Cliffs founder sues bank

Investor in Anthony properties denies 'secret plan' behind debt deal

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The Cliffs Communities founder Jim Anthony has sued a Georgia bank that he alleges in a lawsuit hatched a "secret plan" with an investment firm to leverage millions of dollars from his resort mountain properties in an effort to appease federal bank regulators.

The lawsuit, filed late Friday in Greenville County court, names National Bank of South Carolina and its parent company Synovus Bank of Georgia, as well as Texas-based development firm Urbana.

None of the companies have had a chance to file an answer to Anthony's suit, which follows a deal announced earlier this year between them to restructure $105 million in Cliffs debt.

Attempts to reach Synovus officials late Friday were unsuccessful.

Brett Johnston, managing partner of SunTx Urbana in Dallas, told GreenvilleOnline.com late Friday that "we are very surprised by this lawsuit and firmly state that it has no merit."

"Our common goal is, and has been from the beginning, to preserve the brand of The Cliffs, and this disappointing action runs counter to our efforts over the last six months," Johnston said.

"These actions will only serve to undermine the value of The Cliffs properties and its very loyal owners. Despite this action, we continue to be optimistic about the future of The Cliffs for years to come."

The lawsuit centers on financial difficulties The Cliffs encountered during the real estate lending crash and efforts by Anthony to shore up his collection of luxury residential and golf developments cultivated among South Carolina's mountains.

Last year, Anthony told GreenvilleOnline.com that his company wasn't profitable and that turmoil in financial markets forced him to pursue an alternative financing strategy.

In an effort to avoid crisis, according to the suit, Anthony agreed with NBSC to restructure $105 million in debt that The Cliffs owed the bank.

At the same time, the suit

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alleges, the bank was facing pressure from "federal bank regulators to shed $300 million of loans from their books."

Last October, the bank said that if it couldn't find an investor to buy the debt by Dec. 31, it would foreclose, according to the suit.

NBSC enlisted the help of a Wall Street investment banking firm to sell a "loan-to-own" debt-buying deal but with the instruction that no buyer could directly contact The Cliffs, the suit alleges.

However, the suit alleges, the Urbana firm had no such restriction and through personal relationships with bank officials was allowed a competitive advantage in negotiating a sale.

The Cliffs struck a deal with NBSC for Urbana to buy the $105 million in debt for $60 million, with Urbana contributing $12 million in cash toward the purchase and the bank financing the remaining $48 million, according to the suit.

Anthony alleges in his suit that Urbana was to work in a "collaborative partnership" and was put forth as being well-funded and able to bring in investors but in fact never had the $12 million.

The suit alleges that on the eve of the deal, Urbana told the bank — but not The Cliffs — that an equity partner had backed out, causing the deal to fall through.

Anthony, NBSC and Urbana had agreed that Urbana would buy 49 percent of a $30 million property known as Longview that Anthony owned in the mountains of Buncombe County, N.C., and that Johnston would become the property's manager, according to the suit.

All three parties agreed that Urbana would mortgage $8.6 million on the Longview property through NBSC, with $2.6 million going to pay off a lien and the remaining $6 million used for capital needed to continue working on Cliffs projects, the suit alleges.

The deal also included an agreement to exercise an option on adjacent property to Longview that could be bought at "far less than market value" and would enhance the value of the development, the suit alleges.

Meanwhile, "unbeknownst to the plaintiffs" the bank and Urbana "surreptitiously agreed" that when the Longview property was bought, they would take out a $17 million mortgage instead of $8.6 million, the suit alleges.

The Longview property was then used as collateral to back up the $60 million financed portion of the deal to buy The Cliffs' debt, the suit alleges. The deal resulted in a total $67 million mortgage on the Longview property, according to the suit.

As part of the deal, Anthony was required to sign pages for deeds to be held in escrow, but the documents were "falsified," the suit alleges.

It also alleges that Urbana and the bank "carried out their secret plan" to fund the purchase of the debt, allowing Urbana to "seize control" of more than $300 million worth of Anthony's properties "for relatively little investment."

The suit alleges that the actions fulfilled Urbana's goal of "essentially stealing the plaintiffs' property and the bank's goal of removing the Cliffs debt from its books and avoiding further condemnation by federal regulatory authorities by simply substituting borrowers."