



## Sea Island files for bankruptcy, announces sale

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**SEA ISLAND** -- This gilded coastal resort favored by generations of affluent Atlantans emerged Wednesday from months of debt and doubt with the announcement that two out-of-state investment firms will pay roughly 30 cents on the dollar for the Georgia jewel.

But the purchase raises new questions about the direction of the resort, which fell into financial ruin after an ill-timed bid to appeal to an even higher-end market.

The Sea Island Co. filed for Chapter 11 bankruptcy late Tuesday, citing \$600 million in debt. Oaktree Capital Management of Los Angeles and Avenue Capital Group of New York, both which specialize in distressed properties, have offered \$197.5 million for the Cloister hotel, the Lodge at St. Simons, various spas, clubs and golf courses.

The formal auction is scheduled for mid-October; closing should occur by November.

The Oaktree-Avenue pairing beat out at least four other serious contenders for the coveted resort. In July, the Atlanta Journal-Constitution reported Starwood Capital, Anschutz Entertainment Group, Huizenga Holdings and The Gary Player Group were among them.

According to Bill Jones III, the fourth-generation Jones to run Sea Island, it's business as usual for homeowners, visitors and employees of the upscale resort near Brunswick.

"We've gone through a very difficult time, and I feel like we achieved the best possible outcome we possibly could, given the circumstances," Jones said in an interview Wednesday with The Atlanta Journal-Constitution. "I'm sorry we've all been through this (but) we have the opportunity to build a new foundation ... Sea Island has a bright future."

Jones and Sea Island president David Bansmer will continue to run the resort that stretches across Sea Island and onto St. Simons Island. Jones sought to reassure homeowners and employees in separate meetings Wednesday at the Cloister, telling them their homes and 1,400 jobs won't be threatened by new ownership.

"This could have been a horrible nightmare," said Bob Prater, an Atlantan and Sea Island member for a dozen years. "(Jones) did the best he could under the circumstances."

He added, "I'm confident the new buyer will respect the tradition."

Avenue Capital's CEO Marc Lasry, who owns a condo at the Sea Island Beach Club, couldn't be reached for comment. A spokeswoman for Oaktree Capital also declined comment.

Two years of layoffs, chronic indebtedness and a wicked recession that has sundered real estate sales on Sea Island weren't completely papered over by the Chapter 11 filing, potential sale or the planned payoff to major creditors.

Will the new owners re-sell? Sell off parcels bit by bit? Raise club dues? Add club members, hotel rooms and other crowd-pleasing amenities? Ultimately, will Sea Island lose its exclusive cachet, rivaled only by Palm Beach along the East Coast?

"What do hedge funds do?...They sell off parts," said Jane Fraser, who has lived full-time on Sea Island since 1995. "I'd like to think they'll keep it, but who knows."

The Jones family has run the one-time cotton plantation since the late 1920s, entertaining the likes of Jimmy Stewart, W. Somerset Maugham and Presidents Coolidge, Eisenhower, Bush (father and son) and Carter.

Sea Island's crowning glory came in 2004 when it hosted the Group of Eight gathering of world leaders. Conde Nast Traveler magazine rated the Cloister the nation's top resort, further burnishing the island's reputation for secluded elegance.

But Bill Jones III, nicknamed "B Three," eventually racked up \$600 million in debts with an "expansion (that) proved to be more costly than budgeted," according to the voluminous bankruptcy filings at the Southern District of Georgia in Brunswick.

Under terms of the proposed deal, Jones would lose his controlling ownership interest in the resort.

Jones bet on million-dollar real estate sales covering the debt. He didn't expect the "historic collapse of the global financial and real estate markets," the files said.

Sea Island reported a \$77.9 million loss on \$267.6 million in revenue in 2009, according to financial statements accompanying the bankruptcy filing. By then it owed more than \$500 million to Columbus-based Synovus Financial Corp., Bank of America and Bank of Scotland.

Last winter the resort said it was exploring a sale. Goldman Sachs identified 79 potential suitors who did due diligence. **At least five** serious, unnamed bidders eventually surfaced. Oaktree and Avenue emerged as favorites with their \$197.5 million bid, according to the filings. After administrative, tax and other upfront costs, Sea Island will have \$170 million to pay off its secured creditors – the banks.

Synovus wrote off half of its \$220 million loan to Sea Island last month. Bank analyst Chris Marinac said the proposed bankruptcy deal will let Synovus and the other banks close their books on the ill-fated Sea Island deal.

"It's an albatross off the neck of the banks, particularly Synovus," said Marinac with FIG Partners in Atlanta. "They can now move on to the next one."

Hundreds of unsecured, second-in-line creditors are owed tens of millions of dollars more, including Dennie McCrary, a former Sea Island president with a \$27 million claim, and the Pension Benefit Guaranty Corp. with a \$13 million claim.

McCrary declined comment. Jones said "the new buyer is not going to take over the pension program. It will go to the government."

Jeffrey Speicher, a spokesman for the PBGC, said the pensions of 2,000 past and present Sea Island employees are insured in case the pension claims aren't satisfied during bankruptcy proceedings.

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