

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF SOUTH CAROLINA

In re:) CHAPTER 11
)
Keowee Falls Investment Group, LLC,) CASE NO. 12-01399-JW
)
Debtor.)
_____)

**DISCLOSURE STATEMENT
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I. INTRODUCTION.

This is the disclosure statement (the "Disclosure Statement") in the Chapter 11 Case of Keowee Falls Investment Group, LLC (the "Debtor") or ("KFIG"). This Disclosure Statement contains information about the Debtor and describes the Plan of Liquidation (the "Plan") filed by the Debtor on October 19, 2012. A full copy of the Plan is attached to this Disclosure Statement as Exhibit "A". **YOUR RIGHTS MAY BE AFFECTED. YOU SHOULD READ THE PLAN AND THIS DISCLOSURE STATEMENT CAREFULLY, AND DISCUSS THEM WITH YOUR ATTORNEY. IF YOU DO NOT HAVE AN ATTORNEY, YOU MAY WISH TO CONSULT ONE.**

A. Purpose of This Document.

This Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case.
- How the Plan proposes to treat claims or equity interests of the type you hold (i.e. what you will receive on your claim or equity interest if the plan is confirmed.)
- Who can vote on or object to the Plan.
- What factors the Bankruptcy Court (the “Court”) will consider when deciding whether to confirm the Plan.
- Why the Debtor believes the Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in liquidation.
- The effect of confirmation of the Plan.

Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

B. Legal Disclaimers Applicable to this Disclosure Statement.

THIS DISCLOSURE STATEMENT (WHICH INCLUDES ITS VARIOUS PARTS, EXHIBITS AND OTHER ATTACHMENTS) IS THE ONLY DOCUMENT AUTHORIZED BY THE BANKRUPTCY COURT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES ON THE PLAN.

THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT IS NOT A GUARANTY OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT OR AN ENDORSEMENT OF THE PLAN.

THIS DISCLOSURE STATEMENT SHOULD NOT BE TREATED AS PROVIDING ANY LEGAL, FINANCIAL, SECURITIES, TAX OR BUSINESS ADVICE. CREDITORS ARE URGED TO CONSULT WITH THEIR OWN ADVISORS CONCERNING THE DEBTOR'S CHAPTER 11 CASE, THE PLAN AND THE PROPOSED TRANSACTIONS CONTEMPLATED BY THE PLAN.

THE INFORMATION IN THIS DISCLOSURE STATEMENT IS BEING PROVIDED SOLELY FOR PURPOSES OF VOTING TO ACCEPT OR REJECT THE PLAN OR TO OBJECT TO CONFIRMATION OF THE PLAN. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE USED BY ANY PERSON FOR ANY OTHER PURPOSE.

THIS DISCLOSURE STATEMENT CONTAINS ONLY A SUMMARY OF THE KEY FEATURES OF THE PLAN TO ASSIST PARTIES WITH THEIR REVIEW OF THE ACTUAL PLAN AND RELATED DOCUMENTS. ALL CREDITORS ARE URGED TO REVIEW THE FULL TEXT OF EACH DOCUMENT AND TO READ CAREFULLY THIS ENTIRE DISCLOSURE STATEMENT BEFORE DECIDING WHETHER TO VOTE OR TO ACCEPT THE PLAN. THE PLAN IS ATTACHED AS AN EXHIBIT TO THIS DISCLOSURE STATEMENT.

THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE ACTUAL PROVISIONS OF THE PLAN. IN THE EVENT OF A CONFLICT BETWEEN THE PLAN AND THE DESCRIPTION OF ITS TERMS IN THIS DISCLOSURE STATEMENT, THE PROVISIONS OF THE PLAN WILL GOVERN.

IN DECIDING WHETHER TO VOTE TO ACCEPT THE PLAN, CREDITORS MUST RELY ON THEIR OWN EVALUATION AND ANALYSIS, INCLUDING CAREFUL CONSIDERATION OF THE RISK FACTORS DISCUSSED HEREIN. UNLESS OTHERWISE SPECIFIED, THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BELIEVED TO BE CORRECT AS OF THE DATE OF ITS FILING. HOWEVER, READERS SHOULD NOT ASSUME THAT THERE HAVE BEEN NO CHANGES SINCE THAT DATE.

EXCEPT WHERE SPECIFICALLY NOTED, THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS NOT BEEN AUDITED BY A CERTIFIED PUBLIC ACCOUNTANT AND MAY NOT HAVE BEEN PREPARED IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES.

THE ATTORNEYS, ACCOUNTANTS, ADVISORS AND OTHER PROFESSIONALS EMPLOYED BY THE DEBTOR HAVE ASSISTED IN PREPARING THIS DISCLOSURE STATEMENT BASED UPON FACTUAL INFORMATION AND ASSUMPTIONS RESPECTING FINANCIAL, BUSINESS AND ACCOUNTING DATA FOUND IN THE BOOKS AND RECORDS OF THE DEBTOR. HOWEVER, THEY HAVE NOT INDEPENDENTLY VERIFIED THIS INFORMATION AND MAKE NO

REPRESENTATIONS AS TO THE ACCURACY OF THIS INFORMATION.

THESE ATTORNEYS, ACCOUNTANTS, ADVISORS AND OTHER PROFESSIONALS WILL HAVE NO LIABILITY FOR THE INFORMATION IN THIS DISCLOSURE STATEMENT.

THIS DISCLOSURE STATEMENT WILL NOT BE SUBMITTED TO, NOR APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY SIMILAR STATE SECURITIES REGULATOR. NEITHER THE SEC NOR ANY SIMILAR STATE SECURITIES REGULATOR HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION IT CONTAINS.

C. General Information.

The Debtor filed for Chapter 11 relief on March 2, 2012. The Debtor has remained in possession of its assets since the filing of its Chapter 11 Petition.

The Debtor is requesting the United States Bankruptcy Court (hereinafter referred to as "the Court") to approve this Disclosure Statement. The approval of the Disclosure Statement by the Court does not constitute approval by the Court on the merits of the Plan. Unless otherwise specifically stated, the Disclosure Statement and the Plan have been prepared from information supplied by the Debtor. No statement of information concerning the Debtor, of its assets, is authorized other than those set forth in this Disclosure Statement.

For any additional information concerning the contents of this Disclosure Statement, please contact the Debtor's counsel, R. Geoffrey Levy, Levy Law Firm, LLC, 2300 Wayne Street, Columbia, South Carolina, 29201, telephone (803) 256-4693.

II. BACKGROUND AND DESCRIPTION OF DEBTOR'S OPERATIONS.

A. THE DEBTOR.

The Debtor was formed on September 10, 2002, and is owned directly by Cliffs Communities, Inc. ("CCI"). The Cliffs at Keowee Falls South ("KFIG") sits on over two thousand five hundred (2,500) acres of land, and is one of the Cliffs Development Companies or ("DevCos"). Of the nine hundred fifty (950) total lots scheduled to be platted in The Cliffs at Keowee Falls South community, five hundred sixty-five (565) have been platted, and of those platted lots, nearly seventy-five (75%) per cent have been sold as of the Petition Date. Amenities located within the KFIG project include a Jack Nicklaus-designed 18 hole course, a clubhouse and restaurant that sit atop the mountain and hiking trails.

B. EVENTS LEADING TO THE CHAPTER 11 FILING.

The economic and real estate downturn commencing in 2008 created a negative environment for the sale of high-end real estate.

C. SIGNIFICANT EVENTS DURING THE BANKRUPTCY CASE.

1. Retention of Professionals.

The Debtor obtained approval from the Court for the retention of the following professionals pursuant to §327 of the Bankruptcy Code (the "Approved Professionals"):

- Levy Law Firm, LLC as bankruptcy counsel for the Debtor Order entered April 9, 2012 as Docket Number 17.

2. Official Committee of Unsecured Creditors.

An Official Committee of Unsecured Creditors has not been appointed in this case.

3. Other Significant Orders Entered by the Court.

Since the Debtor filed its Petition, the Bankruptcy Court has also entered Orders to:

- Grant Motion to Extend Time to file Schedules/Statements until April 1, 2012 entered March 27, 2012 as Docket Number 13.
- Grant Amended Motion for Relief from Stay Filed By Creditors Jack & Tina R. Harrell as to Zurich Assurance CGL Policy entered April 23, 2012 as Docket Number 35.
- Grant Motion to Appear *Pro Hac Vice* by Edward Franklin Childress, Jr. for Worthington-Hyde Partners-II, L.P. entered May 4, 2012 as Docket Number 43.
- Grant Motion for Relief from Stay Filed by Creditor First South Bank entered June 29, 2012 as Docket Number 61.
- Grant Motion as to Application of Stay Filed by General Electric Commercial, Inc. and General Electric Capital Corporation entered July 12, 2012 as Docket Number 69.
- Grant Motion for Relief from Stay Filed by Creditor Kevin McCarthy entered July 12, 2012 as Docket Number 71.
- Grant Motion to Expedite Hearing on Motion for Entry of an Order (i) Establishing Bidding Procedures in Connection with Solicitation of Offers for Sale of Substantially All of the Debtor's Assets Free and Clear of All Liens, Claims and Encumbrances; (ii) Approving Form, Manner, Scope and Substance of Notice for Proposed Sale of the Debtor's Assets; and (iii) Establishing Time and Date of Auction, Final Hearing and Objection Deadlines entered July 18, 2012 as Docket Number 81.

- Establish (I) Bidding Procedures in Connection with Solicitation of Offers for Sale of Assets of Keowee Falls Investment Group, LLC; (II) Approving Procedures for the Assumption and Assignment of Executory Contracts and Unexpired Leases; (III) Approving Form, Manner, Scope and Substance of Notice for Proposed Sale of Debtor's Assets; and (IV) Establishing Time and Date of Auction, Final Hearing and Objection Deadline entered July 24, 2012 as Docket Number 90.
- Grant Motion to Sell Free and Clear of Liens entered August 29, 2012 as Docket Number 122.
- Authorize Sale of Property - Sell Free and Clear of Liens, Claims Encumbrances and Other Interests Entered on September 17, 2012 as Docket Number 128.

4. Pre-Petition Claims.

The Court established July 12, 2012 (the "Bar Date") as the last day for all persons and entities (excluding governmental units) having claims against the Debtor to file a Proof of Claim. The Bar Date Notice ("Notice of Chapter 11 Bankruptcy Case, Meeting of Creditors & Deadlines") filed and served by the Court on all listed creditors on March 7, 2012, informed creditors that the requirement for filing a Proof of Claim applied to all pre-petition claims which arose prior to the Petition Date, which are: (i) not scheduled; (ii) scheduled as disputed, contingent or unliquidated; or (iii) scheduled, and the creditor disagrees with the amount of the Secured Claim.

Nine (9) Proofs of Claim were filed in the Debtor's case. The aggregate amount of the Proofs of Claim filed was approximately \$6,031,873.87. Set forth on Exhibit "B" is a list of the Proofs of Claim filed against the Debtor, along with those scheduled Claims which were not marked as disputed, liquidated or contingent on the Debtor's Schedules.

Exhibit "B" further indicates that certain Claims which have been consensually adjusted, settled or forgiven based upon discussions between the Debtor and such creditors:

- ▶ Kevin McCarthy (Claim #4) received relief from the stay. The claim will be disallowed.
- ▶ Courtney McCarthy (Claim #5) received relief from the stay. The claim will be disallowed.
- ▶ McCullum Business, LLC (Claim #8) received relief from the stay. The claim will be disallowed.
- ▶ First South Bank (Claim #6) received relief from the stay, and may file a deficiency claim, if any, upon disposition of its collateral.
- ▶ Oconee County Tax Collector (Claim #9) is to be paid in full by Worthington Hyde Partners - II, L.P.

The Debtor reserves all rights regarding such Claims.

5. Litigation.

The Debtor is not involved in any litigation, and is not aware of any threatened litigation.

D. THE REORGANIZED DEBTOR'S FINANCIAL PROJECTIONS.

The Debtor is self-liquidating its assets and will wind up its business affairs. Accordingly, the Debtor will present no financial projections with this disclosure statement.

E. PROJECTED RECOVERY OF AVOIDABLE TRANSFERS.

The Debtor does not currently intend to pursue preference, fraudulent conveyance or other avoidance actions.

F. CLAIMS OBJECTIONS.

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. The procedures for resolving disputed claims are set forth in Article IV of the Plan.

G. DESCRIPTION OF THE DEBTOR'S ASSETS.

The identity and fair market value of the estate's assets are:

- (1) \$165,000.00 in cash.
- (2) Potential recovery on \$16 million unsecured claim in Cliffs Club Chapter 11.
- (3) Recovery, if any, from loans to related entities or parties.

III. SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS.

A. What is the Purpose of the Plan of Reorganization?

As required by the Code, the Plan places claims and interests in various classes and describes the treatment each class will receive. The Plan also states whether each class of claims or equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

B. Unclassified Claims.

Certain types of claims are automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code. As such, the Plan Proponent has not placed the following claims in any class:

1. Administrative Expenses.

Administrative expenses are costs or expenses of administering the Debtor's Chapter 11 case which are allowed under §507(a)(2) of the Code. The Code requires that all administrative expenses be paid on the Effective Date of the Plan, unless a particular claimant agrees to a different treatment.

2. Priority Tax Claims.

Priority tax claims are unsecured income, employment and other taxes described by §507(a)(8) of the Code. Unless the holder of such a §507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding five (5) years from the order of relief.

Internal Revenue Service	The Debtor has no priority tax claims.
South Carolina Department of Revenue	The Debtor has no priority tax claims.

C. CLASSES OF CLAIMS AND EQUITY INTERESTS.

The following are the classes set forth in the Plan and the proposed treatment that they will receive under the Plan:

1. Classes of Secured Claims.

Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under §506 of the Code. If the value of the collateral or setoffs secured by the creditor's claim is less than the amount of the creditor's allowed claim, the deficiency will be classified as a general unsecured claim. The following chart lists all classes containing the Debtor's secured prepetition and postpetition claims and their proposed treatment under the Plan:

Class #	Impairment	Treatment
<p>Class 1 - Treatment of Secured Claim of Worthington Hyde Partners - II, L.P.</p> <p>(This claim is secured by a first lien on approximately 1,525.27 acres of raw land, 140 platted lots, plus miscellaneous land and easements.)</p>	Unimpaired.	Worthington Hyde Partners - II, L.P.'s collateral has been sold to Worthington Hyde Partners - II, L.P. free and clear of liens pursuant to the Court's Order authorizing said sale dated August 29, 2012 Worthington Hyde Partners - II, L.P. is considered paid in full by the approved sale, and accordingly, will assert no deficiency claim against the Debtor's Estate.

2. Classes of Priority Unsecured Claims.

Certain priority claims that are referred to in §507(a)(1),(4),(5),(6) and (7) of the Code are required to be placed in classes. The Code requires that each holder of such a claim receive cash on the Effective Date of the Plan equal to the allowed amount of such claim.

However, a class of holders of such claims may vote to accept difference treatment.

Class #	Impairment	Treatment
Class 2 - Priority Claims	Unimpaired.	The Debtor has no priority claims that are referred to in §507(a)(1)(4)(5)(6) and (7) of the Code. To the extent that it does, such claims will be paid on the Effective Date.

3. Classes of General Unsecured Claims.

General Unsecured Claims are not secured by property of the estate, and are not entitled to priority under §507(a) of the Code. The following chart identifies the Plan's proposed treatment of the Class which contains general unsecured claims against the Debtor.

Class #	Impairment	Treatment
Class 3 - Allowed Unsecured Claims	Impaired.	The holders of Allowed Unsecured Claims shall be paid a <i>pro rata</i> share of the net cash proceeds, if any, from the sale of the Debtor's assets.

4. Class of Equity Interest Holders.

Equity Interest Holders are parties who hold an ownership interest (i.e. equity interest) in the Debtor. In a corporation, entities holding preferred or common stock are equity interest holders. In a partnership, equity interest holders include both general and limited partners. In a limited liability company ("LLC"), the equity interest holders are the members. Finally, with respect to an individual who is a debtor, the Debtor is the equity interest holder. (In this case, the Debtor is an LLC.)

Class #	Impairment	Treatment
Class 4 - Equity Interest Holder Cliffs Communities, Inc.	Impaired.	The equity interest of Cliffs Communities, Inc. will receive the surplus, if any, from any residual recoveries after Class 3 claims have been paid in full.

D. MEANS OF IMPLEMENTING THE PLAN.

1. Sources of Payment.

Payments and distributions under the Plan will be funded by the following:

- (a) net proceeds from the two (2) Court-approved sales of the Debtor's real estate assets (\$165,000.00);

- (b) recovery, if any, from the Proof of Claim filed in The Cliffs Club & Hospitality Group, Inc. case in the unsecured non-priority amount of \$16,670,310.00; and
- (c) recovery, if any, from loans to related entities or parties.

E. EXECUTORY CONTRACTS AND UNEXPIRED LEASES.

The Plan lists all executory contracts and unexpired leases that the Debtor has or will assume and assign under the Plan. Assumption means that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases and to cure defaults of the type that must be cured under the Code, if any.

If you object to the assumption and assignment of your unexpired lease or executory contract, the proposed cure of any defaults or the adequacy of assurance of performance, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan, unless the Court has set an earlier time.

[The deadline for filing a proof of claim arising from the rejection of a lease or contract is thirty (30) days after the date of the Order confirming the Plan.] Any claim based on the rejection of a contract or lease will be barred if the proof of claim is not timely filed, unless the Court orders otherwise.

F. TAX CONSEQUENCES OF PLAN.

CREDITORS CONCERNED WITH HOW THE PLAN MAY AFFECT THEIR TAX LIABILITY SHOULD CONSULT WITH THEIR OWN ACCOUNTANTS, ATTORNEYS AND/OR ADVISORS.

The Debtor believes there are no tax consequences from the Plan.

IV. CONFIRMATION REQUIREMENTS AND PROCEDURES.

To be confirmable, the Plan must meet the requirements listed in §§1129(a) or (b) of the Code. These include the requirements that: the Plan must be proposed in good faith; at least one impaired class of claims must accept the Plan, without counting votes of insiders; the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are *not* the only requirements listed in §1129, and they are not the only requirements for confirmation.

A. Who May Vote or Object.

Any party interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met.

Many parties in interest, however, are not entitled to vote or accept or reject the Plan. A creditor or equity interest holder has a right to vote for or against the Plan only if that creditor or equity interest holder has a claim or equity interest that is both (1) allowed or allowed for voting purposes, and (2) impaired.

In this case, the Plan Proponent believes that Classes 3 and 4 are impaired, and that holders of claims in these classes are therefore entitled to vote to accept or reject the Plan. The Plan Proponent believes that Classes 1 and 2 are unimpaired, and that holders of claims in each of these classes, therefore, do not have the right to vote to accept or reject the Plan.

1. What is an Allowed Claim or an Allowed Equity Interest?

Only a creditor or equity interest holder with an allowed claim or an allowed equity interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if either: (1) the Debtor has scheduled the claim on the Debtor's Schedules, unless the claim has been scheduled as disputed, contingent, unliquidated or (2) the creditor has filed a Proof of Claim or Equity Interest, unless an objection has been filed to such Proof of Claim or Equity Interest. When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

The deadline for filing a Proof of Claim in this case was July 12, 2012.

2. What is an Impaired Claim or Impaired Equity Interest?

As noted above, the holder of an allowed claim or equity interest has the right to vote only if it is in a class that is *impaired* under the Plan. As provided in §1124 of the Code, a class is considered impaired if the Plan alters the legal, equitable or contractual rights of the members of that class.

3. Who is Not Entitled to Vote?

The holders of the following six (6) types of claims and equity interests are ***not*** entitled to vote:

- ▶ holders of claims and equity interests that have been disallowed by an order of the Court;
- ▶ holders of other claims or equity interests that are not “allowed claims” or “allowed equity interests” (as discussed above), unless they have been “allowed” for voting purposes;
- ▶ holders of claims or equity interests in unimpaired classes;
- ▶ holders of claims entitled to priority pursuant to §507(a)(2), (a)(3) and (a)(8) of the Code;
- ▶ holders of claims or equity interests in classes that do not receive or retain any value under the Plan; and
- ▶ administrative expenses.

Even if You are Not Entitled to Vote on the Plan, You have a Right to Object to the Confirmation of the Plan (and to the Adequacy of the Disclosure Statement).

4. Who Can Vote in More than One Class.

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise holds claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and should cast one ballot for each claim.

B. Votes Necessary to Confirm the Plan.

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class; and (2) all impaired classes have votes to accept the Plan, unless the Plan is eligible to be confirmed by “cramdown” of non-accepting classes, as discussed later in Section [B-2].

1. Votes Necessary for a Class to Accept the Plan.

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one half ($\frac{1}{2}$) of the allowed claims in the class who vote, cast their votes to accept the Plan; and (2) the holders of at least two-thirds ($\frac{2}{3}$) in dollar amount of the allowed claims of the class who vote, cast their votes to accept the Plan.

A class of equity interests accepts the Plan if the holders of at least two-thirds in amount of the allowed equity interests in the class who vote, cast their votes to accept the Plan.

2. Treatment of Nonaccepting Classes.

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the non-accepting classes are treated in the manner prescribed by §1129(b) of the Code. A plan that binds non-accepting classes is commonly referred to as a “cramdown” plan. The Code allows the Plan to bind non-accepting classes of claims or equity interests if it meets all of the requirements for consensual confirmation except the voting requirements of §1129(a)(8) of the Code, does not “discriminate unfairly”, and is “fair and equitable” toward each impaired class that has not voted to accept the Plan.

YOU SHOULD CONSULT WITH YOUR OWN ATTORNEY IF A “CRAMDOWN” CONFIRMATION WILL AFFECT YOUR CLAIM OR EQUITY INTEREST, AS THE VARIATIONS ON THIS GENERAL RULE ARE NUMEROUS AND COMPLEX.

C. Liquidation Analysis.

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a chapter 7 liquidation. Since the Debtor’s Plan calls for, and in fact, has already liquidated substantially all of its assets, no liquidation analysis is attached to this Disclosure Statement.

In a chapter 7 case, a trustee would be elected or appointed to liquidate the Debtor's assets. The proceeds of the liquidation would be distributed to the respective holders of claims against the Debtor in accordance with the priorities established by the Bankruptcy Code. The proceeds of the liquidation would consist of the proceeds from an orderly liquidation of the assets of the Debtor and Cash equivalents.

In a chapter 7 case, the amount distributed to unsecured creditors depends upon the net estate available after all of the Debtor's assets have been converted to Cash. The Cash realized from the liquidation of the assets would be distributed first to secured creditors, to the extent of the value of their collateral. A secured creditor whose collateral is insufficient to pay its secured claim in full would be entitled to assert an unsecured claim for its deficiency and share with other unsecured creditors. Thereafter, any remaining funds would be distributed in accordance with the priorities of the Bankruptcy Code. The amount of liquidation value available to unsecured creditors and equity holders would be further reduced by : (1) costs and expenses of liquidation, including compensation of the trustee; (2) all unpaid administrative expenses and priority claims incurred by the Debtor in the chapter 11 case allowed in the chapter 7 case; and (3) any other costs or claims arising from the chapter 7 case.

D. Feasibility.

The Court must find that confirmation of the Plan is not likely to be followed by liquidation, or the need for further financial reorganization of the Debtor or any successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan. (Liquidation is proposed in the Debtor's Plan.)

E. Risk Factors.

In view of the Court's pre-confirmation approval of the sale of substantially all of the Debtor's assets free and clear of liens and encumbrances, the Debtor believes there is little risk associated with confirmation of the proposed Plan of Liquidation.

Effect of Confirmation of the Plan.

A. Discharge of Debtor.

On the Effective Date of the Plan, the Debtor shall not be discharged from any debt that arose before confirmation of the Plan.

B. Modification of Plan.

The Plan Proponent may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new Disclosure Statement and/or revoting on the Plan.

The Plan Proponent may also seek to modify the Plan at any time after confirmation only if (1) the Plan has not been substantially consummated, and (2) the Court authorizes the proposed modifications after notice and a hearing.

C. Final Decree.

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Plan Proponent, or such other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a Final Decree to close the case. Alternatively, the Court may enter such a Final Decree on its own motion.

Respectfully Submitted on this 19th day of October, 2012.

Keowee Falls Investment Group, LLC

By: /s/ James B. Anthony
James B. Anthony, President

By: /s/ R. Geoffrey Levy
R. Geoffrey Levy
I.D. #2666
Levy Law Firm, LLC
2300 Wayne Street
Columbia, South Carolina 29201
Tele. (803) 256-4693
Fax (803) 799-5245
Attorney for Debtor

EXHIBIT A

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF SOUTH CAROLINA**

In Re:)	CHAPTER 11
)	
Keowee Falls Investment Group, LLC,)	CASE NO. 12-01399-JW
)	
Debtor.)	
_____)	

**KEOWEE FALLS INVESTMENT GROUP, LLC'S
PLAN OF LIQUIDATION DATED OCTOBER 19, 2012**

This Plan of Liquidation (the "Plan" under chapter 11 of the Bankruptcy Code (the "Code") proposes to pay creditors of Keowee Falls Investment Group, LLC ("KFIG" or the "Debtor") from the sale of substantially all of its assets and from the recovery, if any, of payment on the \$16,670,310.00 unsecured claim filed in the Chapter 11 case of The Cliffs Club & Hospitality Group, Inc.

This Plan provides for one (1) class of secured claims; two (2) classes of unsecured claims; and one (1) class of equity security holders. Class 3 Unsecured Creditors holding allowed claims will receive distributions which the proponent of this Plan has valued at approximately three (3) to one hundred (100) cents on the dollar. This Plan also provides for the payment of administrative and priority claims in full on the Effective Date of this Plan; or as may be agreed upon in writing by the holder of the claim and the Debtor. Capitalized terms used in this Plan shall have the meanings ascribed to such terms in Article VIII. The Debtor is the proponent of the Plan within the meaning of §1129 of the Bankruptcy Code.

All creditors and equity security holders should refer to Articles III through VI of this Plan for information regarding the precise treatment of their claims. A disclosure statement that provides more detailed information regarding this Plan and the rights of creditors and equity security holders has been circulated with this Plan. **Your rights may be affected. You should read these papers carefully and discuss them with your attorney, if you have one. (If you do not have an attorney, you may wish to consult one.)**

ARTICLE II
CLASSIFICATION OF CLAIMS AND INTERESTS

2.01 Class 1.

The secured claim of Worthington Hyde Partners-II, L.P. (Claim is secured by the Debtor's interest in approximately 1,525.27 acres of raw land, 140 platted lots, plus miscellaneous land and easements.)

2.02 Class 2.

All allowed claims entitled to priority under §507 of the Code (except administrative expense claims under §507(a)(2) and priority tax claims under §507(a)(8).

2.03 Class 3.

Allowed Unsecured Claims.

2.04 Class 4.

Equity Interests of the Debtor.

**ARTICLE III
TREATMENT OF ADMINISTRATIVE EXPENSE CLAIMS,
U.S. TRUSTEE FEES AND PRIORITY TAX CLAIMS**

3.01 Unclassified Claims.

Under §1123(a)(1), administrative expense claims and priority tax claims are not in classes.

3.02 Administrative Expense Claims.

Each holder of an administrative expense claim allowed under §503 of the Code will be paid in full on the Effective Date of this Plan (as defined in Article VII), in case, or upon such other terms as may be agreed upon by the holder of the claim and the Debtor.

Class	Impairment	Treatment
<p>Class 1 - Treatment of Secured Claim of Worthington Hyde Partners - II, L.P.</p> <p>(This claim is secured by a first lien on approximately 1,525.27 acres of raw land, 140 platted lots, plus miscellaneous land and easements.)</p>	Unimpaired.	Worthington Hyde Partners - II, L.P.'s collateral has been sold to Worthington Hyde Partners - II, L.P. free and clear of liens pursuant to the Court's Order authorizing said sale dated August 29, 2012. Worthington Hyde Partners - II, L.P. is considered paid in full by the approved sale, and accordingly, will assert no deficiency claim against the Debtor's Estate.
<p>Class 2 - Priority Claims</p>	Unimpaired.	The Debtor has no priority claims that are referred to in §507(a)(1)(4)(5)(6) and (7) of the Code. To the extent that it does, such claims will be paid on the Effective Date.
<p>Class 3 - Allowed Unsecured Claims</p>	Impaired.	The holders of Allowed Unsecured Claims shall be paid a <i>pro rata</i> share of the net cash proceeds, if any, from the sale of the Debtor's assets.
<p>Class 4 - Equity Interest Holder Cliffs Communities, Inc.</p>	Impaired.	The equity interest of Cliffs Communities, Inc. will receive the surplus, if any, from any residual recoveries after Class 3 claims have been paid in full.

ARTICLE IV
ALLOWANCE AND DISALLOWANCE OF CLAIMS

4.01 Disputed Claim.

A disputed claim is a claim that has not been allowed or disallowed (by a final non-appealable order), and as to which either: (i) a proof of claim has been filed or deemed filed, and the Debtor or another party in interest has filed an objection; or (ii) no proof of claim has been filed, and the Debtor has scheduled such claim as disputed, contingent or unliquidated.

4.02 Delay of Distribution on a Disputed Claim.

No distribution will be made on account of a disputed claim unless such claim is allowed [by a final non-appealable order].

4.03 Settlement of Disputed Claims.

The Debtor will have the power and authority to settle and compromise disputed claims with court approval and compliance with Rule 9019 of the Federal Rules of Bankruptcy Procedure.

ARTICLE V
PROVISIONS FOR EXECUTORY CONTRACTS AND UNEXPIRED LEASES

5.01 Assumed Executory Contracts and Unexpired Leases.

- (a) The Debtor has no known executory contracts or unexpired leases.
- (b) To the extent the Debtor has any unknown executory contracts or unexpired leases, they are deemed rejected upon the Effective Date of this Plan as provided in Article VI.

- (c) Any proof(s) of claim arising from the rejection of an executory contract or unexpired lease under this section must be filed no later than thirty (30) days after the date of the order confirming this Plan.

ARTICLE VI
MEANS FOR IMPLEMENTATION OF THE PLAN

A. Sources of Consideration for the Plan

Payments and distributions under the Plan will be funded by the following:

- (a) net proceeds from the two (2) Court-approved sales of the Debtor's real estate assets (\$165,000.00);
- (b) recovery, if any, from the Proof of Claim filed in The Cliffs Club & Hospitality Group, Inc. case in the unsecured non-priority amount of \$16,670,310.00; and
- (c) recovery, if any, from loans to related entities or parties.

B. Implementation

The Debtor shall be authorized to take all necessary steps, and perform all necessary acts, to consummate the terms and conditions of the Plan. The Debtor may, and shall, execute such documents and take such other actions as are necessary to effectuate the liquidation process.

C. Corporate Governance and Continued Existence of the Debtor and Estate Post-Effective Date

From and after the Effective Date, the Debtor and Estate shall remain in existence for the purpose of winding up the Debtor's business and Estate, including liquidating the Assets and distributing the proceeds from the

liquidation of the Assets pursuant to the provisions of the Plan.

ARTICLE VII
GENERAL PROVISIONS

7.01 Definitions and Rules of Construction

The definitions and rules of construction set forth in §§101 and 102 of the Code shall apply when terms defined or construed in the Code are used in this Plan, and they are supplemented by the following definitions:

7.02 Effective Date of Plan

The Effective Date of this Plan is the sixtieth (60th) business day following the date of the entry of the order of confirmation. But if a stay of the confirmation order is in effect on that date, the Effective Date will be the first business day after that date on which no stay of the confirmation order is in effect, provided that the confirmation order has not been vacated.

7.03 Severability

If any provision in this Plan is determined to be unenforceable, the determination will in no way limit or affect the enforceability and operative effect of any other provision of this Plan.

7.04 Captions

The headings contained in this Plan are for convenience of reference only and do not affect the meaning or interpretation of this Plan.

7.05 Controlling Effect

Unless a rule of law or procedure is supplied by federal law (including the Code or the Federal Rules of Bankruptcy Procedure), the laws of the State of South Carolina govern this Plan and any agreements, documents and instruments executed in connection with this Plan, except as otherwise provided in this Plan.

ARTICLE VIII
DISCHARGE

8.01 Discharge

The Debtor will not be discharged from any debt imposed by this Plan, unless allowed Class 3 creditors are paid in full.

ARTICLE IX
RELEASES

9.01 Releases

ON THE EFFECTIVE DATE, THE DEBTOR WILL RELEASE UNCONDITIONALLY, AND HEREBY IS DEEMED TO RELEASE UNCONDITIONALLY EACH OF KFIG'S CONSULTANTS, ATTORNEYS, ACCOUNTANTS AND OTHER REPRESENTATIVES FROM ANY AND ALL CLAIMS, OBLIGATIONS, SUITS, JUDGMENTS, DAMAGES, RIGHTS, CAUSES OF ACTION AND LIABILITIES WHATSOEVER, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, EXISTING OR HEREAFTER ARISING IN LAW, EQUITY OR OTHERWISE, BASED ON WHOLE OR IN PART UPON ANY ACT OR OMISSION, TRANSACTION,

EVENT OR OTHER OCCURRENCE TAKING PLACE ON OR PRIOR TO THE EFFECTIVE DATE IN ANY WAY RELATING TO THE DEBTOR OR THE PLAN.

Respectfully Submitted,

Keowee Falls Investment Group, LLC

By: /s/ James B. Anthony
James B. Anthony, President

By: /s/ R. Geoffrey Levy
R. Geoffrey Levy
I.D. #2666
Levy Law Firm, LLC
2300 Wayne Street
Columbia, South Carolina 29201
Tele. (803) 256-4693
Fax (803) 799-5245
Attorney for Debtor

October 19, 2012

EXHIBIT B

Keowee Falls Investment Group
 District of South Carolina Claims Register

Claim No.	Creditor:	Address:	Creditor #	Date Filed:	Amount Claimed:	Priority:
1	Greenville Country Tax Collector	301 University Ridge Ste 700 Greenville, SC 29601	541955234	3/13/2012	\$8,632.14	*
2	Duke Energy Carolinas	PO Box 1321 DEC45A Charlotte, NC 28201	541989034	4/24/2012	\$1,290.90	
3	Stephen H. Davis	1188 Oyster Catcher Ct. Seabrook Island, SC 29455	542013322	5/25/2012	\$9,000.00	
4	Kevin McCarthy c/o Thomas Dudley III, Esq.	704 E. Mcbee Avenue Greenville, SC 29601	541947565	6/6/2012	\$1,756,395.04	
5	Courtney McCarthy c/o Thomas Dudley III, Esq.	704 E. Mcbee Avenue Greenville, SC 29601	542018990	6/6/2012	\$1,756,395.04	
6	First South Bank c/o Amber B. Glidewell, Esq.	PO Box 10529 Greenville, SC 29601	541947559	6/29/2012	\$1,507,561.90	
7	Mr. and Mrs. Odell Steele	1744 Old Richburg Rd. Chester, SC 29706	541973064	7/9/2012	\$125,000.00	
8	McCollum Business, LLC c/o Jes Sterling	14 Halter Dr. Piedmont, SC 29673	542042764	7/12/2012	\$2,225,000.00	
9	Oconee County Tax Collector	PO Box 494 Walhalla, SC 29691	542049782	7/23/2012	\$223,354.85	*
Total:					\$7,612,629.87	

Keowee Falls Investment Group
Schedule F

Creditor:	Address:	Amount of Claim:
Duke Energy	PO Box 1090 Charlotte, NC 28201-1090	unknown
Duke Energy	526 South Church Street Charlotte, NC 28202	unknown
Environmental Permitting Consultants, Inc.	PO Box 3744 Greenville, SC 29608	\$2,500.00
IMI Resort Properties, LLC	300 E. McBee Avenue Suite 200 Greenville, SC 29601	\$920.00
Ken Mar, LLC	1310-G Garlington Road Greenville, SC 29615	\$28.22
Keowee Falls South Golf & CC	3598 Highway 11 Travelers Rest, SC 29690	\$1,350.00
Kevin McCarthy c/o Thomas E. Dudley, III Esq.	704 E. McBee Avenue Greenville, SC 29601	unknown
McNeely's, Inc.	Highway 64 West	\$87.45
Ace	Sapphire, NC 28774	
Mike Blackburn	320 Wake Robin Drive Sunset, SC 29685	\$5,000.00
Nexsen Pruet, LLC	PO Drawer 2426 Columbia, SC 29202	\$2,200.50
The Home Depot	PO Box 9055 Des Moines, IA 50368-9131	\$70.99
Town of Salem	5-A Park Avenue Salem, SC 29676	\$36,991.00
Total		\$49,148.16