

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF PUERTO RICO**

IN RE: ALCO CORPORATION Debtor	CASE NO. 12-0139(MCF) CHAPTER 11
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**DEBTOR'S FIRST AMENDED DISCLOSURE STATEMENT
JUNE 26, 2012**

ARTICLE I. INTRODUCTION

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1.0 DEFINITIONS

For purposes of this disclosure statement, and to the extent not otherwise provided herein, all capitalized terms below shall have the meanings set forth in the Plan of Reorganization proposed by the Debtor of even date herewith and, unless otherwise indicated, the singular shall

include the plural, and any term used in this disclosure statement which is not defined in the Plan of Reorganization, but which is defined in the Bankruptcy Code (11 U.S.C. 101 *et seq.*), shall have the meaning designated in the Bankruptcy Code.

1.1 BANKRUPTCY CODE PROVISIONS FOR POST PETITION DISCLOSURE

Section 1125 of the Bankruptcy Code requires that a debtor make post petition disclosure in the form of a disclosure statement which provides "adequate information" to its creditors before a debtor or a party acting on its behalf may solicit acceptances of a Chapter 11 plan. Creditors are urged to consult with their own attorney, or with each other, and to review all of the pleadings and other documents on file with the Bankruptcy Court in order to fully understand the disclosures made herein, regarding the Debtor's proposed plan of reorganization (hereafter referred to as the "Plan") and any other pertinent matters in this case. A copy of the Plan is attached to this Disclosure Statement.

1.2 DISCLAIMER

Creditors are advised that the financial information contained in this Disclosure Statement has not been the object of an audit and is not certified by independent public accountants, except where expressly stated otherwise. The Debtor does not warrant or represent that the information contained herein is without inaccuracy notwithstanding its efforts to disclose all matters with careful attention to accuracy and completeness.

Any representation concerning the Debtor, and/or any other statement relative to it, different from, or not included in this Disclosure Statement, is not authorized by the Debtor. Any representation or inducement not contained in this Disclosure Statement, which might be made to

secure acceptance of the Plan, should not be relied upon by a creditor in deciding how to vote on the Plan.

1.3 VOTING REQUIREMENTS

In order for the Plan to be confirmed by the Bankruptcy Court, the Bankruptcy Code requires that the Plan be approved by all classes of creditors and interest holders or that the Court find that the Plan is "fair and equitable" as to any dissenting class.

As provided by 11 U.S.C. §1124, a class of claims or interests is impaired under a plan unless, with respect to each claim or interest of such a class, the plan -

- (1) leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder of such claim or interest; or
- (2) notwithstanding any contractual provision or applicable law that entitles the holder of such claim or interest to demand or receive accelerated payment of such claim or interest after the occurrence of a default -
 - (A) cures any such default that occurred before or after the commencement of the case under this title, other than a default of a kind specified in section 365(b)(2) of this title;
 - (B) reinstates the maturity of such claim or interest as such maturity existed before such default;
 - (C) compensates the holder of such claim or interest for any damages incurred as a result of any reasonable reliance by such holder on such contractual provision or such applicable law; and

- (D) does not otherwise alter the legal, equitable, or contractual rights to which such claim or interest entitles the holder of such claim or interest.

Ordinarily, but not in all circumstances, a plan may not be confirmed unless at least one impaired class, assuming there is at least one impaired class, accepts the plan.

A class has accepted the plan if such a plan has been accepted by creditors, other than those under 11 U.S.C. 1126 (e), that hold at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the allowed claims of such class held by creditors, that have accepted or rejected such plan, i.e., those actually voting on the plan.

Creditors may vote for the acceptance or rejection of the plan.

Each creditor is urged to consult with its own attorney and obtain advice on the proposals and dispositions of this Disclosure Statement and the Plan. The statements contained herein are only a brief summary of the confirmation process and should not be relied upon in making your determination as to whether to vote in favor of or against the Plan. Creditors should consult their attorneys before making a determination to vote for or against the Plan.

Creditors are expressly referred to the Debtor's Schedules of Assets and Liabilities, the Statement of Financial Affairs and all other documents duly filed in this case with the Bankruptcy Court. This Disclosure Statement is predicated upon certain assumptions which may not materialize, and you are urged to give consideration to such assumptions.

No representation concerning the Debtor or as to the actual or realizable value of its property, are authorized by the Debtor other than as set forth in this Disclosure Statement. Any amendments or clarifications to this Disclosure Statement or the Plan shall be in writing and filed with the Court.

1.4 DEBTOR'S HISTORY

ALCO CORPORATION (ALCO) was incorporated on April 30, 1975. Luis Rodriguez and Angel Del Valle, each owning 50% of the common stock, founded ALCO. Since 1947, Mr. Rodriguez and Mr. Del Valle, both Engineers by profession, have been involved in the construction industry, most notably, Rodriguez & Del Valle, Inc. At the present time, both Mr. Rodriguez and Mr. Del Valle have passed away.

In 1978, ALCO purchased three parcels of land and a hot mix asphalt (HMA) plant located at Highway 185 Km 4.2 Campo Rico Ward Canovanas. ALCO also purchased equipment for asphalt paving construction works. Thus, in mid-year 1978, ALCO started operating a HMA and paving business. During the first five years, ALCO was presided by Manuel Rexach, followed by Pedro Calderon. In 1985, Alfonso Rodriguez became the President and CEO of ALCO, and his tenure remains up to the present. Alfonso Rodriguez is the son of founder Luis Rodriguez.

In 2005, Luis Rodriguez and Angel Del Valle started a new corporation called LRG Investment Group, Inc. (LRGIG). LRGIG acquired 100% of the common stock of ALCO. Soon after, Luis Rodriguez purchased the stock of LRGIG from Angel Del Valle, becoming Luis Rodriguez owner of 100% the common stock of LRGIG.

In 2006, Luis Rodriguez donated his 100% holding of LRGIG to his one daughter and three sons. These are Carmen R. Prella, Luis Rodriguez II, Jaime Rodriguez, and Alfonso Rodriguez; each now owning 25% of the common stock of LRGIG. LRGIG still owns 100% of ALCO.

Since 1978, ALCO has operated continuously the Canovanas HMA plant, later to be known as Plant #1. Around 1982, ALCO started a second HMA plant in Toa Baja. A few years later, that HMA plant was re-located on a rented parcel of land in Toa Alta, and it has remained in that location, and named Plant #2, up to the present.

Around 1988, ALCO started a third HMA plant in Guayama, on a parcel of land that initially was rented and later purchased by ALCO. The Guayama plant still remains at the same location and it is referred to as Plant #3. Around 1990, ALCO started a fourth HMA plant in Hatillo, on a rented parcel of land, and the plant, referred as Plant #4, remains in said location. The 1980's decade was one of slow but consistent growth, with annual sales volume of around \$15 million by the end of the decade. The 1990's decade was one of faster growth reaching an annual sales volume of around \$30 million by the end of the decade.

1.5 EVENTS LEADING TO BANKRUPTCY

Between the years 2001 and 2003, although the annual sales volume averaged around \$30 million, the fast and unexpected rise in the costs of raw materials, particularly the asphalt binder and the fuels, cut drastically on the profits. Although the Debtor experienced some stability in 2004, the years between 2005 and 2010 saw a reduction in annual sales from around \$19 million in 2005 to around \$6 million in 2010. Several factors need to be disclosed as the reasons why conditions deteriorated between 2005 and 2010.

By 2006, the Debtor had an operational line of credit from BPPR of \$4 million. By 2010 BPPR requested that the line of credit had been reduced to less than \$1 million. The bank insisted on holding as guarantee all the same assets that were held for the larger amount of credit. Therefore, the Debtor was restricted in its options to look for complementary credit or investment.

As the sales numbers began to fall, the Debtor started reducing some of the excessive costs that needed to be shaved, but the cost structure took longer to adjust. Although the world economy was deep in recession, the costs of the asphalt binder and the fuels, essential to the manufacturing process, continued to rise. The housing market debacle combined with the credit shortages forced many local companies into bankruptcy with whom the Debtor made business with, and the Debtor experienced a very high degree of unexpected bad debt.

Therefore, the Debtor commenced to default in its payments to its creditors and suppliers. The Debtor accumulated a considerable debt with Betteroads Asphalt, Corp., Betterecycling Corp., PEMCO, among other. Its operating costs became unbearable and it was forced to close some of its asphalt plant. After the closing of the asphalt plants, the equipment on site was also subject to vandalism and was deteriorated.

Simultaneously, the Debtor faced multiple litigations and claims by its creditors. One of the most aggressively litigated cases was that filed by Betteroads Asphalt, Corp., Betterecycling Corp. and PEMCO. After multiple procedural hurdles and discovery the Debtor was faced with a pre-judgement attachment lien by these creditors, which was granted by the state court on December 2011. The Debtor sought reconsideration of the same on January 4, 2012 and on that same date Betteroads Asphalt, Corp., Betterecycling Corp., PEMCO sought to register the pre-judgement lien with the Department of State for the Commonwealth of Puerto Rico. Therefore the Debtor had no other alternative than to seek protection under the provisions of Chapter 11 of the Bankruptcy Code in order to protect its assets, eight days after.

1.6 DATE THE PETITION WAS FILED

The Debtor submitted its Bankruptcy Petition on January 12, 2012. During the course of the Bankruptcy proceedings, the Debtor has complied with all its duties as a Debtor in Possession under a Chapter 11, such as, filing of monthly operating report, payment of fees to the U.S. Trustee, payment of post petition expenses and preservation of the property of the estate.

1.7 BANKRUPTCY PROCEEDINGS

I. Schedules, Statement of Financial Affairs and Creditors' Meeting:

On the petition date the Debtor filed its Schedules and Statement of Financial Affairs. The same were amended on April 27, 2012 in order to update information regarding the Master Address List and provide more accurate figures on various assets and obligations. (See Dkt. No. 74 and 75). The Meeting of Creditors was held on February 10, 2012 and closed. (See Dkt. No. 35).

II. Employment of Professionals:

Debtor submitted its application to employ attorney Carmen D. Conde Torres on January 18, 2012 (Dkt. No. 6). This Court approved Debtor's application to employ its attorney on February 21, 2012 (Dkt. No. 27). On January 18, 2012 the Debtor submitted its application to employ the accountant Jose Victor Jimenez (Dkt. No. 10). On February 17, 2012 this Court approved the application of Debtor's accountant. (Dkt. No. 24).

III. Duties of the Debtor in Possession

The Debtor has complied with its duties as a Debtor in Possession, including but not limited to the appearance at the meeting of creditors, the filing of all Monthly Operating Reports and payments of fees to the U.S. Trustee. With the submission of the instant document, the Debtor is now fulfilling another one of its responsibilities as Debtor in Possession.

IV. Use of Cash Collateral

The Debtor and Banco Popular de Puerto Rico (“BPPR”), Debtor’s Secured Creditor, have been negotiating since the filing of the bankruptcy petition suitable terms for the use of Cash Collateral. The parties were able to agree on the terms and conditions of said use of cash collateral and filed a joint stipulation on April 13, 2012. (See e.g. Dkt. 66, *Joint Stipulation*, and Dkt. No. 72, *Budget*. The use of cash collateral provides for a carve-out enabling the Debtor to pay the approved fees of its professionals and other Chapter 11 bankruptcy related expenses.

V. Other Matters

- A. **Objection to Claims:** The bar date for claims in this matter is May 10, 2012 and for governmental entities the bar date is July 18, 2012. As of this writing, the Debtor has not submitted any objections to claims. As various proofs of claim are filed, the Debtor shall review each claim and will, during the course of the instant proceedings, submit any objections to claims that are warranted.
- B. **Executory Contracts:** The Debtor is evaluating the executor contracts and unexpired leases it holds in order to determine if the same will be assumed or rejected. Nevertheless, prior to confirmation the Debtor shall be notifying this Court which of its executory contracts it will assume and which it will reject.
- D. **Request for Relief of Stay:** On February 6, 2012, the Arenero Estrella, Inc., Empresas Ortiz Brunet, Inc., Consorcio Las Lomas, Inc. and Cantera Hipodromo, Inc. moved to request relief from the automatic stay provisions

in order to continue with statecourt litigation. (Docket 6) The Debtor opposed the same on February 10, 2012 and this Honorable Court denied the creditors' request on February 21, 2012. (Dockets 22 and 26 respectively).

- E. **Sale of Assets:** As part of its reorganization efforts the Debtor is marketing those assets not necessary for its operations and reorganization. Therefore on March 16, 2012 it filed a motion requesting authorization to sell to BTB Corporation the asphalt plant and permits located in Toa Alta, Puerto Rico. (Docket 40). The proposed sale was opposed by Betteroads Asphalt, Corp., Betterecycling Corp., PEMCO and a competing offer was submitted by Pro-Pave, Corp. (Dockets 47 and 50 respectively) The sale was also objected by BPPR, but the Debtor was able to reach a settlement with the bank and hence filed a joint motion allowing the sale and providing for a carve out for payment to the IRS and for operations. (Docket 49 and 51, respectively). A hearing was held on April 11, 2012 in order to consider the sale, its objections and the stipulation with BPPR for the distribution of the sales proceeds. (Docket 62) As a result of the hearing the parties present agreed and the Court approved that the sale be made to Pro-Pave, Corp., since it provided a higher and better offer. An order was entered accordingly on April 12, 2012. (Docket 63) On that same date the parties executed the sale and the Debtor filed a motion informing the outcome of

the same. (Docket 64). Secured creditors with allowed liens were paid as per the stipulation with BPPR.

- F. Recently Betterroads filed with this Honorable Court a request for a 2004 examination to which the Debtor filed an opposition. Furthermore, it recently filed a Motion to Lift Stay on its secured claim registered 8 days prior to the bankruptcy petition.
- G. On June 22, 2012, the Debtor filed a second Notice of Intent to Sell Property free and clear of liens. The Debtor received an offer from BTB Corporation (BTB) for the purchase of the asphalt plant at Hatillo, Puerto Rico for the amount of \$400,000, plus payment in kind of liquid asphalt in the approximate amount of \$32,000. From the proceeds, the Debtor other than the payment in kind, will retain at least \$50,000, BPPR will receive at least \$150,000 and Mapfre , at least \$200,000 to be deposited in court as means of an adequate protection. See Dkt. No. 154.

1.8. FINANCIAL INFORMATION

Debtor's financial information prior to its bankruptcy petition is herein provided in **Exhibit 1**. Additionally, the information provided in the Schedules and Statement of Financial Affairs filed with the Court, reflected the Debtor's financial situation on the date of the petition. Monthly Operating Reports available on the Bankruptcy Court's file, reflect the Debtor's post petition finances. Attached herein as **Exhibit 2** is a summary of Debtor's Monthly Operating Reports. Debtor urges creditors and parties in interest to also review the documents available on file at the

Bankruptcy Court, in order to make a conscious decision when voting for or against the proposed Plan herein provided by the Debtor.

ARTICLE II

ASSETS AND LIABILITIES

2.1. ASSETS AS OF PETITION DATE

Debtor's only assets as of the petition date are listed on Amended Schedules A and B filed with the Court. Further detail relating to debtor's assets and the liquidation value thereof is provided in Debtor's Liquidation analysis, Art. IV hereof.

2.1.1 REAL PROPERTY

As of the Petition date, the Debtor's real property assets consist of three lots of land located at Canovanas, Puerto Rico where the Debtor has its main asphalt plant. The same have an aggregate area of approximately 15.1 cuerdas. The Debtor is also owner of a lot of land of 5 cuerdas located in Guayama, Puerto Rico. In these premises a second asphalt plant is located. The total value of Debtor's real estate is estimated at market value in the amount of \$2,396,000.00. **See Exhibit 3, Summary of Appraisal Reports. (Full copies available upon request)**

2.1.2 PERSONAL PROPERTY

Personal property for the Debtor is detailed in the Amended Schedules B filed with the Court. Among the most valuable assets listed in the schedules are Debtor's account receivables (\$2,362,262.68), its machinery and equipment, which include the asphalt plants and other construction equipment (\$3,553,762.00) and the vehicles (\$731,266.00). A detail of all of the

Debtor's personal assets and value as of the petition date is provided in the Liquidation Analysis section below.

2.2. LIABILITIES AS OF PETITION DATE

Debtor's creditors as of the time of the petition were listed as follows:

2.2.1 SECURED CREDITORS:

- *Banco Popular de Puerto Rico* ("BPPR") - The Debtor has a series of credit facilities with BPPR. The same is secured by Debtor's real estate, equipment, inventory, account receivables and intangibles, among others. The Debtor listed BPPR as a secured creditor in the amount of \$874,000.00. BPPR has not filed a proof of claim.

After the filing of the bankruptcy petition the Debtor sold free and clear of liens the asphalt plant located at Toa Alta, Puerto Rico. Upon the sale of the asphalt plant the Debtor paid BPPR the amount of \$295,000.00. The parties are currently reconciling the amounts owed by the Debtor to BPPR.

Internal Revenue Service ("IRS") – Prior to the filing of the bankruptcy petition IRS filed a lien on Debtor's real estate property and personal property in order to secure its claim. The Debtor listed IRS as an unsecured priority creditor in the amount of \$205,020.03. IRS filed claim # 11 in the total amount of \$178,501.12. The same included a secured portion of \$168,105.04 and a priority portion of \$10,396.08. After the filing of the bankruptcy petition the Debtor paid IRS \$111,734 from the sale of the Toa Alta Plant.

CRIM- The Debtor listed CRIM as having a secured claim in the amount of \$324.86 on account of real estate property taxes for the property located at Canovanas, Puerto Rico. CRIM filed claim #1 with a secured portion of \$302.90.

Popular Auto- The debtor listed Popular Auto as a secured creditor in the amount of \$16,126.95 on account of an auto loan for a 2006 Porsche Cayenne. Popular Auto filed claim #8 in the amount of \$1,046.29 on account of the arrears owed, solely.

Mapfre- After the petition was filed Mapfre claimed a security interest over some of Debtor's assets as a consequence of an indemnity agreement. The Debtor had verified the security over certain accounts receivables already assigned to Mapfre before the petition was filed. The debtor is in the process of analyzing any other liabilities to Mapfre. Any liability to Mapfre as of this date is contingent and undetermined.

2.2.2. GENERAL UNSECURED CREDITORS

General unsecured creditors were listed in Debtor's Schedules in the total amount of \$5,835,746.43. A substantial portion of the Debtor's unsecured debt relates to the claims of Betterroads Asphalt, Corp., Betterrecycling Corp., and PEMCO. Another portion of the general unsecured claims are the unsecured claims by Debtor's employees for wages which exceed the terms of Section 507. Subsequent to the filing of Debtor's schedules, proofs of claims have been filed by several other unsecured creditors. After review of the proof of claims filed to date, those listed by the Debtor, and the agreements reached with several creditors, the liability to unsecured creditors, including disputed, contingent and unliquidated claims is estimated in the amount of \$5,812,066.

2.2.3. PRIORITIES

The Debtor listed priority obligations in its schedules in the total amount of \$1,200,205.06 on account of employee wages and benefits, and taxes owed to several governmental entities.

Thereafter proof of claims has been filed in the amount of \$787,032.99. The term provided by the Court to file priority proofs of claim by governmental entities has not elapsed. The same elapses on July 18, 2012. As of the date of this writing the review of the proof of claims filed to date, those listed by the Debtor, and the agreements reached with several creditors, the liability to unsecured priority creditors, including disputed, contingent and unliquidated claims is estimated in the amount of \$679,630.00. Any additional unsecured priority claims filed after this date and before the expiration of the bar date will be reconciled and provided treatment under the Plan as such. See payment schedule, Exhibit 1 for full detail and amounts in different classifications.

ARTICLE III PENDING LITIGATION

At the time of the filing of the bankruptcy petition the Debtor had the following pending cases:

1. Betterroads Asphalt Corp., et als vs. ALCO Corporation et als., Case No.: KCD2010-3242 for collection of moneys.
2. BPPR vs ALCO Corporation, Case No.: FBCI2010-01480 for collection of moneys.
3. Sucn. Jorge Ortiz Toro vs. ALCO Corporation, Case No.: FBCI2011-0519 for eviction proceedings.
4. Edie Velez Martinez vs ALCO Corporation, Case No.: HCD2009-4023 for collection of moneys for equipment rental fees.

5. Asoc. Duenos Camiones vs. ALCO Corporation, Case No.: FBC 12010-01041 for collection of monies.
6. Pedro Gonzalez Flores vs. ALCO Corporation, Case No.: KPE11-3256, for wrongful termination.
7. Pedro Calderon Lanzar et als . vs ALCO Corporation, Case No.: DPE 11-0914 for wrongful termination.
8. Maria I Delgado Ocasio, case No.: DPE-11-0586 for wrongful termination.
9. Empresas Ortiz Brunet, Inc. at als vs ALCO Corporation, Case No.: DCD2011-0687 for collection of monies.
10. Transporte del Nuevo Milenio vs ALCO Corporation Case No.: DPE 2009-0670 for collection of monies.
11. St. James Security v. Alco: Case Number KDC 2011-0190 San Juan Superior Court, for collection of moneys
12. Anchor Security v. Alco: Caso Civil No. DAC 2011-3407 (501) Bayamon, for collection of moneys.

All these cases were stayed by the filing of the petition and the provisions of the automatic stay. Should these claims be allowed, either by stipulation, by estimation, or by judgment, the claimants will received a dividend under the corresponding class. Pursuant to Debtor's analysis this will be general unsecured claims.

ARTICLE IV

LIQUIDATION ANALYSIS

One requirement for the confirmation of a plan under Chapter 11 of the Code is that with respect to each impaired class of claims, each claim holder of such class has accepted the plan or will receive or retain under the plan on account of such allowed claim, a value as of the effective date of the plan, that is not less than the amount such claim holder would receive or retain if the debtor were liquidated under Chapter 7 of the Code, on such date. The Debtor is proposing a Plan of Reorganization to be executed by the Debtor in Possession. In order to provide the value of Debtor's assets the Debtor provides an analysis of the assets and the expected income from the disposition of those assets under Debtor's control. This Liquidation Analysis is attached as **Exhibit 4**. For the purpose of determining a liquidation value for the scheduled value of the property, the Debtor has determined market value of the property using its business knowledge and experience. The percentage applied has been obtained by the experience of Chapter 7 Trustee's sales and the time upon which they must liquidate the assets.

The Liquidation Analysis prepared for this case shows that the estimated dividend for the unsecured creditors is 21% considering full liability to Mapfre. In the event Mapfre's claim is not owed the 21% dividend will increase to 34%. Debtor's Plan is proposing a 50% payment of the allowed claims to the general unsecured creditors under the terms and conditions established in the Plan. The Plan proposal is higher than under a Chapter 7 liquidation. The liquidation of Debtor's assets under a Chapter 7 plan would not assure the dividend expected under Chapter 11.

Debtor's Plan of Reorganization considers the full payment of all administrative, secured creditors and priority claims and a 50% dividend to the general unsecured creditors on monthly installments within 5 years from effective date. The proposed Plan is thus in the best interests of the creditors.

Nevertheless, on March 20, 2012, Betterecycling Corp, PEMCO and Betteroads Asphalt Corp., filed three secured claims (Claims Number 82, 83, and 84) in the amounts of \$2,072.31, \$ 22,559.14 and \$2,955,704.73 respectively. The Debtor filed Adversary Proceeding No. 12-0289, questioning the secured status of these claims. If in any event these claims are allowed as secured claims by a final judgment, then, the Debtor's liquidation analysis (Exhibit 4) will not show any dividend for the unsecured creditors under a Chapter 7 Scenario (the liquidation value will be then 0%) since the total amount of these claims (\$2,980,336.18) is more than the equity cushion shown on Exhibit 4 (\$2,337,492) which now provides the 21% for the unsecured creditors under a Chapter 7 Scenario. If this scenario becomes real, then the Debtor will provide a 10% dividend to its unsecured creditors under the same terms and conditions of the treatment provided on the classification of these claimants. Even under these circumstances, under the Plan of Reorganization Debtor's proposal is in the best interest of all creditors. Considering the facts and legal basis for Debtor's Adversary Proceeding the Debtor understands this alternative or scenario is remote.

**ARTICLE V
SUMMARY OF THE PLAN
CLASSIFICATION AND TREATMENT OF CLAIMS**

A. DESIGNATION OF CLASSES OF CLAIMS AND INTERESTS

The Plan has been drafted designating 13 classes. All classes are designed in accordance with the requirements of 11 U.S.C. 1122 and 1123. Creditors are identified by Debtor under each class. All creditors and other parties in interest are urged to read and consider the Plan in full

inasmuch as it represents a proposed legally binding agreement with the Debtor and any other party involved. The classes of creditors are as follows:

CLASS 1 ADMINISTRATIVE CLAIMS

This class shall consist of **ALLOWED ADMINISTRATIVE EXPENSE CLAIMS**, as provided under Section 503 of the Code, including, but not limited to, fees to the United States Trustee, fees and expenses of the Debtor's counsel, accountant and any other professionals retained by the Debtor, as may be allowed by the Bankruptcy Court upon application therefore and after notice and hearing in accordance with the Bankruptcy Code and Rules, and court costs accrued since the petition date. Debt under this class is estimated in the amount of \$66,500.00.

SECURED CLASSES

CLASS 2 SECURED CLAIM -Banco Popular de Puerto Rico (" BPPR") -

This class shall consist of BPPR. The Debtor listed BPPR as a secured creditor in the amount of \$874,000.00. BPPR has not filed a proof of claim ,yet as part of their negotiations it has advised the debtor that the balance as of the petition date was \$968,776.00. The same is secured by Debtor's real estate, equipment, inventory, account receivables and intangibles, among others.

After the filing of the bankruptcy petition the Debtor sold free and clear of liens the asphalt plant located at Toa Alta, Puerto Rico. Upon the sale of the asphalt plant the Debtor paid BPPR the amount of \$295,000.00. The parties are currently reconciling the amounts owed by the Debtor to BPPR.

CLASS 3 SECURED CLAIM POPULAR AUTO

This class shall consist of the secured claim by Popular Auto. The Debtor listed Popular Auto as a secured creditor in the amount of \$16,126.95 on account of an auto loan for a 2006 Porsche Cayenne. Popular Auto filed claim #8 in the amount of \$1,046.29 on account of the arrears owed, solely.

CLASS 4 SECURED CLAIM Internal Revenue Service (“ IRS”)

This class shall consist of IRS’ secured claim. Prior to the filing of the bankruptcy petition IRS filed a lien on Debtor’s real estate property and personal property in order to secure its claim. The Debtor listed IRS as an unsecured priority creditor in the amount of \$205,020.03. IRS filed claim # 11 in the total amount of \$178,501.12. The same included a secured portion of \$168,105.04 and a priority portion of \$10,396.08. After the filing of the bankruptcy petition the Debtor paid IRS the amount of \$111,734.00 after the sale of the Toa Alta asphalt plant. After applying this payment the total secured claim of IRS is \$56,971.00.

CLASS 5 MAPFRE PRAICO INSURANCE COMPANY (MAPFRE):

This claimant filed a secured claim estimated and contingent in the amount of \$855,460.98. It claims a security Under an Agreement of Indemnity registered under Number 2004067085. The Debtor is in the process of verifying and validating this claim.

CLASS 6 SECURED CLAIM CRIM-

This class shall consist of CRIM’s secured claim. The Debtor listed CRIM as having a secured claim in the amount of \$324.86 on account of real estate property taxes for the property located at Canovanas, Puerto Rico. CRIM filed claim #1 with a secured portion of \$302.90.

CLASS 7: BETTEROADS ASPHALT CORP AND B ETTERECYCLING CORP., PEMCO

These claimants filed two secured claims in the amount of \$2,955,705 and \$2,072 respectively, for alleged unsecured debt for which they obtained an “embargo” and registered the same at the Puerto Rico Department of State, UCC Division, eight (8) days prior to Debtor’s bankruptcy petition. This claim is contingent, unliquidated and disputed.

GENERAL UNSECURED CLAIMS – EMPLOYEES PRIORITY

CLASS 8 UNSECURED PRIORITY CREDITORS FOR WAGE

This class shall consist of **GENERAL UNSECURED CREDITORS FOR WAGES** listed by the Debtor and those entities who have filed proof of claims asserting an unsecured obligation, under the provisions of 11 U.S.C. 507 (a)(4). After review of the proof of claims filed to date, those listed by the Debtor, the liability estimated for this class is in the amount of \$90,436.00.

CLASS 9 UNSECURED PRIORITY CREDITORS FOR RETIREMENT PLAN

This class consist of the Claims Allowed under the provisions of 11 U.S.C 507 (a) (5). This section provides a priority rank for the benefit of employees under the retirement plan arising from services rendered within 180 days before the date of filing of the petition. The amount to be paid under this class is determined by the number of employees covered by the plan multiplied by \$11,725, less any amounts paid under 11 U.S.C. 507(a)(4). The amount of claims under this class pursuant to the amounts allowable under the section is \$46,165. Other amounts owed under the retirement plan not subject to priority will be considered general unsecured claims.

GENERAL UNSECURED CLAIMS

CLASS 10 UNSECURED PORTION OF WAGE CLAIMS

This class consists of the non priority portion of the claimants for wages and other benefits not entitle to priority under 11 U.S.C. 507(a)(4). The claims under this class amount to \$628,740.

CLASS 11 UNSECURED PORTION OF RETIREMENT PLAN BENEFICIARIES

This class consist of the non priority portion of the claimants protected under the Retirement Plan not entitle to priority under 11 U.S.C. 507(a)(5). The claims under this class amount to \$ 29,272.

CLASS 12 OTHER GENERAL UNSECURED CLAIMS

This class shall consist of other general unsecured claims related to the operations of the Debtor. General unsecured creditors were listed in Debtor's Schedules in the total amount of \$5,835,746.43. A substantial portion of the Debtor's unsecured debt relates to the claims of Betterroads Asphalt, Corp., Betterrecycling Corp.. Subsequent to the filing of Debtor's schedules, proofs of claims have been filed by several other unsecured creditors. After review of the proof of claims filed to date, those listed by the Debtor, and the agreements reached with several creditors, the liability to unsecured creditors, including disputed, contingent and unliquidated claims is estimated in the amount of \$5,812,066.

CLASS 13 EQUITY SECURITY AND/OR OTHER INTEREST HOLDERS

This class includes all equity security and interest holders who are the owners of the stock of the Debtor. The 100% owner of the shares of the Debtor is LRG Investment Group Inc.

B. TREATMENT OF CLASSES OF CLAIMS AND INTERESTS

CLASS 1 ADMINISTRATIVE CLAIMS

This class shall consist of **ALLOWED ADMINISTRATIVE EXPENSE CLAIMS**, as provided under Section 503 of the Code, including, but not limited to, fees to the United States Trustee, fees and expenses of the Debtor's counsel, accountant and any other professionals retained by the Debtor, as may be allowed by the Bankruptcy Court upon application therefore and after notice and hearing in accordance with the Bankruptcy Code and Rules, and court costs accrued since the petition date. Debt under this class is estimated in the amount of \$66,500.00.

This class will be paid in full the allowed amount, upon effective date or upon agreement with the parties. This class is not impaired.

SECURED CLASSES

CLASS 2 SECURED CLAIM -Banco Popular de Puerto Rico (" BPPR") -

This class shall consist of BPPR. The Debtor listed BPPR as a secured creditor in the amount of \$874,000.00. BPPR has not filed a proof of claim ,yet as part of their negotiations it has advised the debtor that the balance as of the petition date was \$968,776.00. The same is secured by Debtor's real estate, equipment, inventory, account receivables and intangibles, among others.

After the filing of the bankruptcy petition the Debtor sold free and clear of liens the asphalt plant located at Toa Alta, Puerto Rico. Upon the sale of the asphalt plant the Debtor paid BPPR the amount of \$295,000.00. The parties are currently reconciling the amounts owed by the Debtor to BPPR.

The allowed amount under this class will be paid under an amortization table of 15 years, at the prime rate existing at confirmation date, with payments not less than \$4,734 per month. This class is impaired.

CLASS 3 SECURED CLAIM POPULAR AUTO

This class shall consist of the secured claim by Popular Auto. The Debtor listed Popular Auto as a secured creditor in the amount of \$16,126.95 on account of an auto loan for a 2006 Porsche Cayenne. Popular Auto filed claim #8 in the amount of \$1,046.29 on account of the arrears owed.

This class will be paid under the terms and conditions of the sale agreement and any arrears will be paid on or before effective date. This class is not impaired.

CLASS 4 SECURED CLAIM Internal Revenue Service ("IRS")

This class shall consist of IRS' secured claim. Prior to the filing of the bankruptcy petition IRS filed a lien on Debtor's real estate property and personal property in order to secure its claim. The Debtor listed IRS as an unsecured priority creditor in the amount of \$205,020.03. IRS filed claim # 11 in the total amount of \$178,501.12. The same included a secured portion of \$168,105.04 and a priority portion of \$10,396.08. After the filing of the bankruptcy petition the Debtor paid IRS the amount of \$111,734.00 after the sale of the Toa Alta asphalt plant. After applying this payment the total secured claim of IRS is \$56,971.00.

Payments under this class will be made within a 5 years term from effective date with interest at the prime rate existing on confirmation date, with monthly payments in not less than \$950.00. This class is impaired.

CLASS 5 MAPFRE PRAICO INSURANCE COMPANY (MAPFRE):

This claimant filed a secured claim estimated and contingent in the amount of \$855,460.98. It claims a security Under an Agreement of Indemnity registered under Number 2004067085. The Debtor is in the process of verifying and validating this claim.

Any amounts owed and allowed under this class will be paid in full under the plan with interest at the prime rate existing on confirmation date or upon the sale or disposition of any collateral that may guarantee the claim. As of this date, there is no liquid or determine claim owed to Mapfre. This class is not impaired.

CLASS 6 SECURED CLAIM CRIM-

This class shall consist of CRIM's secured claim. The Debtor listed CRIM as having a secured claim in the amount of \$324.86 on account of real estate property taxes for the property located at Canovanas, Puerto Rico. CRIM filed claim #1 in the amount of \$24.86 with a secured portion of \$302.90.

This claim will be paid within 90 days from effective date, with interest at the prime rate existing on confirmation date. This class is impaired.

CLASS 7: BETTEROADS ASPHALT CORP AND B ETTERECYCLING CORP.. PEMCO

These claimants filed two secured claims in the amount of \$2,955,705 and \$2,072 respectively, for alleged unsecured debt for which they obtained an "embargo" and registered the same at the Puerto Rico Department of State, UCC Division, eight (8) days prior to Debtor's bankruptcy petition. This claim is contingent, unliquidated and disputed.

Any secured claims these claimants may have at the petition date are subject to avoidance actions by the Debtor. Under this scenario, this class will not receive any payments as secure claimants. Nevertheless, this plan recognizes these claimants as general unsecured claimants in Class 7, bellow.

This class is impaired.

GENERAL UNSECURED CLAIMS - PRIORITY

CLASS 8 UNSECURED PRIORITY CREDITORS FOR WAGE

This class shall consist of **GENERAL UNSECURED CREDITORS FOR WAGES** listed by the Debtor and those entities who have filed proof of claims asserting an unsecured obligation, under the provisions of 11 U.S.C. 507 (a)(4). After review of the proof of claims filed to date, those listed by the Debtor, the liability estimated for this class is in the amount of \$90,436.00.

Each Allowed Claimants under this class will received up to the amount of \$11,725, for wages, salaries and commissions , including vacation, severance, and sick leave pay earned within the 180 days before the date of the filing of the petition.

This class will be paid in full with interest at the prime rate existing at confirmation date, in monthly installments, within the 5 years term of the plan. This class is impaired.

CLASS 9 UNSECURED PRIORITY CREDITORS FOR RETIREMENT PLAN

This class consist of the Claims Allowed under the provisions of 11 U.S.C 507 (a) (5). This section provides a priority rank for the benefit of employees under the retirement plan arising from services rendered within 180 days before the date of filing of the petition. The amount to be paid under this class is determined by the number of employees covered by the plan multiplied by \$11,725, less any amounts paid under 11 U.S.C. 507(a)(4). The amount of claims under this class pursuant to the amounts allowable under the section is \$46,165. Other amounts

owed under the retirement plan not subject to priority will be considered general unsecured claims.

This class will be paid in full with interest at the prime rate existing at confirmation date, in monthly installments, within the 5 years term of the plan. This class is impaired.

GENERAL UNSECURED CLAIMS

CLASS 10 UNSECURED PORTION OF WAGE CLAIMS

This class consists of the non priority portion of the claimants for wages and other benefits not entitle to priority under 11 U.S.C. 507(a)(4). The claims under this class amount to \$516,368.

Allowed claims under this class will receive 50% of their claim on monthly installments during the five year term of the Plan. This Class is impaired.

CLASS 11 UNSECURED PORTIONS OF RETIREMENT PLAN BENEFICIARIES

This class consist of the non priority portion of the claimants protected under the Retirement Plan not entitle to priority under 11 U.S.C. 507(a)(5). The claims under this class amount to \$ 29,272.

Allowed claims under this class will receive 50% of their claim on monthly installments during the five year term of the Plan. This Class is impaired.

CLASS 12 OTHER GENERAL UNSECURED CLAIMS

This class shall consist of other general unsecured claims related to the operations of the Debtor. General unsecured creditors were listed in Debtor's Schedules in the total amount of \$5,835,746.43. A substantial portion of the Debtor's unsecured debt relates to the claims of Betteroads Asphalt, Corp., and Betterecycling Corp.. Subsequent to the filing of Debtor's

schedules, proofs of claims have been filed by several other unsecured creditors. After review of the proof of claims filed to date, those listed by the Debtor, and the agreements reached with several creditors, the liability to unsecured creditors, including disputed, contingent and unliquidated claims is estimated in the amount of \$5,812,066.

Allowed claims under this class will receive 50% of their claim on monthly installments during the five year term of the Plan. This Class is impaired.

CLASS 13 EQUITY SECURITY AND/OR OTHER INTEREST HOLDERS

This class includes all equity security and interest holders who are the owners of the stock of the Debtor. Members of this Class shall not receive any dividend or other payment under the Debtor's Plan of Reorganization on account of their shares. This Class is ineligible to vote on the Debtor's Plan. All current equity holders of the Debtor shall retain their equity interest under this Plan of Reorganization. The 100% owner of the shares of the Debtor is LRG Investment Group Inc.

(All creditors are requested to review Exhibit 5 which provides for the payments under the Plan with the corresponding assumptions.)

**ARTICLE VI
IMPAIRMENT OF EXISTING CLAIMS AND INTERESTS**

As provided by 11 U.S.C. §1124, a class of claims or interests is impaired under a plan unless, with respect to each claim or interest of such a class, the Plan:

- (1) leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder of such claim or interest; or

- (2) notwithstanding any contractual provision or applicable law that entitles the holder of such claim or interest to demand or receive accelerated payment of such claim or interest after the occurrence of a default.
 - (A) cures any such default that occurred before or after the commencement of the case under this title, other than a default of a kind specified in section 365(b)(2) of this title;
 - (B) reinstates the maturity of such claim or interest as such maturity existed before such default;
 - (C) compensates the holder of such claim or interest for any damages incurred as a result of any reasonable reliance by such holder on such contractual provision or such applicable law; and
 - (D) does not otherwise alter the legal, equitable, or contractual rights to which such claim or interest entitles the holder of such claim or interest.

**ARTICLE VII
PAYMENT TO PRIORITIES
UNDER SECTION 507 (a)(8) OF THE CODE**

The Debtor listed priority obligations in its schedules in the total amount of \$1,200,205.06 on account of employee wages and benefits, and taxes owed to several governmental entities. The term provided by the Court to file priority proofs of claim has not elapsed. The same elapses on July 18, 2012. As of the date of this writing the review of the proof of claims filed to date, those listed by the Debtor, and the agreements reached with several creditors, the liability to unsecured priority creditors, including disputed, contingent and unliquidated claims is estimated

in the amount of \$688,257. Any additional allowed unsecured priority claims filed after this date and before the bar date will be reconciled and receive treatment under this article. If necessary the Debtor will amend its payment plan schedule prior to the confirmation hearing in order to include those reconciled additional claims.

Any and all allowed claims under section 507(a)(8) of the Bankruptcy Code will receive full payment, plus interest, within five years of the date of the petition for relief in accordance with 11 USC § 1129(a)(9). *See* Payment Plan, Unsecured Priority Claims for a full payment schedule. **Exhibit 5, supra.**

ARTICLE IX LEASES AND EXECUTORY CONTRACTS

Contracts to Which Debtor is a party: Debtor as of the petition date was a party to the certain leases and executory contracts (*See Debtor's Schedule G Exhibit 6*) for a list of its executory contracts):

9.1 Assumption of Designated Executory Contracts and Unexpired leases. Pursuant to Sections 1123(b)(2) and 365(a) of the Bankruptcy Code, the entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of the assumption, as of the Effective Date, of each executory contract or unexpired lease to which the Debtor is a party for which a motion to assume is pending at the time of the Confirmation Date.

Unless otherwise provided in a pending motion to assume, on the Effective Date or as promptly as possible thereafter, the Debtor shall cure any defaults under such assumed executory contracts or unexpired leases to the extent required by Section 365 of the Bankruptcy Code. In addition, to the extent the Debtor has rights of setoff against any of the parties to these leases and

contracts; the Debtor reserves the right to cure any defaults under such leases and contracts by exercising this right of setoff.

9.2 Rejection of Executory Contracts and Unexpired Leases. Pursuant to Sections 1123(b)(2) and 365(a) of the Bankruptcy Code, the entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of the rejection, as of the Effective Date, of each executory contract and/or unexpired lease to which the Debtor has not filed a motion to assume.

9.3 Executory Contracts and Unexpired Leases Which Were Assumed or Rejected To Date. Any executory contract or unexpired lease (other than insurance policies) which (i) has not expired by its own terms on or prior to the Confirmation Date, (ii) has not been assumed or rejected with the approval of the Bankruptcy Court on or prior to the Confirmation Date, (iii) is not the subject of a motion to assume or reject which is pending at the time of the Confirmation Date, or (iv) is not designated in the Disclosure Statement, listing an executory contract or unexpired lease to be assumed at the time of confirmation of this Plan, shall be deemed rejected and the entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such rejection pursuant to Sections 365(a) and 1123(b)(2) of the Bankruptcy Code.

9.4 Rejection Damage Claims. If the rejection of an executory contract or unexpired lease by the Debtor results in a claim for damages to the other party or parties to such contract or lease, any claim for such damages, if not heretofore evidenced by a filed proof of claim, shall be forever barred and shall not be enforceable against the Debtor's Estate, or its respective properties or agents, successors or assigns, unless a proof of claim is filed with the Bankruptcy Court and served upon counsel for the Debtor on or before the earlier of, 30 days after entry of the Order approving the rejection of the contract or unexpired lease, if such rejection is granted before

Confirmation Date, or 30 days after Confirmation Date if the Confirmation Order constitutes approval of the rejection. Unless otherwise ordered by the Court or provided in the Plan, all such Allowed Claims for which proofs of claim are timely filed will be treated as General Unsecured Claims subject to the provisions of the Plan and to Section 502(b)(6) of the Bankruptcy Code, to the extent applicable. The Debtor shall have the right to object to any such rejection damage claims filed in accordance with this Section.

9.5 There are no post-petition Allowed Claims concerning rejected leases. Nevertheless any possible claim for this concept shall be treated as a Class 1 Administrative claim.

9.6 Post-Petition Agreements Unaffected By Plan. Except as otherwise expressly provided herein, nothing contained in the Plan shall alter, amend or supersede any agreements or contracts entered into by the Debtor after the Petition Date that were otherwise valid, effective and enforceable against the Debtor as of the Confirmation Date.

ARTICLE X PROOF OF CLAIMS NOT FILED

The Plan provides that where a proof of claim has not been filed, the Allowed Claim shall be in the amount appearing in the Schedules filed by the Debtor, provided however, that the scheduled amount is not shown as unliquidated, contingent or disputed, in which case no amount will be allowed. To the extent that no debt was listed by the debtor in its Schedules, no amount will be provided for claimants who have not filed proof of claims.

ARTICLE XI OBJECTIONS TO CLAIMS

The Debtor, at the option of the Debtor or upon order of the Bankruptcy Court, if requested, may file an objection to any claim as to its validity or amount within 45 days prior to the Confirmation Hearing. If an objection is made, payment to such claimants will be made only after the entry of a final order by the Court allowing such claim and in accordance with the provisions of the Plan governing such class to which such claims belongs.

**ARTICLE XII
CONDITIONS PRECEDENT TO CONSUMMATION**

Before consummation of the Plan takes place, the Confirmation Order shall have become a final order.

**ARTICLE XIII
NON ACCEPTANCE OF THE PLAN
(Cramdown)**

If all applicable requirements of 11 U.S.C. § 1129(a), other than subsection (a)(8), are met with respect of to the Plan, the Debtor hereby requests that the Court confirm this Plan notwithstanding the requirements of said section, if it does not discriminate unfairly and is fair and equitable with respect to each class of claims or interests that is impaired under and has not accepted this Plan.

**ARTICLE XIV
MEANS OF EXECUTION OF THE PLAN, RISK FACTORS
and
MANAGEMENT OF DEBTOR**

The Debtor is proposing a Plan of Reorganization, by the Debtor in Possession. This Plan of Reorganization under Debtor's own execution shall be substantially supported by Debtor's operations, the collection of the account receivables (See Exhibit 7 for detail of account receivables, collectability, identification of insiders and actions taken to collect) and the sale of all assets not necessary for its reorganization, including but not limited to the asphalt plants and permits related to the location of Toa Alta (already sold) and Hatillo- (a notice of sale has already been filed) and the real estate and asphalt plant located at Guayama, Puerto Rico.

The Debtor shall generate revenue by continue the operations of the asphalt plant located at Canóvanas, Puerto Rico and all new paving projects obtained during the term of the plant for the private and public sector. Debtor's current operations at Canóvanas are mostly the sale of hot mix asphalt on retail. The Canóvanas Plant has a capacity to produce 180 ton/hr. which represent a capability of 223,074 ton/ per year. In a very conservative fashion, the Debtor is considering a productivity of only 60,000 ton/year approx. i.e. 27% of the capability of the Canóvanas Plant. At an average sale price of \$100.00 / ton, the Debtor is forecasting \$6,000,000 gross income per year.

After the effective date of the plan, the Debtor shall be managed by its current team of officers and directors: Alfonso Rodríguez, shall continue acting as President and Treasurer. Mr. Alfonso Rodriguez is an employee of the Debtor and shall continue receiving the compensation of \$7,000 per month plus car allowance and other employee benefits. Mr. Luis Rodriguez and Mr. Jaime Rodriguez shall continue as Vice-President and Secretary respectively. These officers will receive a \$150.00 payment each for each meeting as an officer fee. Furthermore, LRG Investment Group, Inc. will continue to retain its shares in the reorganized Debtor.

Despite the severe downturn in its operations since 2008, the Debtor has been able to reinstate the operation of the Canovanas plant and obtain new sales for the private and public sector. The Debtor is confident that it will continue to generate new contracts in order to fulfill its obligations under the plan and operate at a profit. Furthermore, the Debtor will continue to market the assets listed above in order to sell them for additional funding under the plan for the benefit of creditors.

The Risk Factors for this Plan of Reorganization include an additional, sudden, and precipitous decline in the local construction business and paving market in Puerto Rico. Another possible risk factor for this plan includes those inherent to the litigation related to collection of its account receivables. Other risk factors are specified in notes to **Exhibit 5, supra**, the Assumptions and Risks explaining the Debtor's projections.

ARTICLE XV PROVISIONS FOR THE MODIFICATION OF THE PLAN

The Debtor may propose amendments or modifications of the Plan at any time prior to its confirmation, upon notice to creditors and parties in interests. After confirmation of the Plan, the Debtor may, with the approval of the Court and as long as it does not adversely affect the interests of the creditors, remedy any defect or omission, in such manners as may be necessary to carry out the purposes and effects of the same.

ARTICLE XVI CLOSING OF THE CASE

At such time as the case has been substantially consummated, this case shall be closed. In order for the case to be closed, the Debtor shall file an application for final decree showing that

the case has been fully administered and the Plan has been substantially consummated. The Court shall conduct a hearing upon application thereon and after notice to all creditors and parties in interests. Thereafter an order approving the Debtor' report and closing the case, shall be entered.

**ARTICLE XVII
RELEASE AND DISCHARGE OF CLAIMS**

17.1 Discharge. On the effective date of the Plan, the Debtor shall be discharged from any debt that arose before confirmation of the Plan, subject to the occurrence of the effective date, to the extent specified in § 1141(d)(1)(A) of the Bankruptcy Code, except that the Debtor shall not be discharged of any debt (i) imposed by the Plan, (ii) of a kind specified in § 1141(d)(6)(A) if a timely complaint was filed in accordance with Rule 4007(c) of the Federal Rules of Bankruptcy Procedure, or (iii) of a kind specified in § 1141(d)(1)(B). After the effective date of the Plan all pre-petition claims against the Debtor will be limited to the debts described in clauses (i) through (iii) of the preceding sentence. 17.2 Injunction Relating to the Plan. As of the Effective Date, all Persons are hereby permanently enjoined from commencing or continuing, in any manner or in any place, any action or other proceeding, whether directly, indirectly, derivatively or otherwise against the Debtor and/or its Estate, on account of, or respecting any Claims, debts, rights, Causes of Action or liabilities discharged pursuant to the Plan, except to the extent expressly permitted under the Plan or under any specific order entered by the Bankruptcy Court.

Nevertheless, due to the fact that the Debtor holds licenses issued by the Nuclear Regulatory Commission it must be disclosed that no provision under the Disclosure Statement,

the Plan of Reorganization or the Confirmation Order shall be considered to discharge, release or preclude: (i) any environmental liability to a governmental unit as defined in 11 U.S.C. § 101(27) (“Governmental Unit”) that is not a claim as defined in 11 U.S.C. §101(5); (ii) any environmental Claim of a Governmental Unit arising on or after the Confirmation Date; (iii) any environmental liability to a Governmental Unit on the part of any entity as the owner or operator of property after the Confirmation Date; or (iv) any environmental liability to a Governmental Unit on the part of any Person other than the Debtors or Reorganized Debtors. Nor shall anything in this Order or the Plan enjoin or otherwise bar a Governmental Unit from asserting or enforcing, outside of this Court, any liability described in the preceding sentence. “

17.3 Setoffs. Except as otherwise provided in this Plan, nothing contained in this Plan shall constitute a waiver or release by the Estate of any rights of setoff the Estate may have against any Person.

ARTICLE XVIII OTHER PROVISIONS

Confirmation of the Plan and the Confirmation Order will vest title of all property of the Estate in Debtor and will constitute final settlement of payment to all creditors.

All injunctions or stays provided for in the bankruptcy case at bar under Sections 105 or 362 of the Bankruptcy Code (11 U.S.C.), or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

All claims against Debtor of whatever nature, including any claim arising from the rejection of any executory contract, or any other action, shall be bound by the provisions of this Plan.

Any holder of a claim or interest who fails to file an objection in writing to the provisions of the Plan, which is filed with the Court and served upon counsel for the Debtor, not later than the date set for the confirmation of the plan, shall be deemed to have accepted its classification and to be bound by the proposed Plan.

All actions taken by the Debtor with respect to any person shall not be construed to release, waive, discharge, compromise or in any other way satisfy any claim, except those subject to any agreement between the parties.

Upon completion of the requirements of the Plan and the order of confirmation, the Debtor and /or the claimant shall execute all corresponding documents and cooperate fully to reflect, release and / or reaffirm all the obligations herein provided.

The Plan shall become effective upon the Effective Date of the Plan, which is 30 days after the order confirming the plan becomes a final order and shall be the date on which there shall be made all initial cash payments under the plan.

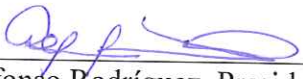
To the extent that any term of this Disclosure Statement varies from the terms of the Plan, the terms of the Plan shall govern.

ARTICLE XIX

RETENTION OF JURISDICTION

The Bankruptcy Court shall retain jurisdiction over this case as is conferred upon it by law, rule or statute, or by the Plan, to enable the Debtor to substantially consummate any and all proceedings which it may bring before or after the entry of the order of confirmation, in order to carry out the provisions of the Plan and or any related matter.

RESPECTFULLY SUBMITTED, in San Juan, Puerto Rico, this 26th day of June 2012.



Alfonso Rodríguez, President,
Alco Corporation

I HEREBY CERTIFY that on this date, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF System, which will send notification of such filing to the parties appearing in said system including the US Trustee and to all those parties who has requested a copy and are not within the electronic service, by first class United States Postal Mail Service.

C. CONDE & ASSOC.

Attorney for Debtor

San Jose Street #254, 5th Floor

San Juan, PR 00901-1253

Tel: (787) 729-2900

Fax: (787) 729-2203

Email: condecarmen@microjuris.com

/s/ Carmen D. Conde Torres

Carmen D. Conde Torres, Esq.

USDC No.: 207312