

**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

**The Cliffs Club & Hospitality Group, Inc., et al.,
d/b/a The Cliffs Golf & Country Club,**

Movant,

v.

Contested Matter

**Worthington Hyde Partners-II, LP, - Claim Nos.
1195, 1196, 1197, 1198, 1199, 1200, 1201, 1202
and 1203**

Respondent

**DEBTORS' OBJECTION TO THE ALLOWANCE OF CLAIM NOS. 1195, 1196, 1197,
1198, 1199, 1200, 1201, 1202 AND 1203 FILED BY WORTHINGTON HYDE PARTNERS-
II, LP**

COME NOW The Cliffs Club & Hospitality Group, Inc. and its affiliated debtors in the above-captioned Chapter 11 cases, as debtors and debtors-in-possession (the "Debtors") and

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).

hereby object to the allowance of claims filed by Worthington Hyde Partners-II, LP (“Worthington”) in the above-styled cases (the “Objection”). In support of this Objection, the Debtors show the Court as follows:

I. Relief Requested

1. By this Objection, the Debtors respectfully request the entry of an order, pursuant to Section 502 of the Bankruptcy Code and Federal Rule of Bankruptcy Procedure 3007, disallowing claims filed by Worthington in the above-styled cases.

II. Jurisdiction

2. This Court has jurisdiction over this Objection under 28 U.S.C. § 1334. Venue of this proceeding is proper pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2).

III. Background

3. On February 28, 2012 (the “Petition Date”), the Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code.

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

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

6. On April 10, 2012, the Court established May 31, 2012 (the "Claims Bar Date") as the deadline for non-governmental-entity creditors wishing to assert pre-petition claims against the Debtors to file their proofs of claim with BMC Group, Inc., the Debtors' claims and noticing agent (the "Claims Agent") [Docket Entry No. 278].

7. On or about May 31, 2012, Worthington filed nine (9) functionally identical unsecured non-priority claims against the Debtors, each in the amount of \$2,962,500.00. The claims were assigned as claim numbers 1195, 1196, 1197, 1198, 1199, 1200, 1201, 1202 and 1203 by the Claims Agent (collectively, the "Worthington Claims"). Worthington claims that, with respect to 237 parcels of real property it owns, it is entitled to a 25% discount on the membership initiation price in the Debtors' golf and country clubs with respect to each parcel, pursuant to an agreement enclosed with the Worthington Claims. Worthington calculates its \$2,962,500.00 claim on the basis of 237 parcels multiplied by 25% of \$50,000 (the current price of a full golf membership in the Debtors' clubs) -- *i.e.*, $237 * \$12,500 = \$2,962,500.00$.

8. The Debtors have the authority to pursue claims litigation with respect to claims filed in these bankruptcy cases. The Debtors have reviewed proofs of claim filed in these cases. This Objection is the result of the Debtors' review.

IV. Basis for Relief Requested

9. First, claim numbers 1196, 1197, 1198, 1199, 1200, 1201, 1202 and 1203 are duplicative of claim number 1195. The duplicative claims are unenforceable against the Debtors, and should be disallowed. Unless the claims that duplicate claim number 1195 are disallowed, Worthington may receive a larger recovery than that to which is entitled.

10. Second, the documents and materials submitted with the Worthington Claims reflect that none of the Debtors is liable to Worthington with respect to the asserted claims, and that, at best, third party non-Debtor entities may be liable to Worthington. The books and records of the Debtors do not reflect any such obligation owing to Worthington; in fact, the Debtors' schedules reflect that the Debtors dispute any claims that Worthington may assert against the Debtors. Specifically, the Debtors dispute the enforceability of any purported consent or agreement by the Debtors to any obligations sought to be imposed upon them by any third party agreements between Worthington and non-Debtor entities, specifically including the agreement enclosed with the Worthington Claims. Accordingly, the Worthington Claims are unenforceable against the Debtors, and should be disallowed. Unless the Worthington Claims are disallowed, Worthington may receive a larger recovery than that to which it is entitled.

11. Third, the documents and materials submitted with the Worthington Claims reflect that Worthington is not entitled to its asserted claim by the very terms of the agreement enclosed with the Worthington Claims. Specifically, such agreement provides that Worthington's claim to a 25% discount on the membership initiation price in the Debtors' golf and country clubs arises only in the event of Worthington's foreclosure on certain property owned by third party non-Debtor entities. The Debtors are informed and believe that Worthington has not yet foreclosed on such property, accordingly Worthington is not entitled to its claimed 25% discount on the membership initiation price in the Debtors' golf and country clubs. Accordingly, the Worthington Claims are unenforceable against the Debtors, and should be disallowed. Unless the Worthington Claims are disallowed, Worthington may receive a larger recovery than that to which it is entitled.

12. Fourth, the documents and materials submitted with the Worthington Claims reflect that the claims are entirely speculative and contingent. Specifically, Worthington's assertion that it is entitled to a claim of \$2,962,500.00 is based on the following presumptions: (i) that it will sell all of the subject 237 parcels of real property; (ii) that every one of the purchasers of such property will elect to join the Debtors' clubs as full golfing members; and (iii) that the price of full golf memberships in the Debtors' clubs will remain at \$50,000.00 per membership. Worthington cannot demonstrate that even one of those presumptions is valid. Moreover, Worthington cannot provide any reliable timeframe in which it might be able to sell the subject parcels. In accordance with section 502(c)(1) of the Bankruptcy Code, to the extent that claim number 1195 is allowed (as the sole surviving non-duplicative claim), then claim number 1195 should be estimated for purposes of allowance, because the fixing or liquidation of such claim would unduly delay the administration of these cases. The Debtors assert that, to the extent that claim number 1195 is allowed (which the Debtors contest), claim number 1195 should be estimated and allowed in an amount not to exceed \$5,000.

V. Reservation of Rights

13. The Debtors reserve the right to supplement this Objection and to subsequently object to the Worthington Claims on any other appropriate ground, whether or not stated herein. In addition, the Debtors reserve the right to object to any and all other claims filed in the Debtors' cases, and any other claims asserted by Worthington.

VI. Notice

14. Notice of this Objection has been provided to Worthington and each other party entitled to notice, as listed in the certificate of service filed in connection herewith. In light of the nature of the relief requested, the Debtors submit that no other or further notice is necessary.

WHEREFORE, the Debtors respectfully request that this Court:

1. enter the proposed order attached hereto as Exhibit "A";
2. disallow the Worthington Claims; and
3. grant the Debtors such other and further relief as is just and proper.

This 20th day of July, 2012.

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EXHIBIT "A"

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

Case No. 12-01220

**ORDER APPROVING DEBTORS' OBJECTION
TO THE ALLOWANCE OF CLAIM NOS. 1195, 1196, 1197, 1198, 1199, 1200, 1201, 1202
AND 1203 FILED BY WORTHINGTON HYDE PARTNERS-II, LP**

The relief set forth on the following pages, for a total of 4 pages including this page, is hereby ORDERED.

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

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Debtors

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TO THE ALLOWANCE OF CLAIM NOS. 1195, 1196, 1197, 1198, 1199, 1200, 1201, 1202
AND 1203 FILED BY WORTHINGTON HYDE PARTNERS-II, LP**

Upon the Objection (Docket Entry # _____) (the "Objection") of The Cliffs Club & Hospitality Group, Inc. and its affiliated debtors in the above-captioned Chapter 11 cases, as

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debtors and debtors-in-possession (the “Debtors”), requesting the entry of an order disallowing claims filed by Worthington Hyde Partners-II, LP in the above-styled cases, the Court having jurisdiction to consider the Objection and the relief requested therein; a hearing having been held on _____, 2012 to consider the Objection; due notice of the Objection and hearing having been given to all parties entitled thereto, as listed in the certificate of service attached to the Objection and filed with the Court; it appearing that no other or further notice need be provided; no objections having been filed or asserted; the Court having determined that the relief sought in the Objection is in the best interests of the bankruptcy estates, their creditors, and all parties in interest; and after due deliberation and sufficient cause appearing therefor, it is hereby ORDERED as follows:

1. The Objection is GRANTED.
2. Claim number 1195 filed by Worthington Hyde Partners-II, LP in the above-styled cases is disallowed.
3. Claim number 1196 filed by Worthington Hyde Partners-II, LP in the above-styled cases is disallowed.
4. Claim number 1197 filed by Worthington Hyde Partners-II, LP in the above-styled cases is disallowed.
5. Claim number 1198 filed by Worthington Hyde Partners-II, LP in the above-styled cases is disallowed.
6. Claim number 1199 filed by Worthington Hyde Partners-II, LP in the above-styled cases is disallowed.
7. Claim number 1200 filed by Worthington Hyde Partners-II, LP in the above-styled cases is disallowed.

8. Claim number 1201 filed by Worthington Hyde Partners-II, LP in the above-styled cases is disallowed.

9. Claim number 1202 filed by Worthington Hyde Partners-II, LP in the above-styled cases is disallowed.

10. Claim number 1203 filed by Worthington Hyde Partners-II, LP in the above-styled cases is disallowed.

11. This Court shall retain jurisdiction to hear and determine all matters arising from the implementation of this Order.

AND IT IS SO ORDERED.

PREPARED AND PRESENTED BY:

/s/ Däna Wilkinson
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