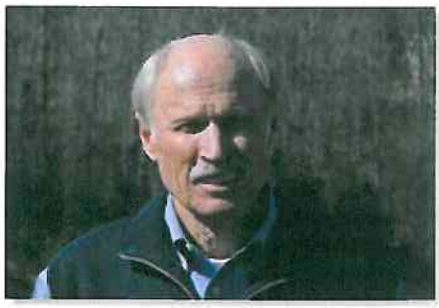
>

Print

Cliffs members consider $100M loan to developer



Cliffs Communities developer Jim Anthony, pictured, said he is unable to obtain a bank loan or sell enough homes to fund development of amenities at Cliffs at Mountain Park and Cliffs at High Carolina, where Tiger Woods is designing his first U.S. course. As a result, a bloc of Cliffs members have asked their 2,400 fellow members to lend the developer up to $100 million.

By Scott Miller

smiller@scbiznews.com

Published Feb. 17, 2010

A bloc of members at the Cliffs Communities said they would rather lend the Cliffs $60 million to $100 million than have company founder and President Jim Anthony partner with a private equity group.

Unable to obtain bank financing or sell enough homes to fund development of amenities at Cliffs at Mountain Park and Cliffs at High Carolina, including the first golf course in the U.S. designed by Tiger Woods, Anthony informed members that he secured a signed letter of intent from a private equity group.

"Banks are not lending on lots, and we can't depend on pace of sales anymore," Anthony said, attributing the issues to a depressed economy.

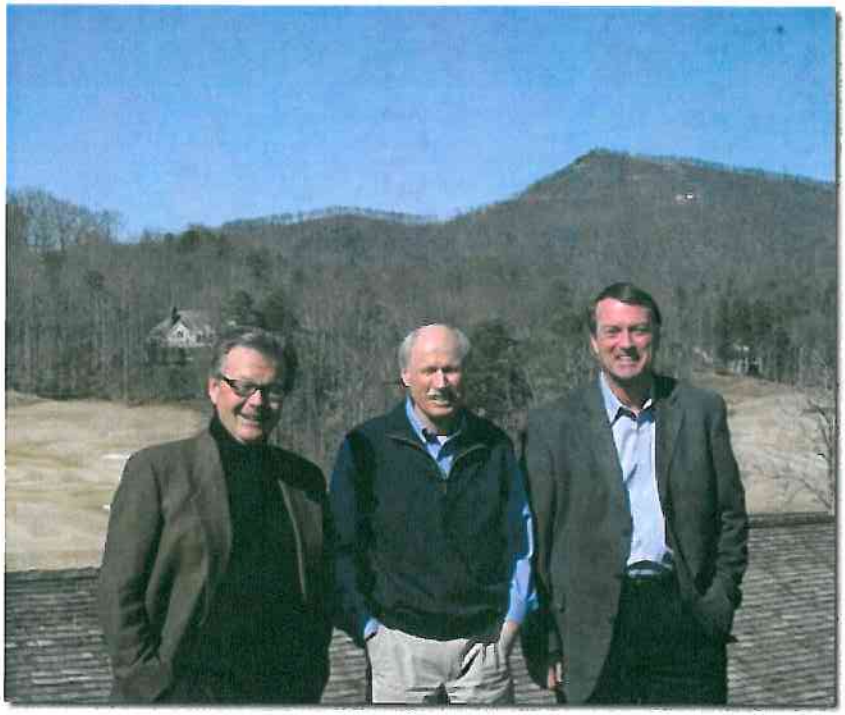
Developing the amenities at the two sites will help boost home sales, he said.

Two member-based finance committees, one representing Cliffs at Glassy and another Cliffs Valley, already had been poring over the company's finances. Anthony had opened the books in good faith as the club was increasing its membership dues, which includes an initiation fee as high as $150,000 and monthly golf dues of $750.

When the committees heard Anthony would bring in outside investors, they suggested he allow members to pool together capital.

"I like dealing with my developer. I don't want to deal with a private equity guy or board in New York when we want to improve amenities," said Don Tucker, a former trial attorney who worked on George McGovern's presidential campaign in 1972 and serves as chair of the finance committee at Cliffs at Glassy.

Ron Hurd, a retired UPS executive and chair of the Cliffs Valley finance committee, said members deserve an opportunity to earn a return on this investment, rather than a private equity group. Cliffs' property owners are savvy financial people, he said. Around 70% pay the maximum $150,000 membership initiation fee.



Through the committees' proposal, members would lend at least $100,000 each through seven-year notes that would pay a 12% return annually. The committees sent the proposal to the Cliffs' 2,400 members in mid-January, though a memorandum of private placement has not yet been finalized.

Pictured left to right: Cliffs at Glassy resident Don Tucker, Cliffs founder and President Jim Anthony and Cliffs Valley resident Ron Hurd

"We've been promised that we will have Cliffs at Mountain Park and Cliffs at High Carolina, and that's a promise I want to help them fulfill," Tucker said, noting that members have access to golf courses at all Cliffs locations.

Anthony, who supports the effort, offered the Cliffs Communities amenities as collateral, including golf courses, wellness centers, marinas and restaurants, among other amenities. Tucker said the amenities value $160 million.

"Our interests are aligned," Anthony said. "This is about protecting our lifestyle."

Anthony wants to have financing in place by late March or early April.

"We have a letter of intent and other entities that are interested," he said when asked what he would do if members did not generate the capital.

The investment, whether from members or a private equity group, would fund upgrades at existing Cliffs Communities. But the focus will be on Cliffs at Mountain Park in South Carolina, and Cliffs at High Carolina near Ashville, which will be home to the first U.S. course designed by Woods.

Cliffs announced the partnership with Woods in 2007 to much fanfare. But the Woods brand took a hit with the recent news of his marital problems. Anthony said that is not an issue, and the Cliffs remain committed to Woods. The two have spoken recently and have "agreed to redouble our efforts," Anthony said.

"We hired Tiger for his expertise, not his endorsement," Anthony said, noting that the Cliffs at High Carolina has more attributes than just Tiger Woods.

Many buyers will be attracted to the natural beauty of the landscape and the outdoor recreational opportunities, Anthony said.

"This Cliffs is about much more than golf," he said.

Still, Woods' name was a selling point in 2007, and it still will be.

"It's going to be his first course, and he's still the best golfer in the world," Anthony said. "We're not pleased it happened, but in life, these things happen. It's about how you react."

"How many of us don't deserve a second chance?" Anthony asked. "I'm quoting a Cliffs property owner when I say that."

For more on this story, read the March 1 edition of GSA Business.

Print