

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NORTH CAROLINA
NEW BERN DIVISION

In the Matter of:
RAM OF EASTERN NORTH CAROLINA, LLC
Debtor

Chapter 11
Case No.: 13-01125-8-JRL

DISCLOSURE STATEMENT

Pursuant to the provisions of § 1125(b) of the Bankruptcy Code (11 U.S.C. § 1125(b)), RAM of Eastern North Carolina, LLC (the “Debtor”) hereby submits the following information:

I. INTRODUCTION

A. Purpose of This Document

The purpose of this Disclosure Statement is to provide each holder of a claim against the Debtor with adequate information about the Debtor and the Debtor’s Plan of Reorganization (“Plan”) so that each holder of a claim may make an informed decision about whether to accept or reject the Plan. Attached hereto as **Exhibits “A”** and **“B”** are summaries of the Debtor’s assets and liabilities. Attached as **Exhibit “C”** is a liquidation analysis.

Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.

This Disclosure Statement describes:

1. The Debtor and significant events during this bankruptcy case;
2. Who can vote on or object to the Plan;
3. What factors the Bankruptcy Court (“Court”) will consider when deciding whether to confirm the Plan;
4. Why the Debtor believes the Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in liquidation; and
5. The effect of confirmation of the Plan.

The Plan describes:

1. How the Plan proposes to treat claims of the type you hold (*i.e.*, what you will receive on your claim if the plan is confirmed); and,
2. The classification of claims and the treatment of the classes of claims including a description of whether each class is impaired or unimpaired.

Be sure to read the Plan and the Disclosure Statement. It is the Plan itself that will, if confirmed, establish your rights.

B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing

The Court has not yet confirmed the Plan. This section describes the procedures in place to determine whether the Plan will be confirmed or not.

1. *Time and Place of the Hearing to Confirm the Plan*

The Court will schedule a hearing to determine whether to confirm the Plan and you will receive an Order from the Court stating the date, time and place of the hearing.

2. *Deadline For Voting to Accept or Reject the Plan*

See information below for a discussion of voting eligibility requirements.

3. *Deadline For Objecting to the Adequacy of Disclosure and Confirmation of the Plan*

Any and all objections to this Disclosure Statement or to the confirmation of the Plan must be filed with the Court and served upon the Debtor's attorney by the date set by the Court.

4. *Identity of Person to Contact for More Information*

If you want additional information about the Plan, you should contact the Debtor's attorney at the address shown at the end of this Disclosure Statement.

II. CLASSIFICATION AND TREATMENT OF CLASSES OF CLAIMS AND INTERESTS

The Debtor's Plan, which accompanies this Disclosure Statement, is incorporated herein by reference. Section III of the Plan describes the classification of claims and the treatment of the classes of claims and interests, including a description of whether each class is impaired or unimpaired.

THE PLAN CONTEMPLATES A CONTINUATION OF THE DEBTOR'S BUSINESS ACTIVITIES AND A REORGANIZATION OF THE DEBTOR'S DEBTS AND OBLIGATIONS. IN ACCORDANCE WITH THE PLAN, THE DEBTOR INTENDS TO SATISFY CREDITOR CLAIMS FROM INCOME EARNED THROUGH CONTINUED OPERATIONS AND THROUGH DEEDING CERTAIN PROPERTIES TO ITS SECURED CREDITORS.

The particular method for payment of each creditor is outlined in Section III of the Plan. All proceeds of liquidation, if any, will be distributed in accordance with the priorities of the Bankruptcy Code and as described more fully in the Plan.

A. The Purpose of the Plan of Reorganization

As required by the Bankruptcy Code, the Plan places claims and equity interests in various classes and describes the treatment that each class will receive. The Plan also states whether each class of claims or equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

B. Administrative Expenses and Tax Claims

The following types of claims are addressed in the Plan:

1. *Administrative Costs*

“Administrative costs” are the costs and/or expenses of administering the Debtor’s chapter 11 case which are allowed under § 507(a)(2) of the Bankruptcy Code. Administrative expenses may include the value of any goods sold to the Debtor in the ordinary course of business and received within twenty (20) days before the date the Debtor’s bankruptcy petition was filed. It is anticipated that the only administrative claimants will be Oliver Friesen Cheek, PLLC, which serves as Debtor’s counsel in these bankruptcy proceedings and Pittard Perry & Crone, Inc., which has been employed to provide accounting services to the Debtor. Oliver Friesen Cheek, PLLC has been retained by the Debtor to handle all aspects of this bankruptcy case.

2. *Priority Tax Claims*

Priority tax claims are unsecured income, employment, and other taxes described by § 507(a)(8) of the Bankruptcy Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding five years.

C. Classes of Claims and Equity Interests

The following classes are also addressed in the Plan. The Plan describes the proposed treatment that they will receive under the Plan:

1. *Classes of Secured Claims*

Allowed Secured Claims are claims secured by property of the Debtor’s bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under § 506 of the Bankruptcy Code. If the value of the collateral or setoffs securing the creditor’s claim is less than the amount of

the creditor's allowed claim, the deficiency will be classified as a deficiency claim. The specific classes are described in Section III of the Plan.

2. *Classes of Priority Unsecured Claims*

Certain priority claims that are referred to in §§ 507(a)(1), (4), (5), (6), and (7) of the Bankruptcy Code are required to be placed in classes. The Bankruptcy Code requires that each holder of such a claim receive cash on the effective date of the Plan equal to the allowed amount of such claim. However, a class of holders of such claims may vote to accept different treatment.

3. *Class of General Unsecured Claims*

General Unsecured Claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Bankruptcy Code.

III. HISTORY

The Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code on February 21, 2013. The Debtor is a North Carolina limited liability company engaged in the business of developing and managing commercial and residential rental properties in Craven and Carteret Counties, North Carolina.

Through this bankruptcy filing, the Debtor intends to renegotiate the terms of its obligation, continue its business activities to generate income, and satisfy its obligations through that earned income and through deeding certain properties to its secured creditors.

On November 27, 2012, Wells Fargo Bank, N.A. filed a verified complaint against the members of the Debtor for breach of contract related to guaranty agreements the executed on behalf of the Debtor. On January 25, 2013, the members of the Debtor filed an Answer and Third-Party Complaint adding the Debtor and Grantham Crossings, LLC as third-party defendants. In the Third-Party Complaint, the members of the Debtor sought indemnification and exoneration from the Debtor. Upon the Debtor's bankruptcy filing, the pending litigation was referred to the Bankruptcy Court of the Eastern District of North Carolina and identified as Adversary Proceeding No. 13-00039-8-JRL. On May 10, 2013, the Debtor filed its Answer to the Third-Party Complaint. This litigation is currently pending in the Bankruptcy Court and is expected to go to trial by the end of the calendar year.

Through the Debtor's proposed Plan of Reorganization, the Debtor intends to renegotiate its repayment terms to its creditors. The Debtor intends to pay all creditors from income earned through its ongoing business activities and through deeding certain properties to its secured creditors. More detailed information regarding how the Debtor proposes to repay all creditors is included in the Debtor's Plan, which is incorporated herein by reference.

IV. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Except as specified herein or outlined in the Plan, all contracts which exist between the Debtor and any individual or entity, whether such contract be in writing or oral, which have not heretofore been rejected or heretofore been approved by Orders of the Court are hereby specifically rejected; provided, however, that this provision is not intended to reject and does not reject any agreement for the renewal or the extension of any loan or funds, presently binding and in effect between the Debtor and any secured creditor.

Any person with a claim arising from the rejection of a lease where the Debtor is a party shall be deemed to hold a general unsecured claim and shall file a proof of claim within sixty (60) days after the Effective Date or be forever barred from asserting any claim relating to such objection. No such claims are expected.

V. MEANS OF IMPLEMENTATION AND EXECUTION OF PLAN

A. The Debtor proposes to make payments under the Plan through income earned through the operation of its business, and through deeding certain properties to its secured creditors.

B. Distributions Pursuant to the Plan. Distributions under the Plan shall be made on the Distribution Date; provided however, that Court approved professionals may be paid as such fees and expenses are approved by the Court. Any distribution required to be made hereunder on a day other than a business day shall be made on the next succeeding business day. All payments or distributions made by the Debtor shall be applied as indicated in the respective treatment for each creditor, or if no such application of payments is specified, then payments shall be applied first to outstanding interest and then to principal. In the event that a creditor claims that it is entitled to costs and/or attorney's fees, such creditor must file a fee application with the Court and such costs and attorney's fees must be approved by the Court prior to such costs and attorney's fees becoming part of the creditor's allowed claim.

C. De Minimis Distributions. No distribution of less than fifty dollars (\$50.00) shall be required to be made to any holder of an allowed unsecured claim. Instead, the Debtors shall have the option of retaining such funds to be distributed at the time of the final distribution in accordance with the Plan.

D. Unclaimed Property. If any distribution remains unclaimed for a period of ninety (90) days after it has been delivered, or attempted to be delivered, such unclaimed property shall be forfeited by such holder of the claim and the Disbursing Agent shall not attempt to make any further distribution of such holder of the claim. Undistributed property shall be returned to the Debtors for distribution in accordance with the Plan.

E. Preservation of Avoided Transactions for the Benefit of the Estate. All transactions avoided or otherwise set aside pursuant to §§ 544, 547, 548, and/or 549, if any, shall be preserved for the benefit of the Estate pursuant to § 551 and applicable case law. Funds received from such transactions shall be distributed to creditors according to the priorities of the Debtors and has since

been avoided, the lien shall remain on the public record and shall remain an encumbrance upon the real property. However, all distributions made towards such deed of trust shall be distributed not the named beneficiary of such deed of trust, but shall instead be paid to the Disbursing Agent for distribution to creditors.

F. Preservation of Right to Credit Bid. All secured creditors shall retain the rights granted to them under § 363(k) to purchase their collateral via a credit bid upon the same or better terms of the proposed purchaser. In the event of a private sale that will not produce sufficient funds to satisfy the claim of the secured creditor(s) in full, the Debtor shall provide the secured creditor(s) with a copy of the purchase contract in the manner designated by such creditor and such creditor shall have until no later than one hour before the Debtor's deadline for accepting such contract to inform the Debtor in writing whether it wishes to purchase the property via a credit bid upon the same or better terms that that offered by the purchaser. In the event the creditor does not provide written notification to the Debtor that it will purchase the property by credit bid, the creditor shall be deemed to waive its right to credit bid. Each secured creditor shall be responsible for providing the Debtor will information concerning the method by which it wishes to be notified to potential purchase contracts for purposes of credit bidding (i.e. facsimile, electronic mail, or via telephonic communication).

G. The Debtor will execute and deliver all documentation to the Bankruptcy Court and to all parties in interest who are entitled to receive the same as required by the terms of the Plan and the Bankruptcy Code.

H. The Debtor shall take such other action as necessary to satisfy the other terms and requirements of the Plan and the Bankruptcy Code.

I. Except as expressly stated in the Plan, or allowed by a Final Order of the Bankruptcy Court, no interest, penalty, or late charge shall be allowed on any claim subsequent to the Petition Date, unless otherwise required by the Code. No attorney's fees or expenses shall be paid with respect to any claim except as specified herein or as allowed by a Final Order of the Court.

J. Confirmation of the Debtor's Plan shall constitute a finding that the Debtor does not waive, release, or discharge, but rather retains and reserves any and all pre-petition claims and any and all post-petition claims that it could or might assert against any party or entity arising under or otherwise related to any state or federal statute, state or federal common law, and any and all violations arising out of rights or claims provided for by Title 11 of the United States Code, by the Federal Rules of Bankruptcy Procedure, or by the Local Rules of this Court, including all rights to assert and pursue any and all avoidance actions, preference actions, and any other actions pursuant to 11 U.S.C. §§ 545, 546, 547, 548, and 550, except to the extent such avoidance actions, preference actions, or other actions were assigned to a creditor(s) as part of the Debtor's Plan. Further, the Debtor retains all rights to assert and pursue all claims under 11 U.S.C. § 542, including without limitation actions to seek turnover of estate assets, actions to recover accounts receivable, and/or actions to invalidate setoffs.

K. Administrative claims unpaid on the Effective Date will be paid from funds on hand or as the parties otherwise agree.

L. All objections to claims, fee applications, and adversary proceedings will be filed with the Court within sixty days of the Effective Date; provided however, that the Debtor retain the right to object or otherwise pursue any claims against secured creditors relating to the payoff and/or satisfaction of their secured claims.

M. Revocation of Plan. The Debtor has reserved the right to revoke and withdraw this Plan before the entry of the Confirmation Order. If the Debtor revokes or withdraws this Plan, or if confirmation of this Plan does not occur, then, with respect to the Debtor, this Plan shall be deemed null and void and nothing contained herein shall be deemed to constitute a waiver or release of any Claims by or against the Debtor, as the case may be, or any other Person or to prejudice in any manner the rights of the Debtor, as the case may be, or Person in any further proceedings involving such Debtor.

N. Sale Free and Clear of Liens. All real and personal property owned by the Debtor that will be sold or deeded pursuant to this Plan will be sold or deeded free and clear of all liens, encumbrances, claims, interests, or other obligations. In order to expedite the sale process, provide clear title to the properties sold or deeded, and satisfy certain anticipated requirements of title insurance companies providing title insurance to purchasers, simultaneous with the entry of the Order Confirming Plan, the Court will enter a free and clear order, which shall provide that all sales or transfers will be free and clear of all liens, interests, and other claims or interests. All real or personal property sold or deeded by the Debtor shall be sold or deeded pursuant to the free and clear order to be entered. No further motion related to the sales or transfers of property shall be required; however, the Debtor may elect to file additional motions with the Court setting forth the proposed distribution of any excess sales proceeds prior to distribution to creditors.

O. Distribution of Sale Proceeds. Upon the sale of the real or personal property proposed to be sold by this Plan, if any, the liens secured by such property shall attach to the net proceeds of the sale remaining after payment of costs of sale and all reasonable and ordinary closing costs (including but not limited to ad valorem taxes, commissions, and any other costs permitted under § 506(c) of the Code), and shall be paid to lienholders in accordance with the priorities of such liens, and then to other creditors in accordance with the priorities of the Code. In the event the net proceeds of the sale are insufficient to satisfy all claims within a class, such proceeds to be distributed to such class will be distributed pro rata. The Debtor may elect to file additional motions with the Court setting forth the proposed distribution of any excess sales proceeds prior to distribution to creditors.

P. Claims Paid by Third Parties. To the extent a claim holder receives payment in full or in part on account of such claim from a party that is not the Debtor, such creditor shall, within two weeks therefore, inform the Debtor of such payment, and such creditor's claim shall be reduced accordingly for purposes of distribution under the Plan.

Q. Exemption from stamp tax or transfer tax. Pursuant to 11 U.S.C. § 1146(c) of the

Bankruptcy Code, the issuance, transfer, or exchange of notes or equity securities under the Plan, the creation of any mortgage, or other security interest, the making or assignment of any lease or sublease, or the making or delivery of any instrument of transfer under, in furtherance of, or in connection with the Plan, including without limitation, deeds, or bills of sale or assignments of personal property executed in connection with any of the transactions contemplated under the Plan, will not be subject to any stamp, or local governmental officials or agents will forego the collection of any such tax or governmental assessment and accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment consistent with the applicable provisions of the Plan.

R. Procedure for Payment of Professional Fees. Current Bankruptcy Court approved professionals shall not subject to the fee application process for services rendered post-confirmation in furtherance of implementation of the confirmed Plan.

**VI. ACCEPTANCE OR REJECTION OF PLAN; EFFECT OF REJECTION BY
AN IMPAIRED CLASS**

A. Each Impaired Class Entitled to Vote Separately. Each impaired class of claims shall be entitled to have the holders of claims therein vote separately as a class to accept or reject the Plan.

B. Acceptance by a Class of Creditors. Consistent with § 1126(c) of the Bankruptcy Code, and except as provided in § 1126(e) of the Bankruptcy Code, a class of claims shall have accepted the Plan if the Plan is accepted by holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the allowed claims of that class that have timely and properly voted to accept or reject the Plan.

C. Claimants Entitled to Vote. Holders of impaired claims shall be entitled to vote if:

(1) Such claim has been filed against the Debtor in a liquidated amount or has been listed on the Debtor's schedules other than as contingent, unliquidated or disputed, and as to which no proof of claim has been filed. The claim shall be allowed solely for the purpose of voting on the Plan in the amount in which such claim has been filed or listed on the Debtor's schedules;

(2) Such claim has been filed against the Debtor or listed on the Debtor's schedules and is the subject of an existing objection filed by the Debtors, and is temporarily allowed for voting purposes by order of the Court in accordance with FEDERAL RULE OF BANKRUPTCY PROCEDURE 3018;

(3) Such claim has been filed in an undetermined amount, in which case the creditor shall not be entitled to vote unless the Debtor and the holder of the claim agree on an amount for voting purposes or the Court enters an order setting the amount of the claim that the creditor may ballot.

(4) Any entity holding two or more duplicate claims shall be entitled to vote only one claim.

D. Confirmation Hearing. The Court will set a hearing on the confirmation of the Plan to determine whether the Plan has been accepted by the requisite number of creditors and whether the other requirements for confirmation of the Plan have been satisfied.

E. Acceptances Necessary to Confirm the Plan. At the Plan confirmation hearing, the Court shall determine, among other things, whether the Plan has been accepted by each impaired class. Under § 1126 of the Bankruptcy Code, an impaired class of creditors is deemed to accept the Plan if at least two-thirds (2/3) in amount and more than one-half (1/2) in number vote to accept the Plan. Further, unless there is unanimous acceptance of the Plan by an impaired class, the Court must also determine that class members will receive property with a value, as of the Effective Date of the Plan, that is not less than the amount that such class member would receive or retain if the Debtor's assets were liquidated as of the Effective Date of the Plan under Chapter 7 of the Bankruptcy Code.

F. Confirmation of Plan Without Necessary Acceptances. 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 acceptances of insiders, and the Plan does not discriminate unfairly against, and is otherwise fair and equitable, to such impaired class. In the event that any class votes against the plan, the Debtor hereby requests and moves the Court under the provisions of this Plan outlined in Section VII herein, for confirmation pursuant to the "cramdown" provisions of § 1129(b) of the Bankruptcy Code. In connection therewith, the Debtor shall be allowed to modify the proposed treatment of the allowed claims in any class that votes against the Plan consistent with § 1129(b)(2)(A).

VII. "CRAMDOWN" FOR IMPAIRED CREDITORS NOT ACCEPTING THE PLAN

In respect to any class of creditors impaired but not accepting the Plan by the requisite majority in number or two-thirds in amount, the proponent of this Plan requests the Court to find that the Plan does not discriminate unfairly and is fair and equitable in respect to each class of claims or interests that are impaired under the Plan and that the Court confirm the Plan without such acceptances by the said impaired classes. The Debtor will also request that the Court establish a value for any assets, the value of which is in dispute between the Debtors and any secured creditor, at a valuation hearing under § 506 of the Bankruptcy Code, to be scheduled at the same time as the hearing on confirmation of the Plan.

VIII. DISCLAIMER

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

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

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

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

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

The information contained herein is not the subject of a certified audit and formal appraisals. The Debtor's records are dependent upon internal accounting methods. As a result, valuations and liabilities are estimated. Although substantial efforts have been made to be complete and accurate, the Debtor is unable to warrant or represent the full and complete accuracy of the information contained herein.

IX. PAYMENTS UNDER PLAN ARE IN FULL AND FINAL SATISFACTION OF DEBT

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

X. POTENTIAL MATERIAL FEDERAL TAX CONSEQUENCES

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

The following discussion is based upon existing provisions of the Internal Revenue Code (“IRC”), existing regulations thereunder, and current administrative rulings and court decisions. No assurance can be given that legislative or administrative changes or court decisions may not be forthcoming which would require significant modification of the statements expressed in this section. Moreover, the tax consequences to holders of the Claims and Interests may vary based upon the individual tax circumstances of each such holder.

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

The Debtor is a North Carolina limited liability company that is treated as a partnership for federal and state income tax purposes. As a result, all items of income, gain, loss, deduction and credit generally are passed through to the members of the Debtor in proportion to their ownership interests in the Company. The members’ bases in their interests in the Debtor are increased by their shares of income and gain and decreased by their shares of loss and deduction that are passed through to them.

The Plan contemplates that all creditors will be paid in full over the term of the Plan. As a result, the Debtor will not recognize any cancellation of indebtedness income to be passed through to its members.

Certain of the Debtor’s debts will be paid through the surrender of property to one or more secured creditors under the Plan. Each such surrender will be treated as a sale of the subject property for its fair market value. The Debtor will recognize gain or loss on such sales in an amount equal to the difference between the fair market value and the Debtor’s basis in the subject property. Because

the Debtor is a dealer in property, the character of such gain or loss will generally be ordinary, unless a specific property being surrendered qualifies as investment property with respect to the Debtor.

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

--Administrative expenses paid by the Debtors will be deductible by the Debtor.

--Payment of the principal portion of secured claims generally will not be deductible by the Debtor, as it has already been included in the basis of the assets securing the debt or applied towards payment of previously deducted expenses.

--Payment of interest attributable to secured claims will be deductible by the Debtor when paid.

--Payment of unsecured claims will be deductible when paid by the Debtor to the extent the payment thereof would produce a deduction outside of Chapter 11.

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

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

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

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

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

THE FOREGOING IS INTENDED TO BE A SUMMARY ONLY AND NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING OR CONSULTATION WITH A TAX

ADVISOR. THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND, IN SOME CASES, UNCERTAIN. SUCH CONSEQUENCES MAY ALSO VARY BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM OR INTEREST. ACCORDINGLY, EACH HOLDER OF A CLAIM OR INTEREST IS STRONGLY URGED TO CONSULT WITH HIS OR HER OWN TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF THE PLAN.

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

XI. PROVISIONS FOR VOTING ON A PLAN

A. Creditors Allowed to Vote and Deadline. Creditors holding allowed claims are entitled to vote to accept or reject the Debtor's Plan of Reorganization. The Court will set a deadline for submitting ballots accepting or rejecting the proposed Plan must be filed with counsel for the Debtor, as an agent of the Court. Even though a creditor may choose not to vote, or may vote against the Plan, the creditor will be bound by the terms and treatment set forth in the Plan if the Plan is accepted by the requisite majorities in each class of creditors and/or is confirmed by the Court. Creditors who fail to vote will not be counted in determining acceptance or rejection of the Plan. Allowance of a claim or interest for voting purposes does not necessarily mean that the claim will be allowed or disallowed for purposes of distribution under the terms of the Plan. Any claim to which an objection has been or will be made will be allowed for distribution only after determination by the Court. Such determination of allowed status may be made before or after the Plan is confirmed.

B. Voting Provisions. In order for the Plan to be accepted by the class of creditors holding general unsecured claims, creditors that hold at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in the total number of allowed claims of creditors voting on the Plan must accept the Plan. Under certain limited circumstances more fully described in 11 U.S.C. § 1129(b), the Court may confirm the Plan by a "cramdown" notwithstanding the rejection thereof by more than one-third (1/3) in amount or one-half (1/2) in number of the creditors voting on the Plan. The Debtor intends to seek confirmation under 11 U.S.C. § 1129(b) in the event any class of creditors rejects the Plan.

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

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

No formal appraisals have been undertaken of the Debtor's property for the purpose of preparing this Disclosure Statement. The property values which were assigned and summarized below are the Debtor's best estimate of the values of the property as of the time of the filing of this Disclosure Statement.

XII. ACCEPTANCE AND CONFIRMATION

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

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

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

B. **The Best Interests Test.** Notwithstanding acceptance of the Plan in accordance with § 1126 of the Bankruptcy Code, the Bankruptcy Court must find, whether or not any party in interest objects to Confirmation, that the Plan is in the best interests of the Creditors. Bankruptcy courts have generally defined "best interests" as the Bankruptcy Code's requirement that, under any plan of reorganization, each member of an impaired class of creditors must receive or retain, on account of

its claim, property of a value, as of the effective date of the plan, that is not less than the amount such creditor would receive or retain if the Debtor were liquidated under chapter 7 of the Bankruptcy Code. The Debtor believes that the Plan is in the best interests of all Creditors.

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

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

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

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

BECAUSE ANY LIQUIDATION ANALYSIS AND ANY PROJECTIONS WHICH MAY BE PROVIDED BY THE DEBTOR ARE BASED UPON A NUMBER OF ASSUMPTIONS AND ARE INHERENTLY SUBJECT TO SIGNIFICANT UNCERTAINTIES THAT ARE BEYOND THE DEBTORS' CONTROL, THERE CAN BE NO ASSURANCE THAT THE LIQUIDATION VALUES WOULD, IN FACT, BE REALIZED IN THE EVENT OF A LIQUIDATION UNDER CHAPTER 7 OR THAT THE FINANCIAL PROJECTIONS WILL BE REALIZED. ACTUAL RESULTS MAY BE HIGHER OR LOWER THAN THOSE PROJECTED, POSSIBLY BY MATERIAL AMOUNTS.

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

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

The Bankruptcy Code defines acceptance of a plan by a class of claims as acceptance by the holders of two-thirds (2/3) in dollar amount and a majority in number of allowed claims in that class. This calculation includes only those holders of claims who actually vote to accept or reject the Plan. Votes on the Plan are being solicited only from holders of Allowed Claims in impaired Classes who are expected to receive distributions.

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

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

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

XIII. EFFECT OF CONFIRMATION

A. Except as otherwise provided in the Plan, the confirmation of the Plan vests all of the property of the estate in the Debtor.

B. **Injunction.** As of the Confirmation Date, except as otherwise provided in the Plan or the Confirmation Order, all persons that have held, currently hold, or may hold a claim, or other debt or liability that is treated pursuant to the terms of the Plan or that is otherwise enjoined pursuant to § 1141 of the Code, are enjoined from taking any of the following actions on account of any such

claims, equity interests, debts or liabilities, other than actions brought to enforce obligations under the Plan: (i) commencing or continuing in any manner any action or other proceeding; (ii) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree or order; (iii) creating, perfecting, or enforcing any lien or encumbrance; (iv) asserting a setoff or right of recoupment of any kind against any debt, liability, or obligation; and/or (v) commencing or continuing, in any manner or in any place, any action that does not comply with or is inconsistent with the provisions of the Plan or the Confirmation order. Notwithstanding the foregoing, the Plan does not release or waive any claims it may have against any party in interest.

XIV. RECOMMENDATION AND CONCLUSION

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

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

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

Stephanie Edmondson, Clerk
U.S. Bankruptcy Court
1760-A Parkwood Boulevard
Wilson, NC 27893
Telephone: (252) 237-0248

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Respectfully submitted, this the 20th day of June, 2013.

s/George M. Oliver

George M. Oliver

N.C. State Bar No. 26587

Ciara L. Rogers

N.C. State Bar. No. 42571

Oliver Friesen Cheek, PLLC

Post Office Box 1548

New Bern, NC 28560

Telephone: (252) 633-1930

Facsimile: (252) 633-1950

Email: gmo@ofc-law.com; clr@ofc-law.com

Attorneys for the Debtor

RAM of Eastern North Carolina, LLC

s/Robin L. Strickland

Robin L. Strickland

RAM OF EASTERN NORTH CAROLINA, LLC
Exhibit A Assets

ASSETS

VALUE

Real Property:

Cypress Crossing Strip Center (containing 4 units) located at 2113 South Glenburnie Road, New Bern, North Carolina	\$	2,100,000.00
Commerical building (Family Tire Store) located at 5429 Highway 70 West, Morehead City, North Carolina	\$	1,400,380.00
Residential building containing 2 townhouse units located at 107, 109 Colonel Burgwyn Drive, New Bern, North Carolina	\$	530,000.00
Partially developed land (cleared 7.58 acres) located in Taberna Townes, New Bern, North Carolina	\$	1,080,000.00
Vacant land (cleared 4.68 acres) located off of Highway 70 East, New Bern, North Carolina	\$	549,000.00
Commerical Warehouse (20,000 sq ft) and office/showroom located at 435 Garner Road, New Bern, North Carolina Valued at \$1,507,520.00	\$	4,827,520.00
Commerical Strip Center located at 2707 Highway 70 East, New Bern, North Carolina Valued at \$3,320,000.00		
Vacant land (3.8 acres) located off of Highway 70 East, New Bern, North Carolina	\$	532,000.00
Residential building containing 2 townhouse units located at 111, 113 Colonel Burgwyn Drive, New Bern, North Carolina	\$	530,000.00
	<u>\$</u>	<u>530,000.00</u>
TOTAL	\$	11,548,900.00

Personal Property:

Funds in DIP account(s) as of 06/20/13	\$	149,623.12
Accounts Receivable - Mattress R/X	\$	68,921.66
Total:	\$	218,544.78

RAM OF EASTERN NORTH CAROLINA, LLC
Exhibit B- Liabilities

	Claim #	Claim Amount	
Class 1: Administrative			
Oliver Friesen Cheek, PLLC			To be determined by the Court
Pittard Perry & Crone, Inc.			To be determined by the Court
Class 2: Ad Valorem Taxes			
Carteret County Tax Collector	7	\$ 67.09	paid
City of New Bern		\$ 13,858.62	
Craven County Tax Collector (accounts ending 0017 and 5469)	8	\$ 38,061.35	
Total:		\$ 53,237.06	
Class 3: Tax Claims			
Internal Revenue Service			No Claim Expected
N.C. Department of Revenue			No Claim Expected
Class 4: Tenant with Deposit in Connection with Lease of Property			
Callaway, Branden		\$ 1,305.00	contingent contingent
Zarr, Michael		\$ 1,250.00	
Total:		\$ 2,555.00	
Class 5: First South Bank			
First South Bank (account ending 6187)	1	\$ 56,066.56	
First South Bank (account ending 9519)	2	\$ 713,418.45	
First South Bank (account ending 0002)	3	\$ 411,402.59	
First South Bank (account ending 0003)	4	\$ 102,850.67	
First South Bank (account ending 0004)	5	\$ 411,402.59	
First South Bank (account ending 0005)	6	\$ 102,850.67	
Total:		\$ 1,797,991.53	
Class 6: Sound Banking & Trust			
	9	\$ 919,047.93	
Class 7: Wells Fargo			
Wells Fargo (account ending 17-34)		\$ 1,476,000.00	
Wells Fargo (account ending 5817)		\$ 297,481.95	
Wells Fargo (account ending 07-59)		\$ 829,966.00	
Wells Fargo (account ending 9207)		\$ 327,453.00	
Wells Fargo (account ending 9207)		\$ 1,920,000.00	
Total:		\$ 4,850,900.95	
Class 8: General Unsecured			
Crystal Coast Mattress RX		\$ 8,156.25	contingent contingent
Gingrich, Thomas M.		\$ 2,266.00	
M. Graff d/b/a 2.99 Dry Cleaning		\$ 2,500.00	contingent contingent
Pizza Hut of New Bern, Inc.		\$ 3,866.67	
Scott Plumbing		\$ 2,848.03	
Strickland, Robin L.		\$ 50,000.00	
Willis Electric Company (account ending in 1626)		\$ 4,850.00	
Total:		\$ 74,486.95	

RAM OF EASTERN NORTH CAROLINA, LLC
Exhibit C- Liquidation Analysis Unsecured Creditors
ASSETS

Real Property:

Cypress Crossing Strip Center (containing 4 units) located at 2113 South Glenburnie Road, New Bern, North Carolina

LIENHOLDER	AMOUNT OF LIEN	MARKET VALUE	EQUITY
Wells Fargo Bank, NA	\$ 1,476,000.00	\$ 2,100,000.00	\$ 624,000.00

Commerical building (Family Tire Store) located at 5429 Highway 70 West, Morehead City, North Carolina

Sound Bank	\$ 919,047.93	\$ 1,400,380.00	\$ 481,332.07
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Residential building containing 2 townhouse units located at 107, 109 Colonel Burgwyn Drive, New Bern, North Carolina

First South Bank	\$ 411,402.59	\$ 530,000.00	\$ 15,746.74
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First South Bank	\$ 102,850.67		
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Partially developed land (cleared 7.58 acres) located in Taberna Townes, New Bern, North Carolina

First South Bank	\$ 713,418.45	\$ 1,080,000.00	\$ 310,514.99
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First South Bank	\$ 56,066.56		
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Vacant land (cleared 4.68 acres) located off of Highway 70 East, New Bern, North Carolina
 Commerical Warehouse (20,000 sq ft) and office/showroom located at 435 Garner Road, New Bern, North Carolina
 Valued at \$1,507,520.00

Wells Fargo Bank, NA	\$ 297,481.95	\$ 549,000.00	\$ 251,518.05
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Commerical Strip Center located at 2707 Highway 70 East, New Bern, North Carolina
 Valued at \$3,320,000.00

Wells Fargo Bank, NA	\$ 829,966.00	\$ 4,827,520.00	\$ 2,077,554.00
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Vacant land (3.8 acres) located off of Highway 70 East, New Bern, North Carolina

Wells Fargo Bank, NA	\$ 1,920,000.00		
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Wells Fargo Bank, NA	\$ 327,453.00	\$ 532,000.00	\$ 204,547.00
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Residential building containing 2 townhouse units located at 111, 113 Colonel Burgwyn Drive, New Bern, North Carolina

First South Bank	\$ 411,402.59	\$ 530,000.00	\$ 15,746.74
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First South Bank	\$ 102,850.67		
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Total Real Property: \$ 11,548,900.00

Personal Property:

Funds in DIP account(s) as of 06/20/2013
 A/R - Mattress R/X

\$ 149,623.12	\$ 149,623.12
---------------	---------------

\$ 68,921.66	\$ 68,921.66
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Total Personal Property: \$ 218,544.78

Total Real and Personal Property: \$ 11,767,444.78

Less

Chapter 7 Auctioner Fees Real Property

10% of first \$25,000.00

\$ (2,500.00)

4% of balance

\$ (460,956.00)

Chapter 7 Auctioner Fees - Personal Prop.

20% of first \$20,000

\$ (2,000.00)

10% of next \$50,000

\$ (19,854.48)

4% of Balance

\$ -

Trustee's Commission

25% of first \$5,000	\$	(1,250.00)
10% of next \$5,000 to \$50,000	\$	(4,500.00)
5% of the next \$50,000 to \$1,000,000.00	\$	(47,500.00)
3% of Balance	\$	(323,023.34)
Chapter 11 Administrative Claims (est.)	\$	(35,000.00)
Priority Claims	\$	(54,542.06)
Available for Unsecured Creditors	\$	3,248,378.49