

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

LIMITED RESPONSE OF WELLS FARGO BANK, N.A., AS
INDENTURE TRUSTEE, TO CONFIRMATION OF 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”), hereby files this limited response and reservation of rights (the “Reservation of Rights”) with respect to certain documents that are required and necessary for the above-captioned debtors (the “Debtors”) to confirm their *First Amended and Restated Joint Chapter 11 Plan Filed by the Debtors and the Plan Sponsor* [Docket No. 616] (as defined further herein, the “Plan”). As further set forth below, the Indenture Trustee files this Reservation of Rights with respect to the proposed Plan on a limited basis given the continuing negotiation of certain documents.

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.

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. 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 the Debtors and the Plan Sponsor (the "Original Plan") [Docket No. 365] and the Disclosure Statement to Accompany the Joint Chapter 11 Plan filed by the Debtors and the Plan Sponsor (as amended, the "Disclosure Statement") [Docket No. 366]. The Debtors filed the Plan on July 2, 2012, which amended the Original Plan.

6. On July 2, 2012, this Court approved the Disclosure Statement and set a hearing on confirmation of the Plan for August 6, 2012. At that time, the Court established August 1, 2012, as the deadline to file objections to the motion to approve the Plan.

7. The Debtors have filed a plan supplement and second plan supplement (collectively, the "Plan Supplement") that attached certain supporting documents (the

“Supporting Documents”) which detail, among other things, the treatment that the holders of the Notes will receive under the Plan.

Statement and Reservation of Rights

8. The Debtors, the Plan Sponsor (as defined in the Plan), and the Indenture Trustee continue to negotiate and finalize certain of the documents set forth and contemplated under the Plan and the Plan Supplement, including the Supporting Documents. While the parties have made significant progress in drafting, as of the date hereof, those documents have not been finalized. These documents address and evidence the various terms and conditions of the Plan and the treatment of the claims of the holders of the Notes. Given the significance of these documents to the Plan and creditor treatment, the Indenture Trustee believes that those documents must be substantially finalized by the parties. The parties are working diligently, and the Indenture Trustee believes that the parties will be able to agree to the final forms of these documents. However, the Indenture Trustee expressly reserves all rights with respect to completion of these documents as contemplated in connection with the Plan.

9. The Indenture Trustee further reserves the right to supplement this response with respect to the Plan prior to or during any hearing on confirmation of the Plan.

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Dated: August 1, 2012

Respectfully submitted,

/s/ Elizabeth (Lisa) J. Philp
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