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# Conservationists poised to buy Grey Rock

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The view from the top of Gray Rock is spectacular. The valley below reaches the base of Lake Lure. The ridge on the opposite hillside contains Eagle Rock and Rumbling Bald Mountain. Eagles soar in the thermals, and the color of fall blankets the valley floor. It is on the largest undisturbed tracts of land in Western North Carolina.

Carolina Mountain Land Conservancy hopes to purchase 1,500 acres, including Grey Rock, and preserve the land for future generations. The land trust is \$300,000 short of the funds it needs to close the \$2.53 million deal in two weeks.

"It has been a struggle," Executive Director Kieran Roe said. "But if we did not purchase the property, in five years we would be saying we missed out on an opportunity."

The economic downturn has helped land trusts in North Carolina and throughout the country. The land was appraised at \$4.5 million but would have sold for millions more three years ago.

"We are taking some risk," he said. "The hope is that when things improve at the state level it can become part of Chimney Rock State Park."

## Plans to build

The land's march toward preservation sounds like a novel. It is filled with fraud, murder and the bankruptcy of a multi-million development company.

Land Resources, a Florida development company, purchased 4,000 acres of land near Lake Lure from a timber company and planned to build a high-end residential subdivision called Gray Rock at Lake Lure. The developer platted phase one and two of the project and began selling lots in 2004, priced between \$250,000 and nearly \$1 million.

Sales were brisk. Land Resources sold more than 400 lots and pocketed over \$90 million, according to court documents.

For publicity, HGTV selected the property for its 2006 Dream Home. A showcase home was built and eventually given away to a contestant.

J. Robert Ward, 61, was the high-flying CEO of Land Resources. A self-made man, he built the company into one of the largest high-end land development companies in the United States. He and his wife, Diane lived in \$5.2 million house in the same community where Tiger Woods and Shaquille O'Neal lived in Florida.

Despite appearances, not everything was perfect. In October of 2008, Land Resources filed for bankruptcy. The company listed \$214 million in liabilities and \$115 million in assets.

The filing sent property owners into a frenzy. Roads were never constructed at Gray Rock, and property owners could not access their lots.

Land Resources' management of the property and fraud have added to their concerns. When Rutherford County approved the Gray Rock subdivision, the developer was required to purchase bonds. The bonds can be used to complete the roads and other infrastructure if the developer does not complete the project.

The developer purchased a \$26 million bond from Bond Safeguard Insurance and a \$15 million bond from AMS Surety Holding Corporation. After the bankruptcy, Rutherford County asked Bond Safeguard for the \$26 million to complete the infrastructure. The company claimed it was not required to pay out on the policy, because Land Resources did not use funds from lot sales to complete the infrastructure as required in the bond agreement.

Bond Safeguard has sued Land Resources and the financial institutions associated with the lot sales, and Rutherford County has filed suit against Bond Safeguard.

The bond with AMS Surety was determined to be fraudulent. The owner, Ray Miller, never allocated money to pay out the policy. Miller was arrested by the FBI and faces federal fraud charges.

The entire saga reached a crescendo in September when Ward allegedly shot and killed his wife inside the couple's multi-million mansion. He is in prison awaiting trial.

"There is a lot of human drama here," Roe said.

## Selling Gray Rock

The Gray Rock property has numerous contractor liens. Companies that did grading, surveying and other construction work were never paid.

Scott Morris is a managing partner at Evdevo, a company that purchases distressed properties. Evdevo has bought Roaring River in West Virginia and Stillwater Coves in Georgia, both former Land Resources properties, during the bankruptcy proceedings.

The situation at Gray Rock is different, Morris said. Land Resources purchased and managed the project without loans. So, all of the debt associated with Gray Rock is unsecured.

"Gray Rock did not have a lot of bankers lining up," Morris said. "There were a lot of unsecured creditors."

The Nature Conservancy had been in discussions with Land Resources about preserving a section of the Gray Rock development prior to the bankruptcy. It already owns 1,300 acre parcel that abut Gray Rock and wanted to create a larger tract of preserved land, planning to eventually turn the tract into a section of Chimney Rock State Park.

Through the bankruptcy court, a deal was negotiated where the Nature Conservancy would purchase approximately 1,400 acres of the development, and Evdevo would purchase the rest of the unsold lots. Evdevo would work to complete the roads and infrastructure, and the Nature Conservancy's purchase would pay off some of the unsecured debt.

"It would allow some of the unsecured creditors to get paid," Morris said.

The sale was originally scheduled to close in September, but the Nature Conservancy backed out of the deal. The economy forced the organization to put money into other projects.

"We had to figure out where we were going to put our limited financial and human capital," Nature Conservancy Mountain Program Director David Ray said.

The Nature Conservancy contacted Carolina Mountain Land Conservancy about purchasing the tract. Carolina Mountain Land Conservancy has a history of land protection in the area and played a key role in the creation of Chimney Rock State Park.

Roe said the parcel is important for wildlife protection and water quality and fits into the organization's goals.

"It adjoins another protected parcel, there are corridors for animals," Roe said.

Evdevo supports Carolina Mountain Land Conservancy's role in the deal

"We are thrilled that our partner on the contract is a conservation group," Morris said.

Cheap land but less public funds The real estate crash has brought numerous opportunities to land preservation groups. Developers are trying to unload stalled projects and land owners are not being offered huge sums of money for their land.

"There was a lot more competition for land," Roe said. "I have been working in land conservation for 10 years in this area, and I have never seen this many opportunities."

At the same time, public funding sources have dried up. The land trust has used Clean Water Management Trust Fund money on numerous projects in recent years. In February, Gov. Beverly Perdue transferred \$100 million out of the fund to help balance the state budget. The General Assembly only allocated \$50 million to the

fund for the 2009-2010 budget, but the money cannot be used for preservation efforts.

So far, Carolina Mountain Land Conservancy has gotten a \$620,000 donation from philanthropist Fred Stanback and has been approved for a \$1.6 million loan through the Conservation Trust of North Carolina. The groups needs \$300,000 to move forward and close the sale by the end of the year.

The long-term plan is to sell or deed the property to the state park's system, but the state does not have a lot of funds available to purchase lands within the park system right now.

North Carolina Division of Parks and Recreation spokesman Charlie Peek said Carolina Mountain Land Conservancy has been a good partner with the state in the past and was involved in the original creation of Chimney Rock State Park in 2007.

"We are open to conservancies offering us ways to expand parks, and that has happened at Chimney Rock State Park," Peek said.

Chimney Rock State Park is under going a master planning process. When completed the plan could identify specific parcels to purchase in the future, Peek said. The challenge right now, he said, is the lack of state funds.

"We have done it in the past, and we will do it in the future, probably at Chimney Rock" Peek said.

Roe said he will develop a contingency plan if he cannot raise the funds by Nov. 16, possible asking for an extension.

"In business, everything is negotiable," Roe said.

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