

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

Joint Administration Pending

**MOTION (A) FOR AUTHORIZATION TO (I) UTILIZE
CASH COLLATERAL PURSUANT TO 11 U.S.C. § 363; AND (II) PROVIDE
ADEQUATE PROTECTION PURSUANT TO 11 U.S.C. §§ 361, 363, AND 364(D) AND (B)
TO SCHEDULE A FINAL HEARING PURSUANT TO BANKRUPTCY RULE 4001**

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 (collectively, the “Debtors”), and hereby file this emergency motion (the “Motion”) for an interim order pursuant to sections 361, 363 and 364(d) of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (as amended, the “Bankruptcy Code”) for authorization to use cash collateral, as such term is defined in section 363(a) of the Bankruptcy Code (“Cash Collateral”), on the terms and conditions set forth in the interim order attached hereto as Exhibit A (the “Interim Order”), granting adequate protection of the liens and security interests (such liens and security interests, the “Prepetition Liens”) granted to and for the benefit of the Debtors’ prepetition senior secured parties (such parties in such capacities, the “Prepetition Secured Parties”), including (a) Wells Fargo Bank, National Association, as trustee (in such capacity, the “Indenture Trustee”) under that certain

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).

Indenture dated as of April 30, 2010 (as in effect on the date hereof, the "Indenture"), by and among The Cliffs Club & Hospitality Group, Inc., the Guarantors (as defined therein) and the Indenture Trustee, (b) the holders of those certain Series A Notes due 2017 (the "Series A Notes") and those certain Series B Notes due 2017 (the "Series B Notes" together with the Series A Notes, collectively, the "Notes") issued in connection with the Indenture (collectively, the "Note Holders"), (c) the Indenture Trustee, in its capacity as the maker of a \$2,000,000 advance pursuant to that certain Amended and Restated Agreement Relating to Bridge Loan executed by the Indenture Trustee, The Cliffs Club & Hospitality Group, Inc., and SP 50, on or about February 21, 2012 (as in effect on the date hereof, the "Prepetition Bridge Loan Agreement"; together with the Indenture and the Notes, collectively, the "Prepetition Loan Documents"), the obligations owed thereto by Debtors (the "Prepetition Obligations") being secured by all collateral (the "Prepetition Collateral") and ancillary documents executed or delivered in connection therewith (the "Prepetition Facility Documents"), and (d) any holder of any properly-filed first priority lien that is senior to the liens of the Indenture Trustee as of the Petition Date (if any), as more fully set forth in the Interim Order; and schedule a final hearing (the "Final Hearing"), pursuant to Bankruptcy Rule 4001(b), to consider entry of a final order (the "Final Order") authorizing the Debtors to use Cash Collateral during the administration of these bankruptcy cases. In support of this Motion, the Debtors respectfully represent:

BACKGROUND

1. On the date hereof (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. No creditors' committee has been appointed by the United States Trustee in these Chapter 11 cases. No trustee or examiner has been appointed in these Chapter 11 cases.

3. A description of the Debtors' businesses, the reasons for filing these Chapter 11 cases, and the relief sought from this Court to allow for a smooth transition into operations under Chapter 11 are set forth in the Declaration of Timothy P. Cherry in Support of First Day Motions (the "Cherry Declaration") filed with the Court.

JURISDICTION AND VENUE

4. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. Venue of these bankruptcy cases and with respect to this Motion in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).

REQUESTED RELIEF

5. By this Motion, the Debtors seeks authority to use certain Cash Collateral with the consent of the Indenture Trustee. The Indenture Trustee has consented to Debtors' use of such Cash Collateral in accordance with the terms of the attached Interim Order, including that expenditures are only made in accordance with the DIP Budget (as defined herein). Further, the Debtors and the Indenture Trustee have agreed that the proposed adequate protection provisions set forth in the Interim Order are necessary and appropriate (i) to minimize the diminution in the value of the Indenture Trustee's interest in the Cash Collateral that will likely result from the Debtors' proposed use and (ii) to compensate and protect the Indenture Trustee from the additional risks inherent in the subordination of its security interest in favor of the priming liens (the "Proposed Priming Liens") for the debtor-in-possession financing (the "DIP Financing") (that is the subject of a separate motion filed contemporaneously herewith).

6. Accordingly, the Debtors respectfully request the entry of the Interim Order, substantially in the form attached hereto as Exhibit A: (i) for authority to use Cash Collateral, as set forth in the Interim Order, until the entry of the Final Order authorizing the Debtors to use

Cash Collateral (the “Interim Period”), (ii) approving the form of adequate protection provided to the Indenture Trustee set forth in the Interim Order for such use of such Cash Collateral and for the proposed priming of the Indenture Trustee’s liens, (iii) scheduling the Final Hearing, pursuant to Bankruptcy Rule 4001(b), to consider entry of the Final Order authorizing the Debtors to use Cash Collateral during the administration of these bankruptcy cases, and (iv) such further relief as the Court deems appropriate. The use of Cash Collateral, coupled with DIP Financing, will provide the Debtors with the necessary capital, for which an immediate and critical need exists, to operate their businesses, pay their employees, maximize value and pursue reorganization.

7. Under the proposed DIP Financing, the Debtors are seeking to subordinate the Indenture Trustee’s liens and security interests against the Prepetition Collateral up to the amount of \$7,500,000 (with \$3,000,000 of such amount being provided during the Interim Period). The Debtors recognize that without the consent of the Indenture Trustee to the Proposed Priming Liens, it would be difficult to provide the Indenture Trustee with the adequate protection required under the Bankruptcy Code. The Interim Order represents an agreement reached with the Indenture Trustee as to a package of adequate protection sufficient to obtain the Indenture Trustee’s consent to the use of its Cash Collateral and the Proposed Priming Liens, on an interim basis.

COMPLIANCE WITH FEDERAL BANKRUPTCY RULES AND LOCAL RULES

8. Pursuant to Rule 4001(b) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), material provisions of the Interim Order are as follows:²

- (i) Name of Each Entity with Interest in Cash Collateral: The Indenture Trustee (Wells Fargo Bank, N.A., as Trustee for the Series A Notes due 2017 and the Series B Notes due 2017), as well

² All capitalized terms not otherwise defined shall have the meanings ascribed thereto in the Interim Order. To the extent there is any conflict between the terms set forth in this Motion and the terms set forth in the Interim Order, the terms set forth in the Interim Order shall govern.

as any holder of any properly-filed first priority lien that is senior to the liens of the Indenture Trustee as of the Petition Date (if any). Interim Order, preamble.

- (ii) Use of Cash Collateral: The Debtors shall be permitted to use Cash Collateral through the occurrence of a Termination Event to operate their businesses, pay their employees, maximize value and pursue reorganization, solely in accordance with the terms of the budget attached to the Interim Order. Interim Order ¶ 2.
- (iii) Duration of Use of Cash Collateral: The Debtors' authority to use Cash Collateral pursuant to the terms of the Interim Order will terminate without any further action by the Bankruptcy Court five (5) days after written notification is sent by the Indenture Trustee to the Debtors, any Committee, and the U.S. Trustee of the occurrence of any of the following (each, a "Termination Event"), it being understood that the Indenture Trustee may elect to waive any of the following as a Termination Event in its sole discretion: (i) the failure of Debtors to timely pay all fees due under 28 U.S.C. § 1930; (ii) any of the Chapter 11 Cases are dismissed or converted to a proceeding under Chapter 7 of the Bankruptcy Code; (iii) the earlier of (y) the date of the entry of an order of this Court appointing a chapter 11 trustee or an examiner with enlarged powers (beyond those set forth in Sections 1104(c) and 1106(a)(3) and (4) of the Bankruptcy Code); or (z) the date Debtors file a motion, application or other pleading consenting to or acquiescing in any such appointment; (iv) the Bankruptcy Court suspends any of the Debtors' Chapter 11 Cases under Section 305 of the Bankruptcy Code; (v) the Debtors fail to comply with, keep, observe or perform any of their material agreements or undertakings under or relating to the Interim Order; (vi) the Debtors fail to meet any of the Plan Sponsor/Solicitation Process Milestones; (vii) the Debtors fail to be in compliance with the Cash Collateral Budget, subject to the requirements set forth in Section 2 of the Interim Order; (viii) entry of a final order confirming a plan in these Chapter 11 Cases and the occurrence of the effective date of the plan; (ix) Katie Goodman and/or Grisanti, Galef & Goldress is dismissed, resigns or is terminated as CRO; (x) the Interim Order becomes stayed, reversed, vacated, amended, suspended or otherwise modified in any respect without the prior written consent of the Indenture Trustee; (xi) the Interim Order does not become a final order of the Bankruptcy Court by March 30, 2012; (xii) an adversary proceeding, contested matter or other action is commenced by the Debtors challenging the validity, extent, enforceability, priority or extent of the Indenture Trustee's liens or claims or otherwise seeking to impair the Indenture Trustee's position; (xiii) imposition of orders, penalties or fines by any

governmental agency or unit which does or could, if not cured promptly, result in the cessation of operations of the Debtors; or (xiv) there is a default under the terms of the Interim DIP Order. Interim Order ¶ 17(a)(i-xiv).

- (iv) Liens, Cash Payments and Adequate Protection: As partial adequate protection for the Debtors' use of Cash Collateral and the Proposed Priming Liens, the Debtors shall make monthly adequate protection payments to the Indenture Trustee in the amount of \$235,000 (the "Adequate Protection Payments") on the first business day of each month, commencing on April 1, 2012 (except that the first Adequate Protection Payment shall be remitted during the week ending March 9, 2012, provided that the Interim Order has been entered on or before March 9, 2012 (or within two (2) business days after entry of the Interim Order if the Interim Order is entered after March 9, 2012)). The Indenture Trustee shall continue to have a valid, perfected and enforceable continuing replacement lien and security interest (the "Rollover Lien") in all assets of Debtors existing on or after the Petition Date which the Indenture Trustee had, of the same type, and of the same priority, as it had in the Prepetition Note Collateral, together with the proceeds, rents, products and profits thereof, whether acquired or arising before or after the Petition Date, to the same extent, validity, perfection, enforceability and priority of the liens and security interests of the Trustee in the Prepetition Note Collateral as of the Petition Date. The Rollover Lien shall be subject to only the Priming Liens, the Carve-Out (as defined below), and to prior valid and perfected liens existing as of the Petition Date. The Indenture Trustee shall have as of the Petition Date a valid, perfected and enforceable continuing supplemental lien and security interest (the "Supplemental Lien") in all of the Debtors' Collateral existing as of the Petition Date. The term "Collateral" shall include all assets of the Debtors and the estates whatsoever within the meaning of Section 541 of the Bankruptcy Code, whether acquired or arising prior or subsequent to the Petition Date, whether now existing or owned or hereafter arising or acquired; provided, however, the term "Collateral" shall not include causes of action and proceeds therefrom of Debtors or their estates under Sections 544, 545, 547, 548, 550 and 724(e) of the Bankruptcy Code (the "Avoidance Actions"). The Supplemental Lien shall be subject to only the Priming Liens, the Carve-Out (as defined below), and prior, valid and perfected liens against the Collateral existing as of the Petition Date. The Indenture Trustee shall have a super-priority administrative expense claim pursuant to the Bankruptcy Code Section 507(b) (the "Superpriority Claim"). Except for the repayment of the Interim DIP Financing and the Carve-Out, the Superpriority Claim shall have priority over any

and all administrative expenses, diminution claims and all other claims against Debtors, now existing or hereafter arising, of any kind whatsoever including, without limitation, all other administrative expenses of the kind specified in sections 364, 503(b) and 507(b) of the Bankruptcy Code, and over any and all administrative expenses or other claims arising under sections 105, 326, 328, 330, 331, 503(b), 506(c), 507(a), 507(b), 546, 726, 1113 or 1114 of the Bankruptcy Code, and shall at all times be senior to the rights of Debtors, any successor trustee or any creditor, in these Chapter 11 Cases or any subsequent proceedings under the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment lien or other non-consensual lien, levy or attachment, which allowed claims shall be payable from and have recourse to all pre- and post-petition property of the Debtors and all proceeds thereof. The Rollover Lien and the Supplemental Lien (together, the "Post-Petition Note Liens"; with the collateral secured by the Post-Petition Note Liens being referred to herein as the "Post-Petition Note Collateral") granted hereunder to provide adequate protection for the use of Cash Collateral and the Prepetition Note Collateral and the Interim DIP Financing and shall be in addition to all other rights of the Indenture Trustee, including its liens and security interests in the Prepetition Note Collateral. The Post-Petition Note Liens shall not be subject or subordinate to any lien or security interest that is avoided and preserved for the benefit of Debtors and their estate under Section 551 of the Bankruptcy Code. Except for the Priming Liens and the Carve-Out (as defined below) and prior, valid and perfected liens existing as of the Petition Date, the Post-Petition Note Liens shall not be (i) subject or subordinate to any lien or security interest, any statutory or consensual liens or security interests in favor of any federal, state, municipal or other government unit, commission, board or court for any tax liability of Debtors, whether secured or unsecured, including property taxes for which liability is in rem, in personam, or both, except a tax of a kind specified in Bankruptcy Code Section 507(a)(8); or (ii) subordinated to or made pari passu with any other lien or security interest under Sections 363 or 364 of the Bankruptcy Code or otherwise. Interim Order ¶ 7-11.

- (v) Remedies Upon Termination Event. Unless during such five (5) day period referenced in Interim Order ¶ 17(a), the Debtors cure any Termination Event that is curable or the Debtors obtain a hearing to consider the Debtors' continued use of Cash Collateral, on notice to and with an opportunity to be heard by the Indenture Trustee, (i) the Debtors' authority to use Cash Collateral under the Interim Order shall automatically terminate and the Debtors shall be prohibited from continuing to use such Cash Collateral, and (ii)

upon fourteen (14) days' written notice (the "Notice Period") to the Debtors, and counsel to the DIP Lender, any Committee and the Office of the U.S. Trustee, the automatic stay shall be deemed automatically terminated, without further order of the Bankruptcy Court and without the need for filing any motion for relief from the automatic stay or any other pleading, to permit the Indenture Trustee to realize on all Collateral and to exercise any and all remedies against the Collateral or any part thereof; provided, however, during the Notice Period, Debtors, the DIP Lender, any Committee or U.S. Trustee may seek relief from the Bankruptcy Court to re-impose or continue the automatic stay and the Indenture Trustee reserves all rights to oppose each request. Interim Order ¶ 17(b).

Disclosures Under SC LBR 4001-4

9. The Debtors note that the Interim Order includes provisions which, under SC LBR 4001-4, are deemed not normally allowed, and which require disclosure. The Debtors are informed and believe that the provisions falling into this category are, according to their specific terms, appropriate and justified in these cases given the issues in these cases including the Proposed Priming Liens sought by the Debtors relating to the DIP Financing. The provisions are as follows (the capital letters below correspond to the subparagraphs of SC LBR 4001-4(b)(1)):³

(A) The Interim Order provides that the Debtors waive any and all rights to object to or contest the amount of the Note Claim or the amount, validity, extent, priority, perfection, or enforceability of the Indenture Trustee's security interests in the Prepetition Note Collateral and agree that all such claims and security interests have been duly perfected and are in all respects valid and enforceable first priority security interests and liens. Interim Order ¶ 18. This section is not binding on any third parties for a period of seventy (70) days after the Petition Date.

(B, C) The Interim Order provides that, except as provided in Section 25 of the Interim Order, the entry of the Interim Order by the Court is a conclusive and binding determination on all parties of (i) the amount of the Note Claim, and (ii) that the Indenture Trustee's security interests in the Prepetition Note Collateral, including, without limitation, the Cash Collateral, have been duly perfected and are in all respects valid and enforceable first priority security interests and liens and not subject to any claim under Bankruptcy Code Sections 506(c) and 552(b); provided, however, the Bankruptcy Code Section 506(c) waiver shall not be effective until entry of a Final Order. Interim Order ¶ 13.

³ All capitalized terms not otherwise defined shall have the meanings ascribed thereto in the Interim Order.

(D) The Interim Order requires that the Debtors agree to conduct a Plan Sponsor/Solicitation Process by which they solicit competing proposals from third-parties to become the sponsor of the Debtors' anticipated plan of reorganization and to meet certain Plan Sponsor/Solicitation Process Milestones. Interim Order ¶ 16. This is consistent with the terms of the proposed DIP Financing and the goals of the Debtors in these bankruptcy cases.

(E) The Interim Order provides that the Indenture Trustee shall continue to have a valid, perfected and enforceable continuing replacement lien and security interest (the "Rollover Lien") in all assets of Debtors existing on or after the Petition Date which the Indenture Trustee had, of the same type, and of the same priority, as it had in the Prepetition Note Collateral, together with the proceeds, rents, products and profits thereof, whether acquired or arising before or after the Petition Date, to the same extent, validity, perfection, enforceability and priority of the liens and security interests of the Trustee in the Prepetition Note Collateral as of the Petition Date. Interim Order ¶ 8.

(G) The Interim Order provides, *inter alia*, that the Debtors waive, release and discharge the Indenture Trustee and all holders of the Notes and related entities from any and all claims and causes of action arising out of, based upon or related to, in whole or in part, the Notes and the Note Documents. Interim Order ¶ 18. This waiver, however, is not binding on any third party for a period of seventy (70) days after the Petition Date.

(I) The Interim Order provides, upon a Termination Event, and upon fourteen (14) days' written notice (the "Notice Period") to the Debtors, and counsel to the DIP Lender, any Committee and the Office of the U.S. Trustee, the automatic stay shall be deemed automatically terminated, without further order of the Bankruptcy Court and without the need for filing any motion for relief from the automatic stay or any other pleading, to permit the Indenture Trustee to realize on all Collateral and to exercise any and all remedies against the Collateral or any part thereof; provided, however, during the Notice Period, Debtors, the DIP Lender, any Committee or U.S. Trustee may seek relief from the Bankruptcy Court to re-impose or continue the automatic stay and the Indenture Trustee reserves all rights to oppose each request. Interim Order ¶ 17(b).

10. As noted, the Debtors believe these provisions are appropriate in light of the current status of these bankruptcy cases. In particular, the Debtors are seeking to subordinate the Indenture Trustee's liens against the Prepetition Collateral to an amount of \$7.5 million of which \$3.0 million will be advanced during the Interim Period. The proceeds of the DIP Financing are not being utilized just for the preservation of the Prepetition Collateral, but are also necessary to maintain the overall operations of the golf communities and related amenities. This benefit inures to all members of the golf communities, the majority of which are not Note Holders.

BASIS FOR RELIEF

The Use of Cash Collateral Should Be Approved

11. By this Motion, the Debtors seek entry of the Interim Order and a Final Order (a) authorizing the Debtors to use Cash Collateral pursuant to sections 361 and 363 of the Bankruptcy Code; (b) approving the form of adequate protection provided to the Indenture Trustee pursuant to sections 361, 362, 363, and 364 of the Bankruptcy Code; (c) scheduling a Final Hearing on the Motion to consider entry of the Final Order; and (d) granting related relief.

12. In consideration of the material increase in the Indenture Trustee's risk profile due to the subordination of its lien with respect to the DIP Financing, the parties have agreed to the adequate protection described in the Interim Order, which includes the following:

- a. Adequate protection payments in the amount of \$235,000 per month;
- b. A rollover lien in all assets of Debtors existing on or after the Petition Date of the same type, and of the same priority, as the Indenture Trustee had on the Petition Date, junior only to the liens securing the DIP Financing and the Carve Out (as defined below);
- c. A lien in substantially all of Debtors' assets acquired both before and after the Petition Date, junior only to the liens securing the DIP Financing and the Carve Out;
- d. A super-priority administrative expense claim pursuant to the Bankruptcy Code Section 507(b); and
- e. The Debtors' consent to a process (the "Plan Sponsor/Solicitation Process") by which they solicit competing proposals from third-parties to become the sponsor of the Debtors' anticipated plan of reorganization, including the Debtors agreement to meet certain milestones (collectively, the "Plan Sponsor/Solicitation Process Milestones").

13. The Debtors believe that the proposed adequate protection is reasonable and appropriate under all of the circumstances, and requests approval of the proposed Interim Order attached hereto.

A. The Debtors Should Be Authorized To Use The Cash Collateral

14. The Debtors' use of property of the estate is governed by § 363 of the Bankruptcy Code, which provides, inter alia, that a debtor may use property of the estate in the ordinary course of business without notice or a hearing. 11 U.S.C. § 363(c)(1). The use of cash collateral, however, is subject to § 363(c)(2), which permits a debtor to use cash collateral pursuant to subsection (c)(1) only if

(A) each entity that has an interest in such cash collateral consents;
or

(B) the court, after notice and a hearing, authorizes such use . . . in accordance with the provisions of this section.

15. As discussed above, the Indenture Trustee does not object to Debtors' use of Cash Collateral so long as it is in accordance with the DIP Budget and otherwise pursuant to the terms set forth in the Interim Order. Accordingly, the Debtors have satisfied the requirements of Bankruptcy Code § 363(c)(2).

B. The Debtors' Proposed Adequate Protection Is Appropriate

16. In addition to the provisions of Bankruptcy Code § 363(c)(2), a debtor's use of cash collateral is subject to § 363(e), which requires that the debtor provide adequate protection to the secured creditor's interest in the cash collateral sought to be used by the debtor. Although the Bankruptcy Code does not provide a precise definition of "adequate protection," § 361 sets forth three non-exclusive means of providing adequate protection:

- a. making periodic cash payments to the secured creditor;
- b. providing the secured creditor with additional or replacement liens on the debtor's property; or
- c. granting other relief that provides the secured creditor with the indubitable equivalent of the creditor's interest in the cash collateral.

17. Courts use a flexible approach in making the determination of what constitutes adequate protection, and what constitutes adequate protection is properly decided on a case by

case basis. See *MNBank Dallas, N.A. v. O'Conner (In re O'Connor)*, 808 F.2d 1393, 1396 (10th Cir. 1987); *In re Martin*, 761 F.2d 472 (8th Cir. 1985); *In re Shaw Indus., Inc.*, 300 B.R. 861, 865 (Bankr. W.D. Pa. 2003). The focus of the requirement is to protect a secured creditor from diminution in the value of its interest in the particular collateral during the period of use. See *In re Swedeland Dev. Group, Inc.*, 16 F.3d 552, 554 (3d Cir. 1994) ("The whole purpose of adequate protection for a creditor is to insure that the creditor receives the value for which he bargained prebankruptcy.") (internal citations omitted).

18. Here, the adequate protection proposed by Debtors, which has been accepted by the Indenture Trustee as adequate, is set forth in detail in the Interim Order and includes the following:

- a. Adequate protection payments in the amount of \$235,000 per month;
- b. A rollover lien in all assets of Debtors existing on or after the Petition Date of the same type, and of the same priority, as the Indenture Trustee had on the Petition Date, junior only to the liens securing the DIP Financing and the Carve Out (as defined below);
- c. A lien in substantially all of Debtors' assets acquired both before and after the Petition Date, junior only to the liens securing the DIP Financing and the Carve Out;
- d. A super-priority administrative expense claim pursuant to the Bankruptcy Code Section 507(b); and
- e. The Debtors' consent to Plan Sponsor/Solicitation Process by which they solicit competing proposals from third-parties to become the sponsor of the Debtors' anticipated plan of reorganization, including the Debtors agreement to meet certain Plan Sponsor/Solicitation Process Milestones.

19. The Interim Order, if approved, will provide the Debtors with the ability to use Cash Collateral (as well as obtaining the consent of the Indenture Trustee to the DIP Financing) while providing the Prepetition Secured Parties adequate protection as contemplated by sections 363(c)(2)(A), 364, 363(e) and of the Bankruptcy Code. Similar relief has been granted in other cases in this district. See, e.g., *In re BI-LO, LLC*, Case No. 09-2140 (HB) (Bankr. D.S.C. 2009);

In re Polymer Group, Inc., No. 02-05773-JW (Bankr. D.S.C. May 29, 2002); *In re Daufuskie Island Props., LLC*, No. 09-0389-JW (Bankr. D.S.C. Feb. 17, 2009).

Adequate Protection for Priming Liens is Extraordinary Relief

20. As highlighted above, under the proposed DIP Financing, the Debtors are seeking to subordinate the Indenture Trustee's liens and security interests against the Prepetition Collateral up to the amount of \$7,500,000 (with \$3,000,000 of such amount being provided during the Interim Period) secured by the Proposed Priming Liens. This is an extraordinary request which may only be permitted – absent the consent of the Indenture Trustee – in the rarest of circumstances and if the strict requirements of the Bankruptcy Code are met. *In re Qualitech Steel Corp.*, 276 F.3d 245, 248 (7th Cir. 2001) (“Section 364(d) is supposed to be a last resort”); *Suntrust Bank v. Den-Mark Const., Inc.*, 406 B.R. 683, 689 (E.D.N.C. 2010) (same); see 3 Collier on Bankruptcy ¶ 364.05 (Alan N. Resnick & Henry J. Sommer eds. 16th ed.) (“The ability to prime an existing lien is extraordinary, and in addition to the requirement that the [debtor] be unable to otherwise obtain the credit the [debtor] must provide adequate protection for the interest of the holder of the existing lien”). Indeed, if such priming were permitted absent consent, a secured creditor's Fifth Amendment property rights would be eviscerated. *In re Cambridge Woodbridge Apartments, L.L.C.*, 292 B.R. 832, 841 (Bankr. N.D. Ohio 2003) (noting function of adequate protection in addressing motion for relief); *In re DeSardi*, 340 B.R. 790, 797 (Bankr. S.D.Tex. 2006) (noting function, citing legislative history); *In re N.J. Affordable Homes Corp.*, 2006 WL 2128624, *14 (Bankr. D.N.J. June 29, 2006) (“The concept of adequate protection finds its basis in the Fifth Amendment's protection of property interests”).

21. It would be difficult for the Debtors to provide the Indenture Trustee with adequate protection for the proposed subordination of its liens. The Debtors have few, if any, assets on which they could grant a replacement lien, and they do not have close to sufficient cash

to compensate the Indenture Trustee for the anticipated diminution in its collateral as a result of the DIP Financing and Proposed Priming Liens. As such, the relief sought by the Debtors may only be approved with the consent of the Indenture Trustee.

22. The Indenture Trustee has indicated its willingness to agree to the DIP Financing and the Proposed Priming Liens on the terms set forth in the Interim Order. These proposed terms include not only the rollover and supplemental liens, superpriority claims, and cash payments that are common adequate protection provisions, but also include the Debtors' consent (as well as the consent of the DIP Lender) to a process to market the Debtors' plan sponsor rights on an expedited basis. Further, the agreed-to adequate protection includes a budget with certain protections so that the Indenture Trustee may monitor expenditures, in particular those incurred during the approximately two month period that it will take to reach the auction. Only with these provisions was the Indenture Trustee willing to consent to the Debtors' use of Cash Collateral, the DIP Financing and the Proposed Priming Liens.

23. The Debtors submit, and the Indenture Trustee agrees, that proposed adequate protection provisions set forth in the Interim Order are necessary and appropriate to lessen the diminution in the value of the Indenture Trustee's interest in the Cash Collateral based upon the proposed DIP Financing.

C. Debtors' Inability to Use Cash Collateral During the Interim Period Would Cause Immediate and Irreparable Harm.

24. The Debtors require the use of the Cash Collateral and the proceeds of the DIP Financing to fund their day-to-day operations. Indeed, absent such relief, the Debtors' businesses would be brought to an immediate halt, with damaging consequences to the Debtors and their estates and creditors. Absent access to the Cash Collateral, and the proceeds from the DIP Facility, the Debtors are without adequate funds with which to operate. Thus, the Debtors must

request interim authorization to use Cash Collateral on an emergency basis. The Debtors require the interim use of Cash Collateral to pay for any and all payments on account of prepetition obligations authorized by the Court, such as payroll and taxes, to meet their postpetition payroll obligations and salaries, and to pay operating expenses, general and administrative expenses, postpetition insurance and taxes, and other essential costs and expenses. The Debtors' failure to timely pay such items would result in immediate and irreparable harm to their estates. Indeed, it is likely that the Debtors would be forced to cease operations, thus destroying the going concern value of their estates and harming all constituencies, including the Prepetition Secured Parties.

25. Bankruptcy Rule 4001(b) provides that a final hearing on a motion to use cash collateral may not be commenced earlier than fourteen (14) days after the service of such motion. Upon request, however, the Court is empowered to conduct a preliminary expedited hearing on the motion and authorize the use of cash collateral to the extent necessary to avoid immediate and irreparable harm to a debtor's estate pending a final hearing.

26. Pursuant to Bankruptcy Rule 4001(b), the Debtors request that the Court conduct an expedited preliminary hearing on this Motion and (a) authorize the Debtors to use Cash Collateral on an interim basis, pending entry of the Final Order, in order to (i) maintain and finance the ongoing operations of the Debtors, and (ii) avoid immediate and irreparable harm and prejudice to the Debtors' estates and all parties in interest, and (b) schedule the Final Hearing to consider entry of the Final Order.

27. The Debtors further submit that because the relief requested in this Motion is necessary to avoid immediate and irreparable harm to the Debtors for the reasons set forth herein, Bankruptcy Rule 6003 has been satisfied.

28. To successfully implement the foregoing, the Debtors seek a waiver of the notice requirements under Bankruptcy Rule 6004(a) and the fourteen (14) day stay under Bankruptcy Rule 6004(h).

29. Because the Debtors' request for interim authorization seeks the use of only that amount of Cash Collateral as is necessary to avoid immediate and irreparable harm to their estates during the Interim Period, their request complies with Bankruptcy Rule 4001(b)(2).

30. The relief requested herein contemplates a modification of the automatic stay (to the extent applicable) to permit the Debtors to grant the security interest, liens, and super-priority claims described above and to perform such acts as may be requested to assure the perfection and priority of such security interests and liens. Stay modifications of this kind are ordinary and standard in these circumstances and, in the Debtors' business judgment, are reasonable and fair under the present circumstances.

NOTICE

31. No trustee, examiner, or creditors' committee has been appointed in these Chapter 11 cases. Notice of this Motion will be given to: (a) the Office of the United States Trustee for the District of South Carolina; (b) counsel to the Indenture Trustee (as defined in the Cherry Declaration); (c) counsel to the DIP Lender (as defined in the Cherry Declaration); (d) the Debtors' fifty (50) largest unsecured creditors (on a consolidated basis); (e) those persons who have formally appeared in the these bankruptcy cases and requested service pursuant to Bankruptcy Rule 2002; and (f) all applicable government agencies to the extent required by the Bankruptcy Rules and the Local Rules. The Debtors submit that, under the circumstances, no other or further notice is required.

32. No previous request for the relief sought herein has been made to this Court or any other court.

CONCLUSION

WHEREFORE, based upon the foregoing, the Debtors respectfully request that the Court enter a the Interim Order substantially in the form annexed hereto (a) granting the relief requested herein and (b) granting such other relief as may be deemed just and proper.

Dated: February 28, 2012

Respectfully submitted,

/s/ Däna Wilkinson
Däna Wilkinson
District Court I.D. No. 4663
LAW OFFICE OF DÄNA WILKINSON
365-C East Blackstock Road
Spartanburg, SC 29301
864.574.7944 (Telephone)
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-and-

/s/ J. Michael Levengood
Gary W. Marsh
Georgia Bar No. 471290
J. Michael Levengood
Georgia Bar No. 447934
Bryan E. Bates
Georgia Bar No. 140856
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Proposed Attorneys for Debtors and Debtors in Possession

EXHIBIT A

Interim Order

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

Case No. 12-01220

**INTERIM ORDER (I) AUTHORIZING USE OF CASH
COLLATERAL AND (II) PROVIDING ADEQUATE PROTECTION**

The relief set forth on the following pages, for a total of 19 pages including this page, is hereby **ORDERED**.

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

Joint Administration Pending

INTERIM ORDER (I) AUTHORIZING USE OF CASH
COLLATERAL AND (II) PROVIDING ADEQUATE PROTECTION

Upon the motion (the "Motion") of the above-captioned debtors and debtors in possession (the "Debtors") for the entry of an interim order (this "Interim Order") and a final order (the "Final Order") pursuant to sections 105, 361, 362, 363 and 364 of title 11 of the United States Code (the "Bankruptcy Code") and Federal Rule of Bankruptcy Procedure 4001 ("Bankruptcy Rule") authorizing the Debtors to (i) to use certain Cash Collateral (as defined below) of Wells Fargo Bank, National Association in its capacity as indenture trustee and collateral trustee (the "Indenture Trustee") for the holders of certain Notes (as defined below); and (ii) grant mortgages, security interests, liens and superpriority claims in order to provide adequate protection to the Indenture Trustee; and upon the proceedings held before this Court and good and sufficient cause appearing therefore,

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).

Upon the terms of the Motion, the stipulation, acknowledgement and agreement of the Debtors and the Indenture Trustee, the Court makes the following findings:

A. On February 28, 2012 (the "Petition Date"), each of the eleven (11) above-captioned Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code (the "Chapter 11 Cases"). Immediately after filing these Chapter 11 Cases, the Debtors filed a motion for order pursuant to Rule 1015(b) seeking joint administration of these Chapter 11 Cases. These cases have not been substantively consolidated.

B. The Debtors are operating their businesses and managing their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No request has been made for the appointment of a trustee or examiner and no official committee of unsecured creditors has yet been appointed in these Chapter 11 Cases.

C. This Court has jurisdiction over this matter pursuant to 28 U.S.C. § 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue of the Chapter 11 Cases and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

The Notes

D. 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. ("ClubCo"), certain Guarantors (the "Guarantors"), 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. The obligations created by the Notes and any of the other Note Documents (as defined below) are referred to herein as the "Note Obligations".

E. In order to secure the Note Obligations (among other obligations), each of Debtors granted to the Indenture Trustee (as collateral trustee) a security interest in and continuing lien on all of their right, title and interest in, to and under all of their personal property (the “Personal Property Collateral”) pursuant to a Pledge and Security Agreement dated as of April 30, 2010 (the “Pledge and Security Agreement”). In addition, certain of the Debtors granted a mortgage, deed of trust, or leasehold mortgage as applicable (collectively, the “Mortgages”) to the Trustee (as collateral trustee) (collectively, the “Real Property Collateral”) to secure the Note Obligations, among other obligations. Together, the Personal Property Collateral and the Real Property Collateral, is referred to herein as the “Prepetition Note Collateral”.

F. In addition to the Note Obligations, as provided in the Collateral Trust Agreement dated April 30, 2010 (the “Collateral Trust Agreement”), the Prepetition Note Collateral also secures on a subordinated basis certain Membership Deposit Obligations (as defined in the Collateral Trust Agreement) owed to the holders of the Notes.

G. Further, payment of the Note Obligations was guaranteed jointly and severally by CCHG Holdings, Inc., each of ClubCo’s subsidiaries, and James B. Anthony, individually, pursuant to Article X of the Indenture. Collectively, the Indenture, the Notes, the Pledge and Security Agreement, the Mortgages, the Collateral Trust Agreement, and any other documents related to the Notes are referred to herein as the “Note Documents”.

H. As of February 24, 2012, the Debtors were obligated under the Note Documents in the following amounts: (i) the aggregate outstanding principal amount owed under the Series A Notes of not less than \$39,800,000, (ii) the aggregate outstanding principal amount owed under the Series B Notes of not less than \$24,250,000; (iii) the aggregate outstanding interest

owed under the Series A Notes of not less than \$5,891,708; and (iv) and the aggregate outstanding interest owed under the Series B Notes of not less than \$3,589,797. The sum of (i) through (iv) in the aggregate is referred to herein as the “Note Claim”, which is in the amount of \$73,531,505. The Indenture Trustee reserves any and all rights to amend the Note Claim, and nothing herein shall be deemed to be a waiver of such rights; *provided, however*, that in the event the Indenture Trustee amends the Note Claim to increase the amount thereof, the Debtors may challenge any such increased amount.

The Interim DIP Order

I. On February 28, 2012, the Debtors also filed their Motion for Entry of Interim and Final Orders Pursuant to 11 U.S.C. §§ 105, 361, 362, 363, 364 and 507(b) (I) Approving Post-Petition Financing, (II) Granting Liens and Providing Superpriority Administrative Expense Status, (III) Granting Adequate Protection, (IV) Modifying the Automatic Stay, and (V) Scheduling a Final Hearing, pursuant to which the Debtors seek an interim order (the “Interim DIP Order”) approving, among other things, the granting of certain first-priority liens (the “Priming Liens”) to Carlile Development Company, LLC (the “DIP Lender”) that are senior to those of the Indenture Trustee, and securing financing provided by the DIP Lender on an interim basis in a principal amount not to exceed \$3,000,000 (the “Interim DIP Financing”), as provided more fully in the Debtor in Possession Loan and Security Agreement dated as of February 28, 2012 among the Debtors and the DIP Lender (the “DIP Loan Agreement”).

J. The Indenture Trustee does not consent to use of Cash Collateral or the terms of the proposed Interim DIP Financing, except upon the terms and conditions of this Interim Order and the Interim DIP Order. The Indenture Trustee reserves any and all rights with respect to any final proposed order or request to approve the use of Cash Collateral or the financing provided

by the DIP Lender and nothing herein shall evidence or be construed to infer what constitutes adequate protection for any further use of Cash Collateral or any proposed priming of the Indenture Trustee's liens on a final basis or otherwise a waiver of any rights the Indenture Trustee has to object to such further requests.

K. An immediate and critical need exists for the Debtors to use cash collateral (as defined in section 363(a) of the Bankruptcy Code) ("Cash Collateral") and the proceeds of the Interim DIP Financing in order to continue their operations and maximize the value of their estates for the benefit of all creditors. Without such funds, the Debtors will not be able to pay employees, suppliers, and other operating expenses, or obtain goods and services needed to carry on their operations during this sensitive period for the purposes set forth in this Interim Order in a manner that will avoid irreparable harm to the Debtors' estates.

L. Pursuant to the Bankruptcy Code, the Debtors are required to provide adequate protection to the Indenture Trustee in respect of the Debtors' use of the Cash Collateral and in connection with the proposed Interim DIP Financing.

M. Good cause has been shown for the entry of this Interim Order. Among other things, entry of this Interim Order will permit the Debtors to minimize disruption of the Debtors' businesses and operations and permit them to pay their payroll and other operating expenses, and obtain goods and services needed to carry on their operations during this sensitive period for the purposes set forth in this Interim Order in a manner that will avoid irreparable harm to the Debtors' estates.

N. Notice of the interim hearing on the Motion has been served by CM/ECF or United States first-class prepaid mail on: (a) the Office of the United States Trustee; (b) Gary W. Marsh and J. Michael Levengood, McKenna Long and Aldridge LLP, 303 Peachtree Street,

Suite 5300, Atlanta, GA 30308; (c) Dana Wilkinson, Law Office of Dana Wilkinson, 365-C East Blackstock Road, Spartanburg, SC 29301; (d) Daniel S. Bleck and Charles W. Azano, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.; (e) Elizabeth J. Philp, McNair Law Firm, P.A., 100 Calhoun Street, Suite 400, Charleston, SC 29401 and Michael M. Beal, McNair Law Firm, P.A., 1221 Main Street, Suite 1800, Columbia, SC 29201; (f) William L. Rothschild, Ogier, Rothschild, Rosenfeld & Ellis-Monro, P.C., 170 Mitchell Street, SW, Atlanta, GA 30303; (g) the Debtor's 50 largest unsecured creditors on a consolidated basis; and (h) all applicable government agencies to the extent required by the Bankruptcy Rules and the Local Rules (collectively, the "Initial Notice Parties"). Such notice complies with Bankruptcy Rule 4001.

O. The Debtors have requested immediate entry of this Interim Order pursuant to Bankruptcy Rule 4001(b)(2). This Court concludes that entry of this Interim Order is in the Debtors' best interests and that of the respective estates, and creditors as such implementation will, among other things, allow for the Debtors to continue operations.

Disclosures under SC LBR 4001-4(b)

The Motion, or a party's counsel at the interim hearing, identified the following provisions to comply with SC LBR 4001-4(b)'s requirement for identification of provisions that the court "does not normally approve." The provisions are as follows (the capital letters below correspond to the subparagraphs of SC LBR 4001-4(b)(1)):

(A) The Interim Order provides that the Debtors waive any and all rights to object to or contest the amount of the Note Claim or the amount, validity, extent, priority, perfection, or enforceability of the Indenture Trustee's security interests in the Prepetition Note Collateral and agree that all such claims and security interests have been duly perfected and are in all respects valid and enforceable first priority security interests and liens. Under the terms set forth herein, this section is not binding on any third parties for a period of seventy (70) days after the Petition Date.

(B, C) The Interim Order provides that, except as provided in Section 25 of the Interim Order, the entry of the Interim Order by the Court is a conclusive and binding determination on all parties of (i) the amount of the Note Claim, and (ii) that the Indenture Trustee's security interests in the Prepetition Note Collateral, including, without limitation, the Cash Collateral, have been duly perfected and are in all respects valid and enforceable first priority security interests and liens and not subject to any claim under Bankruptcy Code Sections 506(c) and 552(b); provided, however, the Bankruptcy Code Section 506(c) waiver shall not be effective until entry of a Final Order.

(D) The Interim Order requires that the Debtors agree to conduct a Plan Sponsor/Solicitation Process by which they solicit competing proposals from third-parties to become the sponsor of the Debtors' anticipated plan of reorganization and to meet certain Plan Sponsor/Solicitation Process Milestones. This is consistent with the terms of the proposed DIP Financing and the goals of the Debtors in these bankruptcy cases.

(E) The Interim Order provides that the Indenture Trustee shall continue to have a valid, perfected and enforceable continuing replacement lien and security interest (the "Rollover Lien") in all assets of Debtors existing on or after the Petition Date which the Indenture Trustee had, of the same type, and of the same priority, as it had in the Prepetition Note Collateral, together with the proceeds, rents, products and profits thereof, whether acquired or arising before or after the Petition Date, to the same extent, validity, perfection, enforceability and priority of the liens and security interests of the Trustee in the Prepetition Note Collateral as of the Petition Date.

(G) The Interim Order provides, *inter alia*, that the Debtors waive, release and discharge the Indenture Trustee and all holders of the Notes and related entities from any and all claims and causes of action arising out of, based upon or related to, in whole or in part, the Notes and the Note Documents. Under the terms set forth herein, this waiver is not binding on any third party for a period of seventy (70) days after the Petition Date.

(I) The Interim Order provides, upon a Termination Event, and upon fourteen (14) days' written notice (the "Notice Period") to the Debtors, and counsel to the DIP Lender, any Committee and the Office of the U.S. Trustee, the automatic stay shall be deemed automatically terminated, without further order of the Bankruptcy Court and without the need for filing any motion for relief from the automatic stay or any other pleading, to permit the Indenture Trustee to realize on all Collateral and to exercise any and all remedies against the Collateral or any part thereof; provided, however, during the Notice Period, Debtors, the DIP Lender, any Committee or U.S. Trustee may seek relief from the Bankruptcy Court to re-impose or continue the automatic stay and the Indenture Trustee reserves all rights to oppose each request.

THEREFORE, IT IS HEREBY ORDERED THAT:

1. Disposition. The Motion is hereby granted in accordance with the terms and conditions set forth in this Interim Order. Any objections to the Motion with respect to the entry of this Interim Order have either been withdrawn, waived, or settled, or are hereby denied and overruled. Notwithstanding the foregoing or anything else to the contrary contained herein, each party in interest reserves all of its rights with respect to entry of any final order.

2. Authorization to Use Cash Collateral. The Debtors are authorized to use Cash Collateral from and after the filing of these Chapter 11 Cases through and until the earlier of (i) the last day included in the Cash Collateral Budget (such period, the "Interim Period") or (ii) a Termination Event (as defined below) for working capital and general corporate purposes and costs and expenses related to these Chapter 11 Cases upon the terms and conditions set forth in this Interim Order and in accordance with the budget attached hereto as **Exhibit A** (as amended or extended from time to time as provided in a further order of this Court, the "Cash Collateral Budget"). With regard to the Cash Collateral Budget, the Debtors shall be in compliance with the Cash Collateral Budget so long as the Debtors' total operating expenditures shall not exceed that set forth in the Cash Collateral Budget on a line-item basis by more than 7.5% (exclusive of professional fees, for which no variance may be permitted), measured on a weekly basis, *provided, however*, that the aggregate amount of expenditures does not exceed the aggregate Cash Collateral Budget on a monthly basis plus a variance of 5% (exclusive of professional fees on which no variance may be permitted). For the purposes of this Interim Order, the applicable measuring date shall be the last business day of each calendar week.

3. Exclusion from Cash Collateral. Cash Collateral shall not include (i) proceeds of any lease, sublease, license or sale outside the ordinary course of business of any Debtor's assets

("Extraordinary Proceeds"); or (ii) any cash, securities or funds on deposit with the Indenture Trustee.

4. Prohibited Use of Cash Collateral. Notwithstanding anything herein to the contrary, no proceeds of Cash Collateral or Interim DIP Financing shall be used for the purpose of: (i) objecting to, or contesting in any manner, or raising any defense to, the validity, amount, extent, perfection, priority or enforceability of the Notes, the Prepetition Note Collateral, the Note Claim, or any liens or security interests with respect or relating thereto, (ii) asserting any claims or causes of action against the Indenture Trustee or the holders of the Notes or their respective agents, affiliates, representatives, attorneys or advisors, (iii) seeking to modify the rights of the Indenture Trustee (with the exception of the contemplated plan of reorganization), (iv) preventing, hindering or otherwise delaying the Indenture Trustee's assertions, enforcement or realization on the Prepetition Collateral or the Postpetition Note Collateral (as defined below) in accordance with the Note Documents or this Interim Order; (v) seeking to modify or modifying any of the rights granted hereunder to the Indenture Trustee or any holders of the Notes (with the exception of the contemplated plan of reorganization); (vi) seeking to bifurcate the claim of the Indenture Trustee pursuant to section 506 of the Bankruptcy Code; or (vii) paying any pre-petition amounts or amounts not included in the Cash Collateral Budget. Notwithstanding the foregoing, a Committee (as defined below) and if any, may use up to \$25,000 of Cash Collateral or proceeds of the Interim DIP Financing to investigate, but not commence, prosecute or litigate, any claims relating to the above.

5. Amendment or Extension of Order. This Interim Order shall not be amended without an order of this Court and the express written consent of the Indenture Trustee, which shall be at its sole discretion. Notice of any such amendment to this Interim Order shall be filed

with the Court and served on all parties entitled to notice in accordance with Bankruptcy Rule 4001(b) and the Local Bankruptcy Rules including, but not limited to, DIP Lender, and any committee of unsecured creditors, if appointed (the "Committee"). Any such party may object to such amendment and request a hearing before the Court. If no such objection is made within 5 days of such notice, such amendment to this Interim Order shall become final.

6. Amendment or Extension of Use of Cash Collateral. The Cash Collateral Budget shall not be amended or modified without the express written consent of the Indenture Trustee, which shall be at its sole discretion.

Adequate Protection Provided to the Indenture Trustee

7. Adequate Protection Payments to the Indenture Trustee. As partial adequate protection for the Debtors' use of Cash Collateral and the Interim DIP Financing, the Debtors shall make monthly adequate protection payments to the Indenture Trustee in the amount of \$235,000 (the "Adequate Protection Payments") on the first business day of each month, commencing on April 1, 2012 (except that the first Adequate Protection Payment shall be remitted during the week ending March 9, 2012, provided that the Interim Order has been entered on or before March 9, 2012 (or within two (2) business days after entry of the Interim Order if the Interim Order is entered after March 9, 2012)).

8. Rollover Lien. As further partial adequate protection and in consideration for the use of Cash Collateral, the Prepetition Note Collateral by Debtors and the Interim DIP Financing, the Indenture Trustee shall continue to have a valid, perfected and enforceable continuing replacement lien and security interest (the "Rollover Lien") in all assets of Debtors existing on or after the Petition Date which the Indenture Trustee had, of the same type, and of the same priority, as it had in the Prepetition Note Collateral, together with the proceeds, rents, products

and profits thereof, whether acquired or arising before or after the Petition Date, to the same extent, validity, perfection, enforceability and priority of the liens and security interests of the Trustee in the Prepetition Note Collateral as of the Petition Date. The Rollover Lien shall be subject to only the Priming Liens, the Carve-Out (as defined below), and to prior valid and perfected liens existing as of the Petition Date.

9. Supplemental Lien. As further partial adequate protection and in consideration for the use of Cash Collateral and Prepetition Note Collateral by Debtors and the Interim DIP Financing (including the Priming Liens), the Indenture Trustee shall have as of the Petition Date a valid, perfected and enforceable continuing supplemental lien and security interest (the "Supplemental Lien") in all of the Debtors' Collateral existing as of the Petition Date and thereafter. The term "Collateral" shall include all assets of the Debtors and the estates whatsoever within the meaning of Section 541 of the Bankruptcy Code, whether acquired or arising prior or subsequent to the Petition Date, whether now existing or owned or hereafter arising or acquired; provided, however, the term "Collateral" shall not include causes of action and proceeds therefrom of Debtors or their estates under Sections 544, 545, 547, 548, 550 and 724(e) of the Bankruptcy Code (the "Avoidance Actions"). The Supplemental Lien shall be subject to only the Priming Liens, the Carve-Out (as defined below), and prior, valid and perfected liens against the Collateral existing as of the Petition Date.

10. Superpriority Claim. As further partial adequate protection and in consideration for the use of Cash Collateral and the Prepetition Note Collateral by Debtors and the Interim DIP Financing, the Indenture Trustee shall have a super-priority administrative expense claim pursuant to the Bankruptcy Code Section 507(b) (the "Superpriority Claim"). Except for the repayment of the Interim DIP Financing and the Carve-Out, the Superpriority Claim shall have

priority over any and all administrative expenses, diminution claims and all other claims against Debtors, now existing or hereafter arising, of any kind whatsoever including, without limitation, all other administrative expenses of the kind specified in sections 364, 503(b) and 507(b) of the Bankruptcy Code, and over any and all administrative expenses or other claims arising under sections 105, 326, 328, 330, 331, 503(b), 506(c), 507(a), 507(b), 546, 726, 1113 or 1114 of the Bankruptcy Code, and shall at all times be senior to the rights of Debtors, any successor trustee or any creditor, in these Chapter 11 Cases or any subsequent proceedings under the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment lien or other non-consensual lien, levy or attachment, which allowed claims shall be payable from and have recourse to all pre- and post-petition property of the Debtors and all proceeds thereof.

11. Additional Liens. The Rollover Lien and the Supplemental Lien (together, the “Post-Petition Note Liens”; with the collateral secured by the Post-Petition Note Liens being referred to herein as the “Post-Petition Note Collateral”) granted hereunder to provide adequate protection for the use of Cash Collateral and the Prepetition Note Collateral and the Interim DIP Financing shall be in addition to all other rights of the Indenture Trustee, including its liens and security interests in the Prepetition Note Collateral. The Post-Petition Note Liens shall not be subject or subordinate to any lien or security interest that is avoided and preserved for the benefit of Debtors and their estate under Section 551 of the Bankruptcy Code. Except for the Priming Liens and the Carve-Out (as defined below) and prior, valid and perfected liens existing as of the Petition Date, the Post-Petition Note Liens shall not be (i) subject or subordinate to any lien or security interest, any statutory or consensual liens or security interests in favor of any federal, state, municipal or other government unit, commission, board or court for any tax liability of Debtors, whether secured or unsecured, including property taxes for which liability is in rem, in

personam, or both, except a tax of a kind specified in Bankruptcy Code Section 507(a)(8); or (ii) subordinated to or made pari passu with any other lien or security interest under Sections 363 or 364 of the Bankruptcy Code or otherwise.

12. No Further Action Required. The entry of this Interim Order by the Court shall be sufficient and conclusive evidence of the validity, extent, enforceability and perfection of the Rollover Lien and the Supplemental Lien granted to the Indenture Trustee in this Interim Order, whether or not the Indenture Trustee elects to file or record financing statements, any other documents, or to take such other steps as may otherwise be required to obtain, evidence or perfect such liens under applicable law; provided, however, upon the request of the Indenture Trustee, the Debtors shall execute such other documents as may be reasonably requested to evidence and perfect such liens, and the Indenture Trustee may, in its sole discretion, but shall not be required to, file a certified copy of this Interim Order in any filing or recording office in any jurisdiction in which the Debtors have real or personal property, and such filing or recording shall be accepted and shall constitute further evidence of perfection of their liens and security interests. The failure of the Debtors to execute any such other documentation shall in no way affect the validity, perfection or priority of the Indenture Trustee's liens and security interests in the Prepetition Note Collateral or the Post-Petition Note Collateral. No obligation, payment, transfer or grant of security under this Interim Order shall be stayed, voided, restrained, voidable, avoidable or recoverable under the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or statute or common law with a similar purpose including, without limitation, S.C. Code Annotated § 27-23-10 et. seq., or subject to any defense reduction, setoff, recoupment or counterclaim.

13. Allowance of Claim and Bankruptcy Code Section 506(c) Waiver. Except as provided in Section 25 of this Interim Order, the entry of this Interim Order by the Court is a conclusive and binding determination on all parties of (i) the amount of the Note Claim, and (ii) that the Indenture Trustee's security interests in the Prepetition Note Collateral, including, without limitation, the Cash Collateral, have been duly perfected and are in all respects valid and enforceable first priority security interests and liens and not subject to any claim under Bankruptcy Code Sections 506(c) and 552(b); provided, however, the Bankruptcy Code Section 506(c) waiver shall not be effective until entry of a Final Order.

14. Compliance With Note Documents. As further adequate protection of the Indenture Trustee's security interests in the Cash Collateral and Prepetition Note Collateral and the Priming Liens, the Debtors shall comply with the terms and provisions of the Note Documents requiring maintenance of adequate insurance and the payment of all claims that could become a prior lien on the Prepetition Note Collateral or the Post-Petition Note Collateral, and such other provisions as shall be set forth on an exhibit attached to the proposed final order on the Motion. The requirements of this Interim Order shall be in addition to, and not in substitution for, the terms and provisions of the Note Documents, provided, however, in the event of any inconsistency between the Note Documents and this Interim Order, the terms of this Interim Order shall control.

15. Financial Information. As additional adequate protection for the use of Cash Collateral and the Prepetition Note Collateral and the Interim DIP Financing, the Debtors shall allow the Indenture Trustee reasonable access during normal business hours to the premises, officers, employees, auditors, appraisers and financial advisors (including the Chief Restructuring Officer (the "CRO") retained by the Debtors, to which the Indenture Trustee and

its professionals shall have access independent of the Debtors and their professionals) of Debtors for any reason, including to conduct appraisals, analyses and/or audits of the Prepetition Note Collateral, the Post-Petition Note Collateral, and to assess the operations of the Debtors and any proposed transactions relating to the assets of the Debtors, and Debtors shall otherwise reasonably cooperate in providing any other financial information requested by the Indenture Trustee. In addition, the Debtors and their professionals and representatives including the CRO shall host regular telephone conferences as reasonably requested by the Indenture Trustee and its representatives to discuss financial results, financial reports (including explanations of variances), and the status of the Plan Sponsor/Solicitation Process (as defined below). From and after the entry of this Interim Order, the Debtors shall provide to the Indenture Trustee, commencing Wednesday, March 7, 2012 and on each Wednesday thereafter (i) a report containing the aggregate receipts received and aggregate disbursements made by the Debtors during the preceding week, as well as on a detailed line-item basis as presented in the Cash Collateral Budget, and (ii) a report (the "Variance Report") indicating all receipts received by and disbursements made by the Debtors in the preceding calendar week compared to the Cash Collateral Budget, and explaining any variances of 7.5% or more on a line-by-line basis from the expenditures and receipts as described in the Cash Collateral Budget (in addition, on the second Wednesday of each month, the Debtors shall provide the Indenture Trustee with a similar report on a monthly basis). The Debtors shall provide to the Indenture Trustee such other reports and information as may be reasonably requested from time to time by the Indenture Trustee.

16. The Plan Sponsor/Solicitation Process. As additional adequate protection and in consideration for the use of Cash Collateral and the Prepetition Note Collateral by Debtors and the Interim DIP Financing, the Debtors agree to conduct a process (the "Plan

Sponsor/Solicitation Process”) by which they solicit competing proposals from third-parties to become the sponsor of the Debtors’ anticipated plan of reorganization and to meet the following milestones (collectively, the “Plan Sponsor/Solicitation Process Milestones”):

(a) On the Petition Date, the Debtors shall have filed a motion (the “Bidding Procedures Motion”) to approve (i) the proposed break-up fee (the “Carlile Break Up Fee”) to be provided to the Carlile Development Group (the “Carlile Group”) in the event it is not the selected plan sponsor following the Plan Sponsor/Solicitation Process, to the extent earned in accordance with the order approving the Bidding Procedures Motion; and (ii) certain procedures for third parties to submit higher and better bids to be the plan sponsor, for the CRO on behalf of the Debtors to select the plan sponsor in consultation with the Indenture Trustee and counsel for the Committee, if any, and to establish certain deadlines with the Plan Sponsor/Solicitation Process. The Bidding Procedures Motion shall also seek approval and authority from the Court for the successful bidder (if an entity other than the Carlile Group) to meet certain “Substitution Conditions” (as defined in the Interim DIP Order) without further order of the Court.

(b) By no later than the fourteenth (14th) day after the Petition Date, the Debtors shall have obtained an order from the Court approving the Bidding Procedures Motion which shall, among other things, establish the following:

- A deadline of the 45th day after the Petition Date shall be established for third-parties to submit bids to be the plan sponsor (the “Bid Deadline”), which bids shall be provided simultaneously to the Debtors, the Indenture Trustee, and any Committee. Among other requirements described more fully in the Bidding Procedures Motion, any such bids must include evidence of the ability to pay (a) the existing debtor in possession facility, (b) the existing bridge facility, (c) a

break-up fee to the Carlile Group in the amount of \$1 million, plus a \$750,000 expense reimbursement (which shall increase by an additional \$100,000 per month commencing in September 2012 until such break-up fee and expense reimbursement is paid), and (d) the administrative costs and expenses of the Debtors' bankruptcy cases and the fees and expenses of the Indenture Trustee and its professionals; and (e) the costs associated with the proposal being put forth, including acquisition of real estate. Each of (a), (b), (c) and (d) must be paid in full, in cash by no later than the effective date of the Chapter 11 Plan. Further, any bids must include a term sheet with accompanying financial models and projections describing in reasonable detail the terms and conditions of the plan pursuant to which the third party proposes to become the plan sponsor, including a description of addressing the proposed membership plan and treatment of creditor claims. Any party submitting a bid that meets the conditions described more fully in the Bidding Procedures Motion, including those outlined above shall be a "Potential Qualified Bidder".

- A deadline of the date that is 53 days from the Petition Date for any Potential Qualified Bidder to deliver contemporaneously to the Debtors, the Indenture Trustee and any Committee a (i) definitive asset purchase agreement with all schedules and exhibits attached with respect to such Potential Qualified Bidder's proposed Chapter 11 Plan; (ii) the form of an assumption agreement with respect to the treatment of the senior debt administered by the Indenture Trustee; and (iii) to the extent not already explained fully in such Potential Qualified Bidder's Sponsor Right Term Sheet, a description of the new member plan and related

agreements (collectively, the “Qualified Bidder Transaction Documents”). The Carlile Group shall be deemed a “Qualified Bidder” based upon its meeting certain requirements as detailed in the Bidding Procedures Motion

- During the period from the Petition Date through the Auction, the Debtors and/or the Indenture Trustee may communicate with any third parties who have indicated an interest in being a Qualified Bidder to, among other things, discuss and negotiate the terms and conditions of their respective proposals.
- Provide the Indenture Trustee and the Committee with an expedited process to petition the Court in the event either party disagrees with the decisions of the Debtors or the CRO (as applicable) relating to designation or selection of (or the refusal to so designate or select) any party as a Potential Bidder, a Potential Qualified Bidder, a Qualified Bidder, the Successful Bidder, or the Back Up Bidder (each as defined in the Bidding Procedures Motion).
- In the event there is more than one Qualified Bidder, an auction (the “Auction”) shall be held at the offices of McKenna, Long, & Aldridge LLP (or such other place designated by the Debtors in consultation with the Indenture Trustee) no later than 55 days after the Petition Date.
- Qualified Bidders will have the opportunity to improve their bids at the Auction. At the Auction, the Debtors or the CRO (in consultation from the Indenture Trustee and counsel for any Committee appointed in the Bankruptcy Case) will determine the highest and best bid submitted by a Qualified Bidder (the “Successful Bidder”). In no event shall the selection of the Successful Bidder be made later than sixty (60) days following the Petition Date. Nothing herein shall

prevent the Indenture Trustee and/or Committee from bringing a motion before the Bankruptcy Court in the event it does not agree with the Debtors' determination as to which bid is the highest and best.

- The Debtors shall file a disclosure statement and plan incorporating the terms of the proposed bid of the Successful Bidder into such disclosure statement and plan by no later than the seventy-fifth (75th) day following the Petition Date.

(c) Immediately upon entry of the Bidding Procedures Order, Debtors shall distribute a bid package (the "Bid Package") that includes the Bidding Procedures Motion and a copy of the term sheet of the Carlile Group to any parties that have previously expressed an interest in becoming the plan sponsor and shall also serve a copy of the Bidding Procedures Motion on each such party.

17. Termination of Use of Cash Collateral.

(a) The Debtors' authority to use Cash Collateral pursuant to the terms of this Interim Order will terminate without any further action by the Bankruptcy Court five (5) days after written notification is sent by the Indenture Trustee to the Debtors, any Committee, and the U.S. Trustee of the occurrence of any of the following (each, a "Termination Event"), it being understood that the Indenture Trustee may elect to waive any of the following as a Termination Event in its sole discretion:

- (i) the failure of Debtors to timely pay all fees due under 28 U.S.C. §1930;
- (ii) any of the Chapter 11 Cases are dismissed or converted to a proceeding under Chapter 7 of the Bankruptcy Code;
- (iii) the earlier of (y) the date of the entry of an order of this Court appointing a chapter 11 trustee or an examiner with enlarged powers (beyond those set forth in

Sections 1104(c) and 1106(a)(3) and (4) of the Bankruptcy Code); or (z) the date Debtors file a motion, application or other pleading consenting to or acquiescing in any such appointment;

- (iv) the Bankruptcy Court suspends any of the Debtors' Chapter 11 Cases under Section 305 of the Bankruptcy Code;
- (v) The Debtors fail to comply with, keep, observe or perform any of its material agreements or undertakings under or relating to this Interim Order;
- (vi) The Debtors fail to meet any of the Plan Sponsor/Solicitation Process Milestones;
- (vii) The Debtors fail to be in compliance with the Cash Collateral Budget, subject to the requirements set forth in Section 2 above;
- (viii) entry of a final order confirming a plan in these Chapter 11 Cases and the occurrence of the effective date of the plan;
- (ix) Katie Goodman and/or Grisanti, Galef & Goldress is dismissed, resigns or is terminated as CRO;
- (x) this Interim Order becomes stayed, reversed, vacated, amended, suspended or otherwise modified in any respect without the prior written consent of the Indenture Trustee;
- (xi) this Interim Order does not become a final order of the Bankruptcy Court by March 30, 2012;
- (xii) an adversary proceeding, contested matter or other action is commenced by Debtors challenging the validity, extent, enforceability, priority or extent of the Indenture Trustee's liens or claims or otherwise seeking to impair the Indenture Trustee's position;

(xiii) imposition of orders, penalties or fines by any governmental agency or unit which does or could, if not cured promptly, result in the cessation of operations of Debtors; or

(xiv) There is a default under the terms of the Interim DIP Order.

(b) Unless during such five (5) day period referenced above in Section 17(a), the Debtors cure any Termination Event that is curable or the Debtors obtain a hearing to consider the Debtors' continued use of Cash Collateral, on notice to and with an opportunity to be heard by the Indenture Trustee, (i) the Debtors' authority to use Cash Collateral hereunder shall automatically terminate and the Debtors shall be prohibited from continuing to use such Cash Collateral, and (ii) upon fourteen (14) days' written notice (the "Notice Period") to the Debtors, and counsel to the DIP Lender, any Committee and the Office of the U.S. Trustee, the automatic stay shall be deemed automatically terminated, without further order of the Bankruptcy Court and without the need for filing any motion for relief from the automatic stay or any other pleading, to permit the Indenture Trustee to realize on all Collateral and to exercise any and all remedies against the Collateral or any part thereof; provided, however, during the Notice Period, Debtors, the DIP Lender, any Committee or U.S. Trustee may seek relief from the Bankruptcy Court to re-impose or continue the automatic stay and the Indenture Trustee reserves all rights to oppose each request.

18. Release and Waiver. Subject to the rights of a Committee or other party in interest pursuant to Section 25 below, (a) upon entry of this Interim Order, the Debtors waive, release and discharge the Indenture Trustee and all holders of the Notes and their respective affiliates, agents, attorneys, officers, directors and employees, (but only in their respective capacities as Indenture Trustee, holders of the Notes or their respective affiliates, agents,

attorneys, officers, directors and employees in connection with acting in such capacities) from any and all claims and causes of action arising out of, based upon or related to, in whole or in part, the Notes and the Note Documents, any aspect of the prepetition relationship between the Indenture Trustee, and/or all holders of the Notes, and Debtors, and any other acts or omissions by the Indenture Trustee and/or all holders of the Notes (but only in such holders' capacity as noteholders) in connection with either the Note Documents or the Indenture Trustee's and holders of the Notes (but only in such holders' capacity as noteholders) prepetition relationship with Debtors; and (b) further, pursuant to this Interim Order, the Debtors waive any and all rights to object to or contest the amount of the Note Claim or the amount, validity, extent, priority, perfection, or enforceability of the Indenture Trustee's security interests in the Prepetition Note Collateral or Postpetition Note Collateral and agree that all such claims and security interests have been duly perfected and are in all respects valid and enforceable first priority security interests and liens.

19. Failure of Adequate Protection. Nothing herein shall constitute a waiver, release or modification of the rights of the Indenture Trustee to otherwise assert a claim under any provisions of the Bankruptcy Code including Sections 364(c) and/or 507(b).

20. Deemed Request for Stay Relief. This Interim Order shall be deemed to constitute a request by the Indenture Trustee for relief from the automatic stay with respect to the Prepetition Note Collateral as of the Petition Date and for adequate protection for the use of Cash Collateral as of the Petition Date.

21. Carve Out. In consideration of the provisions hereof including the Debtors' acknowledgement of the debt due and owing the Indenture Trustee, Debtors' releases, Debtors' waiver of any claims under Section 506(c) or 552(b) of the Bankruptcy Code or otherwise, and

in exchange for the agreement that Debtors, Debtors' professionals, and other professionals retained in these cases shall not seek any further reduction in, carve-out from, or lien waivers with respect to the Prepetition Note Collateral or the Post-Petition Note Collateral, the Indenture Trustee consents to a carve out as set forth below for the expenses and professional fees and certain other items incurred during or prior to the pendency of these bankruptcy cases (the "Carve Out"). For the purposes hereof, Carve Out shall mean the sum of the following:

(a) All fees required to be paid to the Clerk of the Bankruptcy Court and to the Office of the United States Trustee under section 1930(a) of title 28 of the United States Code plus interest at the statutory rate ("Court and UST Fees"); and

(b) The aggregate unpaid fees and expenses of professionals retained in the Chapter 11 Cases by the Debtors (the "Debtors' Professionals") accrued on or before a Termination Event, to the extent allowed by a final order of the Bankruptcy Court, up to the cumulative amount remaining under the Cash Collateral Budget through and including the Termination Event after deducting any payments received or held by such professionals;

(c) The unpaid fees and expenses of professionals retained in the Chapter 11 Cases by any Committee (the "Committee Professionals" and collectively with the Debtors' Professionals, the "Estate Professionals") accrued on or before a Termination Event to the extent allowed by a final order of the Bankruptcy Court, up to the cumulative amount remaining under the Cash Collateral Budget through and including the Termination Event after deducting any payments received or held by such professionals; and

(d) To the extent allowed by the Court (after a Termination Event), fees and expenses of the Estate Professionals (the "Post Default Professional Fees") in an amount not to exceed \$150,000.

Except for the Carve Out, no costs or expenses of administration shall be imposed against the Indenture Trustee or the Prepetition Note Collateral or the Post-Petition Note Collateral under Sections 105, 506(c) or 552(b) of the Bankruptcy Code or otherwise; provided, however, the Section 506(c) release shall not be effective until entry of a Final Order.

22. Payment of Professional Fees from Collateral. Prior to (and after, subject to Paragraph 21 above) a Termination Event, the Debtors shall be permitted to pay compensation and reimbursement of expenses to Professional Persons employed under section 105, 327, 328, 330, 363 or 1103 of the Bankruptcy Code or 28 U.S.C. § 156, as the same may be due and payable, and only to the extent set forth in the Cash Collateral Budget (the “Budgeted Professional Expenses”). If, at any time (i) Debtors have used the proceeds of the Prepetition Note Collateral or the Post-Petition Note Collateral to pay Budgeted Professional Expenses, (ii) the Note Claim has not been paid in full, and (iii) the Debtors have funds that are neither proceeds of Prepetition Note Collateral or Post-Petition Note Collateral, nor otherwise subject to Post-Petition Note Liens (the “Available Funds”), then the Debtors shall pay such funds over to the Indenture Trustee from such Available Funds to the extent of such payments made in subsection (i) above. Prior to any payments being made from Cash Collateral or proceeds of the Interim DIP Financing, any Estate Professionals who have received retainers shall credit/apply such retainers against amounts due and owing. After an Estate Professional has credited/applied the full amount of its retainer against amounts due and owing, such Estate Professional may continue to be paid solely to the extent set forth in the Cash Collateral Budget and the terms herein.

23. Modification of Stay. The automatic stay imposed by virtue of Section 362 of the Bankruptcy Code is hereby vacated and modified insofar as necessary to permit the Indenture

Trustee to take any action authorized or contemplated by this Interim Order or the Note Documents (as the same may be modified by this Interim Order) and to carry out the terms thereof, including, without limitation, (i) the receipt of payments to be made by Debtors to the Indenture Trustee and the payment of any amounts due to the holders of the Notes, and (ii) the application, allocation or payment from any of the funds or accounts maintained by the Indenture Trustee in accordance with the terms of the Note Documents. Any of the aforementioned actions may be taken without further order of this Court.

24. Preservation of Rights. If any or all of the provisions of this Interim Order are, at any time, modified, vacated or stayed, such stay, modification or vacation shall not affect the validity, extent, priority and enforceability of any lien, priority, or other benefit conferred under this Interim Order prior to such stay, modification or vacation.

25. Binding Effect. This Interim Order, shall be binding on all parties in this case, including, but not limited to, the Debtors and any successors thereto, any Chapter 11 or Chapter 7 trustee that is appointed or elected in this case, the Committee (if any), or any other party that may have standing to be heard; provided, however, that this Interim Order is without prejudice to the rights of a creditor or a Committee to challenge the validity, amount, perfection, priority, extent or enforceability of the Note Claim, the Note Documents, the pre-petition security interests of the Indenture Trustee, or the rights of a creditor or the Committee to, on behalf of Debtors' estates, assert any other claims or causes of action that have been otherwise released under Sections 13 and 18 of this Interim Order by the Debtors (a "Committee Claim"); provided that any Committee Claim may only be made and appropriately filed with this Court within the date that is seventy (70) days after the Petition Date, it being agreed by the Indenture Trustee that such creditor or a Committee has standing to assert such claims. Unless a Committee Claim is

made in accordance with the procedural and time limitations set forth above, all such challenges shall be deemed finally and conclusively barred and otherwise waived; and provided further that if a Committee Claim is timely made and properly filed, all potential claims and causes of actions are hereby deemed forever waived and relinquished by all parties including, but not limited to the party that filed such claim, except for those claims or causes of actions expressly asserted in such filing in accordance with this Section 25.

26. No Competing Liens. Except as set forth and permitted herein (including pursuant to the Interim DIP Order), Debtors shall not grant liens on, or security interests in the Prepetition Note Collateral or the Post-Petition Note Collateral to any other party, pursuant to Section 364 of the Bankruptcy Code or otherwise.

27. Further Relief. Except as provided in this Interim Order, nothing herein shall prevent or preclude the Indenture Trustee from (i) seeking any other relief that it may deem appropriate, including relief from the automatic stay, (ii) asserting at some later time that its liens and security interests in the Collateral are not being adequately protected within the meaning of Section 361 of the Bankruptcy Code or otherwise, (iii) asserting its rights under the Bankruptcy Code or otherwise, all of which are expressly preserved; or (iv) seeking a modification of this Interim Order.

28. No Control. Subject to entry of a Final Order, the Indenture Trustee shall not be deemed to be in control of the operations of Debtors or to be acting as a “responsible person,” “managing agent” or “owner or operator” (as such terms or any similar terms are used in the United States Comprehensive Environmental Response, Compensation and Liability Act, as amended, or any similar Federal or state statute) with respect to the operation or management of

Debtors, notwithstanding its consent to this Interim Order and extending financial accommodations of any type, kind or nature under this Interim Order or otherwise.

29. No Third Party Beneficiaries. No rights are created hereunder for the benefit of any third party, any creditor, or any direct, indirect or incidental beneficiary, except the persons benefiting or intended to benefit from the Carve Out.

30. Effectiveness; Notice of Stay Relief. The rights and obligations of the parties under this Interim Order shall be effective and enforceable as of the Petition Date. This Interim Order shall be deemed effective immediately and, for the avoidance of doubt, of Bankruptcy Rule 6004(h) shall not apply hereto. If any or all of the provisions of this Interim Order are hereafter reversed, modified, vacated or stayed, such reversal, modification, vacatur or stay shall not affect (i) the validity, extent, priority or enforceability of any obligations incurred prior to the actual receipt of written notice by the Indenture Trustee of the effective date of such reversal, modification, vacatur or stay or (ii) the validity, extent or enforceability of the liens and claims or other benefits granted hereunder.

31. Notices. All notices, requests, demands, waivers and other communications required or permitted to be given under this Interim Order shall be in writing and shall be deemed to have been duly given if (a) delivered personally, (b) mailed by first-class, registered or certified mail, return receipt requested, postage prepaid, or (c) sent by next-day or overnight mail or delivery.

(a) If to Debtors to:

The Cliffs Club & Hospitality Group, Inc.
P.O. Box 1279
3598 Highway 11
Travelers Rest, SC 29690
Fax: 264-371-1526

Email: tcherry@cliffscommunities.com

with a copy to:

Grisanti, Galef & Goldress
5883 Glenridge Drive NE
Suite #160
Atlanta, GA 30328
Attn: Katie Goodman
Telephone: 404.293.0137
Facsimile: 404.256.4555

- And -

Gary W. Marsh
McKenna Long & Aldridge LLP
303 Peachtree Street
Suite 5300
Atlanta, GA 30308
Fax: 404-527-4198
Email: gmarsh@mckennalong.com

(b) If to the Indenture Trustee to:

Michael G. Slade
Wells Fargo Corporate Trust Service
MAC #N9311-115
625 Marquette Avenue, 11th Floor
Minneapolis, MN 55479
Fax: 612-667-1984
Email: Michael.G.Slade@wellsfargo.com

with a copy to:

Daniel S. Bleck, Esq.
Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
One Financial Center
Boston, MA 02111
Fax: 617-542-2241
Email: dsbleck@mintz.com

- And -

Elizabeth J. Philp
Michael Beal

McNair Law Firm, P.A.
100 Calhoun Street, Suite 400
Charleston, SC 29401
Fax: 843-805-6568
Email: lphilp@mcnair.net; mbeal@mcnair.net

32. Final Hearing. The Final Hearing will be held by this Court on March ____, 2012 at ____: ____ m (EST) to consider entry of a final order. Any party in interest objecting to the relief sought at the Final Hearing shall file a written objection, which shall be served upon the Initial Notice Parties, on or before March ____, 2012 at 4:00 p.m. (EST).

AND IT IS SO ORDERED.

Exhibit A

Cash Collateral Budget

DIP BUDGET

The Cliffs Club & Hospitality Group, Inc. et al.

	3/9/12	3/16/12	3/23/12	3/30/12	4/6/12	4/13/12	4/20/12	4/27/12	5/4/12	5/11/12	5/18/12	5/25/12	6/1/12	Total
Beginning Cash (DIP Loan) Balance	1,169,021	(474,018)	(1,058,323)	(1,567,586)	(1,494,311)	(2,302,580)	(2,850,463)	(3,374,492)	(2,891,377)	(3,797,259)	(3,709,954)	(4,739,106)	(4,154,941)	1,169,021
Cash Receipts														
Member payments	202,425	360,000	275,000	697,000	300,000	375,000	393,000	750,000	300,000	462,500	437,500	887,500	462,500	5,902,425
Miscellaneous	-	-	47,000	-	-	-	-	69,000	-	-	-	120,000	-	236,000
Memberships Notes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL CASH RECEIPTS:	202,425	360,000	322,000	697,000	300,000	375,000	393,000	819,000	300,000	462,500	437,500	1,007,500	462,500	6,138,425
NET CASH AVAILABLE BEFORE EXPENDITURE	1,371,446	(114,018)	(736,323)	(970,586)	(1,194,311)	(1,927,580)	(2,457,463)	(2,555,492)	(2,591,377)	(3,334,759)	(3,272,454)	(3,731,606)	(3,692,441)	7,307,446
CASH DISBURSEMENTS														
Taxes	-	(4,475)	(88,000)	-	-	-	(104,475)	-	-	-	(4,475)	(122,000)	-	(323,425)
Cost of Sales	(163,490)	(68,613)	(75,000)	(50,000)	(70,000)	(116,000)	(72,000)	(62,000)	(127,000)	(176,000)	(56,000)	(136,000)	(61,000)	(1,223,102)
Payroll/Benefit Related	(623,000)	(14,138)	(466,000)	(109,000)	(456,000)	(10,000)	(51,138)	(116,000)	(508,000)	(10,000)	(580,138)	(11,000)	(667,000)	(4,081,415)
Insurance	(53,456)	-	-	-	(53,456)	-	-	-	(53,456)	-	-	-	-	(160,368)
Communication/Technology/Software	(98,637)	(54,402)	(39,000)	(4,000)	(7,723)	(28,402)	(30,000)	(15,000)	(7,723)	(9,100)	(54,402)	(15,000)	(7,723)	(371,312)
Utilities	(28,000)	(14,000)	(6,800)	(13,800)	(35,800)	(9,800)	(21,800)	(12,800)	(32,800)	(9,800)	(21,800)	(19,800)	(9,800)	(236,800)
Other Operating Expense	(142,000)	(142,000)	(102,000)	(152,000)	(117,000)	(117,000)	(117,000)	(117,000)	(92,000)	(92,000)	(92,000)	(92,000)	(92,000)	(1,432,000)
Leases	(51,329)	(8,200)	(3,667)	(51,329)	-	(8,200)	(3,667)	(3,667)	(51,329)	(8,200)	(3,667)	-	(51,329)	(240,916)
Golf Course Operating	(130,353)	(104,211)	(150,796)	(143,596)	(96,656)	(39,481)	(47,949)	(23,085)	(34,970)	(70,095)	(66,170)	(27,535)	(23,870)	(958,767)
Facilities/Rent Expense	(10,000)	(9,000)	-	-	(10,000)	-	(9,000)	-	(10,000)	-	(9,000)	-	(10,000)	(67,000)
Property & Other Taxes	-	-	-	-	-	(15,000)	-	-	-	-	-	-	-	(15,000)
Total Cash Disbursements from Operations	(1,300,465)	(419,039)	(931,263)	(523,725)	(845,635)	(343,883)	(917,029)	(335,885)	(917,278)	(375,195)	(887,652)	(423,335)	(908,722)	(9,130,106)
Chapter 11 Net Operating Cash Flow	(1,098,040)	(1,157,079)	(1,766,342)	(1,593,067)	(2,139,702)	(2,108,585)	(2,632,614)	(2,149,499)	(2,768,777)	(2,679,473)	(3,129,624)	(2,545,459)	(2,991,561)	(2,991,561)
Deposits														
Deposit	-	(156,266)	-	-	-	-	-	-	-	-	-	-	-	(156,266)
Restructuring Expenses														
Debtors Financial Advisor-GGG	-	(100,000)	-	-	-	(200,000)	-	-	-	-	(200,000)	-	-	(500,000)
Debtors Counsel - McKenna Long	-	(150,000)	-	-	-	(250,000)	-	-	-	-	(250,000)	-	-	(650,000)
Debtors Counsel - Wilkinson (local counsel)	-	(15,000)	-	-	-	(15,000)	-	-	-	-	(15,000)	-	-	(45,000)
Unsecured Creditors Counsel	-	(15,000)	-	-	-	(15,000)	-	-	-	-	(15,000)	-	-	(45,000)
Ordinary Course Professionals	(35,000)	(7,500)	-	-	-	(12,500)	-	-	-	-	(12,500)	-	-	(67,500)
Debtors Accountants	-	(7,500)	-	-	-	(12,500)	-	-	-	-	(12,500)	-	-	(32,500)
Claims / Noticing Agent - BMC	-	(24,000)	-	-	-	(24,000)	-	-	-	-	(24,000)	-	-	(72,000)
US Trustee Fees	-	-	-	-	-	-	-	-	(13,000)	-	-	-	-	(13,000)
Adequate Protection Payments	(235,000)	-	-	-	(235,000)	-	-	-	(235,000)	-	-	-	(235,000)	(940,000)
DIP Lenders Monitoring Fees	(125,000)	(50,000)	-	-	-	(50,000)	-	-	-	-	(50,000)	-	-	(275,000)
DIP Interest & Fees	-	-	-	-	-	-	-	-	(40,604)	-	-	-	(53,240)	(270,477)
Total Restructuring Expenses	(369,000)	(369,000)	-	-	(26,633)	(579,000)	-	-	(288,604)	-	(579,000)	-	(288,240)	(2,910,477)
Total Disbursements	(1,845,465)	(944,305)	(931,263)	(523,725)	(1,108,268)	(922,883)	(917,029)	(335,885)	(1,205,882)	(375,195)	(1,466,652)	(423,335)	(1,196,962)	(12,196,849)
Net Cash Flow for the period	(1,643,040)	(584,305)	(609,263)	(173,275)	(808,268)	(547,883)	(524,029)	(483,115)	(905,882)	87,305	(1,029,152)	584,165	(734,462)	(6,058,424)
Chapter 11 Net Cash Flow	(1,643,040)	(2,227,345)	(2,836,608)	(2,663,333)	(3,471,601)	(4,019,484)	(4,543,513)	(4,060,398)	(4,966,280)	(4,878,975)	(5,908,127)	(5,323,962)	(6,058,424)	(6,058,424)
ENDING CASH (DIP Loan) BALANCE	(474,018)	(1,058,323)	(1,667,586)	(1,494,311)	(2,302,580)	(2,850,463)	(3,374,492)	(2,891,377)	(3,797,259)	(3,709,954)	(4,739,106)	(4,154,941)	(4,889,403)	(4,889,403)