

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MARYLAND
(Baltimore Division)**

IN RE:

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**DAYTON OAKS, LLC,
Debtor.**

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**Case No.: 10-22702-NVA
(Chapter 11)**

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DEBTOR'S PROPOSED DISCLOSURE STATEMENT

I. Introduction

Dayton Oaks, LLC, debtor and debtor-in-possession (the "Debtor"), by its undersigned counsel, provides this Proposed Disclosure Statement in order to disclose the information believed to be material for creditors to arrive at a reasonably informed decision and to exercise the right to vote on acceptance of the Debtor's Amended Plan Of Reorganization Submitted By Debtor and Compass Homes, LLC, as Co-Plan Proponents (the "Plan") filed contemporaneously by the Debtor with the United States Bankruptcy Court for the District of Maryland on January 25, 2011.

**NO REPRESENTATIONS CONCERNING THE DEBTOR
(PARTICULARLY AS TO THE VALUE OF ITS ASSETS) ARE AUTHORIZED,
OTHER THAN AS SET FORTH IN THIS STATEMENT. ANY
REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE ACCEPTANCE
OF THE PLAN THAT ARE NOT CONTAINED IN THIS DISCLOSURE
STATEMENT SHOULD NOT BE RELIED UPON BY ANY CREDITOR AND
SHOULD BE REPORTED TO UNDERSIGNED COUNSEL FOR THE DEBTOR.
MUCH OF THE INFORMATION CONTAINED IN THIS STATEMENT HAS
NOT BEEN SUBJECT TO A CERTIFIED AUDIT. THE RECORDS KEPT BY
THE DEBTOR ARE NOT WARRANTED OR REPRESENTED TO BE**

WITHOUT ANY INACCURACY, ALTHOUGH GREAT EFFORT HAS BEEN MADE TO ENSURE THAT ALL RECORDS ARE ACCURATE.

II. History and Background of the Debtor.

A. History

The Debtor is a Maryland limited liability company that was organized and formed in Maryland in January 2007. The Debtor's primary asset is certain real property located in Howard County, Maryland (the "Real Property"), which it purchased on March 9, 2007. The Debtor intends to develop the property into building lots and to sell those lots to the general public.

The Debtor subdivided the Real Property in a plat entitled "The Preserve at Clarksville Lots 1-32 Buildable Preservation Parcel 'A' Non-Buildable Preservation Parcels 'B'-'G' Non-Buildable Bulk Parcels 'H'-'J'", recorded in the Land Records of Howard County, Maryland" (now known as "The Preserve at Clarksville"), in Plat M.D.R. 19214-19218. The Debtor currently possesses nineteen lots to be sold at The Preserve at Clarksville, along with an additional two lots that are not under Plat, one of which is eligible for subdivision into two buildable lots, and one "model" home. Two additional lots have previously been sold during this bankruptcy proceeding by Order of the Court, and as further described below.

The Debtor's bankruptcy filing was precipitated by both a decline in the national residential real estate market, which has been well documented over the past year, along with an inability, at that time, to resolve certain issues with the Debtor's primary secured lender, Sandy Spring Bank ("SSB"). Notwithstanding market conditions and disputes with SSB, the Debtor has continued to successfully market and sell the lots at the

Preserve at Clarksville, as evidenced by the two lots already sold during this bankruptcy proceeding.

B. Bankruptcy Filing

The Debtor sought protection under the Bankruptcy Code by filing a voluntary petition under Chapter 11 on June 7, 2010. The Debtor's case is a single asset real estate case as defined in 11 USC §101(51B).

C. Chapter 11 Operations

Since the filing of the Chapter 11 petition, the Debtor has continued to operate its business as a debtor-in-possession. It has taken all the necessary steps to preserve its business.

D. Retention Applications

At the outset of this case, the Debtor filed an Application to Employ Attorney in which it sought to employ Mehlman, Greenblatt & Hare, LLC ("MGH") as its bankruptcy counsel (the "MGH Application"). On July 9, 2010, the Court entered an Order granting the MGH Application. Based on various contested matters created by SSB's Motion to Dismiss the Debtor's case and by its objection to a Sale Motion, the Debtor believed that this bankruptcy proceeding would become litigious. Consequently, MGH and the Debtor determined that Tydings & Rosenberg LLP ("T&R") would be better suited to serve as Debtor's counsel in this matter, and the Debtor filed an Application to Employ Tydings & Rosenberg LLP as Attorney for Debtor on August 12, 2010 (the "T&R Application"), to which SSB initially objected. Subsequently, after certain discovery was undertaken, T&R and SSB reached an agreement that resulted in

the withdrawal of the SSB objection. On October 26, 2010, this Court entered an Order approving the T&R Application.

The Debtor also filed applications to employ Ellin & Tucker Chartered as its valuation expert and Elizabeth L. Hammond as its accountant, the employment of both of which were authorized by the Court on September 10, 2010.

E. Asset Sales

On June 17, 2010, the Debtor filed a Motion to Sell Lot 23 of The Preserve at Clarksville, Howard County, Maryland Free and Clear of Liens (the “Lot 23 Sale Motion”). On June 28, 2010, SSB filed an Objection to the Lot 23 Sale Motion. The Debtor withdrew the Lot 23 Sale Motion on July 21, 2010.

On September 3, 2010, the Debtor filed a Motion to Sell Lot 30 at The Preserve at Clarksville Free and Clear of Liens (the “Lot 30 Sale Motion”), and on October 7, 2010, filed a Motion to Sell Lot 17 at the Preserve at Clarksville Free and Clear of Liens and Notice of Motion (the “Lot 17 Sale Motion,” and together with the Lot 30 Sale Motion, the “Sale Motions”). SSB objected to both Sale Motions.

The Debtor, SSB, and Regal Bank & Trust (“Regal”), the secured lender with a second priority lien with respect to the lots at the Preserve at Clarksville, ultimately reached a preliminary agreement with respect to the Sale Motions, that resulted in SSB’s voluntary withdrawal of its objections, based on such preliminary agreement. On October 26, 2010, the Court entered Orders granting the Sale Motions (the “Sale Orders”).

F. Plan and Disclosure Statement

The Debtor filed a Plan of Reorganization (the "First Plan") on September 3, 2010. After reaching an agreement on the Sale Orders, the Debtor, SSB and Regal have held extensive discussions in an effort to reach an agreement with respect to the terms under which the Debtor would continue lot sales at the Preserve at Clarksville under a consensual plan of reorganization. Consequently, the Debtor sought and obtained two extensions of the deadline within which it was required to file this Disclosure Statement, with the most current deadline being through and including January 24, 2011, pursuant to a Court order entered January 13, 2011. The Debtor also filed a request for extension of the time within which it may solicit acceptances to a plan of reorganization, which the Court granted in December 21, 2010, allowing the Debtor the exclusive right through and including March 7, 2011 to solicit plan acceptances.

The Debtor, SSB and Regal have negotiated the terms of a consensual plan of reorganization, which are memorialized in this Disclosure Statement and the Plan.

G. Secured Liens On The Debtor's Real Property

In addition to SSB and Regal, Howard County, Maryland, claims a first priority secured lien on the Real Property pursuant Md. Code Ann., Tax- Prop. § 10-102, and claims a secured lien on the Real Property with respect to certain recordation taxes owed pursuant to Md. Code Ann., Tax- Prop. § 12-105(f). The Debtor is currently reviewing these claims to determine if the tax priority claims are entitled to priority as reflected on the proofs of claim filed by Howard County, Maryland, and whether any secured tax priority claims are void or voidable, and consequently, whether it will object to the respective claims. Keyser-Thompson, LLC, has a lien on the Debtor's Real Property pursuant to (a) an Indemnity Deed of Trust dated April 17, 2008, executed by the Debtor

for the benefit of Keyser-Thompson, LLC; and (b) a confessed judgment entered against the Debtor in case No. 13C09076801 in the Circuit Court for Howard County, Maryland (the "Circuit Court"). Willoughby Plumbing Services, Inc., has a mechanic's lien against the Model Home, as that term is described in the Plan, pursuant to a judgment entered against the Debtor in Circuit Court case No. 13C08075763. Charles A. Klein & Sons, Inc., also has a mechanic's lien against the Model Home pursuant to a judgment entered against the Debtor in Circuit Court case No. 13C09076967.

H. Financial Information

The Debtor estimates its assets as of January 25, 2010, are as follows:

- (1) Cash in the amount of \$50.00.
- (2) Real property in the approximate amount of \$10,000,000.

The liabilities of the Debtor as of January 25, 2010, were as follows:

- (1) Secured debt in the approximate amount of \$12,659,000.
- (2) Secured administrative priority tax claims in the estimated amount of \$196,000¹.
- (3) Accrued administrative priority claims, primarily for unpaid professionals fees in the estimated amount of \$150,000.
- (4) General unsecured claims in the estimated amount of \$360,000².

III. The Plan of Reorganization.

SET FORTH BELOW IS A BRIEF SUMMARY OF THE PLAN.

THE SUMMARY SHOULD NOT BE RELIED UPON FOR VOTING PURPOSES.

¹ This figure is based on proofs of claim filed by the Office of Law for Howard County, Maryland. The Debtor reserves the right to object to any claims according to the timelines set forth in the Plan.

² This figure includes scheduled claims and claims as listed on proofs of claim filed with the Court. The Debtor reserves the right to object to any claims according to the timelines set forth in the Plan.

CREDITORS ARE URGED TO READ THE ENTIRE PLAN, AND TO CONSULT WITH COUNSEL OR EACH OTHER IN ORDER TO FULLY UNDERSTAND THE PLAN. A COPY OF THE PLAN HAS BEEN FILED WITH THE CLERK, UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF MARYLAND, GARMATZ FEDERAL COURTHOUSE, 101 W. LOMBARD STREET., SUITE 8515, BALTIMORE, MD 21201, AND IS AVAILABLE FOR INSPECTION AND REVIEW AT THE CLERK’S OFFICE OR ONLINE AT THE COURT’S WEBSITE www.mdb.uscourts.gov.

THE PLAN IS COMPLEX, AND REPRESENTS A PROPOSED LEGALLY BINDING AGREEMENT BETWEEN THE DEBTOR AND ITS CREDITORS. AN INFORMED JUDGMENT CONCERNING THE PLAN, THEREFORE, CANNOT BE MADE WITHOUT UNDERSTANDING IT.

The Plan is based upon the belief that the reorganization will generate significantly more funds for repayment of creditors than if the bankruptcy case were converted to a Chapter 7 liquidation.

Article 1
Defined Terms

For purposes of this Plan and in addition to terms defined elsewhere herein, the following terms have the meanings set forth below:

1.1 “Administrative Bar Date” means forty-five (45) days after the Effective Date and is the date by which applications for allowance of Administrative Claims incurred through the Confirmation Date must be filed with the Court or be forever barred and discharged. Notice of confirmation of the Plan shall be deemed sufficient and adequate notice of the Administrative Bar Date.

1.2 “Administrative Claim” means any cost or expense of administration of the case allowed under §503(b) of the Bankruptcy Code.

1.3 “Allowed Claim” means a claim (as defined in §101(5) of the Bankruptcy Code):

1.3.1 in respect of which a proof of claim has been filed with the Court within the applicable period of limitations fixed by Bankruptcy Rule 3003;

1.3.2 which is listed in Schedules D, E or F filed by the Debtor with the Court, including any amendments thereto, and is not listed as disputed, contingent, or unliquidated as to amount; or

1.3.3 for which an application has been filed pursuant to §§329 and 330 of the Bankruptcy Code;

1.3.4 and further, as to any such claim, either no objection to the allowance thereof has been filed, or if an objection to the allowance thereof has been filed, the Court has overruled such objection or fixed the amount of such claim by a Final Order.

1.4 “Avoidable Transfer(s)” means a transfer by the Debtor that may be avoided under any provision of the Bankruptcy Code including, but not limited to, §§544, 547, 548 or 549.

1.5 “Avoidance Action(s)” means all rights, remedies, claims or causes of action arising under §§544, 545, 546, 547, 548, 549, 550, 553, or 558 of the Bankruptcy Code.

1.6 “Bankruptcy Code” means Title 11 of the United States Code (“U.S.C.”) as in effect on the Petition Date or as thereafter amended.

1.7 “Bankruptcy Rules” means (a) the Federal Rules of Bankruptcy Procedure, and (b) the Local Bankruptcy Rules for the United States Bankruptcy Court for the District of Maryland, both as in effect on the Petition Date or thereafter amended.

1.8 “Claim” means a claim against the Debtor as defined in §101(5) of the Bankruptcy Code, including, but not limited to, all claims arising from the rejection of unexpired leases and/or executory contracts.

1.9 “Compass” means Compass Homes, LLC.

1.10 “Confirmation Date” means the date on which the Court enters the Order of Confirmation.

1.11 “County” means Howard County, Maryland.

1.12 “Court” means the United States Bankruptcy Court for the District of Maryland.

1.13 “Debtor” means Dayton Oaks, LLC, as debtor and debtor-in-possession.

1.14 “Disputed Claim” means (a) a Claim as to which an objection has been filed in accordance with Rule 3007 of the Bankruptcy Rules, which has not been resolved by a Final Order; and (b) a claim listed in the Schedules as disputed, contingent or unliquidated and as to which no Proof of Claim has been filed.

1.15 “DTB” means Dale Thompson Builders, Inc.

1.16 “Effective Date” means the later of (a) the tenth (10th) day after an Order of Confirmation becomes final by expiration of the time for appeal therefrom, and (b) if an appeal is taken, the tenth (10th) day after an order on appeal in favor of confirmation (and all orders on appeal relating to said order) becomes final.

1.17 “Estate” means the bankruptcy estate created pursuant to § 541 of the Bankruptcy Code upon filing of the Chapter 11 petition by the Debtor.

1.18 “Existing Regal Notes” means, collectively, the Promissory Note dated April 5, 2007 in the original maximum principal amount of \$2,950,000 from DTB to

Regal Bancorp., Inc., duly assigned to Regal Bank, and guaranteed by the Debtor pursuant to a Company Guaranty and Indemnification Agreement dated April 5, 2007, and the Commercial Promissory Note dated May 25, 2010 in the original maximum principal amount of \$32,500 from the Debtor to Regal Bank.

1.19 “Existing SSB Notes” means, collectively, the SSB A&D Note and the SSB Model Note.

1.20 “Final Order” means a Court order that, not having been reversed, modified or amended, and not having been stayed, and as to which the time to seek review or rehearing of has expired, has become final and is in full force and effect.

1.21 “Insider” has the meaning set forth in §101(31) of the Bankruptcy Code.

1.22 “Member” means DTB Holdings, LLC, the sole holder of the equity interest in the Debtor.

1.23 “Memorandum of Understanding” means the Memorandum of Understanding Regarding Dayton Oaks, executed by SSB and Regal Bank on December 30, 2010, the terms thereof having been modified as set forth in the Plan and Cash Flow Forecast.

1.24 “Model Home” means Lot No. 1 as shown on **Exhibit 1**, together with the improvements thereon, and commonly known as 6206 Heather Glen Way, Clarksville, Maryland.

1.25 “New Regal Advances” means any post-Petition sums advanced or to be advanced under the New Regal Note by Regal Bank to the Debtor for the purposes set forth in the Memorandum of Understanding, including monthly advances as necessary to keep current the interest due on the SSB Notes.

1.26 “New Regal Note” means the promissory note from the Debtor to Regal Bank, evidencing the New Regal Advances to be extended and made available by Regal Bank as provided in the Plan. The New Regal Note shall be secured by a first priority lien on a pro rata basis with the Existing SSB Notes.

1.27 “Order of Confirmation” means the order entered by the Court confirming the Plan.

1.28 “Petition Date” means June 6, 2010, the date on which the Debtor filed its petition for relief under Chapter 11 of the Bankruptcy Code.

1.29 “Plan” means this Amended Plan of Reorganization, or as hereafter amended or modified.

1.30 “Plats” means, collectively, the plat for the Subdivision commonly known as “The Preserve at Clarksville,” recorded in the Land Records of Howard County, Maryland at MDR Plat No. 19214-19218, as amended by the Plat of Revision recorded in the Land Records of Howard County, Maryland at MDR Plat No. 19646.

1.31 “Professional Person(s)” means an attorney, accountant, appraiser, consultant or other professional retained or to be compensated pursuant to an order of the Court entered under §§ 327, 328, 330, 503(b), or 1103 of the Bankruptcy Code.

1.32 “Proof of Claim” means a proof of claim filed pursuant to § 501 of the Bankruptcy Code and Part III of the Bankruptcy Rules.

1.33 “Regal Bank” means Regal Bank & Trust.

1.34 “Regal Deeds of Trust” means, collectively, the Indemnity Deed of Trust and Security Agreement from the Debtor to certain trustees for the benefit of Regal Bancorp., Inc, which duly assigned its interest therein to Regal Bank, dated April 5, 2007

and recorded on April 9, 2007 in the land records of Howard County, Maryland in Liber 10619, Folio 243 and the Deed of Trust dated May 25, 2010 from the Debtor to Regal Bank, each constituting a lien on the properties described therein and subordinate to the SSB Deeds of Trust as more fully set forth in the Subordination Agreement.

1.35 “Saleable Lot(s)” means, collectively, all of the lots in the Subdivision that, as of the date the Plan is filed, remain unsold and eligible for development and sale. Each of the “Saleable Lots” is listed on attached **Exhibit 1** under the caption “Saleable Lots” according to their lot number on the Plats.

1.36 “Schedules” means the schedules of assets and liabilities and statement of financial affairs filed by the Debtor with the Bankruptcy Court in accordance with §521(1) of the Bankruptcy Code and Rule 1007 of the Bankruptcy Rules, and any amendments thereto.

1.37 “Sold Lots” means, collectively, all of the lots in the Subdivision that have sold and settled as of date of the filing of the Plan. Each of the Sold Lots is listed on the attached **Exhibit 1** under the caption “Sold Lots” according their lot numbers on the Plats.

1.38 “SSB” means Sandy Spring Bank.

1.39 “SSB \$375,000 Lot Release Fee” means the fee of \$375,000 to be paid to SSB to release the liens of SSB on each of the remaining Saleable Lots, excluding, however, the Model Home and the first Saleable Lot sold in the first quarter of 2011 as further provided in Section 3.5.4.1 below.

1.40 “SSB A&D Note” means the Deed of Trust Note dated April 5, 2007 in the original maximum principal amount of \$10,500,000 from DTB to SSB, and guaranteed by the Debtor pursuant to a Guaranty Agreement dated April 5, 2007.

1.41 “SSB B Note” means the promissory note from the Debtor to SSB evidencing interest on the Existing SSB Notes, that remains unpaid as of December 31,2010.

1.42 “SSB Deeds of Trust” means, collectively, (i) the Indemnity Deed of Trust and Security Agreement from the Debtor for the benefit of SSB, dated April 5, 2007 and recorded on April 9, 2007 in the land records of Howard County, Maryland in Liber 10619, Folio 177, and (ii) the Indemnity Deed of Trust and Security Agreement from the Debtor for the benefit of SSB, dated July 11, 2007 and recorded on July 19, 2007 in the land records of Howard County, Maryland in Liber 10799, Folio 186, as modified by an Amendment to Indemnity Deed of Trust and Security Agreement dated December 23, 2008 and recorded in the land records of Howard County, Maryland in Liber 11464, Folo 263, each constituting a first priority lien on the properties described therein as more fully set forth in the Subordination Agreement.

1.43 “SSB Model Note” means the Deed of Trust Note dated July 11, 2007 in the original principal amount of \$1,450,000 from DTB to SSB, and guaranteed by the Debtor pursuant to a Guaranty Agreement dated July 11, 2007.

1.44 “SSB Notes” means, collectively, the SSB A&D Note, the SSB B Note, and the SSB Model Note.

1.45 “Subdivision” or “The Preserve at Clarksville” means the residential subdivision designated on the Plats as The Preserve at Clarksville and located in

Clarksville, Maryland. The various lots and parcels in the Subdivision are described on attached **Exhibit 1**.

1.46 “Subordination Agreement” means the Subordination Agreement by and among the Debtor, DTB, SSB and Regal Bancorp, Inc., dated April 5, 2007 and recorded on April 7, 2007 in the land records of Howard County, Maryland in Liber 10691, Folio 228.

1.47 “Supplemental Memorandum of Understanding” means the Supplemental Memorandum of Understanding dated December 30, 2010 between the Debtor and Regal Bank, or as thereafter amended or modified.

Article 2
Classification of Claims

Claims against the Estate shall be classified and treated as follows:

2.1 Class 1 Claims. Class 1 claims consist of (i) all Allowed Claims for costs and expenses of administration of the Debtor's Estate, as described in §§ 503(b) and 507(a)(2) of the Bankruptcy Code, including fees of Professional Persons approved by the Court, and (ii) any and all fees payable to the Trustee by the Debtor under 28 U.S.C. § 1930(a)(6).

2.2 Class 2 Claims. Class 2 claims consist of all Allowed Claims against the Debtor that are entitled to priority under § 507 of the Bankruptcy Code, with the exception of 11 U.S.C. § 507(a)(2) administrative claims and § 507(a)(8) unsecured tax claims. The Debtor believes there are no Class 2 claims.

2.3 Class 3 Claims. Class 3 is comprised of all Allowed Claims for unsecured taxes of governmental units entitled to priority under § 507(a)(8) of the Bankruptcy Code. The Debtor believes there are no allowed Class 3 Claims³.

2.4 Class 4 Claims. Class 4 is comprised of all Allowed Claims against the Debtor by other parties to executory contracts entered into between the Debtor and such other parties *prior* to the Petition Date, and which have not been expressly rejected by the Debtor prior to the Confirmation Date pursuant to Bankruptcy Code §365. The Debtor believes there are no Class 4 Claims in that the sole executory contract listed and described on the Debtor's Schedule F, a land agreement dated May 13, 2010 between the Debtor and Mark and Angela Paliotta for the sale of Subdivision Lot 23, has been consensually cancelled and terminated.

2.5 Class 5 Claims. Class 5 is comprised of the secured claims of SSB. SSB asserts that it is the holder of two claims against the Debtor and other obligors, each of which is secured the SSB Deeds of Trust and a judgment lien on land and improvements of the Debtor in the Subdivision, excluding the Sold Lots. Interest on the Class 5 allowed claims shall be as set forth in Section 3.5 below.

2.6 Class 6 Claims. Class 6 is comprised of the secured claims of Regal Bank. Regal Bank holds claims against the Debtor and other obligors that is secured by the Regal Deeds of Trust on the land and improvements of the Debtor in the Subdivision,

³ In its Proof of Claim No. 9-1, the County asserts a claim for unpaid 2010 real property taxes and further asserts that to the extent such taxes exceed the value of the property and are unsecured, such claim is entitled to priority under § 507(a)(8) of the Bankruptcy Code. The Debtor, however, believes the claim of the County for unpaid 2010 real property taxes is secured and is treating it as a secured claim as provided in Class 8. In its Proof of Claim Nos. 10-1, 11-1 and 12-1, the County asserts claims for recordation taxes allegedly due in connection with certain Indemnity Deeds of Trust from the Debtor and further asserts that to the extent such taxes are not secured claims, such claims are entitled to priority under § 507(a)(8) of the Bankruptcy Code.

excluding the Sold Lots. No interest shall accrue or be payable on the Class 6 allowed claim.

2.7 Class 7 Claims. Class 7 is comprised of the secured claim of Keyser-Thompson LLC. Keyser-Thompson LLC holds a claim against the Debtor that is secured by a third priority deed of trust lien [and judgment lien] on the land and improvements of the Debtor in the Subdivision, except for the Sold Lots.

2.8 Class 8 Claims. Class 8 is comprised of the secured real property tax claims of the County arising pursuant to Md. Code Ann., Tax- Prop. § 10-102 that arose prior to the Petition Date.

2.9 Class 9 Claims. Class 9 is comprised of the tax claims of the County arising pursuant to Md. Code Ann., Tax- Prop. § 12-105(f). The County asserts it is the holder of secured claims for recordation taxes allegedly due in connection with certain Indemnity Deeds of Trust from the Debtor to SSB and Regal Bank, and further asserts that, to the extent such taxes are not secured claims, such claims are entitled to priority under § 507(a)(8) of the Bankruptcy Code.

2.10 Class 10 Claims. Class 10 is comprised of the secured claim of Willoughby Plumbing Services, Inc. Willoughby Plumbing Services, Inc. holds a claim against the Debtor that is secured by a mechanics lien on the Model Home.

2.11 Class 11 Claims. Class 11 is comprised of the secured claim of Charles A Klein & Sons, Inc. Charles A. Klein & Sons, Inc. holds a claims against the Debtor that is secured by a mechanics lien on the Model Home.

2.12 Class 12 Claims. Class 12 is comprised of all general unsecured claims, excluding Insider claims.

2.13 Class 13 Claims. Class 13 is comprised of all Insider claims.

2.14 Class 14 Claims. Class 14 is comprised of all equity interests in the Debtor.

Article 3
Treatment of Claims

3.1 Class 1. Allowed Class 1 Claims shall be paid in full, in cash, on the latest of (a) the Effective Date, or (b) within thirty (30) days after such claim has become an Allowed Claim, or (c) a date agreed upon by the parties. Notwithstanding the foregoing, to the extent that Allowed Class 1 Claims consist of real property taxes for the 2010-2011 tax year attributable to an individual Saleable Lot or the Model Home, such claims shall be paid, at the option of the Debtor, either from the net proceeds realized upon the sale of the specific Saleable Lot and/or the Model Home, or from New Regal Advances extended and made available to the Debtor under the New Regal Note. Class 1 is not a class of claims impaired under the Plan.

3.2 Class 2. The holders of Allowed Class 2 Claims shall receive deferred cash payments of a value, as of the Effective Date of the Plan, equal to the allowed amount of their claims. Class 2 is not a class of claims impaired under the Plan.

3.3 Class 3. The holders of Allowed Class 3 Claims shall be paid over a period not exceeding five (5) years after the Petition Date, with the total of the deferred payments having a value equal to the amount of the Class 3 Allowed Claims, together with interest from the Effective Date at the rate of the Adjusted Federal Rate. Class 3 is not a class of claims impaired under the Plan.

3.4 Class 4. The Debtor shall assume all executory contracts and shall cure any pre-petition arrears evidenced by Class 4 Allowed Claims on or before the Effective

Date of the Plan, or as otherwise agreed by the parties. As set forth in Section 2.4 above, the Debtor believes there are no executory contracts to be assumed or rejected. Class 4 is not an impaired class under the Plan.

3.5 Class 5. The holder of the Class 5 Allowed Claim shall be paid on the terms set forth below. Class 5 is a class of claims unimpaired under the Plan

3.5.1 No late charges, or default or judgment interest shall be included or paid as part of the Class 5 Allowed Claim, all of which shall be deemed waived by SSB on the Effective Date.

3.5.2 The SSB Notes will bear interest at the “Prime Rate” as published in the Wall Street Journal plus 1.00%.

3.5.3 The accrued and unpaid interest, fees and protective advances of \$850,966.45 on the Existing SSB Notes, calculated at the contractual non-default rate of interest as of December 31, 2010, will be capitalized into a separate promissory note, designated as the “SSB B Note.” The SSB B Note shall bear interest at the “Prime Rate” published in the Wall Street Journal plus 1.00%, will mature on December 31, 2013, and will continue to be secured by the SSB Deeds of Trust.

3.5.4 The following terms of the Memorandum of Understanding are incorporated herein as to SSB, as the holder of the Class 5 Allowed Claim, and apply to Regal Bank, as the holder of the Class 6 Allowed Claim, as provided:

3.5.4.1 Until such time as the SSB A&D Note (together with interest thereon as provided in Section 3.5.2 above) has been repaid in full, SSB shall receive the SSB \$375,000 Lot Release Fee per Saleable Lot sold in exchange for its release of its lien on the respective individual Saleable Lot, except for Saleable Lots 17

and 30 (the liens of SSB having already been released pursuant to Court order), and excluding the first Saleable Lot sold in the first quarter of 2011, which shall have a release fee of \$346,027.00, as set forth in the Cash Flow Forecast that is referenced in Section 3.5.5.3, and in the Memorandum of Understanding.

3.5.4.2 Until such time as the New Regal Advances (together with interest thereon as provided in Section 3.6.2 below) have been repaid, Regal Bank shall receive, per Saleable Lot sold, payment equal to the greater of the amount of the net Saleable Lot settlement proceeds in excess of the SSB \$375,000 Lot Release Fee, or \$75,000, except for Lots 17 and 30 (the liens of Regal Bank having already been released pursuant to Court order).

3.5.4.3 After the New Regal Advances (together with interest thereon as provided in Section 3.6.2 below) are repaid, all the net Saleable Lot settlement proceeds with respect to each Saleable Lot will be paid to SSB until such time as the principal and interest due on the Existing SSB Notes are paid in full, and the principal due on the SSB B Note is paid in full, and SSB shall release its lien on individual Saleable Lots in exchange for the payment of all such net Saleable Lot settlement proceeds.

3.5.4.4 Once the principal and interest due on the Existing SSB Notes is paid in full and the principal of the SSB B Note is paid in full, Regal Bank shall be paid the net settlement proceeds from Saleable Lot sales until such time as Regal Bank has been repaid the New Regal Advances (together with interest thereon as provided in Section 3.6.2 below) and Regal Bank has received an additional \$1,000,000 (the "Regal Principal Curtailment"), which shall be applied by Regal Bank against the outstanding

principal balance of the Existing Regal Notes and Regal Bank shall release its lien on individual Saleable Lots in exchange for such payment. Thereafter, SSB will receive the net settlement proceeds from Saleable Lot sales to be applied against the principal balance on the SSB B Note until note is paid in full and SSB shall release its lien on individual Saleable Lots in exchange for such payment. Thereafter, the net settlement proceeds from Saleable Lots shall be paid to Regal Bank, to be applied against the outstanding principal balance due on the Existing Regal Notes, except as provided in the Supplemental Memorandum of Understanding or as otherwise agreed by Regal Bank.

3.5.5 The following additional terms of the Memorandum of Understanding are incorporated herein as to SSB, as the holder of the Class 5 Allowed Claim, and apply to Regal Bank, as the holder of the Class 6 Allowed Claim, as provided:

3.5.5.1 Notwithstanding the release amounts set forth in the Subsections 3.5.4.1 through 3.5.4.4 above, the minimum amount payable to SSB and Regal Bank for release of their liens on a Saleable Lot (not including the Model) shall not, in the aggregate, be less than the Aggregate Release Price set forth set forth below in the Price Assumptions. The Aggregate Release Price shall not be a cap on release amounts. All net proceeds of Saleable Lot sales shall be paid to the banks as provided above.

3.5.5.2 In the event the amount outstanding under the New Regal Note at the time of settlement of a Saleable Lot is less than would be Regal Bank's share of the proceeds, the difference (the "Excess Lot Proceeds") will be placed into an escrow account at Regal Bank to be utilized for future funding by Regal Bank under the New Regal Note.

3.5.5.3 The cash flow forecast (the “Cash Flow Forecast”)⁴, attached hereto as **Exhibit 2**, which represents projections as of January 12, 2011 approved by SSB and Regal Bank, replaces the cash flow pro forma attached to the Memorandum of Understanding, and shows certain estimated development and project costs of \$1,610,338 (the “Project Costs”), being funded through proceeds on the sales of Saleable Lots (the “Lot Sale Proceeds”)⁵ and from the New Regal Advances under the New Regal Note. The Project Costs consist of the following:

⁴ The Cash Flow Forecast does not reflect certain reasonable, customary and necessary costs and expenses that shall be paid by the Debtor, in addition to the other budgeted line items, and either funded from the sales of the Saleable Lots or New Regal Advances, including U.S. Trustee Fees, and insurance premiums; however, the Debtor, SSB and Regal Bank agree that such costs and expenses shall be paid notwithstanding that the Cash Flow Forecast does not include a specific line item for such costs and expenses.

⁵ The Lot Sale Proceeds reflected on the Cash Flow Forecast are net of (a) reasonable, customary and necessary costs and expenses associated with each lot sale, including applicable taxes, and recordation and title fees; and (b) a five percent (5%) broker’s commission per Saleable Lot, as authorized by the Order Authorizing Employment of Real Estate Listing Agent to the Debtor [Dckt. No. 142] and set forth in the Application of the Debtor for Authority to Employ Real Estate Listing Agent [Dckt. No. 137]. Such costs and expenses shall be paid directly at closing of each Saleable Lot, and are not included as projected costs or expenses reflected in the Cash Flow Forecast.

Project Cost Funded by New Regal Advances	Estimated Amount
Development Costs	\$300,000.00
Engineering	\$32,500.00
Bankruptcy Professional Fees	\$150,000.00 ⁶
Bond Payment	\$80,088.00
Real Estate Taxes	\$176,000.00
Real Estate Taxes - Model	\$54,600.00
<i>Sub-Total: New Regal Advances</i>	<i>\$793,188.00</i>
Project Cost Funded by Lot Sale Proceeds	
Development Costs (Including: Site Maintenance \$300,000.00 Density Acquisition \$162,150.00	\$742,150.00
Attorneys Fees	\$75,000.00
<i>Sub-Total: Lot Sale Proceeds</i>	<i>\$817,150.00</i>
TOTAL	<u>\$1,610,338.00</u>

As long as the Debtor provides Regal with reasonable documentation satisfactory to Regal Bank, in its sole determination, evidencing price increases or unanticipated events that increase the estimated amounts budgeted on the Cash Flow Forecast for development related costs and expenses, Regal Bank will fund up to an aggregate of ten percent (10%) over the amount estimated on the Cash Flow Forecast for development related costs and expenses.

3.5.5.4 The Excess Lot Proceeds and Lot Sale Proceeds will be placed into an escrow account at Regal Bank and advanced to the Debtor by Regal Bank subject to third party inspections for hard costs and invoices for soft costs. This escrow account will be subject to a control agreement with SSB in order to perfect and for the

⁶ The estimated Bankruptcy Professional Fee of \$150,000 is a projection used for purposes of the Cash Flow Forecast, but shall not in any way limit the amount of actual and necessary professional fees or expenses sought to be approved by any professional employed by the Debtor in this case, or the actual and necessary professional fees approved by the Court, or to be paid out of the Lot Sale Proceeds or New Regal Advances.

sole purpose of continuing perfection of the first lien in these funds as security for the SSB Notes and the New Regal Note.

3.5.5.5 The sale price assumptions (“Price Assumptions”) are as follows:

<u>Quarter Ending</u>	<u>Number of Settlements</u>	<u>Aggregate Release Price</u>
March-11	2	404,250
June-11	2	450,000
September-11	2	450,000
December-11	2	462,500
March-12	2	475,000
June-12	2	475,000
September-12	2	487,500
December-12	2	500,000
March-13	2	500,000
June-13	2	512,500
September-13	2	525,000
December-13 (Model)	Model (1)	2,000,000
Total	23	

3.5.5.6 Notwithstanding the foregoing, the Debtor may, at any time, require SSB and Regal Bank to give a release for a Saleable Lot sale with a shortfall on the Aggregate Release Price provided such shortfall does not exceed \$10,000 per each Saleable Lot sale. If the Debtor closes with a shortfall, any such shortfall must be made up through either surpluses on future Saleable Lot sales, or a cash payment to the banks in the amount of the shortfall, not later than the end of the next semiannual measurement period.

3.5.5.7 The Debtor will be required to maintain the following cumulative settlement pace (the “Cumulative Sales Pace”) with respect to the Saleable

Lots, however, the closing on any Saleable Lot sales (other than Lots 17 and 30) in the fourth quarter of 2010 will be credited against the sales projected for the first quarter of 2011 and the Cumulative Sales Pace requirement set forth below:

	Mar 2011	Jun 2011	Sep 2011	Dec 2011	Mar 2012	Jun 2012	Sep 2012	Dec 2012	Mar 2013	Jun 2013	Sep 2013	Mar 2014
Quarterly	2	2	2	2	2	2	2	2	2	2	2	Model
Cumulative	2	4	6	8	10	12	14	16	18	20	22	23

3.5.5.8 As used herein, the term “cumulative” means that the number of Saleable Lot sales having settled by the end of the semi-annual measuring period, commencing with the first and second quarters of 2011. For example, if the Debtor sells four (4) Saleable Lots in the first quarter of 2011 but fails to sell any Saleable Lots in the second quarter of 2011, the Debtor is not in default because it has sold four (4) Saleable Lots by the end of the second quarter of 2011.

3.5.5.9 In the event the Saleable Lot sales exceed the Cumulative Sales Pace during any semi-annual measuring period, the number of Saleable Lots exceeding the required cumulative number of Saleable Lot sales shall be credited against the Cumulative Sales required in the succeeding measuring period.

3.5.5.10 In the event the Debtor fails to maintain the Cumulative Sales Pace as set forth above, measured on a semiannual basis, commencing with the first and second quarters of 2011, then:

(a) SSB and/or Regal Bank may deem such failure an event of default. Notwithstanding the foregoing, the Debtor’s failure to maintain the Cumulative Sales Pace, as measured on a semiannual basis, shall not constitute or be deemed an event of default, under the following circumstances: the Debtor shall be

allowed to fall short by two (2) Saleable Lot sales from the Cumulative Sales Pace, at any time and during any semi-annual measuring period, so long as the shortfall in the number of Saleable Lot sales does not exceed two (2) Saleable Lot sales on a cumulative basis.

For example: if the Debtor sells a total of two (2) Saleable Lots in the first and second quarter of 2011, the Debtor must sell at least four (4) Saleable Lots in the third and fourth quarters of 2011 to leave only a two (2) Saleable Lot cumulative shortfall at the end of that measuring period. In theory, the Debtor could have a two (2) Saleable Lot shortfall on an ongoing basis for the life of the project.

(b) Any event of default with respect to the Cumulative Sales Pace shall not be subject to any notice and cure periods, except as follows: At any time after sixty (60) days prior to the expiration of any semiannual measuring period, Sandy Spring or Regal Bank may send a notice that the Debtor is not in compliance with the Cumulative Sales Pace. If such notice is sent, the Debtor shall have until 30 days after such notice, or the end of the then applicable semiannual measuring period, whichever is longer, to cure such default. The Debtor's failure to meet the Cumulative Sales Pace requirement shall not be an event of default except upon thirty (30) days written notice and cure, which may be provided as described in this paragraph. So, for example, if a notice of default is sent by one of the banks with respect to the Cumulative Sales Pace in May or November, the cure period will expire on June 30 or December 31 respectively. But, if such notice of default is sent after June 1 or December 1, the cure period will expire 30 days thereafter, notwithstanding expiration of the semiannual measuring period in the interim.

(c) In order to maintain the Cumulative Sales Pace, the Debtor has the right to curtail the SSB A&D Note by the amount of the Base Lot Release Price that would have been paid if the specific number of Saleable Lots had sold on a cumulative basis as contemplated, after taking into account the right of the Debtor to maintain a 2 Saleable Lot cumulative shortfall. Upon such curtailment, SSB and Regal Bank will release to the Debtor a Saleable Lot selected by Debtor.

(d) Unless otherwise agreed by SSB and Regal Bank, the Debtor shall sell the Model by March 31, 2014, and SSB and Regal Bank shall release their liens on the Model Home if the sale of the Model is an arm's length sale to an

individual or entity not associated with the Debtor or its principals, including Compass, for a gross sale price of \$2 million or more. The Model will be listed for sale by the Debtor within five (5) business days after execution of a contract for the sale of the last of the other Saleable Lots.

3.5.5.11 The SSB Notes will be cross defaulted with the New Regal Note.

3.5.5.12 SSB will cap its attorneys' fees and related expenses at \$75,000, which will be reimbursed out of the settlement on the last Saleable Lot (excluding the Model).

3.5.6 Written notice and cure provisions with respect to certain defaults apply, and attached hereto as **Exhibit 3**, as set forth fully in the Memorandum of Understanding and related loan documents.

3.5.7 SSB and Regal Bank will cooperate and consent to any proposed use or transfer of reforestation benefits accruing to the Debtor, so long as such cooperation and consent does not require alteration of the agreed upon development budget for the project inclusive of the allowable 10% over run adjustment. In addition, SSB and Regal Bank will cooperate and consent to the grant and recordation of any easement from the Debtor to a buildable lot owner or other party, permitting or requiring access to, use of, or maintenance of an adjacent non-buildable lot within the Preserve at Clarksville, or of any utility easements in, on or across lots or other parcels in the Preserve at Clarksville, provided such easement is, in the Debtor's reasonable business judgment, necessary or desirable for the development and/or maintenance of Preserve at Clarksville.

3.5.8 SSB shall administer the SSB Notes. Within fifteen (15) days after the end of each quarter, SSB shall provide the Debtor with an accounting of application of all sale proceeds and the then-existing balance on all SSB Notes. SSB shall also, within fifteen (15) days of confirmation of this Plan, provide the Debtor with a year end accounting of 2009 and 2010.

3.5.9 Upon full payment of the Class 5 Allowed Claim in accordance with this Section, all liens in favor of the holder of the Class 5 Claim shall be fully and finally extinguished and released, and all claims against the Debtor and all other obligors of the indebtedness owed to SSB shall be deemed fully and finally discharged and satisfied.

3.6 Class 6. The holder of the Class 6 Allowed Claim shall be paid on the terms set forth in Section 3.5 above and as provided below. Class 6 is a class of claims impaired under the Plan.

3.6.1 No late charges or interest shall be included or paid as a part of the Class 6 Allowed Claim, all of which shall be waived by Regal Bank, except as follows. Notwithstanding the foregoing, Regal Bank shall be paid all accrued and unpaid interest on the Existing Regal Notes at the "Prime Rate" as published in the Wall Street Journal plus 1% if (i) Regal Bank is repaid the principal and interest on the New Regal Note or any other post-petition advance made by Regal Bank to the Debtor after the Petition Date and authorized by the Bankruptcy Court, (ii) Regal Bank is repaid the outstanding principal balance of the Commercial Promissory Note dated May 25, 2010 from the Debtor to Regal Bank in the original principal amount of \$32,500, without interest thereon, and (iii) Regal Bank is repaid the sum of \$1,447,462 in principal on the

Promissory Note dated April 5, 2007 from DTB to Regal Bank in the original principal amount of \$2,950,000.

3.6.2 New Regal Advances under the New Regal Note will bear interest at the “Prime Rate” as published in the Wall Street Journal plus 1% and will be secured by a first priority lien on a pro rata basis with the SSB Notes.

3.6.3 The New Regal Note will be cross defaulted with the SSB Notes.

3.6.4 Notwithstanding the projection in the Cash Flow Forecast that Regal Bank will make New Regal Advances under the New Regal Note of up to \$1,290,568.00, which amount is in addition to amounts previously advanced by Regal Bank to the Debtor under the Existing Regal Notes, the maximum balance on the New Regal Note will never exceed \$620,435 (which does not include the ten percent (10%) override as set forth in Section 3.5.5.3, but which amount may be increased by up to ten percent (10%) as provided in that section), unless agreed upon by Regal Bank, in Regal Bank’s sole discretion.

3.6.5 Provided and after (i) Regal Bank is repaid the principal and interest on the New Regal Note or any other post-petition advance made by Regal Bank to the Debtor after the Petition Date and authorized by the Bankruptcy Court, (ii) Regal Bank is repaid the outstanding principal balance of the Commercial Promissory Note dated May 25, 2010 from the Debtor to Regal Bank in the original principal amount of \$32,500, without interest thereon, and (iii) Regal Bank is repaid the sum of \$1,447,462 in principal on the Promissory Note dated April 5, 2007 from DTB to Regal Bank in the original principal amount of \$2,950,000, which the Debtor guaranteed, Regal

Bank shall carve out from its monetary collateral proceeds and pay to Dale Thompson, as an incentive for his post-confirmation efforts to sell the Saleable Lots to maximize the return to Regal Bank as provided in this Plan, a share of Regal Bank's monetary collateral proceeds equal to 50% of all proceeds received thereafter from the sale of Saleable Lots and/or the Model in the Dayton Oaks development.

3.6.6 All matters relating to the administration of the Existing Regal Notes and New Regal Note, and the development of the Dayton Oaks project, including inspections, draw approvals, and similar matters shall to be performed by Regal Bank, not SSB. Within fifteen (15) days after the end of each quarter, Regal Bank shall provide to the Debtor an accounting of application of all sale proceeds and the then-existing balance on the New Regal Note and Existing Regal Notes. Regal Bank shall also, within fifteen (15) days of confirmation of this Plan, provide the Debtor with a year end accounting of 2009 and 2010.

3.6.7 Regal Bank shall establish a \$10,000 "petty cash" account (the "Petty Cash Account") in the name of the Debtor, which shall be funded by advances from Regal Bank under the New Regal Note. The Debtor will have the right to make payments of development and project related costs and expenses out of this account without prior approval of Regal Bank. The Debtor will, on a monthly basis in arrears, provide appropriate documentation to Regal Bank, including invoices, to support any disbursements from the Petty Cash Account and, upon request from the Debtor, Regal Bank shall from time to time replenish the Petty Cash Account to maintain a balance of \$10,000, after Regal Bank's approval of the Debtor's documentation of the uses of the

funds from the Petty Cash Account. Regal Bank will retain a perfected security interest in the Petty Cash Account.

3.6.8 The funds necessary to pay insurance premiums on the Model and the Saleable Lots shall constitute project costs to be funded under the New Regal Note.

3.6.9 Upon full payment of the Class 6 Allowed Claim in accordance with this Section, all liens in favor of the holder of the Class 6 Claim shall be fully and finally extinguished and released, and all claims against the Debtor and all other obligors of the indebtedness owed to Regal Bank shall be deemed fully and finally discharged and satisfied.

3.6.10 Except as modified herein, the Memorandum of Understanding and Supplemental Memorandum of Understanding shall remain effective. The reorganized Debtor, SSB and Regal Bank shall execute such other modifications and agreements to effectuate the terms of this Plan as may be necessary or appropriate.

3.7 Class 7. After the payment of allowed claims in Classes 1 through 6, the Class 7 Allowed Claim shall be paid from the remaining net proceeds realized upon the sale of the remaining Saleable Lots and/or the Model Home until the claim is paid in full, without interest. Payments to the Class 7 Claim holder shall be made within five (5) business days after the closing of the sale that generates funds available for such a distribution. The Debtor anticipates that the Class 7 Claim will not be paid. To the extent that the Class 7 Allowed Claim is not paid in full, the unpaid balance of the Class 7 Allowed Claim shall be treated as an allowed Class 12 Claim. Class 7 is a class of claims impaired under the Plan.

3.8 Class 8. The holders of Allowed Class 8 Claims shall receive deferred cash payments of a value, as of the Effective Date, equal to the allowed amount of their claims, over a period not exceeding five years, plus interest from the Effective Date at the Adjusted Federal Rate. Such payments shall be made, at the option of the Debtor, from the net proceeds realized upon the sale of the specific Saleable Lot and/or the Model Home or, at the option of the Debtor and if authorized by Regal Bank, from New Regal Advances extended and made available to the Debtor under the New Regal Note. Class 8 is not a class of claims impaired under the Plan.

3.9 Class 9. After the payment of allowed claims in Classes 1 through 8, any Class 9 Allowed Claim shall be paid from the net proceeds realized upon the sale of the remaining Saleable Lots and/or the Model Home or, at the option of the Debtor and if authorized by Regal Bank, from New Regal Advances extended and made available to the Debtor under the New Regal Note. Payments, if made, to the holder of a Class 9 Allowed Claim shall continue until the claim is paid in full, without interest and, to the extent any such payments derive from sale proceeds, such payments shall be made within five (5) business days after the closing. The Debtor does not believe that there is any claim allowable and payable as a Class 9 Allowed Claim. Class 9 is a class of claims impaired under the Plan.

3.10 Class 10. After the payment of allowed claims in Classes 1 through 9, the Class 10 Allowed Claim shall be paid from the remaining net proceeds realized upon the sale of the Model Home until the claim is paid in full, without interest. Payments to the Class 10 Claim holder shall be made within five (5) business days after the closing of the sale of the Model Home that generates funds available for such a distribution. The

Debtor anticipates that the Class 10 Claim will not be paid. To the extent that the Class 10 Allowed Claim is not paid in full, the unpaid balance of the Class 10 Allowed Claim shall be treated as an allowed Class 12 Claim. Class 10 is a class of claims impaired under the Plan.

3.11 Class 11. After the payment of allowed claims in Classes 1 through 10, Class 11 Allowed Claim shall be paid from the remaining net proceeds realized upon the sale of the Model Home until the claim is paid in full, without interest. Payments to the Class 11 Claim holder shall be made within five (5) business days of the closing of the sale of the Model Home that generates funds available for such a distribution. The Debtor anticipates that the Class 11 Claim will not be paid. To the extent that the Class 11 Allowed Claim is not paid in full, the unpaid balance of the Class 11 Allowed Claim shall be treated as an allowed Class 12 Claim. Class 11 is a class of claims impaired under the Plan.

3.12 Class 12. After the payment of allowed claims in Classes 1 through 11, Class 12 Allowed Claims shall be paid on a pro rata basis, without interest. Payments of Class 12 Claims shall be made within ninety (90) days of the closing of the sale of any Saleable Lot that generates funds available for such a distribution. The Debtor anticipates that the Class 12 Claims will not be paid. Class 12 is a class of claims impaired under the Plan.

3.13 Class 13. Class 13 Allowed Claims shall be subordinate to all other classes of Claims, and shall not be paid. Class 13 is a class of claims impaired under the Plan.

3.14 Class 14. All Class 14 Allowed Interests shall be extinguished as of the Effective Date. Class 14 is a class of interests impaired under the Plan.

Article 4
Execution of Plan

4.1 Funding. The funds necessary to implement the Plan shall be generated solely from the sale of the Saleable Lots. The Debtor is in the process of reviewing all relevant transactions and will determine if there are any potential Avoidance Actions from which it can recover additional funds. The Debtor's net proceeds from the sales of the Saleable Lots will be paid to creditors in such portion as is necessary for the execution of the Plan.

4.2 Retained Rights and Powers. Upon confirmation of the Plan, the Debtor shall retain all of its rights and powers under the Bankruptcy Code, including, but not limited to, the right to prosecute all Avoidance Actions and other causes of actions and all other rights and powers under §§ 505, 506, 541, 542, 543, 544, 547, 548, 549, 550, and 553 of the Bankruptcy Code.

4.3 Equity Ownership. All membership interests in the Debtor as of the Effective Date shall be extinguished, and new membership interests in the reorganized and newly constituted Debtor shall be issued to Compass. In consideration of the newly acquired membership interests, Compass has advanced \$40,000 as a retainer for the Debtor's counsel and will, from time to time during the development of the Preserve at Clarksville, make materials and other services available to the Debtor for completion of the Preserve at Clarksville. Upon issuance of the membership interests to Compass, its claim for the \$40,000, and for its future contribution of materials and services to the Debtor shall be deemed satisfied.

4.4 Professionals. Professional persons who perform services after the Confirmation Date shall not be subject to the Administrative Bar Date, and are not required to have their post-confirmation compensation approved by the Court, but shall be required to have their requests for compensation through the Confirmation Date approved by the Court.

4.5 Distributions. Distributions to holders of Allowed Claims shall be made: (a) to the address set forth on the respective Proof of Claim filed by each such holder; (b) to the address set forth in any subsequent written notice of change of address filed with the Court and served on the Debtor; or (c) to the address reflected in the Schedules if no Proof of Claim or notice of change of address is filed. A distribution payment that is made within thirty (30) days of any date specified in this plan shall be deemed timely.

4.6 Corporate Structure and Operating Procedures of Reorganized Debtor. Following the Effective Date, Compass, as the new member of the reorganized Debtor, may elect a manager and directly or through the actions of such manager adopt and implement such bylaws and create other organizational documents, agreements and procedures as it deems necessary and appropriate in accordance with applicable non-bankruptcy law. Notwithstanding ownership of the reorganized Debtor or the appointment by Compass of a manager other than Dale H. Thompson, Compass shall be required to designate and retain Dale H. Thompson as the project manager or the person solely responsible for the operational control over land development and lot sales with respect to the Preserve at Clarksville, unless Dale H. Thompson, SSB and Regal Bank otherwise agree.

4.7 Management of Reorganized Debtor. The new member of the reorganized Debtor, subject to Section 4.6 above, in consultation with their professionals, shall be responsible for making all business decisions necessary and consistent with consummating the Plan. The duties of the Debtor shall include the following: (a) to review the Debtor's schedules and the proofs of claim filed in this Chapter 11 case and decide whether objections shall be filed to any claims; (b) to determine which causes of action should be prosecuted; (c) to pay creditors in accordance with the Plan; (d) to distribute funds to holders of Allowed Claims consistent with the terms of the Plan; and (e) to file a final report and move to close the Debtor's Chapter 11 case.

4.8 Recordation Taxes. Pursuant to § 1146(c) of the Bankruptcy Code, the issuance, transfer or exchange of any notes or equity securities under the Plan, sales of the Debtor's assets, the creation of any mortgage, deed of trust or other security interest, the making or assignment of any lease or sublease, or the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with the Plan, including, without limitation, any loan documents or instruments evidencing any credit facility or extension of credit contemplated under the Plan; the sale of the Saleable Lots; any contracts for the sale of a Saleable Lot entered into prior to plan confirmation, but which do not close until after confirmation; any merger agreements or agreements of consolidation, deeds, bills of sale or assignments executed in connection with any of the transactions contemplated under the Plan; or issuance of equity interests in the reorganized and newly constituted Debtor to Compass, shall not be subject to any stamp, real estate transfer, recapture, mortgage recording or other similar tax.

4.9 Releases. In furtherance of the Memorandum of Understanding, and to induce SSB and Regal Bank to consent to the Plan, the Debtor will release all claims against SSB and/or Regal Bank that exist up to and through the Effective Date, and the Debtor will not object to or seek to subordinate the claims of SSB and/or Regal. The Debtor is authorized to execute and deliver appropriate releases for this purpose to SSB and Regal Bank on or after the Confirmation Date and on or before the Effective Date and, if any such release has been executed in contemplation hereof, such release shall be deemed authorized and ratified by the Court, to be effective as of the Effective Date.

4.10 Sales Free and Clear of Liens, Claims and Encumbrances. Any sales made pursuant to this Plan, as described above, shall be made free and clear of any liens, claims, or encumbrances, including but not limited to liens held by the following: SSB; Regal; Keyser-Thompson, LLC, Willoughby Plumbing Services, Inc.; Charles A. Klein & Sons, Inc.; and the County. The liens of SSB, Regal and the County, with respect to its lien arising from real property taxes owed as described in Section 2.8, shall attach to all sale proceeds until their respective claims are paid in full, as further described above in Sections 3.5 and 3.6.

Article 5
Executory Contracts and Unexpired Leases

5.1 Assumption. The pre-petition executory contract between the Debtor and Mark and Angela Paliotta for the sale of Subdivision Lot 23 is rejected as of the Effective Date, to the extent it has not previously been cancelled and terminated. All other executory contracts and unexpired leases of the Debtor which, as set forth in Sections 2.4 and 3.4 above, the Debtors believe there are none, shall be deemed assumed by the Debtor on the Effective Date unless (a) rejected by Order of the Court prior to the

Effective Date, (b) specifically rejected pursuant to the terms of the Plan, or (c) otherwise ordered by the Court.

5.2 Claims Arising From Rejection Prior to the Confirmation Date. Any Claim arising from the rejection of an unexpired lease or executory contract shall be filed with the Court no later than thirty (30) days after the entry of a Final Order approving such rejection. The Debtor believes there are no such rejection claims. If not timely filed, such Claim shall be forever barred. Any Allowed Claim arising from the rejection of an executory contract or an unexpired lease shall be deemed a Class 12 Claim.

Article 6
Administrative Claims Bar Date

6.1 All requests for payment of previously unpaid Administrative Claims, including without limitation final applications of Professional Persons for compensation and expense reimbursement for services rendered or expenses incurred on or before the Confirmation Date, shall be filed with the Bankruptcy Court no later than forty-five (45) days after the Effective Date, failing which such unpaid Administrative Claim Claims shall be waived, discharged and forever barred. Any payment made or to be made by the Debtor for services or for costs and expenses in or in connection with this case through the Confirmation Date, or in connection with the Plan and incident to this case, has been approved by, or is subject to the approval of, the Bankruptcy Court as reasonable.

Article 7
Disputed Claims

7.1 No Distribution Unless Allowed. Notwithstanding any other provision of this Plan and except as provided in Section 3.5 above, no cash or property shall be distributed under this Plan on account of any Disputed Claim unless and until such claim

becomes an Allowed Claim. The Debtor shall pay no pre-petition claims outside of the Plan.

7.2 Objections to Claims. After the Confirmation Date, unless otherwise ordered by the Court after notice and a hearing, the Debtor shall have the right to make and file objections to Claims and shall serve a copy of each objection upon the holder of such Claim to which the objection is made. Objections to Claims shall be filed within 120 days after the Effective Date. The Debtor shall retain the discretion to litigate such objection to a final determination in the Court or to elect to compromise, settle, or otherwise resolve any such objection subject to approval thereof of the Court. The Debtor agrees that it will not object to the allowance of the claims of SSB and Regal Bank in the amounts described herein and in the Plan, or the allowance of the claim of Keyser-Thompson, LLC, in the amount set forth in its proof of claim [Claim No. 5].

7.3 Estimation. The Debtor may, at any time, request that the Court estimate any Disputed Claim pursuant to § 502(c) of the Bankruptcy Code regardless of whether the Debtor has previously objected to such claim, and the Court will retain jurisdiction to estimate any such claims at any time. On or after the Confirmation Date, any claims which have been estimated may subsequently be compromised, settled, withdrawn or otherwise resolved subject to approval by the Court. The Debtor agrees that it will not seek to estimate the claims of SSB or Regal Bank.

7.4 Allowance of Disputed Claims. If, on or after the Effective Date, any Disputed Claim is allowed, the Debtor shall distribute to the holder of such Claim, within a reasonable time, the amount that such holder would have been entitled to receive under

this Plan if such Claim had been an Allowed Claim on the Effective Date without interest or present value adjustment.

Article 8
Effect Of Confirmation

8.1 Binding Effect. On or after the Confirmation Date, the provisions of this Plan shall bind any holder of a Claim against, or an interest in, the Debtor, whether or not such Claim or interest of such holder is impaired under this Plan and whether such holder has accepted this Plan.

8.2 Discharge. Except as otherwise provided in the Plan or in the Confirmation Order, confirmation of the Plan shall act as a discharge and dismissal effective as of the Effective Date of all Claims against the Debtor that arose at any time before the Confirmation Date.

8.3 Claims Injunction. Except as otherwise provided in the Plan or in the Confirmation Order, confirmation of the Plan shall also constitute an injunction against any action by or on behalf of the holder of any Claim so discharged seeking to collect a Claim against the Debtor in any manner other than as specified in the Plan.

Article 9
Default

9.1 Creditors Shall Retain Rights Under 11 U.S.C. § 1112. In the event that the Debtor materially defaults under the Plan, the holder of a Claim may seek to exercise any and all rights under § 1112 of the Bankruptcy Code, including the right to request the Court to convert the Debtor's Chapter 11 bankruptcy case to a case under Chapter 7 of the Bankruptcy Code or to request dismissal of the case in its entirety.

Article 10
Modification Of Plan

10.1 Pre-Confirmation Modification. The Plan Proponents reserve the right, in accordance with the Bankruptcy Code, to amend or modify the Plan or the treatment of any Claim prior to the Confirmation Date.

10.2 Post-Confirmation Modification. After the Confirmation Date, the Plan Proponents may amend or modify the Plan, or any portion thereof applicable to the Debtor-in-Possession, in accordance with § 1127(b) of the Bankruptcy Code, or remedy any defect or omission, or reconcile any inconsistency in the Plan, in such a manner as may be necessary to carry out the purpose and intent of the Plan.

Article 11 **Retention Of Jurisdiction**

11.1 Pre-Confirmation. Until the Effective Date, the Court shall retain jurisdiction over the Debtor and its assets.

11.2 Post-Confirmation. Notwithstanding the entry of an Order of Confirmation, the Court will retain jurisdiction until final closing of this case to ensure that the purposes and intent of the Plan are carried out. The Debtor reserves the right to reopen the pending bankruptcy case, if closed; however, in the event the Court declines to reopen the bankruptcy case, the Debtor reserves the right to raise all such issues in any proceedings in Maryland state court with jurisdiction. The Court's jurisdiction shall be over any and all disputes and litigation pending at the Confirmation Date, any controversies that may arise thereafter, and any controversies that may affect the Debtor's ability to effectuate the consummation of the Plan. By way of illustration of the jurisdiction retained by the Court, but not by way of limitation of the same, the Court shall retain jurisdiction in this case for, among other things, the following purposes:

11.2.1 The classification of the Claim of any creditor and the re-examination of Claims which have been allowed for purposes of voting, and the determination of such objections as may be filed to the Claims of creditors. The failure by the Debtor to object, or to examine any Claim for purposes of voting, shall not be deemed to be a waiver of the Debtor's right to object to or re-examine any Claim in whole or in part.

11.2.2 Except to the extent that the Debtor chooses to invoke the jurisdiction of another court, the determination of all causes of action, controversies, disputes and conflicts involving or relating to the Debtor or its assets, arising prior to or after the Confirmation Date, whether or not subject to an action pending as of the Confirmation Date, between the Debtor and any other party or parties.

11.2.3 The modification of the Plan after confirmation to correct any defect, to cure any omission, or to reconcile any inconsistency in the Plan or in the Order of Confirmation, as may be necessary or otherwise appropriate to carry out and/or clarify the intended purposes of the Plan or the Order of Confirmation, but only as permitted by section 1127 of the Bankruptcy Code.

11.2.4 The allowance of compensation for pre-confirmation services rendered to the Estate by Professional Persons, pursuant to §330(a) of the Bankruptcy Code, upon application for such compensation.

11.2.5 The enforcement and interpretation of the terms and conditions of the Plan and Memorandum of Understanding, including any agreement for satisfaction of an Allowed Claim and all matters with respect to the implementation or enforcement of, or any disputes or alleged defaults with respect to the terms set forth in the Plan or in the Memorandum of Understanding.

11.2.6 The determination of the existence of any liens, encumbrances, or interests of other parties in property of the Estate or the Debtor, and the extent and priority thereof.

11.2.7 The enforcement of the Claims Injunction and any similar equitable relief with respect to post-confirmation actions against the Debtor and/or property of the Estate.

11.2.8 To hear and determine all matters concerning local, state and federal taxes in accordance with §§ 346, 505 and 1146 of the Bankruptcy Code.

11.2.9 Entry of an order concluding and terminating the case.

Article 12
General Provisions

12.1 General Rules of Interpretation. For purposes of this Plan, the following rules of interpretation apply:

12.1.1 Construction of Terms. Except as otherwise provided herein, this Plan shall be construed in conformance with § 102 of the Bankruptcy Code. Whenever it is appropriate because of the form or the context, each term whether stated in the masculine, feminine or neuter gender, shall include the masculine, feminine and the neuter gender. Any term used in capitalized form in the Plan that is not defined in the Plan but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to such term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be.

12.1.2 Referenced Documents. Any reference in the Plan to a contract, instrument, release, or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions. Any reference in the Plan to an existing document or exhibit filed, or to be filed, means such document or exhibit, as it may have been or may be amended, modified or supplemented.

12.1.3 Captions and Headings. Captions and headings in articles and sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan. Unless otherwise specified, all references in the Plan to sections, articles or exhibits are references to sections, articles and exhibits of or to the Plan.

12.1.4 Exhibits. All exhibits attached hereto are incorporated into and are a part of the Plan as if fully set forth in the Plan.

12.1.5 Time Computation. In computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) shall apply. Any period of time prescribed or allowed by the Plan may be enlarged or reduced by the Bankruptcy Court in accordance with the provisions of Bankruptcy Rule 9006(b) or (c).

12.2 Payment as Release. The tender of full payment to the holder of an Allowed Claim in any class as provided for under the Plan shall be deemed to effect a settlement, release, and discharge of the Debtor by such holder on behalf of itself and its successors and assigns.

12.3 Refiling. The reorganized debtor shall be prohibited from filing a new bankruptcy case for a period of twenty-four (24) months after Confirmation.

12.4 Post-Confirmation Notices. Any notice required or permitted to be provided under the Plan shall be provided to the Office of the United States Trustee, to any party entitled to notice pursuant to Bankruptcy Rule 2002, and to any party directly affected by the action to be taken. Any notices or requests in connection to this Plan shall be served in writing and shall be served either by hand, first-class mail, postage prepaid, or electronically on:

Office of the U.S. Trustee
101 W. Lombard Street
Suite 2625
Baltimore, MD 21201

and

Alan M. Grochal, Esq.
Stephen M. Goldberg, Esq.
Catherine K. Hopkin, Esq.
Tydings & Rosenberg LLP
100 East Pratt Street, 26th Floor
Baltimore, MD 21202

12.5 Section 1129(b) Election. In order to confirm the Plan and to the extent necessary, the Debtor invokes §1129(b) of the Bankruptcy Code, such that the Plan may be confirmed by the Court as long as the Plan does not discriminate unfairly and is fair and equitable with respect to any Class of Claims or interests that is impaired under and has not accepted the Plan.

12.6 Trustee Fees. All fees payable to the United States Trustee pursuant to 28 U.S.C. §1930 as determined by the Court on the Confirmation Date, shall be paid on the

Effective Date. All statutory fees which become due after the Confirmation Date, if any, shall constitute Administrative Claims and be paid when due.

12.7 Governing Law. Except to the extent the Bankruptcy Code, Bankruptcy Rules or other federal law is applicable, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Maryland, without giving effect to the principles of conflicts of law of such jurisdiction.

12.8 Prohibition on Future Filings. Pursuant to the Memorandum of Understanding, the Debtor agrees it shall not file a new bankruptcy proceeding under any chapter of the United States Bankruptcy Code within a period of twenty four months after confirmation of the Plan.

12.9 Closing Case. When the Plan is fully administered as described in Bankruptcy Rule 3022 and Local Bankruptcy 3022-1, or as otherwise permitted by the Court, the Debtor may move the Court to close this case.

12.10 Further Assurances. The Debtor shall execute such other loan documents and instruments to modify the Existing SSB Notes or Existing Regal Notes and related loan documents, as both the Debtor and Regal Bank, or both the Debtor and SSB, respectively, deem reasonably necessary to effectuate the terms and purposes of the Plan.

IV. Voting On The Plan And Confirmation

Voting on acceptance or rejection of the Plan will be governed by the provisions of the Bankruptcy Code. Each voting creditor will be supplied with an official ballot, in a form prescribed by the Court. Creditors may vote to accept or reject the Plan by filing a completed ballot with the Clerk of the Court. A class of creditors will be

considered to have accepted the Plan (a) if it is accepted by creditors holding at least two-thirds (2/3) in amount, and more than one-half (1/2) in number of the allowed claims of each class that has voted, or (b) if the class is unimpaired within the meaning of the Bankruptcy Code.

After the time for voting on the Plan passes, the Court will hold a hearing, and rule on confirmation of the Plan in accordance with the Bankruptcy Code. If all requirements for confirmation of the Plan under the Bankruptcy Code are satisfied, except that the Plan is not accepted by one or more classes of creditors, the Court may confirm the Plan without the acceptance of creditors if the Court finds that the Plan does not discriminate unfairly, and is fair and equitable (within the meaning of the Bankruptcy Code) with respect to any class of creditors that does not accept the Plan.

V. Alternatives To The Plan Of Reorganization

In the event that the Plan is not confirmed and this case is converted to Chapter 7, there would be additional administrative expenses consisting of Trustee commissions, the fees and expenses incurred by the Trustee's professionals, and potential administrative rent claims. The assets of the Debtor, however, consist only of cash of approximately \$50, and real property with a fair market value of approximately \$10,000,000. If the Debtor's estate were liquidated and the real property sold in bulk at auction, the Debtor believes it would realize proceeds of approximately \$4,200,000, all of which would be paid to the County for real estate taxes, and SSB. SSB, Regal, and Keyser Thompson LLC have liens on virtually all of the Debtor's assets. Additionally, Charles A. Klein & Sons, Inc. and Willoughby Plumbing Services, Inc. have secured mechanics liens against the Model Home, and the County has a secured lien on the

Debtor's Real Property such that secured creditors would realize one hundred percent (100%) of the liquidation value of the Debtor's assets, as described above.

Viewing the Debtor's assets relative to its liabilities in a Chapter 7, which would include a Trustee commission of approximately \$3,500, secured debt of approximately \$12,659,000 million, secured priority tax claims of approximately \$196,000, and unsecured claims in the approximate amount of \$360,000, a Chapter 7 liquidation would result in no distribution to general unsecured creditors, and a substantial loss to secured creditors.

Conversely, although the Plan does not provide for any distribution to unsecured creditors, it will provide a substantially greater distribution to secured creditors. Therefore, it is anticipated that creditors will fare considerably better if this case remains in Chapter 11 and the Debtor's Plan is confirmed.

Dated: January 25, 2011

DEBTOR
DAYTON OAKS, LLC
By: DTB HOLDINGS, LLC,
Sole Member of Dayton Oaks, LLC
By: DALE THOMPSON BUILDERS, INC.,
Managing Member of DBT Holdings, LLC

/s/ Dale H. Thompson
Dale H. Thompson
President, Dale Thompson Builders, Inc.

Dated: January 25, 2011

/s/ Alan M. Grochal
Alan M. Grochal, Bar No. 01447
Stephen M. Goldberg, Bar No. 01156
Catherine K. Hopkin, Bar No. 28257
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