

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF TENNESSEE
NORTHERN DIVISION**

IN RE:)
)
TELLICO LANDING, LLC)
)
Debtor.) No. 11-33018
) Chapter 11

**MOTION FOR AUTHORITY TO OBTAIN CREDIT SECURED BY A SENIOR
LIEN ON PROPERTY OF THE ESTATE THAT IS SUBJECT TO A LIEN**

NOTICE OF HEARING

Notice is hereby given:

A hearing will be held on September 26, 2011 at 9:30 a.m. in Courtroom 1-B, First Floor, Howard H. Baker, Jr. United States Courthouse, 800 Market Street, Suite 330, Knoxville Tennessee on the following:

Motion for Authority to Obtain Credit Secured by a Senior Lien on Property that is Subject to a Lien.

If you do not want the court to grant the relief requested, you or your attorney must attend this hearing. If you do not attend the hearing, the court may decide that you do not oppose the relief sought in the motion and may enter an order granting that relief.

Tellico Landing, LLC, Debtor-in-Possession, pursuant to 11 U.S.C. § 364(d), hereby moves for an Order of the Court authorizing the Debtor-in-Possession to obtain credit secured by a senior lien on property of the estate that is subject to a lien. As grounds for this Motion, the Debtor-in-Possession states as follows:

1. The Debtor-in-Possession owns real property located at Rarity Pointe Resort consisting of 184 residential lots, vacant tracts, one house, the Rarity Pointe Golf Course, and a Discovery Center, in Lenoir City, Tennessee (hereinafter referred to as the "Rarity Pointe Real Property"). The Rarity Pointe Real Property has a fair market value of \$30,000,000.00.

2. Tellico Landing, LLC, owes the approximate principal amount of \$6,738,160.00 to Wind River Investments, LLC, for lots and tracts. The debt owed to Wind River Investments, LLC, is secured by a first priority Deed of Trust on the real property.

3. The Debtor-in-Possession needs additional funding in the amount of \$2,750,000.00 in order to reorganize. The primary use for the funds would include additional marketing efforts to aggressively market lots in Rarity Pointe for sale. A proposed budget for use of the funds is attached hereto as Exhibit A.

4. It is estimated that the sale of lots in Rarity Pointe will bring in gross revenue of approximately \$22,000,000.00. A true and correct schedule of the estimated sales prices for the various lots in Rarity Pointe is attached hereto as Exhibit B.

5. The Debtor-in-Possession has obtained a conditional commitment from Heritage Solutions, LLC, to provide secured financing in the amount of \$2,750,000.00. Among other conditions, the Debtor-in-Possession financing is conditioned upon this Court approving the Debtor having a senior lien on the Rarity Pointe Real Property that is subject to the lien of Wind River Investments, LLC. A true and correct copy of the Term Sheet from Heritage Solutions, LLC, is attached hereto as Exhibit C.

6. The Debtor-in-Possession has made efforts to obtain credit on other terms that would not require a senior lien on property of the estate but has been unable to obtain such credit otherwise.

7. The interest of Wind River Investments, LLC, in the Rarity Pointe Real Property is adequately protected by the \$30,000,000.00 value of the real property. In addition, as part of the Debtor-in-Possession financing, the Debtor-in-Possession is reserving the amount of \$350,000.00 for interest payments to be made to Wind River Investments, LLC, beginning in

September 2011. As lots are released for sale, the Debtor-in-Possession will pay sums certain to the DIP lender in order to obtain lot releases which sums will result in reducing the principal balance owed to the DIP lender. Upon the DIP lender being repaid, the release will be paid to Wind River Investments, LLC. A schedule of the sums to be paid upon release of the lots is included on Exhibit B.

8. Under the circumstances, the interest of Wind River Investments, LLC, in the Rarity Pointe real property will be adequately protected upon the granting of the superpriority lien in favor of Heritage Solutions, LLC.

WHEREFORE, Tellico Landing, LLC, Debtor-in-Possession, respectfully requests that the Court issue an Order of the Court authorizing the Debtor-in-Possession to obtain credit secured by a senior lien on property of the estate that is subject to a lien and that the Debtor-in-Possession have such other and further relief to which it may prove entitled.

Respectfully submitted,

/s/ Lynn Tarpy
Lynn Tarpy (006017)
Hagood, Tarpy & Cox, PLLC
2100 Riverview Tower
900 South Gay Street
Knoxville, Tennessee 37902
(865) 525-7313

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and exact copy of the foregoing motion and proposed order have been served upon Patricia Foster and Morris Kizer through the Court's electronic filing system and those listed on the filing receipt and all creditors and parties in interest listed below this the 12th day of September, 2011.

/s/ Lynn Tarpy
Lynn Tarpy

APAC Atlantic, INC
Harrison Construction
4817 Rutledge Pike
P.O. Box 6357
Knoxville, TN 37914

Long, Ragsdale & Water, PC
1111 Northshore Drive, NW
Suite S-700
Knoxville, TN 37919

Loudon County Trustee
PO Box 351
Loudon, TN 37774

LTR Properties
P.O. Box 4187
Maryville, TN 37802

LTR Properties
P.O. Box 4187
Maryville, TN 37802

LTR Properties, Inc.
100 Rarity Bay Parkway
Vonore, TN 37885

Michael L. Ross
P.O. Box 4187
Maryville, TN 37802

Michael Ross
2624 Carpenters Grade Road
Maryville, TN 37803

Rarity Point Comm. Assoc, Inc.
100 Rarity Bay Parkway
Vonore, TN 37885

Robert Stooksbury
12748 Shady Ridge Lane
Knoxville, TN 37934

Sun Sigh Graphics
1503 N. 6th Avenue
Knoxville, TN 37917

Tellico Lake Properties
P.O. Box 4187
Maryville, TN 37802

TN Department of Revenue
Andrew Jackson State Office
Building
599 Deadrick Street
Nashville, TN 37242

Ward Welchel
3003 River Haven Point
Knoxville, TN 37922

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3003 River Haven Point
Knoxville, TN 37922

Wind River Investment, LLC
c/o Lewis S. Howard, Jr., Esquire
4820 Old Kingston Pike
Knoxville, TN 37919

Exhibit A

Tellico Landing, LLC
DIP Financing Budget for Use of Funds

DIP Commitment Fee	\$ 60,000.00
Sales Expenses	\$ 75,000.00
Interest Reserve (Wind River)	\$ 350,000.00
Interest Reserve-DIP Financing	\$ 150,000.00
Advertising Money	\$ 1,100,000.00
State Taxes	\$ 75,000.00 *
County Taxes (TLL \$278,778)	\$ 750,000.00 *
Miscellaneous	\$ 100,000.00
Oliver Smith	<u>\$ 90,000.00</u>
(Balance from Miscellaneous Operating Funds)	<u>\$ 2,750,000.00</u>

* Estimate

Exhibit B

Filed Under Seal in the
Bankruptcy Court for the
Eastern District of Tennessee at
Knoxville

Exhibit C

Term Sheet for Rarity Point DIP Financing Proposal
September 9, 2011

- 1. LENDER:** Heritage Solutions LLC
- 2. BORROWER:** The Current Chapter 11 Debtor.
- 3. AMOUNT:** \$2,750,000 to be funded based upon an approved budget, over the term of the loan. Budget to be agreed at or prior to closing.
- 4. TERM:** 3 years from closing.
- 5. PRICING:** 8% interest rate paid monthly in arrears. In addition to the interest rate detailed above the lender will be given an "equity kicker" equal to 5% of the gross sales price of any and all assets encumbered by the DIP financing.
- 6. COLLATERAL:** All of the assets encumbered by the existing first mortgage as more particularly detailed and described in the closing documents. Lender is entitled to a first lien super priority claim against all assets of the Debtor.
- 7. CONDITIONS PRECEDENT TO CLOSING:**

Conclusion of required due diligence to include but not be limited to:

 - a. Verification of information submitted to date
 - b. Confirmation of ability to sell lots without impairment
 - c. Environmental conditions
 - d. Confirmation of income and expenses for common areas
 - e. Confirmation of income and expenses for golf course operations
 - f. Approved marketing plan
 - g. Approved operating budget
 - h. Bankruptcy court restructuring plan acceptable to the lender
 - i. Verification of lot sales to date and remaining lots to be sold
 - j. Review and verification of a title report for the assets to be collateralized by the DIP financing.
 - k. Other items commercially reasonable for financing of this type.

**8. ADDITIONAL
CONDITIONS:**

Borrower will grant Lender the right of first offer to provide or facilitate refinance of the existing first mortgage debt as well as the right to match any proposals for same.

These terms have been accepted by the parties hereto and will be incorporated into loan and security documents, which will be presented to the Bankruptcy Court for approval.

Agreed upon as of September 9, 2011

James R. Fitzgerald

Tellico Landing, LLC

Michael L. Ross, Managing Member

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF TENNESSEE
NORTHERN DIVISION**

IN RE:	§	
	§	
TELLICO LANDING, LLC,	§	No. 11-33018
	§	Chapter 11
Debtor.	§	

**ORDER APPROVING AUTHORITY TO OBTAIN CREDIT
SECURED BY A SENIOR LIEN ON PROPERTY OF THE ESTATE THAT IS
SUBJECT TO A LIEN**

Upon Motion of the debtor, notice, and for good cause shown it is ORDERED
that the debtor has authority to obtain credit pursuant to the terms set forth in the Motion
filed herein.

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/s/Lynn Tarpy
Lynn Tarpy (006017)
Hagood, Tarpy & Cox, PLLC
Riverview Tower, Suite 2100
900 South Gay Street
Knoxville, Tennessee 37902
(865) 525-7313