

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF FLORIDA**
Miami Division

In re:

COASTAL CONDOS, LLC,

CASE NO. 13-20729 AJC

Debtor.

Chapter 11

**DISCLOSURE STATEMENT FOR DEBTOR'S
PLAN OF REORGANIZATION DATED: JUNE 19, 2013**

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DISCLOSURE STATEMENT WITH RESPECT TO PLAN OF REORGANIZATION

Coastal Condos, LLC submits the following Disclosure Statement with Respect to the Debtor's Plan of Reorganization Dated June 19, 2013 ("Disclosure Statement") under Chapter 11 of the United States Bankruptcy Code.

ARTICLE 1
INTRODUCTION**1.1 Preliminary Statement**

On May 8, 2013 (the "*Petition Date*"), Coastal Condos, LLC (hereinafter the "*Debtor*" or "*Coastal*") filed its voluntary petition under Chapter 11 of the United States Bankruptcy Code (the "*Bankruptcy Code*") in the United States Bankruptcy Court for the Southern District of Florida, Miami Division (the "*Court*"). The case was assigned to the Honorable A. Jay Cristol, United States Bankruptcy Judge. The Debtor has operated Coastal's business pursuant to Section 1106 of the Bankruptcy Code. No trustee has been sought nor appointed.

This Disclosure Statement is submitted by Coastal pursuant to Section 1125 of the Bankruptcy Code in connection with the Plan of Reorganization dated June 19, 2013 (the "*Plan*") filed with the Court by the Debtor (the "*Proponent*" or "*Plan Proponent*"). All defined terms in this Disclosure Statement shall have the same meaning as those terms are defined in the Plan.

1.2 Summary of the Plan

The Debtor shall utilize all assets of Coastal consisting of seventy-two (72) condominium units to fund payment to creditors. The Debtor's goal is to turn assets and claims into cash and after paying secured claims, administrative claims, and priority claims, have funds remaining for a distribution to general unsecured claims. The Debtor is requesting that claims of First Equitable Realty III, Ltd. ("*FER*") be subordinated. Due to the undetermined recovery of assets, pending litigation and claim issues, there is no way for the Debtor to predict the actual amount of distribution to general unsecured creditors.

However, the Debtor's Plan does provide for 100% repayment of Allowed Claims including the subordinated claim of FER. The Debtor believes that its Plan provides the best and most viable solution to exit from bankruptcy and continue the operations of the company. This Disclosure Statement describes how the Debtor will implement and carry out the plan.

1.3 Background and Cautionary Statements regarding the Disclosure Statement and the Plan

A copy of the Plan is attached to this Disclosure Statement as Exhibit "A". For purposes hereof, any term used in this Disclosure Statement (regardless of capitalization), and not

otherwise separately defined herein, shall have the defined meaning ascribed to it in the Plan or in Section 101 of the Bankruptcy Code.

On _____, 2013, the Court approved this Disclosure Statement as containing information of a kind and in sufficient detail adequate to enable a hypothetical, reasonable investor typical of the classes of claimants and shareholders entitled to vote pursuant to the Plan to make an informed judgment on whether to accept or reject the Plan. **APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.**

OTHER THAN THIS DISCLOSURE STATEMENT, NO STATEMENT OR INFORMATION GIVEN FOR THE PURPOSE OF SOLICITING ACCEPTANCES OR REJECTIONS OF THE PLAN HAS BEEN APPROVED BY THE BANKRUPTCY COURT CONCERNING (1) THE DEBTOR AND ITS BUSINESS, ASSETS OR PROPERTY; (2) THE REORGANIZED DEBTOR AND THE PROJECTED RESULTS OF ITS FUTURE BUSINESS OPERATIONS AND FINANCIAL CONDITION; OR 3) DISTRIBUTIONS TO BE MADE UNDER THE PLAN THAT IS AUTHORIZED. YOU SHOULD USE CAUTION IN CONSIDERING ANY STATEMENT OR INFORMATION IN MAKING YOUR VOTING AND/OR SUBSCRIPTION DECISION BASED UPON INFORMATION NOT CONTAINED HEREIN.

ANY ADDITIONAL REPRESENTATIONS OR INDUCEMENTS MADE TO YOU BY ANY PARTY OTHER THAN THE DEBTOR AND ITS PROFESSIONALS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED, AND NEITHER DELIVERY OF THIS DISCLOSURE STATEMENT NOR ANY EXCHANGE OF RIGHTS MADE IN CONNECTION WITH THE PLAN SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION SET FORTH HEREIN SINCE THE DATE THE DISCLOSURE STATEMENT AND THE MATERIALS RELIED UPON IN THE PREPARATION OF THE DISCLOSURE STATEMENT WERE COMPILED.

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN. THIS DISCLOSURE STATEMENT MAY CONTAIN PROJECTED FINANCIAL INFORMATION REGARDING THE DEBTOR AND THE REORGANIZED DEBTOR AND CERTAIN OTHER FORWARD-LOOKING STATEMENTS, ALL OF WHICH ARE BASED ON VARIOUS ASSUMPTIONS AND ESTIMATES AND WILL NOT BE UPDATED TO REFLECT EVENTS OCCURRING AFTER THE DATE HEREOF. SUCH INFORMATION AND STATEMENTS ARE SUBJECT TO INHERENT UNCERTAINTIES AND TO A WIDE VARIETY OF SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE RISKS INCLUDING, AMONG OTHERS, THOSE DESCRIBED HEREIN. SEE ARTICLE 1. CONSEQUENTLY, ACTUAL EVENTS, CIRCUMSTANCES, EFFECTS AND RESULTS MAY VARY SIGNIFICANTLY FROM THOSE INCLUDED IN OR CONTEMPLATED BY SUCH PROJECTED FINANCIAL INFORMATION AND SUCH OTHER FORWARD-LOOKING STATEMENTS.

1.4 Purpose of Disclosure Statement

The purpose of this Disclosure Statement is to provide sufficient information about the Debtor to enable the holders of impaired claims and interests against the Debtor to make an informed decision with respect to acceptance or rejection of the Plan. This Disclosure

Statement should be read in its entirety prior to voting on the Plan. This Disclosure Statement describes various transactions contemplated under the Plan. No solicitation of any vote for or against the Plan may be made except as is consistent with this Disclosure Statement, and no person has been authorized to utilize any information concerning the Debtor or its business other than the information contained in this Disclosure Statement. Each creditor, interest holder or other party in interest is urged to carefully consider the Plan and this Disclosure Statement in their entirety and to consult legal or other counsel, if necessary, to understand the Plan and its effects, including possible tax consequences, before voting on the Plan.

1.5 Explanation of Chapter 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Upon the commencement of a Chapter 11 case, Section 362 of the Bankruptcy Code provides for an automatic stay of all attempts to collect upon claims against a debtor that arose prior to the bankruptcy filing. Generally speaking, the automatic stay prohibits interference with a debtor's property or business.

Under Chapter 11, a debtor attempts to reorganize its business for the benefit of the debtor and its creditors and interest holders (equity). Confirmation of a plan of reorganization is the primary purpose of a reorganization case under Chapter 11 of the Bankruptcy Code. A plan of reorganization sets forth the means for satisfying all claims against, and interests in, a debtor. Generally, a claim against a debtor arises from a normal debtor/creditor transaction, such as a promissory note or a trade credit relationship, but may also arise from other contractual arrangements or from alleged torts. An interest in a debtor is held by a party that owns all or part of the debtor, such as a shareholder.

In this case, no trustee has been appointed. The Debtor has control over Coastal and its assets and manages the bankruptcy estate. The Debtor has prepared and submitted this Plan.

After a plan has been filed with a bankruptcy court, it must be accepted by holders of impaired claims against, or interests in, the debtor. Section 1125 of the Bankruptcy Code requires that a plan proponent fully disclose sufficient information about the debtor, its assets and the plan of reorganization to creditors and interest holders before acceptances of that plan may be solicited. This Disclosure Statement is being provided to the holders of claims against, or interests in, the Debtor to satisfy such requirements of Section 1125 of the Bankruptcy Code.

The Bankruptcy Code provides that creditors and interest holders are to be grouped into "classes" under a plan and that they are to vote to accept or reject a plan by class. While courts have disagreed on the proper method to be used in classifying creditors and interest holders, a general rule of thumb is that creditors with similar legal rights are placed together in the same class and that interest holders with similar legal rights are placed together in the same class. For example, all creditors entitled to priority under the Bankruptcy Code might be placed in one class, while all creditors holding subordinated unsecured claims might be placed in a separate class. Generally, each secured creditor will be placed in a class by itself

because each such creditor usually has a lien on distinct property and therefore has distinct legal rights.

The Bankruptcy Code does not require that each claimant or shareholder vote in favor of the plan for the Court to confirm the plan. Rather, the plan must be accepted by each class of claimants and interest holders (subject to an exception discussed below). A class of claimants accepts the plan if, of the claimants in the class who actually vote on the plan, such claimants holding at least two-thirds in dollar amount and more than one-half in number of allowed claims vote to accept the plan. For example, if a hypothetical class has ten creditors that vote and the total dollar amount of those ten creditors' claims is \$1,000,000, then for such class to have accepted the plan, six or more of those creditors must have voted to accept the plan (a simple majority), and the claims of the creditors voting to accept the plan must total at least \$666,667 (a two-thirds majority).

The Court may confirm the plan even though fewer than all classes of claims and interests vote to accept the plan. In this instance, the plan must be accepted by at least one "impaired" class of claims, without including any acceptance of the plan by an insider. Section 1124 of the Bankruptcy Code defines "impairment" and generally provides that a claim as to which legal, equitable or contractual rights are altered under a plan is deemed to be "impaired."

If all impaired classes of claims and interests under the plan do not vote to accept the plan, the Debtor is entitled to request that the Court confirm the plan pursuant to the "cramdown" provisions of Section 1129(b) of the Bankruptcy Code. These "cramdown" provisions permit the plan to be confirmed over the dissenting votes of classes of claims and/or interests if at least one impaired class of claims votes to accept the plan and the Court determines that the plan does not discriminate unfairly and is fair and equitable with respect to each impaired, dissenting class of claims and interests.

Independent of the acceptance of the Plan as described above, to confirm the Plan, the Court must determine that the requirements of Section 1129(a) of the Bankruptcy Code have been satisfied. See, *infra*, "Requirements for Confirmation of the Plan," Article 15, for a discussion of the Section 1129(a) requirements for confirmation of a plan of reorganization.

THE DEBTOR BELIEVES THAT THE PLAN SATISFIES EACH OF THE CONFIRMATION REQUIREMENTS OF SECTION 1129(A) AND, IF NECESSARY, SECTION 1129(B) OF THE BANKRUPTCY CODE.

Confirmation of the Plan makes the Plan binding upon the Debtor, the Reorganized Debtor, Creditors, Interest Holders and other parties in interest irrespective of whether they have filed proofs of claim or voted to accept the Plan.

1.6 Procedure for Filing Proofs of Claim and Proofs of Interest

A. Bar Date for Filing of All Proofs of Claim (Other Than Administrative Claims) and Proofs of Interest

To participate in the payments and other distributions under the Plan, a creditor must have an allowed claim against, and an interest holder (stockholder or member) must have an allowed interest in, the Debtor. The first step in obtaining an allowed claim or an allowed interest is generally filing a proof of claim or proof of interest.

A proof of claim or proof of interest is deemed filed for any claim or interest that appears in the Schedules which were filed in the case, except a claim or interest that is scheduled as disputed, contingent, unliquidated or in an unknown amount. In other words, if a creditor or interest holder agrees with the amount of the claim or interest as scheduled by the Debtor, and that claim or interest is not listed in the Schedules as being disputed, contingent or unliquidated, it is not necessary that a separate proof of claim or proof of interest be filed.

Claims or interests that are unscheduled, or which are scheduled as disputed, contingent, or unliquidated, or which are scheduled in an amount that varies from the amount claimed by the creditor or interest holder shall be recognized and allowed only if a proof of claim or proof of interest was timely filed.

The Bankruptcy Court fixed the deadline for the filing of Claims as being September 16, 2013, except for claims filed by governmental units, whose deadline for filing Claims is November 14, 2013, or is otherwise governed by 11 U.S.C. Section 502(b)(9). Pursuant to 11 U.S.C. Section 502(b)(9), the claim of a governmental unit shall be timely filed if it is filed before 180 days after the date of the order for relief or such later time as the Federal Rules of Bankruptcy Procedure may provide.

B. Executory Contracts and Unexpired Leases

A party to an executory contract or lease that is rejected by the Debtor under the Plan must file any claim for damages resulting from such rejection within 30 calendar days after the Confirmation Date. Claims allegedly arising from lease rejections made prior to the Bar Date must be filed prior to the Bar Date.

C. Voting Procedures and Requirements

1. Persons Entitled to Vote

The Debtor is soliciting acceptances of the Plan from the holders of claims in all Classes. Each of these Classes is impaired under the Plan. Any claim as to which an objection is filed before voting has commenced is not entitled to vote, unless the Court, upon application or motion of the holder whose claim has been objected to, temporarily allows the claim in an amount that the Court deems proper for the purpose of voting to

accept or reject the Plan. A vote may be disregarded or disallowed if the Court determines that it was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

2. Voting Instructions

IT IS IMPORTANT THAT CREDITORS AND INTEREST HOLDERS EXERCISE THEIR RIGHT TO VOTE TO ACCEPT OR REJECT THE PLAN. All known creditors and interest holders entitled to vote on the Plan have been sent a ballot, together with instructions for voting, with this Disclosure Statement. Creditors and interest holders should read the ballot carefully and follow the instructions contained therein. In voting for or against the Plan, use only the coded ballot or ballots sent with this Disclosure Statement.

THE VOTING DEADLINE IS _____, 2013 AT 5:00 P.M., EASTERN STANDARD TIME. ALL BALLOTS MUST BE RETURNED SO THAT THEY ARE RECEIVED BY THE BALLOTING AGENT (AS DESCRIBED IN THE ORDER APPROVING THIS DISCLOSURE STATEMENT PROVIDED HEREWITH) AT THE FOLLOWING ADDRESS:

David R. Softness
201 South Biscayne Boulevard
Suite 1740
Miami, FL 33131

3. Ballot Retention

Original ballots will be retained by the Debtor's Counsel for six months following the Confirmation Date and then may be destroyed without further notice.

4. Approval of Disclosure Statement

On or about _____, 2013, the Court approved this Disclosure Statement as containing adequate information in accordance with Section 1125 of the Bankruptcy Code. A copy of the "Order Approving Disclosure Statement; Fixing Voting Deadline; Fixing Deadline for Objecting to Confirmation; Approving the Forms of Ballots; Fixing a Date for Hearing on Confirmation; and Addressing Matters Ancillary to Solicitation" (the "*Order Approving Disclosure Statement*") accompanies this Disclosure Statement.

5. Confirmation Hearing

The Court has set a hearing on confirmation of the Plan for _____ a.m., Eastern Standard Time, on _____, 2013 to be held in the courtroom (the "Bankruptcy Courtroom") of the Honorable Judge Cristol, United States Bankruptcy Judge for the Southern District of Florida, Miami Division. The Confirmation Hearing may be adjourned by the Court from time to time without further notice except for an

announcement made in open court at the Confirmation Hearing or any continued hearing thereon.

6. Objections

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object, in writing, to confirmation of a plan of reorganization. Except as provided in the Order Approving Disclosure Statement, written objections to confirmation of the Plan, if any, must be filed with the Court *and* a copy of such written objections must be *actually* received by counsel for the Debtor at the following address on or before _____, 2013.

Counsel for Coastal Condos, LLC:

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OBJECTIONS NOT TIMELY FILED AND *ACTUALLY RECEIVED* BY DEBTOR'S COUNSEL AT THE ABOVE ADDRESS MAY NOT BE CONSIDERED BY THE COURT.

ARTICLE 2
GENERAL INFORMATION ABOUT THE DEBTOR

2.1 Overview

Debtor:	Coastal Condos, LLC
Primary Business:	Owning and Operating Condominium Units
Established:	April 25, 2008
Primary Operating Assets:	Seventy-two (72) Condominium Units
Corporate Structure:	Delaware Limited Liability Company
Interest Owners/Members:	William D. Dickson (100%)

2.2 History and Corporate Structure

Coastal Condos, LLC is a Delaware Limited Liability Company. Coastal was established in the year 2008. In May 2008, a transfer of ownership was made with William D. Dickson owning 100%. Coastal owns and operates condominium units.

The Debtor owns seventy-two (72) condominium units located at Grand View Palace, North Bay Village, Florida 33141. Coastal was established not by the current owner but by Charles Edwards, the principal behind FER. Coastal was transferred from Charles Edwards to the current owner in May 2008. At the same time, FER received a note and mortgage and began managing the condo units for the Debtor. Said note is undated in the amount of \$15,800,000.00. The mortgage is also undated and was not recorded in the Florida public land records.

Also, on or about May 15, 2008, the Debtor entered into a Management Agreement with FER to manage the seventy-two (72) separate residential and commercial condominium units. The Agreement had a number of requirements for FER to fulfill. FER had total control over the condo units and all books and records of the operations of Coastal. The Debtor was to receive a distribution after payment of management fees and extraordinary expenses.

Coastal began to dispute FER's accounting. In April 2012, Coastal gave FER notice of cancellation of the Management Agreement and requested a complete accounting from FER. FER refused cancellation of the Management Agreement, did not provide an accounting as requested, and started foreclosure proceedings.

Coastal filed a Chapter 11 petition on May 25, 2012 in Jackson, Mississippi to stop the foreclosure and require FER to account for its actions. FER filed a Motion to Dismiss the Chapter 11 and challenging its venue in Mississippi. Coastal agreed to the relief sought by

FER and announced to the Mississippi Court that it would voluntarily dismiss the bankruptcy in Mississippi and re-file it in the Southern District of Florida, which it did.

FER has exercised complete and unrestricted control over the Debtor for four (4) years. FER has collected all revenues, paid expenses and fees, made decisions as to all operations, maintained bank accounts, prepared tax returns, and decided when and what payments were to be made to FER and/or the Debtor. FER had domination of finances, policies and practices. FER used Coastal to further the purposes of FER. In reality, Coastal had little or no separate, independent existence of its own. FER established a fiduciary relationship with Coastal. FER owes special duties of disclosure, loyalty and stewardship to Coastal. Coastal has placed trust and confidence in FER. As such, FER owed Coastal the utmost duty of care and unquestionable allegiance and loyalty as if FER were in the shoes of Coastal and one and the same as Coastal. If a conflict did arise, FER was required to act in good faith to protect Coastal's interest, even at the expense of FER.

FER is a single entity and is one and the same regardless of whether FER is acting as lender or property manager. Therefore FER is a fiduciary of the Debtor regardless of whether it is acting as lender or acting as property manager. FER has used Coastal as its own. For example, in the years up to 2012, FER completely controlled all funds and accounting of the books and records of Coastal. FER ignored any terms of the Management Agreement, closed the bank accounts of Coastal and used Coastal revenues as their own. The instrumentality rule applies to FER and FER is liable for all debts of Coastal. FER has breached its fiduciary duties to Coastal. FER has failed to comply with the terms of the Management Agreement. FER has failed to act in the best interest of the Debtor but has instead chosen its own interest over that of the Debtor. FER has prepared the Debtor's tax returns for 2008, 2009 and 2010. The 2011 and 2012 tax returns have not been completed.

On or about July 16, 2009, FER caused a Limited Power of Attorney to be executed by the Debtor appointing Patsy Stecco, Agent of Golden Sands South Florida Realty ("*Golden Sands*") as attorney-in-fact. On April 27, 2012, the Debtor sent notice to Patsy Stecco regarding her actions for FER. On May 2, 2012, Juan Zorrilla of Zorrilla & Associates, PL responded on behalf of Patsy Stecco. Mr. Zorrilla is also the attorney for FER and the registered agent for FER. Zorrilla's letter stated that Golden Sands only had one unit listed and that Stecco was not a representative of FER but a sub-contractor. However, after the Mississippi bankruptcy filing, Donna Galloway, the owner of Golden Sands notified the parties that she was totally unaware that Golden Sands had anything to do with Coastal or FER.

After the filing of the Mississippi bankruptcy petition and in violation of the §362 automatic stay, FER continued to collect and keep all rents and revenues of the Debtor. FER violated the stay intentionally in an effort to keep complete control over the condos, revenues, expenses, books and records. FER actually paid pre-petition creditors in an effort to control the condos and to keep creditors from being listed in the bankruptcy proceeding. The Debtor sent two (2) letters to FER warning of the stay violation, first on June 22, 2012 (a month after the bankruptcy was filed) and again on July 5, 2012. The Debtor filed its Motion to Recover Damages for Violation of the §362 Automatic Stay (Docket No. 53) and filed a Complaint for

Turnover (Adversary Proceeding No. 12-00065). The Debtor made every effort to protect the property of the estate and to determine the true and accurate list of creditors. FER continued to fight the Debtor to keep the rents and to prevent the books and records from being disclosed.

Only after the Debtor's Motion to Recover Damages for Violation of §362 Automatic Stay against FER was presented to the Court did FER release the rents collected (less deductions) to the Debtor. However, the post-petition payment received from FER was a mere \$40,002.00 (Check No. 5656) with an "explanation of the calculation". In total, FER asserts that the income and expenses were as follows:

Income	\$176,450
Expenses	\$136,448
Net	\$40,002

Note that the expenses of \$136,448 charged by FER for the one month period is an average of \$1,895.11 per unit ($\$136,448 / 72$ units) or calculated another way on this average being \$1,637,376 per year. In response to the payment by FER, Debtor's counsel wrote a letter to FER's counsel complaining of FER's calculations. As provided in this written correspondence, even under the terms and provisions of the Management Agreement that was previously in place between Coastal and FER, the payment to the Debtor and bankruptcy estate should have been \$156,285. In other words, FER, even with a Court Order in place, shorted the Debtor at least \$116,283. Of particular interest are the funds that FER deducted for itself including taxes, administrative expenses and personnel reimbursement. FER made these deductions, paid itself and exercised control over the property of the estate. The transfers to FER were in violation of the automatic stay and were not authorized by the Court.

FER came before the Mississippi Court and repeatedly stated that it is a secured creditor and that it is the only creditor. However, in truth FER is an unsecured creditor due to its decision not to record its mortgage in the public land records. FER refused to turnover books and records related to the operations of the condo units even though the Debtor has requested the documents first on April 18, 2012 by letter, second by Rule 2004 Motion which has been before the Court twice and third, by Complaint for Turnover (Adversary Proceeding No. 12-00065). But, FER still refused to produce records and filed its Emergency Motion to Dismiss. FER has intentionally withheld information and funds from the Debtor and the bankruptcy estate. At the same time, on or about July 5, 2012, FER has paid the condo owners association \$36,456.76 for the Coastal units. FER hid creditors and paid creditors all in a ploy to misrepresent to the Court that FER was the only creditor.

About ten (10) months after the Chapter 11 was filed in Mississippi, FER filed a Motion to Dismiss challenging – without limitation – the Debtor's choice of venue in Mississippi. As a result, Coastal agreed to the dismissal with an announcement to the Court that it would re-file its Chapter 11 in the Southern District of Florida which was the venue that FER contended was

the proper venue. The Order of Dismissal was final on May 6, 2013 and Coastal filed its Chapter 11 petition in the Southern District of Florida on May 8, 2013.

In order to comply with the spirit and intent of Section 1125 of the Code, the Debtor would suggest that FER will likely dispute most if not all of the facts represented heretofore (and hereinafter) regarding the history of its relationship with Coastal and in the Mississippi bankruptcy.

2.3 Material Litigation and Related Matters

The Debtor's decision to seek protection under Chapter 11 of the Bankruptcy Code was basically driven by a dispute with First Equitable Realty III, Ltd. which included a judicial foreclosure. According to the Debtor's Statement of Financial Affairs, the Debtor had potential liability exposure from the following legal matters:

- (a) *First Equitable Realty III, Ltd. v. Coastal Condos, LLC*; Judicial Foreclosure Proceeding, 11th Circuit, Florida, Cause No. 12-18457CA32.

Further, there were post-petition adversary proceedings (lawsuits filed in the Bankruptcy Court) filed in Mississippi. The adversary proceedings were as follows:

- (a) *Coastal Condos, LLC v. First Equitable Realty III, Ltd., a Florida Limited Partnership*; Adversary Proceeding No. 12-00065 EE.
- (b) *Coastal Condos, LLC v. First Equitable Realty III, Ltd., a Florida Limited Partnership*; Adversary Proceeding No. 12-00090 EE.

These two (2) adversary proceedings were dismissed as a matter of course when the Mississippi bankruptcy was dismissed.

- (a) Coastal essentially re-filed its adversary proceeding against FER in the instant bankruptcy, which is pending as *Coastal Condos, LLC v. First Equitable Realty III, Ltd., a Florida Limited Partnership*; Adversary Proceeding No. 13-01431-AJC.
- (b) Other adversary proceedings will be filed in this Chapter 11 proceeding.

2.4 Business During the Chapter 11 Case

On May 8, 2013, Coastal filed its petition under Chapter 11 commencing this case. Since that time, the Debtor has continued to operate the Debtor's business affairs with approval of the Court. The Debtor has also continued to maintain the Debtor's properties until a confirmed plan can be completed.

Prior to the Chapter 11 proceeding, the Debtor employed Limar Realty, LLC as a new onsite manager. The Debtor has collect rents, renewed leases, created new leases, completed needed repairs and paid operating expenses. When the Chapter 11 was first filed

in Mississippi, the Debtor was not collecting the rents or paying expenses. It took a few months to have the Court resolve that matter with FER and it was a few months into the case before the Debtor took complete control over the operations. Since that time, the Debtor has operated at a positive cash flow and the funds have remained in the DIP operating account. The current cash flow is detailed in Article 8 hereinafter. The owner of Coastal is receiving a \$2,500 bi-weekly salary.

In Mississippi, the Debtor filed various claims and pleadings against FER. These matters have not been resolved. The Debtor requested the Court to order a mediation with FER. The Court granted the request and the mediation was conducted by Honorable Jerry Brown, Bankruptcy Judge for the Eastern District of Louisiana. The mediation was unsuccessful.

ARTICLE 3
PROCEEDINGS IN THE CHAPTER 11 CASE

3.1 Commencement of Case

Coastal filed for protection under Chapter 11 of the Bankruptcy Code on May 8, 2013 (hereinafter referred to as the "*Petition Date*"). The case was assigned to the Honorable A. Jay Cristol, United States Bankruptcy Judge.

3.2 Summary of Significant Bankruptcy Events

I. Mississippi Bankruptcy

A. *May, 2012*

May 25, 2012	Voluntary Petition under Chapter 11
May 25, 2012	Judge Edward Ellington added to case
May 30, 2012	341 Meeting of Creditors set for 06/29/12. Government Proof of Claims due by 11/21/12.

B. *June, 2012*

June 1, 2012	Motion to Extend Deadline to File Schedules
June 4, 2012	Order Granting Motion to Extend Deadline to File Schedules
June 11, 2012	Application to Employ Derek A. Henderson at Attorney for the Debtor
June 11, 2012	Motion for 2004 Examination – Production of Documents to First Equitable Realty III, Ltd.

June 11, 2012 Adversary Proceeding No. 12-00065 - *Coastal Condos, LLC v. First Equitable Realty III, Ltd.*

June 12, 2012 Notice of Appearance filed by Jim Spencer for First Equitable Realty III, Ltd.

June 20, 2012 Schedules/Statement of Financial Affairs filed

June 22, 2012 Additional Disclosure Regarding Schedules

June 25, 2012 First Equitable Realty III, Ltd.'s Response to Motion for 2004 Examination

June 25, 2012 First Equitable Realty III, Ltd.'s Emergency Motion to Dismiss

June 29, 2012 Application to Employ Roy H. Liddell and Jonathan Bissette of the law firm of Wells, Marble & Hurst, PLLC as Attorney for Debtor

June 29, 2012 Application to Employ David M. Rogero as Special Counsel for Debtor

C. July, 2012

July 2, 2012 Motion to Reject Lease or Executory Contract

July 5, 2012 Motion to Reject Lease or Executory Contract with First Equitable Realty III, Ltd.

July 5, 2012 Motion for Sanctions for Violation of Automatic Stay

July 6, 2012 Application to Employ Limar Realty, LLC as Real Estate Broker

July 11, 2012 Monthly Operating Report – May 23, 2012 to June 30, 2012

July 12, 2012 Amended Statement of Financial Affairs

July 20, 2012 First Equitable Realty III, Ltd.'s Objection to Application to Employ Limar Realty, LLC

July 23, 2012 First Equitable Realty III, Ltd.'s Response to Motion to Reject Lease or Executory Contract

July 23, 2012 Debtor's Objection to First Equitable Realty III, Ltd.'s Emergency Motion to Dismiss

July 23, 2012 Notice of Service of Discovery to First Equitable Realty III, Ltd.

July 23, 2012 First Equitable Realty III, Ltd.'s Response to Motion for Sanctions

July 24, 2012 Order Granting Application to Employ Counsel – Wells, Marble & Hurst, PLLC

July 24, 2012 Order on Motion to Recover Damages for Violation of Automatic Stay

July 25, 2012 Order Granting Motion for 2004 Examination

July 25, 2012 Order Authorizing Debtor to Employ Counsel – Derek A. Henderson

July 25, 2012 Order Granting Application to Employ David M. Rogero

July 25, 2012 Order Granting Motion to Reject Lease or Executory Contract

July 27, 2012 Amended Order Granting Motion for Rule 2004 Examination

D. August, 2012

August 1, 2012 Application to Employ Anthony L. Huffman, CPA as Accountant for Debtor

August 16, 2012 Order on Conditional Motion to Reject Executory Contract

August 20, 2012 Monthly Operating Report – July 2012

August 23, 2012 First Equitable Realty III, Ltd.'s Answer to Discovery

August 24, 2012 Motion to Reconsider

August 24, 2012 Adversary Proceeding No. 12-00090 - *Coastal Condos, LLC v. First Equitable Realty III, Ltd.*

August 24, 2012 Motion to Continue Hearing

August 24, 2012 Motion for Court Ordered Mediation

August 29, 2012 First Equitable Realty III, Ltd.'s Response to Motion to Reconsider

August 29, 2012 First Equitable Realty III, Ltd.'s Response to Motion to Continue Hearing

August 29, 2012 Amended Schedules/Statement of Financial Affairs & Notice to Creditors Added

August 31, 2012 First Application for Compensation for Wells, Marble & Hurst, PLLC

August 31, 2012 First Application for Compensation for Derek A. Henderson

August 31, 2012 Reply to First Equitable Realty III, Ltd.'s Objection & Request for Withdrawal – Limar Realty, LLC

E. September, 2012

Sept. 6, 2012 Motion to Extend Time to File Plan

Sept. 6, 2012 Order Granting Motion to Employ Anthony L. Huffman, CPA

Sept. 6, 2012 Interim Order on Motion for Court Ordered Mediation

Sept. 17, 2012 Application for Compensation for David M. Rogero, Special Counsel

Sept. 17, 2012 Motion to Appoint Examiner

Sept. 18, 2012 First Equitable Realty III, Ltd.'s Objection to Motion to Appoint Examiner

Sept. 20, 2012 Order Granting Motion to Extend Deadline File Plan

Sept. 20, 2012 Order Granting Motion for Court Order Mediation

Sept. 21, 2012 First Equitable Realty III, Ltd.'s Objection to Fees of Wells, Marble & Hurst

Sept. 21, 2012 First Equitable Realty III, Ltd.'s Objection to Fees of Derek A. Henderson

Sept. 21, 2012 First Equitable Realty III, Ltd.'s Objection to Fees of David M. Rogero

Sept. 24, 2012 Monthly Operating Report – August 2012

Sept. 25, 2012 Order Holding Matters in Abeyance

F. October, 2012

October 10, 2012 Reply to First Equitable Realty III, Ltd.'s Objection to Fees of Wells, Marble & Hurst

October 10, 2012 Reply to First Equitable Realty III, Ltd.'s Objection to Fees of Derek A. Henderson

- October 10, 2012 Reply to First Equitable Realty III, Ltd.'s Objection to fees of David M. Rogero
- October 19, 2012 Order Granting Application for Compensation for Wells, Marble & Hurst - Fees \$5,774.00
- October 19, 2012 Order Granting Application for Compensation for David M. Rogero – Fees \$4,225.00
- October 19, 2012 Order Granting Application for Compensation for Derek A. Henderson – Fees \$35,000.00 and Expenses \$1,232.54. The amount of \$24,829.37 was held in abeyance.
- October 19, 2012 Monthly Operating Report – September 2012

G. November, 2012

- November 26, 2012 Creditor Request for Notice – Miami Dade County Tax Collector
- November 27, 2012 Monthly Operating Report – October 2012

H. December, 2012

- December 14, 2012 Monthly Operating Report – November 2012
- December 28, 2013 Objection to Proof of Claim of FER (Claim No. 2)
- December 28, 2013 Disclosure Statement
- December 28, 2013 Chapter 11 Plan of Reorganization

I. January, 2013

- January 2, 2013 Request for Approval of Fees
- January 4, 2013 Second Application for Compensation for Derek A. Henderson
- January 4, 2013 Order Fixing Time for Hearing on Disclosure Statement with Preliminary Hearing
- January 9, 2013 Second Application for Compensation for Wells, Marble & Hurst, PLLC
- January 11, 2013 Monthly Operating Report – December 2012
- January 25, 2013 First Equitable Realty III, Ltd.'s Objection to Professional Fees

January 25, 2013 First Equitable Realty III, Ltd.'s Response to Objection to Claim

J. February, 2013

February 5, 2013 Order Granting Second Application for Compensation for Wells, Marble & Hurst - Fees \$470.00

February 6, 2013 Notice of Deposition - First Equitable Realty III, Ltd.

February 8, 2013 First Equitable Realty III, Ltd.'s Notice of Deposition – Coastal Condos, LLC

February 19, 2013 Monthly Operating Report – January 2013

February 19, 2013 First Equitable Realty III, Ltd.'s Objection to Disclosure Statement

February 20, 2013 Order Granting Second Application for Compensation for Derek A. Henderson – Fees \$25,773.00 and Expenses \$456.49

February 20, 2013 Order on Request for Approval of Fees

February 22, 2013 Addendum to Disclosure Statement

K. March, 2013

March 5, 2013 Second Motion for Sanctions for Violation of Automatic Stay and Sanctions for Civil Contempt

March 8, 2013 Motion to Continue Hearing and Reset Trial

March 8, 2013 First Equitable Realty III, Ltd.'s Motion to Dismiss, or in the alternative Motion to Change Venue

March 11, 2013 Monthly Operating Report – February 2013

March 12, 2013 First Equitable Realty III, Ltd.'s Response to Motion to Continue Hearing on Motion to Dismiss

March 13, 2013 Order of Rule 2004 Examination, Production of Documents to FER and Protective Order

March 20, 2013 Motion for Protective Order of Rule 7030(b)(6) of Coastal

March 22, 2013 Joinder by William Dickson to Second Motion for Sanctions for Violation of Automatic Stay

March 25, 2013 First Equitable Realty III, Ltd.'s Response to Second Motion for Sanctions for Violation of Automatic Stay

March 25, 2013 Zorrilla's Response to Second Motion for Sanctions for Violation of Automatic Stay

March 29, 2013 Objection to Motion to Dismiss or Change Venue

L. April, 2013

April 2, 2013 First Equitable Realty III, Ltd.'s Brief in support of Motion to Dismiss

April 2, 2013 Coastal's Brief of Objection to Motion to Dismiss

April 2, 2013 Amended Voluntary Petition

April 3, 2013 First Equitable Realty III, Ltd.'s Objection to Amended Petition

April 8, 2013 Motion to Appear pro hac vice – Juan C. Zorrilla

April 9, 2013 Order Granting Motion to Appear pro hac vice – Zorrilla

April 11, 2013 Reply to FER's and Zorrilla's Responses to Second Motion for Sanctions for Violation of Automatic Stay

April 22, 2013 Order Granting Motion to Dismiss

April 24, 2013 Monthly Operating Report – March 2013

II. Florida Bankruptcy

A. May, 2013

May 8, 2013 Voluntary Petition under Chapter 11

May 8, 2013 Emergency Application to Employ David R. Softness as General Counsel for Coastal

May 8, 2013 Schedules Filed

May 8, 2013 Amended Schedule B filed to add attachment

May 13, 2013 Emergency Application to Employ Derek A. Henderson as Counsel for Coastal

May 13, 2013 Ex Parte Application to Employ Anthony Huffman as Accountant for Coastal

May 16, 2013	Interim Order Granting Application to Employ Anthony Huffman
May 16, 2013	Order Granting Motion of Derek Henderson <i>pro hac vice</i>
May 17, 2013	Interim Order Approving Application to Employ David R. Softness
May 17, 2013	Interim Order Approving Application to Employ Derek A. Henderson
June 13, 2013	Final Order Approving Application to Employ Derek A. Henderson
June 13, 2013	Final Order Approving Application to Employ David R. Softness
June 13, 2013	Final Order Approving Application to Employ Anthony Huffman

3.3 Schedules and Statement of Financial Affairs

The Debtor filed its Schedules on May 8, 2013. The Debtor estimated totals for its assets are \$11,189,420.00 and liabilities are \$16,561,039.00. The Debtor also filed its Statement of Financial Affairs on May 8, 2013.

3.4 Section 341 Meeting

The United States Trustee's Office scheduled the Section 341 meeting of creditors for June 17, 2013. The meeting was held and concluded.

3.5 Unsecured Creditors' Committee

No committee has been appointed in this case.

ARTICLE 4 **ASSETS AND LIABILITIES OF THE DEBTOR**

On May 8, 2013, the Debtor filed its Schedules of Assets and Liabilities and Statement of Financial Affairs. The information of assets and liabilities are updated and supplemented by the following discussion.

4.1 Assets of the Estate and Liquidation

According to the Debtor's Schedules, the assets and liabilities at the time of the filing of the bankruptcy case were as follows:

Real Property – (Schedule A)	\$10,080,000.00
Personal Property – (Schedule B)	<u>\$389,420.73</u>
Total Assets:	\$11,189,420.73

Secured Claims – (Schedule D)	\$0
Priority Claims – (Schedule E)	\$178,288.28
General Unsecured Claims (Schedule F)	<u>\$16,382,750.75</u>
Total Liabilities:	\$16,561,039.03

The Debtor's most recent Monthly Operating Report ("MOR") filed June 20, 2013 (as of May, 2013) reflects the following:

Current Assets / Cash	\$
Condos & related property	<u>\$10,080,000.00</u>
Total:	\$
Current Liabilities / Schedules & Proofs of Claim	<u>\$</u>
Total Liabilities:	\$

Nothing contained in the monthly reports shall constitute an admission of any assets, liabilities or claims of any kind. It is also noted that the Debtor holds \$109,748.25 in security deposits.

The Debtor's monthly reports shall be continually updated with changes and amendments. There are a number of contingent, unliquidated and/or disputed claims. A determination as to the validity of these claims shall have an impact on the distribution to creditors. Pending further developments in the case and in the resolution of claims, the Debtor shall continue with the complete reorganization of the estate.

Also, it is important to note that the claims bar date has not expired. The claims will have to be amended, reviewed and objected to by the Debtor if necessary. However, as of June 20, 2013, the claims docket provided as follows:

Number of Claims Filed:	1
Secured Claims:	\$
Priority Claims:	\$4,575.35 (IRS)
Unsecured Claims:	\$
Unknown:	<u>\$</u>
Total:	\$4,575.35

It is the Debtor's opinion that Coastal has going concern value. The assets of Coastal shall be utilized to support the plan. Depending on the sale of assets, the collection of rents and generally, the recovery of funds, it is the Debtor's intent to recover the most possible for the general unsecured creditors. However, there is no certainty at this time.

4.2 Claims Against the Estate

A number of claimants have or will assert claims against the Debtor which are discussed below. Nothing in this Section 4.2 or elsewhere in this Disclosure Statement is an

admission of the validity or amount of any claim against the Debtor nor the validity, priority, extent or non-avoidability of any lien.

A. Administrative and Priority Claims

The Administrative and Priority Claims against the Debtor fall into four general classes: (i) post-petition wage and benefit Claims; (ii) post-petition taxes; (iii) reorganization costs; and (iv) Cure Payments on assumed executory contracts or unexpired leases. Administrative Claims for ongoing business operations are being paid in the ordinary course of business and, to the extent incurred but unpaid on the Effective Date, will be paid as they come due according to their terms. The reorganization costs consist primarily of professional fees incurred during the pendency of the Chapter 11 case.

The Debtor has continued to pay its post petition operating obligations. Such Claims have been paid in the ordinary course of business. All payments have been disclosed in the Monthly Operating Reports filed with the Court. Post-petition taxes, if any, have not been determined.

David R. Softness, as the attorney for Coastal has not filed a fee application.

Derek A. Henderson as the attorney for Coastal has not filed a fee application.

Huffman & Company serving as accountants for Coastal has not filed a fee application.

Applications for compensation, legal fees and expenses, and accountant's fees and expenses will be filed in the future as the case progresses.

B. Secured Claims

Claimants asserting secured claims against the Debtor (other than the Claims of equipment lessors which are true leases) include the Claims of Ad Valorem Taxing Authorities. Each is discussed below.

1. Claims of Ad Valorem Taxing Authorities

Any Allowed Secured Claims of Ad Valorem Taxing Authorities are treated in Class 1 of the Plan and are treated consistently with the treatment of Priority Tax Claims. The Debtor will have real property taxes due.

2. Other Secured Claims

The Debtor does not have other secured creditors.

C. Priority Unsecured Claims

As of the Petition Date, the Priority Unsecured Claims were the claims of the Internal Revenue Service ("IRS") and State Taxing Authorities. All the Debtor's pre-petition tax returns have not been filed. A determination of the claims of the IRS and State Taxing Authorities cannot be made until returns are filed and accepted by the taxing authorities. Any such claims will be treated in Class 2 of the Plan.

D. Unsecured Claims

The Debtor's creditors holding unsecured claims consist of (i) claims of trade vendors and (ii) loans from lenders and deficiency balances. Accrued unsecured claims as of the Petition Date total approximately \$582,750.75 (not including Class 5).

All unsecured claims will be treated in Class 3 and Class 4 of the Plan. Each allowed unsecured claim shall receive payment in full from distribution by the estate.

E. Rejection Claims

As of the Petition Date, the Debtor may have been a party to various executory contracts or unexpired leases with vendors, equipment lessors and other third parties. Article 11 of the Plan provides for the rejection of all executory contracts and unexpired leases of the Debtor that have not been assumed or rejected by other order of the Court on or before the Confirmation Date or that are not accepted as part of the Plan. Rejection of executory contracts and unexpired leases by the Debtor may give rise to unsecured claims against the Debtor.

F. Subordinated Claims, Penalty Claims, Securities Laws Claims and Disallowed Claims

The Debtor asserts that First Equity Realty, III, Ltd. should be subordinated and disallowed. Upon final resolution of all claims, any such claims will be treated in Class 5 of the Plan and shall receive funds under the Plan only after all other allowed claims are paid as set forth in the plan.

G. Interests – Equity Holder

The Debtor is a Delaware Limited Liability Company which is owned by William D. Dickson (100%). All Allowed Interests Equity Holders are treated in Class 6 of the Plan. Unless otherwise provided in the plan, Equity Holders shall receive nothing under Class 6 unless all claims are paid in full.

ARTICLE 5
MATERIAL LITIGATION AND ITS TREATMENT UNDER THE PLAN

5.1 Lawsuits and Other Contingent Claims Held by Claimants Affected by the Plan

The Plan in conjunction with the Bankruptcy Code will continue to stay the pre-petition lawsuits as to Coastal. The claimants have either been listed as a creditor in the bankruptcy schedules by Coastal or the claimants have filed a proof of claim. The following legal matters shall not proceed as to Coastal outside the bankruptcy proceeding:

- (a) *First Equitable Realty III, Ltd. v. Coastal Condos, LLC*; Judicial Foreclosure Proceeding, 11th Circuit, Florida, Cause No. 12-18457CA32.

Further, there were post-petition adversary proceedings (lawsuits filed in the Bankruptcy Court) filed in Mississippi. The adversary proceedings were as follows:

- (a) *Coastal Condos, LLC v. First Equitable Realty III, Ltd., a Florida Limited Partnership*; Adversary Proceeding No. 12-00065 EE.
- (b) *Coastal Condos, LLC v. First Equitable Realty III, Ltd., a Florida Limited Partnership*; Adversary Proceeding No. 12-00090 EE.

These two (2) adversary proceedings were dismissed as a matter of course when the Mississippi bankruptcy was dismissed.

- (a) Coastal essentially re-filed its adversary proceeding against FER in the instant bankruptcy, which is pending as *Coastal Condos, LLC v. First Equitable Realty III, Ltd., a Florida Limited Partnership*; Adversary Proceeding No. 13-01431-AJC.
- (b) Other adversary proceedings will be filed in this Chapter 11 proceeding.

It is important to note that matters may be compromised or settled during the course of the bankruptcy proceedings. In such an event, the Debtor will file a motion before the court requesting approval of the settlement. Such a motion will be noticed to all creditors and parties-in-interest. In order to keep updated and advised, each creditor should review these motions as they are received.

5.2 Bankruptcy Causes of Action

A. Preferences

Pursuant to the Bankruptcy Code, a debtor may recover certain preferential transfers of property, including cash, made while insolvent during the ninety (90) days immediately prior to the filing of its bankruptcy petition with respect to pre-existing debts, and to the extent the

transferee received more than it would have in respect of the pre-existing debt had the debtor been liquidated under Chapter 7 of the Bankruptcy Code. In the case of "insiders," the Bankruptcy Code provides for a one-year preference period. There are certain defenses to such recoveries. Transfers made in the ordinary course of the debtor's and the transferee's business according to ordinary business terms are not avoidable. Furthermore, if the transferee extended credit subsequent to the transfer (and prior to the commencement of the bankruptcy case), such extension may constitute a defense, to the extent of any new value, against any otherwise recoverable transfer of property. If a transfer is recovered by debtor, the transferee has a general unsecured Claim against the debtor to the extent of the recovery. The Debtor reserves all rights to pursue, in its sole discretion, any preference to the full extent allowed under the Bankruptcy Code and applicable state laws; provided, however, the Debtor does not contemplate asserting any such actions against claimants being paid in full under the Plan. The Debtor believes that the assertion of some claims would result in no economic benefit to the estate and, in the exercise of the Debtor's business judgment, would unnecessarily deplete the estate through litigation costs.

B. Potential Litigation

In addition to the foregoing, the Debtor believes that certain claims and causes of action against third parties arising prior to the Petition Date may exist. These causes of action may be enforced either by way of setoff against claims filed against the bankruptcy estate, or may be prosecuted by the Debtor. The Debtor has sole discretion to object to any claims and to prosecute any objection as it sees fit, whether before or after confirmation of the Plan.

The Debtor has potential claims against First Equity Realty III, Ltd. The Debtor has continued to investigate the claims through review of documents and depositions. Some matters may be resolved and settled with First Equity Realty III, Ltd. while other matters may require litigation. To the extent matters are settled, the Debtor shall file a motion to approve the settlement with the court and only settle claims with court approval after notice to creditors and parties in interest.

The Debtor will pursue potential claims against First Equitable Realty III, Charles C. Edwards, James Edwards, and/or their related companies, entities, affiliates or subsidiaries, Patsy Stecco, Mortgage Processors of South Florida, Zorrilla & Associates, Juan C. Zorrilla, Vanessa Del V. Castillo, Jesus Hernandez, First Equitable Realty, Inc., W. Kent Ihrig, Shumaker, Loop & Kendrick, LLP, unknown affiliated companies, and other John Does including but not limited to parking spaces and the Debtor specifically preserves its rights to make a claim against Patsy Stecco, Mortgage Processors of South Florida, Zorrilla & Associates, Juan C. Zorrilla, Vanessa Del V. Castillo, Jesus Hernandez, First Equitable Realty III, Ltd., First Equitable Realty III, Inc., Charles C. Edwards, James Edwards, unknown affiliated companies, and other John Does related to any claim or interest belonging to the Debtor or to the estate under any and all tort claims and/or contract claims including, but not limited to, claims previously made in Adversary Proceeding No. 12-00065 in the United States Bankruptcy Court for the Southern District of Mississippi, claims previously made in Adversary Proceeding No. 12-00090 in the United States Bankruptcy Court for the Southern District of

Mississippi, turnover of funds, books and records, accounting, determination of insider, a determination of fiduciary relationship, unauthorized transfer of funds, application of instrumentality rule, determination of liability, subordination, breach of contract, breach of the covenant of good faith and fair dealing, fraud, breach of fiduciary duty, aiding and abetting any wrongful act including breach of fiduciary duty, assisting and encouraging any wrongful act including breach of fiduciary duty, negligence per se, conspiracy, deepening insolvency, fraudulent inducement, fraudulent concealment, intentional misconduct, negligence, gross negligence, negligent misrepresentation, conversion, violation of state or federal statutes or rules, conspiracy, unjust enrichment, constructive trust, tortious interference with a contractual or business relationship, fraudulent conveyance or transfer, or any other claim or causes of action of any kind or nature in law or in equity recognized by federal law or the laws of any state or foreign country, which may apply to Coastal's dealings or relationships with FER, Charles Edwards or and of their affiliates or subsidiaries, including all rights to recover actual or punitive damages, penalties, attorneys fees, interest, restitution, or any other remedy available to Coastal.

ARTICLE 6

PROVISIONS FOR TREATMENT OF CLAIMS UNDER THE PLAN

The treatment of Allowed Claims and Allowed Interests are discussed in Article 4 of the Plan. The claims shall be in the following classes:

- | | |
|----------|--|
| Class 1: | Ad Valorem Taxing Authorities / Secured |
| Class 2: | Priority Unsecured Claims |
| Class 3: | Paid Unsecured Claims |
| Class 4: | General Unsecured Claims |
| Class 5: | First Equitable Realty III, Ltd. |
| Class 6: | Subordinated Claims, Penalty Claims, Securities Law Claims and Disallowed Claims |
| Class 7: | Equity Holders |

ARTICLE 7

THE BUSINESS PLAN

The Debtor shall continue to operate Coastal in the ordinary course of business pending further developments in the case. The Debtor's means of execution of the Plan will be provided from the rents collected and the sale of condo units as may occur in ordinary business activities and operations. Additional funds could be generated from further developments in the case.

The general premise of the Debtor's Plan will be to have all claims, if any, of FER subordinated to all other creditors and claimants. The Debtor shall designate funds for property taxes and for payment to creditors. Only when creditors other than FER have been paid in full, will distributions began to be made to FER Allowed Claims.

The designated account for property taxes will be approximately \$13,708.47 per month. The property taxes shall be paid on or before the due date. The designated account for creditors shall be \$30,000.00 per month. However, the transfer of funds to the designated creditor's account shall not be made if the transfer reduces the operating account balance below \$150,000.00. In that event, the transfer shall be funds in excess of \$150,000.00 up to \$30,000.00. The Allowed Claims shall be paid from the designated creditor's account according to the Plan distribution. Generally, the priority of payment shall be first, the administrative claims, second, priority claims (Class 2), third, general unsecured claims (Class 4) and fourth, subordinated claims (Class 5). The Debtor shall make a distribution at least at the end of each quarter after confirmation.

Further, the Debtor will file all Coastal tax returns necessary to finalize the business activities of the bankruptcy estate. The Plan will be to pay Allowed Claims other than FER including all property taxes and other taxes 100% until paid in full. Once the process is completed and depending on the outcome of the litigation and disputes with FER, there should be an established subordinated Allowed Claim of FER. The Debtor shall pay the FER subordinated Allowed Claim, if any, from the designated creditor's account.

Further, after all payments are made to all claimants other than FER, and a FER Allowed Claim is established by the Court, the Debtor may, in its discretion, transfer condo units to FER as credit against the FER claim and in lieu of the FER claim.

ARTICLE 8
FINANCIAL INFORMATION AND FEASIBILITY

THE MONTHLY OPERATING STATEMENTS PROVIDE CURRENT INFORMATION ON THE DEBTOR'S FINANCIAL POSITION AND ASSETS AND LIABILITIES. BECAUSE THIS PLAN CONTEMPLATES CASH PAYMENTS, NO FINANCIAL STATEMENTS SHOWING GOING-FORWARD PROJECTIONS ARE DEEMED NECESSARY BY THE DEBTOR. INSTEAD, THE DEBTOR HAS FILED THE CURRENT BALANCE SHEET AND PROFIT AND LOSS STATEMENT WITH THE OPERATING REPORT FILED MONTHLY WITH THE COURT.

The net cash flow for the first quarter of 2013 was as follow:

January 2013	Income	\$117,379.89
	Less:	
	Association Dues & Expenses	(\$36,466.79)
	Management Fee	(\$4,738.50)
	Operating Expenses	(\$26,347.71)

	Property Tax Estimate	(<u>\$13,708.47</u>)
	Net	\$36,118.42
February 2013	Income	\$149,571.77
	Less:	
	Association Dues & Expenses	(\$36,466.79)
	Management Fee	(\$5,291.00)
	Operating Expenses	(\$80,037.49)
	Property Tax Estimate	(<u>\$13,708.47</u>)
	Net	\$14,068.32
March 2013	Income	\$149,429.56
	Less:	
	Association Dues & Expenses	(\$36,466.79)
	Management Fee	(\$5,182.74)
	Operating Expenses	(\$49,146.72)
	Property Tax Estimate	(<u>\$13,708.47</u>)
	Net	\$44,925.34
Three Month Average	Income	\$138,793.74
	Less:	
	Association Dues & Expenses	(\$36,466.79)
	Management Fee	(\$5,070.75)
	Operating Expenses	(\$51,843.97)
	Property Tax Estimate	(<u>\$13,708.47</u>)
	Net	\$31,704.03

These three (3) months are months in which the Debtor controlled collections and expenses. The average is the most probable income and expenses for the operations of the estate going forward. It is noted that there may be additional insurance costs which will average approximately \$1,800 per month. After confirmation, professional fees should be reduced.

ARTICLE 9
ESTATE'S CLAIMS AGAINST ALL

The Debtor has previously made certain claims on behalf of the estate including the following:

- (a) *Coastal Condos, LLC v. First Equitable Realty III, Ltd., a Florida Limited Partnership*; Adversary Proceeding No. 12-00065 EE (Southern District of Mississippi).

- (b) *Coastal Condos, LLC v. First Equitable Realty III, Ltd., a Florida Limited Partnership*; Adversary Proceeding No. 12-00090 EE (Southern District of Mississippi).

These two (2) adversary proceedings were dismissed as a matter of course when the Mississippi bankruptcy was dismissed.

- (a) Coastal essentially re-filed its adversary proceeding against FER in the instant bankruptcy, which is pending as *Coastal Condos, LLC v. First Equitable Realty III, Ltd., a Florida Limited Partnership*; Adversary Proceeding No. 13-01431-AJC.

- (b) Other adversary proceedings will be filed in this Chapter 11 proceeding.

The Debtor has potential claims against First Equitable Realty III, Ltd. The Debtor has continued to investigate the claims through review of documents and depositions. Some matters may be resolved and settled with First Equitable Realty III, Ltd. while other matters may require litigation. To the extent matters are settled, the Debtor shall file a motion to approve the settlement with the court and only settle claims with court approval after notice to creditors and parties in interest.

There are other claims that may be pursued by the Debtor after a completion of an investigation and examination of the books and records of FER. These claims include, but are not limited to potential causes of action against Patsy Stecco, Mortgage Processors of South Florida, Zorrilla & Associates, Vanessa Del V. Castillo, Jesus Hernandez, First Equitable Realty III, Ltd., First Equitable Realty III, Inc., Charles C. Edwards, James Edwards, unknown affiliated companies, and other John Does.

More than likely, adversary proceedings will be filed in this case. The Debtor has not completed its investigation as to pre-petition payments and transfers (See Article 5.1 and Article 5.2 above). Just because a claim is not listed here, it is not an admission by the Debtor that a claim does not exist. The Debtor reserves all rights and claims.

ARTICLE 10 **CERTAIN RISK FACTORS**

The Plan is subject to a number of material risks, including those enumerated below. Prior to deciding how to vote on the Plan, each holder of an impaired Claim should carefully consider all of the information contained in this Disclosure Statement, especially the factors mentioned in the following paragraphs.

10.1 Risks Relating to Future Operations

The Debtor assumes that the Plan and the transactions contemplated hereby will be implemented in accordance with their terms based upon numerous other assumptions and financial estimates. The assumptions are inherently uncertain and are subject to significant

business, economic and competitive risks and uncertainties that could cause actual results to differ materially from those projected.

ALTHOUGH THE DEBTOR BELIEVES THAT THE ASSUMPTIONS ARE REASONABLE, THERE CAN BE NO ASSURANCES THAT SUCH ASSUMPTIONS WILL BE MET OR THAT THERE WILL NOT BE SUBSEQUENT DEFAULTS OF THE PLAN. THE DEBTOR'S ASSUMPTIONS ARE BASED ON HISTORICAL AND CURRENT MARKET CONDITIONS AND HAVE NOT BEEN REVIEWED, APPROVED OR ENDORSED BY ANY INVESTMENT BANKER OR OUTSIDE ACCOUNTING FIRM AND HAVE NOT BEEN APPROVED OR ENDORSED.

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN. THIS DISCLOSURE STATEMENT INCORPORATES AND/OR CONTAINS CERTAIN FINANCIAL INFORMATION REGARDING THE DEBTOR AND THE ESTATE AND CERTAIN OTHER FORWARD-LOOKING STATEMENTS, ALL OF WHICH ARE BASED ON VARIOUS ASSUMPTIONS AND ESTIMATES AND WILL NOT BE UPDATED TO REFLECT EVENTS OCCURRING AFTER THE DATE HEREOF. SUCH INFORMATION AND STATEMENTS ARE SUBJECT TO INHERENT UNCERTAINTIES AND TO A WIDE VARIETY OF SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE RISKS INCLUDING, AMONG OTHERS, THOSE DESCRIBED IN THIS ARTICLE 1. CONSEQUENTLY, ACTUAL EVENTS, CIRCUMSTANCES, EFFECTS AND RESULTS MAY VARY SIGNIFICANTLY FROM THOSE INCLUDED IN OR CONTEMPLATED BY SUCH PROJECTED FINANCIAL INFORMATION AND SUCH OTHER FORWARD-LOOKING STATEMENTS.

10.2 *Certain Risks of Non-Confirmation*

There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that the Court will confirm the Plan. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, a finding by the Court that the confirmation of the Plan is not likely to be followed by a liquidation or a need for further financial reorganization and that the value of the distributions to non-accepting creditors will not be less than the value of the distributions that such creditors would receive if the Debtor was liquidated under Chapter 7 of the Bankruptcy Code. Although the Debtor believes that these requirements will be satisfied, there can be no assurance that the Court will concur.

If the Plan were not to be confirmed and consummated, it is unclear whether a liquidation comparable to the liquidation contemplated hereby could be implemented in a timely manner and, if so, what distributions holders of Claims ultimately would receive with respect to their Claims. Moreover, if an alternative reorganization could not be implemented in a timely manner, it is likely the holders of Claims would receive less than they would have received pursuant to the Plan.

10.3 *Forward-Looking Information May Prove Inaccurate*

This Disclosure Statement contains various forward-looking statements and information that are based on the Debtor's beliefs as well as assumptions made by and information currently available. When used in this document, the words "believe," "expect," "anticipate,"

and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks, uncertainties and assumptions including those identified above. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected.

ARTICLE 11 ALTERNATIVES TO THE PLAN

11.1 Reorganization Procedures

Section 1129 of the Bankruptcy Code provides that the Court may confirm a plan of reorganization only if certain requirements are met. One of these requirements is that each non-accepting holder of an allowed Claim must receive or retain under the Plan, on account of such Claim, property as of the Effective Date of the Plan at least equal to the value such holder would receive if the Debtor was liquidated under Chapter 7 of the Bankruptcy Code on the Effective Date. The Debtor asserts that there is an ongoing business to reorganize.

11.2 Other Alternatives to the Plan

The Debtor has considered various alternatives to the Plan. For the reasons set forth herein, the Debtor believes that to maximize the potential value of the Estate and, coincidentally maximize the return to creditors, the current Plan is most desirable and beneficial.

11.3 Discussion Regarding Debtor's Going Concern Value

In terms of a current going-concern value, it is problematic in reaching an absolute number for a value at this time. The very real uncertainty created by the considerable claims described above diminish the ability of the debtor to realistically form long-term profitability and/or short-term profits – or expenses, for that matter, or a sale value generating any substantial return.

11.4 Liquidation

The proposed Plan offers to pay 100% to creditors which will be substantially more than could be disbursed in a liquidation. An estimated liquidation would be as follows:

Estimated Value - 72 units x \$150,000 (average)	\$10,800,000
--	--------------

If sold individually or in bulk the range of the value recovered would be \$7,020,000 (65%) to \$8,100,000 (75%) with an average \$7,560,000 (70%). Thus, for the purposes of this liquidation analysis, the sale prices are based upon these ranges and average. If these assets were sold in a Chapter 7 liquidation, the expected recovery would be as follows:

	<u>65%</u>	<u>70%</u>	<u>75%</u>
Gross Estimated Sales Price	\$7,020,000	\$7,560,000	\$8,100,000
Less -			
Real Estate Commission/Auctioneer (est. at 8%)	(\$561,600)	(\$604,800)	(\$648,000)
Legal Fees/Title Work/Closing (\$1,500 x 72)	(\$108,000)	(\$108,000)	(\$108,000)
Recording Fees, etc. (.9%)	(\$63,180)	(\$68,040)	(\$72,900)
Chapter 7 Trustee Compensation			
\$5,000 x 25%	(\$1,250)		
\$45,000 x 10%	(\$4,500)		
\$950,000 x 5%	(\$47,500)		
\$6,020,000 x 3%	(\$180,600)		
\$6,560,000 x 3%	(\$196,800)		
\$7,100,000 x 3%	(\$213,000)		
Chapter 7 Administrative Expense -			
Attorney & Accountant Fees	<u>(\$50,000)</u>		
Net Available to Estate:	\$6,003,370	\$6,479,100	\$6,954,850
Priority and Secured Claims -			
Internal Revenue Service (estimate)	(\$20,000)		
Miami Dade Tax Collector (estimate)	(\$340,000)		
Homeowners Association	<u>(\$36,000)</u>		
Balance Available for Distribution:	\$5,607,370	\$6,083,110	\$6,558,850

The Debtor's Schedules estimate creditor claims of \$16,561,039.03 (subject to objection)

and further analysis). The Plan as proposed will pay creditors 100% of allowed claims (including FER). Thus, creditors fare considerably better under the Plan than if the Debtor's assets were liquidated in a chapter 7 proceeding.

ARTICLE 12 MANAGEMENT

12.1 Officers of the Debtor

William D. Dickson ("*Dickson*") shall serve as the Manager of the Debtor post-petition and post-confirmation until all assets are liquidated and final distributions are made.

12.2 The Reorganized Debtor

A. Appointment and Tenure

Dickson will continue in his respective position with the Debtor. After confirmation of the Plan, the Debtor shall remain in control of the bankruptcy estate until complete liquidation and distributions to creditors. The Debtor shall continue post-confirmation without bond.

B. Compensation

Dickson shall receive a salary of \$2,500.00 every two (2) weeks until the distribution process is completed.

ARTICLE 13 DISTRIBUTIONS/CLAIM RESOLUTION WITH RESPECT TO ALL CLAIMS WITHIN THE PROPOSED PLAN OF REORGANIZATION

13.1 Objection Deadline

As soon as practicable, unless otherwise ordered by the Bankruptcy Court, objections to Claims shall be filed with the Bankruptcy Court and served upon the holders of each of the Claims to which objections are made.

13.2 Prosecution of Objections

On and after the Effective Date, except as the Bankruptcy Court may otherwise order, the filing, litigation, settlement or withdrawal of all objections may be made by the Debtor. The Bankruptcy Court shall determine the amount and legality (including, without limitation, the allowance, disallowance or extent) of any Priority Tax Claim pursuant to Bankruptcy Code Section 505(a). The Bankruptcy Court shall determine the amount and legality (including, without limitation, the allowance, disallowance or extent) of all Claims.

13.3 No Distributions Pending Allowance

Notwithstanding any other provision of the Plan, no payment or distribution shall be made with respect to any Claim to the extent it is a Contested Claim unless and until such Contested Claim becomes an Allowed Claim.

13.4 Distributions after Allowance

Payments and distributions to each holder of a Contested Claim, to the extent that such Claim ultimately becomes an Allowed Claim, shall be made in accordance with the provisions of the Plan governing the class of Claims to which the respective holder belongs.

ARTICLE 14 **FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN**

14.1 General

Under the Internal Revenue Code of 1986, as amended (the "Tax Code") and regulations promulgated thereunder (the "Regulations"), there may be certain significant federal income tax consequences for the Debtor, Claimants and Interest Holders associated with the Plan. Certain of these consequences are discussed below. The tax consequences described below are subject to significant uncertainties because of (i) the complexity of the transactions contemplated by the Plan, (ii) the uncertainty as to the tax consequences of events in prior years, including changes made by the Bankruptcy Tax Act of 1980 ("BTA80"), the Tax Reform Act of 1985 ("TRA85"), the Tax Reform Act of 1986 ("TRA86"), the Omnibus Reconciliation Act of 1987 ("ORA87"), the Technical and Miscellaneous Revenue Act of 1988 ("TAMRA"), the Omnibus Budget Reconciliation Act of 1989 ("OBRA89"), the Revenue Reconciliation Act of 1990 ("RRA90") and the Revenue Reconciliation Act of 1993 ("RRA93"), (iii) the differences in the nature of the Claims of the various Claimants, their taxpayer status, residence and methods of accounting (including Claimants within the same Class), (iv) prior actions taken by Claimants with respect to their Claims and (v) the possibility that events or legislation subsequent to the date hereof could change the federal tax consequences of the transactions. There may also be state, local or foreign tax issues that may affect particular Claimants.

HOLDERS OF CLAIMS AND INTERESTS ARE URGED TO CONSULT THEIR TAX ADVISORS RESPECTING THE INDIVIDUAL TAX CONSEQUENCES OF THE TRANSACTIONS CONTEMPLATED UNDER OR IN CONNECTION WITH THE PLAN, INCLUDING STATE, LOCAL AND FOREIGN TAX CONSEQUENCES.

14.2 Tax Consequences to Claimants

A. In General

The tax consequences of the implementation of the Plan to a Claimant will depend in part on (i) whether the Claimant's Claim constitutes a security for federal income tax purposes,

(ii) whether the Claimant reports income on the accrual basis, (iii) whether the Claimant receives consideration in more than one tax year, (iv) whether the Claimant is a resident of the United States, and (v) whether all the consideration received by the Claimant is deemed to be received by that Claimant as part of an integrated transaction. The federal tax consequences upon the receipt of Cash and notes allocable to interest are discussed in "Tax Consequences to Claimants - Receipt of Interest," below.

B. Gain or Loss on Exchange

The Debtor does not believe that any of the creditors' claims will constitute tax securities. Whether a debt instrument constitutes a security is based on the facts and circumstances surrounding the origin and nature of the debt and its maturity date. Generally, claims arising out of the extension of trade credit have been held not to be securities. Instruments with a five-year term or less also rarely constitute securities. Accordingly, a Claimant will recognize gain or loss on the exchange of his existing Claim (other than a Claim for accrued interest) for any consideration. The amount of such gain or loss will equal the difference between (i) the "amount realized" in respect of such Claim and (ii) the adjusted tax basis of the Claimant in such Claim. Pursuant to Section 1001 of the Tax Code, the "amount realized" will be equal to the sum of the Cash plus the fair market value of any other property received in such exchange.

1. Receipt of Cash

A Claimant who receives cash in full satisfaction of his Claim will be required to recognize gain or loss on the exchange. The Claimant will recognize gain or loss equal to the difference between the "amount realized" in respect of such Claim and the adjusted tax basis of the Claimant in the Claim, and the tax treatment of the exchange will parallel the tax treatment set forth under "Tax Consequences to Claimants - Gain or Loss on Exchange," above.

2. Determination of Character of Gain or Loss

In the case of a Claimant whose existing Claim does not constitute a capital asset, the gain or loss realized on the exchange will give rise to ordinary income or loss. In the case of a Claimant whose existing Claim constitutes a capital asset in his hands, the gain or loss required to be recognized will generally be classified as a capital gain or loss, except to the extent of interest. Any capital gain or loss recognized by a Claimant will be long-term capital gain or loss with respect to those Claims for which the holding period of the Claimant is more than twelve (12) months, and short-term capital gain or loss with respect to such Claims for which the holding period of the Claimant is twelve (12) months or less.

3. Receipt of Interest

The BTA80 reversed prior law by providing that consideration attributable to accrued but unpaid interest will be treated as ordinary income, regardless of whether the Claimant's existing Claims are capital assets in his hands and the exchange is pursuant to a tax reorganization. A Claimant who, under his accounting method, was not previously required to include in income accrued but unpaid interest attributable to his existing Claims, and who exchanges his interest Claim for Cash, other property or Stock, or a combination thereof, pursuant to the Plan will be treated as receiving ordinary interest income to the extent of any consideration so received allocable to such interest, regardless of whether that Claimant realizes an overall gain or loss as a result of the exchange of his existing Claims.

C. Backup Withholding

Under the Tax Code, interest, dividends and other "reportable payments" may, under certain circumstances, be subject to "backup withholding" at a thirty-one percent (31%) rate. Withholding generally applies if the holder: (i) fails to furnish his social security number or other taxpayer identification number ("TIN"), (ii) furnishes an incorrect TIN, (iii) fails to report interest or dividends or (iv) under certain circumstances fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is his correct number and that he is not subject to backup withholding.

BECAUSE THE FINAL OUTCOME DEPENDS SO MUCH ON EACH INDIVIDUAL CLAIMANT'S SITUATION, IT IS IMPERATIVE THAT EACH CLAIMANT SEEK INDIVIDUAL TAX COUNSEL FOR ADVICE ON HIS PARTICULAR SITUATION.

ARTICLE 15 **REQUIREMENTS FOR CONFIRMATION OF THE PLAN**

15.1 General Confirmation Requirements

At the Confirmation Hearing, the Court will determine whether the requirements of Section 1129(a) of the Bankruptcy Code have been satisfied. If those requirements have been satisfied, the Court will enter the Confirmation Order. The requirements for confirmation under the Bankruptcy Code are as follows:

- The Plan complies with the applicable provisions of the Bankruptcy Code.
- The proponent of the Plan has complied with the applicable provisions of the Bankruptcy Code.
- The Plan has been proposed in good faith and not by any means forbidden by law.

- Any payment made or promised by the proponent of the Plan or by a person issuing securities or acquiring property under the Plan, for services or for costs and expenses in, or in connection with, the case, or in connection with the Plan and incident to the Case, was disclosed to the Court, and any such payment made before confirmation of the Plan is reasonable, or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Court as reasonable.
- The proponent of the Plan has disclosed the identity and affiliation of any individual proposed to serve, after confirmation of the Plan, as director, officer or voting trustee of the Debtor, any affiliate of the Debtor participating in a joint plan with the Debtor, or a successor to the Debtor under the Plan, and the appointment to, or the continuance in, such office of such individual, is consistent with the interests of Creditors and equity security holders and with public policy.
- The proponent of the Plan has disclosed the identity of any insider that will be employed or retained by the Reorganized Debtor and the nature of the compensation for such insider.
- Any governmental regulatory commission with jurisdiction, after confirmation of the Plan, over the rates of the Debtor has approved any rate change provided for in the Plan, or such rate change is expressly conditioned on such approval.
- With respect to each class of impaired Claims, either each holder of a Claim in such class has accepted the Plan, or will receive or retain under the Plan on account of such Claim property of a value, as of the Effective Date of the Plan, that is not less than the amount such Claimant would receive or retain if the Debtor was liquidated on such date under Chapter 7 of the Bankruptcy Code.
- Subject to the Plan proponent's "cramdown" right described in Section 15.2 which follows, each class of Claims has either accepted the Plan or is not impaired under the Plan.
- Except to the extent that the holder of a particular Claim has agreed to a different treatment of such Claim, the Plan provides that administrative expense Claims will be paid in Cash in full on the Effective Date and that any tax Claim entitled to priority under Section 507(a)(7) is being paid in full in deferred cash payments, over a period not exceeding six years after the date of assessment of such Claim, of a value, as of the Effective Date of the Plan, equal to the allowed amount of such Claim.
- At least one impaired class of Claims has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim in such class.

- Confirmation of the Plan is not likely to be followed by the liquidation of the Debtor or the need for further financial reorganization of the Debtor or any successors to the Debtor under the Plan, unless such liquidation or reorganization is proposed in the Plan.

The Debtor believes that the confirmation requirements applicable to the Case are met under the Plan. The Debtor will present evidence in support of each applicable requirement at the Confirmation Hearing.

15.2 Potential Cramdown of the Plan

If any impaired class of Claims does not vote to accept the Plan, the Court may nevertheless confirm the Plan pursuant to the "cramdown" provisions of Section 1129(b) of the Bankruptcy Code. If the Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" to each class of dissenting Creditors, the Court may confirm the Plan through "cramdown." The Plan will not discriminate unfairly if no class receives more than it is legally entitled to receive.

With respect to each dissenting class of Unsecured Claims, "fair and equitable" means either: (i) the members of each dissenting impaired class of Unsecured Claims receive property of a value, as of the Effective Date of the Plan, equal to the amount of their Allowed Claim; or (ii) the holders of Claims and Interests that are junior to each dissenting impaired class of Unsecured Claims will not receive any property under the Plan. A plan is not fair and equitable to a class of interests if any class of claims is paid more than in full.

15.3 Absolute Priority Rule

Simply characterized, the absolute priority rule set forth in Section 1129(b)(2)(B) of the Bankruptcy Code requires that confirmation obtained by "cramdown" meet an either/or test. Either (i) the members of each dissenting impaired class of unsecured claims must receive property of a value, as of the effective date of the plan, equal in amount to such class members' allowed claim; or (ii) the holders of claims and interests that are junior to each dissenting impaired class of claims must not receive any property under the plan of reorganization on account of "such junior interest." The absolute priority rule applies only in cases where a class of claims or equity interests, is both impaired and does not accept the plan. Thus, the absolute priority rule does not apply to all classes of claims and equity interests but only to the dissenting class and classes' junior to the dissenting class.

The application of the absolute priority rule contains complexities and subtleties, the explanation of which is beyond the scope of this Disclosure Statement. To the extent a creditor or equity holder desires further explanation regarding such rule, they are advised to seek advice of counsel.

ARTICLE 16
CONCLUSION

Through confirmation of the Plan, the Debtor believes that it can resolve all claims that had been, or could be, asserted against it in a timely and cost effective manner. The Debtor believes that the Plan provides a mechanism to resolve the claims of and provide just compensation to all claimants. The Debtor believes that the Plan is fair to all parties-in-interest and should be approved by creditors and claimants.

THE DEBTOR URGES YOU TO VOTE TO ACCEPT THE PLAN.

COASTAL CONDOS, LLC

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Counsel for Debtor

SCHEDULE OF EXHIBITS

Exhibit "A" Plan of Reorganization dated June 19, 2013

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF FLORIDA
*Miami Division***

In re:

COASTAL CONDOS, LLC,

CASE NO. 13-20729 AJC

Debtor.

Chapter 11

DEBTOR'S PLAN OF REORGANIZATION DATED JUNE 19, 2013

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PLAN OF REORGANIZATION

Coastal Condos, LLC, the Debtor in Possession ("Debtor" or "Coastal"), in the above-referenced Chapter 11 Case, proposes the following Plan of Reorganization (the "Plan") under Chapter 11 of the Bankruptcy Code.

ARTICLE 1 **DEFINITIONS AND INTERPRETATION**

1.1 Definitions

The capitalized terms used herein shall have the respective meanings set forth in Exhibit "A" attached hereto and incorporated herein by reference. Other capitalized terms not defined herein shall have the same meaning as set forth in the Bankruptcy Code. Other capitalized terms not defined herein or in the Bankruptcy Code shall have the same meaning as set forth in the Disclosure Statement.

1.2 Interpretation

Unless otherwise specified, all section, article and exhibit references in the Plan are to the respective section in, article of or exhibit to the Plan, as the same may be amended, waived or modified from time to time. The headings in the Plan are for convenience of reference only and shall not limit or otherwise affect the provisions of the Plan. Words denoting the singular number shall include the plural number and vice versa, and words denoting one gender shall include the other gender. All exhibits and schedules attached to the Plan are incorporated herein by such attachment.

1.3 Reorganized Debtor

The Plan shall be liberally construed for the benefit of the Debtor and Reorganized Debtor regarding the interchangeableness of the term "**Debtor**" with the term "**Reorganized Debtor**" and other instances of the use "Reorganized", which means post-confirmation Debtor for reorganization purposes.

1.4 Application of Definitions and Rules of Construction Contained in the Bankruptcy Code

Words and terms defined in §101 of the Bankruptcy Code shall have the same meaning when used in the Plan, unless a different definition is given in the Plan. The rules of construction contained in §102 of the Bankruptcy Code shall apply to the construction of the Plan.

1.5 Other Terms

The words "herein," "hereof," "hereto," "hereunder" and others of similar import refer to the Plan as a whole and not to any particular section, subsection or clause contained in the

Plan. A term used herein that is not defined herein shall have the meaning ascribed to that term, if any, in the Bankruptcy Code.

ARTICLE 2
CLASSIFICATION OF CLAIMS

2.1 Claims Classified

For purposes of organization, voting and all confirmation matters, except as otherwise provided herein, all Claims (except for Administrative Claims and Priority Tax Claims) shall be classified as set forth in this Article 2 of the Plan.

2.2 Administrative Claims and Priority Tax Claims

As provided in §1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims against the Debtor shall not be classified for purposes of voting or receiving distributions under the Plan. Rather, all such Claims shall be treated separately as unclassified Claims on the terms set forth in Article 4 of the Plan.

2.3 Classification of Claims

The Plan classifies the Claims against the Debtor as follows:

- | | |
|----------|--|
| Class 1: | Secured Claims / Ad Valorem Taxing Authorities / Miami-Dade County |
| Class 2: | Priority Unsecured Claims |
| Class 3: | Paid Unsecured Claims |
| Class 4: | General Unsecured Claims |
| Class 5: | First Equitable Realty III, Ltd. |
| Class 6: | Subordinated Claims, Penalty Claims, Securities Law Claims and Disallowed Claims |
| Class 7: | Equity Holders |

ARTICLE 3
PROVISIONS FOR TREATMENT OF CLAIMS UNDER THE PLAN

3.1 Unimpaired Classes of Claims

All classes of Claims except Class 2 are impaired under the Plan.

3.2 *Treatment of Claims*

The classes of Claims against the Debtor shall be treated under the Plan as follows:

(a) CLASS 1 – AD VALOREM TAXING AUTHORITIES / SECURED CLAIM OF MIAMI-DADE COUNTY.

This class shall consist of Miami-Dade County, Florida for ad valorem property taxes. The claim shall be treated as a fully Allowed Secured Claim. The property taxes shall be paid in three (3) parts.

Part 1: Pre-Petition Claim - Miami-Dade County has a pre-petition claim in the amount of \$173,498.28. The Debtor shall pay this claim in full within sixty (60) days of a Confirmation Order becoming final.

Part 2: 2013 Taxes - Miami-Dade County will be due to be paid for the 2013 property taxes by March 1, 2014. The Debtor estimates that amount to be \$172,000. The Debtor shall pay the 2013 taxes in full the later of March 1, 2014 or within fourteen (14) days of a Confirmation Order becoming final.

Part 3: 2014 and future taxes - The Debtor shall establish a designated property tax account beginning July 2014 in which the Debtor shall deposit approximately \$13,700 per month for the payment of future Miami-Dade County ad valorem taxes. The Debtor, in its discretion, shall use the funds as necessary for the payment of future ad valorem taxes.

Miami-Dade County shall retain its tax lien security it's Allowed Secured Claim until paid in full. This class shall be deemed impaired.

(b) CLASS 2 – PRIORITY UNSECURED CLAIMS.

This class does not include the Office of the United States Trustee. Payments to the U.S. Trustee are paid pursuant to Section 12.6 of the Plan.

The Debtor is not aware of any priority unsecured claims other than the Internal Revenue Service which has filed a claim in the amount of \$4,575.35. Generally, Allowed Priority Tax Claims are paid pursuant to Section 4.2 of the Plan which provides as follows:

In accordance with §1129(9)(c) of the Bankruptcy Code, each holder of an Allowed Priority Tax Claim (being Internal Revenue Service and/or the State Taxing Authorities) shall receive in satisfaction of such holder's Allowed Priority Tax Claim one of the following treatments, as selected by the Debtor in its discretion; (1) the amount of such holder's Allowed Claim, with interest accruing after the Effective Date at the Interest Rate, in equal annual Cash payments on each anniversary of the Distribution Date until

the sixth such anniversary of the date of assessment of such Claim; (2) a lesser amount in one Cash payment as may be agreed upon in writing; or (3) such other treatment as may be agreed upon in writing. The Debtor may prepay all or any part of an Allowed Priority Tax Claim. These tax claims shall be paid in full prior to any payments being made to general unsecured claims (Class 4), First Equitable Realty III, Ltd. (Class 5) subordinated claims, etc. (Class 6) or Equity Holders (Class 7).

In this case, the Debtor is in the process of obtaining records from First Equitable Realty III, Ltd. ("FER") to determine if amended tax returns for 2008, 2009 and 2010 are necessary. Further the Debtor will have to prepare and file returns for 2011 and 2012. It is the Debtor's intent to have all returns from 2008 to date correctly and properly filed and to prepare and file the 2011 and 2012 returns prior to the hearing on confirmation of this Plan. The tax liability - if any - that is generated shall be paid in cash payment from the designated creditors' account that is being established pursuant to the terms of the Plan. The Allowed Priority Tax Claims shall be paid in full prior to any payments being made to General Unsecured Claims (Class 4), FER (Class 5), Subordinated Claims (Class 6) or Equity Holders (Class 7).

This is not a voting class. The Debtor establishes the Class only as a convenience to acknowledge the priority of distribution.

(c) CLASS 3 – PAID UNSECURED CLAIMS.

This class consists of creditors that hold pre-petition claims that appear to have been paid post-petition without Court authority and without the Debtor's consent or knowledge during the Chapter 11 filed in Mississippi. The Debtor asserts that the payments would have been subject to avoidance as unauthorized post-petition transfers pursuant to 11 U.S.C. §549. To the best of the Debtor's information and knowledge at this time, these payments consist of the following:

<u>Creditor</u>	<u>Amount</u>
American Bathtub & Tile Refinishing	unknown
Application Processing Service	\$20.00
AT&T	\$403.33
Don Bailey Flooring Today	unknown
Dpaul Plumbing, Inc.	\$525.10
Grandview Palace Condo Assoc.	\$37,424.19
HD Supply Facilities Maintenance	unknown

Manny Garcia	\$235.00
Pitney Bowes, Inc.	\$91.52
Silver Paint & Hardware Supply	unknown

The Debtor does not presently intend to pursue reimbursement of payments from these listed creditors. However, the creditors shall not be allowed any other pre-petition claims against the estate and will be paid nothing under the terms of the Plan for pre-petition claims. It is noted that this Class 3 does not include any payments that may have been made to any party listed in Section 6.4 of this Plan.

This class is deemed impaired.

(d) CLASS 4 – GENERAL UNSECURED CLAIMS.

Class 4 includes each holder of an Allowed General Unsecured Claim which is not otherwise classified and shall receive payment in full without interest. The payments to Class 4 will not be made until Class 1, Part 1 (Miami Dade County Taxes) and Class 2 (Internal Revenue Service) have been paid in full. The payments shall be made from the designated creditors' account being established. The Debtor shall deposit \$30,000 per month to the designated creditors account. However, the transfer of funds to the designated creditors account shall not be made if the transfer reduces the operating account balance below \$150,000. In that event, the transfer shall be made for funds in excess of \$150,000 up to \$30,000. The Debtor shall make a distribution to creditors at least at the end of each quarter after confirmation. The payments to creditors in this Class 4 shall be paid on a pro rata basis until paid in full.

This class is deemed impaired.

(e) CLASS 5 – FIRST EQUITABLE REALTY III, LTD.

This Class 5 consists of the disputed unliquidated and contingent claim of FER. The Debtor proposes that the FER claim, if any, be subordinated to all other claims **except** claims in Class 6 and 7. FER has a claim in the amount of \$17,615,322.00. The Debtor will file an Objection to the Claim.

In the Mississippi bankruptcy case, the Debtor filed two (2) adversary proceedings against FER. On June 11, 2012, Coastal filed its Complaint against FER (Adversary Proceeding No. 12-00065). This adversary proceeding included claims for turnover of funds, books and records, and an accounting (collectively "AP 12-65 Claims"). On August 24, 2012, Coastal filed its Complaint against FER (Adversary Proceeding No. 12-00090). This adversary proceeding included claims for a determination of insider, a determination of fiduciary relationship, unauthorized transfer of funds, application of instrumentality rule, determination of FER's liability of Coastal's debts and subordination (collectively "AP 12-90 Claims"). Further, the Debtor objected

to the amount of FER's claim and demanded a strict accounting of records and balances from May 2008 forward including but not limited to the closing of bank accounts, collection of rents, payment of expenses and application of the Debtor's funds to FER debt. Based upon the AP 12-65 Claims, the AP 12-90 Claims, and other objections, the Debtor asserts that it is not indebted to FER. The Debtor will file an adversary proceeding in this Court. The amount of the indebtedness that the Debtor is determined to owe to FER (if any) should be reduced accordingly to the correct amount taking into account the Debtor's claims against FER including but not limited to the AP 12-65 Claims, the AP 12-90 Claims, setoffs, and the claims included in the adversary proceeding to be filed.

The Debtor is specifically reserving all claims listed here and including the claims reserved under Section 6.4 of this Plan.

The Plan is to pay all Allowed Claims of Class 1, Parts 1 and 2, Class 2, Class 3 and Class 4 (which are all claims other than FER) 100% before payments are to be made to FER. Once the process of paying other creditors is complete and depending on the outcome of the litigation and disputes with FER, there should be an established subordinated Allowed Claim of FER. The Debtor shall pay the FER subordinated Allowed Claim, if any, from the designated creditors' account. The Debtor shall make a monthly distribution until the FER claim is paid in full without interest. The payments to FER shall be graduated payments as follows:

<u>Year</u>	<u>Monthly</u>	<u>5 Year Totals</u>
1-5	\$30,000 x 60 months	\$1,800,000
6-10	\$35,000 x 60 months	\$2,100,000
11-15	\$37,500 x 60 months	\$2,250,000
15-20	\$40,000 x 60 months	\$2,400,000
20-25	\$42,500 x 60 months	<u>\$2,550,000</u>
	Total:	\$11,100,000

At the end of twenty-five (25) years, if there is any balance owed, the amount shall balloon and be due and payable in full.

Further, after all payments are made to all claimants other than FER, and a FER Allowed Claim is established by the Court, the Debtor may, in its discretion, transfer condo units to FER as credit against the FER claim and in lieu of the FER claim and in full satisfaction of the FER claim.

Also, pursuant to the terms of this Plan, FER may elect prior to confirmation to agree (i) to an Allowed Unsecured Claim in the amount of \$7,560,000, (ii) that claim is subordinated to the claims of Classes 1, 2, 3 and 4, and (iii) that the FER Allowed Claim shall be paid according to the terms of this Plan. If FER makes such an election, it must be done in writing and filed with the Court. In that event, the Debtor shall dismiss any Adversary Proceeding that has been filed by Coastal. This election allows the lawsuits and disputes to be resolved without further litigation and expense.

This class shall be deemed impaired.

- (f) CLASS 6 – SUBORDINATED CLAIMS, PENALTY CLAIMS, SECURITIES LAW CLAIMS, DISALLOWED CLAIMS.

The holders of Disallowed Claims, Subordinated Claims, and Penalty Claims shall receive no distributions under the Plan on account of such claims. The Plan shall constitute an action seeking subordination of all claims in Class 6 to all other Claims and Interest pursuant to the Bankruptcy Code §510 and any other relevant provisions of the Bankruptcy Code, Rules and applicable state or federal law.

This Class 6 does not include the FER Allowed Subordinated Claim in Class 5. This class shall be deemed impaired.

- (g) CLASS 7 – ANY ALLOWED EQUITYHOLDERS INTEREST.

Each holder of an Allowed Equity Holder Interest (shareholder/member) in the Debtor shall receive the same share of ownership in the Reorganized Debtor as currently held by the holders in the Debtor. Only if every Allowed Claim is paid in full will an Equity Holder receive any distributions. The Allowed Equity Holder may transfer his ownership interest to another entity in the future. Such a transfer shall have no effect on the Debtor's obligations under the Plan.

ARTICLE 4

PROVISIONS FOR TREATMENT OF UNCLASSIFIED CLAIMS UNDER THE PLAN

4.1 Treatment of Administrative Claims

All Administrative Claims against the Debtor shall be treated as follows:

(a) *Post-Petition Payables.* All allowed Administrative Claims that are incurred by the Debtor in the ordinary course of business shall be paid on (i) the Effective Date, (ii) when due, or (iii) the date on which there exists a Final Order requiring payment.

(b) *Time for Filing Administrative Claims.* The holder of an Administrative Claim, other than (1) a Fee Claim, and (2) a liability incurred and paid in the ordinary course of business by the Debtor after the Petition Date, must file with the Bankruptcy Court and serve on the Debtor and its counsel notice of such Administrative Claim within 45 days after the

Confirmation Date. Such notice must include at a minimum: (1) the name of the holder of the Claim; (2) the amount of the Claim; and (3) the basis of the Claim. Failure to file and serve this notice timely and properly shall result in the Administrative Claim being forever barred and discharged.

(c) *Filing Fee Claims.* Each Professional Person or other entity that holds or asserts an Administrative Claim that is a Fee Claim incurred before the Effective Date shall be required to file with the Bankruptcy Court, and serve on all parties required to receive notice, a Fee Application. Professionals shall not be required to seek or obtain any approval of fees or expenses incurred from and after the Effective Date.

(d) *Allowance of Administrative Claims.* An Administrative Claim with respect to which notice has been properly filed pursuant to Section 4.1(a) of the Plan shall become an Allowed Administrative Claim if no objection is filed within 21 days after the filing and service of notice of such Administrative Claim. If an objection is filed within such twenty-one day period, the Administrative Claim shall become an Allowed Administrative Claim only to the extent allowed by Final Order. An Administrative Claim that is a Fee Claim, and with respect to which a Fee Application has been properly filed pursuant to Section 4.1(b) of the Plan, shall become an Allowed Administrative Claim only to the extent allowed by Final Order.

(e) *Payment of Allowed Administrative Claims.* Each holder of an Allowed Administrative Claim against the Estate shall receive (1) the amount of such holder's Allowed Claim in one Cash payment or (2) such other treatment as may be agreed upon in writing by the Debtor and such holder; provided, however, that an Administrative Claim representing a liability incurred in the ordinary course of business of the Debtor may be paid in the ordinary course of business by the Debtor.

4.2 Treatment of Priority Tax Claims

In accordance with §1129(9)(c) of the Bankruptcy Code, each holder of an Allowed Priority Tax Claim (being Internal Revenue Service and/or the State Taxing Authorities) shall receive in satisfaction of such holder's Allowed Priority Tax Claim one of the following treatments, as selected by the Debtor in its discretion; (1) in full, in one cash payment, within 60 days of a final order allowing such claim or upon agreement of the parties as to the amount of such claim; (2) a lesser amount in one Cash payment as may be agreed upon in writing; or (3) such other treatment as may be agreed upon in writing. The Debtor may prepay all or any part of an Allowed Priority Tax Claim. These tax claims shall be paid in full prior to any payments being made to general unsecured claims (Class 4), First Equitable Realty III, Ltd. (Class 5) subordinated claims, etc. (Class 6) or Equity Holders (Class 7).

ARTICLE 5
ACCEPTANCE OR REJECTION OF THE PLAN;
EFFECT OF REJECTION BY ONE OR MORE CLASSES OF CLAIM

5.1 *Classes Entitled to Vote*

Each impaired class of Claims shall be entitled to vote separately to accept or reject the Plan. Any unimpaired class of Claims shall be deemed to have accepted the Plan. Any class of Claims that will not receive or retain any property on account of such Claims shall be deemed to have rejected the Plan.

5.2 *Class Acceptance Requirement*

A class of Claims shall have accepted the Plan if it is accepted by at least two-thirds in dollar amount and more than one-half in number of the Allowed Claims in such class that have voted on the Plan.

5.3 *Cramdown*

If any class of Claims shall fail to accept the Plan in accordance with §1126(c) of the Bankruptcy Code, the Bankruptcy Court may still confirm the Plan in accordance with §1129(b) of the Bankruptcy Code. In the event that confirmation is requested under §1129(b) of the Bankruptcy Code, the Debtor reserves the right to amend or otherwise modify the Plan to eliminate distributions to holders of any Claims junior to any class of Claims that is impaired under and has not accepted the Plan in accordance with §1129(b)(2) of the Bankruptcy Code.

ARTICLE 6
MEANS FOR IMPLEMENTATION OF THE PLAN

6.1 *Debtor's Implementation*

The Confirmation Order shall authorize the Reorganized Debtor for the purposes of reorganization to take such actions as may be necessary to fully consummate the Plan.

6.2 *Officers of the Reorganized Debtor*

The respective corporate officers of the Debtor shall continue to serve as the officers of the Reorganized Debtor on the Effective Date. After confirmation of the Plan, Coastal shall remain in control of the bankruptcy estate until complete distributions to creditors.

6.3 *Charter and Bylaws*

The charter and bylaws of the Reorganized Debtor may be amended as soon as practicable after the Effective Date to contain such provisions as are necessary to satisfy the provisions of the Plan and 11 U.S.C. § 1123(a)(6) and may contain indemnification and limitation of liability provisions applicable to professionals and employees of the Reorganized Debtor for the purposes of reorganization and such other Persons as may, in the discretion of

the Debtor be appropriate. In addition, the Debtor's Articles of Incorporation and Bylaws may be amended and all necessary corporate action may be taken as soon as practicable after the Effective Date.

6.4 Vesting of Assets

On the Effective Date, the property of the estate of the Debtor, including but not limited to any rights or causes of action, whether under the Bankruptcy Code or other applicable law and including, without limitation, preference claims, fraudulent transfer claims and any other claims under chapter 5 of the Bankruptcy Code, shall vest in the Reorganized Debtor for the purposes of liquidation, subject to the following sentence. The Debtor shall have the exclusive right to prosecute and settle any actions under chapter 5 of the Bankruptcy Code as it deems to be in the best interests of the estate. The Debtor reserves the right to file settlement motions it deems necessary. Upon any subsequent conversion to a case under chapter 7, all assets vesting in the Reorganized Debtor shall pass to the chapter 7 trustee as property of the chapter 7 estate; provided, however, such property and other assets shall remain subject to those Claims, Liens, and encumbrances as Allowed and restructured in this Plan and as specified herein.

In addition to this provision and the Debtor's Disclosure Statement provisions under Articles 5 and 9 and the Plan provisions under Article 10, the Debtor specifically preserves its rights to make a claim against Patsy Stecco, Mortgage Processors of South Florida, Zorilla & Associates, Vanessa Del V. Castillo, Jesus Hernandez, First Equitable Realty III, Ltd., First Equitable Realty III, Inc., Charles C. Edwards, James Edwards, unknown affiliated companies, and other John Does related to any claim or interest belonging to the Debtor or to the estate under any and all tort claims and/or contract claims including, but not limited to, claims in Adversary Proceeding No. 12-00065, claims Adversary Proceeding No. 12-00090, turnover of funds, books and records, accounting, determination of insider, a determination of fiduciary relationship, unauthorized transfer of funds, application of instrumentality rule, determination of liability, subordination, breach of contract, breach of the covenant of good faith and fair dealing, fraud, breach of fiduciary duty, aiding and abetting any wrongful act including breach of fiduciary duty, assisting and encouraging any wrongful act including breach of fiduciary duty, negligence per se, conspiracy, deepening insolvency, fraudulent inducement, fraudulent concealment, intentional misconduct, negligence, gross negligence, negligent misrepresentation, conversion, violation of state or federal statutes or rules, conspiracy, unjust enrichment, constructive trust, tortious interference with a contractual or business relationship, fraudulent conveyance or transfer, or any other claim or causes of action of any kind or nature in law or in equity recognized by federal law or the laws of any state or foreign country, which may apply to Coastal's dealings or relationships with FER, Charles Edwards or any of their affiliates or subsidiaries, including all rights to recover actual or punitive damages, penalties, attorney's fees, interest, restitution, or any other remedy available to Coastal.

The Plan of Reorganization hereby expressly provides for the retention and enforcement by the Debtor post-confirmation as it pertains to the claims against the above

named persons. It is the intent of the Debtor to describe causes of action to ensure that such causes of action are preserved post-confirmation.

6.5 Corporate Authority

(a) All actions and transactions contemplated under the Plan shall be authorized upon Confirmation of the Plan without the need of further resolutions, approval, notice or meetings, other than the notice provided by serving this Plan on all known creditors and parties in interest of the Debtor, and all current directors of the Debtor. The Confirmation Order shall include provisions dispensing with the need of further resolutions, approval, notice or meetings and authorizing and directing the Officers of the Debtor to execute such documents as may be necessary to effectuate the Plan, which documents shall be binding on the Debtor and the Debtor's creditors and equity holders.

(b) The Debtor shall also have authority, after Confirmation of the Plan, to sell, lease, license or otherwise dispose of its assets. After confirmation of the Plan, the Debtor may sell, lease, license or otherwise dispose of its assets in a manner not inconsistent with his obligations under the Plan.

6.6 Assumption of Liabilities

The liability for and obligations under the Plan shall be assumed by and become obligations of the Reorganized Debtor.

6.7 Claims on File; No Allowance of Untimely Claims

The Debtor is relying on the formal proofs of Claims on file as of the Voting Deadline and the Debtor's Schedules currently on file in seeking confirmation of the Plan. No informal proof of Claim shall be deemed to have been filed in this Chapter 11 Case; no informal amendment, modification, or supplementation shall be deemed filed in this Chapter 11 Case. No proof of Claim may be filed, amended, modified, or supplemented after the claims bar date established by order of this Court without the consent of the Debtor or approval of the Court. Any filing prohibited by this paragraph shall be void.

6.8 Integration Clause

This Plan is a complete, whole, and integrated statement of the binding agreement between the Debtor, creditors, and the parties-in-interest upon the matters herein. Parol evidence, including previously proposed but unconfirmed plans or drafts thereof, shall not be admissible in an action regarding this Plan or any of its provisions.

ARTICLE 7
PROVISIONS GOVERNING DISTRIBUTIONS

7.1 *Date of Distributions*

Any distributions and deliveries to be made under the Plan shall be made on the Distribution Dates, as otherwise provided for herein, or as the Bankruptcy Court may order.

7.2 *Reorganized Debtor as Reorganized Debtor*

Coastal on behalf of the Reorganized Debtor for purpose of reorganization shall make all distributions required under the Plan.

7.3 *Means of Cash Payment*

Cash payments made pursuant to the Plan shall be in U.S. funds, by check drawn on a domestic bank, or, at Debtor's option, by wire transfer from a domestic bank, except that payments made to foreign creditors holding Allowed Claims may at the Debtor's election, be in such funds and paid by such means as are customary or as may be necessary in a particular foreign jurisdiction.

7.4 *Delivery of Distributions*

Subject to Bankruptcy Rule 9010, distributions to holders of Allowed Claims shall be made at the address of each such holder as set forth on the proofs of Claim filed by such holders (or at the last known address of such a holder if no proof of Claim is filed or if the Debtor has been notified in writing of a change of address). If any holder's distribution is returned as undeliverable and after good faith inquiry of the Debtor to obtain a correct address, no further distributions to such holder shall be made unless and until the Debtor is notified in writing of such holder's then current address, at which time all missed distributions shall be made to such holder without interest. Amounts in respect of undeliverable distributions made through the Reorganized Debtor shall be returned to the Reorganized Debtor until such distributions are claimed. All unclaimed property shall be paid to the registry of the Court and the claim of any holder with respect to such property shall be discharged and forever barred as to the Reorganized Debtor.

7.5 *Time Bar to Cash Payments*

Checks issued by Debtor in respect of Allowed Claims shall be null and void if not negotiated within ninety (90) days after the date of issuance thereof. Requests for reissuance of any check shall be made directly to the Debtor by the holder of the Allowed Claim with respect to which such check originally was issued.

ARTICLE 8
PROCEDURES FOR RESOLVING AND TREATING
CONTESTED AND DISPUTED CLAIMS UNDER THE PLAN

8.1 *Objection Deadline*

As soon as practicable, unless otherwise ordered by the Bankruptcy Court, objections to Claims shall be filed with the Bankruptcy Court and served upon the holders of each of the Claims to which objections are made.

8.2 *Prosecution of Objections*

On and after the Effective Date, except as the Bankruptcy Court may otherwise order, the filing, litigation, settlement or withdrawal of all objections may be made by the Debtor. The Bankruptcy Court shall determine the amount and legality of all claims.

8.3 *No Distributions Pending Allowance*

Notwithstanding any other provision of the Plan, no payment or distribution shall be made with respect to any Claim to the extent it is a Contested Claim unless and until such Contested Claim becomes an Allowed Claim.

8.4 *Distributions after Allowance*

Payments and distributions to each holder of a Contested Claim, to the extent that such Claim ultimately becomes an Allowed Claim, shall be made in accordance with the provisions of the Plan governing the class of Claims to which the respective holder belongs.

ARTICLE 9
PROVISIONS GOVERNING EXECUTORY CONTRACTS AND
UNEXPIRED LEASES UNDER THE PLAN

9.1 *Rejection of Certain Contracts and Leases*

The Plan constitutes and incorporates a motion by the Debtor to accept, as of the Confirmation Date, the Contracts listed in Exhibit "B" attached hereto, which list may be amended from time to time by the Debtor. No cure of such Contracts pursuant to Bankruptcy Code §365(b)(1)(A) is necessary other than the Cure Payments; and no Bankruptcy Code §365(b)(1)(B) compensation is owing or shall be owing upon the assumption of such Contracts. Confirmation of this Plan shall be deemed (i) adequate assurance of prompt cure of any default under such Contracts solely based upon the Debtor's obligations in the Plan to make the Cure Payments and (ii) adequate assurance of future performance under such Contracts.

9.2 Rejected if Not Assumed

All pre-Petition Date Contracts to which the Debtor is a party are rejected, except for any Contract that has been assumed or rejected pursuant to order of the Bankruptcy Court prior to the Confirmation Date or which assumed pursuant to Section 9.1 hereof.

9.3 Bar to Rejection Damages

If the rejection of a Contract by the Debtor results in damages to the other party or parties to such Contract, a Claim for such damages shall be filed within 30 days of the confirmation order become final, if not heretofore evidenced by a timely filed proof of Claim, failing which, such rejection claim shall be forever barred and shall not be enforceable against the Debtor, the Reorganized Debtor or its respective properties or its agents, successors or assigns.

9.4 Insurance Policies

Notwithstanding anything in the Plan or Sections 9.1 and 9.2 of the Plan, all insurance policies under which the Debtor is the insured party shall be deemed assumed as of the Confirmation Date. All payments upon such policies are current. No Cure Payments are necessary.

ARTICLE 10

DISCHARGE, RELEASE AND EXTINGUISHMENT OF LIENS, CLAIMS, INTERESTS, AND ENCUMBRANCES

10.1 Exculpation of Released Parties Professionals, and Officers and Directors.

Except as otherwise specifically provided in the Plan, the Debtor, the professionals retained in the Debtor's chapter 11 case, and any of such parties' respective current or former members, shareholders, officers, directors, employees, advisors, attorneys, business consultants, representatives, financial advisors, investment bankers or agents and any of such parties' successors and assigns, shall not have or incur, and hereby release, any claim, cause of action, or other legal or equitable rights against one another, or any of the foregoing parties' respective agents, officers, directors, shareholders, members, employees, representatives, financial advisors, attorneys or Affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to, or arising out of the Debtor's chapter 11 case, the pursuit of confirmation of the Plan, the consummation of the Plan, the administration of the Plan, or the property to be distributed under the Plan, except for their willful misconduct. In all such instances, the above-referenced parties shall be and have been entitled to reasonably rely on the advice of counsel with respect to their duties and responsibilities in connection with the Debtor's chapter 11 case and under the Plan.

Notwithstanding any other provision of this Plan, no Claim Holder, Interest Holder, or other party in interest, none of their respective agents, officers, directors, shareholders, members, employees, representatives, financial advisors, attorneys or Affiliates, and no

successors or assigns of the foregoing, shall have any claim, cause of action, or other legal or equitable right against the Debtor, the professionals retained in the chapter 11 case, and any of such parties' respective current or former members, shareholders, officers, directors, employees, advisors, attorneys, business consultants, representatives, financial advisors, investment bankers or agents and any of such parties' successors and assigns, for any act or omission in connection with, relating to, or arising out of the chapter 11 case, the pursuit of confirmation of the Plan, the consummation of the Plan, the administration of the Plan or the property to be distributed under the Plan, except for their willful misconduct. In all such instances, the above-referenced parties shall be and have been entitled to reasonably rely on the advice of counsel with respect to their duties and responsibilities in connection with the Debtor's chapter 11 case and under the Plan.

Nothing contained in this Plan or in this Section is to be construed to be a release of the Debtor's insurance agents, insurers, or any other party related to the insurance policies.

Nothing contained in this Plan or in this Section is to be construed to be a release of Patsy Stecco, Mortgage Processors of South Florida, Zorrilla & Associates, Juan C. Zorrilla, W. Kent Ihrig, Shumaker, Loop & Kendrick, LLP, Vanessa Del V. Castillo, Jesus Hernandez, First Equitable Realty III, Ltd., First Equitable Realty III, Inc., Charles C. Edwards, James Edwards, unknown affiliated companies, and other John Does related to these named persons.

10.2 Confirmation Injunctions

Except as otherwise provided herein (and with respect to the Reorganized Debtor only), pursuant to §105 and §1141 of the Bankruptcy Code, all Persons, holders of all Claims, holders of equity interests, entities and parties-in-interest are permanently stayed, restrained, and enjoined from taking one or more of the following actions for the purpose of, directly or indirectly, collecting or receiving payment on or with respect to any Claim or equity interest or from seeking contribution, indemnity, or any recovery or remedy (whether relating to any Claim or equity interest or not) from or against the Reorganized Debtor or any property of the Reorganized Debtor, its officers, agents, employees, directors, attorneys, financial advisors, personal representatives or successors of any of the foregoing or any property of the foregoing, including without limitation, the following:

- (i) the commencement or continuation in any manner, directly or indirectly, of any suit, action or other proceeding (including, without limitation, any and all proceedings in a judicial, arbitral, administrative, or other forum) against or affecting any of the above persons or entities;
- (ii) the enforcement, levy, or attachment (including, without limitation, any pre-judgment attachment), collection or other recovery by any means or in any manner, whether directly or indirectly on any judgment, award, decree, or other order against any of the above persons or entities; and

(iii) the set-off, right to seek reimbursement, indemnification, contribution from or subrogation against or otherwise recouping in any manner, directly or indirectly, any amount against any of the above persons or entities.

10.3 Injunction Against Certain Claims Against William D. Dickson

FER and its related entities shall be enjoined and forever barred from initiating or continuing any lawsuits or other proceedings against William D. Dickson or related entities or professionals which relate, in any way, to the assets and liabilities of the Debtor including, without limitation, that certain lawsuit styled First Equitable Realty III, Ltd. v. William B. Dickson, Case No. 1:13-cv-20609, presently pending in the United States District Court for the Southern District of Florida.

ARTICLE 11 **RETENTION OF JURISDICTION**

11.1 Scope of Jurisdiction

Pursuant to §1334 and §157 of title 28 of the United States Code, the Bankruptcy Court shall retain and have jurisdiction over all matters arising in, arising under and related to the Chapter 11 Case and the Plan pursuant to, and for the purposes of §105(a) and §1142 of the Bankruptcy Code and for, among other things, the following purposes:

- (a) To hear and determine pending applications for the assumption or rejection of Contracts and the allowance of Claims resulting therefrom;
- (b) To hear and determine any and all adversary proceedings, applications and contested matters, including any remands of appeals;
- (c) To ensure that distributions to holders of Allowed Claims are accomplished as provided herein;
- (d) To hear and determine any timely objections to or applications concerning Claims or the allowance, classification, priority, compromise, estimation or payment of any Claim;
- (e) To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, reversed or vacated;
- (f) To enter and implement such orders as may be necessary or appropriate to execute, interpret, implement, consummate or enforce the Plan and the transactions contemplated thereunder;

(g) To consider any modification of the Plan pursuant to §1127 of the Bankruptcy Code, to cure any defect or omission or to reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;

(h) To hear and determine all Fee Applications and Fee Claims;

(i) To hear and determine disputes arising in connection with the execution, interpretation, implementation, consummation or enforcement of the Plan;

(j) To enter and implement orders or take such other actions as may be necessary or appropriate to restrain interference by any entity with the consummation or implementation of the Plan, including, without limitation, to issue, administer and enforce injunctions provided for in the Plan and the Confirmation Order;

(k) To hear and determine motions seeking a compromise and settlement of any Contested Claim;

(l) To recover all assets of the Debtor and/or the Reorganized Debtor for purpose of liquidation and property of the estate, wherever located;

(m) To hear and determine matters concerning state, local and federal taxes in accordance with §346, §505 and §1146 of the Bankruptcy Code;

(n) To enforce the releases and injunctions described, set forth, and granted in Section 10.1 and 10.2 of this Plan;

(o) To hear and determine any other matter not inconsistent with the Bankruptcy Code and title 28 of the United States Code that may arise in connection with or related to the Plan; and

(p) To enter a final decree closing the Chapter 11 Case.

11.2 Failure of the Bankruptcy Court to Exercise Jurisdiction

If the Bankruptcy Court abstains from exercising, or declines to exercise, jurisdiction or is otherwise without jurisdiction over any matter arising in, arising under or related to this Case, including the matters set forth in Section 11.1 of the Plan, this Article 11 shall have no effect upon and shall not control, prohibit or limit the exercise of jurisdiction by any other court having jurisdiction with respect to such matter.

ARTICLE 12 **MISCELLANEOUS PROVISIONS**

12.1 Setoff and Recoupment Rights

In the event that the Debtor has a claim of any nature whatsoever against the holder of a Claim, the Debtor may, but is not required to, setoff or recoup against the Claim (and any

payments or other distributions to be made in respect of such Claim hereunder), subject to the provisions of §553 and/or other applicable or relevant sections of the Bankruptcy Code. Except as otherwise provided in the Plan, neither the failure to setoff or recoup nor the allowance of any Claim under the Plan by the Debtor or Reorganized Debtor shall constitute a waiver or release by the Debtor or Reorganized Debtor of any claim that the Debtor may have against the holder of a Claim.

12.2 Discharge

Pursuant to 11 U.S.C. §1141, the confirmation of the Plan does discharge the Debtor.

12.3 Injunctions

The Confirmation Order shall contain such injunctions as may be necessary and helpful to effectuate the Plan. Without limiting the generality of the foregoing, such injunction shall include an absolute prohibition from collecting Claims in any manner other than as provided for in the Plan. Nothing contained herein shall constitute a release of or injunction precluding action against any entity or person who may be liable to creditors of Coastal or independent bases, including but not limited to as guarantor of indebtedness of Coastal.

12.4 Responsible Party Injunction

The Confirmation Order shall constitute and provide for an injunction by the Bankruptcy Court as of the Effective Date against any holder of a Priority Tax Claim from commencing or continuing any action or proceeding against any responsible Person or officer or director of any Debtor that otherwise would be liable to such holder for payment of a Priority Tax Claim so long as the Reorganized Debtor is not in default of the payment terms of such Priority Tax. All amounts paid by the Reorganized Debtor on account of any Allowed Claim held by a governmental entity shall be applied first to any "trust fund" amounts owing, then to any other balances due.

12.5 Pre-Petition Date Lawsuits/Insurance

On the Effective Date, all pre-Petition Date lawsuits, litigations, administrative actions or other proceedings, judicial or administrative, in connection with the assertion of a Claim shall be dismissed as to the Reorganized Debtor. Such dismissal shall be with prejudice to the assertion of such Claim in any manner other than as prescribed by the Plan. All parties to any such action shall be enjoined by the Bankruptcy Court in the Confirmation Order from taking any action to impede the immediate and unconditional dismissal of such actions. Confirmation and consummation of the Plan shall have no effect on insurance policies of the Debtor in which the Debtor is or was the insured party; the Reorganized Debtor shall become the insured party under any such policies. Each insurance company is prohibited from, and the Confirmation Order shall include an injunction against, denying, refusing, altering or delaying coverage on any basis regarding or related to the Debtor's bankruptcy, the Plan or any provision within the Plan.

12.6 Payment of Statutory Fees

All fees payable pursuant to §1930 of title 28 of the United States Code shall be paid through the entry of a final decree in the Chapter 11 Case.

The Debtor/Reorganized Debtor shall pay to the U.S. Trustee, the appropriate sum required by 28 U.S.C. §1930(a)(6) within ten (10) days of the entry of the Order Confirming the Plan of Liquidation. The Debtor/Reorganized Debtor shall timely pay to the U.S. Trustee, any and all post confirmation quarterly fees as required by 28 U.S.C. §1930(a)(6) until such time as this case is converted, dismissed or closed by the Court. Additionally, the Debtor/Reorganized Debtor shall submit to the U.S. Trustee post confirmation monthly operating reports in the format prescribed by the U.S. Trustee until such time as this case is converted, dismissed or closed by the Court.

12.7 Post-Effective Date Fees and Expenses of Professional Persons

Except as provided in Section 4.1 of the Plan, after the Effective Date, the Reorganized Debtor shall, in the ordinary course of business and without the necessity for any approval by the Bankruptcy Court, pay the reasonable fees and expenses of the Debtor and the Professional Persons employed by the Debtor or the Reorganized Debtor, related to the implementation and consummation of the Plan, provided, however, that no such fees and expenses shall be paid except upon receipt by Debtor of a written invoice.

12.8 Bankruptcy Restrictions

Except as provided in the Plan, from and after the Effective Date, the Reorganized Debtor shall no longer be subject to the restrictions and controls provided by the Bankruptcy Code (e.g., §363 or §364). The Debtor may operate the business in such manner as is consistent with companies not in bankruptcy without the need of seeking Bankruptcy Court approval with regard to any aspect of the Reorganized Debtor's business and Plan. The Reorganized Debtor shall provide such financial reports as required by local rule until the entry of a final decree.

12.9 Disallowance and Subordination of Subordinated Claims and Penalty Claims

As set forth in Classes 5 and 6, the filing of this Plan and its submission to the holders of Subordinated Claims and Penalty Claims shall constitute an action seeking to subordinate all Subordinated Claims and Penalty Claims pursuant to §510 of the Bankruptcy Code. The Confirmation Order, except as otherwise provided herein, shall constitute an order subordinating such Claims to all other Claims pursuant to §510 of the Bankruptcy Code.

12.10 Binding Effect

The Plan shall be binding upon and inure to the benefit of the Debtor, the Reorganized Debtor, the holders of Claims and their respective successors and assigns; provided, however, that if the Plan is not confirmed, the Plan shall be deemed null and void and nothing contained

herein shall be deemed (i) to constitute a waiver or release of any Claims by the Debtor, or any other Person, (ii) to prejudice in any manner the rights of the Debtor, or any other Person or (iii) to constitute any admission by the Debtor, or any other Person. Until confirmation, the Debtor is not bound hereby.

12.11 Governing Law

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules), the internal laws of the State of Florida shall govern the construction and implementation of the Plan and any agreements, documents and instruments executed in connection with the Plan or the Chapter 11 Case, except as may otherwise be provided in such agreements, documents and instruments.

12.12 Modification of Plan

Modifications of the Plan may be proposed in writing by the Proponent at any time before the Confirmation Date, provided that (a) the Plan, as modified, meets the requirements of §1122 and §1123 of the Bankruptcy Code and (b) the Proponent shall have complied with §1125 of the Bankruptcy Code. The Plan may be modified at any time after the Confirmation Date and before substantial consummation by the Proponent, provided that (i) the Plan, as modified, meets the requirements of §1122 and §1123 of the Bankruptcy Code, (ii) the Bankruptcy Court, after notice and a hearing, confirms the Plan as modified, under §1129 of the Bankruptcy Code and (iii) the circumstances warrant such modifications. A holder of a Claim that has accepted or rejected the Plan shall be deemed to have accepted or rejected, as the case may be, such Plan as modified, unless, within the time fixed by the Bankruptcy Court, such holder changes its previous acceptance or rejection. The Debtor may withdraw this Plan at any time prior to its Confirmation by the Bankruptcy Court.

12.13 Creditor Defaults

Any act or omission by a creditor or claimant of any kind in contravention of a provision within this Plan shall be deemed an event of default under this Plan. Upon an event of default, the Debtor may seek to hold the defaulting party in contempt of the Confirmation Order. If such creditor is found to be in default under the Plan, such party shall pay the reasonable attorneys' fees and costs of the Reorganized Debtor in pursuing such matter. Furthermore, upon the finding of such a default by a creditor, the Bankruptcy Court may (a) designate a party to appear, sign and/or accept the documents required under the Plan on behalf of the defaulting party, in accordance with Federal Rule of Civil Procedure 70 or (b) make such other order as may be equitable which does not materially alter the terms of the Plan as confirmed. Upon the payment in full of an Allowed Secured Claim, the Claimant shall execute, deliver and file a release of all liens and security interests securing its Allowed Secured Claim within twenty (20) days of such payment and in the event it fails to do so, shall, as liquidated damages, pay to the Debtor a sum in cash equal to the greater of \$3,000 or the actual costs of enforcing this provision.

12.14 Headings and Table of Contents

The Table of Contents and headings herein are for ease of reference only, and are not intended to modify in any way the provisions of this Plan. Moreover, the Table of Contents is included herein as a finding aid only and is not intended to limit the effectiveness of this Plan. Claimants must review each and all of the provisions of the entire Plan and are not entitled to rely upon the Table of Contents as summarizing the contents of the Plan.

12.15 Severability

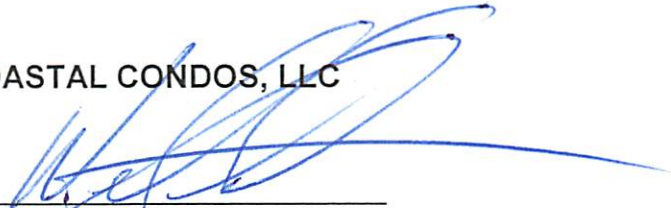
Should the Bankruptcy Court determine that any provision of the Plan is unenforceable either on its face or as applied to any Claim or transaction, the Proponent may modify the Plan in accordance with Section 12.12 of the Plan so that such provision shall not be applicable to the holder of any Claim. Such a determination of unenforceability shall not (1) limit or affect the enforceability and operative effect of any other provision of the Plan or (2) require the re-solicitation of any acceptance or rejection of the Plan.

12.16 Substantial Consummation/Closing the Case

Upon the finalization of claims with respect to Classes 1, 2, 3 and 4, the Plan shall be deemed substantially consummated and, upon motion by the Debtor, this case may be closed and a final decree may be entered by the Court. Upon such motion of the Debtor, the Bankruptcy Court shall issue a final decree containing such provisions as may be equitable.

COASTAL CONDOS, LLC

BY: _____


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Manager/Member

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Counsel for Debtor

SCHEDULE OF EXHIBITS

Exhibit "A": Definitions

Exhibit "B": Executory Contracts and Unexpired Leases to be assumed

EXHIBIT "A"
DEFINITIONS OF CERTAIN TERMS

"Ad Valorem Taxing Authority" shall mean any governmental entity entitled by law to assess taxes on property based upon the value of such property and to take a statutory Lien senior to Liens filed of record to secure the payment of such taxes and interest accruing thereon.

"Administrative Claim" shall mean a Claim entitled to priority under §503(b) and §507(a)(1) of the Bankruptcy Code in the Chapter 11 Case of the Debtor, including, without limitation, Fee Claims, Cure Payments, any actual and necessary expenses of preserving the Debtor's estate, any fees or charges assessed against the Debtor's estate under §1930, chapter 123 of title 28 of the United States Code and such other Claims as ordered by the Bankruptcy Court.

"Affiliate" shall have the meaning assigned to such term in §101(2) of the Bankruptcy Code.

"Allowed Administrative Claim" shall mean an Administrative Claim that has become "Allowed" pursuant to the procedures set forth in Article 4 of the Plan.

"Allowed Equityholder Interest" shall mean an ownership interest (as defined in the Bankruptcy Code) in the Debtor held by members of the Debtor.

"Allowed," when used with respect to any Claim, except for a Claim that is an Administrative Claim, shall mean (1) such Claim to the extent it is not a Contested Claim; (2) such Claim to the extent it may be set forth pursuant to any stipulation or agreement that has been approved by Final Order; or (3) a Contested Claim, proof of which was filed timely with the Bankruptcy Court and (A) as to which no objection was filed unless such Claim is to be determined in a forum other than the Bankruptcy Court, in which case such Claim shall not become Allowed until determined by Final Order of such other forum and Allowed by Final Order of the Bankruptcy Court; or (B) as to which an objection was filed to the extent Allowed by Final Order.

"Ballot" shall mean the Ballot to be used by creditors to cast their votes to accept or reject the Plan.

"Balloting Agent" shall mean the Debtor.

"Bankruptcy Code" shall mean the Bankruptcy Reform Act of 1978, as amended, and codified at title 11 of the United States Code.

"Bankruptcy Court" shall mean the Bankruptcy Court unit of the United States District Court for the Southern District of Florida, Miami Division or such other court having jurisdiction over the Chapter 11 Case.

"Bankruptcy Rules" shall mean the Federal Rules of Bankruptcy Procedure, as prescribed by the United States Supreme Court pursuant to §2075 of title 28 of the United States Code.

"Bar Date" shall mean the final date for the filing of proofs of Claims set by the Bankruptcy Court which is at least the 60th day subsequent to the date first set for the meeting of creditors pursuant to §341 of the Bankruptcy Code as the final date for filing proofs of claim or interest, except for claims filed by governmental units which are governed by 11 U.S.C. §502(b)(9). Pursuant to 11 U.S.C. §502(b)(9), the claim of a governmental unit shall be timely filed if it is filed before 180 days after the date of the order for relief or such later time as the Federal Rules of Bankruptcy Procedure may provide.

"Business Day" shall mean any day on which commercial banks are open for business in Jackson, Mississippi.

"Cash" shall mean legal tender of the United States of America or Cash Equivalents, except in Section 4.1(b)(iii)(5) herein, where it shall solely mean legal tender of the United States of America.

"Chapter 11 Case" shall mean the case commenced under chapter 11 of the Bankruptcy Code by the Debtor on the Petition Date.

"Claim" shall mean (1) any right to payment from the Debtor, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured; (2) any right to an equitable remedy for breach of performance if such breach gives rise to a right of payment from the Debtor, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured; or (3) any right under §502(h) of the Bankruptcy Code.

"Code" shall mean the Bankruptcy Code, 11 U.S. C. §101, et seq.

"Collateral" shall mean any property of the Debtor subject to a valid, enforceable and non-avoidable Lien to secure the payment of a Claim.

"Committee" shall mean any Official Committee of Unsecured Creditors appointed in the Chapter 11 Case.

"Confirmation Date" shall mean the date on which the Clerk of the Bankruptcy Court enters the Confirmation Order.

"Confirmation Hearing" shall mean the hearing held by the Bankruptcy Court pursuant to Bankruptcy Code §1128.

"Confirmation Order" shall mean the order of the Bankruptcy Court confirming the Plan.

"Contested," when used with respect to a Claim, shall mean a Claim against the Debtor (1) that is listed in the Debtor's Schedules as disputed, contingent or unliquidated; (2) that is listed in the Debtor's Schedules as undisputed, liquidated and not contingent and as to which a proof of Claim has been filed with the Bankruptcy Court, to the extent the proof of Claim amount exceeds the scheduled amount; (3) that is not listed in the Debtor's Schedules, but as to which a proof of Claim has been filed with the Bankruptcy Court; or (4) as to which an objection has been filed.

"Contracts" shall mean all executory contracts and unexpired leases as such terms are used within Bankruptcy Code §365 to which the Debtor was a party as of the Petition Date.

"Court" shall mean the Bankruptcy Court.

"Cure Payment" shall mean the monetary payments required pursuant to Bankruptcy Code §365(b)(1)(A) to cure defaults under Contracts to which the Debtor is a party and which will be assumed pursuant to the Joint Plan. Such Cure Payment shall be conclusively determined and set for each such Contract in the amounts reflected in Exhibit "B" attached hereto.

"Debtor" shall mean Coastal Condos, LLC. In the case of actions and obligations required of or to be performed on or after the Effective Date, the term "Debtor" shall also include the Reorganized Debtor, unless otherwise required by context.

"Deficiency Amount" shall mean, with respect to a Secured Claim, the amount by which the Allowed Claim exceeds the sum of (1) any set-off rights of the holder of such Claim against the Debtor under §506 and §553 of the Bankruptcy Code and (2) the net proceeds realized from the disposition of the Collateral securing such Claim or, if such Collateral is not liquidated to Cash, the value of the interest of the holder of the Claim in the Debtor's interest in the Collateral securing such Claim, as determined by the Bankruptcy Court under §506 of the Bankruptcy Code; provided, however, that if the holder of such Claim makes the Election, there shall be no Deficiency Amount in respect of such Claim.

"Disallowed," when used with respect to a Claim, shall mean a Claim that has been disallowed by Final Order, including untimely filed claims.

"Disclosure Statement" shall mean the Disclosure Statement that has been approved by order of the Bankruptcy Court in connection with this Plan pursuant to §1125 of the Bankruptcy Code.

"Distribution Date" shall mean, for any Claim that is an Allowed Claim, the date the Debtor makes distribution to Class 3 claims.

"Effective Date" shall mean the first Business Day after the Confirmation Order becomes a Final Order and is not stayed.

"Election" shall mean the election available to certain secured creditors, under certain circumstances, to have their Claims treated as fully secured, as provided in Bankruptcy Code §1111(b), but only if such Election is timely made pursuant to the Bankruptcy Rules.

"Fee Application" shall mean an application of a Professional Person under §330 or §503 of the Bankruptcy Code for allowance of compensation and reimbursement of expenses in the Chapter 11 Case.

"Fee Claim" shall mean a Claim under §330 or §503 of the Bankruptcy Code for allowance of compensation and reimbursement of expenses in the Chapter 11 Case.

"Final Order" shall mean (1) an order which has been entered and as to which the time to appeal, petition for certiorari or move for re-argument or rehearing has expired and as to which no appeal, petition for certiorari or other proceedings for re-argument or rehearing shall then be pending or (2) in the event that an appeal, writ of certiorari, re-argument or rehearing thereof has been sought, such order shall have been affirmed by the highest court to which such order was appealed, or certiorari has been denied or from which re-argument or rehearing was sought, and the time to take any further appeal, petition for certiorari or move for re-argument or rehearing shall have expired; provided, however, that no order shall fail to be a Final Order solely because of the possibility that a motion pursuant to Rule 60 of the Federal Rules of Civil Procedure may be filed with respect to such order.

"General Unsecured Claim" shall mean an unsecured claim not entitled to priority under Bankruptcy Code §507, which is not otherwise classified in the Plan, and/or any Claim against the Debtor that is not an Owner Claim, Secured Claim, an Administrative Claim, a Priority Tax Claim, a Priority Non-tax Claim, or a Subordinated Claim.

"Interest Rate" shall mean simple interest at an annual rate of interest equal to the yield on treasury security notes with a maturity as close as possible to the term of the Note, as published in the Wall Street Journal on the Effective Date.

"IRS" shall mean the Department of the Treasury Internal Revenue Service and its successors and assigns.

"Lien" shall have the meaning set forth in §101(37) of the Bankruptcy Code.

"Lienholder" shall mean the holder of a Lien.

"Local Rules" shall mean the Local Rules for the United States Bankruptcy Court for the Southern District of Florida.

"Loan Documents" shall mean, with respect to the Debtor and any creditor of the Debtor, such documents as may evidence the claim made by the creditor, including, without limitation, any promissory notes, loan agreements, deeds of trust, security agreements, financing statements, and other collateral documents.

"Operating Expenses" shall mean expenses incurred in the day-to-day operations or in the ordinary course of business of the Reorganized Debtor.

"Penalty Claims" shall mean Claims for penalties or punitive damages, including Claims denominated as "interest" which the Bankruptcy Court determines to be punitive in nature.

"Person" shall mean an individual, corporation, partnership, joint venture, trust, estate, unincorporated association, unincorporated organization, governmental entity or political subdivision thereof or any other entity.

"Petition Date" shall mean May 8, 2013, the date the Debtor filed its petition under Chapter 11 of the Bankruptcy Code.

"Plan" or **"Plan of Reorganization"** shall mean this Plan of Reorganization, either in its present form or as it may hereafter be altered, amended or modified from time to time.

"Professional Person" shall mean a person retained or to be compensated pursuant to §327, §328, §330, §503(b) or §1103 of the Bankruptcy Code.

"Proponent" or **"Plan Proponent"** shall mean the Debtor.

"Pro-Rata Share" shall mean a percentage equal to the Allowed Claim held by the holder of an Allowed Claim in a Class divided by the Allowed Claims held by all Allowed Claims in the Class.

"Reorganization Expenses" shall mean, collectively, all fees and expenses incurred by the Trustee in preparing for, commencing, continuing, litigating, consummating, and emerging from this Chapter 11 Case, including, without limitation, all counsel fees and expenses of the Debtor and estate, and all other professionals of the Debtor retained during the pendency of the Chapter 11 Case.

"Reorganized Debtor" shall mean the Debtor, as reorganized for the purpose of reorganization, on and after the Effective Date.

"Rules" shall mean the Federal Rules of Bankruptcy Procedure.

"Schedules" shall mean the Schedules of assets and liabilities and the statements of financial affairs filed by the Debtor as required by §521 of the Bankruptcy Code and Bankruptcy Rule 1007, as such Schedules and statements have been or may be supplemented or amended.

"Secured Claim" shall mean a Claim secured by a Lien on property of the Debtor, which Lien is valid, perfected and enforceable under applicable law, is not subject to avoidance under the Bankruptcy Code or other applicable non-bankruptcy law and which is duly established in the Chapter 11 Case, but only to the extent of the value of the Collateral that secures payment of such Claim.

"Secured Claims of Ad Valorem Taxing Authorities" shall mean all Secured Claims held by an Ad Valorem Taxing Authority.

"Subordinated Claim" shall mean any Claim (1) subordinated by contract or by order of the Bankruptcy Court to the right of payment of General Unsecured Claims or (2) which would be paid pursuant to Bankruptcy Code §726 (a)(3), (a)(4) or (a)(5) if this Chapter 11 Case had originally been filed as a case under Chapter 7 of the Bankruptcy Code.

"Tax Liens" shall mean any statutory Liens securing any Allowed Secured Claims of any Taxing Authority, which, upon confirmation of the Plan, shall be junior in priority to Allowed Claims which would be paid pursuant to Bankruptcy Code §724(b)(1) and (b)(2) if the Chapter 11 Case converted to Chapter 7 on the day prior to the Confirmation Date.

"Utilities" shall have the same meaning as when such term is used in Bankruptcy Code §366.

"Voting Deadline" shall mean the date set by the Bankruptcy Court by which Ballots for accepting or rejecting the Plan must be received by the Balloting Agent.

"Voting Record Date" shall mean the date set by the Bankruptcy Court for determining the holders of the Claims and interests entitled to vote to accept or reject the Plan.

EXHIBIT "B"

EXECUTORY CONTRACTS AND UNEXPIRED LEASES TO BE ASSUMED

1. Contract with Limar Realty, LLC as onsite manager.