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NEWS

Singh takes management of his resorts from Cay Clubs - 09/12/2007

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OPINION

BY ROB BUSWEILER

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SPORTS

FLORIDA KEYS -- Local developer Pritam Singh will take back control of three Marathon area resorts that had been managed by Cay Clubs, following the Clearwater-based company's employee layoffs and temporary restaurant closures last week.

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BUSINESS

Singh and Cay Clubs officials announced a partnership in March 2006 in which Cay Clubs would manage and sell units in Tranquility Bay, Coral Lagoon and Indigo Reef, all of which were built by The Singh Company.

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KEYS LIFE

The recent real estate slump has put Cay Clubs in a financial bind, and Singh said he wanted to ensure that his three resorts would not suffer as a result.

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THE ARTS

"The resorts will be reinvigorated," Singh said of the change. He added that many of the key people managing the resorts were originally hired by him.

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PHOTO GALLERY

Cay Clubs will retain a minority ownership interest in the resorts' assets, but previous plans for Singh to sell the resorts to them may be off the table.

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COLUMNS

"That arrangement is not attractive to me," Singh said, adding that his long-term plan is to remain in the hotel business.

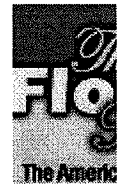
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Confusion between Cay Clubs management and Singh led to an affordable housing snafu at the Tranquility Bay Resort.

OBITUARIES

In June, Marathon officials learned that the resort had been operating without fulfilling its onsite affordable

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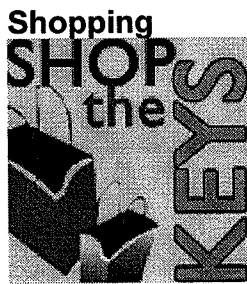
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housing obligation required by a development agreement with the city.

A building at the resort that had been slated to be used for dormitory housing for employees was being converted into a conference room.

At the time, Singh said a lack of communication between the two companies caused the affordable housing component to not be replaced when the dorm was converted. He has since begun working on converting one of the resort's townhouse units into two affordable units while building 10 more off site.

Cay Clubs burst onto the Florida Keys scene in 2005 and quickly made a name for itself through both the volume of its purchases and its aggressive marketing campaign.

Its Keys holdings include 150 single-family homes, several resort hotels, about 900 boat slips and various restaurants and other businesses. The company also owns hotels in other parts of Florida, Las Vegas and Colorado.

Cay Clubs' future in the Keys remains shaky, as officials announced last week that they had completed a second round of layoffs due to a sluggish summer tourism season and lagging real estate market.

Company officials also said last week that they had closed the doors of Cabot's Waterfront Dining and Latitudes Restaurant in Marathon and Tropical Cafe on Plantation Key until the tourism season picks up. Cay Clubs also closed the Tropic Vista Motel, located next to Tropical Cafe.

Henry Allwardt, until Friday a security guard for Tropic Vista, Tropical Cafe and the nearby Keys Motel, said he was laid off without warning.

"They should have given us notice," he said. "Out of the blue, punching to the stomach is not so nice."

Cay Clubs laid off approximately 15 workers last week at the three Tavernier Creek properties alone, Allwardt said.

Company spokesman Chris Brown acknowledged Friday that Cay Clubs faces significant challenges.

"Cay Clubs' bread and butter is the real estate industry," he said.

Brown said the restaurant closures are temporary.

"It makes more sense financially," he said. "This is the first time [the restaurants] are really facing a season like this."

Brown said Cay Clubs CEO Dave Clark was empathetic to the hardships layoffs cause.

"Obviously it impacts people's lives," Brown said.

On Aug. 22, investors in another Cay Clubs development, called Sombrero Cay Club, filed a lawsuit against the company, contending they were misled in their purchase of condo units that were slated to be renovated as part of the facility becoming a "world class resort."

The 21 plaintiffs accused the company of fraud and securities violations.

An Aug. 7 Securities and Exchange Commission filing showed Cay Clubs lost more than \$1 million in the first quarter of 2007, in addition to owing creditors \$74 million in the next year.

"Without additional borrowing and/or the refinancing of existing short-term debt, Cay Clubs will have to change its current mode of operation and may potentially have to file for federal bankruptcy protection," the report says.

Cay Clubs also is in the midst of a merger with Key Hospitality Acquisition Corp., a deal that if completed at the end of 2007 as planned would infuse the developers with \$48.7 million and take Cay Clubs public.

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Staff writer Robert Silk contributed to this report.

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