Club Holdings, LLC ("CCH"), for the Exit Facility and the Mountain Park Facility. CCH will be granted first priority liens on the Golf Courses to secure repayment of the Exit Facility and the Mountain Park Facility. The Indenture Trustee will be required to subordinate the lien of the Note Holders to the liens securing these new senior loan facilities and thus the liens securing the Restructured Notes will be in a junior position.

The Exit Facility will fund the various obligations that must be satisfied prior to exiting the bankruptcy case to the extent that such obligations exceed the amount of the Transfer Fees to be paid by transferring members and the $1.6 million equity infusion from CCP earmarked for such costs. This debt will accrue interest at an annual rate of 8% and will be paid from Net Cash Flow ahead of the Restructured Notes; however, CCP will continue to make the $1 million minimum payment while the Exit Facility is outstanding. The Debtors currently estimate the Exit Facility will be approximately $3.4 million.

The Mountain Park Facility will fund golf course and amenity construction at the Mountain Park golf course. This facility carries a 0% interest rate and will be paid from Net Cash Flow ahead of the Restructured Notes; however, CCP will continue to make the $1 million minimum payment while the Mountain Park Facility is outstanding. The face amount of the Mountain Park Facility will be $7.5 million, but CCP estimates the expected maximum aggregate amount outstanding under the Mountain Park Facility will be $5 million.

Based upon the anticipated amounts of the Exit Facility and the Mountain Park Facility, it is estimated that there will be approximately $10.90 million of senior liens against the Golf Courses. The Note Holders' liens and security interests will be in a junior position.

Once the senior debt facilities are put in place, CCP will contribute the Golf Courses [and any additional assets obtained through a settlement with Jim Anthony, which assets are set forth on Exhibit "____" attached hereto] to IT-SPE, LLC ("IT-SPE") in exchange for a 100% economic interest in IT-SPE. An entity controlled by the Note Holders ("IT Representative") will hold a 0% economic interest in IT-SPE, and, through a unanimous voting provision in IT-SPE's operating agreement, will have control over major decisions by the IT-SPE, such as bankruptcy filing, mergers and asset sales. In addition, CCP will hold a funded reserve account in the amount of $1 million to be used for maintenance and repairs at the Golf Courses. On an annual basis, CCP will replenish the reserve account to the $1 million level.

In connection with the transfer of the Golf Courses to IT-SPE, IT-SPE will assume the Exit Facility, the Mountain Park Facility and the Restructured Notes, all of which will maintain the same lien priority they had at the CCP level. IT-SPE will also enter into new collateral security documents, including mortgages and/or deeds of trust, a security agreement, collateral assignment of the Master Lease and deed in lieu of foreclosure documents in order to grant and perfect the security interest and liens in the Golf Courses [and any Additional Assets]. In addition, any improvements and/or new amenities built on the Golf Courses shall become collateral that secures repayment of the Restructured Notes.

At the same time as this transaction, IT-SPE and CCP will enter into a Master Lease, in which IT-SPE will lease the Golf Courses to CCP. The Master Lease will provide for lease payments that reflect the repayment terms of the Restructured Notes (e.g., annual payments in the amount equal to the greater of $1 million or 50% of Net Cash Flow, with a final payment of the remaining principal, if any, upon the Maturity Date). IT-SPE will pass along the "rent payments" under the Master Lease to the Indenture Trustee for distribution to the Note Holders pursuant to the terms of an Amended Indenture.

CCP will then enter into Subleases for each Golf Course with seven New Club entities owned and controlled by CCP/CCH. The Subleases will contain nominal ($1.00) lease payments. (A schematic diagram relating to the entire set of these transactions is attached hereto as Exhibit "____".)

EXHIBIT B

UNITED STATES BANKRUPTCY COURT
DISTRICT OF SOUTH CAROLINA

In re:	**CHAPTER 11**
The Cliffs Club & Hospitality Group, Inc., *et al.*,[1] *d/b/a* The Cliffs Golf & Country Club,	**Case No. 12-01220**
Debtors.	**Jointly Administered**

JOINT CHAPTER 11 PLAN
FILED BY THE DEBTORS AND THE PLAN SPONSOR
MAY 22, 2012

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Counsel for Cliffs Club Partners, LLC, the Plan Sponsor

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

The New Clubs will operate the Clubs and complete the Mountain Park golf course. The Plan Sponsor pursuant to the Mountain Park Facility will provide funds for that completion.

ALL CREDITORS OF AND HOLDERS OF INTERESTS IN THE DEBTORS ARE ENCOURAGED TO READ THE PLAN AND THE DISCLOSURE STATEMENT IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. SUBJECT TO CERTAIN RESTRICTIONS AND REQUIREMENTS SET FORTH IN SECTION 1127 OF THE BANKRUPTCY CODE, BANKRUPTCY RULE 3019 AND THE PLAN, THE DEBTORS (WITH THE CONSENT OF THE PLAN SPONSOR) RESERVE THE RIGHT TO ALTER, AMEND, MODIFY, REVOKE OR WITHDRAW THE PLAN PRIOR TO ITS SUBSTANTIAL CONSUMMATION.

Capitalized terms used herein shall have the meanings set forth in Article I hereof. At the request of the Debtors, the Bankruptcy Court has entered an Order to jointly administer the Chapter 11 Cases. Accordingly, the Plan is being proposed as a joint plan of the Debtors and the Plan Sponsor. Claims against, and Interests in, the Debtors (other than the DIP Facility Claim, Administrative Claims and Priority Tax Claims) are classified in Article II hereof and the treatment thereof is described in Article III hereof.

ARTICLE I
DEFINITIONS, INTERPRETATION AND EXHIBITS

Section 1.01 Definitions. Unless the context requires otherwise, the following terms shall have the following meanings whether presented in the Plan or the Disclosure Statement with initial capital letters or otherwise. As used herein:

"Accepting Club Member Claims" means all Club Member Claims held by Members In Good Standing who indicate on their Ballot an election of the New Club Membership Option, and, on or before the Effective Date, (i) enter into the New ClubCo Membership Plan, (ii) pay the applicable Transfer Fee; and (iii) commit to pay the Annual Dues for the first year following the Effective Date.

"Access Fees" means~~, subject to adjustment,~~ a fee charged to any owner of a lot who had not previously been a Club Member [IS THIS SUPPOSED TO EXCLUDE A MEMBER OR FORMER MEMBER THAT DID NOT PAY AN ACCESS FEE ON THE LOT IN QUESTION BUT DID PAY A FEE ON A DIFFERENT LOT?], or any purchaser of such a lot, to become a member of New ClubCo, calculated as 8% of the gross purchase price attributable to the sale of such lot, provided, however, that as to any lot in which NewCo or any insider or affiliate of NewCo holds an interest, payment of Access Fees shall not commence until the Resolution Date.

"Acquired Assets" means all assets of all of the Debtors other than those assets that constitute Excluded Assets under the Asset Purchase Agreement.

"Adequate Protection Claims" means all liens and claims of the Prepetition Senior Secured Parties granted pursuant to the Cash Collateral Order or subsequent order of the Bankruptcy Court.

"Financing Order" means the Order entered in the Chapter 11 Case on March 6, 2012 at Docket No. 99 and the Order entered in the Chapter 11 Case on March 16, 2012 at Docket No. 181, entered by the Bankruptcy Court permitting Debtor in possession financing pursuant to section 364 of the Bankruptcy Code, and any extensions or amendments thereof.

"General Unsecured Claims" means, collectively, Rejection Claims, Rejecting Non-Contingent Club Member Claims and any other Claim that is not an Administrative Claim, DIP Facility Claim, Priority Tax Claim, Professional Fee Claim, or an otherwise classified Claim.

"General Unsecured Claims Fund" means the General Unsecured Claim Plan Sponsor Funding.

"General Unsecured Claims Plan Sponsor Funding" means the funding provided by the Plan Sponsor to the Liquidation Trustee for the General Unsecured Claims Fund consisting of a $953,867 payment on the Effective Date, which shall constitute an Exit Cost, and a $953,867 payment on the first anniversary of the Effective Date as well as a $953,867 payment on the second anniversary of the Effective Date, ~~both~~all of which shall be part of the Equity Infusion.

"Governmental Unit" shall have the meaning set forth in section 101(27) of the Bankruptcy Code.

"Gross Revenues" shall mean all New ClubCo revenues (including, but not limited to, Access Fees, net Membership Initiation Fees, Annual Dues (net of Dues Credits), food & beverage, rental, golf, tennis, wellness, merchandise, and all other revenues).

"Guarantors" means CCHG Holdings, Inc., each of The Cliffs Club & Hospitality Group, Inc.'s subsidiaries, and James B. Anthony, individually, pursuant to Article X of the Indenture and the Debtors who are guarantors under any other documents.

"Guaranteed Minimum Lease Payment" means one million dollars ($1,000,000) annually.

"Holder" means an Entity holding a beneficial interest in a Claim or Interest and, when used in conjunction with a Class or type of Claim or Interest, means a holder of a beneficial interest in a Claim or Interest in such Class or of such type.

"Impaired" means, when used with reference to a Claim or Interest, a Claim or Interest that is impaired within the meaning of section 1124 of the Bankruptcy Code.

"Impaired Claim" means a Claim which is Impaired.

"Impaired Interest" means an Interest which is Impaired.

"New Clubs" means the wholly owned limited liability companies of New ClubCo following the Effective Date.

"New Club Membership Option" means the option of the Holder of a Claim arising from a Membership Deposit Obligation of a Debtor to opt, as indicated on a Ballot, to receive, in full and final satisfaction of any and all claims (other than a Note Holder Claim) it may have against any of the Debtors, the treatment set forth in Article 3.13 of the Plan.

"New ClubCo Membership Plan" means that certain Membership Plan relating to memberships with New ClubCo, and ancillary documents and agreements therewith, including The Cliffs Clubs Master Membership Plan, The Cliffs Clubs Application and Membership Agreement For Historic Member, and Historic Member Addendum, that is attached hereto as Exhibit 2 or will be attached as an Exhibit to a Plan Supplement.

"NewCo" means The Cliffs Club Holdings, LLC.

"Note Holder Claim" means as of the Petition Date the aggregate amount of $73,531,505 owed by the Debtors to approximately 535 Note Holders, plus any dues credit or subordinated security interest for any Membership Deposit Obligations. The Cash Collateral Order established the amount of the Note Claim (as defined in the Cash Collateral Order), subject to the Indenture Trustee's right to file a proof of claim in an increased amount and the Debtors' right to object to such increased amount, which order is conclusive and binding on all parties.

"Note Holders" means, collectively, the holders of the Notes.

"Note Obligations" means the obligations created by the Notes and any of the other Note Documents, which as of the Petition Date totaled an amount not less than $73,531,505, secured by the Prepetition Note Collateral.

"Notes" means, collectively, the Series A Notes and the Series B Notes, issued in the aggregate principal amount of $64,050,000.

"Objection" means any objection, application, motion, complaint or any other legal proceeding seeking, in whole or in part, to Disallow, determine, liquidate, classify, reclassify or establish the priority, expunge, subordinate or estimate any Claim (including the resolution of any request for payment of any Administrative Claim) or Interest other than a Claim or an Interest that is Allowed.

"Ordinary Course Trade Claims" means all trade accounts payable incurred by the Debtors after the Petition Date in the ordinary course of business and outstanding as of the Effective Date.

"Parent" in the case of Debtor CCHG Holdings, Inc. means Cliffs Communities, Inc., in the case of Debtor The Cliffs Club & Hospitality Group, Inc. means CCHG Holdings, Inc., and in the case of the remaining Debtors means The Cliffs Club & Hospitality Group, Inc.

applications by the required deadline shall be forever barred from asserting such Claims against the Debtors, the Plan Sponsor, the Liquidation Trustee or the Indenture Trustee, and such Professional Fee Claims shall be deemed discharged as of the Effective Date. Objections to any Professional Fee Claims must be filed and served on counsel for the Debtors, counsel for the Plan Sponsor, counsel for the Committee, counsel for the Indenture Trustee, and the Liquidation Trustee and the requesting party on or before twenty-one (21) days after the filing and service of such request.

Section 3.04 DIP Facility Claims. The DIP Facility Claims shall be repaid by the Debtors in full, in Cash, on the Effective Date in full and final satisfaction, settlement and release of such DIP Facility Claims.

Section 3.05 Priority Tax Claims. Except as otherwise provided for in the Plan, on (i) the Initial Distribution Date, if a Priority Tax Claim is Allowed as of the Effective Date, or (ii) the first Distribution Date after the date such Priority Tax Claim becomes Allowed, each holder of an Allowed Priority Tax Claim shall receive from the New ClubCo, in full satisfaction, settlement and release of, and in exchange for, such Allowed Priority Tax Claim, (A) Cash of New ClubCo equal to the amount of such Allowed Priority Tax Claim, (B) such less favorable treatment as to which such Debtors (with the consent of the Plan Sponsor), and the holder of such Allowed Priority Tax Claim shall have agreed upon in writing; or (C) at the option of the Debtors, Cash of New ClubCo in an aggregate amount of such Allowed Priority Tax Claim payable in installment payments over a period of not more than five (5) years after the Petition Date, pursuant to section 1129(a)(9)(C) of the Bankruptcy Code.

Section 3.06 Other Priority Claims. Except as otherwise provided for in the Plan, on the seventh (7^{th}) day following the later of the Closing Date under the Asset Purchase Agreement or the date on which such Priority Claim is Allowed, the New ClubCo will pay in full, in Cash, all other Priority Claims.

Section 3.07 Class 1: Indenture Trustee – Note Holder Claims.

(a) Classification: Class 1 consists of the Indenture Trustee – Note Holder Claims against the Debtors.

(b) Treatment: Class 1 Indenture Trustee – Note Holder Claims are Impaired. ~~On~~The Indenture Trustee shall have an Allowed Claim in the amount of $64,050,000, which shall be treated as follows: on the Effective Date, (i) the Allowed Secured Claims of the Note Holders represented by the Indenture Trustee will be satisfied through a combination of (x) a modification of the terms of the Notes to provide for repayment of the principal amount of $64,050,000, without interest, in twenty (20) annual payments beginning on the one year anniversary of the Effective Date in the amount of the greater of $1 million or 50% of New ClubCo Net Cash Flow and with a balloon payment of the remaining principal, if any, at maturity, all paid through the Indenture Trustee to the Note Holders subject to the terms of the Notes and Indenture, as may be

modified and amended, and (y) the modification of the Prepetition Facility Documents, including without limitation, the Pledge and Security Agreement and the Collateral Trust Agreement to subordinate the Liens of the Indenture Trustee to the Exit Facility and the Mountain Park Facility, after which the Debtors will transfer the Real Property Collateral and substantially all other property of the Debtors to the Plan Sponsor, subject only to the Permitted Liens and otherwise free and clear of all liens, claims and encumbrances, followed by the Plan Sponsor's and/or Indenture Trustee SPE's execution of the Exit Facility and the Mountain Park Facility, and then the Plan Sponsor shall contribute these assets to the Indenture Trustee SPE, subject to the Permitted Liens, in return for a 100% economic and managing membership interest in the Indenture Trustee SPE (the Indenture Trustee will hold a 0% non-economic membership interest in the Indenture Trustee SPE), and the Indenture Trustee SPE will assume the modified Notes, all in satisfaction of the Note Holder Claims against the Debtors and the Guarantors of the Note Holder Claims, as well as against NewCo or New ClubCo arising under the Notes or the Notes as modified and amended. Then, the Indenture Trustee SPE will enter into the Lease(s) with New ClubCo (or its subsidiary entities, at the sole option and in the sole discretion of New ClubCo) and New ClubCo, in turn, may enter into subleases with its subsidiaries or affiliates. From and after the Effective Date, the Debtors shall have no liability to the Indenture Trustee or to the Note Holders. Upon receipt of title to the Acquired Assets ~~from the Debtors~~, the Indenture Trustee SPE shall execute such documents as are required to evidence its assumption of the Notes and underlying security interest(s) as modified pursuant to the Plan and to secure the obligations thereunder. In the event the Plan Sponsor or the Indenture Trustee SPE defaults under the Note Restructuring Agreement subsequent to the Effective Date, the Indenture Trustee will have a number of remedies, including without limitation, the following: (i) the right to foreclose on the assets subject to its liens; (ii) the right to require deeds in lieu of foreclosure; and (iii) the right to acquire the 100% economic member interest of the Plan Sponsor in the Indenture Trustee SPE. The foregoing shall be effectuated and governed by the terms of certain operative documents, which shall include but shall not be limited to: Note Restructuring Agreement by and between the Debtors and the Indenture Trustee; Assumption Agreement by and between Cliffs Club Partners and the Indenture Trustee; Assumption Agreement by and between Indenture Trustee SPE and the Indenture Trustee; Master Lease by and between Indenture Trustee SPE and Cliffs Club Partners; Mortgages/Deeds of Trust by and between Indenture Trustee SPE and the Indenture Trustee; Security Agreement by and between Indenture Trustee SPE and the Indenture Trustee; Collateral Assignment of IP/License Agreement by and between Indenture Trustee SPE and the Indenture Trustee; Deeds in Lieu/Escrow Agreement by and between Indenture Trustee SPE and the Indenture Trustee; Amendment to Indenture; Indenture Trustee SPE Operating Agreement; Establishment of IT Representative, LLC; and Subleases by and between Cliffs Club Partners and the golf operating subsidiaries. Each of the Note Holders by voting its Class 1 Claim to accept the Plan is deemed to consent to the use of the Indenture Trustee's cash collateral by the Debtors to fund Distributions under the Plan, to the subordination of its Liens to those of the Exit Facility and the Mountain Park Facility and to all other provisions of the Plan that affect the Note Holders. By accepting the Plan, the Note Holders and the Indenture Trustee will be deemed to waive the right: (i) to any dues credits or club credits; (ii) the right to any subordinate lien securing their Membership Deposit obligations; and (iii) the right to any deficiency claim against the Debtors and Guarantors of the Note Holder Claims (but not their Membership Deposit Obligations that are treated under Plan Class 7).

the Closing Date: (i) the Allowed Secured Claims of the Note Holders represented by the Indenture Trustee will be satisfied through a combination of (x) a modification of the terms of the Notes to provide for repayment of the principal amount of $64,050,000, without interest, in twenty (20) annual payments beginning on the one year anniversary of the Effective Date in the amount of the greater of $1 million or 50% of New ClubCo Net Cash Flow and with a balloon payment of the remaining principal, if any, at maturity, all paid through the Indenture Trustee to the Note Holders subject to the terms of the Notes and Indenture, as may be modified and amended, and (y) the modification of the Prepetition Facility Documents, including without limitation, the Pledge and Security Agreement and the Collateral Trust Agreement to subordinate the Liens of the Indenture Trustee to the Exit Facility and the Mountain Park Facility, after which the Debtors will transfer the Real Property Collateral and substantially all other property of the Debtors to the Plan Sponsor, subject only to the Permitted Liens and otherwise free and clear of all liens, claims and encumbrances, followed by the Plan Sponsor's and/or Indenture Trustee SPE's execution of the Exit Facility and the Mountain Park Facility, and then the Plan Sponsor shall contribute these assets to the Indenture Trustee SPE, subject to the Permitted Liens, in return for a 100% economic and managing membership interest in the Indenture Trustee SPE (the Indenture Trustee will hold a 0% non-economic membership interest in the Indenture Trustee SPE), and the Indenture Trustee SPE will assume the modified Notes, all in satisfaction of the Note Holder Claims against the Debtors and the Guarantors of the Note Holder Claims, as well as against NewCo or New ClubCo arising under the Notes or the Notes as modified and amended, after which the Indenture Trustee SPE will enter into the Lease(s) with New ClubCo (or its subsidiary entities, at the sole option and in the sole discretion of New ClubCo) and New ClubCo, in turn, may enter into subleases with its subsidiaries or affiliates; (ii) the DIP Facility will be repaid by the Plan Sponsor in full, in Cash, on the Effective Date in full and final satisfaction, settlement and release of such DIP Facility Claims; (iii) the Allowed Secured Claim of the Bridge Lender represented by the Indenture Trustee will be satisfied on the Effective Date by the Plan Sponsor; (iv) the Plan Sponsor will, in conjunction with the Debtors, undertake commercially reasonable efforts to obtain substantially all other property used by the Debtors in connection with the operation of the Clubs, receipt of which is a condition to the Plan Sponsor's obligation to close the transaction contemplated herein, and, upon receipt of title to such assets, will contribute that title to the Indenture Trustee SPE, subject to the Permitted Liens and otherwise free and clear of all liens, claims and encumbrances, in accordance with the Asset Purchase Agreement; and (v) the Liquidating Trust will be formed, and the Plan Sponsor will transfer to the Liquidation Trustee amounts sufficient to satisfy Allowed Administrative Claims, Allowed Priority Claims, Allowed Mechanic's Lien Claims and Allowed Administrative Convenience Claims in full, together with General Unsecured Claims Sponsor Funding (payable in three annual installments), while the Debtors will transfer to the Liquidation Trustee the Retained Actions, with such transfers to be free and clear of all liens, claims and encumbrances for the purpose of making Distributions to Creditors who will be the beneficiaries of the Liquidating Trust. Upon consummation of the Sale, the Permitted Liens shall no longer be obligations of the Debtors or their Estates, and any Holder of any claim with respect thereto shall have no recourse on account of such Claim against the Debtors or their Estates. Notwithstanding anything else in this Plan, the Disclosure Statement, or otherwise, the Notes shall not be deemed satisfied and thus extinguished, but rather restructured under the terms of this Plan and related documents. Without limiting the foregoing, nothing contained herein or otherwise shall be

deemed a release of any claims against individual guarantors, which rights are expressly preserved.

Section 7.02 Substantive Consolidation of the Debtors. The Plan is premised on the substantive consolidation of all of the Debtors with respect to the treatment of all Claims and Interests. This Plan shall serve as a request by the Debtors, in lieu of a separate motion, to the Bankruptcy Court, that it grant substantive consolidation with respect to the treatment of all Claims and Interests as follows: on the Effective Date, (a) all assets and liabilities of the Debtors will be merged or treated as though they were merged; (b) all guarantees of the Debtors of any obligation of any of the Debtors and any joint and several liability of any of the Debtors shall be eliminated; and (c) each and every claim and interest against any of the Debtors shall be deemed Filed against the consolidated Debtors and all Claims Filed against more than one of the Debtors for the same liability shall be deemed one Claim against any obligation of the consolidated Debtors

Section 7.03 Recharacterization of Affiliate Claims as Equity.

In addition to the presence of intercompany payables and receivables among the Debtors, the books and records of the parent of Debtor CCHG Holdings, Inc. also reflect intercompany payables and receivables among the Debtors, on the one hand, and Affiliates of the Debtors, on the other hand. These books and records are prepared on a consolidated basis. Intercompany payables on the books reflect that the Debtors owe to the DevCo Affiliates the total sum of $44,817,112 while the DevCo Affiliates owe to the Debtors the total sum of $87,051,437, leaving a net balance due to the Debtors by the DevCo Affiliates of $42,234,325. The Plan shall serve as a request by the Debtors, in lieu of a separate motion, to the Bankruptcy Court to recharacterize intercompany payables by the Debtors to the DevCo Affiliates as equity. While the Bankruptcy Code does not expressly provide for the recharacterization of debt to equity, most of the appellate courts that have considered the issue, including the Fourth Circuit Court of Appeals, have determined that the bankruptcy courts have the power to recharacterize debt to equity based on their equitable authority under Bankruptcy Code Section 105 in a manner consistent with the priority scheme for the distribution of the debtor's assets found in section Bankruptcy Code Section 726.

Section 7.04 Continued Corporate Existence. Each Debtor will continue to exist after the Effective Date as a separate legal entity, with all of the powers of a corporation or limited liability company, as applicable, under applicable law in the jurisdiction in which it is incorporated or otherwise formed and pursuant to its certificate or articles of incorporation, formation or organizational documents and by-laws, operating agreement or other organizational documents in effect prior to the Effective Date, without prejudice to the right of any Debtor to dissolve (subject to its obligations under this Plan) under applicable law and file a certificate of dissolution (or its equivalent) with the secretary of state or similar official of the jurisdiction of incorporation after the Effective Date. Nevertheless, because of the substantive consolidation provided in section 7.02 of the Plan, immediately following the Effective Date, the Chapter 11 Cases of all of the Debtors except that of The Cliffs Club & Hospitality Group, Inc. shall be Closed, without prejudice to the rights of the Liquidation Trustee to pursue any of the Retained Actions relating to any of the Debtors in the lead Chapter 11 Case.

(f) the transactions contemplated in the Asset Purchase Agreement, as well as the subsequent transfer to the Indenture Trustee SPE have been consummated (which condition may not be waived without the express consent of the Indenture Trustee);

(g) the Bankruptcy Court shall have entered an order (contemplated to be part of the Confirmation Order) authorizing and directing the Debtors to take all actions necessary or appropriate to enter into, implement, and consummate the documents created, amended, supplemented, modified or adopted in connection with the Plan;

(h) all authorizations, consents and regulatory approvals required, if any, in connection with the Plan's effectiveness shall have been obtained;

(i) the Debtors shall have appointed the Liquidation Trustee, the Liquidating Trust Agreement and the other Liquidating Trust Documents shall have been executed, and the Liquidating Trust shall have received the General Unsecured Creditors Fund, the Administrative Convenience Claims Fund, the Rejecting Club Members Fund, the Post-Effective Date Plan Sponsor Funding from the Plan Sponsor, and an assignment from the Debtors of the Retained Actions; and

(j) no order of a court shall have been entered and shall remain in effect restraining the Debtors from consummating the Plan.

Section 9.03 Waiver of Conditions. The conditions to consummation in Section 9.02 (other than 9.02(a), (b) and (f)) may be waived at any time by a writing signed by an authorized representative of each of the Debtors and the Plan Sponsor without notice or order of the Bankruptcy Court or any further action other than proceeding to consummation of the Plan.

Section 9.04 Effect of Failure or Absence of Waiver of Conditions Precedent to the Effective Date of the Plan. In the event that one or more of the conditions specified in Section 9.02 of the Plan have not occurred (or been waived), upon notification submitted by the Debtors to the Bankruptcy Court: (a) the Confirmation Order, automatically and without further order of the Bankruptcy Court, shall be, and shall be deemed, vacated, null and void, with no force or legal effect whatsoever; (b) no Distributions under the Plan shall be made; (c) all Property of the Estate shall revest in the Debtors' Estates; (d) the Debtors and all Holders of Claims and Interests shall be restored to the status quo ante as of the day immediately preceding the Confirmation Date as though the Confirmation Date never occurred; (e) the Asset Purchase Agreement shall become null and void; and (f) the Debtors' obligations with respect to the Claims and Interests shall remain unchanged and nothing contained herein shall constitute or be deemed a waiver or release of any Claims or Interests by or against the Debtors or any other Person or Entity or to prejudice in any manner the rights of the Debtors or any Person or Entity in any further proceedings involving the Debtors.

ARTICLE X
EFFECTS OF CONFIRMATION

Section 10.01 Injunction.

any non-debtor Affiliates he directly or indirectly owns or controls: (i) waive and release any and all claims of any kind against the Debtors; (ii) transfer and convey all real property, personal property and other assets used by the Debtors, or necessary to operate the businesses of the Debtors, or which is necessary to satisfy any condition precedent under the Plan or the Asset Purchase Agreement; and (iii) fully cooperate with the transfer of the Acquired Assets, the Sale and the orderly transition of the Debtors' businesses to the Plan Sponsor.

(b) Releases by Holders of Claims and Interests. Effective as of the Effective Date, and except as otherwise provided in the Plan or the Confirmation Order, to the fullest extent permitted under applicable law, in consideration for the obligations of the Persons set forth below under the Plan and, if applicable, the Cash, securities, contracts, releases and other agreements or documents to be delivered in connection with the Plan, each Holder of a Claim or Interest who votes in favor of the Plan or is presumed to have voted in favor of the Plan pursuant to section 1126(f) of the Bankruptcy Code shall be deemed to have forever waived and released (i) the Debtors, (ii) the Liquidation Trustee, (iii) the Liquidating Trust, (iv) the Releasees, and (v) the D&O Releasees from any and all claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action and liabilities (other than the rights of such Holders of Allowed Claims under the Plan to enforce the Plan and the contracts, instruments, releases, indentures and other agreements or documents delivered thereunder), whether for tort, contract, violations of federal or state securities laws, or otherwise, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence, including actions in connection with indebtedness for money borrowed by the Debtors, taking place on or prior to the Effective Date in any way relating to the Debtors, the Chapter 11 Cases, or the Plan; provided, however, that this Section 10.03(b) shall not release any Releasees or the D&O Releasees from any Causes of Action held by a Governmental Unit existing as of the Effective Date based on (i) any criminal laws of the United States or any domestic state, city or municipality or (ii) sections 1104-1109 and 1342(d) of ERISA. For the avoidance of doubt, James B. Anthony is not being released by this Plan Section 10.03(b) unless: (a) he becomes a D&O Releasee; and (b) he and any non-debtor Affiliates he directly or indirectly owns or controls: (i) waive and release any and all claims of any kind against the Debtors; (ii) transfer and convey all real property, personal property and other assets used by the Debtors, or necessary to operate the businesses of the Debtors, or which is necessary to satisfy any condition precedent under the Plan or the Asset Purchase Agreement; and (iii) fully cooperate with the transfer of the Acquired Assets, the Sale and the orderly transition of the Debtors' businesses to the Plan Sponsor.

Section 10.04 Other Documents and Actions. The Debtors are authorized to execute such documents and take such other action as is necessary to effectuate the transactions provided for in the Plan, provide such actions and documents are reasonably acceptable in form and substance to the Plan Sponsor.

Section 10.05 Term of Injunctions or Stays. Unless otherwise provided herein or in the Confirmation Order or other court order, all injunctions or stays provided for in the Chapter 11 Cases under sections 105(a) or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

UNITED STATES BANKRUPTCY COURT
DISTRICT OF SOUTH CAROLINA

In re: **The Cliffs Club & Hospitality Group, Inc., *et al.*,[1] *d/b/a* The Cliffs Golf & Country Club,** **Debtors.**	**CHAPTER 11** **Case No. 12-01220** **Jointly Administered**

DISCLOSURE STATEMENT TO ACCOMPANY JOINT CHAPTER 11 PLAN FILED BY THE DEBTORS AND THE PLAN SPONSOR MAY 22, 2012

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THIS IS NOT A SOLICITATION OF ACCEPTANCE OF THE PLAN. ACCEPTANCES MAY NOT BE SOLICITED UNTIL THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT.

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

Class	Designation	Impaired	Entitled to Vote	Treatment of Allowed Claims	Estimated Recovery[2]
				the Debtors, counsel to the Debtors, the United States Trustee, counsel for the Indenture Trustee, counsel to the Committee, counsel to the Plan Sponsor, the Liquidation Trustee, and such other entities who are designated by the Bankruptcy Rules, the Confirmation Order or other order of the Bankruptcy Court, prior to the end of the Administrative Claim Bar Date for Professional Fee Claims, which is sixty (60) days after the Effective Date, unless such date is otherwise modified by order of the Bankruptcy Court. Holders of Professional Fee Claims that are required to file and serve applications for final allowance of its Professional Fee Claims and that do not file and serve such applications by the required deadline shall be forever barred from asserting such Claims against the Debtors, the Plan Sponsor or the Indenture Trustee, and such Professional Fee Claims shall be deemed discharged as of the Effective Date. Objections to any Professional Fee Claims must be filed and served on counsel for the Debtors, counsel for the Plan Sponsor, counsel for the Committee, counsel for the Indenture Trustee, and the Liquidation Trustee and the requesting party on or before twenty-one (21) days after the filing and service of such request.	
--	Priority Tax Claims (estimated at $1,943,000)	No	No (deemed to accept)	Except as otherwise provided for in the Plan, on (i) the Initial Distribution Date, if a Priority Tax Claim is Allowed as of the Effective Date, or (ii) the first Distribution Date after the date such Priority Tax Claim becomes Allowed, each holder of an Allowed Priority Tax Claim shall receive from the New ClubCo, in full satisfaction, settlement and release of, and in exchange for, such Allowed Priority Tax Claim, (A) Cash of New ClubCo equal to the amount of such Allowed Priority Tax Claim, (B) such less favorable treatment as to which such Debtors (with the consent of the Plan Sponsor), and the holder of such Allowed Priority Tax Claim shall have agreed upon in writing; or (C) at the option of the Debtors, Cash of New ClubCo in an aggregate amount of such Allowed Priority Tax Claim payable in installment payments over a period of not more than five (5) years after the Petition Date, pursuant to section 1129(a)(9)(C) of the Bankruptcy Code.	100%
Class 1	Indenture Trustee – Note Holder Claims (estimated at $73,532,000)	Yes	Yes	The Indenture Trustee shall have an Allowed Claim in the amount of $64,050,000 which shall be treated as follows: On the Effective Date, (i) the Allowed Secured Claims of the Note Holders represented by the Indenture Trustee will be satisfied through a combination of (x) a modification of the terms of the Notes to provide for repayment of the principal amount of $64,050,000, without interest, in twenty (20) annual payments beginning on the one year anniversary of the Effective	< 87% [this should indicate the actual return]

Class	Designation	Impaired	Entitled to Vote	Treatment of Allowed Claims	Estimated Recovery[2]
				Date in the amount of the greater of $1 million or 50% of New ClubCo Net Cash Flow and with a balloon payment of the remaining principal, if any, at maturity, all paid through the Indenture Trustee to the Note Holders subject to the terms of the Notes and Indenture, as may be modified and amended, and (y) the modification of the Prepetition Facility Documents, including without limitation, the Pledge and Security Agreement and the Collateral Trust Agreement to subordinate the Liens of the Indenture Trustee to the Exit Facility and the Mountain Park Facility, after which the Debtors will transfer the Real Property Collateral and substantially all other property of the Debtors to the Plan Sponsor, subject only to the Permitted Liens and otherwise free and clear of all liens, claims and encumbrances, followed by the Plan Sponsor's and/or Indenture Trustee SPE's execution of the Exit Facility and the Mountain Park Facility, and then the Plan Sponsor shall contribute these assets to the Indenture Trustee SPE, subject to the Permitted Liens, in return for a 100% economic and managing membership interest in the Indenture Trustee SPE (the Indenture Trustee will hold a 0% non-economic membership interest in the Indenture Trustee SPE), and the Indenture Trustee SPE will assume the modified Notes, all in satisfaction of the Note Holder Claims against the Debtors and the Guarantors of the Note Holder Claims, as well as against NewCo or New ClubCo arising under the Notes or the Notes as modified and amended. Then, the Indenture Trustee SPE will enter into the Lease(s) with New ClubCo (or its subsidiary entities, at the sole option and in the sole discretion of New ClubCo) and New ClubCo, in turn, ~~may~~shall enter into subleases with its subsidiaries or affiliates. From and after the Effective Date, the Debtors shall have no liability to the Indenture Trustee or to the Note Holders. Upon receipt of title to the Acquired Assets from the Debtors, the Indenture Trustee SPE shall execute such documents as are required to evidence its assumption of the Notes and underlying security interest(s) as modified pursuant to the Plan and to secure the obligations thereunder. In the event the Plan Sponsor defaults under the Note Restructuring Agreement subsequent to the Effective Date, the Indenture Trustee will have a number of remedies, including without limitation, the following: (i) the right to foreclose on the assets subject to its liens; (ii) the right to require deeds in lieu of foreclosure; and (iii) the right to acquire the 100% economic member interest of the Plan Sponsor in the Indenture Trustee SPE. Each of the Note Holders by voting its Class 1 Claim to accept the Plan is deemed to consent to the use of the Indenture Trustee's cash collateral by the Debtors to fund Distributions under the Plan, to the subordination of its Liens to those of the Exit Facility and the Mountain Park Facility and to all other	

Class	Designation	Impaired	Entitled to Vote	Treatment of Allowed Claims	Estimated Recovery[2]
				provisions of the Plan that affect the Note Holders. By accepting the Plan, the Note Holders and the Indenture Trustee will be deemed to waive the right: (i) to any dues credits or club credits; (ii) the right to any subordinate lien securing their Membership Deposit obligations; and (iii) the right to any deficiency claim against the Debtors and Guarantors of the Note Holder Claims (but not their Membership Deposit Obligations that are treated under Plan Class 7). Notwithstanding anything else in the Plan, this Disclosure Statement, or otherwise, the Notes shall not be deemed satisfied and thus extinguished, but rather restructured under the terms of this Plan and related documents. Without limiting the foregoing, nothing contained herein or otherwise shall be deemed a release of any claims against any third parties, including claims against the Guarantors, which rights are expressly preserved.	
Class 2	Indenture Trustee – Bridge Loan Claim (estimated at $2,292,000)	No	No	The Bridge Lender as the Holder of the Allowed Class 2 Indenture Trustee - Bridge Loan Claim shall receive in full satisfaction, settlement, release, and extinguishment of such Claim, and of any lien securing such Claim, Cash equal to the amount of such Allowed Bridge Loan Claim, including all interest accrued thereon as and to the extent provided by the Bridge Loan Documents, on or as soon as practicable after the Effective Date.	100%
Class 3	Mechanic's Lien Claims (estimated at $1.5 million)	Yes	Yes	Each Holder of an Allowed Class 3 Claim shall receive, in full satisfaction, settlement, release, and extinguishment of such Claim, and of any lien securing such Claim, and as a condition precedent thereto, the following treatment: ; Payment in full, in Cash, without interest, costs or fees, by New ClubCo directly to all holders of Claims that are Allowed and that are secured by Mechanic's Liens on the Effective Date. ;	90%
Class 4	Other Senior Secured Party Claims (estimated at $75,000)	Yes	Yes	Each Holder of an Allowed Class 4 Other Senior Secured Party Claim shall receive, at the election of the Debtors (with the consent of the Plan Sponsor), in full satisfaction, settlement, release, and extinguishment of such Claim: (a) Cash equal to the amount of such Allowed Other Senior Secured Party Claim on or as soon as practicable after the later of (i) the Effective Date, (ii) the date that such Other Senior Secured Party Claim becomes Allowed, and (iii) a date agreed to by the Debtors and the Holder of such Class 4 Other Senior Secured Party Claim; (b) Cure and Reinstatement of one or more equipment leases with such Other Senior Secured Party but not any guaranty that gives rise to such Allowed Other Senior Secured Party Claim; (c) the Equipment that is the subject of one or more leases with such Other Senior Secured Party securing such Other Senior Secured Party Claim without	100%

equity for nontax purposes, including regulatory, rating agency, or financial accounting purposes.

The Debtors have treated the Notes as constituting "debt" for federal income tax purposes and the Debtors currently intend to also treat the modified Notes as "debt" as well. The Debtors also understand that New ClubCo intends to treat the modified Notes as "debt" for tax purposes (for New ClubCo to do otherwise would mean it could not include the Section 1274 "issue price" of the modified Notes in its tax basis for the Acquired Assets).

However, no opinion of counsel will be issued that the modified Notes are "debt" for federal income tax purposes. There can be no assurance given to Holders of Claims that the IRS will not challenge the Debtors' and New ClubCo's treatment of the modified Notes as "debt" for tax purposes.

The tax consequences of this "debt" versus "equity" treatment of the modified Notes with respect to Holders of Class 1 Claims is discussed in the applicable instances below. The Indenture Trustee as well as each Holder of a Class 1 Claim are each strongly urged to consult with their own tax advisors regarding whether the modified Notes should be treated as "debt" or "equity" for federal income tax purposes.

Notwithstanding anything else in the Plan, this Disclosure Statement, or otherwise, the Notes shall not be deemed satisfied and thus extinguished, but rather restructured under the terms of this Plan and related documents. Without limiting the foregoing, nothing contained herein or otherwise shall be deemed a release of any claims against any third parties, including claims against the Guarantors, which rights are expressly preserved.

b) Cancellation of Indebtedness Income.

A debtor generally must recognize income from the cancellation of debt ("COD Income") in the event that its debt is discharged for consideration to a creditor for an amount that is less than the amount of such debt. However, Section 108(a) of the Code provides that COD income is not required to be recognized, and is excluded from gross income, if the debtor is under the jurisdiction of a bankruptcy court in a case under Chapter 11 and the discharge is granted or is effectuated pursuant to a plan confirmed by the court (the "Bankruptcy Exception"). If the Bankruptcy Exception applies, the debtor is required to reduce certain of its tax attributes – such as net operating loss ("NOL") carryforwards, current year NOLs capital loss carryforwards, tax credits and tax basis in assets – by the amount of COD income created pursuant to the plan (collectively, "Attribute Reduction"). For taxpayers outside bankruptcy, COD income from the cancellation of debt is not recognized by an insolvent debtor to the extent of insolvency (the "Insolvency Exception"). For this purpose, "insolvency" is defined as the excess of liabilities over the fair market value (the "FMV") of assets, both of which are to be calculated immediately before the exchange.

UNITED STATES BANKRUPTCY COURT
DISTRICT OF SOUTH CAROLINA

In re: **The Cliffs Club & Hospitality Group, Inc., *et al.*,[6] *d/b/a* The Cliffs Golf & Country Club,** **Debtors.**	**CHAPTER 11** **Case No. 12-01220** **Jointly Administered**

CERTIFICATE OF SERVICE

I, Ashley S. Stokes, an employee of the McNair Law Firm, P.A., hereby certify that on June 29, 2012 the foregoing document, **Objection of Wells Fargo Bank, N.A., as Indenture Trustee, to Disclosure Statement to Accompany Joint Chapter 11 Plan Filed by the Debtors and the Plan Sponsor**, was served by First Class Mail, postage prepaid on the parties listed below:

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Däna Elizabeth Wilkinson
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[6] 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) (the "Debtors").

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June 29, 2012