

UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF FLORIDA
ORLANDO DIVISION
www.flmb.uscourts.gov

In re:

LAND RESOURCE, LLC, a Georgia
limited liability company, *et al.*,¹

Debtors.

Chapter 11 Cases

Case No. 08-
Joint Administration Pending

DECLARATION IN SUPPORT OF FIRST DAY PLEADINGS

I. Introduction

1. My name is J. Robert Ward. I am the Chairman, President and Secretary of Land Resource Group, Inc. (“**LRG**”) and the president of Land Resource, LLC (“**LR**”). LRG is the managing member of LR. As more fully described hereinafter, LR operates as well as owns (or has majority ownership interests in) the captioned debtor entities (collectively referred to as the “**Debtors**”).

2. I make the following statements in support of the petitions, various first day applications and motions filed in the Debtors’ bankruptcy cases. Except as otherwise indicated, all of the facts set forth in this declaration are based upon my personal knowledge and my review

¹ The last four digits of the taxpayer identification number for each of the Debtors follows in parentheses: (i) Land Resource, LLC (1904); (ii) Land Resource Group, Inc. (6158); (iii) Blue Mist Farms, LLC (8874); (iv) Bridge Pointe at Jekyll Sound, LLC (5764); (v) Clarks Hill Lake, LLC (0453); (vi) Coastline Properties, LLC (1901); (vii) Cumberland Harbour Realty, LLC (7310); (viii) Hickory Bluff Marina Club, Inc. (8493); (ix) Hickory Bluff Marina, LLC (8742); (x) Laird Bayou Brokerage, LLC (5438); (xi) Laird Bayou, LLC (5575); (xii) Laird Point Brokerage, LLC (3133); (xiii) Laird Point, LLC (5438); (xiv) Lakemont Advertising, LLC (5850); (xv) Land Resource Group of North Carolina, LLC (1122); (xvi) Land Resource Meigs County, LLC (7580); (xvii) Land Resource Orchards, LLC (5824); (xviii) Land Resource Satilla River, LLC (9672); (xix) Land Resource Watts Bar, LLC (9164); (xx) LandFirst Mortgage, LLC (8516); (xxi) LandFirst Title, LLC (8437); (xxii) LR Baytree Landing, LLC (2783); (xxiii) LR Buffalo Creek, LLC (1424); (xxiv) LR Riversea, LLC (9633); (xxv) LRC Holdings, LLC (1929); (xxvi) LRC Realty, LLC (7849); (xxvii) Point Peter, LLLP (5580); (xxviii) Roaring River Holding Company, Inc. (5933); (xix) Roaring River, LLC (2356); (xxx) Rush Creek Land Company, Inc. (2353); (xxxi) Southern HOA Management, LLC (8782); (xxxii) Stillwater Coves, LLC (0453); (xxxiii) The Ridges at Morgan Creek, LLC (6810); and (xxxiv) Villages at Norris Lake, LLC (9832). The mailing address for the Debtors is 5323 Millenia Lakes Boulevard, Suite 300, Orlando, FL 32839.

of relevant documents of the Debtors. I am over the age of eighteen, competent to testify to the matters herein set forth and if called upon to do so, I could and would testify to the facts set forth herein.

3. The facts set forth herein are derived from my intimate knowledge of the Debtors' businesses, along with my review of the Debtors' books and records, including those relating to the Debtors' financial and operating performance discussed herein. I have also directed the preparation of cash flow projections for each of the real estate projects that are described in more detail below, and been involved in negotiations with the primary lenders of the Debtors and other key constituents.

4. For over 30 years, I have been involved in leadership roles in residential real estate development and mortgage banking. I founded LR in 1997, and have worked to turn it into one of the most respected land development companies in the Southeast. LR is the only developer that has been selected as the site of two HGTV Dream Homes - one in St. Marys, Georgia and one in Lake Lure, North Carolina.

5. Prior to my involvement with the Debtors, I was: (a) division president of Bluegreen Corporation, a land developer/builder publicly traded on the New York Stock Exchange; (b) president, vice-president, general manager and southeast regional manager of Fairfield Communities, Inc., or communities owned/developed by Fairfield Communities (a land developer/builder publicly traded on the New York Stock Exchange); (c) vice-president and national production manager of B.F. Saul Co.; (d) president and owner of Georgetown Development, Inc. and (e) vice-president and regional manager of GMAC Mortgage Corp.

6. I took 30 hours of Finance & International Business courses as part of the MBA Program of Georgia State University and received a Bachelor of Science in business from

Florida State University, with a double major in marketing and management. I also held a building contractor license with the State of Florida as well as a real estate sales license with the State of Georgia, both of which have lapsed.

II. Factual Background

7. On the date hereof (the “**Petition Date**”), LR, LRG, Bridge Pointe at Jekyll Sound, LLC (“**Bridge Pointe**”) Point Peter LLLP (“**Point Peter**”), The Ridges at Morgan Creek, LLC (“**Wild Ridges**”), Laird Point, LLC (“**Laird Point**”), Hickory Bluff Marina, LLC (“**Hickory Bluff Owner**”), Hickory Bluff Marina Club, Inc. (“**Hickory Bluff Operator**”), LRC Realty, LLC (“**LRC Realty**”), Laird Point Brokerage, LLC (“**Laird Point Brokerage**”); Stillwater Coves, LLC (“**SWC**”); Villages at Norris Lake, LLC (“**Villages at Norris Lake**”), Roaring River, LLC (“**Roaring River**”), Rush Creek Land Company, Inc. (“**RR Landfill Owner**”), Roaring River Holding Company, Inc. (“**RR Phase 2 Holding Company**”), Land Resource Watts Bar, LLC (“**Docks at Caney Creek**”), LR Riversea, LLC (“**Riversea**”), LR Buffalo Creek, LLC (“**Grey Rock**”), Land Resource Satilla River, LLC (“**Satilla River**”), Land Resource Meigs County, LLC (“**Goodfield Landing**”), Lakemont Advertising, LLC (“**Lakemont**”), LRC Holdings, LLC (“**LRC Holdings**”), Cumberland Harbour Realty, LLC (“**Cumberland Brokerage**”), Laird Bayou Brokerage, LLC (“**Laird Bayou Brokerage**”), Land First Title, LLC (“**Title Company**”), Land First Mortgage, LLC (“**Mortgage Company**”), Laird Bayou, LLC (“**Laird Bayou**”), Land Resource Orchards, LLC (“**Old Orchard**”), Coastline Properties, LLC (“**Misty Harbor**”), Blue Mist Farms, LLC (“**Blue Mist Farms**”), LR Baytree Landing, LLC (“**Baytree Landing**”), and Land Resource Group of North Carolina, LLC (“**Avery Park**”) filed voluntary petitions under chapter 11, title 11, United States Code (the “**Bankruptcy Code**”) in this Court.

A. Background and Corporate Structure of the Debtors

8. The Debtors develop vacation and second home residential communities in Florida, Georgia, North Carolina, Tennessee and West Virginia. The Debtors market and sell lots primarily to individual end users and investors, although on occasion builders also purchase lots. Lots are generally sold prior to the completion of road and utility infrastructure outlined in each community's HUD Property Report. As such, the Debtors generally have trailing development obligations after closing.

9. Prior to the Petition Date, the Debtors' business strategy had been to acquire, sell and develop mostly rural communities in areas with unique access to natural amenities such as lakes, mountains and the coast. Aside from structural amenities, such as clubhouses and pools, the Debtors do not engage in vertical construction.

10. As of year end 2002, the Debtors had acquired five development communities and sold 684 lots. By mid-2005, the Debtors had developed, or were in the process of developing, 16 communities with approximately 5,282 homesites.

11. The Debtors' corporate headquarters are located at 5323 Millenia Lakes Boulevard, Suite 300, Orlando, Florida 32839 (the "**Corporate Office**").

12. LRG is a Georgia corporation. RR Phase 2 Holding Company is a Delaware corporation. Title Company and Mortgage Company are Florida limited liability companies. The balance of the Debtors, including LR, are Georgia limited liability companies.

B. The Debtors' Communities

13. As of the Petition Date, the Debtors have ceased all sales and development operations, with the exception of marketing and sales activities at one community owned by Point Peter (Cumberland Harbour).

14. The communities of the Debtors are located in the southeastern United States. A map identifying the general location of each of the communities is attached as **Exhibit A**, which is broken down by state. Each project is described below.

i. Florida Communities

15. The Debtors have interests in the following two projects in Florida:

a. Laird Point is the developer of the sole active community in Florida called “Laird Point,” which is located in Bay County, Florida. Laird Point consists of approximately 155 acres, of which about 101 acres have been developed with 167 single family lots. There are 95 remaining undeveloped single family lots. If completed as planned, Laird Point will consist of approximately 262 single family lots. As of the Petition Date, there are 104 remaining unsold lots. Laird Point is part of the collateral for the \$42 MM Credit Facility (defined hereinbelow).

b. Laird Bayou was the developer of a community in Florida called “Laird Bayou.” Laird Bayou has sold and developed all of its lots in this community and is not engaged in active sales at the present time.

ii. Georgia Communities

16. The Debtors have interests in the following five projects in Georgia:

a. Bridge Pointe is the developer of an active community in Camden County, Georgia, which is in south Georgia, called “Bridge Pointe at Jekyll Sound.” Bridge Pointe at Jekyll Sound consists of approximately 1,131 acres. If completed as planned, Bridge Pointe at Jekyll Sound will consist of 697 single family lots. As of October 8, 2008, there were 287 remaining unsold lots. Bridge Pointe is 85% owned by LR and is a borrower on the \$42 MM Credit Facility.

b. Clarks Hill Lake is the developer of an active community in Lincoln County,

Georgia called "Stillwater Coves." Stillwater Coves consists of approximately 952 acres. If completed as planned, Stillwater Coves will consist of 385 single family lots. As of October 8, 2008, there were 225 remaining unsold lots. Stillwater Coves is 100% owned by LR and is a borrower on the \$42 MM Credit Facility.

c. Point Peter is the developer of an active community in Camden County, Georgia, called "Cumberland Harbour." Cumberland Harbour consists of approximately 1,079 acres. As of October 8, 2008, there were 128 remaining unsold lots. Point Peter also owns a model home that was the 2004 "HGTV Dream Home", a prestigious honor bestowed annually by the Home and Garden Television Network. Cumberland Harbor is 99.99% owned by LR and .01% owned by LRG and is a borrower on the \$25.2 MM Credit Facility.

d. Satilla River and Misty Harbor were the developers of two communities in Georgia called "Satilla River Landing" and "Misty Harbor," respectively. These Debtors own a few remaining unsold lots in these communities, and are not currently engaged in sales activity.

iii. Tennessee Communities

17. The Debtors have interests in the following three projects in Tennessee:

a. Villages at Norris Lake is the developer of the sole active community located in Campbell County, Tennessee called "The Villages at Norris Lake." The Villages at Norris Lake consists of approximately 615 acres. As of the Petition Date, there are 205 remaining unsold lots. Villages at Norris Lake is also the developer of Section "N", which is also referred to as Rainbow Resort, which sold out prior to the Petition Date. The Villages at Norris Lake is part of the collateral securing the \$42 MM Credit Facility, and Villages at Norris Lake is a borrower on the \$42 MM Credit Facility.

b. Docks at Caney Creek and Goodfield Landing were the developers of two

communities in Tennessee called “Docks at Caney Creek” and “Goodfield Landing,” respectively. As of October 8, 2008, there were 9 lots that remained unsold at Docks at Caney Creek and 2 lots that remained unsold at Goodfield Landing.

iv. North Carolina Communities

18. The Debtors have interests in the following seven communities in North Carolina:

a. Grey Rock is the developer of an active community in Rutherford County, North Carolina called “Grey Rock at Lake Lure.” Grey Rock at Lake Lure consists of approximately 3,917 acres. As of October 8, 2008, there were 323 remaining unsold lots. There are no developed multifamily lots. Grey Rock owns a model home that was named the 2006 “HGTV Dream Home” by the Home and Garden Television Network. Grey Rock at Lake Lure is not a part of either the \$42 MM Credit Facility or the \$25.2 MM Credit Facility; provided, however, that one of the Debtors provided a loan to Grey Rock at Lake Lure, evidenced by a note and deed of trust, that has been collaterally assigned to KeyBank, as lender and agent. Wachovia has a mortgage on the HGTV Dream Home securing a note whose principal balance is approximately \$2 million as of the Petition Date.

b. Wild Ridges is the developer of an active community in McDowell County, North Carolina called “Wild Ridges at Morgan Creek.” Wild Ridges at Morgan Creek consists of approximately 1,520 acres. As of October 8, 2008, there were 429 remaining unsold lots. Wild Ridges at Morgan Creek is a borrower on the \$42 MM Credit Facility.

c. Riversea, Old Orchard, Blue Mist Farms, Baytree Landing and Avery Park were the developers of five communities in North Carolina called “Riversea Plantation,” “Old Orchard,” “Blue Mist Farms,” “Baytree Landing,” and “Avery Park,” respectively. These

Debtors own approximately 23 unsold lots in these communities, but are not presently engaged in active sales.

v. *West Virginia Communities*

19. The Debtors have interests in the following project located in West Virginia:

a. Roaring River is the developer of the sole active community in Fayette County, West Virginia, called "Roaring River." Roaring River consists of approximately 4,300 acres. As of October 8, 2008, Roaring River was in Phase I of development, which consists of approximately 1,600 acres. As of October 8, 2008, there were 398 remaining unsold lots in Phase I. Phase II is zoned for approximately 1,365 lots. The Debtors had not begun development of Phase II as of the Petition Date. Roaring River is a borrower on the \$42 MM Credit Facility.

E. The Non-Development Debtor Entities

20. The following Debtors are affiliated and complement the Debtors that are developers as follows:

a. Hickory Bluff Owner is the owner of a marina located in Camden County, Georgia, which was envisioned to be used as an amenity for Bridge Pointe at Jekyll Sound and future communities of the Debtors in coastal South Georgia.

b. Hickory Bluff Operator was intended to be the operator of the marina; however, the marina is currently leased to a tenant operator. As of the Petition Date, Hickory Bluff Operator was not an active entity.

c. LRC Realty acts as a licensed broker in most of the states where the debtors conduct business, with the exception of Florida.

d. Laird Point Brokerage was the licensed brokerage entity for Laird Point. The

brokers in charge of Laird Point Brokerage have withdrawn their licenses.

e. Laird Bayou Brokerage was the licensed brokerage entity for Laird Bayou. The brokers in charge of Laird Bayou Brokerage have withdrawn their licenses.

f. Cumberland Brokerage was originally established to act as the licensed brokerage entity for Cumberland Harbour. However that function was, and continues to be, performed by LRC Realty. As of the Petition Date, Cumberland Brokerage was not an active entity.

g. SWC was originally formed to acquire the land upon which to develop the Stillwater Coves community, and may have originally held title to that land. However, that project is owned and developed by Clarks Hill Lake.

h. RR Landfill Owner owns a landfill in Fayette County, West Virginia, that is surrounded by the contemplated Phase II of Roaring River. Phase II of Roaring River is owned by RR Phase 2 Holding Company.

i. LRC Aviation was established to own a fractional interest in an aircraft, which interest was conveyed back to the original seller prior to the Petition Date.

j. LRC Holdings contracts for new projects before a owner/development entity is formed.

k. Title Company wrote title policies in certain states where the Debtors conducted business.

l. Mortgage Company assisted in finding financing for end buyers, but was never engaged in the underwriting or origination of mortgages or related services.

C. Industry Condition²

21. The Debtors' operations are concentrated in the real estate industry, which is

² The information contained in this section of my declaration is derived from my review of publicly available information.

cyclical by nature. The real estate industry has suffered a dramatic slowdown after years of strong growth, driven, in part, by low consumer confidence and tightening credit availability.

22. The poor financial performance in the real estate industry has by no means been limited to the homebuilding sector. For example, the subprime lending industry has recently experienced considerable liquidity and other business challenges stemming from, among other things, high default rates on the loans, as well as a steep decline in loan originations, impairing the ability to originate loans that could be sold on profitable terms and substantially reducing cash flows and net income. The subprime crisis has been responsible for plummeting home prices, tightened credit standards and waves of home foreclosures. According to the FDIC, at least thirteen banks have failed since January 2008,³ including IndyMac Bank FSB, Washington Mutual and First Priority Bank (Bradenton, FL). The turmoil in the U.S. economy has resulted in the acquisition of Bear Stearns by JP Morgan Chase, a bankruptcy filing for Lehman Brothers Holdings Inc., an \$85 billion bailout of AIG and a massive economic rescue plan exceeding \$700 billion recently approved by Congress. As of close of business on October 10, 2008, the Dow Jones Industrial Average hit a 52-week low at 7,773.71. Global markets have also been affected.

D. Cost Cutting Initiatives and Events Leading to Chapter 11 Filing

23. In 2006, the Debtors' liquidity was beginning to wane. Accordingly, they began to slow their infrastructure development expenditures to conserve liquidity to withstand a prolonged downturn; however, due to the significant amount of pre-existing development obligations, LR determined it was necessary to continue with the more costly, direct marketing efforts implemented in mid to late 2006 to spur sales and revenue in order to meet its

³ See <http://www.fdic.gov/bank/individual/failed/banklist.html>.

development obligations.

24. The Debtors' business model relies heavily on marketing efforts to lure potential purchasers to its rural communities. Prior to 2006, when the real estate market was experiencing unprecedented strength, the Debtors' marketing practices consisted of the placement of newspaper advertisements, billboards, mail, and similar low cost, traditional marketing tools. In 2006, based upon deteriorating market conditions for real estate, prospective purchasers were less inclined to visit the Debtors' rural communities. Accordingly, the Debtors became more proactive in their marketing efforts. In mid-2006, LR hired a new Chief Executive Officer, Michael Flaskey, who had significant vacation ownership experience. Mr. Flaskey assembled a sales and marketing team, along with an executive management team, with similar vacation ownership backgrounds, to begin more proactive (and more costly), direct marketing efforts to generate sales and revenue.

25. The Debtors' direct marketing efforts were successful, generating contracts for sales in the approximate amount of \$189 million in 2007. However, despite this success, the growing lack of consumer confidence levels and the tightening credit market resulted in the Debtors closing only \$87 million in sales for the period ended December 31, 2007.

26. As a result of their financial performance for calendar year 2007, the Debtors re-evaluated their marketing programs and development spending for the calendar year 2008 budget. Although the Debtors did not abandon their previously successful direct marketing practice, they decreased their reliance on it, and depended more heavily on their historical marketing practice of utilizing newspaper advertisements, billboards, and mail. The Debtors also engaged in significant internet marketing, another low-cost marketing channel, in 2008. These changes to the manner and cost of the Debtors' marketing efforts reduced the Debtors' marketing

capital expenditures as a percentage of its estimated calendar year 2008 revenue.

27. The Debtors also further decreased development spending activity in 2008. Full year 2008 development costs were budgeted at approximately \$43 million, which represented approximately 40% of LR's full-year sales revenue budget of \$106 million. The Debtors further reduced the development cost budget to \$37 million based upon actual revenues falling below projections.

28. Commencing in August 2007, the Debtors initiated, on their own, efforts to attract equity investors. The Debtors entered into confidentiality agreements and provided due diligence information to several interested parties. However, as of September 30, 2008, none of the potential equity investors expressed an interest to proceed with a transaction.

29. As noted earlier, development spending in the Debtors' communities slowed in 2006, 2007 and 2008. As the real estate market shifted from a large percentage of prospective purchasers buying on speculation for investment purposes to purchasers being end users of lots, the impact of the delayed development made sales an even a greater challenge for Debtors.

30. In 2007, in anticipation of local market challenges in calendar year 2008, the Debtors made the decision to cease active marketing efforts at Laird Point, a community located in the Florida panhandle that was the first community to experience a significant decrease in sales.

31. At about the same time in 2007, the Debtors also re-evaluated their corporate overhead expenses, and eliminated 17% of the positions in the Orlando corporate office.

32. The Debtors implemented additional and significant staff reductions in 2008. In a series of reductions, LR has reduced their workforce from 147 employees as of June 3, 2008 to 14 employees as of October 17, 2008. The workforce reductions have reduced company-

wide annualized salary expense from approximately \$8.3 million to approximately \$1.1 million.

33. The Debtors ceased substantially all sales operations and closed their respective sales offices at Wild Ridges, Villages at Norris Lake, Roaring River, Grey Rock, Laird Point and Bridge Pointe in early July 2008 after discussing and evaluating the long term profitability of the various communities with their primary secured lenders.⁴

34. In June 2008, the Debtors began marketing future phases of Roaring River in West Virginia, and on June 30, 2008 entered into a bulk sale contract for the disposition of the future phases for Roaring River in West Virginia. The Debtors and the proposed purchaser are engaged in negotiations regarding modifications to the proposed purchase agreement, without waiver of the Debtor's right to enforce defaults under the existing agreement.

35. Despite the recent reductions in work force and significant reduction in development and marketing/sales expenditures, as of the Petition Date, the Debtors did not have sufficient liquidity to address their current liabilities. As a result, the Debtors were unable to complete development of their communities, rendering them unable to close on many of their outstanding contracts.

36. The Debtors commenced these cases in order to gain breathing room which will allow them to pursue an orderly sale that is intended to maximize the value of their assets for all constituents. The Debtors have engaged in good faith discussions with their lenders regarding strategies to maximize the value of their respective collateral and related cash needs. Those discussions are ongoing.

E. Liquidity and Capital Structure

37. The Debtors are comprised of a number of direct and indirect subsidiaries that

⁴ All escrow deposits relating to contracts that did not close were returned to the respective purchasers prior to the Petition Date. The Debtors estimate that the aggregate amount of the returned deposits aggregate \$100,000.

are majority owned by LR. A chart containing the ownership structure of each of the Debtors is attached hereto as **Exhibit B**.

38. For the period ending December 31, 2007, the Debtors, on a consolidated GAAP basis, reported \$68,382,655 in net revenue, and an operating loss of \$42,402,986. For the period ending August 30, 2008, the Debtors, on a consolidated basis, reported \$17,010,188 in net revenue, and an operating loss of \$16,697,138. As of the Petition Date, on a consolidated basis, the Debtors reported \$115,248,818 in assets, and \$214,764,302 in liabilities, comprised of: (a) senior secured debt of approximately \$64.6 million; (b) unsecured liabilities of approximately \$6.8 million; (c) other liabilities of approximately \$5.0 million; and (d) deferred revenue of approximately \$135.7 million.

39. Historically, the Debtors acquired communities with acquisition loans, and then immediately commenced the sale and closing of pre-developed lots in small phases within the communities. The revenue from the sale of the pre-developed lots was applied to pay down the acquisition loan and fund development obligations. The Debtors did not finance their customers' purchases. In June 2007, some of the Debtors refinanced their project-based debt into two corporate revolving credit facilities. As discussed next in greater detail, some of the Debtors were borrowers or guarantors on the two revolving credit facilities that were used to fund the Debtors' development costs and operating expenses.

i. \$42 MM Credit Facility

40. On June 26, 2007, LR, Clarks Hill Lake, LLC, The Ridges at Morgan Creek, LLC, Villages at Norris Lake, LLC, Roaring River, LLC, Roaring River Holding Co. and Bridge Pointe at Jekyll Sound, LLC and Roaring River Holding Company, as borrowers, and LRG, LR Riversea, LLC and Land Resource Watts Bar, LLC, as guarantors, entered into a Senior Secured

Revolving Credit Agreement originally in the principal amount of \$42 million, that was subsequently reduced to \$39.18 million (the “**\$42 MM Credit Facility**”) with KeyBank National Association (“**KeyBank**”) and Wachovia Bank, National Association (“**Wachovia**”). This loan was used by the Debtors that were borrowers to fund their development costs and operating expenses.

41. On February 11, 2008, the parties entered into a Forbearance Agreement and Amendment. Subsequently, the parties entered into a Modification of Forbearance Agreement and Amendment dated as of April 15, 2008, a Second Forbearance Agreement and Amendment dated as of April 30, 2008 and a Third Forbearance Agreement and Amendment dated as of August 5, 2008.

42. On March 28, 2008, Laird Point was added as a borrower to the \$42 MM Credit Facility.

43. As of the Petition Date, the Debtors owe approximately \$38,640,340.62 in principal plus interest, costs and attorneys’ fees under the \$42 MM Credit Facility.

ii. \$25.2 MM Credit Facility

44. On June 26, 2007, LR, Clarks Hill Lake, LLC, The Ridges at Morgan Creek, LLC, Villages at Norris Lake, LLC, Roaring River, LLC, Roaring River Holding Co. and Bridge Pointe at Jekyll Sound, LLC, as borrowers, and LRG, LR Riversea, LLC and Land Resource Watts Bar, LLC, as guarantors, entered into an \$18 million Senior Revolving Credit Agreement with KeyBank (the “**\$18 MM Credit Facility**”). This loan was used to fund operating expenses of the Debtors.

45. On March 28, 2008, the \$18 MM Credit Facility was refinanced, pursuant to which the credit facility was converted into a \$25.2 million Senior Secured Revolving Credit

Agreement (the “**\$25.2 MM Credit Facility**”) with the addition of Point Peter LLLP as a borrower. The proceeds of the \$25.2 MM Credit Facility were used to: (a) payoff the remaining balance of the \$18 MM Credit Facility in the amount of \$12,919,733; (b) pay down \$6,697,198 of the \$42 MM Credit Facility; (c) pay a closing fee of \$1.5 million to Lenders; (d) redeem Point Peter’s unaffiliated partners’ in the amount of \$4 million; and (e) fund operating expenses of Point Peter.

46. As of August 5, 2008, the parties entered into a Forbearance Agreement and Amendment that, among other things, acknowledged that as of August 5, 2008, the outstanding principal balance was \$23,009,929.84 and accrued interest was \$144,406.82.

47. As of the Petition Date, the Debtors owe \$21,227,819 in principal plus interest, costs and attorneys’ fees under the \$25.2 MM Credit Facility.

III. Necessity for Emergency Hearings on “First Day” Motions

48. Contemporaneously herewith, the Debtors are filing the following motions and applications:

- a. Ex Parte Motion for Joint Administration;
- b. Debtors’ Motion to Limit Notice;
- c. Debtors’ Application for Order Authorizing Employment of Berger Singerman, P.A. As Counsel To The Debtors *Nunc Pro Tunc* to Petition Date;
- d. Debtors’ Application for Approval of Employment of Trustee Services, Inc. as Notice, Claims and Balloting Agent of the Bankruptcy Court *Nunc Pro Tunc* to Petition Date;
- e. Debtors’ Application for Order Authorizing Employment of Gulf Atlantic Capital Corporation as Financial Advisors and Investment Bankers to the Debtors *Nunc Pro Tunc* to Petition Date;
- f. Debtors’ Emergency Motion for Order (1) Authorizing Debtors to (A) Pay Prepetition Employee Wages, Salaries, Commissions, Benefits and

Other Compensation; (B) Remit Withholding Obligations; (C) Maintain Employee Benefits Programs and Pay Related Administrative Obligations and (2) Authorizing Applicable Banks and Other Financial Institutions to Honor, Process and Pay Checks Presented for Payment and to Honor Certain Fund Transfer Requests;

- g. Debtors' Motion to Establish Procedures for Monthly and Interim Compensation and Reimbursement of Expenses for Professionals;
- h. Emergency Motion of Debtors and Debtors In Possession for Interim Order: (I) Authorizing Post-Petition Secured Superpriority Financing Pursuant to Bankruptcy Code Sections 105(a), 362, 364(c)(1), 364(c)(2), 364(c)(3) and 364(d), (II) Authorizing the Debtors' Use of Cash Collateral Pursuant to Bankruptcy Code Section 363(c), (III) Granting Adequate Protection Pursuant to Sections 361, 363 and 364 of the Bankruptcy Code, (IV) Modifying the Automatic Stay and (V) Setting Final Hearing Pursuant to Bankruptcy Rules 4001(b) and 4001(c);
- i. Debtors' Emergency Motion for Authority to (1) Continue Use of Existing Business Forms and Records; and (2) Maintain Existing Corporate Bank Accounts and Cash Management System;
- j. Debtors' Emergency Omnibus Motion to Reject Executory Contracts and Unexpired Leases of Non-Residential Real Property as of the Petition Date;
- k. Debtors' Ex Parte Agreed Motion for Authorization to File Consolidated Chapter 11 Case Management Summary;
- l. Debtors' Emergency Motion for Order (1) Prohibiting Utilities from Altering or Discontinuing Services on Account of Pre-Petition Invoices; (2) Establishing Procedures to Determine Requests for Additional Assurance of Payment; and (3) Approving Deposits as Adequate Assurance of Payment for Utility Services.

(collectively, the "**First Day Motions**"). As more fully described in the following Section IV, I believe it is necessary for the relief sought in the First Day Motions to be granted on an expedited basis.

IV. First Day Motions

A. Request for Joint Administration

- 49. The Debtors request that their cases be jointly administered for procedural

purposes only, including the joint filing of any disclosure statements and plans of reorganization and other contested matters.

50. The Debtors are “affiliates” as I understand that term as defined in section 101(2)(A) of the Bankruptcy Code. LR is the direct or indirect parent of all the Debtors, other than LRG and Roaring River Holding Company.

51. The issues that will be addressed in these bankruptcy cases will be related and overlapping. I have been told that joint administration of these cases will obviate the need for duplicative notices, motions, applications, hearings and orders, and will therefore save considerable time and expense for the Debtors and their estates.

52. As I understand it, each creditor may still file its claim against a particular estate. Therefore, I believe the rights of all creditors will actually be enhanced by the reduction in costs resulting from joint administration. I also understand that the Court will be relieved of the burden of scheduling duplicative hearings, entering duplicative orders and maintaining redundant files. Finally, I believe supervision of the administrative aspects of these chapter 11 cases by the Office of the United States Trustee will be simplified by the joint administration of these cases.

B. Request for Authorization to File Consolidated Case Management Summary

53. The Debtors request authority to file a single consolidated Chapter 11 Case Management Summary (“**Case Management Summary**”).

54. The Debtors’ financial statements are prepared on a consolidated basis and the Debtors file a consolidated federal tax return. I believe that a single consolidated Case Management Summary would provide the Court and parties in interest an accurate summary of

the Debtors' assets and liabilities. If the Debtors were required to prepare 34 separate Case Management Summaries, the estates would incur significant administrative time and expense.

C. Request To Limit Notice

55. The Debtors request that the Court limit notice of all matters, other than "Material Matters" (as defined in the motion) to the following parties:

- a. The U.S. Trustee;
- b. The Debtors;
- c. The Debtors' bankruptcy attorneys;
- d. The members of and attorneys to any official committee established pursuant to 11 U.S.C. § 1102, and, before such appointment, the creditors shown on the Debtors' Consolidated List of Twenty Largest Unsecured Creditors;
- e. Creditors holding claims known to be secured by property in which the estates have an interest;
- f. The United States and its agencies as required by Bankruptcy Rule 2002(j);
- g. Those parties and attorneys who have formally requested notice by filing with the Court and serving upon Debtors' attorney a notice of appearance or request for service of notices and papers in these Chapter 11 cases;
- h. Any examiner or trustee (and their attorneys) appointed in these Chapter 11 Cases; and
- i. Any party against whom direct relief is sought by motion, application or otherwise, including, without limitation, the non-debtor party to an executory contract being assumed or rejected, parties asserting interest in property being sold, and the like.

56. The Debtors propose that notice of Material Matters will be sent to all creditors, which I understand is consistent with the Bankruptcy Rules.

57. The Debtors' creditor matrix consists of hundreds of persons and entities which may claim an interest in these cases, which would make mailings to all creditors and parties-in-interest costly and burdensome to the Debtors' estates. The Debtors anticipate that many

creditors and other parties-in-interest will file requests for service in these cases. The Debtors also expect that numerous motions and applications will be filed in these cases in pursuit of various forms of relief.

58. The Debtors also believe that limiting notice will reduce the administrative burden upon the Debtors, the Court and its staff and is in the best interests of the Debtors, their estates, creditors and other parties in interest.

D. Applications to Retain Professionals

i. *Retention of Berger Singerman*

59. The Debtors seek approval of the employment of the law firm of Berger Singerman as attorneys for the Debtors, effective as of the Petition Date.

60. The Debtors have selected Berger Singerman as their bankruptcy attorneys because of the firm's extensive experience with business reorganizations. Berger Singerman has extensive experience and knowledge in the field of debtors' and creditors' rights and representing business debtors in reorganization cases under chapter 11 of the Bankruptcy Code. Berger Singerman has expended significant resources working with the Debtors to prepare for the filing of these cases. Berger Singerman has become extremely familiar with the Debtors' business operations and legal obligations to various creditors' constituencies. Berger Singerman's appearance before this Court for the matters in these Chapter 11 cases will be efficient and cost effective for the Debtors' estates.

61. Berger Singerman was not owed any fees and costs as of the Petition Date and is not otherwise a creditor of the Debtors.

62. Counsel has informed me that corporations must be represented by a licensed attorney in Florida and federal court. Because of the wide range of relief sought by the Debtors

on an expedited basis, I believe the Debtors would suffer immediate and irreparable harm if they were not able to obtain the immediate services of counsel from the outset of these cases. For example, the Debtors need immediate use of cash collateral and the approval of post-petition financing. Without the availability or financing and use of cash, the Debtors will not be able to operate their business and maximize the value of their assets for the benefit of their estates. Therefore, I believe that immediate approval of Berger Singerman's retention is critical in order to avoid immediate and irreparable injury.

ii. *Retention of Trustee Services, Inc.*

63. The Debtors seek approval of the retention of Trustee Services, Inc. ("TSI") as notice, ballot and claims agent pursuant to 28 U.S.C. § 156(c). I understand that TSI employs Ms. Karen Eddy, the former clerk of the bankruptcy court for the Southern District of Florida, as well as Mr. Kenneth Welt, a panel trustee for the Southern District of Florida, both of whom will be involved with the proposed retention. The Debtors understand that TSI has served in similar capacities in other large Chapter 11 cases and that it is well qualified to serve as notice, ballot and claims agent in the Debtors' Chapter 11 Cases. The Debtors believe it is in their best interests, and those of their creditors, that TSI is retained to serve as notice, ballot and claims agent.

64. To the best of the Debtors' knowledge, except as disclosed in the *Declaration of Kenneth A. Welt in Support of the Application for Approval of Employment of Trustee Services, Inc. as Agent of the Bankruptcy Court*, TSI has no connection with the Debtors' creditors or other parties in interest or their respective attorneys.

iii. *Retention of Gulf Atlantic Capital Corp. as Financial Advisors and Investment Banker*

65. The Debtors seek approval of the employment of Gulf Atlantic Capital Corp. (the "GACC") to provide financial advisory and investment banking services to the Debtors.

66. The Debtors believe that GACC is qualified to advise the Debtors on their relation with, and responsibilities to, the creditors and other interested parties, as well as to assist the Debtors toward a successful transaction(s) for the benefit of the estates.

67. The Debtors selected GACC as their financial advisors and investment banker because of its extensive experience in providing investment banking and financial advisory services, as well as its fine reputation for providing such services in Florida and throughout the United States.

68. I believe the Debtors would suffer immediate and irreparable harm if they were not able to obtain the immediate services of GACC from the outset of these cases. For example, the Debtors need immediate use of cash collateral and the approval of post-petition financing. GACC is advising and assisting the Debtors negotiate and prepare the budget subject of the financing and use of cash. Without the availability of financing and use of cash, the Debtors will not be able to operate their business and maximize the value of their assets for the benefit of their estates. Therefore, I believe that immediate approval of GACC's retention is critical in order to avoid immediate and irreparable injury.

E. Request to (i) Pay Prepetition Wages and Related Items, (ii) Maintain Employee Benefit Programs and (iii) Authorizing Banks to Honor and Process Checks

69. The Debtors request authority to (i) pay prepetition wages, salaries, commissions, employee benefits and other compensation; (ii) remit withholding obligations; (iii) maintain employee benefits programs and pay related administrative obligations; and

(B) authorizing the Debtors' banks and other financial institutions to receive, process, honor and pay certain checks presented for payment and to honor certain fund transfer requests related to the foregoing.

70. The Debtors' gross Prepetition Employee Obligations, exclusive of the calculation of paid time off, is \$39,012.62. The Debtors estimate that wage-related deductions, i.e., taxes and 401(k) deductions, for unpaid pre-petition wage related items total approximately \$1,022 and request authority to pay those amounts to the appropriate taxing authorities and 401(k) administrator. The Debtors' employees also accrue paid time off, however, the Debtors are requesting authority to allow employees to use their paid time off in the ordinary course of business and are not seeking to pay employees for their prepetition accrued time off. The Debtors also seek to reimburse employees up to \$10,000 for business-related expenses incurred prior to the Petition Date.

71. The Debtors also request the ability to continue benefits offered pre-petition to their employees, including medical, dental and disability insurance, as well as a 401(k) retirement plan, as well as the ability to pay or transfer any prepetition expenses or deductions related thereto.

72. It is my understanding that as a result of the commencement of these cases, and in the absence of an order of the Court providing otherwise, the Debtors will be prohibited from paying or otherwise satisfying their Prepetition Employee Obligations (defined and described in the motion).

73. I believe that it is imperative for the Debtors to honor employee wage-related obligations and benefits in order to maintain Employee morale at this critical time for the Debtors, as well as to minimize the personal hardship the Employees would suffer if prepetition

employee-related obligations are not paid when due. I believe that if the relief is not granted, the employees will immediately resign, which would impact the Debtors' ability to maximize the value of its assets, administer the estates and otherwise irreparably injure the Debtors' estates.

F. Request for Authorization to Close on Sales of Real Property, Honor Certain Existing Pre-Petition Contract Obligations, Sell Real Property Post-Petition in the Ordinary Course and Establish Deadline and Procedures for the Assertion of Mechanic's Liens

74. The Debtors seek (i) authority, in the exercise of their business judgment, to (a) close on sales of existing lots of real property once development is completed, (b) honor certain existing pre-petition contract obligations purchasers and others, including payment of commissions due to current or former employees upon closing, (c) sell lots of real property post-petition in the ordinary course of business, and (ii) establish deadline and procedures for the assertion of mechanic's liens. Part of the relief sought includes the ability to enter into post-petition contracts in the ordinary course of business.

75. The Debtors believe it is imperative to be able to close on sales of lots, and transfer title, without the necessity of seeking and obtaining separate court orders for each sale. The ability to honor certain existing pre-petition contract obligations to purchasers and others including payment of a commission⁵ due to a current employee that are due upon closing, and to persons who have or might assert mechanic's liens, will maximize the value of the Debtors' property and the recoveries for the Debtors' creditors, satisfy the interests of the Debtors' customers, and facilitate the payment of amounts due to vendors and materialmen that supplied goods and services in connection with the development of the lots.

⁵ The amount due to the referenced individual is approximately \$3,000 which amount is subject of the Debtors' motion seeking authority to pay pre-petition wage-related items.

76. Moreover, the Debtors believe it is imperative that they be able to close on sales of lots, and transfer title, without the necessity of seeking and obtaining separate court orders for each sale. I believe the procedures proposed in the motion by the Debtors to deal with mechanic's liens in the motion are fair and will assist the Debtors maximize the value of the Debtors' assets in the most efficient manner possible.

G. Motion to Reject Executory Contracts and Unexpired Leases

77. The Debtors seek approval of the rejection of the executory contracts and unexpired leases of non-residential real property identified in the Debtors' motion (the "Contracts").

78. The Debtors have determined, in their business judgment, that the Contracts are either unnecessary to the administration of the estates or burdensome because the Debtors are either unable to perform, or the cost to perform is greater than the benefit to the estates.

79. As I understand it, the immediate rejection will preclude the accrual and assertion of administrative expense claims against the Debtors' estates and thus benefit the estates and their creditors.

80. I believe the Debtors would suffer immediate and irreparable harm if they were not able to immediately reject the contracts subject of the motion. For example, the budget subject of the Debtors' request for post-petition financing and use of cash does not include administrative expenses relating to the contracts subject of the motion. Therefore, I believe that it is critical that the Court consider the motion in order to avoid the potential incursion of administrative expenses that I believe would cause injury to the Debtors' estates.

H. Utilities

81. The Debtors receive certain utility services from various utility companies (the “Utility Companies”). The Debtors seek to (i) prohibit Utility Companies from altering, refusing or discontinuing service on account of unpaid pre-petition invoices; (ii) deeming the Utility Deposit Account to provide the Utility Companies with adequate assurance of payment; and (iii) establish procedures for Utility Companies to request additional adequate assurance of payment.

82. The Debtors estimate that their average monthly payments to the Utility Companies on a post-petition basis aggregate approximately \$13,740. To provide adequate assurance of payment for future services to the Utility Companies, the Debtors will deposit \$6,870, a sum equal to 50% of the Debtors’ estimated costs of their monthly utility consumption, halved to take into account expected decreased consumption on a going forward basis, into an interest-bearing account (the “Utility Deposit Account”).

The Utility Companies service the Debtors’ active communities as well as its corporate office. Uninterrupted utility services are essential to ongoing operations. Should the Utility Companies refuse or discontinue service, even for a brief period, the Debtors’ business operations could be severely disrupted. If such disruption occurred, the impact on the Debtors’ business operations could be harmful and could jeopardize the Debtors’ efforts to reorganize.

I. Request to Maintain Use of Cash Management and Existing Business Forms

83. I understand that the Office of the United States Trustee has established certain operating guidelines for debtors-in-possession in order to supervise the administration of Chapter 11 cases. These guidelines require Chapter 11 debtors to, among other things, close all existing bank accounts and open new debtor-in-possession (“DIP”) bank accounts, establish one DIP account for all estate monies required for the payment of taxes (including payroll taxes),

maintain a separate DIP account for cash collateral, and obtain checks for all DIP accounts that bear the designation, “debtor-in-possession,” the bankruptcy case number, and the type of account. The Debtors seek a waiver of these requirements.

84. The Debtors seek a waiver of the requirement that they open a new set of books and records as of the Petition Date because the Debtors respectfully submit that opening a new set of books and records would create unnecessary administrative burdens and would cause unnecessary expense, utilization of resources, and delay. With the use of computer technology, it will be easy to differentiate between pre and post-petition transactions by date. In the ordinary course of business, the Debtors use many checks, invoices, stationery, and other business forms. By virtue of the nature and scope of the business in which the Debtors are engaged, and the numerous other parties with whom the Debtors deal, the Debtors need to be permitted to use their existing business forms without alteration or change. A substantial amount of time and expense would be required in order to print new checks and other business forms. Fulfillment of the requirement would likely delay payment of post-petition claims and negatively affect operations. Accordingly, the Debtors respectfully request that they be authorized to continue to use their existing business forms and to maintain their existing business records.

85. The Debtors also request authority to maintain their existing bank accounts (each a “**Bank Account**” or “**Account**” and collectively, the “**Bank Accounts**” or “**Accounts**”) and cash management systems (each a “**Cash Management System**” and collectively, the “**Cash Management Systems**”) in accordance with their usual and customary practices to ensure a smooth transition into chapter 11 with minimal disruption to operations. The Debtors also request authority to close any of the Bank Accounts if, in the exercise of their business judgment, the Debtors determine that such action is in the best interest of their estates.

86. Only if the Bank Accounts are continued with the same account numbers can the transition into chapter 11 be smooth and orderly, with minimal interference with continuing operations. In order to conduct their post-petition businesses, the Debtors need to be able to issue checks to vendors, service providers, employees, and others. To open new accounts and obtain checks for those accounts will cause delay and disruption to the Debtors' business. Moreover, as discussed above, a change in the Accounts to which customers wire and route payments could delay the Debtors' receipt of funds needed for operations. By preserving business continuity and avoiding operational and administrative paralysis that would result from closing the existing Bank Accounts and opening new ones, all parties-in-interest, including employees, vendors, and customers, will be best served, and the benefit to the Debtors' estates will be considerable. The confusion that might otherwise result would only work to the detriment of these chapter 11 cases. The Debtors recognize that checks issued prior to the Petition Date will not be honored, except as otherwise provided by separate order of the Court.

87. The Debtors employ a Cash Management System similar to those commonly employed by corporate enterprises of size and complexity comparable to the Debtors. The Debtors maintain Bank Accounts however, certain of these Bank Accounts are either inactive or have limited activity.⁶ A list of the Debtors' Bank Accounts is set forth on Exhibit A attached to the motion.

88. The Debtors will continue to maintain records respecting all transfers between and among the Bank Accounts so that all transactions can be ascertained after they have occurred. In addition, the Debtors will instruct their banks to add the designation, "Debtor-in-Possession" or "DIP" to their current and any future domestic Accounts with each such bank,

⁶ The Debtors intend to review their bank account activity and shall close any inactive, pre-petition accounts.

will treat the Accounts for all purposes as Accounts of the Debtors as DIPs, and will maintain records that recognize the distinction between pre-petition and post-petition transfers.

89. The Debtors believe that their current cash are relatively safe because the Debtors' financial institutions are, upon information and belief, financially stable.

90. For the reasons stated above, I believe that the circumstances of these cases warrant the maintenance of the Debtors' Cash Management System.

J. Request To Approve Procedures For Interim Compensation For Professionals

91. The Debtors are requesting that the Court enter an order establishing a procedure for compensating and reimbursing professionals on a monthly basis.

92. The Debtors have filed applications to retain Berger Singerman, Gulf Atlantic and Trustee Services and anticipate seeking to retain an accountant and possibly special litigation counsel. Further, I have been advised that in the event an official committee is appointed, that such committee could engage professionals whose approved fees are to be paid from the estate.

93. The Debtors believe that monthly billing will assist the Court and parties-in-interest to effectively monitor the fees incurred, and the Debtors will be able to spread out payments of professional fees, rather than suffer larger depletions to their cash flows on an irregular basis.

K. DIP Financing/Cash Collateral Motion

94. The Debtors seek approval to use cash collateral and to obtain post-petition financing, on an interim basis, up to the maximum amounts of \$589,159 as to the 42M DIP Credit Agreement, and \$76,651 as to the 25.2M DIP Credit Agreement, and authorizing the Debtors to use cash collateral under the terms and conditions as set forth in the DIP Loan Documents and the Interim Order pending a final hearing, at which the Debtors will seek post-

petition financing up to the maximum amount of \$1.887 million as to the 42M DIP Credit Agreement and \$251,000 as to the 25.2M DIP Credit Agreement (and otherwise on terms substantially identical to those contained in the Interim Order), from KeyBank and Wachovia. As of the Petition Date, the Debtors do not have working capital or financing to operate their businesses. Therefore, they immediately need post-petition financing and the ability to use all of the cash generated from the sale, disposition or other realization of any assets or property subject to the Pre-Petition Liens. The success of these chapter 11 cases and the stabilization of the Debtors' operations and business at the outset thereof depend on the Debtors' ability to continue to fund their operations, meet payroll and other operating expenses, as well as preserve the going concern value of their various real estate developments and projects. In the absence of the immediate ability to use cash collateral or obtain post-petition financing, the Debtors will not be able to fund operations, meet payroll and other operating expenses or preserve the going concern value of their assets which will result in serious and irreparable harm to the Debtors and their estates will occur.

95. As discussed above, prior to the Petition Date, and in furtherance of their business operations, certain of the Debtors entered into the \$42 MM Credit Facility and the \$25.2 MM Credit Facility with the Pre-Petition Lenders (as defined in the motion). To secure their obligations under those credit facilities, the Debtors granted security interests in substantially all of the Debtors' assets.

96. Prior to the Petition Date, the Debtors actively sought a transaction, or series of transactions, including a possible recapitalization. However, as of the Petition Date, these efforts were unsuccessful. The Debtors believe that based upon, among other things, the tightened credit markets and market conditions in the financing sector, general conditions in the real estate

market, the estimated value of the Debtors' real property assets and the claims and liens asserted against such property, the Debtors would not have been able to obtain financing from any other financial institutions on an unsecured basis, nor on terms more favorable than those discussed in the motion and attachments thereto. In addition, given the extent of outstanding secured and unsecured indebtedness owed by the Debtors and the extreme time constraints resulting from the Debtors' liquidity problems, the range of realistic financing alternatives was extremely limited.

97. The Debtors submit that the terms and conditions set forth in the DIP Loan Documents (as defined in the motion), taken as a whole, are fair and reasonable under the circumstances; reflect the Debtors' and their respective directors' exercise of prudent business judgment consistent with their fiduciary duties; and are supported by reasonably equivalent value and fair consideration.

98. I understand that the DIP Lenders are willing to provide the Post-Petition Advances under the DIP Credit Agreements, subordinate their Superpriority Claims (as defined in the DIP Credit Agreements), security interests and liens to the Carve-Out, and consent to the Debtors' use of cash collateral, subject to the conditions set forth in the Interim Order and in the DIP Loan Documents, including, the provisions of the Interim Order assuring that the security interests and liens pursuant to section 364(c) and (d) of the Bankruptcy Code and the various claims, Superpriority Claims, and other protections granted pursuant to the Interim Order and the DIP Loan Documents will not be affected by any subsequent reversal or modification of the Interim Order, or by any other order that is applicable to the DIP Loan Documents (including with respect to the cash collateral).

99. I believe that the DIP Lenders have acted in good faith in consenting to and in agreeing to provide the financing under the DIP Credit Agreements. The parties have negotiated

the DIP Credit Agreements and the Debtors' use of cash collateral at arms' length and in good faith. The DIP Lenders would not agree to provide the DIP Credit Agreements, or agree to the Debtors' use of their cash collateral, absent the approval of the terms and conditions set forth in the DIP Loan Documents and the Interim Order.

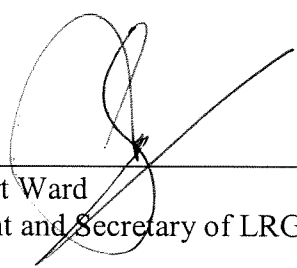
100. For the reasons stated above, I believe it is essential that the relief sought be granted immediately and that granting the relief sought is in the best interests of the Debtors and their estates.

(Remaining Page Intentionally Left Blank)

. This concludes my declaration.

I DECLARE UNDER PENALTY OF PERJURY THAT FOREGOING IS TRUE AND
CORRECT.

Executed on October 30, _____, 2008.



J. Robert Ward
President and Secretary of LRG

EXHIBIT A

Community Map

Community Map

(Map as of Jan. '08)



EXHIBIT B

Ownership Structure

ENTITIES	OWNERSHIP		STATE OF INCORPORATION / FORMATION	STATES QUALIFIED TO DO BUSINESS	ENTITY PURPOSE
	%	Person/Entity			
Land Resource, LLC	79.9%	J. Robert Ward The Mallory Elizabeth Ward Irrevocable Trust	GA	GA, NC, WV, TN, FL	Parent Company
	10.0%	Trust			
	10.0%	The Sarah Caitlin Ward Irrevocable Trust			
	0.1%	Land Resource Group, Inc.			
Bridge Pointe at Jekyll Sound, LLC	85.0%	Land Resource, LLC	GA	GA	Development Entity
	15.0%	J. Robert Ward			
Clarks Hill Lake, LLC	100.0%	Land Resource, LLC	GA	GA	Development Entity
Stillwater Coves, LLC	100.0%	Land Resource, LLC	GA	GA	Contract Entity
The Ridges at Morgan Creek, LLC	100.0%	Land Resource, LLC	GA	GA, NC	Development Entity
Villages at Norris Lake, LLC	100.0%	Land Resource, LLC	GA	GA, TN	Development Entity
Roaring River, LLC	100.0%	Land Resource, LLC	GA	GA, WV	Development Entity
Roaring River Holding Company, Inc.	100.0%	J. Robert Ward	GA	GA, WV	Investment Entity - owns Phase 2 of Roaring River
Rush Creek Land Company	100.0%	Roaring River Holding Company, Inc.	DE	WV	owns a ~94 acre landfill on Roaring River Phase 2
Laird Point, LLC	95.2%	Land Resource, LLC	GA	GA, FL	Development Entity
	4.8%	Land Resource Group, Inc.			
Land Resource Group, Inc.	100.0%	J. Robert Ward	GA	GA, NC, WV, TN, FL	Holding Company
Land Resource Watts Bar, LLC	100.0%	Land Resource, LLC	GA	GA, TN	Development Entity
LR Riversea, LLC	100.0%	Land Resource, LLC	GA	GA, NC	Development Entity
Point Peter, LLLP	99.99%	Land Resource, LLC	GA	GA	Development Entity
	0.01%	Land Resource Group, Inc.			
LR Buffalo Creek, LLC	75.0%	Land Resource, LLC	GA	GA, NC	Development Entity
	13.25%	Euram Grey Rock Associates, LP			
	5.0%	Realan Capital Corporation			
	5.0%	Weeks-Grey Rock, LLC			
	0.625%	DPB Solutions, LLC			
	0.625%	Daniel D. Dinur			
	0.5%	Barrington H. Branch			
Laird Bayou, LLC	75.0%	Land Resource, LLC	GA	GA, FL	Development Entity
	25.0%	Euram Laird Bayou Associates, LP			
Land Resource Satilla River, LLC	100.0%	Land Resource, LLC	GA	GA	Development Entity
Land Resource Meigs County, LLC	100.0%	Land Resource, LLC	GA	GA, TN	Development Entity
Land Resource Orchards, LLC	100.0%	Land Resource, LLC	GA	GA, NC	Development Entity
Coastline Properties, LLC	100.0%	Land Resource, LLC	GA	GA	Development Entity
Blue Mist Farms, LLC	100.0%	Land Resource, LLC	GA	GA, NC	Development Entity
LR Baytree Landing, LLC	100.0%	Land Resource, LLC	GA	GA, NC	Development Entity
Land Resource Group of NC	100.0%	Land Resource, LLC	GA	GA, NC	Development Entity
Hickory Bluff Marina, LLC	100.0%	Land Resource, LLC	GA	GA	owns a marina
Hickory Bluff Marina Club, Inc.	100.0%	Hickory Bluff Marina, LLC	GA	GA	operating entity of marina
Lakemont Advertising, LLC	100.0%	Land Resource, LLC	GA	GA	former marketing entity
Southern HOA Management, LLC (discuss)	100.0%	Land Resource, LLC	GA	GA	HOA management entity
LRC Aviation, LLC	100.0%	Land Resource, LLC	GA	GA	owns 1/8 share in Net Jets aircraft
LRC Holdings, LLC	100.0%	Land Resource, LLC	GA	GA	contract entity
LRC Realty, LLC	100.0%	Land Resource, LLC	GA	GA	resale entity
Cumberland Harbour Realty, LLC	100.0%	Land Resource, LLC	GA	GA	resale entity
Laird Bayou Brokerage, LLC	100.0%	Land Resource, LLC	GA	GA, FL	resale entity
Laird Point Brokerage, LLC	100.0%	Land Resource, LLC	GA	GA, FL	resale entity
Land First Title, LLC	100.0%	Land Resource, LLC	FL	GA, NC, WV, TN, FL	title closing entity -- facilitates the closing of loans between buyer and lender
Land First Mortgage, LLC	100.0%	Land Resource, LLC	FL	GA, NC, WV, TN, FL	mortgage closing entity - facilitates the closing of loans between buyer and lender
Bridge Pointe At Jekyll Sound Community Association, Inc.	n/a				
Cumberland Harbour Property Owners Association, Inc.					
Docks At Caney Creek Property Owners Association, Inc.					
Greyrock Community Association, Inc					
Laird Point Property Owners Association, Inc					
Roaring River Community Association, Inc					
Stillwater Coves Community Association, Inc					
Villages At Norris Lake Community Association, Inc.					
Wild Ridges At Morgan Creek Community Association, Inc.					