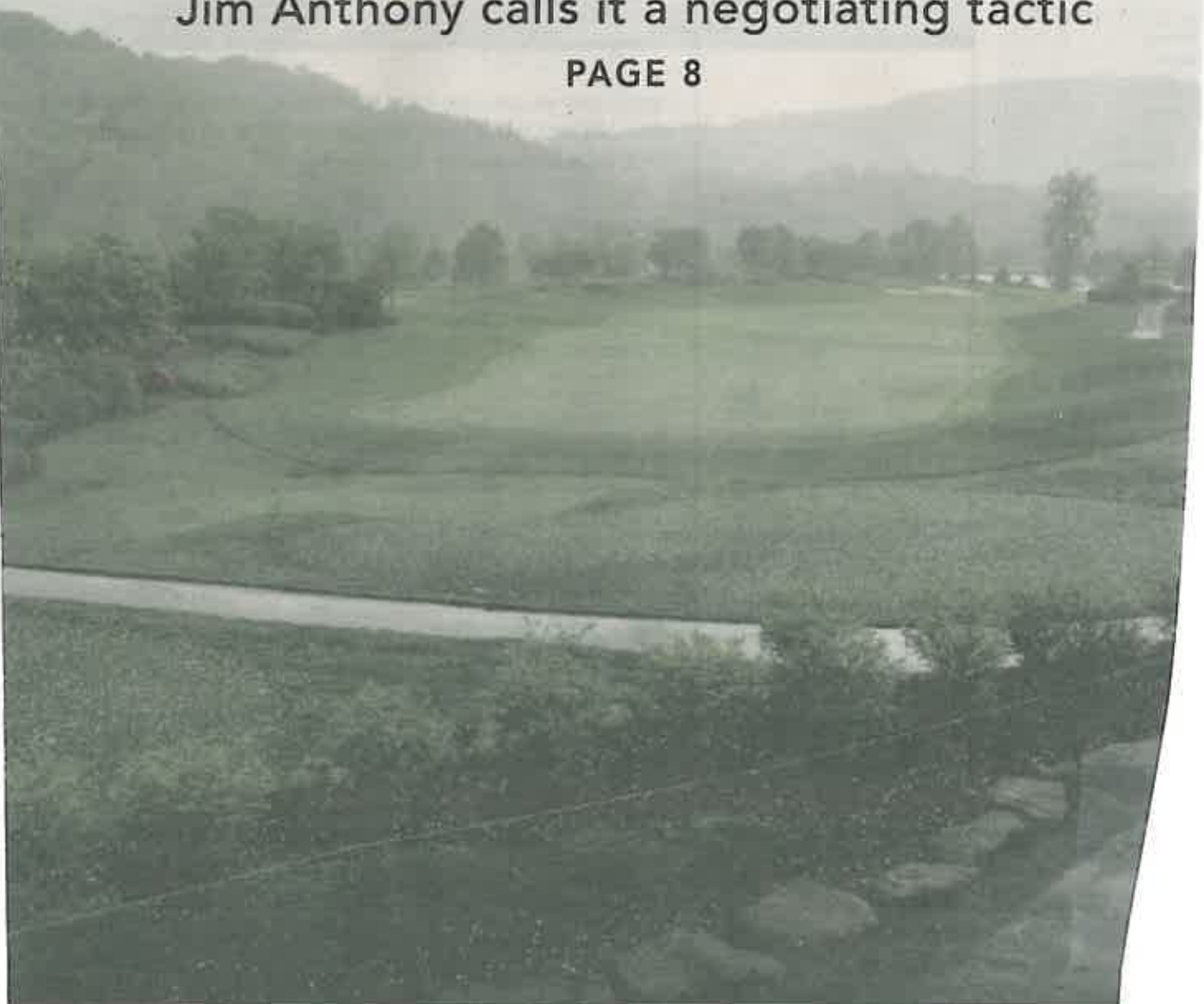


Greenville Journal

Foreclosure notice filed against Cliffs, owner

Jim Anthony calls it a negotiating tactic

PAGE 8



Home to the BMW Charity Pro-Am. This 2003 photo was taken shortly after a major hailstorm.

'The terms of the mortgage were not

BY CHARLES SOWELL | STAFF

\$20 MILLION foreclosure action has been filed against Upstate developer James Anthony and several of his Cliffs corporate entities by Worthington Hyde Partners of Norcross, Ga.

The loan was made in 2008 at roughly 16 percent interest, and secured by 41 lots named in the foreclosure filing. Worthington Hyde is seeking a 25 percent interest rate in the foreclosure action.

The interest rate varied slightly over the course of the loan as modifications were made to meet current business conditions.

"This is as straight-forward as this kind of thing gets," said Brent B. Young, attorney for Worthington Hyde. "The terms of the mortgage were not met."

Anthony and his corporations have asked for a jury trial. He characterized the foreclosure action as Worthington Hyde's response to his negotiations for a lower interest rate.



Anthony

Worthington Hyde is seeking the properties, located at various Cliffs developments in lieu of payment plus attorneys' fees, interest and penalties, Young said.

Anthony said he has been negotiating with lenders on the company's short-term debt to take advantage of the current lower interest rates. He also said

owning the lots won't get Worthington repayment of the loan since the Cliffs controls all of the marketing for properties.

Worthington Hyde is a venture capital group formed in 2006 that deals mainly in hotel and apartment acquisition and development, but also handles land assemblage and acquisition, bridge debt and purchasing non-performing debt.

When the real estate market went bust during the recession developers like Anthony became especially vulnerable, said William Harrison, a real estate expert and lecturer at the Moore School of Business at the University of South Carolina.

"Anthony is dependent on the next new project to finance projects that are already underway," he said. "It's like being on a treadmill. So long as things keep moving, it all works out. But if the treadmill stops it can get really hairy unless the project is well capitalized from the start."

Tim Cherry, chief financial officer for The Cliffs took exception to Harrison's characterization. "That may be how some developers operate, but that is not how Mr. Anthony or the Cliffs do business," he said.

In the action, filed simultaneously in Greenville, Pickens and Oconee counties, Anthony is named personally. In the Greenville filings also named are The Cliffs at Glassy, Keowee Investment Group, LLC; Keowee Falls Investment Group; The Cliffs at Glassy, Inc.;

The Cliffs Communities; and South Carolina Public Interest Foundation.

The filings are the same in Oconee and Pickens counties except for exclusion of South Carolina Public Interest Foundation and the addition of William Delozier of Simpsonville.

Delozier and the foundation were named in the action since they have claims pending against Anthony, the court documents say. Worthington Hyde maintains those claims are subordinate to the mortgage default claim.

Ned Sloan, founder of the non-profit Public Interest Foundation, said he's baffled as to why his organization was named in the foreclosure action. "We filed against Anthony over the Greenville Watershed property (infringement)," he said. "We really don't have a dog in this fight."

Typically foreclosure actions take 150 days, according to RealtyTrac, a national online marketplace for foreclosed homes and properties. If a borrower does not resolve the default, the case is referred to a hearing officer. The process becomes more drawn out when a jury trial is requested.

Depending on the jury's ruling, the judge could order the property be sold. The sale can go one of two ways. The lender can take what he can get at the sale, or ask for a deficiency judgment, which would extend the sale period for 30 days. Anyone can file an upset bid during that period.

"I'm really surprised it has taken this long for something like this to crop up

met.'

(for Anthony)," said Harrison. "When the economy goes south, real estate loans are the first to dry up and of the whole real estate business developing raw property for sale is the first to lose financing. Anthony's been in trouble since before he was forced to go to the property owners at The Cliffs for a loan last year."

Anthony sought between \$60 million and \$100 million from property owners at the various Cliffs properties in the area. Since it was not a public offering no filings were required with the Securities and Exchange Commission on the total amount of money raised.

During a telephone interview Wednesday, Anthony said the foreclosure action has been brought up before Cliffs residents and thoroughly discussed.

Anthony said residents are sophisticated financially and understand the art of negotiating better interest rates.

"Most of the time these kinds of things don't come to something like a foreclosure," said Cherry.

The loan from Worthington Hyde was taken out in August 2008 and by November of last year Anthony was in arrears, according to Worthington Hyde's filing.

Harrison said it is hard to determine the true effect of the foreclosure action since so much of Anthony's real estate empire is privately held.

"I can't imagine it would be good," Harrison said. "But that is the nature of the development business. When things started to go bad in 2007 it >

THIS WEEK'S COVER

> went bad quickly. Real estate is risky by its nature, developing raw property is the riskiest part of the whole business."

Anthony's Horatio Alger story has become legendary in the industry.

He started developing land at age 19 in 1962, according to his biography on the Cliffs Communities website. He and his uncle bought a piece of property at \$100 an acre and quickly sold it for \$600 an acre.

In 1983, at age 40, Anthony quit working as a telephone repairman and began developing property full time. In 1989 he acquired 3,500 acres on top of Glassy Mountain in Greenville County for his first major project, The Cliffs at Glassy.

Nineteen of the lots at Glassy are subject to the foreclosure action filed by Worthington Hyde.

Five years after starting on The Cliffs at Glassy, Anthony began Cliffs Valley and in rapid succession started The Cliffs at Keowee Vineyards in 1997; The Cliffs at Keowee Falls North, 1998; The Cliffs at Keowee Falls South, 2002; The Cliffs at Keowee Springs, 2004. The Jack Nicklaus signature golf course

at The Cliffs at Walnut Cove opened in 2005. The Cliffs at Mountain Park was announced in 2006.

Along the way there were setbacks, including a proposal to develop the old DuPont property at Cedar Mountain, N.C. in 2000. That ended in a negotiated settlement between North Carolina and Anthony and the property went on to become DuPont State Forest.

Those problems were followed by a protracted legal battle over The Cliffs at Mountain Park that gave rise to groups like Save Our Saluda that took issue with using the North Saluda River as a wastewater dump.

Issues with land sales and development of the first Tiger Woods designed course in North America combined to stall work at High Carolina near Asheville. The New York Times reported last week Woods was paid \$10 million to design the course. The usual fee for course design by a top architect runs \$2 million to \$3 million, the newspaper said.

Contact Charles Sowell at 679-1208 or csowell@greenvillejournal.com.