

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

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

SECOND DISCLOSURE STATEMENT

Comes the Debtor pursuant to 11 U.S.C. 1125 and submits this Disclosure Statement. The debtor is a Tennessee limited liability company with its principal place of business in Loudon County, Tennessee and an office in Monroe County, Tennessee. The company’s business is the development and sale of an upscale residential community along and near Tellico Lake known as “Rarity Pointe”.

The Rarity Pointe community currently consists of approximately 660+ acres situated on the TVA /Tellico Lake Reservoir System and is bordered by approximately six (6) miles of shoreline on the Little Tennessee River and Tellico Lake. The property is located in Loudon County, Tennessee, on Highway 321 approximately seven (7) miles from Interstate I-75, at exit 81. Rarity Pointe is supported by Commercial Trade areas which include: Lenoir City (5 miles), Farragut (8 miles), Maryville (14 miles) and West Knoxville city limits (12 miles). The 660 acres includes the rarity Pointe Golf Course and the 322 acres for residential development. There remains today 184 lots for sale. Approximately 200 lots have previously been sold. The debtor owns the golf course which is operated by LTR. The golf course is not making a profit and is being subsidized by LTR at approximately \$200,000 to \$300,000 annually. The debtor does not own the golf course equipment.

The property ownership history is important as it is part and parcel of Rarity Pointe’s status today. In 1993 a group of eight local area businessmen brought about formation of Tellico Landing, Inc., a Tennessee corporation, to pursue the land acquisition of approximately 1,500 acres of TVA and TRDA held lands along the Tellico Reservoir. Their plans were to develop a major commercial/retail

center; theme park; sporting complex; entertainment village; equestrian center, and outdoor recreational and water sport retailer and marina, as well as several other proposed retail components.

In August of 1995 partners of Tellico Landing, Inc., purchased the 322-acre tract of TRDA property centered within the approximate 1,500-acre, proposed commercial, lake-front development - by securing bank financing of approximately \$1.4 million dollars.

By the close of 1997 the scope and magnitude of the proposed venture brought about increased public awareness of TVA's potential decision to approve plans for the sale of the large tracts of TVA waterfront lands, requiring an in-depth study and environmental assessment of the impact on the natural habitat along the Reservoir, as well as the financial feasibility of the development entity. This process of due diligence on the part of TVA and the inability to secure investor participants gave way to the subsequent abandonment of the project by a number of the original development partners in Tellico Landing, Inc.

On April 1, 1998, Tellico Landing, LLC, a Tennessee limited liability company, was chartered with the State of Tennessee with three members:

- (1) Tellico Players Club, LLC, which included two of the original partners of Tellico Landing, Inc.,
- (2) Ward Whelchel, a Knoxville attorney, and
- (3) Robert Stooksbury, a Knoxville custom-home builder.

The newly chartered Tellico Landing, LLC, assumed ownership of the TRDA tract and its members became responsible for the re-payment of the existing mortgage note of approximately \$1.4MM.

In 1999 TVA officially withdrew its interest to convey the additional TVA lands needed to develop the proposed 1,500-acre retail/commercial development.

In September, 2001, after several failed attempts to design a financially feasible Plan of Development for the 322-acre site and the inability to secure the additional capital needed from new

development partners, Tellico Landing, LLC members Robert Stooksbury and Ward Welchel approached Rarity properties developer, Michael L. Ross to determine possible interest on the part of "Rarity" to develop the property. Laden with the continuing financial responsibility for payment of the mortgage note for the 322-acre site, Stooksbury and Welchel were interested in discussing Michael Ross's possible financial involvement and alternatives that may be available to Tellico Landing, LLC, to reduce the risk of forfeiting the property.

On October 29, 2001, Rarity Properties developer, Michael L. Ross, together with Robert Stooksbury and Ward Welchel of Tellico Landing LLC, with knowledge of Tellico Players Club, LLC, signed a Memorandum of Understanding ("MOU") defining and agreeing to the terms and conditions defined therein regarding: transfers, contributions by all parties, ownership structure, repayment of loans, distribution of sales proceeds; agreements regarding Golf Course, Club and Lodge; managing duties and responsibilities, approval rights and the right to amend.

On December 19, 2001, Michael L. Ross filed a charter with the State of Tennessee to form LTR Properties, Inc., a Tennessee Corporation, as the entity to have membership in Tellico Landing, LLC, under the terms agreed upon in the MOU. LTR Properties, Inc., owned 100% by Michael L. Ross, was to have 50% ownership in Tellico Landing, LLC. Michael Ross would become the Chief Manager of Tellico Landing LLC.

In January 2002 based on the agreed upon terms set forth in the MOU, Rarity properties developer Michael Ross and the Rarity team, began the process of due diligence to determine highest and best use for the 322-acre site; design a financially feasible master concept plan; develop a sales and marketing strategy and budget to secure immediate return on investment; and conduct a needs assessment necessary to define key target dates critical path tolerances related to the development of roads, underground utilities and proposed amenities. Ward Welchel and Robert Stooksbury participated in most of these meetings.

By April 2002 the Rarity land planning, engineering, and design team had identified components of the Master Concept Plan to include an 18-hole, golf course and supporting facilities based on Rarity's prospect tracking and buyer analysis.

As developer of Rarity Bay, Michael Ross had earned the respect of TVA and TRDA as the first developer on the Tellico Reservoir to adopt the TVA Shoreline Management Plan. Rarity Bay had initiated this program early in its infancy. From its inception in 1994, Rarity Bay had been a "model" community, educating property owners regarding the importance of complying with TVA's shoreline management initiatives. Via the Rarity Bay Design Guidelines, Rarity development operations personnel established oversight of the shoreline preservation. Many Rarity Bay residents were involved in community awareness programs via participation in the "Clean Water" organizations.

Plans for Rarity Pointe included the acquisition of additional lands to include a 119-acre tract of TVA property contiguous to the 322 acres owned by Tellico Landing LLC.

By early 2002 Michael Ross had engaged the Rarity planning and development team, with input and participation from Robert Stooksbury and Ward Whelchel, to expedite the initial site planning and engineering plans for the new "Rarity Pointe" community and establish the "critical path timeline" necessary to launch marketing efforts.

Rarity's team of consultants consisted of land planners, architects, civil and structural engineers, and specialized real estate development attorneys. In-house personnel included experienced members of the construction, sales, marketing and financial management team - supported by development operations personnel and certified association/ property management professionals.

On May 29, 2002, LTR Properties, Inc. with Michael Ross as President, Ward Welchel, and Robert Stooksbury, the members of Tellico Landing, LLC, agreed and signed a formal Operating Agreement that Michael L. Ross, as Chief Manager of Tellico Landing, LLC, would have 50% interest. Robert Stooksbury and Ward Welchel would each retain 25% membership. Tellico Players Club, LLC, would relinquish any and all membership rights in Tellico Landing, LLC, based on the terms of a separate understanding. As further defined in the Tellico Landing, LLC, Operating Agreement signed on May 29, 2002, LTR Properties, Inc. president, Michael Ross as the Chief Manager of Tellico Landing, LLC, would have final decision with regard to all aspects of the development of the Rarity Pointe Community without interference from members, specifically Ward Welchel and Rob Stooksbury, and that LTR Properties, Inc. would have total ownership responsibility for the design, construction, operation, profit and loss of the Rarity Pointe amenities. The agreement included a provision that Tellico Landing LLC, would deed lands for the Golf Course and supporting amenities to LTR Properties, Inc. upon completion of the Rarity Pointe Golf Course and Practice Facilities on which LTR expended approximately \$12,700,000.00. LTR used some of the social membership fees to construct the golf course and marina. The membership fees were the property of LTR and have never been property of the estate.

By the close of June 2002 Rarity's legal team had begun preparation of all the necessary development documents: Master Declaration of Conditions, Covenants and Restrictions for Rarity Pointe and The By-Laws for the Rarity Pointe Community Association, Inc. - which had been chartered as a non-profit Tennessee corporation on May 25, 2002; Supplemental Declarations for phases I,II, and III; initial drafts of the Club Membership Documents and the Rarity Pointe Architectural Design Guidelines - were in the final review and approval stages.

In late 2002 the Rarity team filed the Rarity Pointe Plan of Development with the office of TVA in preparation for a public hearing to acquire the additional 119 acres of TVA lands needed to accommodate the proposed development of the Rarity Pointe Golf Course and supporting facilities.

TVA subsequently initiated plans to conduct an Environmental Assessment to determine the impact of the Rarity Pointe Development Plan on the natural environment and the shoreline. Tellico Landing, LLC, agreed to support the development of a Public Trail System that would require easement across the proposed Rarity Pointe community. In addition to this minimum requirement, Tellico Landing, LLC, agreed to construct a Trail Head/Rest Area to provide access to the Public Trail. As "Rarity" had earned its reputation for preserving the environment by designating natural preserve areas such as the Rarity Bay wildlife corridor which gave wildlife access to the shoreline and natural water supply. TVA agreed to the purchase of 119 acres of additional TVA lands and the construction plans and specifications for the construction of the Rarity Pointe 18-hole, golf course were initiated.

To further comply with the intent of the TVA 60,000A, guidelines, LTR Properties Inc. began discussion with representatives of Lawler Woods and Associates, Inc., to deliver a financial feasibility study to establish the GMP (Gross Maximum Price) to construct and provide construction management services for the proposed Rarity Pointe Lodge and Spa, a Condominium Hotel, incorporating a spa, dining, fitness, tennis, swimming, and Concierges' services located in the Phase I, East Tower construction.

Condominium purchasers were to have an onsite Rental and Property Management Program available to them. The Lower, Main and First Floor levels of the East Tower would contain the major club amenities for the Rarity Pointe community. Plans were targeted to launch the Rarity Pointe Lodge and Spa, Phase I, East Tower condominium offering in July, 2004, to be completed in conjunction with the targeted opening of the Rarity Pointe Golf Course and Practice facilities.

Rarity Property Management Company, Inc. had been chartered on May 16, 2002, by Michael Ross to initiate the necessary documents to establish and operate the onsite rental and property management program in compliance with the TVA, TRDA requirements. A 15-acre site to construct the Rarity Pointe Hotel Condominium Lodge and Spa was designated and agreed upon by all members of Tellico Landing LLC. Rarity's legal team was engaged to prepare the necessary legal documentation to support the Hotel Condominium pre-sales offering.

The close of 2002 the Rarity Sales and Marketing team, under the direction of Rarity Vice President of Sales, Fred McArthur, had closed sales of custom building sites in excess of \$3.6M. Based on early sales indicators, marketing plans and budgets and introductory pricing of sites related to the preparation for the official pre-sales launch for Phase I of Rarity Pointe were approved by Tellico Landing, LLC, members. The approved marketing plan included an awareness campaign to Rarity Bay's existing prospect database, as well as a national advertising campaign in Southern Living, Live South, Links Magazine and the DuPont Registry and others. Development of a Rarity Pointe Website, financially supported for search optimization to attract prospects via the Internet was also approved.

By the close of 2003 Rarity Pointe custom building site sales volume had exceeded \$20M. Unit pricing increased as interest in the proposed Rarity Pointe "Hotel Condominium" known as the Rarity Pointe Lodge and Spa Condominiums was rapidly increasing. Several Rarity Bay property owners had purchased custom building sites at introductory pricing and had registered early interest in the Condominium offering. The sales and marketing team operated from the Rarity Bay Information Center, where the success of Rarity Bay, with completed club amenities, golf course, equestrian center and architectural design character was lending credibility to the new Rarity Pointe Community.

LTR Properties, Inc., president and Rarity Bay developer Michael L. Ross, with approval from Tellico Landing, LLC, initiated plans to begin the design and development of the Discovery Center onsite at the entrance to Rarity Pointe. The Discovery Center would be home to Rarity Pointe Sales,

Rentals and Property Management and was scheduled to open in conjunction with the first occupants of the Rarity Pointe Lodge and Spa condominiums.

In late 2003 LTR Properties, Inc., at the direction of Michael L. Ross retained the architectural services of Charlan, Brock and Associates, Inc., of Orlando, Florida, to work in tandem with Lawler Wood & Associates and the Rarity planning team to provide a detailed GMP (Gross Maximum Price) to construct the Rarity Pointe Lodge and Spa and East Tower condominiums, as well as a completed financial feasibility study to arrive at recommended condominium unit pricing based on the preliminary Master Concept Plan approved by members of Tellico Landing, LLC.

Lawler Wood and Associates, Inc. had been responsible for the construction management oversight of a number of large, high-rise commercial buildings in downtown Knoxville. Charlan, Brock and Associates of Orlando, Florida, had an extensive background in the architectural design of luxury high-rise condominium developments in the southeast U.S. Preliminary site development and engineering analysis, construction plans and specifications and interior finishes were to be supplied the Lawler Wood team by Charlan Brock Associates together with organizational oversight by Rarity management personnel.

By the Close of 2003 Lawler Wood and Associates, Inc. was retained to complete an evaluation and recommendation regarding the financial feasibility for the Phase I construction of the Lodge and Spa amenities and East Tower condominiums with the intent of identifying targeted condominium unit pricing to be available to the Rarity Sales and Marketing team by May of 2004. Weekly planning meetings headed up by Michael Ross were attended by various consultants. Robert Stooksbury desired to personally participate in these meetings.

LTR Properties, Inc. retained the services of Robert Cupp, a highly respected golf course designer and former associate of Jack Nicklaus, to begin the preliminary design of the Rarity Pointe

Golf Course and Practice facilities. Plans were to “grand open” the Golf Course and Practice facilities to be available for first occupants within the Rarity Pointe Lodge and Spa.

Beginning January 2004 Rarity personnel were committed to 10-hour days to carefully execute every detail in advance of the launch of the Rarity Pointe Lodge and Spa Condominiums. The successful pairing of parallel sales and marketing readiness with the on-time delivery of overall construction and development costs, sales and marketing expenses and general and administrative overhead costs, consumed the efforts of the Rarity development team.

The “whisper campaign” for the luxury Rarity Pointe Lodge and Spa Condominiums was drawing interest in the purchase of custom building sites in Phases I and II. A pre-sale condominium reservation program was established to track and retain interest in purchasing a condominium in the East Tower of the Lodge and Spa. Interest in being placed on the Reservation list was growing.

On March 1, 2004, Michael L. Ross formed RPL Properties, LLC, as Chief Manager and Sole Member under the terms of the Operating Agreement of RPL Properties, LLC, signed by Michael Ross as Chief Manager on March 1, 2004. The design and construction and soft costs related to the development of the Rarity Pointe Lodge and Spa Condominiums fell to RPL Properties, LLC, under the direction of Michael Ross as Chief Manager.

By April 2004, Rarity Bay and the new Rarity Pointe community was drawing significant attention from the local media, and Rarity Pointe was being touted as Knoxville’s newest luxury Golf Course community. The proposed Bob Cupp, designed golf course with its eventual Audubon designation and the “coming soon” Rarity Pointe Lodge and Spa had turned the spotlight on developer Michael Ross.

Lawler Woods and Associates completed financial feasibility study for the proposed Rarity Pointe Lodge and Spa. Their conclusions supported the initial construction of the 104-unit East Tower of the Rarity Pointe Lodge and Spa. Reservations were continuing to grow in numbers as projected

condominium unit pricing was released in preparation for the confirmed July 10, 2004, Lodge and Spa Launch event.

Early 2004 the Rarity Pointe Lodge and Spa Club Membership Documents were in final draft for review, established to work within the framework of the Condominium Hotel concept. The Master Deed and Restrictive Covenants for the Condominium East Tower were being finalized. Sales agents were given important corporate directives regarding escrowing of deposits, the rental program, available furniture packages and a complete overview of all the Rarity Pointe development documents.

GreenBank, among other lenders, in conjunction with the preliminary information released by Lawler Woods and Associates, had registered interest in participating in the construction funding for the East Tower of the Rarity Pointe Lodge and Spa.

As average sale pricing of custom building sites was increased, 2004 annual sales volume was projected to exceed \$10M. The sales and marketing team headed up by Fred McArthur succeeded in delivering Rarity Pointe building site sales at a pace in keeping with the development of the roads, water and sewer construction of phases I, II and III of Rarity Pointe.

As more fully described in the May 29, 2002, Operating Agreement, LTR Properties, Inc. was singularly responsible for the construction, operation, profit and loss of all Rarity Pointe amenities. Per the operating agreement, Tellico Landing, LLC, agreed to deed the lands for the golf course and supporting facilities to LTR Properties, Inc. upon completion. Subsequently, LTR Properties, Inc. in good faith released approvals to begin site preparation for the 18-hole, golf course, which eventually opened in October, 2007. (To-date the property has never been conveyed.)

The escalating interest in the Rarity Pointe Lodge and Spa Condominiums continued to draw increasing interest from the regional real estate community and continued to positively impact additional lot sales in Phases I and II.

Having secured the necessary entitlements and development approvals, RPL Properties, LLC, under the direction of Michael Ross, Chief Manager confirmed the "Pre-Sales Launch Event" as planned for July 9th and July 10th, 2004. The Rarity Pointe Sales and Marketing team greeted potential buyers at a Welcome Reception the evening of July 9th, before their Saturday appointment.

Prior to discussing their purchase, buyers were presented with the required legal documentation and copies of the Master Deed of Restrictive Covenants and the Condominium Association By-Laws, a proposed annual condominium budget for projected common area maintenance, Club Membership documents and a copy of the purchase and escrow agreements to review prior to their decision to keep their appointment time with a licensed real estate agent.

On July 10, 2004, RPL Properties, LLC, had commitments for 82 of 104 units available in the East Tower. Earnest money deposits were placed in an escrow account. Total sales volume had exceeded \$72M. Together with sales of custom building sites in Phases I and II, Rarity Pointe was well on its way to achieving near \$100M in gross sales revenue since September, 2001 when Robert Stooksbury and Ward Whelchel had first approached Rarity properties developer Michael Ross for assistance to avoid losing their investment of approximately \$1,446,013 as noted in the Tellico Landing Operating Agreement, dated May 29, 2002.

The success of the Rarity Pointe Lodge and Spa Pre-Sales Event had positioned the Rarity brand in the spotlight raising local public awareness of the Rarity Pointe Lodge and Spa, and Rarity Pointe.

In September, 2004 preliminary (GMP) Gross Maximum Price reports from Lawler Woods and Associates indicated that total projected costs for the Rarity Pointe Lodge and Spa and hotel condominium units together with the sales price of the 82 committed units would produce gross profits upwards of approximately \$30M. Final GMP costs would be finalized when construction working

drawings, structural and mechanical engineering specifications and plans could be released for sealed bid.

In December, 2004 Robert Stooksbury and Ward Welchel, having continually indicated their support of the Rarity Pointe Lodge and Spa Condominium concept, requested to participate individually with Michael Ross in the Rarity Pointe Lodge and Spa condominium project. On December 31, 2004, Robert Stooksbury and Ward Welchel entered into a "Profit and Losses Agreement" with RPL Properties, LLC, Chief Manager, Michael Ross.

January 2005 final revisions to interior specifications, the completion of architectural working drawings, site and mechanical engineering plans were underway. The final analysis of detailed costs of construction for the East Tower Condominiums and Lodge and Spa amenities would need to be completed prior to securing construction financing.

By mid-2005 completed project cost analysis as defined in the GMP reports by Lawler Wood and Associates, assumed an approximate \$7M cost-to-date of Rarity Pointe sales and marketing expenses to be reimbursed to RPL Properties, LLC and Tellico Landing, LLC; detailed site development costs, as well as hard and soft costs of construction, general and administrative expenses, future sales and marketing soft costs and "worst-case" contingencies - suggesting that with committed sales pricing of the sold units and final gross sales of all 104 units, Rarity Pointe Lodge and Spa Phase I completion could deliver a 2-3% return on investment and individuals Ross, Stooksbury and Welchel could expect a worse case "break even" with all contingencies included.

By July 2005 with the growing public awareness and reports of unprecedented pre-sales success of the Rarity Pointe Lodge and Spa - sales of custom building sites in Rarity Pointe phases, I, II and III were significantly beyond projections as annual gross sales of building sites in 2005, topped \$31M, compared \$10M in 2004 a 300% increase.

With condominium contracts holding and new interest in additional units continuing to sustain gross sales volume, Green Bank agreed to proceed with preparation of the construction loan documents. RPL Properties LLC, at the direction of Michael Ross and the Rarity team were prepared to move forward with construction of the East Tower condominiums which encompassed Main and 1st floor amenities and Lower level parking.

With 80% of the East Tower condominium units contracted for purchase, priced from \$520K to more than \$1.3M per unit, it was the expectation of RPL Properties, LLC, that eventual gross profits to be realized from the sale of units in the West Tower could earn significant net profits.

As chief manager and 100% owner of RPL Properties, LLC, and chief manager with 50% interest in Tellico Landing, LLC, Michael Ross proceeded to secure construction financing for the project. To secure the approved construction funding, Green Bank would require Tellico Landing, LLC, to pledge the 15-acre site and agree to give Green Bank a second mortgage position on existing assets. RPL Properties, LLC, would also be required to pledge assets and all members of Tellico Landing, LLC, and RPL Properties, LLC, would be required to sign a personal guarantee.

Based on the final cost analysis and the committed sales of condominium units, RPL Properties, LLC chief manager Michael Ross instructed representatives of Green Bank to prepare the necessary construction loan documents for signature. However, without the guarantee of significant profits expected from the Lodge and Spa, East Tower project, Robert Stooksbury refused to sign the necessary loan documents to secure the financing for the commencement of the Rarity Pointe Lodge and Spa project.

In August 2005 Rarity Pointe Lodge and Spa condominium buyers, hearing the news of the construction funding delays had become fearful for their earnest money deposits. Rarity Bay residents who had signed condominium purchase agreements at Rarity Pointe were sharing their lack of confidence in the Rarity development team – raising questions regarding the credibility of the Michael

Ross. After much disappointment and the obvious need to manage “damage control” on behalf of the Rarity Pointe community, as well as other Rarity communities underway, RPL Properties, LLC at the direction of Michael Ross had been left with no other choice than to return escrow deposits to Rarity Pointe Lodge and Spa condominium purchasers with a letter of apology offering them an opportunity to purchase a custom building site within existing phases of the Rarity Pointe community.

As the local media reported the demise of the Rarity Pointe Lodge and Spa project, pending and future sales within other Rarity properties began to slow. The Rarity Sales and Marketing team launched an immediate campaign to talk with all disappointed purchasers who had settled on locating to Rarity Pointe or other Rarity properties with the hopes of retiring to eastern Tennessee.

By late 2005 the Rarity legal team amended The Rarity Pointe Property Report to disclose the abandonment of the Rarity Pointe Lodge and Spa Condominium project due to the inability to secure construction funding. The construction and development team had already commenced site development for the Rarity Pointe Discover Center and Gate House at the entrance to the community on Highway 321.

The timing for the opening of the Discovery Center to house the ongoing Realty Sales, Rental and Property Management operations had been planned to support the first occupants of the East Tower Lodge and SPA. Without the financial support of the Lodge and Spa rentals and future condominium sales in the West Tower, the timing for bringing the Discovery Center online would result in unnecessary operating expense on behalf of Tellico Landing, LLC. Additionally, the approximate \$7MM of related sales and marketing expenses and soft and hard construction costs were unrecoverable as potential return from gross sales had been eliminated because of cancellation of the hotel condominium.

At the close of 2005 Rarity Pointe custom building site sales for that calendar year had exceeded \$31MM in total sales volume with unit pricing increasing as planned.

To repair the growing negative perception shadowing Rarity Pointe, LTR Properties, Inc. at the direction of Michael Ross escalated the timeline for completion and grand opening of the Rarity Pointe Golf Course. The golf course was receiving its status as Tennessee's first, Audubon Signature Golf Course, a designation given to Golf Courses across America by the National Audubon Society for designing and naturally integrating the course to be environmentally friendly to wildlife inhabitants. The Golf Course opened in October of 2007 with rave reviews and continues to operate under the management of LTR Properties, Inc.

The Rarity development team had invested more than three years in the successful development planning of Rarity Pointe Condominium Hotel, only to have its future success rest upon the actions of one individual who had continually demonstrated an overall lack of cooperation since the early planning days in 2002, while realizing personal profits/gain as early as late 2003.

By mid-2006 with sales plummeting, Robert Stooksbury became less cooperative, involving himself in meetings, debating planning decisions and slowing the progress of development decisions. With sales waning, Stooksbury continually requested an ongoing accounting of development expenses and copies of all closings. By early 2007, it became apparent that Rarity Pointe's once growing success had been stalled.

Rarity Pointe year-end developer sales totals:

2002	\$1.5M
2003	\$19.2M
2004	\$10.4M
2004	\$72.5M (Unrealized Condominium Sales)
2005	\$31.9M
2006	\$12.2M
2007	\$ 8.7M
2008	\$1.2M
2009	\$350K
2010	\$ -0-
2011	\$ -0-

By the beginning of 2008 Rarity Pointe sales had decreased significantly. Economic indicators were strongly suggesting the advent of a troubled economy on the horizon. Early reports of property foreclosures were beginning to surface among Rarity Pointe property owners who had chosen to finance their purchase in prior years. With the impact of the lack of sales occurring in 2008, Tellico Landing, LLC, was unable to service the debt on the development line of credit held by SunTrust Bank. As 2008, came to a close, Tellico Landing, LLC, had defaulted on the development loan with SunTrust Bank.

The impact of the SunTrust decision not to renew the development loan thwarted the possibility of future sales. The SunTrust default was made part of the updated Rarity Pointe Property Report given to potential buyers prior to purchasing Rarity Pointe property.

At the close of 2009 Tellico Landing, LLC, recorded annual gross sales of \$350,000. Rarity Pointe Realty continued to staff the onsite sales, rentals and property management office in the Discovery Center. LTR Properties, Inc. as the Declarant managed all aspects of the Rarity Pointe Community Association, Inc., appointing two residents to the Board of Directors to facilitate ongoing input from Rarity Pointe property owners.

LTR Properties, Inc. continued the daily operation of the Rarity Pointe, championship golf course and practice facilities. The golf course continues to be well-maintained and open for play. LTR funds the shortfall in revenues from the golf course in order to cover the costs of maintenance and operations.

With the downturn of the economy reaching its most critical point at the close of 2009, the Rarity Sales and Marketing team continued to serve the needs of property owners and banks who desired to rent or re-sell their Rarity Pointe properties. Rarity Pointe Realty re-sale volumes of distressed properties from January 2008 through September 2011, exceeds \$9MM.

In May 2009 Robert Stooksbury filed a law suit in the State of Tennessee, Blount County Chancery Court naming Michael L. Ross; LTR Properties, Inc.; RPL Properties, LLC; LC Development Company, LLC; and Rarity Management Company, LLC, as parties engaged in fraudulent activities and actions. Ward Whelchel would not agree to be a party in the litigation. The above described Defendants, filed a counter claim stating that Robert Stooksbury has not only irreparably damaged the named defendants with his unproven allegations, he had further damaged the Rarity brand, the Rarity Pointe property owners, and property owners within other Rarity developments at a time when such damage exacerbated the parties in ability to recover their financial losses.

A civil suit has also been filed in the U.S. District Court in Knoxville against Michael Ross and Michael Ross related entities which impact the debtor negatively. Both the state and federal court suits are pending.

Michael Ross individually and Michael Ross controlled entities named as parties to these allegations, have remained committed to sustaining operations within the Rarity Pointe community in an effort to serve the needs of existing property owners in hope of recovering the value of remaining assets on behalf of the parties.

Tellico Landing, LLC, made Robert Stooksbury continually aware of all conduct of actions and activities with regard to the sales, marketing, financing, construction and planning of all amenities throughout the course of his involvement in Tellico Landing, LLC, and has been provided with ongoing accounting per his continual requests. That Robert Stooksbury was not questioning the actions and conduct of the parties named, until such time that sales began to slow, impacting his personal distribution.

It is the opinion and working experience with Robert Stooksbury personally and individually, that cause Tellico Landing, LLC, to believe that the single action taken by Robert Stooksbury where

upon he refused to fulfill his obligation in the securing of construction financing for the Rarity Pointe Lodge and Spa condominiums is a breach of the terms of the original Operating Agreement dated, May 29, 2002, and the terms of the "Profit and Losses Agreement, dated December 31, 2004, that damaged Tellico Landing, LLC and RPL Properties, LLC and Michael Ross as chief manager of those entities to the extent that the Rarity Pointe project and community could not recover; further damaging Rarity Pointe property owners at large.

Because LTR Properties, Inc., with Declarant rights and obligations that run with title to all Rarity Pointe properties that have been subjected to the Master Declaration of Conditions, Covenants and Restrictions via the recording of all final Plats for phases I, II, III and IV, the debtor knows that Rarity Pointe has sufficient assets remaining to repay its existing creditors, deliver additional amenities as promised by LTR Properties, Inc., in the terms of the Original Operating Agreement, as well as provide Rarity Pointe with the opportunity to continue to be a viable and successful community on behalf of its existing owners based on approval of the plan of reorganization.

A HUD Property Report is now provided to all potential purchasers of debtor's property at Rarity Pointe. Upon confirmation of the debtor's plan, the debtor's Plan will substitute and supersede the HUD Property Report as all platted properties have been serviced with roads, electric, water and sewer service.

During the implementation of the Plan the experienced members of the Rarity development team shall continue to manage the Golf Course and Discovery Center/Realty and onsite Rental Program operation to facilitate new sales in the community and meet the debtor's responsibilities as required by TVA and TRDA.

LTR Properties, Inc., shall continue the successful management of the Rarity Pointe Community Association, Inc., and will use the proven experience and professional sales track record of

the original Rarity Sales and Marketing team under the direction of Fred McArthur who was directly responsible for Rarity Pointe's early sales successes.

The Plan will allow the Rarity development team, still in place, to complete their obligation and desire to deliver the promise of completed amenities for the Rarity Pointe existing property owners and those who become future owners.

With the downturn of housing and development markets experiencing worst years in 2009 and 2010, it is critical to the recovery of the Rarity Pointe community that the right team of experienced professionals with a history of superior accomplishments be provided the opportunity to restore the project with the sale of remaining assets to complete the Rarity Pointe amenities; re-pay creditors and honor the efforts of all parties involved in delivering sustainable community- second to none - for the benefit of those who have been dedicated to the success of Rarity Pointe.

The Debtor has created ten classes of creditors in its plan. Those classes are:

Class One – Loudon County, Tennessee.

Class Two – Tennessee Department of Revenue – impaired.

Class Three - Heritage Solutions, LLC – impaired.

Class Four – WindRiver Investment, LLC – impaired.

Class Five – Unsecured creditors - impaired.

Class Six – Administrative claims – impaired.

Class Seven - Insider unsecured claims – impaired.

Class Eight - Equity security holders - impaired.

Class Nine – TVA – impaired.

Class Ten – Rarity Pointe lot owners having filed claims - impaired.

Class One will be paid its priority claim from the proceeds of the Debtor in Possession financing from Heritage Solutions, LLC, immediately upon funding by Heritage Solutions, LLC. It is

anticipated that this will occur prior to confirmation of the plan upon application to and approval by the Court.

Class Two consists of tax claim of the Tennessee Department of Revenue. Its claim is for \$129,280.99. It will be paid in 60 equal monthly payments of principal and interest at 4%. The payment will be \$2,380.91. Payments will commence on the first day of the month following confirmation of the plan and on the first day of each month thereafter until paid in full. The tax claim shall retain its status as tax obligations after confirmation of the plan and will not be discharged until paid in full. Should the debtor default on its tax payments, then the entire tax payment still owed to the Tennessee Department of Revenue shall become due and payable immediately and the Department may collect these unpaid tax liabilities through its administrative collection provisions.

Class Three is Heritage Solutions, LLC, which is the DIP lender for the debtor. It has committed to providing up to \$2,750,000.00 in secured super priority lending to the debtor. Its loan will be secured by a first lien on all of the debtor's real property and further secured by those members of the debtor who personally guarantee the debt. It will be repaid within three years of its first advance of funds. It will accrue interest on its loan at 8%. Interest payments to Heritage will range between \$7,000.00 to \$18,000.00 monthly depending upon the outstanding principal. Repayment will come for the sale of the real property of the debtor. It will pay the accrued real property taxes of the debtor upon approval of the DIP financing by the Court. If sales are not great enough to pay the interest payments to either Classes Three and/or Four, DIP proceeds will be used to fund those payments.

Class Four consists of the WindRiver Investments, LLC, which purportedly holds a first mortgage on the real property of the debtor. While the debtor has no reason to question the representations of this creditor, its principal, and its counsel, the debtor will file an objection to this claim as it has seen no evidence showing that this creditor does hold the mortgage on the property. To the extent that the creditor can show it has a proper claim, that claim will be paid in full in five years

from the date of confirmation through sales of lots at Rarity Pointe. The amount believed to be owed is approximately \$7,400,000.00. This amount will accrue interest at the rate of 4.25%. Interest payments will be made on a monthly basis starting ten (10) days from the date of confirmation or ten (10) days from the approval of the DIP funding in the approximate amount of \$26,200.00. Payment of any principal will be subordinated to the DIP financing provided by Heritage Solutions, LLC. Should lot sales at the end of the five year term not have been enough to pay WindRiver, the debtor will refinance the remaining debt and pay the remaining balance, if any, within fifteen (15) days of the end of the five year period.

Upon the payment in full of WindRiver, the debtor shall transfer the Rarity Pointe golf course to LTR. The debtor is contractually obligated to make the transfer.

Class Five consists of the unsecured non-insider creditors listed on Schedule F of the debtor's schedules and on Exhibit 9 attached hereto. These creditors are owed \$92,071.13. They will be paid their claim in full over 60 months at 4% interest with monthly payments of \$1,695.63. The principals of the debtor to the extent they wish to retain their interests in the debtor shall fund these payments.

Class Six are the administrative claims which consist of the United States Trustee and counsel for the debtor. Their claims shall be paid in full within 30 days of the date of confirmation.

Class Seven are the unsecured insiders of the debtor listed on Exhibit 2. They are owed approximately \$1,353,980. These claims shall be paid only after all other creditors are paid in full and in no event before 66 months following the date of confirmation. These claims shall not accrue interest.

Class Eight are the principals of the debtor, LTR Properties, Inc. ("LTR"), Robert Stooksbury, and Ward Whelchel. They shall retain their respective interests in the debtor only to the extent to which they provide new value to the debtor. LTR has agreed to guarantee the repayment of the funds provided by the DIP lender and to repay the unsecured members of Class Four. Should any principal

decline to advance either his pro rata share of the funds for repayment of Class Four or his unlimited personal guarantee to the DIP lender, his share of ownership shall be divided amongst those principals who advance and guarantee. Additionally, LTR shall contribute the 12% of sales to which it is entitled towards the overhead and administrative costs of the debtor during the plan, if needed. To the extent that any member does not contribute his proportionate share of any costs contemplated to be paid by the principals, that member's share shall be forfeited to those members who do fund the obligations.

Class Nine is the Tennessee Valley Authority. The debtor has a contractual obligation to build a trailhead on the property for the benefit of the general public. This obligation arose at the time the development began and was a condition for the allowance of the development. As part of the new value that the members are to contribute, the members shall pay for this and it shall be constructed within two years.

Class Ten are those lot owners having filed a proof of claim in the debtor's case. The debtor will object to those claims as it has no contractual obligation to the class. The claims are for the construction of amenities. The construction of those amenities is addressed herein. Pending the construction the class has now and always had the option to use the Rarity Bay amenities. The members of Class Ten are listed on Exhibit 10.

The debtor's plan is based upon the Court approving its motion for approval to obtain debtor in possession financing from Heritage Solutions, LLC ("Heritage"). As soon as possible upon that approval being made, the debtor will commence the sale of the property at Rarity Pointe. A copy of the Motion for Authority to Obtain Credit is attached hereto as Exhibit 12. The principals of Heritage are all experienced financial personnel. More information regarding Heritage and its principals and capabilities may be found at www.heritagesllc.com. The proceeds from those sales will be used as set out in the motion currently before the Court. To further enhance the transition of the sale process, RPL and LC shall transfer the real property each owns to the debtor for all sales to be made directly by the

debtor. Any costs associated with the transfer shall be borne by those members wishing to retain their equity interests in the debtor. The transfer shall be made in exchange for the obligations that RPL and LC have to the debtor. LTR has committed to bear all of the costs should the other members not wish to participate.

The debtor projects sales of lots and tracts over the next 48 to 60 months to exceed \$22,000,000.00 based upon current market conditions, new pricing, and the marketing effort that will be put in place. Sales are planned to start upon approval of the proposed DIP financing. A copy of the cash flow plan is attached hereto as Exhibit 8. These sales figures and cash flow plans have been developed by Mike Ross and Jim Macri and take into account the current economic situation. Lots similar to Rarity Pointe are selling in today's market but at significant discounts to historical pricing. To sell the lots takes extensive marketing similar to what Jim Macri has done and is doing for those properties owned by him or his companies.

1. Alternatively, should the debtor not be approved for DIP financing, the debtor will retain an events marketing company and proceed to sell the lots over a 24 month period. The company will fund the marketing program. From every lot sold, the marketing company will be paid 35% as its fee and WindRiver will receive the fixed amount shown on the sealed document to Exhibit 12 to which WindRiver is privy for a release of its lien on that lot. Real property taxes will be paid as each lot sells. It is anticipated that all creditors will be paid in full by September 15, 2013.

The plan proposes that all creditors will be paid in full and the amenities completed for the homeowners. The amenities will be funded by initiation fees as collected by LTR and escrowed for

that purpose. If the plan is not approved, no creditor, person, or entity has come forward stating that the creditors will be paid and the project and its amenities completed.

Attached as Exhibit 13 is a copy of the debtor's most recent Monthly Operating Report. The debtor has not had any sales since the petition was filed. The debtor has arranged for LTR to operate the golf course and to cover all of the expenses of maintaining and operating the course in exchange for LTR receiving any profits. To date the golf course has only operated at a loss.

The debtor is still exploring its potential claim against one of its members Robert Stooksbury. A determination has not yet been made as the costs and expected recoveries have not yet been quantified. Should the debtor proceed, any recovery will be first used to pay the senior secured debt of Classes Three and Four.

Property owners at Rarity Pointe have filed an adversary proceeding seeking class action status and to impose a constructive trust on lot sales because no amenities have been built. It is not expected that such suit would be successful. Whether the suit is successful or not, the plan will build the amenities that the adversary plaintiffs are seeking this moots the alleged cause of action.

The debtor's secured creditor, WindRiver has objected that the Disclosure Statement fails to point out that at least 75% of the debtor's members must vote to seek refinancing. Such objection is silly in that it is stating that the members wish to elect to have WindRiver foreclose on the members' assets by silent acquiescence and destroy their business opportunity in the reorganization and not pay their creditors.

As part of the development and the fees associated with lot sales, LTR is entitled to a fee for memberships for each lot sold pursuant to the Operating Agreement of the debtor. Upon a sale being made, that fee shall be placed in escrow until the funds are available to complete the amenities. Current lot owners have an option to use the amenities at Rarity Bay but few, if any, have chosen to do so. However, that option remains available upon the owner's request and payment of the current monthly

dues. No dues have been collected as of the date of filing and none have been tendered. These dues by terms of the operating agreement are not property of the estate and belong to LTR without restriction.

As Exhibit 14 the debtor attaches the Objections to Disclosure Statement filed by Robert T. Stooksbury, Jr, a creditor and Member of the debtor. The debtor believes that Mr. Stooksbury's objections are made in bad faith and have no bearing on the reorganization of the debtor. The objections of Mr. Stooksbury are attached so all creditors may use their own independent judgment to evaluate Mr. Stooksbury's objections. It appears that the objections as filed are filed so as to impede the debtor in its reorganization and to advance an agenda of the filing objector to the detriment of the debtor's creditors. The debtor does not believe it necessary to address the Stooksbury objections any further.

A liquidation analysis is relatively simple. Were the debtor to be liquidated, it is not expected that the development would bring more than what is owed the secured creditor in Class Four and the DIP lender. The Chief Manager has stated that in the ordinary course of business, the development would generate approximately \$22,000,000.00 in sales which would pay all creditors in full and provide the necessary funds to complete all of the amenities in the development. This opinion is based upon the Chief Manager's extensive experience in this market and upon the opinion of Jim Macri and his extensive experience in this market both in the past and in the current economic situation.

The Chief Manager also has stated that he believes the golf course to have a \$10,000,000.00 value. However at forced sales, golf courses sell at steep discounts. The Rarity Pointe golf course would be no different. Golf courses are like airplanes, it is the ongoing maintenance and cost of operations that are expensive. Thus, there is a very limited number of golf course investors for East Tennessee. WindRiver has provided its appraised value of \$2,500,000.00 for the golf course. The debtor has not had an appraisal made for the golf course.

Confirmation of the plan is in the best interest of all of the creditors. Under the debtor's plan, all creditors would be paid in full. The ongoing economic turmoil in the country weighs heavily on real estate and especially developments like Rarity Pointe. There are ongoing re-sales of home sites but there are nowhere near as many as new sales in 2006 and 2007 as shown in the Disclosure Statement. Funding for the sales effort necessary for the plan is available through the DIP lender and will jump start the development.

Supporting documents to this narrative are included as follows:

- Exhibit 1 - The Rarity Pointe Master Declaration of Conditions, Covenants and Restrictions and the Rarity Pointe By-Laws
- Exhibit 2 - The Rarity Pointe Lodge and Spa Master Deed of Restrictive Covenants
- Exhibit 3 - The Memorandum of Understanding dated October, 2001
- Exhibit 4 -The Re- Stated Operating Agreement, dated May, 2002
- Exhibit 5 - The Rarity Pointe Club Membership Plan and Special Addendum
- Exhibit 6 - The Schedule of Distribution to Partners
- Exhibit 7 - HUD Property Report

In addition to the filing fee paid to the clerk, a quarterly fee shall be paid to the United States trustee until a Final Decree is entered. The fee amount shall be in compliance with 28 U.S.C §1930(a)(6) of the U.S. Bankruptcy Court of the Eastern District of Tennessee. The fee shall be payable on the last day of the calendar month following the calendar quarter for which the fee is owed. It is anticipated the U.S. Trustee and counsel for the debtor will submit an agreed Final Decree. In accordance with Local Rule 2015-2 of the U.S. Bankruptcy Court of the Eastern District of Tennessee, the debtor will file verified monthly reports no later than the 15th day of each month until a Final Decree is entered. The only requirements that will need to be satisfied before the debtor can file an application for Final Decree shall be:

1. Confirmation Order has become final;
2. Payments proposed under the Plan have commenced.
3. There are no pending Motions, contested matters, or adversary proceedings.

4. All U.S. Trustee quarterly fees have been paid.

This Court shall retain jurisdiction over any and all matters arising from and/or under this plan including, but not limited to, any claims objections, equitable subordination claims, avoidance actions and subrogation claims as set out above. No statements or information concerning the debtor or its assets or securities are authorized other than those set forth in this Disclosure Statement.

Should the plan not achieve its sales goals and the debtor is not otherwise able to pay the creditors, the plan will fail and the secured creditors will be entitled to pursue their remedies at law without further order of the bankruptcy court.

It is anticipated that total professional fees for the debtor will not exceed \$60,000.00, which will consist of attorney fees. These fees will be paid only after application to and approval by the Court. The U.S. Trustee fee will be paid within thirty (30) days of confirmation.

TELLICO LANDING, LLC

/s/Mike Ross

By: Mike Ross
Its: Chief Manager

/s/Lynn Tarpy

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