

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF NORTH CAROLINA
WILSON DIVISION**

In the Matter of:

Case No.:

**EAGLES TRACE, LLC
AUMOND GLEN, LLC
BACK CREEK FARMS SUBDIVISION, LLC
SADDLEBROOK SUBDIVISION, LLC
CHANDLER OAKS, LLC
KELSEY GLEN, LLC
MYERS MILL, LLC
RIVER CHASE SUBDIVISION, LLC
THE HEIGHTS SUBDIVISION, LLC
THE RAPIDS AT BELMEADE, LLC
WATER MILL, LLC
LISMORE PARK, LLC
THE VILLAGE AT WINDSOR CREEK, LLC
OLD TOWNE, LLC
CALEDONIA SUBDIVISION, LLC
Debtors**

**08-04293-8-JRL
08-04294-8-JRL
08-04295-8-JRL
08-04296-8-JRL
08-06507-8-JRL
08-06503-8-JRL
08-06508-8-JRL
08-06509-8-JRL
08-06502-8-JRL
08-06504-8-JRL
08-06506-8-JRL
08-07026-8-JRL
08-07020-8-JRL
08-07170-8-JRL
08-07535-8-JRL
Chapter 11**

DISCLOSURE STATEMENT

December 19, 2008

TRAWICK H. STUBBS, JR.
N.C. State Bar No. 4221

LAURIE B. BIGGS
N.C. State Bar No. 31845

STUBBS & PERDUE, P.A.
Attorneys for Debtors
P.O. Box 1654
New Bern, NC 28563
(252) 633-2700

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DISCLOSURE STATEMENT

Pursuant to the provisions of Section 1125(b) of the Bankruptcy Code, the above named Debtors hereby submit the following information:

I. PURPOSE

The purpose of this Disclosure Statement (“Disclosure Statement”) is to provide each holder of a claim against the Debtors with adequate information about the Debtors and the Debtors’ Plan of Liquidation (“Plan”) so that each holder of a claim may make an informed decision about whether to accept or reject the Plan. Attached hereto as **Exhibits “A” and “B,”** are summaries of the Debtors’ assets and liabilities. The Disclosure Statement summarizes the Plan’s contents and provides information relating to the Plan and the process the Bankruptcy Court will follow in determining whether to confirm the Plan. The Disclosure Statement also summarizes the events leading to the Debtors’ filing of their Chapter 11 cases.

All holders of claims should carefully review both the Disclosure Statement and the Plan before voting to accept or reject the Plan. Holders of Claims should not rely solely on the Disclosure Statement but should also read the Plan. The Plan provisions will control if there are any inconsistencies between the Plan and the Disclosure Statement.

II. SUMMARY OF PLAN

THE FOLLOWING IS A BRIEF SUMMARY OF THE PLAN AND THE TREATMENT OF CREDITORS UNDER THE PLAN. THE FOLLOWING IS A SUMMARY ONLY. CREDITORS AND OTHER PARTIES IN INTEREST ARE URGED TO REVIEW THE MORE DETAILED DESCRIPTION CONTAINED IN THE PLAN AND THIS DISCLOSURE STATEMENT.

THE PLAN CONTEMPLATES A LIQUIDATION OF CERTAIN PROPERTY. IN ACCORDANCE WITH THE PLAN, THE DEBTORS INTEND TO SATISFY CREDITOR CLAIMS WITH THE SALE OF PROPERTY OR AS OUTLINED HEREIN.

The Plan consists of separate Chapter 11 Plans for each of the 15 Debtors named above. Because the Plans provide for identical treatment of similarly situated classes of creditors, the Plan groups the Debtors as the Reorganizing Debtors and the Non Operating Debtors. In order for a Debtor to be a Reorganizing Debtor, certain conditions must be satisfied, otherwise such Debtor will be categorized as a Non-Operating Debtor. Caledonia, Eagle's Trace, Chandler Oaks, The Rapids at Belmeade, Saddlebrook, and any other Debtors that fail to meet the conditions necessary to be categorized as a Reorganizing Debtor will be Non-Operating Debtors.

A summary of the Plan for the Reorganizing Debtors and the Non-Operating Debtors is as follows:

A. Reorganizing Debtors

The Plan provides that the Reorganizing Debtors will continue to operate and exist after the Effective Date, as part of NewCo¹, an entity established pursuant to the terms of the Plan (see Section V.L of the Plan). On the Effective Date, the Reorganizing Debtors will merge into NewCo, which will issue new equity as described in the Plan. The Reorganizing Debtors will continue to sell lots and use the net proceeds from lot sales to fund continued construction, operations necessary to complete lots for sale and make payments to creditors. Net Proceeds of Sale are defined in Section II of the Plan to mean the proceeds remaining after payment of (i) the seller's closing costs, including attorney's fees, property taxes, commission, if any, and any other customary item; (ii) the credits to the purchaser to refund its deposit under the contract, if any; and (iii) the amounts necessary to fund remaining construction for such quarter, if any, to the extent not paid by bank advances or other investment. Upon the sale of lots, the First Priority Lender shall receive 85% of the Net Proceeds of Sale. The Reorganizing Debtors shall receive 15% of the Net Proceeds of Sale. All payments to creditors other than the First Priority Lender to be made by the Reorganizing Debtors will be made out of this 15%.

At this time, the Plan contemplates that the Reorganizing Debtors will continue to fund their operations and remaining construction costs, if any, from the lot sales proceeds. However, the Plan

¹ For purposes of this Disclosure Statement and the Plan, the newly created entity is referred to as "NewCo." The final name for such entity will be selected after confirmation of the Plans.

also allows for the possibility that such costs will be paid from new financing obtained from outside sources. In the event an individual or entity wishes to loan new funds to some or all of the Reorganizing Debtors, a separate motion will be filed disclosing all of the terms of such lending arrangement.

In addition, J. Franklin Martin will pledge certain assets as collateral for the payment of administrative claims. This collateral may be pledged to secure any new financing obtained.

While the Reorganizing Debtors are filing a joint plan that provides for similar treatment for classes of creditors, the Reorganizing Debtors' liabilities are not being consolidated. Liens currently secured by one project will remain secured only by that project and creditors will receive payments only from the liquidation of property owned by the Debtor that owes such creditor the obligation.

The Plan contemplates that, on the first business day after the Effective Date, the NewCo Debtors shall merge with and into NewCo. NewCo will issue stock to its members after an Operating Agreement is drafted. The members of NewCo will be some or all of the Landcraft Principals, and potentially others.

Aumond Glen and Myers Mill will be Reorganizing Debtors, without the need to satisfy any conditions precedent, as these Debtors have already assumed their contracts with their builders. The following Debtors will be categorized as Reorganizing Debtors only if the following conditions precedent have been satisfied:

Back Creek	Will be a Reorganizing Debtor if: <ol style="list-style-type: none">1. Contract with Eastwood is assumed; or2. Contract with Atreus is assumed; or3. Eastwood or Atreus letters of credit are drawn; or
Old Towne	Will be a Reorganizing Debtor if: <ol style="list-style-type: none">1. If the contract with Eastwood is assumed;² or2. The Debtor is entitled to retain the proceeds of the Eastwood letter of credit.
River Chase	Will be a Reorganizing Debtor if: <ol style="list-style-type: none">1. If the contract with Eastwood is assumed; or2. The Eastwood letter of credit is drawn.
Lismore Park	Will be a Reorganizing Debtor if: <ol style="list-style-type: none">1. If the contract with Eastwood is assumed; or2. The Eastwood letter of credit is drawn.

² The Debtor believes this contract was terminated pre-petition by Eastwood and therefore the Debtor is entitled to draw on the letter of credit. However, if the contract remains in effect, the Debtor has the right to assume this contract.

Village at Windsor Creek	<p>Will be a Reorganizing Debtor if:</p> <ol style="list-style-type: none"> 1. If the contract with Eastwood is assumed; or 2. The Eastwood letter of credit is drawn.
Kelsey Glen	<p>Will be a Reorganizing Debtor if:</p> <ol style="list-style-type: none"> 1. If the contract with Eastwood is assumed; or 2. The Eastwood letter of credit is drawn.
The Heights	<p>Will be a Reorganizing Debtor if:</p> <ol style="list-style-type: none"> 1. If the contract with Eastwood is assumed; or 2. The Eastwood letter of credit is drawn.
Water Mil	<p>Will be a Reorganizing Debtor if:</p> <ol style="list-style-type: none"> 1. If the contract with Eastwood or Keystone is assumed; or 2. The Eastwood letter of credit is drawn.

B. Non-Operating Debtors

The second group of Debtors (the “Non-Operating Debtors”) shall be comprised of Caledonia, Eagle’s Trace, Chandler Oaks, The Rapids at Belmeade, Saddlebrook, and any remaining Debtor that does not fulfill its conditions precedent to becoming a Reorganizing Debtor.

The Non-Operating Debtors have determined that the projects they own are not sufficiently healthy enough to survive in the current market conditions without additional financing or builder contracts. Each of these projects lacks sufficient value to obtain the infusion of new money that would be required in order to complete these projects since the existing lenders are no longer advancing for the completion of these projects. The only option would be to sell these properties in their current condition; however, these projects are unlikely to sell for anything in excess of the debt to the existing lienholder if sold.

These properties shall have the stay lifted as of the Effective Date, if it has not been previously terminated, to allow for a foreclosure of the property. Alternatively, the Non-Operating Debtors will sell the property to the existing First Priority Lender, free and clear of liens, in an amount equal to the outstanding balance owed to the First Priority Lender as of the date of sale by a credit bid. Creditors in these cases will receive distributions only in the event excess proceeds remaining after the foreclosure by the First Priority Lender, or in the event of any collection of the accounts receivable owed by Landcraft, if any.

III. HISTORY, CORPORATE STRUCTURE, AND EVENTS LEADING TO THE FILING OF THE CHAPTER 11 CASES

A. History of the Debtors

The Debtors are North Carolina and South Carolina limited liability companies that engage in the business of land development. The Debtors' members are J. Franklin Martin, Scott A. Stover, and Matthew A. McDonald. The Debtors' affiliate and managing member, Landcraft Management, LLC ("Landcraft") and its predecessor Landcraft Properties, Inc. have been engaged in the real estate development business for over 20 years. Mr. Martin, Mr. Stover, and Mr. McDonald are the sole members of Landcraft. Each of the Debtors is the owner of a single piece of real estate, which is in the process of being developed into a subdivision.

B. Events Leading to Chapter 11 Filing

1. *Industry Downturn*

The Debtors' operations are concentrated in the real estate industry, which is cyclical by nature. Recently, the residential real estate and homebuilding industry has gone through tremendous growth, fueled in part by speculative investments in real estate. However, beginning in 2007, the real estate industry as a whole began to experience significant downturns and losses, and began downsizing operations. Several national builders, including Lennar Corporation, Neumann Homes, Inc., Pulte Homes, and Levitt and Sons, Inc. all reported losses, and a number, Neumann Homes, Inc., Levitt and Sons, Inc., and Kimball Hill, Inc., filed for Chapter 11 protection. This trend was reflective of a national trend in a slowing down of the real estate market. The slowdown of the homebuilding industry has led to a slowdown in the sale of developed lots, as builders currently have an overabundance of available lots and the market for such lots is shrinking.

2. *Crisis in the Mortgage Market and Credit Markets*

While the Debtors may have been able to weather the decline in the real estate industry, this decline was accompanied by a crisis in the mortgage and credit markets. Several of the nation's largest lending institutions reported significant declines in earnings during the time leading up to the Debtors' filing. These declines were caused in some part by the subprime mortgage meltdown, whereby financial institutions experienced increased levels of defaults on residential mortgages as interest rates on variable rate loans reset to higher rates, leading to an inability by the borrower to continue making its mortgage payments. These events resulted in a tightening of lending standards by financial institutions. As a result, the Debtors and their affiliated companies were no longer able to obtain financing for new projects or refinance existing projects to obtain more favorable terms. In addition, builders who purchase lots from the Debtors have experienced their own financing difficulties in obtaining financing which would allow them to finance the purchase of lots from the Debtors or their affiliates.

Builders have also faced a severe slowdown in home sales, due to the inability of buyers to obtain financing and the overall concern over the declining value of real estate. This in turn has resulted in the commencement of fewer new projects and a desire for builders with existing contracts to purchase fewer lots or consider walking away from their deposits due to their inability to sell

homes upon the lots purchased from real estate developers like the Debtors.

3. *The Debtors' Historic Business Model*

The Debtors' business model has been for Landcraft to act as a management company of each Debtor. Using this business model, Landcraft would identify a tract of land in one of five markets: Charlotte, Greensboro, Charleston, Greenville, and the Coastal market. Prior to purchasing this tract of land, Landcraft would conduct due diligence to determine the financial viability of the project. Landcraft would also enter into a contract with a builder(s), typically Eastwood, to purchase the lots upon completion of the development work. In some cases, Landcraft was introduced to a project by Eastwood. After conducting this initial due diligence and securing a lot purchase contract, Landcraft would establish a limited liability company to close on the land purchase. The lot purchase contracts would be assigned to the newly created entity at closing. Coinciding with the closing, the Debtors would obtain bank financing to fund the purchase of the land and the development costs. After closing on the land purchase, Landcraft would solicit funds from individuals or entities seeking to invest in the projects at a higher rate of return.

The Debtors, with guaranties by Landcraft and in some instances some or all of the Landcraft Principals, entered into loan documents, which provided that 100% of the proceeds from the sale of lots, less any closing costs, would be paid to the A & D lender. As a result, the Debtors would not receive any funds from closings until all liens on property had been fully satisfied.

All overhead costs, such as payroll, rent, and utilities were incurred by Landcraft, which has responsibility for the Debtors' management in its role as manager. The annual costs of managing the Debtors was prepaid by Landcraft and allocated annually to the based on a work in process formula or a per lot basis.

Over the last 15 years, Eastwood has become the primary purchaser for all lots developed and sold by the Debtors. It is estimated that Eastwood has purchased approximately 70% of the total lots sold by Landcraft entities or the Debtors over the course of their relationship. In early 2008, Eastwood commenced discussions with the Debtors concerning modifications to their existing lot purchase contracts. These discussions involved slower absorption rates, quicker returns of deposits, an accelerated completion schedule for amenities, and other modifications. The Debtors were receptive to making some modifications to these contracts in light of the declining real estate market conditions. Furthermore, the Debtors realized that Eastwood's continued performance of its contracts, even in a modified form, would result in a greater return for creditors than if Eastwood defaulted on its contracts and the Debtors could only recover the deposits. During this same time period, Eastwood sent notices that it was terminating its contracts for Eagle Creek, Eagles Trace, Caledonia, Old Towne, and Chandler Oaks before any of these cases were filed.

The Debtors filed these cases to establish a central forum for the treatment of all creditors, to facilitate the sale of lots, and to preserve an orderly course of business for the wind down or sale of the assets.

IV. THE CHAPTER 11 CASE

A. Commencement of Cases

On June 27, 2008, Eagle Creek, Eagles Trace, Back Creek, Aumond Glen, and Saddlebrook filed their chapter 11 cases. On September 22, 2008, The Heights, Kelsey Glen, The Rapids at Belmeade, Water Mill, Chandler Oaks, Myers Mill, and River Chase filed their chapter 11 petitions. On October 9, 2008, The Village at Windsor Creek and Lismore Park filed their chapter 11 petitions. On October 15, 2008, Old Towne filed its Chapter 11 petition. On October 29, 2008, Caledonia filed its chapter 11 petition.

B. “First Day” and Other Relief

The Court has held a series of emergency and interim hearings to establish the procedure by which the Debtors would be able to use proceeds of sale to fund their operations during the interim period until their Plans are confirmed. Currently, the following Debtors have cash collateral orders in place: Aumond Glen, Myers Mill, The Heights, and Kelsey Glen.

In addition, since the Petition Dates, the Court has granted the following relief in some or all of the cases:

- Employment of various professionals for the Debtors and the Committee;
- Authority to sell property free and clear of liens according to an established procedure (The Heights, Kelsey Glen, Water Mill, River Chase, Myers Mill, Aumond Glen);
- Approved the private sale of property to Eastwood, Atreus, Ryland Homes, and Keystone pursuant to the terms of their existing contracts;
- Allowing the assumption of Eastwood’s contracts at Aumond Glen and Myers Mill, the assumption of Keystone’s contract at Myers Mill, and allowing the assumption of Ryland Homes’ contract at Myers Mill;
- Entered an Order allowing SunTrust relief from stay in order to commence foreclosure proceedings upon the Saddlebrook property; and

On October 22, 2008, the Committee filed a motion to substantively consolidate all of the pending cases of the Debtors. The Committee asked that all of the assets and liabilities of the Debtors be consolidated into one entity. The Committee alleged in its motion the Debtors engaged in comingling of funds, that the Debtors were treated as a common entity, and that it would be in the best interest of creditors to have the cases consolidated. A hearing was held on this matter on November 14, 2008. At the conclusion of the hearing, the Court stated that it would not grant the Committee’s motion, and an Order was entered on November 26, 2008 to that effect.

On November 24, 2008, the Committee filed a motion seeking the authority to consolidate all of the claims held by the Junior Deed of Trust Holders (Class 5) into one consolidated claim (the “Class Claim”). The Committee’s motion asserted that funds received from Class 5 were co-

mingled into one account maintained by Landcraft, and that it would be prohibitively expensive and difficult to determine which project a particular individual's funds actually benefited. As a result, the Committee is requesting the creation of the Class Claim, whereby distributions made to the holder of any Class 5 claims will be shared pro rata with all Class 5 creditors. An objection to this motion has been filed by the Bankruptcy Administrator, seeking to limit the creation of the Class Claim only to claims in entities that have filed Chapter 11 petitions. An objection was also filed by First Tennessee Bank, asserting that the creation of a Class Claim will dilute any potential deficiency claim it may have and it is not clear how the Class Claim would be treated in a Plan. It does not appear that any holders of Class 5 claims or other creditors objected to the motion. A hearing is scheduled on this matter for January 28, 2009.

C. Sales of Lots

Since July 2008, the following sales of lots have occurred:

Aumond Glen
51 lots sold to Eastwood

Myers Mill
27 lots sold to Ryland Homes
6 lots sold to Keystone

D. Management of the Debtors

The Debtors are owned by J. Franklin Martin, Scott A. Stover, and Matthew A. McDonald. Some of the Debtors are currently being managed by Landcraft Communities, LLC ("Communities") which is an LLC owned by Martin, Stover, and McDonald, on an interim basis. The remaining Debtors are being managed by Landcraft. After the merger of the Reorganizing Debtors into NewCo, management will be the responsibility of NewCo, which will be managed by its members.

The Non-Operating Debtors will be managed by Landcraft or Landcraft Communities for the limited period of time necessary to wrap up their affairs following the disposition of their assets.

E. Claims Process and Claims Bar Dates

The deadlines for creditors to file proofs of claims in each case (the "Claims Bar Date") are as follows:

The Claims Bar Date for Eagles Trace, Aumond Glen, Back Creek, and Saddlebrook was November 4, 2008.

The Claims Bar Date for Chandler Oaks, Kelsey Glen, Myers Mill, River Chase, The Heights, The Rapids at Belmeade, and Water Mill is January 27, 2009.

The Claims Bar Date for Lismore Park, The Village at Windsor Creek, and Old Towne is February 8, 2009.

The Claims Bar Date for Caledonia is February 24, 2009.

The Debtors' Schedules and Statement of Financial Affairs listed all claims and the amount of such claim known to the Debtors as of the Petition Date. Since that time, certain creditors listed as unsecured creditors on the Schedules have filed mechanic's liens pursuant to the North Carolina General Statutes and/or the South Carolina Code of Laws.

The Plan establishes a deadline for any party with the right to file such a lien that was not perfected and enforced prior to the Petition Dates to perfect and enforce such lien by the earlier of (i) the deadlines applicable under non-bankruptcy law; or (ii) the Claims Bar Date. Creditors that had perfected and enforced a lien prior to the Petition Date do not need to take further action in order to comply with this requirement. All other creditors with lien rights must comply with the procedure set forth in Section IV of the Plan.

Section IV of the Plan requires any party with the right to file a mechanic's lien to perfect and enforce this lien by:

- a. Filing a claim of lien with the clerk of court for the appropriate county, in accordance with the statutory requirements, by the earlier of (i) the time period required by the relevant state statute; or (ii) the Claims Bar Date; and
- b. Filing a proof of claim with the Bankruptcy Court by the earlier of (i) the date required by statute to enforce such lien; or (ii) the Claims Bar Date.

Any creditor who does not follow this procedure shall have their claim treated as an unsecured claim.

F. Pending and Potential Litigation

Any causes of action to be pursued by or on behalf of the Debtors, including but not limited to Bankruptcy Causes of Action, may be commenced prior to or after the Effective Date. The proceeds thereof, if any, will be applied to payment of administrative, priority, and unsecured claims pursuant to the priorities of the Bankruptcy Code and orders of the Court.

The Debtors' Schedules included a list of payments made within 90 days immediately preceding the filing of the petition, a listing of all payments made to insiders within one year prior to the Petition Dates, and a listing of all transfers of property outside the ordinary course of business. No analysis of such payments or transfers has been made at this time and thus the Debtors cannot estimate the potential recovery, if any, from possible litigation surrounding such payments or transfers. The Debtors and/or the Committee will perform an analysis of relevant payments to determine whether pursuit of any such recoveries is feasible or helpful to the estate. The Plan

specifically reserves the right to pursue all such litigation.

The Schedules set forth the total aggregate transfers:

Eagles Trace	Regions Bank	\$ 40,516.69
	SAW Construction	\$ 62,410.00
	Thomas Stanley Grading	\$ 24,999.98
	LandCraft Management	\$ 209,219.00
Aumond Glen	Erosion Control Svcs	\$ 29,118.85
	Hortiscapes	\$ 37,056.05
	Lancaster Co Tax Coll	\$ 11,576.36
	Premier Concrete Svcs	\$ 6,000.00
	Southern Pools & Spas	\$ 154,310.00
	SunTrust Bank	\$ 637,603.90
	LandCraft Management	\$ 194,983.00
	Arcadis G & M	\$ 14,216.25
Back Creek Farms	Blythe Development	\$ 150,000.00
	Erosion Control Svcs	\$ 34,135.30
	KeyBank, NA	\$1,017,369.00
	LandCraft Management	\$ 207,865.00
Saddlebrook	J.O. Flowe Grading	\$ 414,786.80
	Power Engineering Co	\$ 18,744.00
	SunTrust Bank	\$ 20,208.06
	LandCraft Management	\$ 238,655.00
Chandler Oaks	LandCraft Management	\$1,295,406.52
Kelsey Glen	LandCraft Management	\$ 316,444.79
Myers Mill	LandCraft Management	\$1,676,164.21
River Chase	LandCraft Management	\$ 472.55
The Heights	LandCraft Management	\$ 50,000.00
The Rapids	LandCraft Management	\$1,159,130.26
Water Mill	First Tennessee Bank	\$ 29,071.65
	LandCraft Management	\$ 363,983.76
	The Palmetto Bank	\$ 10,489.29
	Anders, Inc.	\$ 44,380.00
Lismore Park	LandCraft Management	\$ 438,226.94
	The Palmetto Bank	\$ 6,939.73
	Anders, Inc.	\$ 5,850.00
	Innovative Landscape	\$ 6,200.00
Village at Windsor Creek	LandCraft Management	\$ 224,050.00
	SterlingSouth Bank & Trust	\$ 22,790.84
	Anders, Inc.	\$ 30,500.00
Old Towne	LandCraft Management	\$1,261,567.42
Caledonia		

1. *Non-Insider Payments.*

A review of these payments shows that these payments were made to creditors holding secured claims or creditors with the right to file mechanic's liens on the Debtors' property. Furthermore, these payments were made in payment of construction work performed at the projects, or in the case of payments to a bank, towards interest or principal of the acquisition and development loan. As a result, the Debtors do not believe any avoidable payments were made; however, the Debtors will continue to investigate this matter post-confirmation.

2. *Insider Payments*

Prior to the Petition Date, the Debtors advanced or received funds through Landcraft. Attached as Exhibit "C" is a list of such amounts that are due to or due from Landcraft, as of June 30, 2008. Exhibit B lists the amounts owed to Landcraft as of the Petition Date, which updates the amounts shown on Exhibit "C," for cases filed in September or October of 2008. All of these amounts are owed as unsecured claims, either of the Debtors or of Landcraft.

Since Landcraft is currently involved in its own bankruptcy case, it is impossible for the Debtors to predict what, if anything, Landcraft will be able to distribute to its creditors, including the Debtors. Furthermore, any such distributions from Landcraft will be shared pro rata with all unsecured creditors of Landcraft, and paid only after secured, administrative, and priority claims are paid in full. As a result, the Debtors do not expect this receivable to be a significant asset available to fund the Debtors' Plans.

Claims may exist against Landcraft, the Landcraft Principals, among the Debtors, and/or Class 5 based on payments made within the last two years. However, the Debtors' analysis of that issue leads the Debtors to believe that pursuing such causes of action will be inefficient and not result in a significant return, based on the likelihood of collection (i.e. the pending bankruptcy case of Landcraft), the potential creation of the Class Claim, which eliminates the effect of such transfers, and the contributions and outstanding amounts still owed to the Landcraft Principals, which would not be made if litigation ensued. Furthermore, litigation would result in significant administrative expenses in pursuing such litigation, and the Debtors do not currently have a source of funds available to fund such litigation. As a result, the Debtors have determined that the proposed Plans, the creation of the Class Claim, and the recovery from Landcraft of any receivables, if any, is the most efficient manner in which to proceed.

3. *Other Transfers*

Certain Debtors granted J. Franklin Martin deeds of trust to secure loans made to the Debtors and/or Landcraft. Since December 2007, Mr. Martin has advanced over \$829,625.00 directly to the Debtors and over \$1,530,000.00 directly to Landcraft, as shown on Exhibit "D." These funds were used to pay the expenses of the Debtors, Landcraft, and other Landcraft affiliates. The Plan provides that Mr. Martin will voluntarily waive his claims against the Debtors, except for claims subject to the Participation Agreements and classified in Class 5. In exchange, the Debtors will agree to

release all claims they have against Mr. Martin under Sections 544, 547, and/or 548 of the Code, if any. As a result, the Debtors will not need to pursue costly litigation to determine which liens, if any, may be avoidable. This will also result in an increase of funds available for distribution to other creditors.

G. Outstanding Administrative Claims

Pursuant to the requirements of the Code, all fees paid to professionals employed by the Debtors and the Committee must be approved by the Court prior to payment. As of the date of the filing of this Disclosure Statement, initial fee applications have been filed by counsel for the Debtors, counsel for the Committee, and by the Committee's Financial Advisor. The amounts of such initial fee applications, and the current status of payment are as follows:

<u>Entity</u>	<u>Professional</u>	<u>Amount Approved or Requested</u>	<u>Status of Payment</u>
Aumond Glen	Stubbs & Perdue	\$34,268.31 approved	\$ 8,527.21 paid
	Stubbs & Perdue	\$33,203.00 requested	
	Northern Blue	\$42,636.05 approved	\$ 8,527.21 paid
		(One fee application filed for Eagle Creek, Eagles Trace, Aumond Glen, Back Creek Farms, and Saddlebrook)	
	Northern Blue	\$51,673.75 requested	hearing 1/28/09
		(One fee application filed for all Debtors)	
	Neal Bradsher Taylor	\$25,665.11 requested	hearing 1/28/09
		(One fee application filed for all Debtors)	
Back Creek Farms	Stubbs & Perdue	\$35,918.31 approved	\$28,019.67 paid
	Northern Blue	See above	
	Neal Bradsher Taylor	See above	
Eagle's Trace	Stubbs & Perdue	\$31,240.98 approved	\$31,240.98 paid
	Northern Blue	See above	
	Neal Bradsher Taylor	See above	
Saddlebrook	Stubbs & Perdue	\$30,457.81 approved	\$30,457.81 paid
	Northern Blue	See above	
	Neal Bradsher Taylor	See above	
Chandler Oaks	Northern Blue	See above	
	Neal Bradsher Taylor	See above	
Kelsey Glen	Northern Blue	See above	
	Neal Bradsher Taylor	See above	

Myers Mill	Stubbs & Perdue	\$48,955.70 requested
	Northen Blue	See above
	Neal Bradsher Taylor	See above
River Chase	Northen Blue	See above
	Neal Bradsher Taylor	See above
The Heights	Northen Blue	See above
	Neal Bradsher Taylor	See above
The Rapids	Northen Blue	See above
	Neal Bradsher Taylor	See above
Water Mill	Northen Blue	See above
	Neal Bradsher Taylor	See above
Lismore Park	Northen Blue	See above
	Neal Bradsher Taylor	See above
Village at Windsor Creek	Northen Blue	See above
	Neal Bradsher Taylor	See above
Old Towne	Northen Blue	See above
	Neal Bradsher Taylor	See above
Caledonia	Northen Blue	See above
	Neal Bradsher Taylor	See above

Due to the complexities involved in these cases, the Debtors are unable to project the amount of administrative fees or costs that will be incurred by professionals. All administrative claims shall be paid in full prior to distributions to priority or unsecured creditors in accordance with the priorities of the Code.

H. Builder Contracts, Builder Litigation, and Other Matters

Each of the Debtors has at least one contract with Eastwood. In addition, some of the Debtors have contracts with other builders. A brief summary of the Debtors' status with each builder at each subdivision is as follows:

Aumond Glen

The Debtor's only contract at Aumond Glen is with Eastwood. Thus far, Eastwood has purchased 51 lots post-petition. Eastwood is currently ahead of its takedown requirements at this time. The Debtor has assumed its contract with Eastwood pursuant to an Order entered November 24, 2008.

Back Creek

The Debtor has contracts with two builders at Back Creek.

No lots have been purchased by Eastwood since the Petition Date. The Debtor has filed a motion to assume this contract. Eastwood has objected to this request and requested that the Court continue this matter until early January while it conducts discovery. Eastwood is asserting that the contract is void *ab initio* for fraud, that the Debtors are in default under the contract, and that these defaults cannot be cured.

The Debtor also has a contract with Atreus Communities of Charlotte, Inc. (“Atreus”). No lots have been purchased by Atreus since the Petition Date. The Debtor filed a motion to assume its contract with Atreus. Atreus has filed a motion seeking authority to terminate this contract and has objected to the Debtor’s request to assume this contract. This matter is currently pending before the Court and will be heard in early January 2009.

Caledonia

Prior to the Petition Date, Eastwood sent a notice terminating its contract at this project. Eastwood was the only builder at this project.

Chandler Oaks

Prior to the Petition Date, Eastwood sent a notice terminating its contract at this project. Eastwood was the only builder at this project.

Eagles Trace

Prior to the Petition Date, Eastwood sent a notice allegedly terminating its contract at this project. While the Debtor initially contested the legal validity of this termination, the Debtor will reject this contract, to the extent it remains in existence. Eastwood is the only builder at this project.

The Heights

The only contract the Debtor has at this project is with Eastwood. Eastwood has not purchased any lots at The Heights since the Petition Date. The Debtor has filed a motion to assume this contract. Eastwood has objected to this request and requested that the Court continue this matter until early January while it conducts discovery. Eastwood is asserting that the contract is void *ab initio* for fraud, that the Debtors are in default under the contract, and that these defaults cannot be cured.

Kelsey Glen

The only contracts the Debtor has at this project are with Eastwood. Eastwood has not purchased any lots at Kelsey Glen since the Petition Date. The Debtor has filed a motion to assume this contract. Eastwood has objected to this request and requested that the Court continue this matter until early January while it conducts discovery. Eastwood is asserting that the contract is void *ab initio* for fraud, that the Debtors are in default under the contract, and that these defaults cannot be cured.

Lismore Park

The only contracts the Debtor has at this project are with Eastwood. Eastwood has not purchased any lots at Lismore Park since the Petition Date. The Debtor will assume this contract. The Debtor expects that Eastwood will object to the assumption of its contract and respond in a similar manner.

Myers Mill

The Debtor has three contracts with builders for this project.

Pursuant to an Order dated November 13, 2008, the Debtor has assumed its contract with Eastwood. Eastwood has not purchased any lots from the Debtor since the Petition Date, but understands that Eastwood is in the process of selecting the next lots it will purchase.

Pursuant to an Order dated October 30, 2008, the Debtor has assumed its contract with Ryland. Ryland has purchased 27 lots from the Debtor since the Petition Date.

Keystone's contract calls for Keystone to purchase 11 more lots at Myers Mill. Pursuant to an Order dated November 24, 2008, the Debtor has assumed its contract with Keystone. Keystone has purchased six lots since the Petition Date.

Old Towne

The Debtor's only contract at Old Towne is with Eastwood. Prior to the Petition Date, Eastwood sent a notice terminating its contract. The Debtor and Eastwood had discussions regarding a term sheet that would have reinstated the contract. The legal effect of these discussions on the existence of a contract is currently the subject of an adversary proceeding brought by Eastwood against the Debtor and Landcraft. The Debtor's position is that the contract was terminated and never reinstated or revived, as a written agreement was never signed by the parties after the termination letter was sent. Eastwood's position is that its contract termination was revoked and that the Debtor then defaulted on the contract because a lien was placed on the property. The Debtor filed its petition before the cure period expired if the contract was in fact reinstated.

If the Debtor prevails in the litigation and the contract was terminated by Eastwood and never reinstated, the Debtor will be entitled to retain the funds from Eastwood's letter of credit that are currently being held in escrow. In the event the Court determines that the contract was reinstated, the Debtor will assume the contract and cure the defaults as required by Section 365 of the Code.

The Rapids at Belmeade

The Debtor has contracts with Eastwood and Regent Homes. The Debtor will reject these contracts.

River Chase

Eastwood was the only builder at this project. Eastwood has not purchased any lots since the Petition Date. The Debtor has filed a motion to assume this contract. Eastwood has objected to this request and requested that the Court continue this matter until early January while it conducts discovery. Eastwood is asserting that the contract is void *ab initio* for fraud, that the Debtors are in

default under the contract, and that these defaults cannot be cured.

Saddlebrook

The Debtor has contracts with Eastwood and Westport Homes. The Debtor will reject these contracts.

Water Mill

The Debtor has contracts with Eastwood and Keystone at this project.

Eastwood has not purchased any lots post-petition. The Debtor has filed a motion to assume this contract. Eastwood has objected to this request and requested that the Court continue this matter until early January while it conducts discovery. Eastwood is asserting that the contract is void *ab initio* for fraud, that the Debtors are in default under the contract, and that these defaults cannot be cured. Eastwood also has a contract to purchase 15 lots in the River Ridge subdivision, which is a separate contract from the contract to purchase lots in Water Mill.

The Debtor also has a contract with Keystone. The Debtor has filed a motion to assume this contract. Keystone has objected to this request. This matter will be heard in January 2009.

Village at Windsor Creek

The only contract the Debtor has at this project is with Eastwood. Eastwood has not purchased any lots at the Village at Windsor Creek since the Petition Date. The Debtor will assume this contract. The Debtor expects that Eastwood will object to the assumption of its contract and respond in a similar manner.

I. Value of Assets, Lien Priorities, and Likely Distributions to Creditors in a Chapter 7

The Debtors have valued all of their assets on Exhibit “A” using an “as completed” value, which reflects the sellout value of the lots, net of builder deposits, assuming all existing contracts remain in place and are sold at their current prices. The values used by the Debtors reflect their opinion as to the value of the lots. Given current market conditions, the Debtors are unable to provide a better value for the lots, as the only way to determine the value of the lots is to determine what a potential purchaser would pay for the lots.

The Debtors have not reduced the values set forth on Exhibit “A” to present value. If such values were reduced to present value, they would reflect a discounted value reflective of the discount rate applied to such calculation.

The Debtors have not provided “as is” values of their property as they exist in their current state, or a “foreclosure value” of their property. However, it is the opinion of the Debtors that value of the property in its current condition or its value if the property were put up for sale at a foreclosure sale would be insufficient to provide payment to any creditors but the existing First Priority Lenders. As a result, the Debtors believe that it is in the best interest of creditors to move forward with projects that remain viable in order to provide for the greatest return for all creditors.

A final category of assets consists of claims that the Debtors may have against other parties or each other pursuant to Sections 544, 547, and/or 548 of the Code. As discussed above, the Debtors do not believe any causes of action for preferential payments to non-insiders exist which are worth pursuing. However, the Debtors will continue to investigate this matter post-confirmation.

J. Class 5 Carve Out and Partial Subordination of Claim for Purposes of Distribution Only

One of the features of the Reorganizing Debtors' Plans is a carve out from the amount otherwise owed to Class 5 on its secured claims. The funds from this Carve Out would be paid to the unsecured creditors (Class 5), not to exceed 10% of the outstanding allowed claims, to the extent the project for which the creditor holds a claim is unable to make a distribution to unsecured creditors based on its available assets.

The Debtors have conducted an analysis of the likely recovery to unsecured creditors based on the priority of all liens recorded against the respective subdivisions. This analysis yields the following general principals:

1. In all cases, it appears that the First Priority Lenders (the banks who made acquisition and development loans) hold valid, first priority liens against the subdivisions.³

2. In cases where the builders received collateral in the form of a deed of trust or mortgage to secure any earnest money deposit, these deeds of trust or mortgages appear to occupy the second priority position.⁴

3. The holders of claims in Class 5 (the Junior Deed of Trust Holders) appear to hold deeds of trust that occupy the second or third priority position, depending on the existence of a deed of trust to secure a builder deposit. These deeds of trust were not all recorded on the same day. It does appear that in some cases, mechanic's liens were recorded which relate back to a first date of furnishing which would result in priority over some, but not all, of the Class 5 liens. However, the Debtors' analysis of these lien priorities reflects a situation where, based on the net proceeds projected to be available for distribution, the Class 5 liens that come ahead of the recorded mechanic's liens would be entitled to all of the proceeds of sale, resulting in a treatment of these mechanic's lien holders as unsecured creditors.

Holders of mechanic's liens appear to have both secured claims, up to the value of the collateral securing such claims, and in some cases, administrative claims, as the Debtors intend to assume their executory contracts for the Reorganizing Debtors that go forward with the sale of lots. As a result, these creditors would be entitled to have the defaults, if any, on their contracts cured promptly, as defined by the Code and the case law interpreting Section 365 of the Code. As a result,

3 The Debtors continue to investigate this matter, and reserve the right to challenge the validity, priority, and extent of any lien at a later time.

4 The Debtors continue to investigate this matter, and reserve the right to challenge the validity, priority, and extent of any lien at a later time.

the Reorganizing Debtors propose to subordinate the claims of Class 5 to these claims and make pro rata payments from the sale of lots to such creditors.

This subordination and carve out will only occur as to distributions made from the proceeds received from the sale of lots in a non-foreclosure context and will not affect or modify the actual priority of liens. Distributions of other assets subject to liens will be paid in accordance with the priorities of the Code without any carve out of the proceeds or subordination.

ANY CREDITOR OR PARTY IN INTEREST VOTING ON THE PLAN SHOULD ASSUME IN CONNECTION WITH SUCH VOTE THAT CAUSES OF ACTION EXIST AGAINST SUCH CREDITOR OR PARTY IN INTEREST AND THAT THE POST CONFIRMATION DEBTOR MAY PURSUE SUCH CAUSES OF ACTION.

V. CLASSIFICATION AND TREATMENT OF CLASSES OF CREDITORS

The classification and treatment for each Debtor has been grouped into one of three categories, as described above in the Summary of Plan. Creditors within each category will receive the same treatment. The exact class to which each creditor is assigned is shown on Exhibit “B.”

The Debtors classify the following classes of claims, indicating whether said class is impaired or unimpaired, and proposes the following treatment:

I. REORGANIZING DEBTORS

A. Class 1 – Administrative Claims:

(1) Classification. Class 1 consists of claims for any cost or expense of administration pursuant to Sections 503, 506, and 507 of the Bankruptcy Code. The following professionals will be paid subject to Court approval:

Stubbs & Perdue, P.A.	Attorney for the Debtors	To be determined by the Court
Northern Blue, LLP	Attorney for the Committee	To be determined by the Court
Neal, Bradshar & Taylor	Financial Advisor for Committee	To be determined by the Court

(2) Impairment. This class will be impaired.

(3) Treatment. Administrative costs and expenses approved by the Court shall receive pro rata distributions from the net sales proceeds, in accordance with the distribution schedule described in Section V of the Plan. Distributions shall be made only after fees and expenses are approved by the Court. Distributions shall be made pro rata to claimants within this class on a quarterly basis. In the event that a claimant has an application pending with the Court at the time distributions are to be made, the amount requested in such application shall be included in the total amount owed to such claimant for the purposes of calculating distributions.

B. Class 2 – Ad Valorem Taxes:

(1) Classification. Class 2 consists of claims for taxes owed by the Debtors to any city, county, or other municipality or taxing entity entitled to tax the property of the Debtors based upon the value of the property assessed. Ad valorem taxes for the calendar year 2008 and subsequent years are not yet past due.

(2) Impairment. This class will be unimpaired.

(3) Treatment. Ad valorem taxes on property of the Debtors' estates shall be paid from the net proceeds of sale, in accordance with the priorities of the Code. Distributions to claims in this class shall be made from the closing proceeds.

C. Class 3 – Tax Claims:

(1) Classification. Class 3 consists of claims against the Debtors for income taxes, withholding taxes, unemployment taxes, excise taxes and/or any and all other taxes levied or entitled to be levied against the Debtors by the Internal Revenue Service, the North Carolina Department of Revenue, the South Carolina Department of Revenue, or the Employment Security Commission, plus interest as allowed by law. *No claims have been filed in this Class.*

(2) Impairment. This class will be unimpaired.

(3) Treatment. The Debtors propose the following treatment:

Cost and expenses of administration, if any, shall be paid in cash and in full including accruals to date of payment within 30 days from the Effective Date of the Plan.

Secured claims, if any, shall be paid the full amount of their allowed claims from sale proceeds, in accordance with the priorities of the Bankruptcy Code.

Unsecured priority tax claims if any, described in Section 507(a)(8) of the Bankruptcy Code shall be paid the full amount of their allowed claims from the net proceeds of sale in accordance with Section V of the Plan, but in any event in cash (i) of a total value, as of the Effective Date, equal to the allowed amount of such claim; (ii) over a period ending not later than five (5) years after the Petition Date; and (iii) in a manner not less favorable than the most favored nonpriority unsecured claim provided for by the Plan.

Unsecured general tax claims will be treated in Class 10 herein.

D. Class 4—First Priority Lender Claims:

(1) Classification. The Plan defines “First Priority Lender Claims” as any claim that is derived from or based upon a promissory note, construction loan agreement, and/or deed of trust entered into between any debtor and lender that is secured by a valid, non-avoidable, first priority lien upon the property owned by the respective Debtors.

(2) Impairment. This class will be impaired.

(3) Treatment. Holders of claims in this Class will be treated as follows:

a. Each claim shall be treated as a secured claim in an amount equal to (1) the balance outstanding on the Petition Date; plus (2) interest accruing at the contract rate of interest from the Petition Date; plus (3) costs and expenses approved by the Court pursuant to Section 506(b); plus (4) all post-petition advances, if any; less (5) all post-petition payments. This amount shall be the face amount of the principal balance under the Class 4 Loan Documents (defined below) and shall be the maximum amount secured by the Class 4 Loan Documents.

b. Each holder of such claim shall retain all of its liens, with the priority thereof, as existed on the Petition Date pursuant to § 1129(b)(2)(A)(i)(I) of the Bankruptcy Code, until its claim is paid in full, or as otherwise set forth herein.

c. On the Effective Date, title to the property securing such lien will be transferred to NewCo via a bankruptcy deed or general warranty deed. After such transfer is recorded and indexed on the public record, NewCo will issue new promissory notes, deeds of trust, and mortgages (using the standard North Carolina Bar Association Promissory Note and Deed of Trust forms, and the South Carolina mortgage form as applicable) (collectively the “Class 4 Loan Documents”). The Class 4 Loan Documents will incorporate the terms of the Confirmed Plan.

d. In the event any existing lender wishes to continue making advances under their existing loan documents, advances shall be made pursuant to the terms agreed upon by the Debtors/NewCo and the lender, and shall be documented by new loan documents.

e. Claims in this Class shall continue to accrue interest at a rate equal to the existing non-default contract rate of interest until paid in full.

f. NewCo will liquidate all of the collateral securing these claims over a period of time in order to satisfy these claims. The release fee for the sale of any lot sold by NewCo shall equal 85% of the Net Proceeds of Sale.

g. Any deficiency claims arising from the liquidation of the collateral securing these claims shall be treated in Class 10 herein. After any deficiency claim becomes a liquidated claim, a proof of claim must be filed as described in Section V.J of the Plan or such claim shall be treated as satisfied in full. Failure to file such deficiency claim shall extinguish

all further obligations under the existing obligation or the Class 4 Loan Documents notwithstanding any other provision to the contrary.

E. Class 5 – Junior Deed of Trust Holders & TIC Owners:

(1) Classification. The Plan defines “Junior Deed of Trust Holders and TIC Owners” as any claim that is derived from or based upon a promissory note, deed of trust, mortgage, or Tenancy in Common Agreement. On November 24, 2008, the Committee filed a motion seeking to consolidate the claims of all Junior Deed of Trust Holders and TIC Owners in all pending cases and provide for distributions to be made on a pro rata basis (the “Class Claim”). A hearing is scheduled on this matter for January 28, 2009.

(2) Impairment. This class will be impaired.

(3) Treatment. Holders of claims in this Class will be treated as follows:

i. Each claim shall be treated as a secured claim in an amount equal to (1) the balance outstanding on the Petition Date; plus (2) interest accruing at the contract rate of interest from the Petition Date if permitted under Section 506(b); plus (3) costs and expenses approved by the Court pursuant to Section 506(b); less (4) all post-petition payments; provided however, distributions shall first be applied in payment of outstanding principle until paid in full, then to payment of outstanding costs or expenses allowed by the Court, and last to outstanding accrued interest. The amount owed by each individual Debtor shall be the face amount of the principal balance under the Class 5 Loan Documents (defined below) and shall be the maximum amount secured by the Class 5 Loan Documents as to each Debtors’ property.

b. On or before the Effective Date, the TIC Owners shall deed their respective interests to the Debtor(s)/and or NewCo. The terms of the Tenancy in Common Agreements concerning distributions shall remain in effect.

c. On the Effective Date, title to the property securing such lien will be transferred to NewCo via a bankruptcy deed or general warranty deed. After such transfer is recorded and indexed on the public record, NewCo will issue new promissory notes, deeds of trust, and mortgages (using the standard North Carolina Bar Association Promissory Note and Deed of Trust forms, and the South Carolina mortgage form as applicable) (collectively the “Class 5 Loan Documents”). The Class 5 Loan Documents will incorporate the terms of the Confirmed Plan. The liens granted by the Class 5 Loan Documents will be junior to the liens granted to Class 4, but shall retain its priority as to all other liens upon the property.

d. Members of this Class shall retain all of their respective liens as existed on the Petition Date pursuant to § 1129(b)(2)(A)(i)(I) of the Bankruptcy Code, until the claims are paid in full, or as otherwise set forth herein; provided however, such liens and the

distributions to holders of allowed claims in this Class shall be subordinate to the payment of allowed claims in the following Classes and to the extent and in the priority set forth below:

i. Distributions to the holders of allowed claims in Classes 1, 2, 3, 4, and 6.

ii. Distributions to the holders of allowed claims in Class 8, but only to the extent such liens currently have priority over the liens held by Class 8 and only to the extent the value of the collateral is sufficient to treat such claim as secured.

iii. Distributions to the holders of allowed claims in Class 10, but not exceeding 10% of the allowed claims of such Debtor.

e. This Class will receive the net sales proceeds remaining after payment of (i) the allowed claims in Classes 1, 2, 3, 4, and 6; (ii) allowed claims in Class 8 but only to the extent such liens currently have priority over the liens held by Class 8 and only to the extent the value of the collateral is sufficient to treat such claim as secured; and (iii) allowed claims in Class 10, but not exceeding 10% of the allowed claims in this class.

f. The Committee Disbursing Agent shall make all distributions to this Class as set forth in Section V of the Plan. In the event the Class Claim is allowed, distributions will be made by the Committee Disbursing Agent on a pro rata basis. If the Class Claim is allowed, the amount received by Class 5 from any particular project shall not exceed the amount to which the liens recorded against that particular project would be entitled.⁵ In the event the Class Claim is disallowed, distributions shall be made in accordance with the Participation Agreement for each applicable Debtor.

g. Any deficiency claims arising from the liquidation of the collateral securing these claims shall be treated in Class 10 herein. After any deficiency claim becomes a liquidated claim, a proof of claim must be filed as described in Section ___ of the Plan or such claim shall be treated as satisfied in full. Failure to file such deficiency claim shall extinguish all further obligations under the existing obligation or the Class 5 Loan Documents notwithstanding any other provision to the contrary.

F. Class 6—Mechanic's Liens:

(1) Classification. Class 6 consists of the claims of all holders of claims secured by mechanic's liens on the Debtors' properties or holders of claims that still retain the right under state law to file mechanic's liens. Creditors listed on Exhibit "B" who have not yet taken the steps to perfect and enforce a claim of lien will only be treated in this Class if they follow the procedure outlined in Section IV of the Plan concerning the bar date for perfecting and enforcing such liens.

⁵ By way of example, if the aggregate liens of the Junior Deed of Trust Holders that existed on a project on the Petition Date was \$5,000,000.00, the distribution towards the Class Claim from such project will not exceed \$5,000,000.00, notwithstanding the fact that the total Class Claim will significantly exceed this amount.

(2) Impairment. This class will be impaired.

(3) Treatment. Allowed claims in this Class shall be treated as a secured obligation of the Debtor up to the value of the collateral securing the claim, in an amount equal to (1) all outstanding principal and interest due on the Petition Date; plus (2) costs and expenses approved by the Court pursuant to Section 506(b); less (3) any post-petition payments. Payments shall be made to this Class from the net proceeds of sale in accordance with the priorities of the Bankruptcy Code and Section ____ of the Plan. Any deficiency will be treated in Class 10 herein.

G. Class 7 – Builder Contracts Assumed by the Debtors:

(1) Classification. This class consists of all executory contracts previously assumed by the Debtors pursuant to prior Orders of the Court or other executory contracts that the Debtors will assume in the Plan. Exhibit B contains a list of all contracts previously assumed or which will be assumed in the Plan. The Debtors have filed separate motions as to the majority of the outstanding executory contracts, many of which are still pending before the Court. If a separate motion to assume has been filed, that claim will only be treated in this Class if such motion is allowed. In the event such motion is not allowed, claims will be treated in Class 8.

(2) Impairment. This class will be impaired.

(3) Treatment. To the extent not already previously assumed by separate Orders, or the subject of a pending motion, the Debtors hereby assume all of the executory contracts listed on Exhibit B. Any defaults under such contracts will be cured in the manner laid out in the Orders entered by the Court.

To the extent the Debtors have assumed executory contracts which provide security for builder earnest money deposits through a deed of trust or letter of credit, those deeds of trust and letters of credit shall be satisfied and/or returned in the manner outlined in the contracts.

H. Class 8—Executory Contracts Rejected by the Debtors:

(1) Classification. This class consists of all executory contracts rejected by the Debtors as shown on Exhibit B or executory contracts that the Court determined could not be assumed by separate Orders.

(2) Impairment. This class will be impaired.

(3) Treatment. All claims in this Class will be treated in Class 10. In the event the claim arising from the rejection of such contract is secured by collateral, NewCo shall satisfy such claim through the Net Proceeds of Sale from the sale of lots, in accordance with the priority of liens. Such creditor shall receive the Net Proceeds of Sale, in the order of the priority of liens at the same release price established for Class 4, after all senior liens have been satisfied in full. Any claim

arising from the rejection of such contract must be filed in the manner specified in Section IX of the Plan. Failure to comply with Section IX of the Plan shall extinguish all further obligations on such claim.

I. Class 9 —J. Franklin Martin (“Martin”):

(1) Classification. The Debtors have certain secured obligations to Martin arising from funds advanced by Martin to some or all of the Debtors. These obligations consist of secured claims, unsecured claims, and administrative claims, as detailed on Exhibit “D.” These obligations are secured by deeds of trust on The Heights, Lismore Park, Water Mill, Chandler Oaks, and other non-debtor affiliates.

(2) Impairment. This class will be impaired.

(3) Treatment. Martin will waive all claims against the Debtors arising from amounts advanced to the Debtors and secured by deeds of trust and any administrative claims shown on Exhibit “D.” These deeds of trust will be released as upon confirmation of the Plans.

J. Class 10 —General Unsecured Creditors:

(1) Classification. This class consists of all allowed, undisputed, non-contingent unsecured claims listed on the Debtors’ petitions or otherwise approved by the Court.

(2) Impairment. This class will be impaired.

(3) Treatment. The allowed Claims in this Class, as determined by the Court as of the Petition Date (without post-petition interest, attorneys’ fees or costs) shall be paid from net sale proceeds (i) otherwise due to Class 5 up to 10% of the allowed claims, and (ii) to the extent available from net sale proceeds after payment in full of all allowed Class 5 claims, and any other assets recovered by the Debtors. Distributions shall be made to this Class in accordance with Section V of the Plan.

K. Class 11 – Equity Security Holders:

(1) Classification. This class consists of the members of the Debtors.

(2) Impairment. This class will be impaired.

(3) Treatment. The Debtor will liquidate its assets as set forth above. All membership interests in the Debtors will be canceled upon the Effective Date and members of the Debtors shall receive nothing from the Debtors on account of their existing equity interest.

II. NON-OPERATING DEBTORS

A. Class 1 – Administrative Claims:

(1) Classification. Class 1 consists of claims for any cost or expense of administration pursuant to Sections 503, 506, and 507 of the Bankruptcy Code. The following professionals will be paid subject to Court approval:

Stubbs & Perdue, P.A.	Attorney for the Debtors	To be determined by the Court
Northern Blue, LLP	Attorney for the Committee	To be determined by the Court
Neal, Bradshear & Taylor	Financial Advisor for Committee	To be determined by the Court

(2) Impairment. This class will be impaired.

(3) Treatment. Administrative costs and expenses approved by the Court shall receive pro rata distributions from any assets available for distribution, in accordance with the priorities of the Code. Distributions shall be made only after fees and expenses are approved by the Court. In the event that a claimant has an application pending with the Court at the time distributions are to be made, the amount requested in such application shall be included in the total amount owed to such claimant for the purposes of calculating distributions.

B. Class 2 – Ad Valorem Taxes:

(1) Classification. Class 2 consists of claims for taxes owed by the Debtors to any city, county, or other municipality or taxing entity entitled to tax the property of the Debtors based upon the value of the property assessed.

(2) Impairment. This class will be unimpaired.

(3) Treatment. Ad valorem property taxes shall be the responsibility of the purchaser of this property.

C. Class 3 – Tax Claims:

(1) Classification. Class 3 consists of claims against the Debtors for income taxes, withholding taxes, unemployment taxes, excise taxes and/or any and all other taxes levied or entitled to be levied against the Debtor by the Internal Revenue Service, the North Carolina Department of Revenue, the South Carolina Department of Revenue, or the Employment Security Commission, plus interest as allowed by law. *Claims in this Class are shown on Exhibit “B.”*

(2) Impairment. This class will be unimpaired.

(3) Treatment. The Debtors propose the following treatment:

Cost and expenses of administration, if any, shall be paid in cash and in full including accruals to date of payment within 30 days from the Effective Date of the Plan.

Secured claims, if any, shall be paid the full amount of their allowed claims from sale proceeds, in accordance with the priorities of the Bankruptcy Code.

Unsecured priority tax claims if any, described in Section 507(a)(8) of the Bankruptcy Code shall be paid the full amount of their allowed claims from the net proceeds of sale, if any, from other assets distributed by the Debtors, or from funds advanced to the Debtors, but in any event in cash (i) of a total value, as of the Effective Date, equal to the allowed amount of such claim; (ii) over a period ending not later than five (5) years after the Petition Date; and (iii) in a manner not less favorable than the most favored nonpriority unsecured claim provided for by the Plan.

Unsecured general tax claims will be treated in Class 9 herein.

D. Class 4—First Priority Lender Claims:

(1) **Classification.** The Plan defines “First Priority Lender Claims” as any claim that is derived from or based upon a promissory note, construction loan agreement, and/or deed of trust entered into between any Debtor and lender that is secured by a valid, non-avoidable, first priority lien upon the property owned by the respective Debtors.

(2) **Impairment.** This class will be impaired.

(3) **Treatment.** The automatic stay shall be lifted on the Effective Date and the First Priority Lenders shall have the right to exercise their rights under their existing loan documents. Any deficiency claims arising from the liquidation of the collateral securing these claims shall be treated in Class 9 herein. After any deficiency claim becomes a liquidated claim, a proof of claim must be filed as described in Section V.J of the Plan or such claim shall be treated as satisfied in full. Failure to file such deficiency claim shall extinguish all further obligations under the existing obligation notwithstanding any other provision to the contrary. Alternatively, the First Priority Lenders shall have the option to purchase the property free and clear of liens on the Effective Date via a credit bid, for an amount equal to the outstanding loan balance as of the purchase date. Any ad valorem property taxes shall be the responsibility of the purchaser.

E. Class 5 – Junior Deed of Trust Holders & TIC Owners:

(1) **Classification.** The Plan defines “Junior Deed of Trust Holders and TIC Owners” as any claim that is derived from or based upon a promissory note, deed of trust, mortgage, or Tenancy in Common Agreement. On November 24, 2008, the Committee filed a motion seeking to consolidate the claims of all Junior Deed of Trust Holders and TIC Owners in all pending cases and provide for distributions to be made on a pro rata basis (the “Class Claim”). This matter is currently pending before the Court.

(2) Impairment. This class will be impaired.

(3) Treatment. In the event any excess proceeds exist after the disposition of the real property securing this claim, these funds shall be distributed to holders of claims in this class. Any deficiency claims arising from the liquidation of the collateral securing these claims shall be treated in Class 9 herein. The Committee Disbursing Agent shall make all distributions to this Class as set forth in Section V of the Plan. In the event the Class Claim is allowed, distributions will be made by the Committee Disbursing Agent on a pro rata basis. In the event the Class Claim is disallowed, distributions shall be made in accordance with the Participation Agreement for each applicable Debtor.

F. Class 6—Mechanic’s Liens:

(1) Classification. Class 6 consists of the claims of all holders of claims secured by mechanic’s liens on the Debtors properties or holders of claims that still retain the right under state law to file mechanic’s liens.

(2) Impairment. This class will be impaired.

(3) Treatment. The automatic stay shall be lifted on the Effective Date and the First Priority Lenders shall have the right to exercise their rights under their existing loan documents. Any deficiency claims arising from the liquidation of the collateral securing these claims shall be treated in Class 9 herein.

G. Class 7 – Executory Contracts:

(1) Classification. This class consists of all executory contracts and unexpired leases held by the Debtors as shown on Exhibit B or executory contracts that the Court determined could not be assumed by separate Orders.

(2) Impairment. This class will be impaired.

(3) Treatment. All executory contracts and unexpired leases will be rejected. Any claim arising from the rejection of such contract must be filed in the manner specified in Section IX of the Plan. Failure to comply with Section IX of the Plan shall extinguish all further obligations on such claim. All claims in this class will be treated in Class 9.

H. Class 8 —J. Franklin Martin (“Martin”):

(1) Classification. The Debtors have certain secured obligations to Martin arising from funds advanced by Martin to some or all of the Debtors. These obligations consist of secured claims, unsecured claims, and administrative claims, as detailed on Exhibit “D.” These obligations are secured by deeds of trust on The Heights, Lismore Park, Water Mill, and Chandler Oaks.

(2) Impairment. This class will be impaired.

(3) Treatment. Martin will waive all claims against the Debtors arising from amounts advanced to the Debtors and secured by deeds of trust and any administrative claims shown on Exhibit “D.”

I. Class 9 —General Unsecured Creditors:

(1) Classification. This class consists of all allowed, undisputed, non-contingent unsecured claims listed on the Debtors’ petitions or otherwise approved by the Court.

(2) Impairment. This class will be impaired.

(3) Treatment. This class will receive any proceeds remaining after satisfaction of the claims of all senior classes. It is not anticipated that this class will receive any distributions after a liquidation of the real property. It is not known whether any distributions will be made after the liquidation and distribution of all other assets. All distributions to this class will be made in accordance with Section V of the Plan.

J. Class 10 –Equity Security Holders:

(1) Classification. This class consists of the members of the Debtors.

(2) Impairment. This class will be impaired.

(3) Treatment. All membership interests in the Debtors will be canceled upon the Effective Date and members of the Debtors shall receive nothing from the Debtors on account of their existing equity interest.

VI. MEANS OF EXECUTION AND DISTRIBUTION OF SALES PROCEEDS

A. Sale Free and Clear of Liens. The Debtors’ inventory consists of lots located in the various subdivisions owned by the Debtors. All property sold under the Debtors’ Plan will be sold free and clear of liens, regardless of who is the final purchaser for such lots. In order to expedite the sale process, provide clear title to the lots sold, and satisfy certain anticipated requirements of title insurance companies providing title insurance to the purchasers of lots, simultaneous with the entry of the Order Confirming Plan, the Debtors may ask the Court to enter a new free and clear order, which shall remove any restrictions on the sale of property free and clear of liens contained in the earlier Free and Clear Orders that have been entered. No further motions related to the sales of property shall be required; provided however, the Debtors may file such motions and seek such orders to the extent needed to provide reasonable comfort or accommodation to the lot purchasers.

B. Reorganizing Debtors.

1. Distribution of Sales Proceeds. Upon the sale of any of the Reorganizing Debtors' property, the liens secured by such property shall attach to the net proceeds of sale. The costs of sale, including property taxes, closing costs, and costs allowed by Section 506(c), if any, shall be paid directly from the closing proceeds. Thereafter, the Net Sales Proceeds shall be distributed as follows, until all Net Sales Proceeds are exhausted:

a. First, 85% of the net sales proceeds shall be paid to the applicable Class 4 Claim, until the claim is paid in full as described in Class 4. This payment shall be reflected on any HUD settlement statement, and shall be paid by the closing attorney directly from the sales proceeds. The remaining 15% of the Net Sales Proceeds shall be paid to NewCo.

b. Next, to the Committee Disbursing Agent for payment of the allowed claims in Classes 6 and 8 if applicable, until such claims are paid the amount described in the treatment for each Class. Payments to these classes shall be made pro rata to claims within Class 6.

c. Next, to the Committee Disbursing Agent for payment of the allowed claims in Class 10, not to exceed 10% of the total amount of such claims.

d. Last, all remaining proceeds shall be paid to the Committee Disbursing Agent for distribution to the holders of allowed claims in Class 5. In the event the Class Claim is allowed, distributions shall be made pursuant to the Order allowing the Class Claim. In the event the Class Claim is disallowed, distributions will be made by the Committee Disbursing Agent according to the Participation Agreements in each respective case.

e. Any funds received from sources other than the liquidation of property will be distributed in accordance with the priorities of the Code and will be made within a reasonable time after such funds are received. As set forth in the Disclosure Statement, it is expected that the main source of the recovery of such funds will be from funds received from Landcraft, if any amounts are actually determined to be owed and are paid by Landcraft.

C. Non-Operating Debtors.

1. Upon the Effective Date or, in the case of a Reorganizing Debtor, the date it becomes a Non-Operating Debtor, the automatic stay shall be lifted and all secured creditors shall be afforded their remedies under the existing loan documents, including the right to foreclose. Alternatively, any First Priority Lender may elect to purchase the real property acting as collateral for its claim through a sale free and clear of liens via a credit bid; provided however, that the sale price of such credit bid must equal at least the full amount of the obligation owed to such lender as of the purchase date.

2. Any funds received from sources other than the liquidation of property will be distributed in accordance with the priorities of the Code and will be made within a reasonable time after such funds are received. As set forth in the Disclosure Statement, it is expected that the main source of the recovery of such funds will be from funds received from Landcraft, if any amounts are actually determined to be owed and are paid.

- D. Disbursements by Committee Disbursing Agent. All disbursements made by the Committee Disbursing Agent shall be considered made when received by the Committee Disbursing Agent. The Committee Disbursing Agent shall then make disbursements to holders of claims within each Class pro rata, based on their respective claims and the terms of the Agreement as soon as practical after receipt of such payment, but in no event more than 15 days after receipt of such payment. All payments received shall be applied against principal unless and until it is determined that the value of the collateral securing such claims will be sufficient to allow for a recovery of interest. All costs and expenses incurred by the Committee Disbursing Agent in making such distributions shall be paid prior to any disbursements being made.
- E. Delivery of Distributions in General. Distributions to holders of allowed claims shall be made: (i) at the addresses set forth in the proofs of claim filed by such holders; (ii) at the addresses set forth in any written notices of address change submitted to the Court or Attorney for the Debtor after the date on which any related proof of claim was filed; or, if the information described in clauses (i) or (ii) is not available, (iii) at the addresses reflected in the Debtor's schedules of liabilities. Distributions to Noteholders will be made by the Committee Disbursing Agent in the manner he elects.
- F. De Minimis Distributions. No interim distribution of less than fifty dollars (\$50.00) shall be required to be made to any holder of an allowed unsecured claim. Instead, the Committee Disbursing Agent shall have the option of retaining such funds in escrow to be distributed at the time of the final distribution in accordance with the Plan. In any event, no distribution in an amount less than five dollars (\$5.00) shall be made to any creditor, and such de minimus distributions shall be treated in the same manner as Unclaimed Distributions.
- G. Timing of Distributions. Any distribution required to be made hereunder on a day other than a business day shall be made on the next succeeding business day.
- H. Unclaimed Distributions. If any distribution remains unclaimed for a period of 90 days after it has been delivered, or attempted to be delivered, such unclaimed property shall be forfeited by such holder of the claim and the Committee Disbursing Agent shall not attempt to make any further distribution of such holder of the claim.

Undistributed property shall be retained by the Committee Disbursing Agent for distribution in accordance with the Plan.

I. Reserve for Disputed Claims. On and after the Effective Date, the Debtors or the Committee Disbursing Agent, as applicable, will reserve distributions for the holders of Disputed Claims in a segregated account (the “Disputed Claims Reserve”) for the benefit of the holders of the Disputed Claims entitled thereto under the Plan. Except to the extent that the Court shall have estimated under Section 502(c) of the Code or otherwise determined that a good and sufficient reserve for Disputed Claims is less than the full amount thereof, there will be deposited into the Disputed Claims Reserve an amount of cash which would have been disbursed on account of all Disputed Claims if all Disputed Claims were allowed in the full amount claimed by the holders thereof. At such time as a Disputed Claim becomes an Allowed Claim, the distribution that would have been disbursed had the Disputed Claim been an Allowed Claim on the Effective Date shall be released from the Disputed Claims Reserve and delivered to the holder of such Allowed Claim within thirty days.

J. Deadlines for Post Confirmation Actions

1. Administrative Claims, Fee Applications, and Claim Objections. All objections to claims, fee applications, and administrative claims will be filed with the Court within 60 days of the Effective Date, unless otherwise extended by the Court.

2. Deficiency Claims. Any creditor, except Class 8 (Reorganizing Debtors) and Class 7 (Non-Operating Debtors) asserting a deficiency claim shall file a proof of claim within 30 days after the determination that such deficiency claim exists or be forever barred from asserting any deficiency claim and such obligation shall be deemed paid in full. In the event the Debtors obtain its Final Decree prior to the determination of any deficiency claim, such creditor shall inform the Committee Disbursing Agent and counsel for the Debtors of such deficiency claim within the same time period. In such event, a proof of claim form shall not be required, but the secured creditor shall provide notice of such deficiency claim to the Committee Disbursing Agent and counsel for the Debtors in a writing containing the amount of such claim and the basis for such deficiency claim.

3. Adversary Proceedings. All adversary proceedings shall be filed in the manner described in Section X of the Plan.

L. Issuance of NewCo Stock. On the Effective Date, NewCo will issue membership interests to the owners of NewCo and cause an Operating Agreement for NewCo to be drawn up. This Operating Agreement will incorporate the terms of the Confirmed Plan and contain provisions sufficient to implement the confirmed Plan.

VII. PRESERVATION OF SECTION 506(c) CLAIMS

Notwithstanding confirmation of the Plan and the occurrence of the Effective Date, except to the extent otherwise expressly provided herein, the Debtors shall have the right to seek recovery of the cost of maintaining and preserving any collateral or property.

VIII. DISCLAIMER

All parties are advised and encouraged to read this Disclosure Statement and the Plan in their entirety before voting to accept or reject the Plan or before voting on any other matter as provided for herein.

Plan summaries and statements made in this Disclosure Statement are qualified in their entirety by reference to the Plan itself, the Disclosure Statement, and all exhibits annexed thereto. The statements contained in this Disclosure Statement are made only as of the date hereof. No assurances exist that the statements contained herein will be correct any time hereafter.

The information contained in this Disclosure Statement is included herein for purposes of soliciting acceptances of the Plan and may not be relied upon for any purpose other than to determine how to vote on the Plan. No representations concerning the Debtors are authorized by the Debtors other than as set forth in this Disclosure Statement. Any other representations or inducements made to solicit your acceptance that are not contained in this Disclosure Statement should not be relied upon by you in arriving at your decision to accept or reject the Plan.

With respect to adversary proceedings, contested matters, other actions, or threatened actions, this Disclosure Statement shall not constitute or be construed as an admission of any fact or liability, stipulation, or waiver; rather, this Disclosure Statement shall constitute statements made in connection with settlement negotiations.

This Disclosure Statement shall not be admissible in any non-bankruptcy proceeding involving the Debtors or any other party. Furthermore, this Disclosure Statement shall not be construed to be conclusive advice on the legal effects, including, but not limited to the tax effects, of the Debtors' Plan of Reorganization. You should consult your legal or tax advisor on any questions or concerns regarding the tax or other legal consequences of the Plan.

The information contained herein is not the subject of a certified audit and formal appraisals. For the foregoing reason, as well as because of the impossibility of making assumptions, estimates, and projections into the future with absolute accuracy, the Debtors are unable to warrant or represent that the information contained in this Disclosure Statement is complete and accurate, although every reasonable effort has been made to present complete and accurate information. The Debtors' records are dependent upon internal accounting methods. The records kept by the Debtors are not warranted or represented to be free of any inaccuracy; however, every reasonable effort has been made to present accurate information. As a result, valuations and liabilities are estimated. Although substantial efforts have been made to be complete and accurate, the Debtors are unable to warrant or represent the full and complete accuracy of the information contained herein. Counsel for the Debtors has not independently verified any of the information provided by the Debtors and does not

make any representations or warranties with respect to the truth or accuracy of any of the information presented.

IX. 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 Debtors, of any and all claims against, and interests in, the Debtors, 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.

X. POTENTIAL MATERIAL FEDERAL TAX CONSEQUENCES

The Debtor is a limited liability company that is treated as a partnership for federal and state income tax purposes. As a result, all items of income, gain, loss, deduction, and credit pass through to the members of the Debtor in proportion to their membership interests in the Debtor. There are three equal members in the Debtor, J. Franklin Martin, Scott A. Stover, and Matthew A. McDonald.

It is possible that, under the Plan, some debts will be extinguished for less than face amount. This would generate cancellation of indebtedness (“COD”) income equal to the difference between the amount paid and the amount owed. COD income generally is excludable from taxable income if it occurs in the context of a Chapter 11 bankruptcy. However, in the context of an entity treated as a partnership for tax purposes, the determination of excludability is made at the partner level. Therefore, to the extent debts are extinguished, the COD will generate income to the Debtor that will be passed through to the members in proportion to their interests. This income can be excluded from income by a member who is in Chapter 11 or is insolvent, in which case, the excluding member must reduce other tax attributes, such as basis in depreciable property, net operating losses, etc., in an amount equal to the excluded COD income. In addition, because some of the cancelled debt may constitute “qualified real property business indebtedness,” a member may elect to exclude that portion of its or his COD income in exchange for a reduction in basis in other depreciable property. In either event, the COD income passed through to the members will increase their bases in their membership interests, as well as their capital account balances.

The Plan calls for a liquidation of the Debtor’s property over time, with the proceeds going towards payment of the Debtor’s debts. In such event, the Debtor will recognize capital gain or loss on the sales in an amount equal to the difference between the amount realized on the sale and the Debtors’ adjusted basis in the property sold. The amount realized will include the amount of any nonrecourse indebtedness that is eliminated as a result of the sale. This income or loss will be ordinary in character, because the debtor is a dealer in real property, and its assets constitute inventory for income tax purposes. This gain or loss will be passed through to the members in

proportion with their ownership interests, and will produce a commensurate increase or decrease in their basis in their interests in the Debtor.

Payments to be made under the Plan will produce the following income tax effects:

- Administrative expenses paid by the Debtor will be deductible by the Debtor, and these ordinary deductions should be passed through to the Members.
- Payment of the principal portion of secured claims generally will not be deductible by the Debtor, as it has already been included in the basis of the assets securing the debt or applied towards payment of previously deducted expenses.
- Payment of interest attributable to secured claims will be deductible by the Debtor, to the extent such deductions have not already been accrued.
- Payment of unsecured claims will be deductible by the Debtor to the extent (i) the payment thereof would produce a deduction outside of Chapter 11, and (ii) a deduction for the subject payment has not already been accrued. The amount realized will include the amount of any nonrecourse indebtedness that is eliminated as a result of the sale. This income or loss will be ordinary in character, because the debtor is a dealer in real property, and its assets constitute inventory for income tax purposes.

All income recognized by the Debtor will be passed through to its members in proportion to their membership interests, and will increase their capital account balances with respect thereto. Similarly, all deductions will be passed through to the debtor on a pro rata basis, and will reduce the members' bases in their membership interests and, therefore, their capital account balances. At this time, it is not possible to determine the amount of COD income, other income, and deductible expenses that will be incurred prior to completion of the Plan.

The Debtors are North Carolina and South Carolina limited liability companies. Because North Carolina and South Carolina income tax laws follows federal income tax law, the issues discussed above generally applies equally to the Debtor and the members for state income tax purposes.

For federal income tax purposes, loan creditors who receive principal payments under the Plan generally will recognize capital gain or loss in an amount equal to the difference between the amount of the principal payments and their bases in their claim. (A creditor may have a basis in its claim that 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 should generate ordinary income to such creditors, to the extent such amounts have not already been accrued.

A loan creditor whose debt is significantly modified will be treated as having received a new debt instrument in exchange for the old one. This will be treated as a sale or exchange of the old debt for a new instrument with a value determined under IRS rules. This may result in the recognition of capital gain or loss by the debtor in an amount equal to the difference between the

value of the new instrument and the creditor's basis in the claim.

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.

Expenses incurred by creditors in connection with the Plan, such as legal, accounting, and administrative costs, should be deductible by the creditors in accordance with their methods of accounting.

To the extent creditors are subject to North Carolina or South 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 or South Carolina is beyond the scope of this Disclosure Statement.

CIRCULAR 230 NOTICE: To comply with requirements imposed by the United States Treasury 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.

XI. PROVISIONS FOR VOTING ON A PLAN

A. Creditors Allowed to Vote and Deadline. Creditors holding allowed claims are entitled to vote to accept or reject the Debtors' Plan of Reorganization. The Court has fixed a date by which ballots upon the proposed Plan must be filed with counsel for the Debtors as an agent of the Court. 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. 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 for distribution only after determination by the Court. Such determination of allowed status may be made before or after the Plan is confirmed.

B. Voting Provisions. In order for the Plan to be accepted by the class of creditors holding general unsecured claims (Class 10 (Reorganizing Debtors) Class 9 (Non-Operating Debtors) under the Plan), creditors that hold at least two-thirds (2/3) in dollar amount and more than one-half (1/2) 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. Section 1129(b), the Court may confirm the Plan by a "cramdown" notwithstanding the rejection thereof by more than one-third (1/3) in amount or one-half (1/2) in number of the creditors voting on the Plan. The

Debtors intend to seek confirmation under 11 U.S.C. Section 1129(b) in the event any class of creditors rejects the Plan.

C. Representations Limited. No representation concerning the Debtors, particularly regarding future business operations or the value of the Debtors' assets, has been authorized by the Debtors except as set forth in this statement. You should not rely on any other representations or inducements offered to you to secure your acceptance or decide how to vote on the Plan. Any person making representations or inducements concerning acceptance or rejection of the Plan should be reported to counsel for the Debtors.

While every effort has been made to provide the most accurate information available, the Debtors are unable to warrant or represent that all information is without inaccuracy. No known inaccuracies are set forth herein. Further, much of the information contained herein consists of projections of future performance. While every effort has been made to ensure that the assumptions are valid and that the projections are as accurate as can be made under the circumstances, the Debtors have not undertaken to certify or warrant the absolute accuracy of the projections.

No current formal appraisals have been undertaken of the Debtors' property for the purpose of preparing this Disclosure Statement. The property values that were assigned and summarized below are the Debtor-in-Possession's best estimates of the values of the property as of the time of the filing of this Disclosure Statement. However, the Debtors have sought the opinions of persons experienced in valuing property in arriving at its estimates of values. These values may differ from values placed on the property at the time of the filing of the petition for relief and the subsequent schedules.

XII. ACCEPTANCE AND CONFIRMATION

The Bankruptcy Code requires that the Bankruptcy Court, after notice, hold a hearing to consider confirmation of the Plan. The confirmation hearing will be scheduled at a time and place to be determined by the Bankruptcy Court. The confirmation hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement made at the confirmation hearing.

At the confirmation hearing, the Bankruptcy Court will determine whether the requirements of Section 1129 of the Bankruptcy Code have been satisfied, in which event the Bankruptcy Court will enter an order confirming the Plan. These requirements include determinations by the Bankruptcy Court that (i) the Plan has classified Claims in a permissible manner; (ii) the Plan is in the "best interests" of all Creditors; (iii) the Plan is feasible; (iv) the Plan has been accepted by the requisite number and amount of Creditors in each Class entitled to vote on the Plan, or that the Plan may be confirmed without such acceptances; (v) the Plan and its proponent comply with various technical requirements of the Bankruptcy Code; (vi) the Debtors have proposed the Plan in good faith; (vii) any payments made or promised in connection with the Plan are subject to the approval of the Bankruptcy Court as reasonable; and (viii) the Plan provides specified recoveries for certain

priority claims. The Debtors believe that all of these conditions have been or will be met prior to the Confirmation hearing.

A. **Classification of Claims.** The Bankruptcy Code requires that a plan place each creditor's claim in a class with "substantially similar" claims. The Debtors believe that the Plan's classification of claims complies with the requirements of the Bankruptcy Code and applicable case law.

B. **The Best Interests Test.** Notwithstanding acceptance of the Plan in accordance with Section 1126 of the Bankruptcy Code, the Bankruptcy Court must find, whether or not any party in interest objects to Confirmation, that the Plan is in the best interests of the Creditors. Bankruptcy courts have generally defined "best interests" as the Bankruptcy Code's requirement that, under any plan of reorganization, each member of an impaired class of creditors must receive or retain, on account of its claim, property of a value, as of the effective date of the plan, that is not less than the amount such creditor would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. The Debtors believe that the Plan is in the best interests of all Creditors.

To determine what the Creditors would receive if the Debtors were liquidated under chapter 7, the dollar amount that would be generated from the liquidation of the Debtors' assets in a chapter 7 liquidation case needs to be considered. The amount that would be available for the satisfaction of Claims would consist of the Debtors' interest in the net proceeds resulting from the disposition of the Estate's assets, augmented by the Debtors' interest in the cash on hand. The Estate's interest would be further reduced by the amount of any Secured Claims, the costs and expenses of the liquidation, and such additional Administrative Claims and Priority Claims that may result from the termination of the Debtors' business.

The costs of liquidation under chapter 7 would become Administrative Claims with the highest priority against the proceeds of liquidation. Such costs would include the fees payable to a chapter 7 trustee, as well as those that might be payable to attorneys, financial advisors, appraisers, accountants and other professionals that such a trustee may engage to assist in the liquidation.

After satisfying Administrative Claims arising in the course of the chapter 7 liquidation, the proceeds of the liquidation would then be payable to satisfy any unpaid expenses incurred during the time the Case was pending under chapter 11, including compensation for the Debtors, attorneys, financial advisors, appraisers, accountants and other professionals retained by the Debtors.

For the reasons discussed above, the Debtors have concluded that the Plan provides Creditors with a recovery that has a present value at least equal to the present value of the distribution that such Person would receive if the Estate were liquidated under chapter 7 of the Bankruptcy Code.

C. **Feasibility of the Plan.** Section 1129(a)(11) of the Bankruptcy Code requires a judicial determination that confirmation of the Plan will not likely be followed by liquidation or the need for further financial reorganization of the Debtors or any other successor to the Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan. The Debtors believe that the Debtors will be able to meet its obligations under the Plan.

D. **Confirmation.** The Plan may be confirmed if the holders of impaired Classes of Claims accept the Plan. Classes of Claims that are not impaired are deemed to have accepted the Plan. A Class is impaired if the legal, equitable or contractual rights attaching to the Claims or interests of that Class are modified other than by curing defaults and reinstating maturities or by full payment in cash.

The Bankruptcy Code defines acceptance of a plan by a class of claims as acceptance by the holders of two-thirds in dollar amount and a majority in number of allowed claims in that class. This calculation includes only those holders of claims who actually vote to accept or reject the Plan. Votes on the Plan are being solicited only from holders of Allowed Claims in impaired Classes who are expected to receive distributions.

In the event that an impaired Class does not accept the Plan, the Bankruptcy Court may nevertheless confirm the Plan at the Debtor's request if (i) all other requirements of Section 1129(a) of the Bankruptcy Code are satisfied, and (ii) as to each impaired Class that has not accepted the Plan, the Bankruptcy Court determines that the Plan “does not discriminate unfairly” and is “fair and equitable” with respect to such non-accepting Class. **THE DEBTORS BELIEVE THAT THE PLAN IS IN THE BEST INTERESTS OF ALL CREDITORS AND STRONGLY RECOMMENDS THAT ALL PARTIES ENTITLED TO VOTE CAST THEIR BALLOTS IN FAVOR OF ACCEPTING THE PLAN.** Nevertheless, the Debtors have requested that the Bankruptcy Court confirm the Plan over the rejection of any non-accepting Class in the event all other elements of Section 1129(a) of the Bankruptcy Code are satisfied.

A plan “does not discriminate unfairly” if the legal rights of a non-accepting class are treated in a manner that is consistent with the treatment of other classes whose legal rights are intertwined with those of the non-accepting class, and no class receives payments in excess of that which it is legally entitled to receive. The Debtors believe that, under the Plan, all holders of impaired Claims are treated in a manner that is consistent with the treatment of other holders of Claims with which any of their legal rights are intertwined. Accordingly, the Debtors believe the Plan does not discriminate unfairly as to any impaired class of Claims.

The condition that a plan be “fair and equitable” generally requires that an impaired class that has not accepted the plan must receive certain specified recoveries, as set forth in Section 1129(b)(2) of the Bankruptcy Code. The Debtors believe that the Plan meets the thresholds specified in this section of the Bankruptcy Code.

XIII. EFFECT OF CONFIRMATION

A. **Vesting of Property.** Except as otherwise provided in the Plan, the confirmation of the Plan vests all of the property of the estate in the Debtors.

B. Injunction. As of the Confirmation Date, except as otherwise provided in the Plan or the Confirmation Order, all persons that have held, currently hold, or may hold a claim, equity interest, or other debt or liability that is treated pursuant to the terms of the Plan or that is otherwise enjoined pursuant to Section 1141 of the Code, are enjoined from taking any of the following actions on account of any such claims, equity interests, debtors or liabilities, other than actions brought to enforce obligations under the Plan: (i) commencing or continuing in any manner any action or other proceeding; (ii) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree or order; (iii) creating, perfecting, or enforcing any lien or encumbrance; (iv) asserting a setoff or right of recoupment of any kind against any debt, liability, or obligation; (v) commencing or continuing, in any manner or in any place, any action that does not comply with or is inconsistent with the provisions of the Plan or the Confirmation order. Notwithstanding the foregoing, the Plan does not release or waive any claims it may have against any party in interest.

XIV. RECOMMENDATION AND CONCLUSION

THE DEBTORS BELIEVE THAT THE PLAN PROVIDES THE GREATEST RECOVERY TO CREDITORS AND IS IN THE BEST INTEREST OF CREDITORS, THEREFORE, THE DEBTORS RECOMMEND THAT ALL CREDITORS VOTE TO ACCEPT THE PLAN.

XV. OTHER SOURCES OF INFORMATION AVAILABLE TO CREDITORS AND PARTIES IN INTEREST

Additional motions, affidavits, orders or other documentation that might be of interest to any holder of a claim against the Debtors in this proceeding are shown on the docket sheets maintained by the Clerk's office. Copies of the docket sheets and actual items can be obtained from the office of the Clerk of the Bankruptcy Court:

Peggy B. Deans, Clerk
U.S. Bankruptcy Court
1760-A Parkwood Blvd. W
Wilson, NC 27893-3564
252-237-0248

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Respectfully submitted, this the 19th day of December, 2008.

s/Trawick H. Stubbs, Jr.
TRAWICK H. STUBBS, JR.
N.C. State Bar No. 4221

s/Laurie B. Biggs
LAURIE B. BIGGS
N.C. State Bar No. 31845

STUBBS & PERDUE, P.A.
Attorneys for Debtors
P.O. Box 1654
New Bern, NC 28563
(252) 633-2700

EAGLES TRACE, LLC
AUMOND GLEN, LLC

BACK CREEK FARMS SUBDIVISION, LLC
SADDLEBROOK SUBDIVISION, LLC
CHANDLER OAKS, LLC
KELSEY GLEN, LLC
MYERS MILL, LLC
RIVER CHASE SUBDIVISION, LLC
THE HEIGHTS SUBDIVISION, LLC
THE RAPIDS AT BELMEADE, LLC
WATER MILL, LLC
LISMORE PARK, LLC
THE VILLAGE AT WINDSOR CREEK, LLC
OLD TOWNE, LLC
CALEDONIA SUBDIVISION, LLC

By: s/Scott A. Stover
Scott A. Stover
Member Manager

Eagles Trace, LLC
Exhibit A

Description	Value of Asset
Real Property	
255 partially developed entitled residential lots located off Flemingfield Rd., Greensboro, NC (valued upon completion)	\$ 8,320,000.00
Personal Property	
Bank Accounts	\$ 90.15
Accounts Receivable (Valued at book value, not based on collectibility)	\$ 1,576,818.50
Total Debtor's Interest in Assets	\$ 9,896,908.65

Aumond Glen, LLC
Exhibit A

Description	Value of Asset
Real Property	
201 partially developed entitled residential lots located off Harrisburg Rd., Lancaster, SC	\$ 10,711,819.00
Personal Property	
Bank Accounts	\$ 4,208.94
Accounts Receivable (Valued at book value, not based on collectibility)	\$ 15,472.66
Total Debtor's Interest in Assets	\$ 10,731,500.60

Back Creek Farms Subdivision, LLC
Exhibit A

Description	Value of Asset
Real Property	
198 partially developed entitled residential lots located off Rocky River Rd., Charlotte, NC (valued upon completion)	\$ 10,563,000.00
Personal Property	
Bank Accounts	\$ 3,857.40
Accounts Receivable (Valued at book value, not based on collectibility)	\$ 1,831,312.42
Total Debtor's Interest in Assets	\$ 12,398,169.82

Saddlebrook Subdivision, LLC
Exhibit A

Description	Value of Asset
Real Property	
290 partially developed entitled residential lots located on Bethel School Road, Midland, NC	\$ 16,789,000.00
Personal Property	
Bank Accounts	\$ 326.70
Accounts Receivable (Valued at book value, not based on collectibility)	\$ 3,305,395.22
Total Debtor's Interest in Assets	\$ 20,094,721.92

Chandler Oaks, LLC
Exhibit A

Description	Value of Asset
Real Property	
70 partially developed entitled residential lots located on Covered Wagon Rd., Greensboro, NC (valued upon completion)	\$ 3,404,616.00
Personal Property	
Bank Accounts	\$ 161.19
Accounts Receivable	\$ -
Total Debtor's Interest in Assets	\$ 3,404,777.19

Kelsey Glen, LLC
Exhibit A

Description	Value of Asset
Real Property	
Approximately 92.4 acres consisting of partially developed entitled residential lots on Lee Vaughn Road in Simpsonville, SC	\$ 6,879,826.00
Approximately 21.8 acres consisting of partially developed entitled residential lots on Lee Vaughn Road in Simpsonville, SC (owned as tenants in common)	\$ 1,800,000.00
Personal Property	
Bank Accounts	\$ 20.00
Accounts Receivable (Valued at book value, not based on collectibility)	\$ 1,508,093.10
Total Debtor's Interest in Assets	\$ 10,187,939.10

Myers Mill, LLC
Exhibit A

Description	Value of Asset
Real Property	
Approximately 142 acres consisting of 189 partially developed entitled residential lots located on Central Ave in Summerville, SC	\$ 11,156,832.00
Personal Property	
Bank Accounts	\$ 258,806.69
Accounts Receivable (Valued at book value, not based on collectibility)	\$ 1,976,679.17
Total Debtor's Interest in Assets	\$ 13,392,317.86

River Chase Subdivision, LLC
Exhibit A

Description	Value of Asset
Real Property	
Approximately 13.53 acres consisting of partially developed entitled residential lots on Old Belews Creek Road in Winston-Salem, NC (owned as tenants in common)	\$ 1,141,000.00
Approximately 29.81 acres consisting of partially developed entitled residential lots on Old Belews Creek Road in Winston-Salem, NC	\$ 3,003,932.00
Personal Property	
Bank Accounts	\$ 218.16
Accounts Receivable (Valued at book value, not based on collectibility)	\$ 757,770.64
Total Debtor's Interest in Assets	\$ 4,902,920.80

The Heights Subdivision, LLC
Exhibit A

Description	Value of Asset
Real Property	
Approximately 54.18 acres consisting of 97 partially developed entitled residential lots on Ranch Road in Mauldin, SC	\$ 2,937,721.00
Personal Property	
Bank Accounts	\$ 131.38
Accounts Receivable (Valued at book value, not based on collectibility)	\$ 206,502.71
Total Debtor's Interest in Assets	\$ 3,144,355.09

The Rapids at Belmeade, LLC
Exhibit A

Description	Value of Asset
Real Property	
Approximately 89.632 acres consisting of 228 partially developed entitled residential lots located off Belmeade Dr in Charlotte, NC (valued upon completion)	\$ 11,129,500.00
Personal Property	
Bank Accounts	\$ 4,704.74
Accounts Receivable (Valued at book value, not based on collectibility)	\$ 1,111,740.43
Total Debtor's Interest in Assets	\$ 12,245,945.17

Water Mill, LLC
Exhibit A

Description	Value of Asset
Real Property	
Approximately 74.68 acres consisting of 185 partially developed entitled residential lots on Standing Springs Rd in Greenville County, SC (valued upon completion)	\$ 5,155,639.00
Personal Property	
Bank Accounts	\$ 85.84
Accounts Receivable (Valued at book value, not based on collectibility)	\$ 465,061.84
Total Debtor's Interest in Assets	\$ 5,620,786.68

Lismore Park, LLC
Exhibit A

Description	Value of Asset
Real Property	
Phase I - 6 developed entitled residential lots on Suber Road in Greenville County, SC	\$ 180,000.00
Phase II - Approximately 38.5 acres consisting of 104 partially developed entitled residential lots on Suber Road in Greenville County, SC	\$ 4,255,593.00
Personal Property	
Bank Accounts	\$ 589.49
Accounts Receivable (Valued at book value, not based on collectibility)	\$ 125,729.70
Total Debtor's Interest in Assets	\$ 4,561,912.19

The Village at Windsor Creek, LLC
Exhibit A

Description	Value of Asset
Real Property	
Approximately 19 acres consisting of 56 partially developed entitled residential lots located on Woodruff Road in Simpsonville, SC (valued upon completion)	\$ 2,573,272.00
Personal Property	
Bank Accounts	\$ 23,636.55
Accounts Receivable (Valued at book value, not based on collectibility)	\$ 591,044.57
Total Debtor's Interest in Assets	\$ 3,187,953.12

Old Towne, LLC
Exhibit A

Description	Value of Asset
Real Property	
Approximately 32 acres consisting of 82 partially developed residential lots on Reynolds Road in Winston Salem, NC	\$ 3,197,975.00
Personal Property	
Bank Accounts	\$ 742.50
Accounts Receivable (Valued at book value, not based on collectibility)	\$ 678,410.60
Total Debtor's Interest in Assets	\$ 3,877,128.10

Caledonia Subdivision, LLC
Exhibit A

Description	Value of Asset
Real Property	
Approximately 33.932 acres consisting of partially developed entitled residential lots located on Three Bridges Road in Anderson County, SC (owned as tenants in common)	\$ 1,786,067.29
Approximately 52.115 acres consisting of partially developed entitled residential lots located on Three Bridges Road in Anderson County, SC	\$ 3,770,632.71
Personal Property	
Bank Accounts	\$ 501.87
Accounts Receivable (Valued at book value, not based on collectibility)	\$ 1,462,112.02
Total Debtor's Interest in Assets	\$ 7,019,313.89

Eagles Trace, LLC
Exhibit B - Liabilities

<u>Class</u>	<u>Claim #</u>	<u>Amount of Claim</u>
<u>Class 1: Administrative Claims</u>		
Stubbs & Perdue, P.A.		To Be Determined by the Court
Northern Blue, LLP		To Be Determined by the Court
Neal, Bradshear & Taylor		To Be Determined by the Court
<u>Class 2: Ad Valorem Taxes</u>		
		No claim filed
<u>Class 3: Tax Claims</u>		
		No claim filed
<u>Class 4: Regions Bank</u>	20	\$ 4,315,122.44
<u>Class 5: Junior Deed of Trust Holders</u>		
Richard Lee Bowers	16	\$ 137,387.30
Herbert H. Browne, Jr.	17	\$ 61,375.66
C&R Davis Mgmt	12	\$ 51,745.20
Charles O. DuBose	9	\$ 275,671.86
Anne Byrd Gilchrist	26	\$ 171,734.13
George Goodyear, III	18	\$ 276,170.34
Harry C. Grimmer	11	\$ 137,387.30
Don & Lana Hathaway	14	\$ 25,872.00
Larry & Katherine Herbert	4	\$ 136,240.81
Thomas A. Hunter, III	15	\$ 136,390.35
Ted & Joyce Johnson	24	\$ 68,917.97
M. John Jordan	2	\$ 68,981.77
Al Joyner	25	\$ 70,131.24
Caroline S. McArthur	23	\$ 34,483.91
B. Palmer McArthur, Jr.	22	\$ 103,451.72
B. Palmer McArthur, Sr.	21	\$ 34,060.20
Martin McDonald		\$ 63,099.78
D. Kendall Moore	19	\$ 66,000.00
Sterling Trust Co FBO Joseph Tronco	10	\$ 135,840.97
Total:		\$ 2,054,942.51
<u>Class 6: Mechanic's Liens</u>		
ECS Carolinas, LLP	6	\$ 4,512.02
Jamestown Engineering Group.	5	\$ 28,040.45
Thomas Stanley Grading	1	\$ 262,231.65
Saw Construction Co.	8	\$ 44,624.00
<u>Class 7: Executory Contracts</u>		
Eastwood Construction Co.	13	\$ 1,158,345.00
<u>Class 8: J. Franklin Martin</u>		
		\$ 30,625.00
<u>Class 9: General Unsecured Creditors</u>		
Blaney Electric, Inc.		\$ 184.00
Richard C. Canady		\$ 6,200.00

Charles H. Litaker, Inc.		\$	3,100.00
City of Greensboro DOT		\$	1,304.00
Dixon Hughes PLLC		\$	475.00
Eagle's Trace HOA		\$	12,620.00
Eastwood Homes		\$	2,717.60
Evertree Company	7	\$	31,135.01
Forsyth Water/Sewer Construction		\$	894.97
LandCraft Management, LLC		\$	-
Trugreen Landscape		\$	357.50
Wyatt Early Harris et al	3	\$	150.00
Total:		\$	59,138.08

Class 10: Equity Security Holders

J. Franklin Martin
Matthew A. McDonald
Scott A. Stover

Aumond Glen, LLC
Exhibit B - Liabilities

<u>Class</u>	<u>Claim #</u>	<u>Amount of Claim</u>
<u>Class 1: Administrative Claims</u>		
Stubbs & Perdue, P.A.		To Be Determined by the Court
Northern Blue, LLP		To Be Determined by the Court
Neal, Bradshear & Taylor		To Be Determined by the Court
<u>Class 2: Ad Valorem Taxes</u>		
		No claim filed
<u>Class 3: Tax Claims</u>		
		No claim filed
<u>Class 4: SunTrust Bank</u>	11	\$ 7,048,755.34
<u>Class 5: TIC Owners</u>		
Jon P. Brady		
Harry C. Gimmer	6	\$ 342,867.00
John L. Sullivan, Jr.	13	\$ 531,888.00
Christopher Tull	17	\$ 282,628.43
Challisford Partners, LLC	7	\$ 273,930.00
Richard Lee Bowers		
Steven H. Gassaway	12	\$ 136,964.90
Colville Road Investments	16	\$ 274,103.17
<u>Class 6: Mechanic's Liens</u>		
Hoopaugh Grading	14	\$ 80,873.42
United Consulting Group	2	\$ 6,202.40
Southern Pools & Spas	5	\$ 231,005.00
<u>Class 7: Builder Contracts</u>		
Eastwood Construction Co., Inc.	8	Assumed
<u>Class 8: Rejected Builders' Contracts</u>		
		n/a
<u>Class 9: J. Franklin Martin</u>		\$ 26,625.00
<u>Class 10: General Unsecured Creditors</u>		
Arcadis G & M		\$ 6,250.00
Aumond Glen HOA		\$ 762.00
Richard L. Bowers	15	\$ 100.00
Dixon Hughes PLLC		\$ 475.00
Erosion Control Services, Inc.	3	\$ 4,065.85
Frye Electric Company		\$ 1,610.00
Graphi Cal	1	\$ 2,123.55
Guardway Corporation		\$ 5,352.12
Hortiscapes, LLC		\$ 3,600.00
LandCraft Management, LLC		\$ 224,946.21
PBS&J		\$ 1,086.44
Premier Concrete Services		\$ 7,542.00
Professional Service Ind.		\$ 4,947.00

Ram Pavement Services	4	\$	1,425.00
Summit ECS, Inc.		\$	723.00
Terra Genius, LLC		\$	1,170.00
Total:		\$	266,178.17

Class 11: Equity Security Holders

J. Franklin Martin
Matthew A. McDonald
Scott A. Stover

Back Creek Farms Subdivision, LLC
Exhibit B - Liabilities

<u>Class</u>	<u>Claim #</u>	<u>Amount of Claim</u>
<u>Class 1: Administrative Claims</u>		
Stubbs & Perdue, P.A.		To Be Determined by the Court
Northern Blue, LLP		To Be Determined by the Court
Neal, Bradshear & Taylor		To Be Determined by the Court
<u>Class 2: Ad Valorem Taxes</u>		
		No claim filed
<u>Class 3: Tax Claims</u>		
		No claim filed
<u>Class 4: KeyBank, N.A.</u>	15	\$ 4,743,607.57
<u>Class 5: Junior Deed of Trust Holders</u>		
Michael Barrow		\$ 330,009.39
C & R Davis Management	9	\$ 51,438.35
Challisford Partners, LLC	11	\$ 132,452.00
James L. Davis		\$ 66,126.50
Teresa C. Dowdy	20	\$ 132,502.23
Donald & Frances Evans Charitable Rem. Trust	13	\$ 198,602.00
Donald O. Evans Ret. Plan Trust	12	\$ 241,935.00
Anne Byrd Gilchrist	22	\$ 165,627.79
Harry C. Grimmer	6	\$ 66,226.00
Paul H. Harrell, Jr.		\$ 66,051.72
Laurie H. Johnston	8	\$ 66,051.72
Alex R. Josephs		\$ 63,733.81
Al Joyner	21	\$ 95,633.51
Penelope D. Love		\$ 66,076.65
Edward S. Martin	14	\$ 551,092.00
B. Palmer McArthur, Jr.	19	\$ 162,501.81
D. Kendall Moore	17	\$ 130,000.00
Sterling Trust Co, Cust. FBO Thomas P. Grasty	10	\$ 130,807.41
John L. Sullivan, Jr.	16	\$ 65,728.00
Edgar R. Wood, Jr.	7	\$ 127,817.00
Total:		\$ 2,910,412.89
<u>Class 6: Mechanic's Liens</u>		
ECS Carolinas, LLP	4	\$ 10,903.43
Blythe Development, Co.	5	\$ 192,316.87
<u>Class 7: Builder Contracts</u>		
Atreus Comm. Group of Charlotte, Inc.	18	\$ 409,275.00 Contingent Claim
Eastwood Construction Co., Inc.	9	\$ 963,750.00 Contingent Claim
<u>Class 8: Rejected Builders' Contracts</u>		
		n/a
<u>Class 9: J. Franklin Martin</u>		
		\$ 23,875.00

Class 10: General Unsecured Creditors

Arcadis G & M		\$	4,335.00
Dixon Hughes PLLC		\$	475.00
Duncan Parnell, Inc.	3	\$	146.09
Erosion Control Services, Inc.	1	\$	2,605.40
Hortiscapes, LLC		\$	3,296.75
LandCraft Management, LLC		\$	-
Smith Moore, LLP		\$	608.00
Terra Genius, LLC		\$	468.75
Turnbull Sigmon Design	2	\$	3,918.16
Total:		\$	15,853.15

Class 11: Equity Security Holders

J. Franklin Martin
Matthew A. McDonald
Scott A. Stover

Saddlebrook Subdivision, LLC
Exhibit B - Liabilities

<u>Class</u>	<u>Claim #</u>	<u>Amount of Claim</u>
<u>Class 1: Administrative Claims</u>		
Stubbs & Perdue, P.A.		To Be Determined by the Court
Northern Blue, LLP		To Be Determined by the Court
Neal, Bradshear & Taylor		To Be Determined by the Court
<u>Class 2: Ad Valorem Taxes</u>		
		No claim filed
<u>Class 3: Tax Claims</u>		
		No claim filed
<u>Class 4: SunTrust Bank</u>	12	\$ 4,727,689.85
<u>Class 5: Junior Deed of Trust Holders:</u>		
Scott C. Anderson	13	\$ 115,000.00
Margaret D. Bryant	6	\$ 28,626.71
C&R Davis Management	9	\$ 51,869.86
F.A. Cash, Jr.		\$ 11,293.15
Charles O. DuBose	5	\$ 169,417.81
James C. Faulkner	11	\$ 1,147,287.67
GB Investors, LLC	8	\$ 768,960.00
Jerome Geathers		\$ 83,845.89
Anne Byrd Gilchrist	15	\$ 34,265.75
D. Kendall Moore	14	\$ 55,000.00
Michael T. North	4	\$ 396,755.39
Sterling Trust Co FBO Thomas Grasty	10	\$ 56,431.51
Edgar R. Wood, Jr.	7	\$ 170,096.00
Total:		\$ 3,088,849.74
<u>Class 6: Mechanic's Liens</u>		
<u>Class 7: Executory Contracts</u>		
Westport Homes of NC:		\$ 185,000.00
Eastwood Construction Co., Inc.	10	\$ 764,000.00
J.O. Flowe Grading Co.	3	\$ 1,847,316.46
Wayne T. Rea, Inc.		\$ 135,883.58
Power Engineering	2	\$ 42,399.86
Summitt ECS		\$ 10,381.50
<u>Class 8: J. Franklin Martin</u>		\$ 37,250.00
<u>Class 9: General Unsecured Creditors</u>		
Dixon Hughes PLLC		\$ 475.00
LandCraft Management, LLC		\$ 224,946.21
WRG Design, Inc.	1	\$ 1,468.80
Total:		\$ 226,890.01

Class 10: Equity Security Holders

J. Franklin Martin

Matthew A. McDonald

Scott A. Stover

Chandler Oaks, LLC
Exhibit B - Liabilities

<u>Class</u>	<u>Claim #</u>	<u>Amount of Claim</u>
<u>Class 1: Administrative Claims</u>		
Stubbs & Perdue, P.A.		To Be Determined by the Court
Northen Blue, LLP		To Be Determined by the Court
Neal, Bradshear & Taylor		To Be Determined by the Court
<u>Class 2: Ad Valorem Taxes</u>		
Guilford Co Tax Collector	5	\$ 35,958.26 secured
<u>Class 3: Tax Claims</u>		
		No claim filed
<u>Class 4: Wachovia Bank, N.A.</u>		
		\$ 1,400,563.94
<u>Class 5: Junior Deed of Trust Holders</u>		
Richard Lee Bowers	3	\$ 111,317.81
Cherokee Assoc Ltd Prtnrs		\$ 458,926.03
Charles O. DuBose	2	\$ 226,547.95
Jacob Lohr		\$ 135,090.41
Edward S. Martin	4	\$ 333,953.00
Charles B. Thrift, III	1	\$ 101,856.76
Waugh Asphalt, Inc.		<u>\$ 30,380.31</u>
Total:		\$ 1,398,072.27
<u>Class 6: Mechanic's Liens</u>		
ECS Carolinas, LLP		\$ 2,835.00
Evertree Company		\$ 5,218.00
<u>Class 7: Executory Contracts</u>		
Eastwood Construction Co., Inc.		\$ 400,972.00 Contingent Claim
Association Mgmt Group		
Doggett Construction Inc.		
Engineering Consulting Svc		
Trugreen Landcare		\$ 1,570.00
<u>Class 8: J. Franklin Martin</u>		
		\$ 150,271.23
<u>Class 9: General Unsecured Creditors</u>		
Richard C. Canady d/b/a Canady's Landscape		\$ 3,150.00
Chandler Oaks HOA		\$ 11,200.00
Dixon Hughes PLLC		\$ 475.00
LandCraft Management, LLC		\$ 925,487.27
Smith Moore, LLP		\$ 324.50
Waugh Asphalt, Inc.		<u>\$ 17,336.19</u>
Total:		\$ 957,972.96
<u>Class 10: Equity Security Holders</u>		
J. Franklin Martin		
Matthew A. McDonald		
Scott A. Stover		

Kelsey Glen, LLC
Exhibit B - Liabilities

<u>Class</u>	<u>Claim #</u>	<u>Amount of Claim</u>
<u>Class 1: Administrative Claims</u>		
Stubbs & Perdue, P.A.		To Be Determined by the Court
Northern Blue, LLP		To Be Determined by the Court
Neal, Bradshear & Taylor		To Be Determined by the Court
<u>Class 2: Ad Valorem Taxes</u>		
Greenville Co Tax Coll		\$ 21,860.53
<u>Class 3: Tax Claims</u>		
		No claim filed
<u>Class 4: The Fifth Third Bank</u>		
		\$ 3,866,389.34
<u>Class 5: TIC Owners</u>		
Challisford Partners, LLC	4	\$ 264,307.00
Colville Road Investments	6	\$ 264,306.60
Charles O. DuBose	7	\$ 272,681.00
Harry C. Grimmer	3	\$ 263,110.25
Harold P. Hope, III	8	\$ 272,454.00
Michael T. North		
John L. Sullivan, Jr.	5	\$ 592,895.00
Joseph A. Tronco, Jr.	9	\$ 204,062.00
<u>Class 6: Mechanic's Liens</u>		
Anders Inc.		\$ 41,629.99
ECS Carolinas, LLP		\$ 2,753.13
Environmental Permitting		
Freeland & Assoc., Inc.		\$ 13,000.00
Saluda Hill, Inc.	2	\$ 26,645.90
Summitt ECS, Inc.		
<u>Class 7: Builder Contracts</u>		
Eastwood Construction Co., Inc.		\$ 724,500.00 Contingent Claim
<u>Class 8: Rejected Builders' Contracts</u>		
		n/a
<u>Class 9: J. Franklin Martin</u>		
		\$ -
<u>Class 10: General Unsecured Creditors</u>		
A & N Fence and Decks	1	\$ 2,270.00
Dixon Hughes PLLC		\$ 475.00
Eastwood Homes		\$ 720.00
Innovative Landscape Sols		\$ 7,955.00
Kelsey Glen Greenville HOA		\$ 15,200.00
LandCraft Management, LLC		\$ -
Leatherwood Walker Todd		\$ 1,913.54
Upstate Development Svcs		\$ 2,700.00
Total:		\$ 31,233.54

Class 11: Equity Security Holders

J. Franklin Martin

Matthew A. McDonald

Scott A. Stover

Myers Mill, LLC
Exhibit B - Liabilities

<u>Class</u>	<u>Claim #</u>	<u>Amount of Claim</u>
<u>Class 1: Administrative Claims</u>		
Stubbs & Perdue, P.A.		To be determined by the Court
Northern Blue, LLP		To be determined by the Court
Neal, Bradshear & Taylor		To be determined by the Court
<u>Class 2: Ad Valorem Taxes</u>		
		No claim filed
<u>Class 3: Tax Claims</u>		
		No claim filed
<u>Class 4: Wachovia</u>		
		\$ 5,161,730.18
<u>Class 5: Junior Deed of Trust Holders</u>		
Michael Barrow		\$ 224,326.07
Margaret D. Bryant	6	\$ 72,386.06
Challisford Partners, LLC	14	\$ 358,639.00
Scott M. Cash	9	\$ 75,284.91
W. Reynolds Cuthbertson, Jr. IRA		\$ 74,946.02
James L. Davis		\$ 75,336.11
Charles O. DuBose	16	\$ 215,254.79
Donald & Frances Evans Charit. Rem.Unitrust	12	\$ 89,029.00
Thomas Fedell		\$ 153,579.03
Mary Anna Fowler		\$ 150,233.37
Mary Anna Fowler		\$ 147,015.13
Mary Anna Foundation Charitable Trust	3	\$ 150,422.01
Anne Byrd Gilchrist	18	\$ 70,714.63
George Goodyear III	15	\$ 363,221.99
Thomas P. Grasty	24	\$ 141,039.17
Kenneth H. Haines and Stephanie P. Haines		\$ 72,312.91
Larry and Katherine Herbert	1	\$ 72,123.29
Harold P. Hope, Jr.	5	\$ 289,154.14
Thomas A. Hunter, III	13	\$ 164,983.77
Laurie H. Johnston	10	\$ 52,585.62
John Jordan	2	\$ 119,492.64
Charles F. Marshall, Jr.	8	\$ 71,719.33
Edward S. Martin	20	\$ 391,553.00
Wesley S. Martin and Anna W. Martin	19	\$ 146,527.52
B. Palmer McArthur, Jr.		\$ 71,557.12
Caroline S. McArthur		\$ 73,044.33
Donald E. McDonald		\$ 74,951.57
Patrick J. Mulcrone	11	\$ 53,000.00
Robert E. Poole, Jr.		\$ 51,708.65
Paul J. Simpson	23	\$ 112,632.92
Jean M. Sullivan	17	\$ 311,486.78
William A. White Jr.		\$ 218,694.15
White Cavu Ltd Partnership		\$ 71,191.41
Edgar R. Wood Jr.	7	\$ 146,137.00
B.D. Farmer		\$ 72,556.72
Total:		\$ 4,998,840.16

Class 6: Mechanic's Liens

No claims filed

Class 7: Builder Contracts

Eastwood Construction Co., Inc.		Assumed
Keystone Build. Resource Grp.	4	Assumed
The Ryland Group, Inc.	21	Assumed
The Ryland Group, Inc.	22	Assumed

Class 8: Rejected Builders' Contracts

n/a

Class 9: J. Franklin Martin

\$ -

Class 10: General Unsecured Creditors

LandCraft Management, LLC	\$	-
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Class 11: Equity Security Holders

J. Franklin Martin
Matthew A. McDonald
Scott A. Stover

River Chase Subdivision, LLC
Exhibit B - Liabilities

<u>Class</u>	<u>Claim #</u>	<u>Amount of Claim</u>
<u>Class 1: Administrative Claims</u>		
Stubbs & Perdue, P.A.		To be determined by the Court
Northern Blue, LLP		To be determined by the Court
Neal, Bradshear & Taylor		To be determined by the Court
<u>Class 2: Ad Valorem Taxes</u>		
Forsyth Co Tax Collector	1 & 2	\$ 28,324.04 secured
<u>Class 3: Tax Claims</u>		
		No claim filed
<u>Class 4: KeyBank National Assoc</u>		
		\$ 1,827,400.18
<u>Class 5: TIC Owners</u>		
Jon P. Brady		
Harold P. Hope, III	5	\$ 300,981.00
John L. Sullivan, Jr.	4	\$ 219,791.00
The MTN Corporation		
Joseph A. Tronco, Jr.	6	\$ 301,344.85
<u>Class 6: Mechanic's Liens</u>		
Evertree Company		\$ 5,530.00
ECS Carolinas LLP		\$ 2,625.00
Forsyth Water/Sewer Const.		
Jamestown Engineering Grp		
Matthews Bros. Grading		
<u>Class 7: Builder Contracts</u>		
Eastwood Construction Co., Inc.		\$ 400,987.50 Contingent Claim
<u>Class 8: Rejected Builders' Contracts</u>		
		n/a
<u>Class 9: J. Franklin Martin</u>		
		\$ 1,000.00
<u>Class 10: General Unsecured Creditors</u>		
Dixon Hughes PLLC		\$ 475.00
Eastwood Homes		\$ 11,716.41
LandCraft Management, LLC		\$ -
River Chase HOA		\$ 13,650.00
Trugreen Landcare		\$ 3,275.00
Total:		\$ 29,116.41
<u>Class 11: Equity Security Holders</u>		
J. Franklin Martin		
Matthew A. McDonald		
Scott A. Stover		

The Heights Subdivision, LLC
Exhibit B - Liabilities

<u>Class</u>	<u>Claim #</u>	<u>Amount of Claim</u>
<u>Class 1: Administrative Claims</u>		
Stubbs & Perdue, P.A.		To Be Determined by the Court
Northern Blue, LLP		To Be Determined by the Court
Neal, Bradshear & Taylor		To Be Determined by the Court
<u>Class 2: Ad Valorem Taxes</u>		
		No claims filed
<u>Class 3: Tax Claims</u>		
		No claim filed
<u>Class 4: Fifth Third Bank</u>		
		\$ 1,095,866.97
<u>Class 5: Junior Deed of Trust Holders</u>		
Micheal Barrow		\$ 218,328.44
Margaret D. Bryant	3	\$ 35,021.40
GB Investors, LLC	7	\$ 227,456.54
SAM Investors, LLC	8	\$ 75,818.85
James L. Davis		\$ 144,089.46
Anne Byrd Gilchrist	9	\$ 141,429.26
Penelope D. Love	5	\$ 33,688.60
B. Palmer McArthur, Jr.		\$ 35,778.56
Patrick J. Mulcrone	4	\$ 65,513.00
Edgar R. Wood Jr.	6	\$ 102,789.00
Total:		\$ 1,079,913.11
<u>Class 6: Mechanic's Liens</u>		
Anders Inc		
Environmental Permitting		
Freeland & Assoc., Inc.		\$ 8,437.50
Froehling & Robertson		
Saluda Hill, Inc.	2	\$ 4,785.20
<u>Class 7: Builder Contracts</u>		
Eastwood Construction		\$ 166,050.00 Contingent Claim
<u>Class 8: Rejected Builders' Contracts</u>		
		n/a
<u>Class 9: J. Franklin Martin</u>		
		\$ 50,345.21
<u>Class 10: General Unsecured Creditors</u>		
A & N Fence and Decks	1	\$ 750.00
Anders, Inc.		\$ 1,500.00
Dixon Hughes PLLC		\$ 475.00
Eastwood Homes		\$ 550.36
LandCraft Management, LLC		\$ -
Leatherwood Walker Todd		\$ 594.00
Robinson Bradshaw & Hinson		\$ 1,039.50

The Heights HOA, Inc.	\$ 11,250.00
Total:	\$ 16,158.86

Class 11: Equity Security Holders

J. Franklin Martin
Matthew A. McDonald
Scott A. Stover

The Rapids at Belmeade, LLC
Exhibit B - Liabilities

<u>Class</u>	<u>Claim #</u>	<u>Amount of Claim</u>
<u>Class 1: Administrative Claims</u>		
Stubbs & Perdue, P.A.		To Be Determined by the Court
Northern Blue, LLP		To Be Determined by the Court
Neal, Bradshear & Taylor		To Be Determined by the Court
<u>Class 2: Ad Valorem Taxes</u>		
Mecklenburg County Tax Collector		\$ 7,566.97
<u>Class 3: Tax Claims</u>		
		No claim filed
<u>Class 4: Wachovia Bank</u>		
		\$ 4,982,010.62
<u>Class 5: Junior Deed of Trust Holders</u>		
F. A. Cash, Jr.	7	\$ 906,118.00
Scott M Cash	6	\$ 604,078.82
F. A. Cash III	9	\$ 530,323.39
Edmond M. Cash	11	\$ 604,078.82
Sterling Trust Co, Cust. FBO Ted A. Johnson	13	\$ 71,679.99
Sterling Trust Co, Cust.FBO Joyce S. Johnson	12	\$ 71,679.99
Total:		\$ 2,787,959.01
<u>Class 6: Mechanic's Liens</u>		
ECS Carolinas, LLP	2	\$ 5,854.00
Hoopagh Grading	8	\$ 327,198.37
REA Contracting, LLC	3	\$ 35,739.65
<u>Class 7: Executory Contracts</u>		
Regent Homes, Inc.		\$ 195,000.00
Eastwood Construction Co., Inc.		\$ 348,000.00
<u>Class 8: J. Franklin Martin</u>		
		\$ -
<u>Class 9: General Unsecured Creditors</u>		
A1 Fence Company	5	\$ 10,500.00
Dixon Hughes PLLC		\$ 475.00
Duncan-Parnell, Inc.	10	\$ 306.61
Erosion Control Services, Inc.	1	\$ 15,985.55
Hortiscapes, Inc.		\$ 2,325.00
Insite Engineering & Surveying, PLLC	4	\$ 55,642.00
LandCraft Management, LLC		\$ -
Rapids at Belmeade HOA		\$ 5,500.00
Summit ECS, Inc.		\$ 1,180.00
Total:		\$ 91,914.16
<u>Class 10: Equity Security Holders</u>		
J. Franklin Martin		
Matthew A. McDonald		
Scott A. Stover		

Water Mill, LLC
Exhibit B - Liabilities

<u>Class</u>	<u>Claim #</u>	<u>Amount of Claim</u>
<u>Class 1: Administrative Claims</u>		
Stubbs & Perdue, P.A.		To be determined by the Court
Northern Blue, LLP		To be determined by the Court
Neal, Bradshear & Taylor		To be determined by the Court
<u>Class 2: Ad Valorem Taxes</u>		
		No claim filed
<u>Class 3: Tax Claims</u>		
		No claim filed
<u>Class 4: First Tennessee Bank</u>		
		\$ 1,989,693.87
<u>Class 5: Junior Deed of Trust Holders</u>		
Blackwater Holdings, Inc.	8	\$ 69,474.00
Jon P. Brady		\$ 208,763.11
Margaret D. Bryant	3	\$ 33,027.61
C & R Davis Management	6	\$ 51,753.00
Ben & Joan Causey		\$ 68,612.48
W. Reynolds Cuthbertson, Jr. IRA		\$ 68,785.85
Teresa C. Dowdy	11	\$ 134,560.00
William D. Foster, Jr.	2	\$ 69,221.00
W. Douglas Foster	10	\$ 133,000.00
Anne Byrd Gilchrist	12	\$ 66,965.43
Stephen & Joy Groves		\$ 66,163.58
Penelope D. Love		\$ 34,598.81
Edward S. Martin	13	\$ 102,334.00
Frances P. Martin		\$ 68,785.85
D. Kendall Moore	9	\$ 64,200.00
Lillian D. Snow	7	\$ 132,406.95
Sterling Trust Co, Cust. FBO Sarah P. Williamson		\$ 68,547.46
Thomas P. Grasty	15	\$ 66,683.70
Joseph A. Tronco, Jr.	14	\$ 68,770.81
G. Robert Turner, III		\$ 67,897.31
James E. Wallace, Jr.		\$ 138,178.51
Edgar R. Wood Jr.	5	\$ 66,965.00
Total:		\$ 1,849,694.46
<u>Class 6: Mechanic's Liens</u>		
Anders, Inc.		\$ 36,150.00
ECS Carolinas, LLC		\$ 2,880.75
Gramling Bros. Contracting	1	\$ 438,574.37
Environmental Permitting		
Freeland & Assoc., Inc.		\$ 36,390.00
Saluda Hill Design Group		
<u>Class 7: Builder Contracts</u>		
Eastwood Construction Co., Inc.		\$ 248,024.00 Contingent claim
Keystone Bldrs Resource Group, Inc.	4	\$ 100,979.07 Contingent claim

Class 8: Rejected Builders' Contracts

n/a

Class 9: J. Franklin Martin**\$ 175,858.91****Class 10: General Unsecured Creditors**

Dixon Hughes PLLC	\$ 470.00
Eastwood Homes	\$ 389.43
Fields Specialty Contractors	\$ 10,936.30
LandCraft Management, LLC	
Leatherwood Walker Todd	\$ 2,554.00
River Ridge HOA	\$ 19,092.50
Water Mill HOA	\$ 10,000.00
Total:	\$ 43,442.23

Class 11: Equity Security Holders

J. Franklin Martin
Matthew A. McDonald
Scott A. Stover

Lismore Park, LLC
Exhibit B - Liabilities

<u>Class</u>	<u>Claim #</u>	<u>Amount of Claim</u>	
<u>Class 1: Administrative Claims</u>			
Stubbs & Perdue, P.A.		To Be Determined by the Court	
Northen Blue, LLP		To Be Determined by the Court	
Neal, Bradshear & Taylor		To Be Determined by the Court	
<u>Class 2: Ad Valorem Taxes</u>			
		No claim filed	
<u>Class 3: Tax Claims</u>			
		No claim filed	
<u>Class 4:</u>			
New Dominion Bank		\$ 299,251.53	
The Palmetto Bank		\$ 2,407,766.69	
<u>Class 5: Junior Deed of Trust Holders</u>			
W. R. Cuthbertson Jr, IRA		\$ 63,738.00	
Cutter D. Davis	5	\$ 25,000.00	
Eleanor C Hoppe Rev Trust		\$ 32,377.00	
B. Palmer McArthur, Jr.		\$ 64,613.00	
Michael T. North		\$ 194,263.00	
Charles F. Marshall, Jr.	2	\$ 57,783.56	
Thomas P. Grasty	6	\$ 63,525.68	
Kyle Williams		\$ 96,884.00	
Edgar R. Wood, Jr.	1	\$ 127,000.00	
Total:		\$ 725,184.24	
<u>Class 6: Mechanic's Liens</u>			
Froehling & Robertson, Inc.	4	\$ 14,642.00	
Rodney Howard Grading			
Sinclair & Assoc Inc		\$ 520.80	
<u>Class 7: Builder Contracts</u>			
Keystone Builders Resource Group, Inc.	3	\$ 34,334.95	Contingent Claim
Eastwood Construction Co., Inc.		\$ 366,518.00	Contingent Claim
<u>Class 8: Rejected Builders' Contracts</u>			
		n/a	
<u>Class 9: J. Franklin Martin</u>			
		\$ 75,727.00	
<u>Class 10: General Unsecured Creditors</u>			
Dixon Hughes PLLC		\$ 475.00	
Eastwood Construction Co., Inc.		\$ 36,520.00	Contingent Claim
Eastwood Homes		\$ 1,819.50	
FCA of NC Inc		\$ 1,775.00	
Freeland & Assoc., Inc.		\$ 6,000.00	
Innovative Landscape Sols		\$ 2,463.00	
LandCraft Management, LLC		\$ -	
Leatherwood Walker Todd		\$ 177.50	

Lismore Park HOA	\$ 9,500.00
David E. Reynolds	\$ 600.00
Synterra LLC	\$ 1,640.75
Upstate Development Svcs	\$ 300.00
Total:	\$ 61,270.75

Class 11: Equity Security Holders

J. Franklin Martin
Matthew A. McDonald
Scott A. Stover

The Village at Windsor Creek, LLC
Exhibit B - Liabilities

<u>Class</u>	<u>Claim #</u>	<u>Amount of Claim</u>
<u>Class 1: Administrative Claims</u>		
Stubbs & Perdue, P.A.		To Be Determined by the Court
Northen Blue, LLP		To Be Determined by the Court
Neal, Bradshear & Taylor		To Be Determined by the Court
<u>Class 2: Ad Valorem Taxes</u>		
		No claim filed
<u>Class 3: Tax Claims</u>		
		No claim filed
<u>Class 4: The Palmetto Bank</u>		
		\$ 1,613,985.29
<u>Class 5: Junior Deed of Trust Holders</u>		
Aberjona Investments		\$ 62,462.33
Cutter D. Davis	2	\$ 115,000.00
Rebecca Davis	3	\$ 35,000.00
B. D. Farmer		\$ 62,462.33
Mary Anna Fowler	5	\$ 115,897.95
George Goodyear III	4	\$ 239,546.58
Frances P. Martin		\$ 61,918.84
William A. White, Jr.		<u>\$ 62,462.33</u>
Total:		\$ 754,750.36
<u>Class 6: Mechanic's Liens</u>		
Anders Inc		
Freeland & Assoc., Inc.		\$ 29,825.00
Froehling & Robertson, Inc.	1	\$ 2,768.00
Environmental Permitting		
<u>Class 7: Builder Contracts</u>		
Eastwood Construction Co., Inc.		\$ 229,920.00 Contingent Claim
<u>Class 8: Rejected Builders' Contracts</u>		
		n/a
<u>Class 9: J. Franklin Martin</u>		
		\$ -
<u>Class 10: General Unsecured Creditors</u>		
A & N Fence and Decks		\$ 825.00
Dixon Hughes PLLC		\$ 475.00
Eastwood Homes		\$ 190.00
Greenville Water Syst		\$ 663.49
Innovative Landscape Sols		\$ 2,474.00
LandCraft Management, LLC		
Laurens Electric Cooperative		\$ 501.38
Leatherwood Walker Todd		<u>\$ 151.50</u>
Total:		\$ 5,280.37

Class 11: Equity Security Holders

J. Franklin Martin

Matthew A. McDonald

Scott A. Stover

Old Towne, LLC
Exhibit B - Liabilities

<u>Class</u>	<u>Claim #</u>	<u>Amount of Claim</u>
<u>Class 1: Administrative Claims</u>		
Stubbs & Perdue, P.A.		To Be Determined by the Court
Northern Blue, LLP		To Be Determined by the Court
Neal, Bradshear & Taylor		To Be Determined by the Court
<u>Class 2: Ad Valorem Taxes</u>		
Forsyth County-City Tax Collector	3	\$ 29,859.05 secured
<u>Class 3: Tax Claims</u>		
		No claim filed
<u>Class 4: SterlingSouth Bank & Trust</u>		
		\$ 1,634,880.36
<u>Class 5: Junior Deed of Trust Holders</u>		
Margaret D. Bryant	1	\$ 60,132.36
F.A. Cash, Jr.		\$ 155,109.50
Eleanor C Hoppe Rev Trust		\$ 54,202.99
Carolina S. McArthur		\$ 38,655.47
Martin McDonald		\$ 79,615.38
Matthew A. McDonald		\$ 79,180.45
Michele F. Stover		\$ 116,332.12
Jean M. Sullivan	4	\$ 325,737.25
Edgar R. Wood, Jr.	2	\$ 155,000.00
Total:		\$ 1,063,965.52
<u>Class 6: Mechanic's Liens</u>		
Jamestown Engineering Grp		\$ 8,080.00
ECS Carolinas, LLP	5	\$ 5,308.00
Thomas Stanley Grading		
<u>Class 7: Builder Contracts</u>		
Eastwood Construction Co., Inc.**		\$ -
<u>Class 8: Rejected Builders' Contracts</u>		
		n/a
<u>Class 9: J. Franklin Martin</u>		
		\$ -
<u>Class 10: General Unsecured Creditors</u>		
Association Mgmt Group		
Charles H Litaker, Inc.		\$ 2,325.00
Dixon Hughes PLLC		\$ 475.00
Eastwood Construction Co.		\$ 4,724.81
Evertree Company		\$ 4,885.00
LandCraft Management, LLC		\$ -
Old Towne Village HOA		\$ 11,400.00
Smith Moore LLP		\$ 390.00
Total:		\$ 24,199.81

Class 11: Equity Security Holders

J. Franklin Martin

Matthew A. McDonald

Scott A. Stover

** Debor believes this contract has already been terminated

Caledonia Subdivision, LLC
Exhibit B - Liabilities

<u>Class</u>	<u>Claim #</u>	<u>Amount of Claim</u>
<u>Class 1: Administrative Claims</u>		
Stubbs & Perdue, P.A.		To Be Determined by the Court
Northern Blue, LLP		To Be Determined by the Court
Neal, Bradshear & Taylor		To Be Determined by the Court
<u>Class 2: Ad Valorem Taxes</u>		
		No claim filed
<u>Class 3: Tax Claims</u>		
		No claim filed
<u>Class 4: Wachovia Bank, NA</u>		
		\$ 4,068,635.17
<u>Class 5: TIC Owners</u>		
Colville Road Investments		
James C. Faulkner		
Steven H. Gassaway		
<u>Class 6: Mechanic's Liens</u>		
Anders Inc		\$ 900,013.91
ECS Carolinas, LLP		\$ 10,667.00
<u>Class 7: Executory Contracts</u>		
Eastwood Construction Co., Inc.		\$ 428,025.00 Contingent Claim
Freeland & Assoc., Inc.		\$ 20,150.00
<u>Class 8: J. Franklin Martin</u>		
		\$ -
<u>Class 9: General Unsecured Creditors</u>		
Condor Environmental		\$ 390.00
Dixon Hughes PLLC		\$ 520.00
Kirk Palmer & Thigpen PA		\$ 1,199.05
Landcraft Management, LLC		\$ -
Leatherwood Walker Todd		\$ 36.00
Total:		\$ 2,145.05
<u>Class 10: Equity Security Holders</u>		
J. Franklin Martin		
Matthew A. McDonald		
Scott A. Stover		

EXHIBIT C

**LANDCRAFT MANAGEMENT, LLC
RELATED PARTY TRANSFERS
6/30/2008**

	<u>Beginning Balance</u>	<u>Current Month Change</u>	<u>Ending Balance</u>	<u>LLC's Bal.</u>	<u>Diff</u>
Aumond Glen	182,579.34	(11,939.71)	170,639.63	(170,639.63)	0.00
Avalon	7,281.47	(7,281.02)	0.45	0.00	0.45
Back Creek	(1,502,016.19)	110,992.91	(1,391,023.28)	1,391,023.28	0.00
Bridgefield	(205,421.34)	15,012.00	(190,409.34)	190,409.34	0.00
Bridle Path	(1,284,975.60)	93,360.00	(1,191,615.60)	1,191,615.60	0.00
Brookwood	(5,937.11)	2,413.68	(3,523.43)	3,523.43	0.00
Buckshire	1,221,059.63	(28,216.17)	1,192,843.46	(1,192,843.46)	0.00
Caledonia	(1,478,162.02)	147,917.00	(1,330,245.02)	1,330,245.02	0.00
Canterfield	84,127.34	973.68	85,101.02	(85,101.02)	0.00
Chandler Oaks	986,511.58	5,904.69	992,416.27	(992,416.27)	0.00
Churchill Falls	8,328.29	337.50	8,665.79	(8,665.79)	0.00
Cobblestone	2,165.00	(2,165.00)	0.00	0.00	0.00
Eagle Creek	(5,580,213.07)	457,872.00	(5,122,341.07)	5,122,341.07	0.00
Eagles Trace	(1,232,298.50)	64,216.00	(1,168,082.50)	1,168,082.50	0.00
Fiddler's Glenn	247,719.00	(809.84)	246,909.16	(246,909.06)	0.10
Glen at Summerset	31,879.00	43,818.52	75,697.52	(75,697.52)	0.00
Glen Village	1,379.00		1,379.00	(1,379.00)	0.00
Hammett Grove	551,945.11	6,390.43	558,335.54	(558,332.19)	3.35
Hattie Meadows	4,527.01	9.17	4,536.18	(4,536.18)	0.00
Heights	(11,914.71)	11,914.71	0.00	0.00	0.00
Houston Hills	200.00		200.00	(200.00)	0.00
Kelsey Glen	(1,156,452.48)	15,803.38	(1,140,649.10)	1,140,649.10	0.00
Landing	(89.91)	89.91	0.00	0.00	0.00
Laurel Park II	(437,930.51)	(14,181.42)	(452,111.93)	452,111.93	0.00
LC Insurance Funding	200.00		200.00	(200.00)	0.00
Lela Court	550.00		550.00	(550.00)	0.00
Lismore Park	268,527.91	15,226.82	283,754.73	(283,754.73)	0.00
Lismore Townes	197,269.27	(2,395.51)	194,873.76	(194,873.76)	0.00
Magnolia Springs	74,139.81	152.32	74,292.13	(74,292.13)	0.00
Mt. Isle Harbor	74,075.00	(103,338.00)	(29,263.00)	29,263.00	0.00
Myers Mill	(1,061,694.49)	55,585.00	(1,006,109.49)	1,006,109.49	0.00
North Oaks	(743,508.61)	27,282.00	(716,226.61)	716,226.61	0.00
Old Towne	598,111.60	100.00	598,211.60	(598,211.60)	0.00
Prosperity Church	893,297.17		893,297.17	(893,297.17)	0.00
Rapids at Belmeade	(887,661.04)	66,889.38	(820,771.66)	820,771.69	0.03
Reedy Falls	(156,233.81)	17,360.94	(138,872.87)	138,872.87	0.00
River Chase	(375,123.80)	4,745.00	(370,378.80)	370,378.80	0.00
Rosedale	22,164.17	(22,164.17)	0.00	0.00	0.00
Saddlebrook	(3,147,677.12)	268,625.00	(2,881,052.12)	2,881,051.22	-0.90
Sutters Mill	(2,132,905.21)	47,948.00	(2,084,957.21)	2,084,957.21	0.00
Tarrant Trace	17,076.39	692.43	17,768.82	(17,768.82)	0.00
Tilbury Fort	(159,184.77)	(189,018.00)	(348,202.77)	348,202.77	0.00
Villages at Windsor Creek	(513,616.57)	21,241.00	(492,375.57)	492,375.57	0.00
Villages of Wesley Chapel	16,047.74	16.10	16,063.84	(16,063.84)	0.00
Vineyard Glen	394,737.52	1,031.34	395,768.86	(395,767.96)	0.90
Water Mill	(138,720.84)	64,440.00	(74,280.84)	74,280.84	0.00
	(16,327,838.45)	\$ 1,184,852.07	\$ (15,142,986.38)	15,142,991.21	\$ 4.83

EXHIBIT D - J. Franklin Martin Contributions

<u>Date</u>	<u>Amount</u>	<u>Development</u>	<u>Rate</u>	<u>Position</u>
December 20, 2007	\$250,000	LandCraft Management	0.0%	unsecured
January 9, 2008	\$350,000	LandCraft Management	0.0%	unsecured
January 17, 2008	\$100,000	LandCraft Management <small>*from Martin-Grimes</small>	0.0%	unsecured
February 12, 2008	\$150,000	LandCraft Management	0.0%	unsecured
February 28, 2008	\$350,000	LandCraft Management	0.0%	unsecured
March 17, 2008	\$225,000	Eagle Creek	20.0%	2nd
April 3, 2008	\$300,000	LandCraft Management	0.0%	unsecured
July 23, 2008	\$26,625	Aumond Glen	0.0%	DIP
July 23, 2008	\$23,875	Back Creek Farms	0.0%	DIP
July 23, 2008	\$60,250	Eagle Creek	0.0%	DIP
July 23, 2008	\$30,625	Eagles Trace	0.0%	DIP
July 23, 2008	\$36,250	Saddlebrook	0.0%	DIP
August 11, 2008	\$50,000	The Heights	6.0%	3rd
August 11, 2008	\$50,000	Lismore Park (Phase II)	6.0%	3rd
August 11, 2008	\$50,000	Water Mill	6.0%	3rd
August 13, 2008	\$30,000	LandCraft Management	0.0%	unsecured
August 28, 2008	\$125,000	Water Mill	6.0%	3rd
September 2, 2008	\$10,000	LandCraft Management	0.0%	unsecured
September 11, 2008	\$150,000	Chandler Oaks	6.0%	3rd
October 17, 2008	\$1,000	River Chase	0.0%	DIP
October 17, 2008	\$1,000	Saddlebrook	0.0%	DIP
November 25, 2008	\$20,000	LandCraft Management	0.0%	unsecured
TOTAL	\$2,389,625			

Landcraft Only: \$1,530,000

Debtors Only: \$829,625