

UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF TENNESSEE  
NORTHERN DIVISION

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In re: )  
 ) Case No.: 11-33018  
TELLICO LANDING, LLC )  
 ) Chapter 11  
Debtor-in-Possession )

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OBJECTIONS OF U.S. TRUSTEE TO  
DEBTOR'S DISCLOSURE STATEMENT

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The U. S. Trustee, in furtherance of the administrative responsibilities imposed under 28 U.S.C. § 586(a), hereby submits that the debtor's Disclosure Statement filed October 4, 2011 ("Disclosure Statement"), is deficient in the following respects:

1. Vote Required - The debtor should explain the vote required for approval of the Plan pursuant to 11 U.S.C. § 1126(c) and should clearly indicate that creditors and interest holders have a choice: they can either vote for or against the Plan.
2. Description of Assets and Liabilities - The debtor should include a more thorough description of all of the assets currently owned by the debtor, including the scheduled values. There is a discussion claiming that the development contains 660 acres but there are also references to 322 acres. The debtor should disclose exactly how much property is available for sale (acreage and lots), how much has been purchased and how much is greenspace or common areas or golf course. There should also be a discussion regarding the ownership and value of the golf course equipment.
3. Disclaimer - The debtor should include a disclaimer stating that no statements or information concerning the debtor or its assets or securities are authorized other than those set forth in the Disclosure Statement.
4. Anticipated Funding of the Plan – The Disclosure Statement should contain more

information regarding the proposed DIP financing for the Plan. Specifically, the US Trustee recommends attaching the most recently amended Motion for Authority to Obtain Credit and include a discussion of the experience and principals behind Heritage Solutions LLC and any relationship Heritage has to the principals of the debtor. The ability of Heritage to fund the proposed loan should also be discussed.

5. Historical Financial Statements –The Disclosure Statement should include a copy of the most recent monthly operating report which Chapter 11 debtors are required to file pursuant to E.D. Tenn. LBR 2015-2 and the U. S. Trustee Guidelines for Debtors-in-Possession. Such report should include the balance sheet and income statement inclusive of year-to-date information. The debtor has not had any income during the pendency of this case and that should be clearly disclosed. The arrangement between the debtor and LTR regarding the operation of the debtor’s golf course should also be briefly discussed. The Disclosure Statement appears to be stating that LTR is funding losses incurred by the golf course but if the debtor would be entitled to profits from the operation of the golf course, that should be disclosed.

6. Description and Treatment of Claims and Classes – The Disclosure Statement should state the amount of the anticipated monthly interest payments to be made to Class 3 (the DIP Lender) and Class 4 (Windriver). There should be a specific disclosure that DIP loan proceeds will be used to pay these interest payments in the absence of lot sales necessary to fund them.

7. Liquidation Analysis - The debtor should include an adequate Chapter 7 liquidation analysis. The Disclosure Statement seems to state that the lots and golf course have a value of \$32,000,000 but would not bring enough to pay the \$6.7 million claim of Class 4 if liquidated by a Trustee. The debtor must offer some independent support for this broad conclusion.

8. Best Interests Test - The debtor should explain how the "best interests" test of 11 U.S.C. Section 1129(a)(7)(A)(ii) will or will not be satisfied. This test requires that each dissenting creditor must receive more than the liquidation value of his or her claim.

9. Projections – The debtor claims it can and will sell \$22,000,000 worth of undeveloped lots over a 5 year period in order to consummate this Plan of Reorganization. Due to the present state of the economy and the real estate market in Loudon County, the U.S. Trustee is very dubious of the debtor's ability to accomplish this. The Disclosure Statement speaks of a massive marketing campaign. To the extent the proposed marketing team has accomplished a sale of this magnitude with similar type property in the last three years, the Disclosure Statement should include this information.

10. Risks - The debtor should explain the risks posed and options available to creditors in the event the debtor is unable to obtain the DIP Funding or otherwise comply with the terms of the Plan.

11. Exhibits – The Disclosure Statement contains some attachments which are relevant to the history of the development but not really necessary for the discussion of the proposed reorganization and will increase the distribution costs to the Estate. Specifically, Exhibit 1 regarding restrictive covenants and Exhibit 2 regarding the apparently defunct plan for a Lodge and Spa are superfluous. Similarly, Exhibit 5, the Rarity Pointe Club Membership Plan and Exhibit 4 the Re-stated Operating Agreement do not add much to the reorganization discussion. The Memorandum of Understanding between Mr. Ross and his partners is relevant to on-going litigation. The HUD Property Report may be relevant to the extent that it discusses future phases of development.

12. Litigation – The status and probable outcome of any on-going litigation involving the debtor should be discussed.

Wherefore, the U. S. Trustee asserts that without the above information the Disclosure Statement

does not contain adequate information as required by 11 U.S.C. § 1125(a), which would permit a party in interest to reach an informed judgment concerning the Plan of Reorganization. See generally, *In re Scioto Valley Mortgage Co.*, 88 B.R. 168 (Bankr. S.D. Ohio 1988).

Respectfully submitted,

Samuel K. Crocker  
United States Trustee, Region 8

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CERTIFICATE OF SERVICE

I hereby certify that on October 27, 2011 a copy of the foregoing Objection of U. S. Trustee to Debtor's Disclosure Statement was electronically filed in the captioned matter and served by Notice of Electronic Filing on Lynn Tarpay, attorney for the debtor, at ltarpay@htandc.com.

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