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Cliffs plans to blast out of bankruptcy

Chapter 11 filing first step in plan to rescue Clubco and The Cliffs



Of the eight Cliffs communities, six are in South Carolina and two in North Carolina near Asheville. Greg Beckner / Staff

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By Dick Hughes

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The Cliffs Club & Hospitality Group has filed for bankruptcy to deal with more than \$100 million in debt and ultimately give a wealthy Texas couple the opportunity to finish the eight golf communities for the affluent in the foothills and mountains of the Carolinas.

[Read more about the Cliffs Communities.](#)

The Chapter 11 filing in U.S. Bankruptcy Court for South Carolina showed the club group (Clubco) had assets of \$175 million and liabilities of \$333 million, which includes liabilities for club refunds in the future. The club group filed papers Tuesday.

Clubco said it expected as many as 8,000 creditors and "other parties in interest" to file claims for payment.

The bankruptcy was filed by Clubco, an entity of members who own the golf clubs, club houses and wellness centers, and not by Cliffs Communities, which holds the unfinished and unsold property and is 79 percent owned by founder Jim Anthony.

The potential rescuers of Clubco and eventually The Cliffs itself are Steve and Penny Carlile of Marshall, Texas, who own a lot in the barely begun High Carolina subdivision in the mountains above Asheville.

They extended Clubco a \$2 million loan prior to the bankruptcy as a bridge for operating expenses and committed to providing up to \$7.5 million for operating and bankruptcy-proceeding expenses. The loans are at 12 percent interest.

The Carliles' intent is to first take Clubco out of bankruptcy and then acquire the undeveloped land, including unsold lots, in the eight communities to give them full control of both the property and the amenities and set up a reinvigorated marketing and sales division.

In their pre-bankruptcy agreement with Clubco, the Carliles committed to spending up to \$85 million "to acquire, joint venture, land bank, or otherwise gain control of development lands and lots."

The Carlile Group also said they would advance \$5 million to complete the Mountain Park Golf Course designed by Gary Player for the 400-lot Cliffs community outside Travelers Rest. The course is 70 percent done, and 60 percent of the lots have been sold.

Of the 9,000 lots in all eight Cliff subdivisions comprising 23,000 acres, 3,734 have been sold, 1,384 houses have been built and 63 are under construction, according to bankruptcy papers. Premium lots sell for hundreds of thousands and buyers build homes up to the million-dollar range.

The recession took a huge toll on sales of The Cliffs communities, as the affluent class of prospective buyers that had flocked to the rich lifestyle of The Cliffs disappeared.

Steve Carlile has said he needs the club amenities, including the professional golf courses designed by the biggest names in the sport, to sell the lots and revenue from property owners to support the amenities.

Golf membership has been \$100,000 upfront as a refundable deposit and more than \$10,000 annually.

Anthony has invested "well over \$500 million over the past 20 years to systematically develop and market The Cliffs communities," the papers say. He has said he supports the Carlile takeover of the entire operation but will have no role in the restructured company.

Among the 50 largest creditors with unsecured claims on Clubco are several vendors who provided material and work for golf courses, including T.J.F. Golf Inc. of Henderson, N.C., Tom Fazio's golf design business. The company says it is owed \$800,000.

Other major creditors include several contractors for seeding and construction of the courses. At least three have claims in the \$450,000 range.

The largest single group of creditors is made up of the existing property owners who collectively loaned Anthony \$64 million in April 2010 to keep The Cliffs afloat. The loans were made by individuals in \$100,000 increments at 12 percent interest.

In turn, the golf clubs and other recreational assets were turned over to the Clubco entity to pay the 12 percent interest on the loans and accept responsibility for repayment of principal.

Many of the property owners anted up \$300,000 - \$400,000, and it appears one came through with \$750,000, according to the creditor list. Steve and Penny Carlile are owed \$300,000.

Because of missed interest payments, the principal and accrued interest of the property-owner loans is now \$73.2 million.

To continue to operate through the bankruptcy proceedings and pay legal fees and other bankruptcy expenses, Clubco asked the court to approve an operating budget of \$12.2 million for 13 weeks. Clubco has asked for expedited proceedings.

Clubco said it has a monthly payroll of \$575,000 for its 402 employees, a number that increases in size incrementally to about 580 people as weather warms for use of golf courses and other amenities such as swimming and tennis.

Under the agreement Clubco has with Steve and Penny Carlile, the bankruptcy court can consider other offers to restructure the company. Clubco had three other offers for a takeover, but chose the Carlile proposal as the one most accommodating for creditors – not least of whom are the members who loaned the \$64 million – and for future development of The Cliffs.

More about The Cliffs

Of the eight Cliffs communities, six are in South Carolina and two in North Carolina near Asheville.

In South Carolina:

The Club at Glassy, the one first established in 1991, has a Tom Jackson golf course. Situated on 3,500 acres along the Cherokee Foothills Scenic Highway, 95 percent of its 1,000 lots are sold.

The Club at Cliffs has a golf course designed by Ben Wright, and 90 percent of its 900 lots are sold.

The Club at Keowee Vineyards along Lake Keowee has a Tom Fazio golf course and 550 of its 634 platted home sites are developed. There is undeveloped land for additional lots.

The Club at Keowee Falls has a course designed by Jack Nicklaus. Near Keowee Towne, it has 950 potential lots, 565 of them platted and 75 percent of them sold.

The Club at Keowee Springs has a Tom Fazio designed course. It has 473 homes sites and land for another 220. Of platted sites, 50 percent are sold.

The Club at Mountain Park has 400 available lots, 60 percent of which are sold. The Gary Player golf course is 70 percent complete.

In North Carolina, outside Asheville:

The Club at Walnut Cove is one of the more pricey developments with lots selling for more than \$442,000 on average in pre-recession times. It has a Jack Nicklaus course.

The Club at High Carolina was the last community to begin and construction was halted with roads only partially passable. Of the 1,200 home sites, only 10 percent have been sold. This is where work on the Tiger Woods course was halted.

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