

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE MIDDLE DISTRICT OF NORTH CAROLINA
DURHAM DIVISION**

IN RE: HAMPTON CAPITAL PARTNERS, LLC, d/b/a Gulistan Carpet, DEBTOR	CASE NO. 13-80015 CHAPTER 11
DISCLOSURE STATEMENT FOR PLAN OF LIQUIDATION DATED JULY 8, 2013	

Hampton Capital Partners, LLC, d/b/a Gulistan Carpet (the “Debtor”), provides the following Disclosure Statement regarding the Plan of Liquidation Dated July 8, 2013 (the “Plan”) pursuant to 11 U.S.C. § 1125 and Rule 3016 of the Federal Rules of Bankruptcy Procedure. Capitalized terms are defined in the Plan and shall have the meaning set forth therein. **A copy of the plan is attached as Exhibit A and is incorporated by reference.**

INTRODUCTION

On January 7, 2013 (the “Petition Date”), the Debtor filed a voluntary petition in the United States Bankruptcy Court for the Middle District of North Carolina (the “Court”) seeking relief under Chapter 11 of the Bankruptcy Code. As of the Petition Date, the Debtor was in the business of manufacturing and selling medium to high-end carpets under the Gulistan® brand name to both residential and commercial markets. The Debtor sold its carpets to customers through independent retailers, franchises and leading home improvement retailers.

The Debtor retained Northen Blue, LLP as its counsel in connection with this bankruptcy case, and retained Getzler Henrich & Associates LLC as financial consultant for the Debtor. An official committee of unsecured creditors (the “Committee”) was appointed by the Court on January 25, 2013, and the Committee retained Lowenstein Sandler LLP and Wilson and Ratledge, PLLC as its counsel in connection with this bankruptcy case, and retained BDO Consulting, a division of BDO USA, LLP as financial consultant for the Committee.

From the Petition Date through the date of the filing of the Plan, the Debtor has, among other things, (i) completed the manufacture of carpet from raw materials and work in process on hand on the Petition Date, and subsequently ceased all manufacturing operations, (ii) sold inventory and collected accounts receivable in the ordinary course of business, (iii) sold

substantially all of its machinery and equipment, and (iv) sold its real property located in Aberdeen, NC. Not all assets have been liquidated as of this date, and the Debtor continues to sell inventory, collect accounts receivable and pursue the sale of the remaining parcel of real property located in Wagram, NC.

The Plan proposes the appointment of a trustee to wind up the affairs of the Debtor, complete the final administration of the Debtor's bankruptcy estate, and consummate the Plan. All creditors and other parties in interest are encouraged to read the Plan carefully and thoroughly, and to review the Plan with their attorneys or other advisors to ascertain its terms, provisions, and conditions and the effect of the Plan on any Claims or Interests which such persons may possess.

PROCEDURAL INFORMATION

Pursuant to the Bankruptcy Code, this Disclosure Statement must be approved by the Court before it can be submitted with the Plan to creditors or other parties in interest. Such approval is required by statute and does not constitute a determination by the Court as to the desirability of, or the value, adequacy, or suitability of any consideration offered under the Plan, but does indicate that the Disclosure Statement contains adequate information to permit those claimants and other parties in interest whose acceptance of the Plan is solicited pursuant to this Disclosure Statement to make an informed judgment about the Plan.

The Debtor prepared this Disclosure Statement to disclose the information available that is material, important and necessary to an evaluation of the Plan, and the material herein contained is intended solely for this purpose and the use of known creditors and interest holders of the Debtor. This Disclosure Statement may not be relied upon for any purpose other than a determination of how to vote on the Plan. Furthermore, the matters addressed and the discussions contained in this Disclosure Statement are not necessarily sufficient for the formulation of a judgment by any creditor or interest holder of whether the Plan is preferable to any alternative thereto. However, the Debtor as the proponent of the Plan supports the Plan for the reasons explained herein and encourages each creditor, interest holder, or other party in interest to accept the Plan by timely returning a ballot in favor of the Plan.

The Disclosure Statement is submitted in accordance with § 1125 for the purpose of soliciting acceptance of the Plan from holders of certain Classes of Claims and Interests. The persons whose acceptance is sought are those whose claims or interests are "impaired" by the

Plan; *i.e.*--those whose claims or interests are altered by the Plan or who will not receive under the Plan the allowed amounts of their respective claims or interests in cash. Holders of those claims and interests which are not “impaired” are automatically deemed to have accepted the Plan.

If the Plan is rejected by one or more impaired classes of claims or interests, the Plan or a modification thereof may still be confirmed by the Court if the Court determines, among other things, that the Plan does not discriminate unfairly and is fair and equitable with respect to the rejecting class or classes of claims or interests impaired by the Plan. The Debtor will request such a determination (commonly referred to as a “cram down”) if the Plan or modification thereof is not accepted by one or more of the impaired classes of claims or interests.

If the Plan or any modification thereof is not accepted by one or more of the impaired classes of claims or interests and is not confirmed by the Court pursuant to the cram down provisions of the Bankruptcy Code, the Debtor may seek to modify the Plan or to convert this case to a proceeding under Chapter 7, in which event a trustee would still liquidate all assets and pursue all necessary litigation. By separate Order served on all parties in interest, the Court will set deadlines to vote to accept or reject, or to object to the Plan, and set a date for the hearing to consider confirmation of the Plan.

A creditor or interest holder, in order to vote, must file a Proof of Claim or Interest on or before the date set as the “bar date” for filing all claims. The bar date for filing claims against the Debtor is set forth in the Plan. However, any creditor or interest holder whose claim or interest is listed in the schedules filed by the Debtor and not identified as disputed, unliquidated or contingent is deemed (to the extent so scheduled) to have filed a claim, and absent objection such claim is deemed allowed and entitled to vote.

A creditor or interest holder may vote to accept or reject the Plan by filling out and mailing (as instructed thereon) the ballot which has been provided with this Disclosure Statement. The Court will set the time by which ballots must actually be filed; and, any ballots received after such time may not be counted. Regardless of whether a creditor or interest holder votes against the Plan, or whether the creditor or interest holder votes at all, such persons will be bound by the terms and treatment set forth in the Plan if the Plan is confirmed by the Court.

Allowance of a claim or interest for voting purposes does not necessarily mean that all or a portion of the claim or interest will be allowed or disallowed for distribution purposes. The

Debtor or any party in interest may file an objection to a claim, which will then be allowed or disallowed by the Court after notice and an opportunity for hearing. Tax consequences of any of the transactions proposed by the Plan will depend upon the individual circumstances applicable to each creditor, interest holder, or other party in interest, and must of necessity include factors beyond the Debtor's knowledge. A general discussion of potential tax consequences is contained in the Disclosure Statement.

The various claims of creditors and interests of interest holders are all treated under the proposed Plan. There are additional significant provisions contained throughout the Plan that impact the treatment of creditors and interest holders--please read the Plan carefully to fully understand its terms. The Plan proposes segregation of the creditors into separate classes, with an additional class comprising the interests.

The Debtor or others may solicit your vote for or against the Plan. The cost of any solicitation by the Debtor will be borne by the Estate. No other additional compensation shall be received by any party for any solicitation other than as disclosed to the Court.

Certain materials contained in this Disclosure Statement may have been taken directly from other, readily accessible instruments or digests of other instruments. In addition, other information may be made available, upon reasonable written request, to creditors or other parties in interest having standing to request such information. While the Debtor has made every effort to retain the meaning of any such instruments or documents or the portions thereof reiterated herein, you are advised that any reliance on the contents of such other instruments or documents should be predicated on a thorough review of the instruments or documents themselves, including the Plan.

Consummation of the Plan is subject to numerous conditions and variables, and there can be no assurance that the Plan, as contemplated, will be effectuated. No representations or assurances concerning the Plan are authorized by the Debtor other than as set forth in this disclosure statement. Any representations or inducements made by any person to secure your vote which are other than herein contained should not be relied upon by you in arriving at your decision, and such additional representations or inducements should be reported to Debtor's Counsel, who in turn shall convey such information to the Court for such action as may be deemed appropriate.

VOTING

If you are in one of the classes of creditors or interest which are affected by the Plan, it is important that you vote. To vote to accept or reject the Plan, creditors and other persons or entities having claims against the Debtor falling within any of the impaired classes should indicate their acceptance or rejection on the appropriate ballot. Any persons holding claims in more than one impaired class must file one ballot for each such class. Additional ballots may be obtained by written request to Debtor's Counsel.

A class of claims will have accepted the Plan if it is accepted by class members holding at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the allowed claims of such class voting on the Plan. A class of interests will have accepted the Plan if it is accepted by class members holding at least two-thirds (2/3) in amount of the allowed interests in such class voting on the Plan. You are, therefore, urged to fill in, date, sign, and promptly mail the enclosed ballot furnished to you.

Please be sure to properly complete the form and legibly identify the name of the claimant or interest holder. Executed ballots must be received on or before the return date set forth in the ballot. Completed ballots should be returned to the address specified on the ballot. Since mail delays may occur, it is important that the ballot or ballots be mailed or delivered well in advance of the date specified. Any acceptances or rejections of the plan received after the date may not be included (unless otherwise permitted by the Court) in any calculation to determine whether the creditors and interest holders have voted to accept or reject the plan.

This is a solicitation by the Debtor only and is not a solicitation by the attorneys, accountants, or other professionals who may be employed by the Debtor, and the representations made herein are solely and exclusively those of the Debtor and not of such attorneys, accountants, or other professionals.

BACKGROUND AND HISTORY OF THE DEBTOR

As of the Petition Date, the Debtor was in the business of manufacturing and selling medium to high-end carpets under the Gulistan® brand name to both residential and commercial markets. The Debtor sold its carpets to customers through independent retailers, franchises and leading home improvement retailers.

The Debtor's principal offices and primary manufacturing plant were located at 3140 NC 5 Highway, Aberdeen, NC 28315 (the "Aberdeen Facility"). The Debtor also had a secondary manufacturing location at 19320 Airport Road, Wagram, NC 28396, which was used primarily for the dying process in the Debtor's manufacturing operations (the "Wagram Facility").

Over the past five years, the Debtor incurred losses due primarily to the downturn in the real estate market and the corresponding decline in demand for its carpets. In 2009, the Debtor closed its manufacturing plant located in Turnersburg, NC (the "Turnersburg Facility"), in an attempt to reduce its fixed costs and subsequently sold the facility. However, the closure and sale did not return the Debtor to profitability, and the continuing economic downturn and other factors resulted in its inability to pay its secured and unsecured debt in a timely fashion.

Bank of America's Pre-Petition Secured Claim

On the Petition Date, the Debtor's primary secured creditor was Bank of America, N.A. On August 28, 2003, the Debtor and Fleet Capital Corporation ("Fleet Capital") executed a certain Loan and Security Agreement, wherein Fleet Capital provided a credit facility to the Debtor in the total principal amount of \$23.5 million, consisting of (i) a revolving loan not to exceed \$15 million; (ii) a term loan in the original principal amount of \$3.5 million; and (iii) a capital expenditure loan, up to an aggregate principal amount of \$5 million. On August 28, 2003, the Debtor also executed (i) a Secured Promissory Note in the original principal amount of \$3.5 million, (ii) a Master Capex Promissory Note in the original principal amount of \$5 million, and (iii) a Secured Promissory Note in the original principal amount of \$15 million, which was subsequently amended by a certain Amended and Restated Secured Promissory Note, dated May 19, 2004, in the principal amount of \$18 million.

To secure these loans, on August 28, 2003, Fleet Capital filed (i) a North Carolina Deed of Trust, Security Agreement, Assignment of Rents and Fixture Filing in Moore County, NC, which granted Fleet Capital a Lien on the Aberdeen Facility, and included an assignment of rents, (ii) a North Carolina Deed of Trust, Security Agreement, Assignment of Rents and Fixture Filing in Scotland County, NC, which granted Fleet Capital a Lien on the Wagram Facility, and included an assignment of rents, and (iii) a North Carolina Deed of Trust, Security Agreement, Assignment of Rents and Fixture Filing in Iredell County, NC, which granted Fleet Capital a Lien on the Turnersburg Facility, and included an assignment of rents. Additionally, on August 20, 2003, Fleet Capital filed a UCC-1 Financing Statement with the Virginia Secretary of State,

perfecting a blanket Lien on the Debtor's present and future accounts, goods, inventory, equipment, general intangibles, deposit accounts, letter of credit rights, investment property, instruments, documents, chattel paper, and all products and proceeds of the foregoing.

On July 1, 2005, Fleet Capital and Bank of America, N.A. ("BofA") executed an Assignment and Assumption Agreement, pursuant to which Fleet Capital assigned to BofA its rights, title and interest in all of the loan documents and obligations described above, which together with all amendments and modifications are referred to herein as the "BofA Loan Documents." An assignment of the UCC-1 Financing Statement was filed with the Virginia Secretary of State on July 5, 2005, and continuation statements were filed on July 5, 2005 and January 12, 2010.

The Debtor defaulted on its obligations to BofA under the BofA Loan Documents, and on December 21, 2012, BofA sold some of its Collateral (certain yarn, work in process, product styles and samples used in connection with sales to Lowe's and other customers) to Masland Carpets, LLC ("Masland") pursuant to Section 9-610 of the Uniform Commercial Code. The purchase price paid by Masland to BofA for the property was \$1,338,540 ("Masland Sale Proceeds"), which was applied to the outstanding indebtedness held by BofA. After application of the Masland Sale Proceeds, the aggregate amount owed to BofA under the BofA Loan Documents as of the Petition Date was \$10,010,414, secured by a first priority Lien on the Debtor's real and personal property, subject only to ad valorem taxes which have a statutory priority under applicable law.

Ronile, Inc.'s Pre-Petition Secured Claim

On August 28, 2003, the Debtor also borrowed \$7.5 million from Ronile, Inc. ("Ronile"), its majority owner at the time. The Debtor executed a Promissory Note dated August 28, 2003, in the original principal amount of \$7.5 million. The Debtor also executed a Security Agreement dated August 28, 2003, pursuant to which the Debtor granted Ronile a blanket Lien on all of the Debtor's accounts, inventory, furniture, fixtures and equipment, general intangibles, insurance proceeds, instruments, documents and chattel paper, and the proceeds thereof (the "Personal Property").¹ The Promissory Note provided that in addition to a blanket Lien on all such assets,

¹ On August 28, 2003, Ronile and Fleet Capital executed a certain Intercreditor Agreement, pursuant to which Ronile agreed that its lien rights in the Debtor's property were subordinate to the lien rights of Fleet Capital.

the Aberdeen Facility, the Wagram Facility and the Turnersburg Facility would serve as collateral for the loan.

To secure these loans, on August 29, 2003, Ronile filed (i) a Credit Line Deed of Trust with the Moore County Register of Deeds, granting it a second priority Lien on the Aberdeen Facility, (ii) a Credit Line Deed of Trust with the Scotland County Register of Deeds, granting it a second priority Lien on the Wagram Facility, and (iii) upon information and belief, a UCC-1 Financing Statement with the Virginia Secretary of State with respect to the Personal Property.

Ronile's UCC-1 Financing Statement on the Personal Property lapsed when no continuation statement was filed, and a new Financing Statement was filed within 90 days prior to the Petition Date on December 31, 2012. Ronile's Lien on the Personal Property may thus be subject to avoidance as a preferential transfer and is considered to be in bona fide dispute. As of June 30, 2013, the Debtor had funds on deposit of approximately \$1,424,300 representing the net sale proceeds of Personal Property, which together with the remaining inventory, accounts receivable and intellectual property (with an estimated liquidation value between \$800,000 and \$1,950,000) are presently subject to the Ronile Lien which is in dispute.

In order to expedite the distribution to creditors, Ronile has agreed as part of the Plan treatment of its secured claim to release its Lien on the Personal Property, thus freeing up Available Cash for the payment of Allowed Claims. The amount of Ronile's secured claim, as filed, is \$13,190,950, but with the release of the Lien on Personal Property the maximum amount of the Ronile Secured Claim is limited to the value of the Debtor's interest in the Aberdeen Facility (Net Sale Proceeds of \$1,509,957) and the Wagram Facility (estimated at between \$50,000 and \$500,000) or the Net Sale Proceeds derived therefrom.

Scotland County's Pre-Petition Secured Claim

Scotland County holds a secured claim for outstanding ad valorem taxes on the Wagram Facility, which by statute is entitled to a first priority Lien on such real property. The amount of Scotland County's secured claim is approximately \$36,400 plus interest and penalties as allowed by applicable law.

Other Secured Claims

Other parties asserting secured claims as of the Petition Date consisted of (i) Moore County, for ad valorem taxes on the Aberdeen Facility and the machinery and equipment located thereon, and (ii) Varilease Finance, Inc., with respect to an equipment lease converted to a

purchase money security interest. Both of these secured claims were paid in full from the Net Sale Proceeds derived from the post-petition sale of the Aberdeen Facility and the machinery and equipment.

In addition, as of the Petition Date the Debtor was in possession of a Superba Heatsetter, ownership of which is claimed by Ronile. The equipment was sold post-petition and the Net Sale Proceeds in the amount of \$75,000 are held in escrow pending a determination of the proper recipient of such funds.

Post-Petition Activities

After the Petition Date, the Debtor obtained post-petition financing from Bank of America, in order to enable it to wind down and liquidate its assets in an orderly fashion, and maximize the recovery for the assets sold. The Court approved the post-petition financing facility pursuant to its Order (1) Authorizing Debtor-In-Possession to Obtain Interim Financing, Grant Security Interests and Accord Priority Status Pursuant to 11 U.S.C. §§ 361, 364(c), and 364(d); (2) Giving Notice of Final Hearing Pursuant to Bankruptcy Rule 4001(b)(2) and (c)(2); and (3) Modifying Automatic Stay [Docket No. 39], and its Final Order (1) Authorizing Debtor-In-Possession to Obtain Financing, Grant Security Interests and Accord Priority Status Pursuant to 11 U.S.C. §§ 361, 364(c), and 364(d), and (2) Modifying Automatic Stay [Docket No. 132] (the “DIP Financing Order”).

In the ordinary course of its business, the Debtor continued to manufacture carpet from the materials and work in process on hand as of the Petition Date until completed, and all manufacturing operations ceased prior to March 2013. The Debtor funded these activities with the revolving credit facility provided by Bank of America pursuant to the DIP Financing Order, and a substantial amount of Bank of America’s pre-petition claim was paid down from the Debtor’s sale of inventory and collection of accounts receivable post-petition.

On April 5, 2013, the Debtor filed a Motion To (A) Approve Sale Of Substantially All Machinery And Equipment, (B) Establish Related Sale Procedures, Including Break-up Fee, (C) Transfer Any And All Claims, Liens, Encumbrances And Interests In Sale Assets To Proceeds Of Sale, (D) Approve Form And Manner Of Notice Of Sale, And (E) Schedule Hearings [Docket No. 165] (the “Sale Motion”), pursuant to which the Debtor sought approval to sell substantially all of its machinery and equipment. On April 19, 2013, the Court entered an Order Approving (A) Form And Manner Of Notice, (B) Sale Procedures For The Debtor’s Machinery And

Equipment, Including Break-Up Fee, (C) Setting Deadlines For Bids And Objections, And (D) Scheduling Auction And Sale Hearing [Docket No. 192] (the “Sale Procedures Order”). On May 9, 2013, the Debtor conducted an auction pursuant to the Sale Motion and Sale Procedures Order. The highest and best bid at the auction was submitted by V.R.W. BVBA (“VRW”), in the amount of \$5,800,000. On May 16, 2013, the Court entered an Order [Docket No. 243] approving the sale to VRW, and on May 17, 2013 the sale closed.

The proceeds from the sale of the machinery and equipment were disbursed pursuant to the Court’s Order as follows: (i) \$4,879,669 was disbursed to Bank of America to pay off substantially all of the remaining pre-petition and post-petition secured claims of Bank of America, (ii) \$98,653 was disbursed to Varilease Finance, Inc. (“Varilease”) to pay off the entirety of the Varilease secured claim with respect to certain Muira boilers sold to VRW, (iii) \$75,000 was set-aside and placed in the trust account of Debtor’s Counsel, pending a determination as to the ownership of certain Superba Heatsetter equipment sold to VRW, (iv) \$50,000 was paid to Gordon Brothers Commercial and Industrial, LLC and Counsel RB Capital, LLC as a break-up fee, and (v) the remaining net proceeds of \$696,677 are now held by the Debtor to be disbursed pursuant to existing or future orders of the Court. As noted above, the remaining sale proceeds are presently subject to the lien asserted by Ronile, but Ronile has agreed to release its lien thereon as part of the plan treatment of its secured claim.

On May 1, 2013, the Debtor filed a motion [Docket No. 212] to approve the sale of its Aberdeen Facility to Lady Builders, LLC, or its assignee, for the sum of \$1,750,000. On May 31, 2013, the Court entered an Order [Docket No. 260] approving the sale of the Aberdeen Facility. On June 28, 2013, the Debtor closed the sale of the Aberdeen Facility to Southern Pines Gains LRK #36849, LLC, a wholly owned subsidiary of Lady Builders, LLC, and Net Sale Proceeds in the amount of \$1,509,957 are now held by the Debtor to be disbursed pursuant to existing or future orders of the Court. These proceeds are presently subject to the lien asserted by Ronile.

On June 10, 2013, the Debtor filed a motion [Docket 275] which sought to approve a certain Lien Release Agreement between the Debtor, the Official Committee of Unsecured Creditors, and Bank of America. That motion is pending as of the time of the filing of the Plan and this Disclosure Statement. If granted and after payment of any legal fees or expenses owed

pursuant to the post-petition financing agreement, the claims of Bank of America would be deemed fully paid and Bank of America's liens would be fully released.

On June 28, 2013, the Debtor filed a motion [Docket No. 293] to approve the sale of its intellectual property assets and certain related assets to Alexandria International, Inc., for the sum of \$100,000. That motion is pending as of the time of the filing of the Plan and this Disclosure Statement. If approved, the Net Sale Proceeds are presently subject to the lien asserted by Ronile, but Ronile has agreed to release its lien or security interest thereon as part of the Plan treatment of its secured claim.

Unliquidated Assets

The Debtor has continued to sell its finished inventory in the ordinary course of its business, and as of June 30, 2013 (the date used for purposes of preparing Exhibits to the Disclosure Statement), there was approximately 80,000 yards of inventory remaining to be sold with an estimated liquidation value of between \$300,000 and \$450,000 if sold in the ordinary course. The Debtor has also continued to collect accounts receivable in the ordinary course of its business, and as of June 30, 2013 the accounts receivable outstanding had an estimated collection value of between \$500,000 and \$1,500,000 depending on the resolution of various disputes, claims for potential warranty setoffs, and costs of collection. These assets are presently subject to the Lien asserted by Ronile, but Ronile has agreed to release its Lien thereon as part of the Plan treatment of its secured claim

The Debtor still owns the Wagram Facility, a fee-owned improved parcel which is part of a larger building constructed on a surrounding parcel and owned by an unrelated third party. The value of the Wagram Facility is difficult to ascertain due in part to the unique relationship of this parcel to the much larger building of which it is a part, the Wagram Facility was valued in the Debtor's schedule at \$470,000, but the actual value may range between \$50,000 and \$500,000. The Wagram Facility is subject to an existing deed of trust or mortgage in favor of Ronile, securing indebtedness far in excess of the value of the Wagram Facility, so there is no equity in the parcel for the benefit of the Estate unless the Ronile Secured Claim is disallowed, avoided, subordinated or re-characterized, as discussed below in the section regarding potential litigation.

PLAN SUMMARY

The following is a brief summary of certain provisions of the Plan and should not be relied on for voting purposes in lieu of a thorough and comprehensive review of the actual

Plan itself. The summary does not purport to be complete. Creditors and interest holders are urged to read the Plan to ascertain the effect of the Plan on their claims and interests and the other provisions of the Plan. Creditors and interest holders are further urged to consult with their attorneys, tax advisors, financial consultants, or other professionals in order to understand more fully the Plan or the effect of the Plan as to their particular situation.

The Plan contemplates that the best disposition of the Debtor's estate would involve (i) the appointment of trustee on or before the Effective Date, who would have the powers and duties of a trustee appointed pursuant to § 1104 of the Bankruptcy Code, (ii) the sale and/or collection of any remaining property of the Estate, and (iii) the pursuit of any causes of action or claims held by the Debtor's estate, or which the trustee could assert pursuant to §§ 502(d), 506(c), 541, 542, 543, 544, 546, 547, 548, 549, 550, 551, 552, or 553 of the Bankruptcy Code (the "Bankruptcy Causes of Action"), followed by the distribution of cash and Net Sale Proceeds to creditors in accordance with the priorities established by the Bankruptcy Code.

The Plan provides for the appointment of a trustee by the Bankruptcy Administrator, subject to approval by the Court. The Debtor recommends the appointment of Sara A. Conti as trustee, but other parties in interest may make recommendations to the Bankruptcy Administrator or to the Court. If the Plan is confirmed, a claims review and reconciliation process is anticipated to take approximately between 60 and 180 days after the Effective Date, although resolution of the Ronile Secured Claim may take additional time to complete.

As of the filing of the Plan, the Debtor has approximately \$1,424,288 on hand from the liquidation of Personal Property (collection of accounts receivable, sale of inventory and sale of equipment) after payment of the BofA Secured Claim, the Varilease Secured Claim, and the Moore County ad valorem taxes. The Debtor estimates that additional funds realized from the liquidation of the remaining inventory, collection on accounts receivable, sale of the intellectual property, and recovery of post-petition utility deposits may total between \$900,000 and \$2.3 million. Although all of these proceeds are currently subject to Ronile's secured claim, as noted above Ronile has agreed to waive its Lien upon such funds as part of the Plan treatment of its secured claims.

The Debtor has approximately \$1,509,900 in Net Sale Proceeds derived from the sale of its Aberdeen Facility which are subject to Ronile's secured claim. The Debtor is not aware of

any contention that Ronile's Lien is not properly perfected. However, the Committee has taken the position that all or a portion of Ronile's claims should be reduced, avoided, subordinated or re-characterized as equity, as more fully discussed below. Pursuant to the Plan, the Trustee shall have the power to review Ronile's claims and pursue any challenge or litigation on behalf of the bankruptcy estate.

The amount of additional funds available for distribution to creditors will vary depending upon the net proceeds actually realized from the remaining accounts receivable and inventory, and possibly the Wagram Facility, together with any recoveries on Bankruptcy Causes of Action or other litigation brought by the Trustee, less the costs of administering the estate. The actual distribution to creditors will also be dependent upon the extent to which the filed or scheduled claims are subject to challenge or avoidance.

The Debtor desires that this Plan be a consensual plan, with all classes of creditors voting to accept the Plan by the requisite majorities required under § 1126. In the event any class does not accept the Plan, however, the Debtor requests that the Plan be confirmed by the cram down provisions of § 1129(b) with respect to such dissenting class or classes. The Debtor reserves the right to modify the Plan pursuant to § 1127, consistent with the requirement that the Plan, as modified, meets the requirements of § 1122 and § 1123.

Classification and Treatment of Claims and Interests.

For purposes of the Plan, Claims and Interests are divided into the following Classes and will receive the treatment summarized below and set forth in detail in the Plan. **A summary of scheduled, filed and estimated claims is attached hereto as Exhibit B.** Please note that the schedule was prepared prior to completion of the claims reconciliation process, and thus the amounts shown are subject to change depending on the final amount of the allowed claims.

Administrative Claims. Claims for administrative expenses shall be allowed upon due request or application and in such amounts as may be determined by the Court after notice and hearing.

Professionals Retained By The Debtor Or The Committee.

The attorneys, accountants, financial consultants and other professionals retained by the Debtor or the Committee shall be reimbursed for actual, necessary expenses and compensated for services rendered in such capacity from the Petition Date to the Effective Date, and reasonably necessary to the administration of this estate, in such amounts as may be determined by the Court

not to exceed reasonable compensation for such services. In addition, Members of the Committee shall be reimbursed for actual, necessary expenses incurred by a member of the Committee prior to the Effective Date, payable upon application filed in accordance with the Court's procedures and subject to approval by the Court.

From and after the Effective Date, the Debtor and the Committee shall no longer have any official capacity in this proceeding and only the Trustee may employ professionals for the benefit and at the expense of the Estate.

The Trustee And Professionals Retained By The Trustee

The Trustee shall be reimbursed for actual, necessary expenses and compensated for services rendered in such capacity and reasonably necessary to the administration of this estate, upon a commission basis as set forth in § 326, not to exceed reasonable compensation for such services. Section 326 provides a commission based upon disbursements using a sliding scale of (i) 25% of the first \$5,000, (ii) 10% of the next \$45,000, (iii) 5% of the next \$950,000, and (iv) 3% of any amounts in excess of \$1 million. The commission will only apply to disbursements made after the Effective Date, and thus will not include payments made during the course of the Chapter 11 proceeding prior to such date.

Attorneys, accountants and financial consultants retained by the Trustee may include (i) the Trustee serving as an attorney for the Trustee, (ii) Debtor's Counsel and/or the Debtor's financial consultant, (iii) Committee's Counsel and/or the Committee's financial consultant, (iv) other attorneys, accountants or financial consultants selected by the Trustee, or (v) any combination of the foregoing, all in the Trustee's sole discretion and subject to approval by the Court. Attorneys, accountants or financial consultants retained by the Trustee shall be reimbursed for actual, necessary expenses and compensated for services rendered in such capacity from and after the Effective Date upon an hourly basis and at their customary hourly rates, payable upon application filed in accordance with the Court's fee guidelines and procedures and subject to approval by the Court. Notwithstanding the foregoing, the Trustee may also retain a professional on any other basis permitted under § 328, such as a fixed amount or contingent fee based upon a percentage of any recovery, upon notice and hearing and subject to approval by the Court.

Other Administrative Claims

Pursuant to the Order Establishing Procedure to Determine Section 503(b)(9) Administrative Expenses [Docket No. 111], there have been certain Administrative Claims filed in the total amount of \$68,979 for goods delivered within twenty days prior to the Petition Date pursuant to § 503(b)(9) of the Bankruptcy Code. As of the date of the filing of the Plan, no determination has been made regarding the allowance of these asserted claims. Based upon its review, the Debtor anticipates that after accounting for claims that were late filed, for services rather than goods, and/or for goods that were provided outside of the twenty day period pre-petition, the total amount of allowed § 503(b)(9) administrative expense claims would be approximately \$22,231 and the balance would be treated as Unsecured Claims. If not resolved prior to confirmation of the Plan, the Debtor will recommend that the Trustee file a motion to determine such claims within thirty days after the Effective Date.

The Ohio Department of Taxation filed an “Administrative Expense Proof of Claim” in the claims register in this case, asserting an administrative expense claim of \$10,000. The Debtor disputes this claim and if not resolved prior to confirmation of the Plan, the Debtor will recommend that the Trustee file an objection within thirty days after the Effective Date.

Payment Of Allowed Administrative Claims

Allowed Administrative Claims shall be paid from Available Cash on the later of (i) within thirty (30) days after the Effective Date or (ii) within thirty (30) days after the same can be determined and, if necessary, allowed by the Court. The term “Available Cash” includes all proceeds recovered or generated from the liquidation of assets, causes of action (including Bankruptcy Causes of Action), or from any other sources, less payment or provisions for Allowed Secured Claims having a Lien upon such assets.

The aggregate amount of Allowed Administrative Claims is difficult to predict, as the fees of the Debtor’s and Committee’s professionals (prior to the Effective Date) and the fees of the Trustee and the Trustee’s professionals (after the Effective Date) will be directly related to the time and effort required in connection with confirmation of the Plan, liquidating the remaining assets of the estate, pursuing the Estate’s causes of action (including Bankruptcy Causes of Action), and reconciling claims, which in turn will be related to the extent of the opposition and defenses raised by the parties involved. The fees and expenses of Debtor’s Counsel, the Committee’s counsel, and other professionals have been paid in part as and when

allowed during the course of this case. The projections as summarized below represent an estimated amount for such claims which will be due and payable as provided above. These amounts are highly variable, and represent the Debtor's best estimate based on the amounts expended by professionals prior to the filing of the Plan.

The Court approved, on an interim basis, fees of \$93,203.00 and expenses of \$7,391.70 for Debtor's Counsel for the period from the Petition Date through February 28, 2013, which fees and expenses have been fully paid. On June 24, 2013, Debtor's Counsel filed a second fee application covering the period of March 1, 2013 through May 31, 2013, requesting payment of \$95,030.00 in fees and reimbursement of \$2,321.67 in expenses. Those fees have not yet been approved for interim payment. Based on an estimated Effective Date of September 1, 2013, and fees and expenses already incurred in this case, the Debtor estimates that the Debtor's Counsel may incur additional fees and expenses of between \$50,000 and \$100,000 prior to the Effective Date.

The Court approved, on an interim basis, fees totaling \$71,400.00 and expenses of \$2,770.25 for the Debtor's financial consultant, Getzler Henrich & Associates, LLC, for the period from the Petition Date through February 28, 2013, which have been fully paid. On June 28, 2013, the Debtor's financial consultant filed a third and final fee application requesting additional fees of \$2,240.00, covering the period through March 31, 2013. Given the liquidating nature of the case, the Debtor determined that a financial consultant was no longer necessary, and in order to maximize the return for the estate's creditors, the financial consultant has ceased all work on behalf of the Debtor's estate but remains available to assist the Trustee if and when requested.

The Court approved, on an interim basis, fees of \$139,983.75 and expenses of \$1,958.24, for counsel for the Committee, covering the period from January 30, 2013, through April 30, 2013, which fees and expenses have been paid in part as of June 30, 2013 (and the balance has or will have been paid after June 30, 2013, but is included in the estimated fees shown on Exhibit C). Counsel for the Committee has not yet filed its second fee application. Based on an estimated Effective Date of September 1, 2013, and fees and expenses already incurred in this case, the Debtor estimates that the Committee's Counsel may incur additional fees and expenses of between \$50,000 and \$100,000 prior to the Effective Date.

The Court approved, on an interim basis, fees of \$149,116.50, for the Committee's financial consultant, covering the period from February 1, 2013, through April 30, 2013, which fees and expenses have been paid in part as of June 30, 2013 (and the balance has or will have been paid after June 30, 2013, but is included in the estimated fees shown on Exhibit C). Given the liquidating nature of this case, the Debtor does not believe significant future services from the Committee's financial consultant shall be necessary. Based on an estimated Effective Date of September 1, 2013, the Debtor estimates that the Committee's financial consultant may incur additional fees and expenses of between \$20,000 and \$30,000 prior to the Effective Date.

Pursuant to the DIP Financing Order, Debtor's Counsel and counsel for the Committee held certain amounts in reserve to secure the payment of professional fees. The reserve held in trust by the Committee's counsel has been fully expended. Debtor's Counsel currently holds \$110,208.19 in its trust account to secure payment of the fees and expenses of the Debtor's professionals.

Determining the administrative expenses for the Trustee and the Trustee's professionals is difficult, for the reasons stated above. However, the Trustee's fees will be determined on a commission basis as provided in the Bankruptcy Code and calculated as a percentage of disbursements made after the Effective Date. Using the statutory formula, the Debtor has estimated the Trustee's fees based on the projected disbursements as shown on Exhibit C, with a range of between \$140,000 and \$190,000, but the actual amount will vary depending upon the extent of recoveries from the liquidation of the remaining assets and the Estate's causes of action, and distributions on Allowed Claims. The Debtor has estimated the fees and expenses of the Trustee's professionals at between \$200,000 and \$400,000, which will vary depending on the cost of pursuing the Estate's causes of action and reconciling Disputed Claims. The Estate will also incur Court fees which have been estimated at between \$10,000 and \$13,000.00 depending on the actual distributions made by the Trustee.

Priority Tax Claims

Priority tax claims are those unsecured claims entitled to priority as set forth in § 507(a)(8) of the Bankruptcy Code. The proofs of claim scheduled and filed that assert Priority Tax Claims total approximately \$187,000.00, but the Debtor has estimated priority tax claims at \$158,826 and believes that the aggregate amount of Allowed Priority Tax Claims may be less depending on the ultimate disposition of the claims reconciliation process. The Debtor is a

limited liability company and does not have any income tax obligations as the income (or loss) passes through to its members in the same manner as a partnership.

Allowed Priority Tax Claims shall be paid from Available Cash (either in full or in regular installments depending on the amount of Available Cash) with interest at the applicable statutory rate, the later of (i) sixty (60) days after the Effective Date or (ii) thirty (30) days after the same can be determined and, if necessary, allowed by the Court, but in any event within five (5) years from and after the Petition Date.

Classes of Claims

Class 1 consists of the Secured Claim of Ronile, Inc. The Debtor scheduled a claim for Ronile in the amount of \$18,200,000, filed a notice of disputed claim, and Ronile filed a proof of claim asserting a secured claim in the amount of \$13,190,950 (Claim Number 133), asserting a Lien upon the Aberdeen Facility, the Wagram Facility and all Personal Property of the Debtor as of the Petition Date.

As noted above, the Debtor contends that Ronile's Lien on the Personal Property is subject to avoidance, as the UCC-1 Financing Statement had lapsed and a new Financing Statement was filed within 90 days prior to the Petition Date and is thus avoidable as a preferential transfer. In order to avoid unnecessary delay and expense and to expedite payment of Allowed Claims Ronile has consented to a Plan provision that the Lien upon the Personal Property or the proceeds thereof will be deemed avoided and of no further force or effect, and the Ronile Secured Claim shall be limited to the value of the Debtor's interest in the Aberdeen Facility and the Wagram Facility or the respective Net Sale Proceeds thereof.

The Committee has asserted that the Ronile Secured Claim and some or all of the Ronile Unsecured Claims may be subject to challenge or re-characterization as equity rather than debt, as discussed in a separate section below. The Plan provides that any objection, motion or adversary proceeding seeking to determine, challenge, avoid, re-characterize or subordinate the Ronile Secured Claim shall be filed by the Trustee within sixty (60) days after the Effective Date or within such additional period as may be established by the Court.

In the event no such objection, motion or adversary proceeding is timely filed, the Ronile Secured Claim shall be treated as an Allowed Secured Claim to the extent of the value of the Debtor's interest in the Aberdeen Facility and the Wagram Facility. If such an objection, motion

or adversary proceeding is timely filed, then the Ronile Secured Claim shall be allowed in such amount, if any, as shall be determined by the Court after notice and hearing.

Until such time as the Ronile Secured Claim is determined to be an Allowed Secured Claim as set forth above, no payments shall be made on such claim. Any Liens upon the Aberdeen Facility and the Wagram Facility shall remain in place pending a final determination of the Ronile Secured Claim. The Aberdeen Facility has been sold and the Ronile liens transferred to the Net Sale Proceeds of \$1,509,956 which are held in escrow, and if the Wagram Facility is sold the Ronile liens will be transferred to the Net Sale Proceeds thereof, all subject to a final determination by the Court as to the validity, extent and amount of such Secured Claim. The Class 1 Secured Claim of Ronile is impaired and shall be treated as follows:

1. The Net Sale Proceeds from the Aberdeen Facility shall be held in a segregated account until disbursed pursuant to the Plan or further Orders of the Court.
2. The Wagram Facility may be marketed for sale by the Trustee, subject to approval by the Court after Notice and Hearing, and upon the sale thereof and after payment of the Class 2 Secured Claim of Scotland County the Net Sale Proceeds shall be held in a segregated account until disbursed pursuant to the Plan or further Orders of the Court.
3. In the event the Court determines that Ronile has an Allowed Secured Claim with respect to the Wagram Facility prior to a sale thereof, the Wagram Facility may instead be conveyed by the Trustee to Ronile subject to the Class 2 Secured Claim of Scotland County, in full satisfaction and as the indubitable equivalent of its Allowed Secured Claim thereon.
4. Upon final determination of the amount, extent and validity of the Ronile Secured Claim, the Allowed Secured Claim shall be paid from the Net Sale Proceeds and Available Cash within thirty (30) days after such determination is made, together with interest from the Effective Date at a rate equal to the "Prime Rate" as reported in the Wall Street Journal on the Effective Date, plus one percent (Prime+1%).

Class 2 consists of the Secured Claim of Scotland County. Scotland County asserts a secured claim for ad valorem taxes in the amount of approximately \$36,434, plus interest and penalties secured by a statutory lien upon the Wagram Facility. Scotland County shall retain its lien on the Wagram Facility and (i) in the event of a sale of the Wagram Facility by the Trustee, the Class 2 Secured Claim shall be paid in full, with interest from the Petition Date at the

applicable statutory rate, from the Net Sale Proceeds derived therefrom within thirty (30) days after the closing, or (ii) in the event the Wagram Facility is conveyed to Ronile in partial satisfaction of the Ronile Secured Claim, such conveyance shall be made subject to the Class 2 Secured Claim and Scotland County shall look solely to such property to satisfy its claim. The Class 2 Secured Claim of Scotland County is not impaired and is conclusively deemed to have accepted the Plan.

Class 3 consists of Priority Unsecured Wage Claims. These claims consist of (i) unpaid wages, salaries, or commissions, including vacation, severance and sick leave pay earned by an individual, or (ii) sales commissions earned by an individual or by a corporation with only one employee, acting as an independent contractor in the sale of goods or services for the Debtor, but only to the extent such claims are entitled to priority as specified in § 507(a)(4). Class 2 Priority Unsecured Wages Claims shall not exceed \$11,725 for each individual or corporation, as the case may be, and must have been earned within 180 days before the Petition Date or the date of cessation of the Debtors' business, whichever comes first. To the extent such claims exceed the limits or arise outside of the time periods specified above, such claims shall be treated as Class 5 Unsecured Claims.

The Debtor does not anticipate that there will be any outstanding Allowed Claims in Class 3. Pursuant to a motion filed at the inception of the case, most if not all potential Class 3 Priority Wage Claims have been paid pursuant to the Court's Order permitting such payments. However, after payment of all Allowed Administrative Claims and Allowed Priority Tax Claims, any Allowed Class 3 Claims still outstanding shall be paid (without interest) from Available Cash within sixty (60) days after the Effective Date or as soon thereafter as such Claims can be determined and, if necessary, allowed by the Court. To the extent such claims exceed the limits or arise outside of the time periods specified above, such claims shall be treated as Class 5 Unsecured Claims. Class 3 Claims are impaired.

Class 4 consists of Priority Unsecured Benefit Claims. These claims consist of amounts due for contributions to an employee benefit plan as specified in § 507(a)(5), (i) arising from serviced rendered within 180 days before the Petition Date or the date of cessation of the Debtors' business, whichever comes first, and (ii) for each such plan, limited to the extent of the number of employees covered by such plan multiplied by \$11,725, less the aggregate amount of the Allowed Class 2 Claims (including those paid post-petition pursuant to Orders of the Court)

and the aggregate amount paid by the estate on behalf of such employees to any other employee benefit plan.

The Ronile Inc. Welfare Benefit Trust filed a proof of claim (Claim No. 124) asserting a priority unsecured claim pursuant to § 507(a)(5) in the amount of \$886,711 for amounts owed pursuant to the Ronile Voluntary Employee Benefits Association which provided employee healthcare and other benefits to the Debtor's employees.

After payment of all Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Class 3 Claims, Allowed Class 4 Claims shall be paid (without interest) from Available Cash within sixty (60) days after the Effective Date or as soon thereafter as the same can be determined and, if necessary, allowed by the Court. Class 4 Claims are impaired.

Class 5 consists of the Unsecured Claims. These claims consist of Unsecured Claims which have been scheduled by the Debtor (except where scheduled as disputed), or for which a proof of claim has been timely filed, and include claims scheduled or filed as Secured Claims to the extent such claims are allowed in an amount greater than the value of the Collateral securing such claims (often referred to as a "deficiency" claim). A discussion of the process to reconcile and object to claims, where necessary, is discussed in a separate section below, as well as the potential impact of the potential challenge to the Ronile Unsecured Claims.

After payment of all Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Claims in Classes 3 and 4, Allowed Class 5 Claims shall be paid in one or more pro rata distributions of Available Cash commencing sixty (60) days after the Effective Date or such later date(s) as determined by the Trustee from time to time until all Available Cash has been distributed and a Final Decree has been entered. Class 5 Claims are impaired.

Class 6 consists of the Interests. The Debtor is a Virginia limited liability company and since 2005 a wholly-owned subsidiary of Ronile, Inc., a Delaware corporation. As a limited liability company, the Interests (equity) take the form of membership interests. According to the Debtor's books and records, Ronile initially contributed approximately \$1.1 million in the form of capital contributions in connection with the formation of the business in 2003. After the formation, Ronile held a majority ownership (65%) of the company. In 2005, Ronile purchased the remaining 35% interest from the minority shareholders for approximately \$3.9 million. The existing Interests shall be terminated and holders of Interests shall receive no distribution

pursuant to the Plan. Class 6 Interests are impaired and are conclusively deemed to have rejected the Plan.

PLAN CONSUMPTION

Appointment of a Trustee.

As this is a plan of liquidation, rather than reorganization, and because there are issues which involve claims by or against the Debtor's parent company, the Debtor has proposed that a trustee be appointed to represent the interests of creditors after the Plan is approved. The Plan provides that on or before the Effective Date, the Bankruptcy Administrator shall appoint the Trustee, subject to approval by the Court, pursuant to § 1104 and the Trustee will serve in such capacity until a Final Decree is entered and the Trustee is discharged by the Court from further obligations. The Trustee will be responsible for implementing the Plan in all respects, and will wind up the affairs of the Debtor, complete the final administration of the bankruptcy case, and consummate the Plan as set forth therein.

The Debtor intends to recommend that the Bankruptcy Administrator appoint Sara A. Conti as Trustee, rather than a turn-around professional, but the Plan also contemplates that the Committee or parties in interest can recommend other qualified individuals for such appointment. Sara A. Conti is a member of the panel of Chapter 7 bankruptcy trustees for the Middle District of North Carolina, and has been licensed to practice law in the State of North Carolina since 1981. Ms. Conti has previously served as trustee in other Chapter 11 cases in this district, and has substantial experience in winding up liquidating cases in Chapter 11 and in Chapter 7, managing the claims reconciliation process, and pursuing litigation to the extent beneficial to the estate.

The Trustee will evaluate and pursue to the extent necessary, appropriate and warranted all claims or causes of action by or on behalf of the Debtor. The Trustee may employ counsel, accountants, financial consultants or other professionals, including but not limited to the counsel and financial consultants employed by the Debtor and the Committee, as the Trustee may determine to be in the best interest of the estate. Available Cash shall be distributed by the Trustee according to the order of priorities set forth in the Plan, after taking into account all prior distributions made since the Petition Date and appropriate reserves for administrative expenses and disputed claims.

Property of the Estate.

The Debtor has sold or stay relief has been granted with respect to most but not all of the Debtor's tangible and intangible assets pursuant to orders of the Court entered after Notice and Hearing. All remaining assets (including but not limited to, cash, funds on deposit, the Wagram Facility, accounts receivable, inventory, claims and causes of action) shall remain property of the Debtor's bankrupt estate and shall not re-vest in the Debtor.

Distributions.

Once the Court has determined the extent, validity and priority of Liens asserted by the Secured Creditors, Allowed Secured Claims will be paid in cash to the extent of the value of such creditor's interest in the Debtor's interest in the property subject to such Lien as provided in the Plan regarding treatment of such claims, with the one alternative provision which will permit the Trustee to convey the Wagram Facility to Ronile as the indubitable equivalent of its Allowed Secured Claim with respect to such Collateral.

Available Cash will be distributed in payment of Allowed Administrative Claims, Priority Tax Claims and Priority Unsecured Wage and Benefit Claims in one or more distributions as may be determined by the Trustee from time to time until paid in full. Thereafter, Available Cash will be distributed in payment of Allowed Unsecured Claims in one or more distributions as may be determined by the Trustee from time to time until all Available Cash has been realized and fully distributed. There will be no distribution to the holders of Interests.

A final distribution shall be made within sixty (60) days after the later of (i) the resolution of all Disputed Claims asserted against the Debtor or the Estate, (ii) the resolution of all causes of action asserted by or on behalf of the Debtor, and (iii) the sale, liquidation or abandonment of all remaining property of the Estate.

Substantial Consummation.

The Plan shall be substantially consummated when the events specified in § 1101(2) have occurred. Substantial consummation shall not occur until an order confirming the Plan (the "Confirmation Order") has become a Final Order; provided however, that if an appeal of the Confirmation Order is filed but no stay is granted in connection with such appeal, the Trustee may elect to proceed with consummation of the Plan.

Estate's Causes of Action

While the Debtor cannot predict the outcome of pending or potential causes of action, nor should the Debtor disclose possible litigation strategies or attorneys' work product, a brief summary of the pending or possible litigation for the Estate is provided below:

Ronile: As set for the above, Ronile has agreed as part of the Plan treatment of its Secured Claim that its Lien upon the Personal Property shall be deemed avoided and released on the Effective Date. In addition, the Committee contends the Bankruptcy Court should re-characterize Ronile's secured and unsecured Claims as Interests for the following reasons.

1. While there are Deeds of Trust that evidence the secured claim, the Debtor was prohibited from paying the interest due under the Promissory Note by the Intercreditor Agreement and the principal sum of \$7.5 million was not due for 10 years. The interest was accrued on the Debtor's balance sheet and, from the outset of the loan the Debtor's obligation to repay Ronile was subordinated to the obligations of the Debtor's senior secured lender, Bank of America (then Fleet Bank) of approximately \$12,360,000 in August 2003.
2. Ronile's initial capital contribution was \$1,130,000 for 65% ownership of the Debtor. In 2005, Ronile purchased the remaining ownership interest in the Debtor from the minority owners for \$3,900,000. Ronile's \$7.5 million loan was made for the purposes of acquiring certain assets and assuming certain liabilities of Gulistan Carpet, Inc. (the "Old Gulistan") and for working capital purposes, and Ronile's assets were subject to a secured debt to the Bank of \$12,360,000 in connection with Ronile's acquisition of certain assets and assumption of certain liabilities of the Old Gulistan.
3. The Committee contends there is a complete identity of interest between Ronile and the Debtor, as Ronile became the sole equity member of the Debtor in 2005. The Committee contends that because the corporate structure of the Debtor is a limited liability corporation, Ronile, as the 100% shareholder, received tax benefits in the form of taking advantage of the net loss carry-forwards sustained by the Debtor for Ronile. Ronile disputes that there was an identity of interest or that it has received tax benefits.
4. The Committee contends that if Ronile's Claims for the sale of goods and the provision of services is re-characterized as an Interest, then Ronile would be exposed to a potential preference action to recover approximately \$4 million which it was paid within 1 year of the bankruptcy filing.

Ronile disputes the Committee's contentions, has provided materials to Committee counsel for their review, and the parties have discussed the issues but have not been able to resolve their differences. If and to the extent the Trustee determines that these claims are worth pursuing or there are any other grounds to challenge all or a portion of Ronile's claims, the Trustee may pursue them for the benefit of the Estate.

Preferences: In addition to the disputes involving Ronile, the Trustee will have the ability to investigate and pursue the avoidance and recovery of preferential transfers made to other parties; that is, payments made by the Debtor to creditors within 90 days prepetition and payments to or for the benefit of creditors who are Insiders (as that term is defined in the Bankruptcy Code) within 1 year prepetition. As set forth in the Schedule of Financial Affairs, over \$10 million of payments were made to creditors within the 90 days prepetition, and about \$5 million of payments were made to or for the benefit of creditors who would be considered Insiders within the one year period.

However, as of the date of filing of the Plan, an analysis of potential preferential transfers has not been performed, as a meaningful analysis would include examination of not only the transfers made but also the potential defenses which may be asserted in the nature of subsequent new value, ordinary course, contemporaneous exchange, etc. Many if not most of the payments listed in the Statement of Financial Affairs were made to vendors on account of shipments made to the Debtor, and thus may be protected by the Bankruptcy Code from any recovery by the Trustee. Thus, there is little if any ability at this time to accurately forecast what the recoveries on such actions may be, and no amount has been included in the plan projections and liquidation analysis attached as Exhibit C.

Collection of Accounts: While every effort will be made to collect outstanding accounts without the time and expense of litigation, the Trustee may bring adversary proceedings in the Court, or civil actions in appropriate state or federal courts, to recover unpaid accounts receivable. The Trustee may also consider assigning the accounts to a third party for purposes of collection, or sell the accounts outright, subject to approval of the Court after Notice and Hearing.

Executory Contracts and Leases:

All executory contracts or leases which are existing on the Effective Date which have not been assumed or are not subject to a pending motion to assume are and shall be deemed rejected

by the Debtor as of the Effective Date. To the extent the Debtor expects or is able to project potential rejection damage claims, such claims are included in the schedule of Unsecured Claims.

FINANCIAL INFORMATION The following information is available to creditors, interest holders, and other parties in interest:

Monthly Reports.

Monthly reports have been and shall continue to be filed by the Debtor through and including the Effective Date, and thereafter a post-confirmation report shall be filed by the Trustee on a quarterly basis until the filing of the Final Report. The Trustee shall file such reports by the end of the month next following the report period, and at the same time shall serve a copy thereon upon the Bankruptcy Administrator and any other party in interest making a written request.

Financial Information on Record.

At or shortly after the Petition Date, the Debtor filed Schedules of Assets and Liabilities and a Statement of Financial Affairs. The monthly reports, the Schedules of Assets and Liabilities, and the Statement of Financial Affairs may be inspected by interested parties in order to obtain a broader financial picture of the Debtor and the estate. These may be examined on-line through the Court's website.

PLAN PROJECTIONS AND LIQUIDATION ANALYSIS

The Projected Chapter 11 Recovery and Chapter 7 Liquidation Analysis attached to the Disclosure Statement as **Exhibit C** provides a summary of the expected distributions to creditors under the Plan as well as a summary of the expected distributions to creditors if the case is converted to Chapter 7. Both the Projections and the Liquidation Analysis are subject to considerable variance depending on (i) the net amounts realized from liquidation of the remaining assets and recoveries on the Estate's causes of action, (ii) the final determination of the Ronile Secured Claim, and (iii) the final amounts of the Allowed Administrative Claims, Priority Tax Claims, Priority Unsecured Wage and Benefit Claims, and Unsecured Claims.

While the projections in **Exhibit C** will necessarily evolve as assets are liquidated and claims are reconciled, the projections set forth the Debtor's estimate for the likely distributions to creditors in the manner required by the Bankruptcy Code. The primary assets of the Debtor's estate as of June 30, 2013 consisted of the following:

1. Funds on deposit in the aggregate amount of approximately \$3,119,453 comprised of
 - a. \$1,424,288 in the Debtor's operating account.
 - b. \$1,509,957 as the Net Sale Proceeds from the Aberdeen Facility.
 - c. \$110,208 held by Northen Blue as a reserve for the Debtor's professional fees pursuant to the DIP Financing Order.
 - d. \$75,000 held in escrow pending a determination as to the ownership of the Superba Heatsetter.
2. Intellectual property now subject to a sale motion with a value of \$100,000.
3. The Wagram Facility with an estimated value of between \$50,000 and \$500,000.
4. Unsold inventory with an estimated value of between \$300,000 and \$450,000.
5. Accounts receivable with an estimated value of between \$500,000 and \$1,500,000.
6. Unused amounts of utility deposits made post-petition in an amount potentially ranging from \$0 to \$325,250.
7. Potential recoveries on causes of action, including Bankruptcy Causes of Action, for which the value has not yet been determined.

The Plan provides for the orderly liquidation of assets, pursuit of causes of action, and distribution to creditors in the order of priorities established by the Bankruptcy Code. Most of the Debtor's assets have already been liquidated, and the inventory will in all likelihood be liquidated within the next 60 days, but there are several variables which should result in a higher return on the Estate's assets in the context of the Chapter 11 Plan versus what may be obtained if instead the case was converted to Chapter 7.

The Debtor believes the inventory value will be substantially reduced if the case is converted at this time, as the Debtor is continuing to sell inventory in the ordinary course and is realizing more net proceeds than could be obtained through a simple auction, as would occur upon a conversion. As shown on Exhibit C, the Debtor believes that the likely recovery on the inventory would be reduced approximately 50% if sold at auction.

The Debtor also believes that the amount realized on accounts receivable will be substantially reduced if the case is converted, as the Debtor has retained a few key employees who have knowledge of the accounts, the trade practices, and the potential defenses or setoffs which may be asserted by the account debtors. Without this assistance, a chapter 7 trustee would be ill-equipped to respond to claims of defects or warranty issues, and would more likely incur

greater costs in collection activities, resulting in an estimated decrease in recovery of approximately 20% or more.

While no projection has been made with respect to potential causes of action, such as preference recoveries, the remaining key employees would be extremely helpful in expediting the review and analysis of ordinary course and subsequent new value defenses, and thus facilitate the quick settlement of claims and determination of whether such actions should be brought at all.

In the event this case were converted to a case under Chapter 7, the Debtor believes that substantially the same actions would be taken by a trustee but with effective recoveries on the remaining assets of the estate, as well as some potential duplication of effort. As shown on Exhibit C, the Debtor projects aggregate amount available for distribution to creditors under the Plan will be between \$250,000 and \$500,000 higher than would be obtained if converted to Chapter 7. Consequently, it is the Debtor's opinion that the best interests of all creditors, and especially the interests of creditors holding Unsecured Claims, are served through implementation and effectuation of the Plan.

RECONCILIATION OF AND OBJECTIONS TO CLAIMS

The Trustee or any party in interest may file an objection to any claim within sixty (60) days after the Effective Date, or within such additional period as may be established by the Court. Objections not filed within such time shall be deemed waived unless the period within which to file objections to claims is extended by Order of this Court as provided in the Plan. The absence of an objection prior to the Confirmation Date, whether as to a scheduled or filed claim, shall not be deemed an acceptance of any Claim nor a waiver of the right to object to any Claim, and the holder of any such Claim shall not be entitled to assert reliance upon any implied acceptance of such Claim when voting to accept or reject the Plan.

The claims objection and reconciliation process is not yet underway and the aggregate amount of allowed claims is unresolved. The Committee contends that the Ronile Secured Claim and the Ronile Unsecured Claims may be subject to challenge or re-characterization as equity rather than debt. The Ronile claims are shown on Exhibit B and under the Plan would consist of (i) a Secured Claim equal to the \$1,509,957 plus the value of the Wagram Facility, subject to the Scotland County ad valorem tax claim which has priority, and (ii) Unsecured Claims in the

aggregate amount of \$23,521,718. The Committee also contends that the Priority Benefit Claim held by the Ronile, Inc. Welfare Benefit Trust (the “Trust”) may be subject to challenge.

For purposes of illustration, Exhibit C shows that if the Ronile Secured Claim and the Trust’s Priority Benefit Claims are allowed, but the Ronile Unsecured Claims are disallowed, the distribution to other Unsecured Claims (estimated in the aggregate amount at \$8,274,531) would change the low estimate from 0.75% to 2.89% and change the high estimate from 5.59% to 21.49%. Ronile disputes the Committee’s position and asserts that the secured and unsecured claims filed by Ronile are proper and allowable as filed. The Trust also disputes the Committee’s position and asserts that its claim is proper and allowable as filed. Any determination of these issues could be costly to determine and require a substantial amount of discovery before any final hearing.

Further, the Claims Analysis does not reflect claims which would arise from the avoidance and recovery of transfers. For example, recovery and avoidance of a preferential transfer of \$100,000 will produce a cash recovery to the Estate (net of the cost of pursuing the avoidance action), but upon payment of such amount to the Estate the defendant will then be entitled to assert an unsecured claim (or increase its present unsecured claim) by the amount repaid to the Estate. The net effect will be to increase funds available for distribution on Allowed Claims, but the aggregate amount of Unsecured Claims will be increased.

Any claim, or portion thereof, which is to be paid in cash under the Plan and which is challenged shall be protected by requiring the Trustee to segregate and set aside in an escrow account a reserve sufficient to treat said claim in the same fashion as though the objection were denied. The reserve so segregated shall be distributed in accordance with the Plan in the event the objection is overruled or a dispute is resolved in favor of the party asserting the claim. In the event the disputed claim is disallowed, the retained cash so segregated shall be available for distribution in accordance with the provisions of this Plan, with the disallowed claimant being excluded from the appropriate Class.

TAX CONSEQUENCES OF THE PLAN

The federal income tax consequences of the Plan are complex and subject to significant uncertainties. The Debtor has not requested a ruling from the Internal Revenue Service (“IRS”) or an opinion of counsel with respect to any of the tax aspects of the Plan. Thus, no assurance can be given as to any interpretation that the IRS may adopt. In addition, this summary does not

address foreign, state or local tax consequences of the Plan, nor does it purport to address the federal income tax consequences of the Plan to special classes of taxpayers. Furthermore, this discussion assumes that holders of Allowed Claims hold only Claims in a single Class. Holders of Allowed Claims in multiple Classes should consult their own tax advisors as to the effect such ownership may have on the federal income tax consequences described below.

The Debtor is a limited liability company which reports its taxable income or loss as part of the individual income tax returns filed by its members, and consequently, the Debtor or the Estate is not responsible for any income tax which may become due nor may the Debtor or the Estate realize any tax benefits from any loss reportable for income tax purposes, whether for prior, current or prospective periods. To the extent any cancellation of debt (“COD”) income is reportable as a result of consummation of the Plan, such COD income would flow through the Debtor or its Estate to the members.

Creditors holding Allowed Claims (whether Priority, Secured or Unsecured) will receive cash payments as provided in the Plan over a variable period of time and in amounts which may result in less than full payment of the respective Allowed Claims. The extent to which the unpaid balance of the Allowed Claims (or any portion of the underlying claim which is asserted but is not allowed by the Court) can be deducted for income tax purposes by the holder of such claim, as well as the timing for recognition of revenues, gains or losses for income tax purposes, is dependent upon the particular creditor involved and cannot be addressed by the Debtor due to the multiplicity of factors which may be involved. The amount of the income or gain, and its character as ordinary income or capital gain or loss, as the case may be, will depend upon the nature of the claim of each particular Creditor.

The method of accounting utilized by a Creditor for federal income tax purposes may also affect the tax consequences of a distribution. In general, the amount of gain (or loss) recognized by any such Creditor will be the difference between (i) the Creditor’s basis for federal income tax purposes, if any, in the Claim; and (ii) the amount of the distribution received. Whether the distribution will generate ordinary income or capital gain will depend upon whether the distribution is in payment of a Claim or an item which would otherwise generate ordinary income on the one hand or in payment of a Claim which would constitute a return of capital.

PROVISIONS FOR IMPAIRED CREDITORS NOT ACCEPTING PLAN

With respect to any Class of creditors impaired by and not accepting this Plan by the requisite majority in number and two-thirds (2/3) in dollar amount of those casting ballots, adequate protection for the realization by them of the value of their claim shall be provided in the Order confirming the Plan by such method as will fairly and equitably provide such protection in accordance with the applicable provisions of the Bankruptcy Code. With respect to the holders of Interests of the Debtor, the existing Interests shall be terminated and holders of Interests shall receive no distributions of Available Cash.

The Bankruptcy Code provides that the Plan may be confirmed even if it is not accepted by all impaired Classes. In order to be confirmed without the requisite number of acceptances of each impaired Class, the Court must find that at least one impaired Class has accepted the Plan without regard to the acceptance of “insiders” (as that term is defined in the Bankruptcy Code) and the Plan does not discriminate unfairly against, and is otherwise fair and equitable to, such impaired Class. To the extent confirmation by “cramdown” is necessary or required, the Debtor requests confirmation thereof pursuant to Section 1129(b) without further motion or notice, which request shall be considered (if necessary) at the Confirmation Hearing.

DISCHARGE AND RELEASE.

As the Plan provides for the liquidation of all assets of the Estate and the Debtor will not continue business operations, the Plan does not provide for the discharge of any claims or liabilities. However, all proceedings and court actions seeking to establish or enforce pre-petition liabilities and claims of any nature against property of the Estate or priorities received or retained by any creditor with respect to debts and obligations of the Debtor shall be stayed and treated as specifically provided for in the Plan.

MATTERS TO CONSIDER BEFORE VOTING ON THE PLAN

Who May File a Plan.

The confirmation of the Plan of Reorganization is the ultimate goal of the Chapter 11 proceeding. Consequently, your decision whether to accept or reject the Plan must be made in the context established by the Bankruptcy Code. In a Chapter 11 case, only the Debtor may file a plan of reorganization within the exclusivity period provided by §1121(b). At the request of the Debtor, the original exclusivity period was extended by the Court to July 8, 2013, and the Plan has been filed within such period.

What is Necessary for Court Approval of a Plan.

Chapter 11 permits the adjustment of secured debt, unsecured debt and interests. A Chapter 11 Plan may provide for less than full satisfaction of senior indebtedness and payment of junior indebtedness, and may even provide some return to owners absent full satisfaction of indebtedness, so long as no impaired class votes against the Plan (except as provided below).

Even if an impaired class votes against the Plan, implementation of the Plan is still possible so long as (i) the Plan is fair and equitable and (ii) that class is afforded certain treatment defined by the Code, broadly defined as giving a claimant the full value of his claim or interest. Such value is determined by the Court and balanced against the treatment afforded the dissenting class of creditors.

In particular, senior claims must be satisfied in full prior to payment of junior claims or interests, unless the holders of senior claims agree to different treatment. This principle (commonly known as the “absolute priority rule”) applies only in cases when a class of unsecured claims or interests is impaired and does not accept the proposed Plan. In that event, the absolute priority rule does not apply to all classes of unsecured claims and interests, but only to the dissenting class and classes junior to the dissenting class.

In the event a class is unimpaired, it is automatically deemed to have accepted the Plan. If there is no dissenting class, the test for confirmation (*i.e.*, approval) by the Court of a Chapter 11 Plan is whether the Plan is feasible and in the best interests of the creditors and interest holders. In simple terms, this test requires that creditors and interest holders receive more under the Plan than they would obtain if the Debtor were liquidated and the proceeds distributed in accordance with bankruptcy liquidation priorities. The Court, in considering this factor, need not consider any other alternatives to the Plan but liquidation.

In considering “feasibility” the Court is only required to determine whether the Plan can be accomplished. This entails determining the availability of cash for payments required at the Effective Date, and any other factor which might make it impossible for the Debtor to accomplish that which it proposes to accomplish in the Plan. In addition, in order to confirm a Plan the Court must find that such Plan was proposed in good faith and that the Plan and the Debtor are in compliance with the applicable provisions of Chapter 11. Finally, similar to the requirement that the Court find the Plan to be feasible, the Court must find that liquidation or

further reorganization is not likely to occur after implementation of the Plan, except to the extent the Plan provides for such liquidation.

The determination by the Court that the Plan is fair, equitable and feasible occurs at the confirmation hearing. The Court's adjudication of these matters does not constitute an expression of the Court's opinion as to whether the Plan is a good one, nor does it constitute an opinion by the Court regarding any debt or interest or securities issued to creditors under the Plan.

Alternatives to the Plan.

Although this Disclosure Statement is intended to provide information to assist in the formation of a judgment as to whether to vote for or against the Plan, and although creditors are not being offered, through that vote, an opportunity to express an opinion concerning alternatives to the Plan, there are no on-going operations and the only likely alternative to the Plan is the liquidation of the Debtor through conversion of the case to one under Chapter 7 which would result in the appointment of a Chapter 7 trustee, a new notice period for the filing of claims, and additional administrative costs, and any dividend to unsecured creditors would be delayed and likely reduced in some amount.

While there may be one or more possible alternatives to the proposed Plan, a vote must be for or against the Plan and not a vote on the likely alternatives to the Plan. If you believe the alternatives are preferable to the Plan and you wish to urge them upon the Court, you should consult counsel as to the appropriate response.

Specific Considerations in Voting.

While the Plan provides for certain payments or other distributions, such payments or distributions will only be made to the holders of Allowed Claims. Under the Bankruptcy Code, a claim may not be paid until it is "allowed" pursuant to §502. A filed or scheduled claim will be allowed in the absence of an objection. A claim to which an objection has been filed will be heard by the Court at a regular evidentiary hearing and will be allowed in full or in part or disallowed. While the Trustee will bear the principal responsibility for claim objections, any interested party may file claim objections. Accordingly, payment on all claims may be delayed until all pending objections to such claims are ultimately adjudicated or settled.

For Classes of Claims which do not receive payment in full on the Effective Date, there are certain risks inherent in accepting the Plan, including the absence of absolute certainty of payment in any particular amount, especially with respect to Unsecured Claims.

The materials provided in this Disclosure Statement are intended to assist you in voting on the Plan in an informed fashion. If the Plan is confirmed, you will be bound by its terms; therefore, you are urged to review this material and to make such further inquiries as you may deem appropriate, then cast an informed vote on the Plan. The Debtor solicits your acceptance of the Plan as being in the best interests of creditors in this case.

RESPECTFULLY submitted, this the 8th day of July, 2013.

/s/ Phillip Essig, on behalf of Hampton Capital Partners, LLC
/s/John A. Northen, counsel for Hampton Capital Partners, LLC

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Exhibits to Disclosure Statement:

- A. Plan of Liquidation Dated July 8, 2013.
- B. Summary of Scheduled, Filed and Estimated Claims, By Class.
- C. Projected Chapter 11 Recovery and Chapter 7 Liquidation Analysis

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE MIDDLE DISTRICT OF NORTH CAROLINA
DURHAM DIVISION**

IN RE: HAMPTON CAPITAL PARTNERS, LLC, d/b/a Gulistan Carpet, DEBTOR	CASE NO. 13-80015 CHAPTER 11
PLAN OF LIQUIDATION DATED JULY 8, 2013	

NOW COMES Hampton Capital Partners, LLC, d/b/a Gulistan Carpet (the “Debtor”), pursuant to 11 U.S.C. § 1129 and Rule 3016 of the Federal Rules of Bankruptcy Procedure, and respectfully proposes the following Plan of Liquidation Dated July 8, 2013 (the “Plan”).

1. INTRODUCTION. On January 7, 2013 (the “Petition Date”), the Debtor filed a voluntary petition seeking relief under Chapter 11 of the Bankruptcy Code and an Order for relief was entered.

1.1. As of the Petition Date, the Debtor was in the business of manufacturing and selling medium to high-end carpets under the Gulistan® brand name to both residential and commercial markets. The Debtor sold its carpets to customers directly and through independent retailers, franchises and leading home improvement retailers.

1.2. The Debtor retained Northen Blue, LLP (“Debtor’s Counsel”) as its counsel in connection with this bankruptcy case, and retained Getzler Henrich & Associates LLC (“Getzler Henrich”) as financial consultant for the Debtor.

1.3. An official committee of unsecured creditors (the “Committee”) was appointed by the Court on January 25, 2013, and the Committee retained Lowenstein Sandler LLP and Wilson and Ratledge, PLLC (together, “Committee’s Counsel”) as its counsel in connection with this bankruptcy case, and retained BDO Consulting, a division of BDO USA, LLP (“BDO”) as financial consultant for the Committee.

1.4. The Plan governs the liquidation of the Debtor’s assets, treatment of executory contracts and leases, reconciliation of claims, review and pursuit of causes of action where warranted, and distributions to creditors, among various other matters. The

Plan proposes the appointment of a trustee to wind up the affairs of the Debtor, complete the final administration of the Debtor's bankruptcy estate, and execute and consummate the Plan.

1.5. Reference is made to the Disclosure Statement for Plan of Liquidation (the "Disclosure Statement") for a brief discussion of the Debtor's history, business, results of operations, historical financial information and properties, the results of the Debtor's liquidation of assets to date, and an analysis of the Plan. All creditors entitled to vote on the Plan should review the Disclosure Statement before voting to accept or reject the Plan. In addition, there may be other agreements and documents that have been filed which are referenced in the Plan and/or the Disclosure Statement and which are available for review. No solicitation materials, other than the Disclosure Statement, have been authorized by the Court for use in soliciting acceptances or rejections of the Plan.

2. DEFINITIONS. For purposes of this Plan and accompanying Disclosure Statement, the following definitions shall apply and, unless otherwise indicated, the singular shall include the plural:

2.1. Aberdeen Facility: The Debtor's principal offices and primary manufacturing plant were located at 3140 NC 5 Highway, Aberdeen, NC 28315.

2.2. Administrative Claim: The costs and expenses of administration of this case allowed under § 503(b) of the Bankruptcy Code that are entitled to priority under § 507(a)(2) of the Bankruptcy Code, including, without limitation, the actual, necessary costs and expenses of preserving the Debtor's estate and liquidating the Debtor's remaining assets, interim and final compensation for the Trustee, interim and final fees and expenses of professional persons employed by the Trustee, the Debtor, and the Committee, and other costs and expenses necessary to the administration of the estates and the liquidation of the remaining assets or otherwise allowed as administrative expenses by Order of the Court, including claims allowed under section 503(b)(9) of the Bankruptcy Code.

2.3. Allowed Claim or Interest: Any claim against or interest in the Debtor (a) for which a proof of claim was filed on or before the date designated by the Court as the last day on which to file such proofs of claim in this proceeding, or (b) which is listed in the Schedules filed by the Debtor (unless listed as unliquidated, disputed or contingent) and, in either case, to which (i) no objection has been filed within the applicable period of limitation fixed by the Bankruptcy Code, the Bankruptcy Rules, or Order of this Court, or (ii) an

objection has been timely filed and determined by Final Order, and then only to the extent the Order allows such claim.

2.4. Available Cash: All proceeds recovered or generated from the liquidation of assets, causes of action (including Bankruptcy Causes of Action), or from any other sources, less payment or provisions for Allowed Secured Claims having a Lien upon such assets.

2.5. Bankruptcy Administrator: The United States Bankruptcy Administrator for the Middle District of North Carolina.

2.6. Bankruptcy Causes of Action: Any claim or cause of action which may be asserted by a trustee or a debtor-in-possession under Sections 502(d), 506(c), 541, 542, 543, 544, 546, 547, 548, 549, 550, 551, 552, or 553 of the Bankruptcy Code.

2.7. Bankruptcy Code: Provisions of Title 11, United States Code, as amended from time to time and applicable to this case. References to “§ ____” shall refer to a section of the Bankruptcy Code unless otherwise specified.

2.8. Bankruptcy Rules: The Federal Rules of Bankruptcy Procedure, as amended from time to time and applicable to this case.

2.9. Claim: Any right to payment, or any right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured, as defined in section 101(5) of the Bankruptcy Code.

2.10. Claims Bar Date: The date by which a proof of claim must be filed with the Court, which shall be, as applicable, (i) May 12, 2013 with respect to all creditors except a governmental unit, (ii) 180 days after the Order for Relief (July 6, 2013) with respect to a governmental unit, and (iii) with respect to claims arising from the rejection of any lease or executory contract, thirty (30) days from the Confirmation Date, or such other (whether earlier or later) deadline as may be set by the Court generally or with respect to any lease or contract rejected.

2.11. Class: A group of Claims or Interests which are substantially similar to each other, as classified under the Plan.

2.12. Collateral: Property of the Debtor which has been duly and properly pledged to a creditor to secure indebtedness, and which pledge (of whatever nature) has not been avoided or subordinated.

2.13. Committee: The Official Committee of Unsecured Creditors pursuant to the Order Appointing Committee of Unsecured Creditors in a Chapter 11 Reorganization entered January 25, 2013.

2.14. Confirmation Date: The date on which the clerk enters on the Court's docket the Confirmation Order confirming the Plan.

2.15. Confirmation Order: The Order of the Court confirming the Plan pursuant to § 1129 of the Bankruptcy Code.

2.16. Consummation, Final: The consummation of all things contained in or provided for in this Plan, and the entry of a Final Decree finally dismissing this bankruptcy case.

2.17. Consummation, Substantial: The date on which the Debtor has substantially completed all requirements of this Plan, as determined in accordance with § 1101(2) of the Bankruptcy Code or, if applicable, entry of an Order of Substantial Consummation by this Court.

2.18. Court: The United States Bankruptcy Court for the Middle District of North Carolina, and any appellate court that exercises jurisdiction over this case.

2.19. Debtor: Hampton Capital Partners, LLC.

2.20. Disputed Claim: Any Claim which is not an Allowed Claim and with respect to which (i) an objection has been interposed and has not been resolved by agreement or Final Order, (ii) the Debtor has scheduled as disputed, contingent or unliquidated, or (iii) the claim is set forth in an improper proof of claim or a proof of claim untimely filed.

2.21. Distribution Date: Any date on which distributions are to be made to creditors pursuant to terms and provisions of this Plan or upon approval of this Court.

2.22. Effective Date: The first day of the month next following the Confirmation Date, provided that the Confirmation Order has not been stayed, reversed, or amended as of such day.

2.23. Escrow Account: Any escrow account established for the purpose of collecting, maintaining, accounting and reporting for all proceeds from the liquidation of

assets, to be received and disbursed pursuant to the terms of this Plan or further Orders of the Court.

2.24. Estate: The property belonging to the Debtor on the date this case was commenced and as defined by § 541 of the Bankruptcy Code and other applicable law.

2.25. Final Decree: The final decree entered by the Court pursuant to Bankruptcy Rule 3022.

2.26. Final Order: An order (i) as to which the time to appeal or seek review or rehearing has expired and as to which no motion or petition for review or rehearing is pending, or (ii) if an appeal, motion or petition for review or rehearing is pending, the operation or effect of which order has not been stayed, reversed, or amended.

2.27. Final Report: A report to be filed with the Court upon and after completion of all acts required to achieve Final Consummation of the Plan, which report shall include, but not be limited to, all information necessary to meet the reporting requirements of the Court, the Bankruptcy Administrator, and the Plan.

2.28. Interest: Any membership or other equity interest in the Debtor.

2.29. Lien: A mortgage, judgment lien, materialman's lien, statutory lien, security interest, pledge, charging order, or other encumbrance on the Debtor's property, effective under applicable laws as of the Petition Date or thereafter as authorized by Order of the Court to secure payment of a debt or performance of an obligation.

2.30. Net Sale Proceeds: The proceeds derived from the sale of any tangible or intangible property of the Estate, after payment or provision for direct costs of sale.

2.31. Notice and Hearing: Notice and hearing as defined by § 102 of the Bankruptcy Code.

2.32. Personal Property: The Debtor's cash, accounts, inventory, furniture, fixtures and equipment, general intangibles, insurance proceeds, instruments, documents and chattel paper, and the proceeds thereof.

2.33. Petition Date: January 7, 2013, the date the petition was filed in this proceeding seeking relief pursuant to Chapter 11 of the Bankruptcy Code..

2.34. Plan: This Plan of Liquidation and any modification thereof made by the Debtor as provided herein.

2.35. Priority Claim: An allowed claim that is unsecured and is entitled to priority under § 507 or § 364 of the Bankruptcy Code, excluding Priority Tax Claims.

2.36. Priority Tax Claim: An allowed claim for federal, state or local (county or city) taxes that is unsecured and is entitled to priority under § 507 or § 364 of the Bankruptcy Code.

2.37. Pro Rata: The proportion that each allowed claim in a particular Class of Claims or Interests bears to the aggregate of all allowed Claims or Interests in that Class on the relevant date.

2.38. Secured Claim: An allowed claim that is secured by a Lien which has not been avoided, to the extent of the value of the Collateral subject to such Lien as determined under § 506 of the Bankruptcy Code.

2.39. Subordinated Claim: A Claim the payment of which has been subordinated by agreement of the holder of such Claim or an Order of the Court to the payment of other Allowed Claims.

2.40. Trustee: Such person eligible to serve in such capacity and appointed by the Bankruptcy Administrator on or before the Effective Date, subject to approval by the Court, or any successor thereto appointed in the same manner.

2.41. Unsecured Claim: An allowed claim that is unsecured and is not entitled to be treated as a Priority Claim.

2.42. Wagram Facility: The Debtor's secondary manufacturing location at 19320 Airport Road, Wagram, NC 28396, which was used primarily for the dying process in the Debtor's manufacturing operations.

3. ADMINISTRATIVE CLAIMS AND PRIORITY TAX CLAIMS.

3.1. Administrative Claims shall be allowed upon due request or application and in such amounts as may be determined by the Court after Notice and Hearing, subject to the following limitations and provisions as to payment.

3.1.1. Attorneys and financial consultants retained by the Debtor or the Committee shall be compensated for services rendered in such capacity from their respective dates of their employment through the Effective Date upon an hourly basis and at their customary hourly rates, and reimbursed for actual, necessary expenses incurred,

payable upon application filed in accordance with the Court's fee guidelines and procedures and subject to approval by the Court.

3.1.2. Members of the Committee shall be reimbursed for actual, necessary expenses incurred by a member of the Committee prior to the Effective Date, payable upon application filed in accordance with the Court's procedures and subject to approval by the Court. Upon the Effective Date, the Committee shall no longer have any official capacity in this proceeding.

3.1.3. The Trustee shall be reimbursed for actual, necessary expenses incurred and shall be compensated for services rendered in such capacity and reasonably necessary to the administration of this estate, upon a commission basis as set forth in § 326, but not to exceed reasonable compensation for such services.

3.1.4. Attorneys, accountants and financial consultants retained by the Trustee may include (i) the Trustee serving as an attorney for the Trustee, (ii) Debtor's Counsel and/or the Debtor's financial consultant, (iii) Committee's Counsel and/or the Committee's financial consultant, (iv) other attorneys, accountants or financial consultants selected by the Trustee, or (v) any combination of the foregoing, all in the Trustee's sole discretion and subject to approval by the Court. Attorneys, accountants or financial consultants retained by the Trustee shall be reimbursed for actual, necessary expenses incurred and shall be compensated for services rendered in such capacity from and after the Effective Date upon an hourly basis and at their customary hourly rates, payable upon application filed in accordance with the Court's fee guidelines and procedures and subject to approval by the Court. Notwithstanding the foregoing, the Trustee may also retain a professional on any other basis permitted under § 328, upon Notice and Hearing and subject to approval by the Court.

3.1.5. Claims filed pursuant to the Order Establishing Procedure to Determine Section 503(b)(9) Administrative Expenses [Docket No. 111], for goods delivered within twenty days prior to the Petition Date, shall be determined by the Court after Notice and Hearing.

3.1.6. The holders of Allowed Administrative Claims shall be paid on or before the later of (i) sixty (60) days after the Effective Date or (ii) thirty (30) days after the same can be determined and, if necessary, allowed by the Court.

3.2. Allowed Priority Tax Claims shall be paid, with interest at the applicable statutory rate from the Effective Date, on or before the later of (i) sixty (60) days after the Effective Date or (ii) thirty (30) days after the same can be determined and, if necessary, allowed by the Court.

4. DESIGNATION OF CLASSES OF CLAIMS AND INTERESTS. For purposes of the Plan, Claims and Equity Interests are classified as follows:

4.1. Class 1 shall consist of the Secured Claim of Ronile, Inc. (“Ronile”). The Debtor scheduled a claim for Ronile in the amount of \$18,200,000, but also filed a notice of disputed claim with respect thereto. Ronile has filed a proof of claim asserting a secured claim in the amount of \$13,190,950 (Claim Number 133), asserting a Lien upon the Aberdeen Facility, the Wagram Facility and all Personal Property of the Debtor as of the Petition Date.

4.2. Class 2 shall consist of the Secured Claim of Scotland County for ad valorem taxes, interest and penalties secured by a Lien upon the Wagram Facility.

4.3. Class 3 shall consist of Priority Unsecured Wage Claims for (i) unpaid wages, salaries, or commissions, including vacation, severance and sick leave pay earned by an individual, or (ii) sales commissions earned by an individual or by a corporation with only one employee, acting as an independent contractor in the sale of goods or services for the Debtor, but only to the extent such claims are entitled to priority as specified in § 507(a)(4). Class 2 Priority Unsecured Wages Claims shall not exceed \$11,725 for each individual or corporation, as the case may be, and must have been earned within 180 days before the Petition Date or the date of cessation of the Debtors’ business, whichever comes first.

4.4. Class 4 shall consist of Priority Unsecured Benefit Claims for contributions to an employee benefit plan as specified in § 507(a)(5), (i) arising from services rendered within 180 days before the Petition Date or the date of cessation of the Debtors’ business, whichever comes first, and (ii) for each such plan, limited to the extent of the number of employees covered by such plan multiplied by \$11,725, less the aggregate amount of the Allowed Class 2 Claims (including those paid post-petition pursuant to Orders of the Court) and the aggregate amount paid by the estate on behalf of such employees to any other employee benefit plan.

4.5. Class 5 shall consist of the Unsecured Claims.

4.6. **Class 6** shall consist of the Interests.

5. **TREATMENT OF CLASSES IMPAIRED UNDER THE PLAN.** Claims and Interests shall receive the following treatment under the Plan:

5.1. **Class 1: Secured Claim of Ronile.** The Ronile Secured Claim shall be designated a Disputed Claim and treated as follows:

5.1.1. With the consent of Ronile, the Lien upon the Personal Property or the proceeds thereof is deemed avoided and of no further force or effect, and the Ronile Secured Claim shall be limited to the value of the Debtor's interest in the Aberdeen Facility and in the Wagram Facility or the respective Net Sale Proceeds thereof.

5.1.2. Any objection, motion or adversary proceeding seeking to determine, challenge, avoid, re-characterize or subordinate the Ronile Secured Claim, to surcharge Ronile under section 506(c) of the Bankruptcy Code, or to assert other claims and causes of action shall be filed by the Trustee within sixty (60) days after the Effective Date, or within such additional period as may be established by the Court pursuant to a motion filed prior to the expiration of such period (or if extended, pursuant to a motion filed prior to the expiration of any extended period). In the event no such objection, motion or adversary proceeding is timely filed, the Ronile Secured Claim shall be treated as an Allowed Secured Claim to the extent of the value of the Debtor's interest in the Aberdeen Facility and the Wagram Facility; provided however, if such an objection, motion or adversary proceeding is timely filed, then the Ronile Secured Claim shall be allowed in such amount, if any, as shall be determined by the Court after Notice and Hearing.

5.1.3. Until such time as the Ronile Secured Claim is determined to be an Allowed Secured Claim as set forth above, no payments shall be made on such claim. Any Liens upon the Aberdeen Facility and the Wagram Facility shall remain in place pending a final determination of the Ronile Secured Claim; provided however, upon the sale of the Aberdeen Facility or the Wagram Facility such Liens, if any, shall be transferred to the Net Sale Proceeds thereof.

5.1.4. To the extent the Ronile Secured Claim is determined to be an Allowed Secured Claim, such claim shall be treated as follows:

5.1.4.1. The Aberdeen Facility has been sold and the Net Sale Proceeds shall be held in a segregated account until disbursed pursuant to the Plan or further Orders of the Court.

5.1.4.2. The Wagram Facility shall be marketed for sale by the Trustee, subject to approval by the Court after Notice and Hearing, and upon the sale thereof and after payment of the Class 2 Secured Claim of Scotland County the Net Sale Proceeds shall be held in a segregated account until disbursed pursuant to the Plan or further Orders of the Court; provided however, in the event the Court determines that Ronile has an Allowed Secured Claim with respect to the Wagram Facility prior to a sale thereof, the Wagram Facility may instead be conveyed by the Trustee to Ronile subject to the Class 2 Secured Claim of Scotland County, in full satisfaction and as the indubitable equivalent of its Allowed Secured Claim on the Wagram Facility.

5.1.4.3. Upon final determination of the amount, extent and validity of the Ronile Secured Claim, the Allowed Secured Claim shall be paid from the Net Sale Proceeds and Available Cash within thirty (30) days after such determination is made, together with interest from the Effective Date at a rate equal to the “Prime Rate” as reported in the Wall Street Journal on the Effective Date, plus one percent (Prime+1%).

5.1.5. The Class 1 Secured Claim of Ronile is impaired.

5.2. **Class 2: Secured Claim of Scotland County.** Scotland County shall retain its Lien on the Wagram Facility and (i) in the event of a sale of the Wagram Facility by the Trustee, the Class 2 Secured Claim shall be paid in full, with interest from the Petition Date at the applicable statutory rate, from the Net Sale Proceeds derived therefrom within thirty (30) days after the closing, or (ii) in the event the Wagram Facility is conveyed to Ronile in partial satisfaction of the Ronile Secured Claim, such conveyance shall be made subject to the Class 2 Secured Claim and Scotland County shall look solely to such property to satisfy its claim. The Class 2 Secured Claim of Scotland County is not impaired.

5.3. **Class 3: Priority Unsecured Wage Claims.** After payment of all Allowed Administrative Claims and Allowed Priority Tax Claims, Allowed Class 3 Claims shall be paid (without interest) from Available Cash within sixty (60) days after the Effective

Date or as soon thereafter as such Claims can be determined and, if necessary, allowed by the Court. Class 3 Claims are impaired.

5.4. Class 4: Priority Unsecured Benefit Claims. After payment of all Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Class 3 Claims, Allowed Class 4 Claims shall be paid (without interest) from Available Cash within sixty (60) days after the Effective Date or as soon thereafter as the same can be determined and, if necessary, allowed by the Court. Class 4 Claims are impaired.

5.5. Class 5: Unsecured Claims. After payment of all Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Claims in Classes 3 and 4, Allowed Class 5 Claims shall be paid in one or more pro rata distributions of Available Cash commencing sixty (60) days after the Effective Date or such later date(s) as determined by the Trustee from time to time until all Available Cash has been distributed and a Final Decree has been entered. Class 5 Claims are impaired.

5.6. Class 6: Interests. The existing Interests shall be terminated and holders of Interests shall receive no distribution pursuant to the Plan. Class 6 Interests are impaired.

6. MEANS FOR EXECUTION OF THE PLAN. The Trustee shall execute and consummate the Plan as follows:

6.1. Appointment of Trustee: On or before the Effective Date, the Bankruptcy Administrator shall appoint the Trustee, subject to approval by the Court, pursuant to § 1104 and the Trustee will serve in such capacity until a Final Decree is entered and the Trustee is discharged by the Court from further obligations. The Trustee shall wind up the affairs of the Debtor, complete the final administration of the bankruptcy case, and execute and consummate the Plan as set forth herein.

6.2. Property of the Estate: All of the Debtor's tangible and intangible assets (including but not limited to cash, funds on deposit, claims and causes of action) shall remain property of the Debtor's bankruptcy estate and shall not re-vest in the Debtor.

6.3. Litigation: The Trustee shall evaluate and pursue to the extent deemed necessary, appropriate and warranted all claims or causes of action by or on behalf of the Debtor and the Estate. Pursuant to section 1123 of the Bankruptcy Code, the Trustee shall have the requisite standing to prosecute, pursue, administer, settle, litigate, enforce and liquidate any and all causes of action, including Bankruptcy Causes of Action.

6.4. Distributions:

6.4.1. Once the Court has determined the extent, validity and priority of Liens asserted by the Secured Creditors, Allowed Secured Claims will be paid to the extent of the value of such creditor's interest in the Debtor's interest in the property subject to such Lien as provided in the Plan regarding treatment of such claims.

6.4.2. Available Cash will be distributed in payment of Allowed Administrative Claims, Priority Tax Claims and Priority Unsecured Claims in one or more distributions as provided in the Plan until paid in full.

6.4.3. After payment of all Allowed Administrative Claims, Priority Tax Claims and Priority Unsecured Claims as provided in the Plan, Available Cash will be distributed in payment of Allowed Unsecured Claims in one or more distributions as may be determined by the Trustee from time to time until all Available Cash has been realized and fully distributed.

6.4.4. A final distribution shall be made within sixty (60) days after the later of (i) the resolution of all Disputed Claims, (ii) the resolution of all causes of action, including Bankruptcy Causes of Action, and (iii) the sale, liquidation or abandonment of all remaining property of the Estate.

6.4.5. Distributions to holders of Allowed Claims shall be made at the address of each such holder as set forth on the Schedules filed with the Bankruptcy Court unless superseded by the address as set forth on the proof of claim filed by such holders or other subsequent writing notifying the Trustee of a change of address.

6.4.6. No interim or final distribution shall be made in an amount less than \$5.00, and any such distributions shall instead be paid over to the U.S. Treasury as provided in Section 347 and Bankruptcy Rule 3010 for small dividends as in a Chapter 7 proceeding.

6.4.7. If any holder's distribution is returned as undeliverable, no further distributions to such holder shall be made unless and until the Trustee has been notified of such holder's then current address, at which time all missed distributions shall be made to such holder. All unclaimed distributions which exist as of the date of the final distribution to holders of Allowed Claims shall be paid over to the U.S. Treasury as

provided in Section 347 and Bankruptcy Rule 3011 for unclaimed distributions as in a Chapter 7 proceeding.

6.4.8. Checks issued by the Trustee shall be null and void if not negotiated within sixty (60) days after the date of issuance thereof. Requests for re-issuance of any check shall be made to the Trustee by the holder of the Allowed Claim with respect to which such check originally was issued.

6.4.9. The Trustee may, in accordance with Section 553 of the Bankruptcy Code and applicable non-bankruptcy law, set off or recoup against any Allowed Claim the distributions to be made pursuant to this Plan on account of such Claim (before any distribution is made on account of such Claim), the claims, rights and causes of action of any nature that the Trustee on behalf of the Estate, may possess against the holder of such Allowed Claim; provided, however, that neither the failure to effect such a setoff or recoupment nor the allowance of any Claim hereunder shall constitute a waiver or release by the Trustee or the Estate of any such claims, rights and causes of action that they may possess against such holder; and provided further, that any claims by or on behalf of the Debtor arising before the Petition Date shall first be set off or recouped against Claims against the Debtor or the Estate arising before the Petition Date.

6.5. Post-Confirmation: The Trustee shall be authorized to perform all duties necessary to wind up the affairs of the Debtor, including without limitation, recovering or liquidating assets of the Estate, continuing or instituting litigation by or on behalf of the Debtor, reconciling claims filed against the Estate, and making distributions to the holders of Allowed Claims. The Court shall retain jurisdiction over all matters, and any party in interest may seek an Order in aid of consummation of the Plan in the event of any default or failure by any party to comply with the terms thereof. All causes of action brought by or on behalf of the Debtor shall be brought by the Trustee in the Court and are to be governed by Bankruptcy Rule 7001 et seq. Any compromise or other settlement of a controversy by or on behalf of the Debtor shall be approved in accordance with Bankruptcy Rule 9019.

6.6. Executory Contracts and Leases:

6.6.1. All executory contracts or leases which have not been rejected or assumed prior to the Confirmation Date (excluding those which are then subject to a pending motion to assume) are and shall be deemed rejected as of the Effective Date.

6.6.2. A Claim for damages arising from the rejection of an executory contract or lease shall be forever barred and shall not be enforceable against the Estate and no holder of any such Claim shall participate in any distribution under the Plan with respect to that Claim unless a Proof of Claim is served on the Trustee and filed with the Court within thirty (30) days after the Effective Date, or such other deadline as may be set by the Court generally or with respect to any lease or contract rejected, and said Proof of Claim is determined to be an Allowed Claim, either because no timely objection is filed or because the Court allows the Claim after a timely filed objection.

7. FINANCIAL INFORMATION. The following information is or shall be made available to creditors and parties in interest:

7.1. Monthly and Quarterly Reports: A monthly report for each month the Debtor has been under the supervision of the Court has been and shall continue to be filed with the Court through and including the Effective Date. Thereafter a post-confirmation report shall be filed by the Trustee on a quarterly basis until the filing of the Final Report. Such quarterly reports shall reflect any progress made in consummating the Plan during the period covered by the report, shall be filed in the format prescribed by the Bankruptcy Administrator, and shall set forth and disclose the aggregate receipts and disbursements, the funds on deposit and the location of such accounts, any unpaid but accrued payables or obligations, the status of pending litigation, amounts available for distribution pursuant to the Plan, and such other information which is reasonably necessary to accurately disclose the financial condition of the Estate. The Trustee shall file such reports within thirty (30) days after the end of each such quarterly period, and at the same time shall serve a copy thereon upon the Bankruptcy Administrator and any other party in interest making a written request therefore.

7.2. Financial Information on Record: The Debtor initially filed Schedules of Assets and Liabilities and a Statement of Financial Affairs. The monthly reports, the Schedules of Assets and Liabilities, and the Statement of Financial Affairs may be inspected by interested parties in order to obtain a broader financial picture of the Debtor and the Estate. These documents may be examined in the office of the Clerk of the United States Bankruptcy Court.

7.3. **Disclosure Statement:** The Trustee filed a Disclosure Statement to accompany the filing of the Plan, to which reference is made for additional financial information.

8. PROVISIONS FOR IMPAIRED CREDITORS NOT ACCEPTING PLAN.

8.1. With respect to any Class of Claims impaired by and not accepting this Plan by the requisite majority in number and two-thirds (2/3) in dollar amount of those casting ballots, adequate provision for the realization by them of the value of their claim shall be provided in the Order confirming the Plan by such method as will fairly and equitably provide the requisite protection required by applicable provisions of the Bankruptcy Code.

8.2. With respect to the holders of Interests, the existing Interests shall be terminated and the holders shall not receive any distribution pursuant to the Plan.

8.3. To the extent Plan confirmation by “cramdown” is necessary, the Debtor requests confirmation thereof pursuant to Section 1129(b) without further motion or notice at the Confirmation Hearing.

9. **DISCHARGE AND RELEASE.** As the Plan provides for the liquidation of all assets of the Estate and the Debtor will not continue business operations, the Plan does not provide for the discharge of any claims or liabilities. However, all proceedings and court actions seeking to establish or enforce pre-petition liabilities and claims of any nature against property of the Estate or priorities received or retained by any creditor with respect to debts and obligations of the Debtor shall be stayed and treated as specifically provided for in the Plan.

10. PROVISIONS FOR RETENTION OF JURISDICTION AND PROSECUTION AND DEFENSE OF CLAIMS AND CAUSES OF ACTION. The Court shall retain and may exercise its jurisdiction for determination in this proceeding of any objections to claims not disposed of prior to the entry of the Confirmation Order, the final determination of any causes of action (including Bankruptcy Causes of Action) belonging to the Debtor or the Estate, and any other matters which might affect the Debtor, the Estate, or the consummation of the Plan, including but not limited to the following:

10.1. **General Jurisdiction:** Until the case is closed, the Court shall retain jurisdiction pursuant to Section 1142 of the Bankruptcy Code and Bankruptcy Rules 3020(d) and 3021 to the extent necessary to implement the Plan; to hear and determine all claims against the Debtor; to hear, determine, and enforce all causes of action (including Bankruptcy

Causes of Action) arising in, arising under, or related to this case and which may exist on behalf of the Debtor; and to confirm after Notice and Hearing (except as otherwise provided herein) any proposed compromise of any cause of action (including Bankruptcy Causes of Action). Nothing contained herein shall prevent the Trustee from taking such action as may be necessary in the enforcement of any cause of action, and nothing contained herein shall prevent any creditor from enforcing any claim it may have against third parties who may be liable as a result of the Debtor's obligations to such creditor.

10.2. Causes of Action: Notwithstanding the confirmation and substantial consummation of the Plan, the Trustee shall retain the right and standing to assert and shall have the sole and exclusive right to commence, pursue, settle, compromise, abandon, waive, or release any claim or cause of action which may exist by or on behalf of the Debtor (including Bankruptcy Causes of Action) which accrued and were asserted or capable of assertion by the Debtor as a debtor-in-possession as of or after the Petition Date.

10.3. Specific Retention of Powers: In addition to the general provisions set forth above, the Court shall retain sole jurisdiction of this case pursuant to the provisions of Chapter 11 of the Bankruptcy Code for the following purposes, *inter alia*:

10.3.1. To classify, allow or disallow Claims and Interests, to direct distributions of funds under the Plan, and to hear and determine any controversies pertaining thereto.

10.3.2. To hear and determine any and all applications, adversary proceedings or other matters arising out of or related to the Plan.

10.3.3. To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, reversed, revoked or vacated.

10.3.4. To liquidate or estimate the amount of any claim, or to determine the manner and time for such liquidation or estimation in connection with any contingent or unliquidated claim.

10.3.5. To adjudicate all disputes with respect to claims or any Lien on any property of the Estate.

10.3.6. To adjudicate all claims or controversies arising during the pendency of this case.

10.3.7. To recover all assets and properties of the Estate, wherever located, including recoveries on all claims and causes of action brought by the Debtor prior to the

Effective Date or capable of being brought by the Debtor, or the Trustee on behalf of the Debtor, prior or subsequent to the Effective Date which are not released, settled or otherwise compromised by the terms of this Plan.

10.3.8. To hear and determine matters covering federal, state, and local taxes pursuant to Sections 346, 1146, 505 and 525 of the Bankruptcy Code.

10.3.9. To allow fees and reimbursement of the expenses of the Trustee and of professional persons employed during this case or any other person or entity applying for compensation.

10.3.10. To construe or enforce the Plan so as to effectuate payments thereunder or to compel performance by any person reasonably necessary to achieve Final Consummation in accordance with the provisions hereof.

10.3.11. To make and enforce such orders as are necessary or appropriate to carry out the provisions of the Plan.

10.3.12. To enter such orders as may be necessary and proper for the orderly administration of the Debtor's bankruptcy proceeding.

10.3.13. To decide such other matters and for such other purposes as may be provided for in the Confirmation Order.

11. PROVISIONS FOR AMENDMENT OF THE PLAN. The Plan may be amended as follows:

11.1. Non-material Amendment: The Plan may be altered or modified by the Debtor after its submission for acceptance and before or after its confirmation but prior to the Effective Date, without Notice and Hearing, if the alteration or modification does not adversely change the treatment of the claim of any creditor as provided in Section 1127 of the Bankruptcy Code and in Bankruptcy Rule 3019.

11.2. Material Amendment: The Plan may be altered or modified by the Debtor after submission for acceptance and before or after confirmation but prior to the Effective Date in a manner which adversely affects the interests of creditors, only (i) after Notice and Hearing before the Court for the confirmation of such alteration or modification, as provided in Section 1127 of the Bankruptcy Code, or (ii) with the written consent of the creditors who are adversely affected.

11.3. Amendment After The Effective Date. The Plan may be altered or modified by the Trustee after the Effective Date but prior to Substantial Consummation only (i) after Notice and Hearing before the Court for the confirmation of such alteration or modification, as provided in Section 1127 of the Bankruptcy Code, or (ii) with the written consent of the creditors who are adversely affected.

12. OBJECTIONS TO CLAIMS, RESERVES AND DISTRIBUTIONS.

12.1. Claims: The Trustee or any party in interest may file an objection to any claim within sixty (60) days after the Effective Date, or within such additional period as may be established by the Court pursuant to a motion filed prior to the expiration of such period (or if extended, pursuant to a motion filed prior to the expiration of any extended period). Objections not filed within such time shall be deemed waived. The absence of an objection prior to the Confirmation Date, whether as to a scheduled or filed claim, shall not be deemed an acceptance of any Claim nor a waiver of the right to object to any Claim, and the holder of any such Claim shall not be entitled to assert reliance upon any implied acceptance of such Claim when voting to accept or reject the Plan.

12.2. Reserves: Any claim, or portion thereof, which is to be paid in cash under the Plan and which is challenged, shall be protected by requiring the Trustee to segregate and set aside in an escrow account a reserve sufficient to treat said claim in the same fashion as though the objection were denied. The reserve so segregated shall be distributed in accordance with the Plan in the event the objection is overruled or a dispute is resolved in favor of the party asserting the claim. In the event the Disputed Claim is disallowed, the retained cash so segregated shall be retained available for distribution as Available Cash in accordance with the provisions of this Plan, with the disallowed claimant being excluded from the appropriate Class.

13. GENERAL PROVISIONS.

13.1. Exculpation. Neither the Debtor, the Committee, the Trustee or any of their respective employees, advisors, attorneys, accountants, consultants or agents shall have or incur any liability for or to any holder of a Claim or Interest for any act or omission in connection with, or arising out of, the pursuit of confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence and in all respects shall be entitled to

reasonably rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

13.2. Binding Effect. The Plan shall be binding upon and inure to the benefit of the Trustee, the Debtor, the holders of Claims and the holders of Interests, and their respective successors and assigns.

13.3. Injunctions or Stays. Unless otherwise provided in the Plan, the Confirmation Order or other Orders of this Court, all injunctions or stays generally provided for Chapter 11 cases under Section 105 or 362 of the Bankruptcy Code or otherwise in existence on the Effective Date shall remain in full force and effect until the entry of a Final Decree dismissing the case.

13.4. Notices. Any notice required to be provided to parties in interest under the Bankruptcy Code or Rules or under the Plan shall be in writing and served by (a) regular mail, postage prepaid, (b) hand delivery, or (c) overnight delivery service, addressed to the appropriate parties and with copies of any such notice to be sent to the Bankruptcy Administrator and to the Trustee.

13.5. Governing Law. Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and the Bankruptcy Rules), or, as to corporate matters, the laws of the jurisdiction in which the Debtor is incorporated, the laws of the State of North Carolina, shall govern the construction and implementation of the Plan and any agreements, documents, and instruments executed in connection with the Plan.

RESPECTFULLY submitted, this the 8th day of July, 2013.

/s/ Phillip Essig, on behalf of Hampton Capital Partners, LLC
/s/John A. Northen, counsel for Hampton Capital Partners, LLC

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DISCLOSURE STATEMENT -- EXHIBIT B

Class	Type	Romle, Inc.	Creditor	Scheduled Amount	Claim No.	Filed Amount	Est. Allowed Amount	Comments
1	Secured	Romle, Inc.		\$18,200,000	133	\$13,190,950	\$1,973,522	Wagram value est at \$500,000
2	Secured	Scotland County Tax Collector		\$36,435			\$36,435	
3	Employee wage	Various		n/a			\$0	
4	Employee benefit	Ronile Welfare Benefit Trust		\$760,696	124	\$886,711	\$886,711	
5	Unsecured							
		1SYNC INC.		\$3,400			\$3,400	
		3M PROTECTIVE		\$13,846	3	\$13,846	\$13,846	
		A T & T CORP		\$4,143	113	\$9,817	\$9,817	
		A.B. CARTER INC. dba Carter Traveler Co.		\$1,373			\$1,373	
		ABBEY CARPET COMPANY INC.		\$34,419			\$34,419	
		Abbey Group		\$48,984			\$48,984	
		Aberdeen Carolina & Western Railway		\$3,160	45	\$4,160	\$4,160	
		ABERDEEN EXTERMINATING CO INC.		\$175			\$175	
		ABLE MACHINE HYDRAULICS & PLATING INC.		\$623			\$623	
		AC Controls Company, Inc.		\$438	87	\$438	\$438	
		Acme Southern, Inc.		\$471	42	\$1,055	\$1,055	
		ACUTY SPECIALTY PRODUCTS GRP.		\$116			\$116	
		ADVANCED FLOORING INSPECTIONS		\$1,600			\$1,600	
		AFP Industries, Inc.		\$204	69	\$204	\$204	
		ALBEE, JOHN					\$335	
		Alliance Distribution Inc.		\$975,745	122	\$943,522	\$943,522	
		ALLIED ELECTRONICS CORP.		\$327			\$327	
		ALO, LINDY		\$116			\$116	
		Amcor, Inc.		\$2,174	49	\$2,174	\$2,174	
		American Home Surfaces		\$110			\$110	
		AMERICAN SCALE CO. INC.		\$3,020			\$3,020	
		AMERICAN STAINLESS & SUPPLY LLC		\$235			\$235	
		AMERICAN SUPERBA INC.		\$17,044			\$17,044	
		AMS Services		\$0	30	\$954	\$954	
		APPLIED INDUSTRIAL TECHNOLOGIE		\$9,134			\$9,134	
		AQUA-CHEM SOLUTIONS LLC		\$167			\$167	
		ARROWSTAR LLC dba Arrow Engineering		\$15,392			\$15,392	
		Ascend Performance Materials		\$594,717	117	\$594,717	\$594,717	
		Associated Bag Company		\$734	24	\$734	\$734	
		ASSOCIATED BATTERY CO.		\$2,920			\$2,920	
		AUTOMATED DATA PROCESSING INC.		\$3,414			\$3,414	
		AVERITTS ELECTRIC MOTOR REPAIR INC.		\$2,059			\$2,059	
		B & T INC. dba The Floor Club		\$1,025			\$1,025	
		BAILEY, GAYLON dba Floorsolutions		\$178			\$178	
		Baker Brothers		\$790			\$790	
		BAMCO BELTING PRODUCT INC.		\$846			\$846	
		BEAN, RICHARD		\$591			\$591	
		BEAULIEU GROUP LLC		\$10,036			\$10,036	
		BEFORE YOU HIRE INC.		\$54			\$54	
		Belair Carpet		\$4,212			\$4,212	
		BELMONT TEXTILE MACHINERY CO		\$808			\$808	
		Best Cartage, I Inc.		\$4,154	12	\$4,154	\$4,154	
		Best Dedicated, LLC		\$225,675	13	\$233,740	\$233,740	
		BETTER BUSINESS FORMS dba Clondalkin Gro		\$3,267	14	\$3,267	\$3,267	
		BFF-WASTE SERVICES LLC dba Allied Waste		\$3,426			\$3,426	
		BFPE INTERNATIONAL		\$611			\$611	
		BOILER MASTERS INC.		\$76			\$76	
		Boise Floor Covering & Design, Inc.		\$0	57	\$2,161	\$2,161	
		Brame Speciality Company		\$2,966	9	\$2,966	\$2,966	
		Braun's Express, Inc.		\$17,402	26	\$24,793	\$24,793	

Comments

Class	Type	Creditor	Scheduled Amount	Claim No.	Filed Amount	Est. Allowed Amount	Comments
		BRIGGS EQUIPMENT INC.	\$9,404			\$9,404	
		BROWN INDUSTRIES INC.	\$14,978	10	\$15,675	\$15,675	
		BUCHANAN, PAUL	\$133			\$133	
		Bud Polley's Floor Center Inc.	\$1,441			\$1,441	
		BULLDOG BATTERY CORPORATION dba Powerflo	\$3,780			\$3,780	
		Burney Hardware Co.	\$0	7	\$2,274	\$2,274	
		Butler Carpet	\$9,749			\$9,749	
		Butler Floor & Carpet Co., Inc.	\$0	96	\$122	\$122	
		BYLSMA, PATRICIA	\$588			\$588	
		C & C PUMP & COMPRESSOR INC.	\$2,882			\$2,882	
		C & S CARPET DISTRIBUTION	\$5,599			\$5,599	
		C. C. Dickson Co.	\$2,940	47	\$3,060	\$3,060	
		CANADY'S INC.	\$100			\$100	
		Canon Financial Services, Inc.	\$758	50	\$25,568	\$25,568	
		CARD-MONROE CORP	\$4,104			\$4,104	
		CARLTON-BATES CO.	\$148			\$148	
		Carmeuse Lime & Stone	\$0	118	\$69,103	\$69,103	
		CAROLINA BRUSH MANUFACTURING	\$383			\$383	
		Carolina Container Company	\$4,767	5	\$4,767	\$4,767	
		Carolina Power & Light Company	\$100,878			\$100,878	
		CAROLINA ROLLER AND SUPPLY CO	\$121			\$121	
		Carpet Giant	\$392			\$392	
		Carpet One/Commercial Flooring	\$0	127	\$543	\$543	
		Carpet Industry Clearinghouse	\$5,934	39	\$10,374	\$10,374	
		Carpet Outlet of Texas	\$101			\$101	
		CARPET RESCUE dba Northeast Inspection S	\$230			\$230	
		CARPET SERVICES PLUS	\$195			\$195	
		Carpet Shoppe Inc.	\$735			\$735	
		Carpets by Dennis	\$185			\$185	
		Carpets by French	\$2,304			\$2,304	
		Carpets Plus	\$10,859			\$10,859	
		CARP-I GRAPHICS INC.	\$162			\$162	
		CARRIER ENTERPRISES LLC DBA Carrier Sout	\$332			\$332	
		CCA Global	\$209,194	108	\$209,922	\$209,922	
		CDW LLC	\$746			\$746	
		Central Security Systems, Inc.	\$10,000			\$17,034	
		CENTURY TELEPHONE COMPANY (NC)	\$1,130	53, 123	\$17,034	\$17,034	
		CERTIFIED FLOORING INSPECTIONS	\$300			\$300	
		CERTIFIED SURFACE INSPECTIONS	\$150			\$150	
		CHADWICK & ASSOCIATES MANAGEMENT SYSTEMS	\$468			\$468	
		CHEM-TEX LABORATORIES INC.	\$31,030			\$31,030	
		CHEMTREAT INC.	\$2,084	5	\$2,084	\$2,084	
		CITIBANK (SOUTH DAKOTA) N.A.	\$107			\$107	
		CLASSIC GRAPHICS	\$1,520			\$1,520	
		COFFEY, BOB	\$788			\$788	
		COLE-PARMER INSTRUMENT CO	\$381			\$381	
		COMPRESSED AIR SYSTEMS INC.	\$5,277			\$5,277	
		Consolidated Electrical Distributors	\$730			\$738	
		COOPER, MICHELLE	\$255	8	\$738	\$738	
		COPA LABS INC	\$918			\$918	
		COX, CARLA	\$44			\$44	
		GREGHAN, LAUREN	\$1,021			\$1,021	
		CROSS SALES & ENGINEERING CO.	\$653			\$653	
		Crossville Wholesale Cpt.	\$44			\$44	
		D & M ENTERPRISE OF GA. LLC	\$182			\$182	
		DATA IMAGING SUPPLIES	\$4,928			\$4,928	
		DATAMARK GRAPHICS INC.	\$4,400			\$4,400	
		Deco Surfaces; Attn: Managing Agent	\$4,210			\$4,210	
		Decorating Den	\$1,351			\$1,351	
		DELTONDO-CONNELLY, ALLISON dba Flooring	\$300			\$300	

Comments

Class	Type	Creditor	Scheduled Amount	Claim No.	Filed Amount	Est. Allowed Amount	Comments
		Dewey Furniture & Carpet, Inc.	-	75	\$3,509	-	
		Dillon Supply Co.	\$3,253	21	\$3,253	\$3,253	
		Direct Buy Convention	\$3,206			\$3,206	
		Dixie Group, Inc., dba Candlewick Yarns	\$189,330	91	\$189,330	\$189,330	
		DNA FLOOR SURGEONS INC.	\$325			\$325	
		Dream Weaver Industries, Inc.	\$91,066	6	\$90,841	\$91,066	
		DURAND, CURTIS R. dba Eye Spy Floor Serv	\$250			\$250	
		EAGLE F/C INSPECTION LLC	\$175			\$175	
		EAGLE PARTS & MACHINERY INC	\$680			\$680	
		ECO INTERIOR MAINTENANCE INC.	\$500			\$500	
		Electrical Equipment Company	\$6,307	46	\$6,307	\$6,307	
		Elite Consultants, Inc.	\$300	27, 31	\$300	\$300	
		EMORY WILSON PROCESS LLC	\$594			\$594	
		EPIC ENTERPRISES INC.	\$50,812			\$50,812	
		ESSEX INC.	\$90			\$90	
		ESSILOR LABORATORIES OF AMIER. dba Southe	\$138			\$138	
		Estes Express Lines	\$0	93	\$1,125	\$1,125	
		ETEX AMERICA INC.	\$73,315			\$73,315	
		EXPRESS CONTAINER SERVICES OF ATLANTA L	\$370			\$370	
		Family Carpet Outlet	\$1,052			\$1,052	
		Fastenal Company	\$1,841	115	\$1,918	\$1,918	
		FAULKNER, MICHAEL	\$2,071			\$2,071	
		Fedex Tech Connect	\$23,292	114	\$25,861	\$25,861	
		FERBER CARPET SERVICE INC.	\$948			\$948	
		FISKARS BRANDS INC.	\$442			\$442	
		Fitz Flooring Ltd	\$81			\$81	
		FLETCHER INDUSTRIES INC.	\$890			\$890	
		Floor Covering Associates	\$6,001			\$6,001	
		Floor To Ceiling	\$11,972			\$11,972	
		Flooring Technology, Inc.	\$140	62	\$414	\$414	
		Floors With Flair		61	\$2,175	\$2,175	
		FORMS & SUPPLY INC	\$563			\$563	
		FOSS, HARRY	\$221			\$221	
		FOSTECH SERVICES INC.	\$217			\$217	
		Foulk Decorating Co., Inc. dba Foulk's Flooring America	\$0	92	\$1,633	\$1,633	
		GENERAL ELECTRIC CAPITAL CORP. dba GE Ca	\$115	97	\$3,402	\$3,402	
		GENERAL ELECTRIC CAPITAL CORP. dba GE Ca		98	\$5,376	\$5,376	
		GENERAL ELECTRIC CAPITAL CORP. dba GE Ca		99	\$2,631	\$2,631	
		GILBERT, JEFFREY C.	\$328			\$328	
		GILBOS OF AMERICA	\$890			\$890	
		GK Flooring, Inc. dba Carpet Crown	\$3,294	143	\$6,358	\$6,358	
		GLORIOSO, NICHOLAS A.	\$81			\$81	
		Golden Rule Plastics, Inc.	\$417	103	\$417	\$417	
		GROVES, PHILLIP L.	\$102			\$102	
		GXS INC.	\$1,970			\$1,970	
		HABER, SCOTT	\$1,225			\$1,225	
		HAMMOND, TOM	\$200			\$200	
		HARRELL MACHINERY SALES	\$7,000			\$7,000	
		HEARTLAND CARPET & FLOOR SERV	\$165			\$165	
		HENDON, HARPER W.	\$486			\$486	
		HENRY WINKLER CO., INC. dba Floor Coveri	\$125			\$125	
		HESS CORPORATION	\$50,000			\$50,000	
		HOHENSTEIN, THOMAS E.	\$326			\$326	
		Home Depot	\$0			\$0	
		Huntsman International Inc.	\$10,622	116	\$10,622	\$10,622	
		IBM Credit, LLC	\$4,696			\$4,696	
		INDEPENDENT TEXTILE TESTING SERVICE INC.	\$1,137			\$1,137	
		INDUSTRIAL PACKAGING SUPPLIES	\$1,031			\$1,031	
		Inside Effects	\$145			\$145	
		INTERNATIONAL PAPER dba XPEDX	\$1,590			\$1,590	

Class	Type	Creditor	Scheduled Amount	Claim No.	Filed Amount	Est. Allowed Amount	Comments
		International Polymeric, Inc.	\$17,100	16	\$17,100	\$17,100	
		JANTECH SERVICES INC.	\$3,400			\$3,400	
		Jasper Carpets	\$553			\$553	
		JOE MOORE AND COMPANY INC	\$5,355			\$5,355	
		JOHNSON MORGAN & WHITE	\$402			\$402	
		Kastran Carpets	\$789			\$789	
		KEYSTONE (US) MANAGEMENT INC. dba Tyco I	\$6,065			\$6,065	
		Kisers Floor Fashions	\$335			\$335	
		KOCH FIBERS C.V. dba Invista S.A.R.L.	\$9,115,734			\$2,750,000	allowed claim pursuant to settlement order
		KUSTERS-ZIMA CORPORATION	\$330			\$330	
		Labrest International, Inc. DBA Intertek	\$3,208	38	\$4,256	\$4,256	
		LEVEY, RICHARD S. dba M.C.C.I.	\$195			\$195	
		LEWIS BACKHOE SERVICE LLC	\$12,067			\$12,067	
		LIAISON TECHNOLOGIES INC.	\$7,088			\$7,088	
		LIVINGSTON INTERNATIONAL INC.	\$7,031			\$7,031	
		LMT TUFTING	\$12,118			\$12,118	
		Lonesome Oak Trading Co., Inc.	\$25,911	77	\$26,154	\$26,154	
		Lowes Canada	\$8,978			\$8,978	
		M. DOHMEN USA INC.	\$1,562	112	\$1,562	\$1,562	
		MADISON, ERIK	\$83			\$83	
		Main Street Flooring & Interiors, LLC	\$916	35	\$916	\$916	
		MALLARD CREEK POLYMERS INC.	\$267,949			\$267,949	
		MALONE, PATRICK	\$547			\$547	
		Manufacturers Chemicals	\$1,995	72	\$1,995	\$1,995	
		Marketing Alliance Group, Inc.	\$10,496	121	\$9,406	\$10,496	
		MARLBORO MECHANICAL INC.	\$1,260			\$1,260	
		Marty's Contract Carpet, Inc.	\$0			\$0	
		MASTER'S TOUCH CARPET CARE INC	\$200			\$200	
		Matt Marshall & Company, Inc.	\$1,246	11	\$1,246	\$1,246	
		Mattex USA, LLC	\$43,164	56	\$43,139	\$43,164	
		MCCONNELL, TODD	\$1,767			\$1,767	
		McCoy, Roger Kent dba AMS Services	\$954			\$954	
		McFARLAND, KEATON P.	\$321			\$321	
		MCLEOD LEATHER & BELTING CO INC	\$2,091			\$2,091	
		McMaster-Carr Supply Company	\$6,614	29	\$7,186	\$7,186	
		Mega Force Staffing Group Inc.	\$53,026	126	\$54,044	\$54,044	
		Mega Industries	\$914	20	\$914	\$914	
		MESIGH, DAVID ALLEN	\$2,644			\$2,644	
		Meuth Carpets	\$3,786			\$3,786	
		MEUTH, FORREST	\$167			\$167	
		MEUTH, MARY	\$206			\$206	
		Meyer Laboratory, Inc.	\$475			\$475	
		MICATIEN LLC dba Sandshills Office Suppl	\$1,203	1	\$475	\$1,203	
		MICROBAC-FAYETTEVILLE DIVISION dba Micro	\$1,297			\$1,297	
		MIDWEST INSPECTION SERVICES	\$273			\$273	
		MITTIE, RICHARD L. dba Flooring Inspectri	\$405			\$405	
		MONTELL III, THOMAS JAMES	\$236			\$236	
		Morrisette Paper Company Inc.	\$1,053	125	\$1,053	\$1,053	
		Motion Industries	\$46	109	\$46	\$46	
		MR. ED'S INSPECTIONS	\$241			\$241	
		Mt. Pleasant Floor Covering	\$1,031	18	\$1,031	\$1,031	
		NATIONAL FLOORCOVERING ALLIANCE	\$152,875			\$152,875	
		NATIONAL WELDERS SUPPLY CO INC DBA Airga	\$614			\$614	
		NATURE'S OWN INC. DBA Mountain Clear Spr	\$42			\$42	
		NEGAARD, STEVEN J.	\$458	99	\$14,683	\$458	
		NMHG FINANCIAL SERVICES INC.	\$1,378			\$1,378	
		NOLTE, KURT	\$113			\$113	
		NORRIS, KATHI	\$137			\$137	
		Norville Industries, Inc.	\$219,063	36	\$219,063	\$219,063	
		Nu Floors	\$434			\$434	

Class	Type	Creditor	Scheduled Amount	Claim No.	Filed Amount	Est. Allowed Amount	Comments
		OERLIKON TEXTILE INC.	\$516			\$516	
		OLSEN FLOOR CONSULTING LLC dba Olsen Ins	\$150			\$150	
		O-N (CHEMSTONE) COMPANY	\$49,729			\$49,729	
		OTTO ZOLLINGER INC	\$273			\$273	
		P&O Packaging, LLC	\$20,678	37	\$20,678	\$20,678	
		Paramount Printing, LLC	\$22,817	120	\$22,817	\$22,817	
		PERSICKETTI, MATT	\$202			\$202	
		PETRASUNAS, STEVE	\$218			\$218	
		PHARR YARNS LLC.	\$37,912			\$37,912	
		Phoenix Chemical Company, Inc.	\$8,869	94		\$8,869	
		Piedmont Natural Gas	\$42,971	80	\$43,360	\$43,360	
		Praxair Distribution, Inc.	\$526	135	\$8,064	\$8,064	
		PRECISION LOOPERS INC.	\$2,824			\$2,824	
		PREMIER WATER & ENERGY TECHNOL	\$5,314			\$5,314	
		PRIORITY ONE INSPECTIONS	\$485			\$485	
		PROCESS TECHNICAL SALES INC.	\$233			\$233	
		ProData	\$0			\$0	
		PROGENT CORPORATION	\$326			\$326	
		PROPEX OPERATING COMPANY LLC	\$248,714			\$248,714	
		Prosource of Denver	\$513			\$513	
		PROVIDENT LIFE & ACCIDENT	\$1,942			\$1,942	
		QUALITY OIL & GAS COMPANY	\$3,505			\$3,505	
		RAINEY, TIMOTHY L.	\$1,767			\$1,767	
		RANSDELL HARDWARE & SUPPLY CO.	\$2,186			\$2,186	
		RASKIS, PETER J.	\$48			\$48	
		Rayo Wholesale Inc.	\$580			\$580	
		REECE, LARRY	\$895			\$895	
		RELUZON COMPANY, THE dba Workflowone	\$3,385			\$3,385	
		RESTORATION BY COSTIKYAN LTD.	\$911			\$911	
		RHODERICK, MICHAEL F.	\$493			\$493	
		RICOH PRINTING SYSTEMS AMERICA dba Ricoh	\$785			\$785	
		Riemer Floors	\$212	60	\$6,312	\$6,312	
		RIETER CORPORATION	\$2,095			\$2,095	
		Ronlie, Inc.	\$7,054,927	130	\$3,321,721	\$3,321,721	
		Ronlie, Inc.	\$0	131	\$5,150,000	\$5,150,000	
		Ronlie, Inc.	\$0	132	\$3,832,569	\$3,832,569	
		Ronlie, Inc.	\$11,217,428	133	\$11,217,428	\$11,217,428	estimated deficiency claim
		S & F CERTIFIED INSPECTIONS	\$190			\$190	
		SAIDEL, JONATHAN D.	\$1,016			\$1,016	
		SANDHILL SIGNS	\$418			\$418	
		SAWYER, GARY	\$247			\$247	
		Schoch Tile and Carpet Co.	\$2,629			\$2,629	
		SERVICE SOURCE UNLIMITED	\$1,888			\$1,888	
		Sharon Furniture dba Towne Carpet	\$0	141	\$4,318	\$4,318	
		SID TOOL CO. INC. dba MiscIndustrial Supp	\$917			\$917	
		SILVER, SAMUEL PHILIP	\$226			\$226	
		Simatex, Inc.	\$32,349	44	\$35,646	\$35,646	
		SKOLNICK, BARRY	\$435			\$435	
		SLADE INC.	\$329			\$329	
		SMITH LEONARD PLLC	\$33,766			\$33,766	
		SOUTHEASTERN FREIGHT LINES	\$40,300			\$40,300	
		SOUTHERN MOTOR PARTS INC	\$1,251			\$1,251	
		SPRINT SPECTRUM L.P.	\$950			\$950	
		Sterling Carpet	\$2,032			\$2,032	
		STETZ JR., ED	\$244			\$244	
		Stevan Dugalic Wallpaper Co.	\$0	142	\$1,328	\$1,328	
		SUNMMER INDUSTRIES LLC	\$22,492			\$22,492	
		SUMMIT PACKAGING INC. dba Blackstock Sal	\$13,994			\$13,994	
		Superfloors Inc.	\$12			\$12	
		Superior Swatching Service, Inc.	\$33,932	66	\$34,403	\$34,403	

Class	Type	Creditor	Scheduled Amount	Claim No.	Filed Amount	Est. Allowed Amount	Comments
		SURHIGH, ROBERT	\$116			\$116	
		SWAN, SCOTT P.	\$537			\$537	
		SwissTex America, Inc.	\$2,861	59	\$2,861	\$2,861	
		Tappatec, Inc.	\$5,671			\$5,671	
		TENCARVA MACHINERY COMPANY	\$895			\$895	
		TESTING SERVICES INC.	\$720			\$720	
		Texoma Medical Center	\$0	2	\$4,709	\$4,709	
		TEPAK INC	\$380			\$380	
		Textile & Industrial Sales, Inc.	\$901	40	\$901	\$901	
		THARPE COMPANY INC., THE	\$2,482			\$2,482	
		The Carpet Shop Inc dba Carpet Country	\$505			\$505	
		The Carpet Shoppe	\$3,299			\$3,299	
		THYSSENKRUPP ELEVATOR	\$1,808			\$1,808	
		Tile and Carpet World	\$0	64	\$666	\$666	
		TK Carpet	\$665			\$665	
		Traffic Management Services, Inc.	\$3,765	17	\$1,194	\$3,765	
		TRANSWORLD SYSTEMS INC.	\$920			\$920	
		Tri City Carpet 1. Inc.	\$68			\$68	
		TRI COM INDUSTRIAL	\$12,021			\$12,021	
		TUFTING MACHINE CO INC	\$4,008			\$4,008	
		TURNER, GREG	\$192			\$192	
		Tyco Integrated Security	\$0	134	\$6,736	\$6,736	
		U.S. SECURITY ASSOCIATES INC	\$10,196			\$10,196	
		UNDERFOOT INSPECTIONS INC.	\$750			\$750	
		Unicom Systems, Inc.	\$0			\$0	
		UNICORN HRO LLC	\$25,560			\$25,560	
		UNITED PARCEL SERVICE	\$26			\$26	
		VALDESE WEAVERS LLC	\$4,682			\$4,682	
		VAUGHN, DAMITA dba Custom Floor Designs	\$189			\$189	
		VENDOR TEAM SERVICES INC.	\$2,250			\$2,250	
		VERIZON WIRELESS SERVICES LLC	\$671			\$671	
		VORPAHL, JERRY	\$184			\$184	
		W. W. GRAINGER INC.	\$1,962			\$1,962	
		Wade Carpet	\$418			\$418	
		WARNER'S ELECTRIC MOTOR & AUTO SHOP	\$65			\$65	
		Waste Management	\$20	119	\$1,071	\$1,071	
		Watkins & Shepard Trucking, Inc.	\$28,939	25	\$31,936	\$31,936	
		WEBCO UNLIMITED INC.	\$377			\$377	
		WELCHER, JOHN	\$430			\$430	
		Westpoint Home, LLC	\$320,875	129	\$2,539,205	\$320,875	debtor disputes filed claim
		Where 2 Get It, Inc.	\$8,000	41	\$8,000	\$8,000	
		White Lamb Finlay, Inc.	\$10,325	19	\$10,325	\$10,325	
		Williams Specialty Company, Inc.	\$109	33	\$109	\$109	
		WILSON, JOHN	\$774			\$774	
		WorkflowOne LLC	\$0	4	\$8,348	\$8,348	
		WRIGHT OF THOMASVILLE INC.	\$658			\$658	
		WW Grainger, Inc.	\$0	23	\$2,095	\$2,095	
		Xerox Corporation	\$927	111	\$927	\$927	
		Xpress Global Systems, Inc.	\$180,688	74	\$246,130	\$246,130	
		ZAWACKI, RICHARD	\$119			\$119	
		503(b)(9) claims				\$40,769	portion of claim not entitled to admin expense status
		Total Estimated Unsecured Claims				\$31,796,248	
		Romile Unsecured				\$23,521,718	
		Other Unsecured				\$8,274,531	

DISCLOSURE STATEMENT - EXHIBIT C
Projected Chapter 11 Recovery and Chapter 7 Liquidation Analysis for Hampton Capital Partners, LLC

Assets	Chapter 11		Chapter 7	
	Low recovery	High recovery	Low recovery	High recovery
Cash on deposit 6/30/13 (includes proceeds from Personal Property)	\$ 1,424,288	\$ 1,424,288	\$ 1,424,288	\$ 1,424,288
Cash - Net Proceeds from sale of Aberdeen Facility	\$ 1,509,957	\$ 1,509,957	\$ 1,509,957	\$ 1,509,957
Wagram Facility (est. net proceeds)	\$ 50,000	\$ 500,000	\$ 50,000	\$ 500,000
Debtor's Professional Fee Reserve	\$ 110,208	\$ 110,208	\$ 110,208	\$ 110,208
Escrow for Ronile Heatsetter	\$ -	\$ 75,000	\$ -	\$ 75,000
Intellectual Property and related assets	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Accounts Receivable	\$ 500,000	\$ 1,500,000	\$ 375,000	\$ 1,125,000
Inventory	\$ 300,000	\$ 450,000	\$ 150,000	\$ 225,000
Unused Utilities Deposits		\$ 325,250	\$ -	\$ 325,250
Total Assets	\$ 3,994,454	\$ 5,669,454	\$ 3,719,454	\$ 5,069,454
Chapter 7 Administrative Claims	High costs	Low costs	High costs	Low costs
Court fees (AP)	\$ -	\$ -	\$ (5,000)	\$ (2,000)
Chapter 7 Trustee Fees-commission based on disbursements	\$ -	\$ -	\$ (175,334)	\$ (134,834)
Chapter 7 Trustee Professionals	\$ -	\$ -	\$ (400,000)	\$ (200,000)
Total Chapter 7 Administrative Claims	\$ -	\$ -	\$ (580,334)	\$ (336,834)
Chapter 11 Administrative Claims	High costs	Low costs	High costs	Low costs
Court fees (AP)	\$ (5,000)	\$ (2,000)	\$ -	\$ -
Court fees (est., based on disbursements)	\$ (10,400)	\$ (13,000)	\$ -	\$ -
Debtor's Professionals (accrued and est.)	\$ (200,000)	\$ (150,000)	\$ (200,000)	\$ (150,000)
Committee's Professionals (accrued and est.)	\$ (220,000)	\$ (160,000)	\$ (220,000)	\$ (160,000)
11 U.S.C. § 503(b)(9) claims (est., disputed in part)	\$ (68,979)	\$ (22,231)	\$ (68,979)	\$ (22,231)
Ohio Dept of Taxation (disputed)	\$ (10,000)	\$ -	\$ (10,000)	\$ -
Chapter 11 Trustee Fees - commission based on disbursements	\$ (143,084)	\$ (193,334)		
Chapter 11 Trustee Professionals (est.)	\$ (400,000)	\$ (200,000)		
Total Chapter 11 Administrative Claims	\$ (1,052,463)	\$ (738,565)	\$ (498,979)	\$ (332,231)
Net proceeds available to creditors	\$ 2,941,991	\$ 4,930,889	\$ 2,640,141	\$ 4,400,389
Projected Distributions (based on Exhibit B)	Low Distribution	High Distribution	Low Distribution	High Distribution
Priority Tax Claims	\$ 158,826	\$ 158,826	\$ 158,826	\$ 158,826
Class 1 - Ronile, Inc.	\$ 1,523,522	\$ 1,973,522	\$ 1,523,522	\$ 1,973,522
Class 2 - Scotland County Tax Collector	\$ 36,435	\$ 36,435	\$ 36,435	\$ 36,435
Class 3 - Priority Wage Claims (none anticipated)	\$ -	\$ -	\$ -	\$ -
Class 4 - Priority Benefit Claims	\$ 886,711	\$ 886,711	\$ 886,711	\$ 886,711
Class 5 - General Unsecured Claims	\$ 336,497	\$ 1,875,395	\$ 34,647	\$ 1,344,895
Total Unsecured Claims	\$ 31,796,248	\$ 31,796,248	\$ 31,796,248	\$ 31,796,248
Estimated Percentage Recovery for Class 5	1.06%	5.90%	0.11%	4.23%
Total Unsecured Claims w/o Ronile Unsecured	\$ 8,274,531	\$ 8,274,531	\$ 8,274,531	\$ 8,274,531
Percentage recovery for Class 5, w/o Ronile Unsecured	4.07%	22.66%	0.42%	16.25%