UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NORTH CAROLINA
WILSON DIVISION

IN THE MATTER OF:	**CASE NO.:**
CROATAN SURF CLUB, LLC	**11-00194-8-SWH** **CHAPTER 11**

SECOND AMENDED DISCLOSURE STATEMENT OF FEBRUARY 18, 2011

HINSON & RHYNE, P.A.
Attorney at Law
2401-G Wooten Blvd.
P. O. Box 7479
Wilson, NC 27895-7479

INDEX

		PAGE
ARTICLE I	Overview and Identification of Proponent	3
ARTICLE II	Preliminary Statement	3
ARTICLE III	Summary of Plan, Code Provisions for Voting and the Reorganization Process	4
ARTICLE IV	History and Organization of the Debtor	9
ARTICLE V	Pending Legal Action	15
ARTICLE VI	Classification of Claims	15
ARTICLE VII	Treatment of Interest Holders	17
ARTICLE VIII	Liquidation Analysis	17
ARTICLE IX	Repayment Projections	17
ARTICLE X	Management Provisions	17
ARTICLE XI	Professionals Employed	17
ARTICLE XII	Payments under Plan are in Full and Final Satisfaction of Debt	18
ARTICLE XIII	Discharge of Debtor	19
ARTICLE XIV	Tax Implications	19

ARTICLE I

OVERVIEW AND IDENTIFICATION OF PROPONENT

Croatan Surf Club, LLC, the Debtor-in-Possession ("Debtor"), hereby submits to its creditors this Second Amended Disclosure Statement ("Disclosure Statement") in connection with its Second Amended Plan of Reorganization (the "Plan") pursuant to Chapter 11 of Title 11 United States Code (hereinafter the "Bankruptcy Code" or "Code"). This Disclosure Statement is submitted in lieu of the Amended Disclosure Statement dated January 19, 2011.

ARTICLE II

PRELIMINARY STATEMENT

The Debtor submits this Disclosure Statement to all of its creditors in order to comply with provisions of the Code requiring the submission of information necessary for creditors to arrive at an informed decision in exercising their rights to vote for acceptance or rejection of the Debtor's Plan of Reorganization dated January 18, 2011, presently on file with the Bankruptcy Court. A copy of the Plan accompanies this Disclosure Statement. The Debtor is the proponent of this Plan.

As a creditor or partner involved in the Croatan Surf Club, LLC bankruptcy, you should take the time to vote on the proposed Plan, which, if confirmed, will affect your economic interest. Before casting your ballot, it is important that you be properly informed about the nature of the Chapter 11 Case and the workings of the proposed Plan and its consequences. This Disclosure Statement has been approved by the Bankruptcy Court as containing adequate information to enable you to make an informed decision about the Plan. The Debtor urges you to review the Disclosure Statement and Plan, consult with your own legal counsel or other advisers if you think it is appropriate and, for the reasons which follow, vote in favor of the Plan.

If you are a creditor, the Debtor believes that you should be paid in full. Unfortunately, bankruptcy results, as it did in this case, when it becomes difficult or impossible for a business to pay its debts in full when due. Here, payment of the debts of the Debtor in full is possible over time. The Debtor believes that its major asset, 35 remaining condominium units of a 36-unit luxury condominium building has a reasonable prospect of generating revenues sufficient to meet the obligations of the Reorganized Debtor under the Plan. The Debtor has devoted considerable time and energy to negotiating a Plan which it believes will provide its creditors with a significantly greater and more certain return than any other likely outcome of the bankruptcy, and particularly more than a liquidation. The Reorganized Debtor will own the Property (hereinafter defined) of the Debtor after the Effective Date. The Debtor believes that the reset of the indebtedness owed to Lender and Mezzanine Lender, coupled with the increased revenues from operations, will yield an operating entity able to handle its debt service requirements, operating expenses and Plan payments going forward.

Both the Debtor's Plan of Reorganization and the bankruptcy case are somewhat complex. You should read this Disclosure Statement and the Plan before you decide how to vote.

ARTICLE III

SUMMARY OF PLAN, CODE PROVISIONS FOR VOTING AND THE REORGANIZATION PROCESS

A. Repayment of Creditors

The Debtor anticipates paying all administrative claims and unsecured priority claims in full during the pendency of the Plan. The plan of the Debtor details the treatment of all of the known creditors. The Debtor's Plan provides for a restructuring of the secured debt of Lender and Mezzanine Lender. The plan also proposes a 100% repayment of all unsecured debts.

This Disclosure Statement contains a brief discussion of the Plan and its implementation. This Disclosure Statement should be read in conjunction with the Plan of Reorganization which is a legal document and upon confirmation will become binding upon creditors and all other parties in interest. The Debtor urges creditors and other parties in interest to consult with independent counsel in connection with their decision to accept or reject the Plan.

B. Creditors Allowed to Vote: Deadline

Creditors holding Allowed Claims are entitled to vote to accept or reject the Debtor's Plan of Reorganization. After carefully reviewing the Plan, this Disclosure Statement, and (if you are entitled to vote) the detailed instructions accompanying your Ballot, please indicate your acceptance or rejection of the Plan by checking the appropriate box on the enclosed Ballot. Please complete and sign your original Ballot and return in the envelope provided or by facsimile. You must provide all of the information requested by the appropriate Ballot.

IN ORDER FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE PROPERLY COMPLETED AS SET FORTH ABOVE AND IN ACCORDANCE WITH THE VOTING INSTRUCTIONS ON THE BALLOT AND ACTUALLY RECEIVED NO LATER THAN 5:00 P.M. (PREVAILING EASTERN TIME) ON THE DATE SET OUT IN THE ACCOMPANYING NOTICES BY:

Walter L. Hinson
HINSON & RHYNE, P.A.
Attorney at Law
P. O. Box 7479
Wilson, NC 27895-7479

BALLOTS RECEIVED AFTER SUCH TIME MAY NOT BE COUNTED UNLESS THE COURT SO ORDERS. THE DEBTOR RECOMMENDS A VOTE "FOR ACCEPTANCE" OF THE PLAN.

Even though a creditor may not choose to vote or may vote against the Plan, the creditor will be bound by the terms and treatment set forth in the Plan if the Plan is accepted by the requisite majorities in each class of creditors and/or is confirmed by the Court. Creditors who fail to vote will not be counted in determining acceptance or rejection of the Plan. The filing of a ballot does not constitute a claim.

Allowance of a claim or interest for voting purposes does not necessarily mean that the claim will be allowed or disallowed for purposes of distribution under the terms of the Plan. Any claim to which an objection has been or will be made will be allowed only for distribution after determination by the Court. Such determination may be made after the Plan is confirmed.

C. Voting Provisions

In order for the Plan to be deemed accepted by a class of creditors entitled to vote under the Plan **(CLASSES 1 THROUGH 9 UNDER THE PLAN)**, creditors that hold at least two-thirds (2/3) in the dollar amount and more than one-half (½) in the total number of allowed claims of creditors voting on the Plan must accept the Plan. Under certain limited circumstances more fully described in 11 U.S.C. §1129(a)(15) and 1129(b), the Court may confirm a plan notwithstanding the rejection thereof by more than one-third (1/3) in amount or one-half (½) in number of the creditors voting on the Plan in any given class. The Debtor intends to seek confirmation under 11 U.S.C. §1129(a)(15) and 1129 (b) in the event any class of creditors rejects the Plan.

AS STATED ABOVE, THE BANKRUPTCY COURT HAS SET A TIME AS THE LAST DATE BY WHICH ALL BALLOTS MUST BE RECEIVED. All parties eligible to vote on the Plan are urged to complete and return their Ballots promptly to avoid delay in confirmation of the Plan.

D. Representations Limited

No representations concerning the Debtor, particularly regarding future business operations or the value of the Debtor's assets, have been authorized by the Debtor except as set forth in this statement. You should not rely on any other representations or inducements proffered to you to secure your acceptance in arriving at your decision in voting on the Plan. Any person making representations or inducements concerning acceptance or rejection of the Plan should be reported to counsel for the Debtor at the address below and to the Bankruptcy Administrator. The Bankruptcy Administrator may be reached at 1760-B Parkwood Blvd., Wilson, NC 27894.

While every effort has been made to provide the most accurate information available, the Debtor is unable to warrant or represent that all information is without inaccuracy. No known inaccuracies are included. Further, much of the information contained herein consists of projections of future performance of a very complicated and uncertain business. While every effort has been made to insure that the assumptions are valid and that the projections are as accurate as can be made under the circumstances, the Debtor does not undertake to certify or warrant the absolute accuracy of the projections.

E. Brief Explanation of Chapter 11

Chapter 11 is the principal business reorganization section of the Bankruptcy Code. Pursuant to Chapter 11, normally a debtor is permitted to reorganize its business affairs for its own benefit and that of its creditors and other interest holders. Unless a trustee is appointed, the debtor is authorized to continue to operate its business while all attempts to collect pre-petition claims from the debtor, or to foreclose upon property of the debtor, are stayed during the pendency of the case, unless otherwise ordered by the Bankruptcy Court.

The objective of a Chapter 11 case is the formulation of a plan of reorganization or liquidation of the debtor and its affairs. The Plan is a vehicle for resolving claims against the debtor, as well as providing for its future direction and operations. Impaired creditors are given an opportunity to vote on any proposed plan, and the plan must be confirmed by the Bankruptcy Court to be valid and binding on all parties. Once the plan is confirmed, all claims against the debtor which arose before the confirmation of the Plan are extinguished, unless specifically preserved in the Plan. However, if the proposed Plan provides for the liquidation of the debtor's assets then, no discharge is granted to the debtor from any debt and liability that arose prior to the Petition Date.

F. Purpose of Disclosure Statement

The purpose of a Disclosure Statement is to provide the creditors and equity holders with sufficient information about the Debtor and the proposed Plan of Reorganization so as to permit them to make an informed judgment when voting on the Plan. This Disclosure Statement therefore includes background information about the Debtor and also identifies the classes into which creditors have been placed by the Plan. The Disclosure Statement describes the proposed treatment of each of those classes if the Plan is confirmed. In addition, the Disclosure Statement contains information concerning the future prospects for the Debtor in the event of confirmation or, in the alternative, the prospects if confirmation is denied or the proposed Plan does not become effective.

This Disclosure Statement and the Exhibits described herein have been approved by Order of the Bankruptcy Court as containing, in accordance with the provisions of the Bankruptcy Code, adequate information of a kind and in sufficient detail that would enable a reasonable, hypothetical investor, typical of a holder of impaired claims or interests that is entitled to vote on the Plan, to make an informed judgment with respect to the acceptance or

rejection of the Plan. The Bankruptcy Court's approval of this Disclosure Statement, however, does not constitute a recommendation by the Bankruptcy Court either for or against the Plan.

YOU ARE URGED TO STUDY THE PLAN IN FULL AND TO CONSULT WITH YOUR COUNSEL AND OTHER ADVISORS ABOUT THE PLAN AND ITS IMPACT, INCLUDING POSSIBLE TAX CONSEQUENCES, UPON YOUR LEGAL RIGHTS. PLEASE READ THIS DISCLOSURE STATEMENT CAREFULLY BEFORE VOTING ON THE PLAN.

G. Notice to Holders of Claims and Interests

This Disclosure Statement is being transmitted to certain holders of Claims for the purpose of soliciting votes on the Plan and to others for information purposes. The purpose of this Disclosure Statement is to provide adequate information to enable the holder of a Claim against the Debtors to make a reasonably informed decision with respect to the Plan prior to exercising the right to vote to accept or reject the Plan.

H. Solicitation Package

Accompanying this Disclosure Statement are, among other things, copies of the (a) the Plan, (b) the order approving the Disclosure Statement, which inter alia, provides notice of the time for submitting Ballots to accept or reject the Plan, the date, time and place of the hearing to consider the confirmation of the Plan and related matters, and the time for filing objections to the confirmation of the Plan, and (c) one or more ballots (and a return envelope), to be used by you, if you are entitled to vote, in voting to accept or reject the Plan.

I. The Confirmation Hearing

The Bankruptcy Court has scheduled a hearing on the confirmation of the Plan and notice of the time and location thereof is a part of your notice you have received with these pleadings, or as soon thereafter as the parties can be heard. At the hearing, the Bankruptcy Court will consider whether the Plan satisfies the various requirements of the Bankruptcy Code, including whether it is feasible and whether it is in the best interest of holders of claims and interests. The Bankruptcy Court will also receive and consider a report of plan voting prepared by the Debtor concerning the votes for acceptance or rejection of the Plan cast by the parties entitled to vote. The hearing may be adjourned from time to time by the Court without further notice except for the announcement of the adjournment date made at the hearing or at any subsequently adjourned hearing. The Court has directed that objections, if any, to confirmation of the Plan be filed with the Clerk of the Court and served by the date set out in the notice that is a part of your notice you have received with these pleadings.

J. Acceptances Necessary to Confirm Plan

At the scheduled confirmation hearing, the Bankruptcy Court must determine, among other things, whether the Plan has been accepted by each impaired class. Under Section 1126 of the Bankruptcy Code, an impaired class is deemed to have accepted the Plan if at least 2/3 in amount and more than ½ in number of the Allowed Claims of class members who have voted to accept or reject the Plan have voted for acceptance of the Plan. Further, unless there is acceptance of the Plan by all members of an impaired class, the Bankruptcy Court must also determine that under the Plan class members will receive property of a value, as of the Effective Date of the Plan, that is not less than the amount that such class members would receive or retain if the Debtor was liquidated under chapter 7 of the Bankruptcy Code on the Effective Date of the Plan.

K. Confirmation of The Plan Without The Necessary Acceptances

If any Impaired Class fails to accept the Plan, the Plan Proponent intends to request that the Bankruptcy Court confirm the Plan as a "Cramdown" pursuant to § 1129(b) of the Bankruptcy Code with respect to such Class. Section 1129(b) of the Bankruptcy Code provides that the Plan can be confirmed even if the plan is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. The Bankruptcy Court may confirm the Plan at the request of the Debtors if the Plan "does not discriminate unfairly" and is "fair and equitable" as to each impaired class that has not accepted the Plan. The Plan does not discriminate unfairly within the meaning of the Bankruptcy Code if a dissenting class is treated equally with respect to the other classes of equal rank.

A Plan is fair and equitable as to a class of secured claims that rejects a Plan if the Plan provides (a) (i) that holders of claims included in the rejecting class retain the liens securing those claims whether the property subject to those liens is retained by the debtor or transferred to another entity, to the extent of the allowed amount of such claims; and (ii) that each holder of a claim of such class receives on account of that claim deferred cash payments totaling at least the allowed amount of that claim, of a value, as of the effective date of the plan, of at least the value of the holders' interest in the estate's interest in such property; (b) for the sale, subject to Section 363(k) of the Bankruptcy Code, of any property that is subject to the liens securing the claims included in the rejecting class, free and clear of liens, with the liens to attach to the proceeds of the sale, and the treatment of the liens on proceeds under clause (a) or (b) of this subparagraph; or (c) for the realization by such holders of the indubitable equivalent of such claims.

A plan is fair and equitable as to a class of unsecured claims that rejects a plan if the plan provides (a) for each holder of a claim included in the rejecting class to receive or retain on account of that claim property that has a value, as of the effective date of the plan, equal to the allowed amount of such claim or (b) that the holder of any claim or interest that is junior to the claims of such class will not receive or retain an account of such junior claim or interest any property at all.

A plan is fair and equitable as to a class of equity interests that rejects a plan if the plan provides (a) that each holder of an interest included in the rejecting class receive or retain on account of that interest property that has a value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, and fixed redemption price to which such holder is entitled, or the value of such interest, or (b) that the holder of any interest that is junior to the interest of such class will not receive or retain under the plan on account of such junior interest any property at all.

ARTICLE IV

HISTORY AND ORGANIZATION OF THE DEBTOR

A. History of the Debtor

BKDean Properties, LLC, Coburn Properties, LLC, Shanahan Properties, LLC and Tall Dune Holdings, LLC formed Croatan Surf Club, LLC as a single purpose entity for the purpose of acquiring and improving certain real property situated in the town of Kill Devil Hills, Atlantic Township, Dare County, North Carolina into a 36-unit oceanfront luxury condominium building with ancillary common areas, amenities and other improvements described in the condominium documents filed of record in North Carolina (hereinafter referred to as The Project). Each unit was constructed as a luxury residential unit for sale to the general public, but each Unit also has enormous value as a vacation rental property.

Royal Bank America ("Royal"), learned of the Project through Glenn Hyman, a financial intermediary, in April 2007. Royal evaluated financing the Project as both a for sale residential condominium and a luxury residential rental property and actively supported the construction and development of Project under either financing program from the outset of Royal's relationship with Borrower. Royal initially proposed to provide financing to the Project in the principal amount of $19,000,000 with an additional $2,000,000 to be provided by Royal as mezzanine financing. Royal retracted its initial commitment due to the unexpected and sudden closure of its mezzanine lending program. Subsequently, as a result of Royal having lost a participant in its $19,000,000 financing commitment to Borrower, Royal required Borrower to find a replacement participant for the loan. Borrower produced Bank of Currituck ("Currituck") as a willing participant. First Commonwealth Bank ("FCB") also joined Currituck as a participant with Royal. Royal, Currituck and FCB are sometimes collectively referred to herein as "Lender".

Royal ultimately reduced its loan commitment to $17,000,000, which, combined with reneging on its mezzanine commitment, required Borrower to provide substantial additional cash for the Project. In furtherance of the additional cash requirement, Borrower obtained the commitment of Edwards Family Partnership, LP ("Mezzanine Lender"), to replace the lost mezzanine financing by providing a $3,000,000 mezzanine loan to the Project as hereinafter described.

Based upon repeated promises and assurances that Royal and/or Currituck would support and provide financing for the Project either as a luxury residential for-sale property or as a luxury residential rental project, and having secured the necessary mezzanine financing and equity contributions required by Royal, Plaintiffs agreed to the terms of the Royal loan commitment of $17,000,000 and ultimately closed on said Loan on December 20, 2007.

The lending relationship between Borrower and Royal was quickly influenced by the severe, national financial crisis commencing in mid-2008 and reaching historic crises proportions in late 2008, all of 2009, and continuing into 2010. A mortgage lending crisis emerged, initially relating to subprime mortgage defaults and spreading rapidly to commercial real estate lending and the securitized commercial mortgage backed security marketplace, which lending crisis severely impacted the liquidity of many financial institutions, including Royal. Upon information and belief, Royal participated in risky types of commercial and residential lending and was greatly exposed to the extreme risks occasioned by past aggressive lending practices and, as a result, Royal has been subjected to massive loan losses causing financial turmoil and distress for Royal which both impacted Royal's liquidity and has threatened its viability as an ongoing banking institution.

Commencing in the timeframe commensurate with the Loan and continuing thereafter, upon information and belief, Royal became severely distressed by its lack of liquidity and a massive non-performing loan portfolio. As a direct result of its deteriorated financial state, and in no way relating to the viability or performance of the Loan, Royal embarked on efforts to recoup its capital and augment its capital reserves, including, but not limited to, receiving approximately $30 million in government and taxpayer money through the Trouble Asset Relief Program ("TARP"). Royal specifically made efforts to seek the return of loan principal from already funded, fully performing loans, including Royal's loan with the Debtor.

Further, Royal and/or Currituck attempted to collect upon and recover all of a portion of the outstanding Loan to the Debtor, even though not yet due, by purposefully manufacturing a sham default under an otherwise fully performing Loan for the express purpose of prematurely accelerating the maturity of said Loan, thereby depriving Borrower and the other Plaintiffs of the benefit thereof and by negating Borrower's contractual six month extension rights thereunder. Royal's actions were designed, by use of deceptive and malicious conduct, to recover all or a portion of the principal Loan prior to any such sum being due or owing.

In February of 2010, the Debtor's relationship with Royal Bank America deteriorated so much that Royal filed litigation against the Debtor in Montgomery County, Pennsylvania to collect on the underlying note. Litigation was also commenced by Royal against the various guarantors of the Royal debt. This litigation was also commenced in Montgomery County, Pennsylvania. All of the litigation in Montgomery County, Pennsylvania is still pending.

The Debtor has since filed litigation against Royal and the Bank of Currituck in Dare County North Carolina alleging causes of action ranging from fraud to breach of contract to various tort claims. A copy of the adversary action ("Adversary Action") without its exhibits,

captioned *Croatan Surf Club, LLC, Clarence E. Dean and Kelly Ann Dean, Kenneth J. Termini, Jeremiah T. Shanahan, Robert E. Coburn and Denise Coburn, BKDean Properties, LLC, Tall Dune Holdings, LLC, Shanahan Properties, LLC and Coburn Properties, LLC v. Royal Bank America and Bank of Currituck, General Court of Justice, Superior Court Division, of Dare County, North Carolina, Case No. 10-CVS-381*, is attached hereto as Exhibit A. An electronic copy of the entire pleading may be obtained from counsel for the Debtor upon written request or it may be obtained by visiting the office of the Clerk of Superior Court in Dare County, North Carolina. This litigation is still pending and, at the Debtor's discretion, may be removed to this Court and conducted as an adversary action under the Bankruptcy Code. Royal has also filed a foreclosure action against The Project. All of the litigation is still pending.

At the current time, the individual units are not listed for sale. Previously, the Debtor had marketed the units for sale. The Debtor will market the units for sale again once the Debtor's Plan is confirmed. Presently, the Debtor leases the units for short term rentals during all periods of the year, and leases units for long term rentals during the off season.

B. The Chapter 11 Filing and Post-Petition Events

The Debtor filed its petition on January 10, 2011 and is operating as Debtor in Possession. The Debtor is complying with all requirements of the Bankruptcy Code and all Local Rule requirements. The Debtor continues to lease the condominium units for short term rentals during all periods of the year, and leases condominium units for long term rentals during the off season. This activity provides the Debtor with income so that it can service its ongoing operational expenses.

C. Basic Concept of Plan

The following is a brief summary of the Plan, which is qualified in its entirety by the reference to the Plan.

The implementation of the Plan will permit the Debtor to restructure its obligations and pay off said restructured obligations from the proceeds of (i) future sales of condominium units comprising the Project, (ii) rental income derived from the leasing of condominium units in the interim, and (iii) proceeds, if any, of the Adversary Action filed against Royal and Currituck alleging multiple counts of lender liability. A copy of the Adversary Action is described hereinabove at Article IV(A).

On the Effective Date, the Debtor shall assume the existing Management Agreement between the Debtor and Village Realty (the "Manager"), ("Management Agreement"). From and after the Effective Date, management fees shall be paid as and when due in accordance with the Management Agreement. Management fees that are accrued and unpaid as of the Effective Date ("Accrued Fees") shall be paid by the Reorganized Debtor as funds become available to make such payments as contemplated on Exhibit A to the Plan. From and after the Effective Date, the Manager will collect rents from the leasing of the condominium units comprising the Project

and, consistent with prior practices, deliver Net Rental Proceeds to the Debtor as and when required pursuant to the terms of the Management Agreement. All such Net Rental Proceeds will be deposited into the Debtor in Possession account to be established on or prior to the Effective Date and maintained in accordance with and for the purposes set forth in the Plan.

The Plan sets forth multiple classes of Claims.

Class 1 consists of the unsecured priority tax Claim of the North Carolina Department of Revenue. Although the Debtor does not believe that any such taxes are owed, the Plan provides that any Allowed Claim for any such taxes will be paid current from Net Rental Proceedings derived from the Project, or if such proceeds are not sufficient to pay such Claims, then such Claims shall be paid in full on the fifth anniversary from the Effective Date. Said obligation shall accrue interest at the rate of 3%.

Class 2 consists of the unsecured priority tax Claim of the Internal Revenue Service. Although the Debtor does not believe that any such taxes are owed, the Plan provides that any Allowed Claim for any such taxes will be paid current from Net Rental Proceedings derived from the Project, or if such proceeds are not sufficient to pay such Claims, then such Claims shall be paid in full on the fifth anniversary from the Effective Date. Said obligation shall accrue interest at the rate of 3%.

Class 3 consists of the unsecured priority tax claim of the Employment Security Commission. Although the Debtor does not believe that any such taxes are owed, the Plan provides that any Allowed Claim for any such taxes will be paid current from Net Rental Proceedings derived from the Project, or if such proceeds are not sufficient to pay such Claims, then such Claims shall be paid in full on the fifth anniversary from the Effective Date. Said obligation shall accrue interest at the rate of 3%.

Class 4 consists of the claim of Dare County for ad valorem taxes owing on the unsold condominium units at the Project. The Debtor does not believe that there are any pre-petition taxes owing to Dare County. To the extent that pre-petition taxes are owed, the same will be paid current from Net Rental Proceeds derived from the Project, or if such proceeds are not sufficient to pay such Claims, then the Claims shall be paid in full on the earlier of 1) the sale of a particular condominium unit against which taxes are owed, or 2) the third anniversary from the Effective Date. Said obligation shall accrue interest at the rate of 3%

Class 5 consists of current post-petition Claims of Creditors entitled to payment of current operating expenses. These expenses will be paid first from Net Rental Proceeds derived from the Project and second from excess net proceeds from condominium unit sales after payment of the applicable release price to Lender and upon satisfaction of Lender's Reset Obligation as defined in the Plan, then to the Mezzanine Lender under the terms of the Plan as reflected in Classes 6 and 7 below. These expenses may also be paid from proceeds of the Adversary Action, if any.

Classes 6 and 7 consist of the secured claims of the Lender and Mezzanine Lender, respectively. The Plan provides that the Debtor will continue to market for sale and/or rent the condominium units at the Project in accordance with Debtor's prior practices. To the extent required to do so by judgment in the Adversary Action, the Plan contemplates that the Lender will be required to provide market end loan financing to facilitate condominium unit sales. With respect to condominium unit sales that occur following the Effective Date, the Plan is structured such that (i) Lender and Mezzanine Lender will be obligated to release their respective liens on each condominium unit upon payment of a release price per unit equal to that sum as set out for each individual unit and detailed on Exhibit B attached to this Disclosure Statement, provided, however, that no release fee shall be paid to the Mezzanine Lender during anytime that the Lender's Reset Obligation is not fully satisfied. Any excess payments over the per unit release price shall be applied first to current operating expense Claims pursuant to Class 5, then to other Claims in the order and priority indicated in the Plan.

The Plan provides that, on the Effective Date, the acceleration of the entire obligation owing Lender will be deemed revoked, placed in a non-default status, and reset as a performing loan. This new obligation ("Lender's Allowed Claim") shall include principal, accrued interest at the non-default Contract Interest Rate, reasonable attorneys fees and other fees and charges under the terms of the documents and instruments evidencing or securing Lender's Allowed Claim ("Lender's Loan Documents") to the extent allowed under 11 U.S.C. §506(b) (the "506(b) Charges"). This newly calculated obligation is referred to herein as the "Reset Obligation". The Debtor shall pay interest only on the Reset Obligation while the various units at the Project are liquidated. The interest shall be paid at the contractual rate (WSJ Prime + 1.00%) and shall be paid in accordance with the Schedule attached to this Disclosure Statement as Exhibit C in order to account for seasonal rental availability. The first monthly payment shall be due on the later of (i) 30 days after the Confirmation Date or (ii) as set forth on Exhibit C. As set forth in the original Note, the interest rate charged is variable, and may change in the event that the WSJ Prime interest rate changes. Said interest payments will be funded from Net Rental Proceeds and shall continue until the Reset Obligation is paid in full.

Similarly, the Plan provides that, on the Effective Date, the acceleration of the entire obligation owing Mezzanine Lender will also be deemed revoked, placed in a non-default status, and reset as a performing loan. This new obligation ("Mezzanine Lender's Allowed Claim") shall include principal, accrued interest at the non-default Contract Interest Rate, reasonable attorneys fees and other fees and charges under the terms of the documents and instruments evidencing or securing Mezzanine Lender's Allowed Claim ("Mezzanine Lender's Loan Documents") to the extent allowed under 11 U.S.C. §506(b) (the "506(b) Charges"). This newly calculated obligation shall be referred to herein as the "Mezzanine Reset Obligation". The Debtor shall pay interest only on the Mezzanine Reset Obligation until such time as the Lender's Reset Obligation is fully satisfied. Thereafter, payments on the Mezzanine Reset Obligation shall be made pursuant to the release price for the various units as said units at the Project are liquidated. The interest shall be a per annum fixed rate of 10% and shall be paid in accordance with the Schedule attached as Exhibit C to account for seasonal rental availability. The first monthly payment shall be due on the later of (i) 30 days after the Confirmation Date or (ii) as set

forth on Exhibit C to the Plan. Said interest payments will be funded from Net Rental Proceeds provided that interest payments on the Reset Obligation are paid in full with respect to each month therefrom and shall continue until the Mezzanine Reset Obligation is paid in full.

When condominium units at the Project are sold, payments of principal shall be made first on the Reset Obligation and once the Reset Obligation is fully satisfied then on the Mezzanine Reset Obligation. When payments of principal are made, the Reset Obligation and , upon full satisfaction thereof, on the Mezzanine Reset Obligation will be re-calculated, as applicable, and the corresponding resulting monthly interest payments will be re-calculated for the respective Reset Obligation or Mezzanine Reset Obligation as applicable. In such an event, the Lender and Mezzanine Lender, as applicable, will notify the Debtor of the new payment amount no less than 15 days before the next scheduled payment date. Such new payments shall be ratably adjusted in accordance with the interest payment schedule attached as Exhibit C to the Plan.

If not sooner paid as a result of condominium unit sales, all outstanding principal, interest and §506(b) Charges (less any judgment obtained on account of the Adversary Action), will be due and payable on the date occurring five (5) years from the Effective Date (the "Extended Maturity Date").

Class 8 consists of any Claims of Croatan Surf Club Condominium Association, Inc., which is the Property Owners Association. Croatan Surf Club Condominium Association, Inc. would have a statutory lien for any unpaid dues, assessments, or other charges. The Plan provides that the Debtor shall continue to pay the monthly dues owing the Croatan Surf Club Condominium Association, Inc. as they come due. Said payments shall be funded from the Net Rental Proceeds derived from the Project.

Class 9 consists of the remaining Claims of all Creditors of the Debtor, excluding those Claims treated in Classes 1 through 8, and excluding those Claims held by insiders of the Debtor, as such term is defined by the Code in 11 USC §101(31), as the same are allowed and ordered paid by the Court. These Claims shall include, but are not limited to, Creditors whose Claims may arise out of the rejection of executory contracts, and Secured Creditors Claims to the extent that the Court finds the same unsecured in whole or in part, or the confirmation of the Plan deems said Claims unsecured in whole or in part. Because of Debtor's estimate of Collateral Value and the proceeds Debtor estimates will be received by the Estate on account of the Adversary Action, the Debtor does not believe that any pre-petition Claims exist that would be classified as Class 9 Claims. However, to the extent that such Claims exist, the Plan provides that the same shall accrue interest at the Federal Judgment Interest Rate. The Federal Judgment Interest Rate is estimated to be 3% as of the date of the filing of the Plan. Such Claims, if any, will be paid in full on the Extended Maturity Date.

Class 10 consists of those Claims held by insiders of the Debtor, as such term is defined by the Code in 11 USC §101(31), as the same are allowed and ordered paid by the Court. This Class does NOT include the members' interests in the Debtor. To the extent that such Claims

exist, the Plan provides that the same shall accrue interest at the Federal Judgment Interest Rate. The Federal Judgment Interest Rate is estimated to be 3% as of the date of the filing of the Chapter 11 Case. Such Claims, if any, will be paid in full on the Extended Maturity Date.

Class 11 consists of the members of the Debtor, namely BKDean Properties, LLC, Coburn Properties, LLC, Shanahan Properties, LLC, and Tall Dune Holdings, LLC. The members will retain their membership interests in Debtor. In the event that a cramdown is needed with respect to Claims of secured or unsecured creditors, the members derivative interests in the proceeds of the Adversary Action shall be contributed by the members as and to the extent required by Bankruptcy Code in order to maintain such membership interests.

D. Creditors' Committee

No creditor committee has been formed in this case.

E. Allowed Reclamation Complaints

There are no pending or anticipated reclamation complaints to be filed in this matter.

ARTICLE V

PENDING LEGAL ACTION

Other than the pre-petition litigation referenced above, there are no legal proceedings presently pending or anticipated involving the Debtor.

ARTICLE VI

CLASSIFICATION OF CLAIMS

The Debtor's Plan establishes ten (10) classes for Claims as described in Article IV above and also provides for the payment of administrative expenses. Administrative expenses identified to date are outlined below.

A. Provisions for Administrative Expenses

Unless an administrative claimant agrees in writing to less favorable treatment, all administrative expenses shall be paid in full upon the Effective Date of the Plan (as defined by the Plan). Administrative Expenses are those due for expenses incurred after the Petition was filed and include payments to professionals employed by the Debtor as approved by the Court. It is important to note that the Plan itself contains provisions for the sales of real estate, which sales will help in the payment of the administrative expenses. The Debtor estimates that the following claims will be made:

1. Attorneys for Debtor:

Hinson & Rhyne, P.A.	$50,000.00, estimated
Silverang & Donohoe, LLC	$150,000.00, estimated
Manning Fulton & Skinner, P.A.	$20,000.00, estimated

2. Committee Expenses:

The Debtor anticipates no expenses for a Committee.

3. Accountants:

Unknown.

4. Court costs payable to Clerk:

The Debtor anticipates no court costs or nominal costs, except for the required quarterly fees.

B. Provisions for Unsecured Priority Claims

Classes 1, 2, 3 and 4 consist of the Internal Revenue Service, the North Carolina Department of Revenue, Employment Security Commission and Dare County. The Debtor does not believe that any of said parties hold pre-petition unsecured priority Claims. To the extent that such Claims exist, they will be paid on the Extended Maturity Date as described above. Notwithstanding the foregoing, when condominium units at the Project are sold, any pre-petition Claims of Dare County that relate to the applicable condominium unit sold shall be paid at the closing on the sale of that condominium unit.

C. Secured Creditors

Classes 5, 6, and 7 consist of the Allowed Secured Claims of creditors, including Lender and Mezzanine Lender, which are secured by various assets of the Debtor. Croatan Surf Club Condominium Association, Inc. would also have an Allowed Secured Claim for any unpaid dues, assessments, or other charges. Each of the Allowed Secured Claims will be paid as provided by the Plan as described above.

D. Claims of Class 9 Non-Insider Unsecured Creditors

Class 9 consists of the Claims of unsecured creditors holding Claims against the Debtor, except for those Claims of insiders. These creditors will be paid in full as set forth in the Plan. The Debtor may object to certain unsecured Claims for reasons including, but not limited to, their improper classification, an improper amount claimed or the fact that the Claim is not owed by the Debtor.

E. Claims of Class 10 Insider Claims

Class 10 consists of the Claims of insiders. This class does not include the membership interests of the insiders. These Claims will be paid in full, after the payment of all other Claims.

ARTICLE VII

TREATMENT OF INTEREST HOLDERS

The members of the Debtor as identified above will retain their membership interests in the Debtor.

ARTICLE VIII

LIQUIDATION ANALYSIS

Exhibit D sets forth an analysis of the Debtor's assets and a comparison of the treatment of creditor claims between a liquidation and execution of the Debtor's Plan of Reorganization.

ARTICLE IX

REPAYMENT PROJECTIONS

Exhibit C to the Plan sets forth the projected income and normal operating expenses of the Debtor from January 1, 2011 through January 1, 2012. Exhibit C to the Plan sets forth the resulting cash flow and required plan payments from January 1, 2011 through December 31, 2012.

ARTICLE X
MANAGEMENT PROVISIONS

The Debtor proposes that the current management be retained. Specifically, Clarence E. Dean, Jr. has operated the Debtor as the manager of the company since the inception of the Project. He shall continue in that capacity and oversee the marketing of the Project and the day to day business operations of the Debtor. The Debtor shall continue to employ Village Realty and Management for the management and operation of the Project with respect to the payment of operating expenses of the Project, the leasing of condominium units for short term and long term rentals, and the marketing of the Project for condominium unit sales.

ARTICLE XI
PROFESSIONALS EMPLOYED

A. Lawyers for the Debtor

The Debtor has employed Hinson & Rhyne, P.A. to represent it in connection with these and other proceedings with the approval of the Bankruptcy Court. The Debtor has also employed Silverang & Donohoe, LLC, as special counsel, and Manning Fulton & Skinner, P.A., as local counsel, in connection with this bankruptcy proceeding.

As stated *supra*, the Debtor was involved in litigation in Pennsylvania and North Carolina with Royal at the time the petition was filed. The Pennsylvania litigation was captioned as "Royal Bank America v Croatan Surf Club, LLC" and docketed as case number 10-04488 in the Court of Common Pleas, Montgomery County, Pennsylvania. The North Carolina litigation was captioned as "Croatan Surf Club, LLC, Clarence E. Dean and Kelly Ann Dean, Kenneth J. Termini, Jeremiah T. Shanahan, Robert E. Coburn and Denise Coburn, BKDean Properties, LLC, Tall Dune Holdings, LLC, Shanahan Properties, LLC and Coburn Properties, LLC v. Royal Bank America and Bank of Currituck", and docketed as 10-CVS-381 in Dare County, North Carolina.

The law firms of Silverang & Donohoe, LLC and Manning Fulton & Skinner, P.A. will be primarily responsible for representing the Debtor in the above referenced state court litigation involving Royal that was pending prior to the filing of the Debtor's bankruptcy petition. The law firm of The law firms of Silverang & Donohoe, LLC and Manning Fulton & Skinner, P.A. will continue to represent the Debtor in the State Court litigation even if it is removed to Bankruptcy Court.

In order to make full disclosure, at the time the Debtor's petition was filed, the guarantors of the Royal debt were involved in litigation with Royal in the Court of Common Pleas, Montgomery County, Pennsylvania. The various lawsuits are captioned and docketed as follows: Royal Bank America v. Shanahan Properties, LLC, 10-3945; Royal Bank America v. Jeremiah T. Shanahan, 10-3814; Royal Bank America v. Tall Dune Holdings, LLC, 10-3806; Royal Bank America v. Robert E. Coburn and Denise Coburn, 10-3775; Royal Bank America v. Kenneth J. Termini, 10-3782; Royal Bank America v. Coburn Properties, LLC, 10-3963; Royal Bank America v. Clarence E. Dean, Jr. and Kelly Ann Dean, 10-3768; and Royal Bank America v. BKDean Properties, LLC, 10-3745. The law firm of Silverang & Donohoe, LLC represents the guarantors in the litigation referenced above. Silverang & Donohoe, LLC intends to continue to represent the guarantors in the litigation currently pending against them in the Court of Common Pleas, Montgomery County, Pennsylvania.

B. Debtor's Accountants

Subject to Court approval, the Debtor will employ, Kevin J Conner, MST, CPA, of Conner & Associates to serve as its accountant in this proceeding.

ARTICLE XII
PAYMENTS UNDER PLAN ARE IN FULL AND FINAL SATISFACTION OF DEBT

Except as otherwise provided in Section 1141 of the Bankruptcy Code, or the Plan, the payments and distributions made pursuant to the Plan will be in full and final satisfaction, settlement, release, and discharge, as against the Debtor, of any and all claims against, and interests in, the Debtor, as defined in the Bankruptcy Code, including, without limitation, any Claim or Equity Interest accrued or incurred on or before the Confirmation Date, whether or not (i) a proof of claim or interest is filed or deemed filed under Section 501 of the Bankruptcy Code, (ii) such Claim or Equity Interest is allowed under Section 501 of the Bankruptcy Code, or (iii) the holder of such Claim or Equity Interest has accepted the Plan.

ARTICLE XIII
DISCHARGE OF DEBTOR

UPON SUBSTANTIAL CONSUMMATION OF THE PLAN AND VESTING OF ALL ASSETS, THE DEBTOR WILL BE DISCHARGED OF ALL CLAIMS AND LIABILITIES ARISING PRIOR TO THE FILING OF THE PETITION FOR RELIEF PURSUANT TO 11 U.S.C. §1141. THIS PROVISION SHALL BE TREATED AS NOTICE AND MOTION PURSUANT TO SECTIONS 1141(D)(1), 1141(D)(2), AND 1141(D)(3), AS APPLICABLE.

SUBSTANTIAL CONSUMMATION SHALL BE ACHIEVED BY THE DEBTOR ONCE THE PLAN HAS BEEN PERFORMED SUBSTANTIALLY IN ACCORDANCE WITH ITS TERMS. THE GRANTING OF A DISCHARGE UNDER THESE CIRCUMSTANCES IS WARRANTED AS THE CONFIRMED PLAN CREATES A CONTRACT WITH CREDITORS FOR THE REPAYMENT OF DEBTS IN ACCORDANCE WITH THE TERMS OF THE PLAN THAT IS ENFORCEABLE AGAINST THE DEBTOR.

ARTICLE XIV
TAX IMPLICATIONS

The Debtor has not performed an analysis of the tax implications of the provisions of this plan with respect to the payments to be made under the Plan of Reorganization, and makes no warranties or statements regarding the same. However, the Debtor has sufficient loss carry forwards that there should be no tax implications from the sales of the real estate.

The following discussion is a summary of certain federal income tax aspects of the Plan for general information only. It should not be relied upon for purposes of determining the specific tax consequences of the Plan with respect to a particular holder of a Claim or Interest. This discussion does not purport to be a complete analysis or listing of all potential tax factors.

The following discussion is based upon existing provisions of the Internal Revenue Code ("IRC"), existing regulations thereunder, and current administrative rulings and court decisions. No assurance can be given that legislative or administrative changes or court decisions may not be forthcoming which would require significant modification of the statements expressed in this section. Moreover, the tax consequences to holders of the Claims and Interests may vary based upon the individual tax circumstances of each such holder. Nothing herein purports to describe any state, local or foreign tax consequences.

NO RULING HAS BEEN SOUGHT OR OBTAINED FROM THE IRS WITH RESPECT TO ANY OF THE TAX ASPECTS OF THE PLAN AND NO OPINION OF COUNSEL HAS BEEN OBTAINED BY THE DEBTOR WITH RESPECT THERETO. NO REPRESENTATIONS OR ASSURANCES ARE BEING MADE WITH RESPECT TO THE FEDERAL INCOME TAX CONSEQUENCES AS DESCRIBED HEREIN. CERTAIN TYPES OF CLAIMANTS AND INTEREST HOLDERS MAY BE SUBJECT TO SPECIAL RULES NOT ADDRESSED IN THIS SUMMARY OF FEDERAL INCOME TAX CONSEQUENCES. THERE MAY ALSO BE STATE, LOCAL, OR FOREIGN TAX CONSIDERATIONS APPLICABLE TO A HOLDER OF A CLAIM OR INTEREST, WHICH ARE NOT ADDRESSED HEREIN. EACH HOLDER OF A CLAIM OR INTEREST AFFECTED BY THE PLAN MUST CONSULT, AND RELY UPON, HIS OR HER OWN TAX ADVISOR REGARDING THE SPECIFIC TAX CONSEQUENCES OF THE PLAN WITH RESPECT TO THAT HOLDER'S CLAIM OR INTEREST. THIS INFORMATION MAY NOT BE USED OR QUOTED IN WHOLE OR IN PART IN CONNECTION WITH THE OFFERING FOR SALE OF SECURITIES.

For federal income tax purposes, loan creditors who receive principal payments under the Plan will recognize capital gain or loss in an amount equal to the difference between the amount of the principal payments and their bases in the their claim. (A creditor may have a basis in its claim which is different from the face amount of the indebtedness as a result of charge-offs, or because it acquired its claim for something other than the face amount from the original lender.) Any interest payments received by creditors under the Plan will generate ordinary income to such creditors, to the extent such amounts have not already been accrued.

Trade creditors of the Debtor who receive payments under the Plan will recognize federal taxable income in a manner consistent with their methods of accounting for receipts of this nature.

To the extent creditors are subject to North Carolina income tax, their treatment for state tax purposes will generally follow the federal treatment discussed above. The income tax treatment of creditors in states other than North Carolina is beyond the scope of this disclosure statement.

THE FOREGOING IS INTENDED TO BE A SUMMARY ONLY AND NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING OR CONSULTATION WITH A TAX ADVISOR. THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND, IN SOME CASES, UNCERTAIN. SUCH CONSEQUENCES MAY ALSO VARY BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM OR INTEREST. ACCORDINGLY, EACH HOLDER OF A CLAIM OR INTEREST IS STRONGLY URGED TO CONSULT WITH HIS OR HER OWN TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF THE PLAN.

CIRCULAR 230 NOTICE: To comply with requirements imposed by the United States Treasure Department and/or IRS, any information regarding any U.S. federal tax matters contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, as advice for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein. A formal and thorough written tax opinion would first be required for any tax advice contained in this communication to be used to avoid tax related penalties. Please consult your own tax professional.

DATED this 18th day of February, 2011.

/s/ Walter L. Hinson
Walter L. Hinson
HINSON & RHYNE, P.A.
Counsel for Debtor
P. O. Box 7479
Wilson, NC 27895-7479
Telephone (252) 291-1746