

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF PUERTO RICO**

IN RE:

CARABEL EXPORT & IMPORT, INC.

Debtor

CASE NO. 08-08956 (ESL)

CHAPTER 11

DISCLOSURE STATEMENT

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I. INTRODUCTION

Pursuant to Section 1125 of the United States Bankruptcy Code, 11 U.S.C. §101, *et seq.* (the "Bankruptcy Code"), Carabel Export & Import, Inc., debtor and debtor-in-possession in the above captioned consolidated case ("Debtor"), provides its disclosure statement (the "Disclosure Statement") to all of Debtor's known creditors. The purpose of the Disclosure Statement is to provide such information as Debtor believes may be deemed necessary for Debtor's creditors to make an informed decision in exercising their rights to vote on Debtor's Plan of Reorganization (the "Plan"), dated as of the date of the Disclosure Statement. The Plan, a copy of which accompanies the Disclosure Statement as **EXHIBIT A**, is being filed with the Bankruptcy Court simultaneously herewith.

Debtor recommends that you vote to accept the Plan. Each creditor must, however, review the Plan and the Disclosure Statement carefully, including all exhibits in their entirety, and determine whether or not to accept or reject the Plan based upon that creditor's independent judgment and evaluation. The description of the Plan in the Disclosure Statement is in summary form and is qualified by reference to the actual terms and conditions of the Plan, which should be reviewed carefully before making a decision to accept or reject the Plan. Capitalized terms not otherwise defined herein have the same meaning as set forth in the Plan, other terms shall have the meaning ascribed to them in the Bankruptcy Code.

The information contained in the Disclosure Statement has been provided by Debtor based upon Debtor's knowledge of its records, business and affairs. Except as otherwise expressly indicated herein, the information provided in the Disclosure Statement has not been subject to an audit or independent review. Although great

efforts have been made to be accurate, Debtor, its counsel and other professional advisors do not warrant the accuracy of the information contained herein.

The Disclosure Statement has not yet been approved by the Bankruptcy Court as providing information deemed adequate to permit Debtor's creditors to make an informed judgment in exercising their right to vote for or against the Plan.

No representations concerning Debtor, including the value of its assets, or the aggregate dollar amount of claims which may be allowed are authorized other than as set forth in the Disclosure Statement. Any representations, warranties or agreements made to secure acceptance or rejection of the Plan by Debtor's creditors that differ from those contained in the Disclosure Statement should not be relied upon in voting on the Plan.

Debtor believes that the Plan provides the quickest recovery in accordance to the order of distribution set forth in Section 726 of the Bankruptcy Code.

ACCORDINGLY, DEBTOR URGES ALL CREDITORS TO VOTE IN FAVOR OF THE PLAN.

II. SUMMARY OF THE PLAN

The Plan specifies the manner in which the Claims and Interest are to be treated. Allowed Administrative Expense Claims and Allowed Priority Tax Claims are not classified for purposes of voting under the Plan, but the Plan does provide for the treatment of such Claims. The table below provides a summary of the treatment of those claims and of the various Classes of Claims against Debtor, as well as the interest in Debtor. To the extent that the terms of the Disclosure Statement vary from those of the Plan, the terms of the Plan will control.

Description Of Claim	Class	Estimated Amount of Allowed Claim	Treatment Under the Plan/Estimated Recovery Under the Plan
Holders of Allowed Administrative Expense Claims	N/A	\$1,013,056.17	<p>Impaired.</p> <p>Estimated Recovery: 45%</p> <p>Except as otherwise agreed to by Debtor and the holder of an Allowed Administrative Expense Claim, excluding professional fees but including certain withholding and sales and use taxes, on the Effective Date, each such holder shall be paid pro-rata in cash from the \$300,000.00 carve out established by Continental Tiles, Inc. ("Continental") and Westernbank Puerto Rico ("Westernbank") on the Effective Date.</p>
Holders of Allowed Professional Fees Administrative Expense Claims	N/A	\$50,000.00	<p>Unimpaired.</p> <p>Estimated Recovery: 100%</p> <p>Except as otherwise agreed to by Debtor and the holder of an Allowed Professional Fees Administrative Expense Claim and any unpaid US Trustee Fees, each such holder shall be paid in full from the remaining balance of the \$90,000.00 carve out established by Westernbank on the date such Claim becomes due in accordance with its terms.</p>
Holders of Allowed Pre-petition Priority Tax Claims	N/A	\$ 8,863,568.96	<p>Impaired.</p> <p>Estimated Recovery: 0%</p> <p>Holders of Allowed Pre-petition Priority Tax Claims will not receive any dividends under the Plan.</p>
Holders of Allowed Other Pre-petition Priority Claims	Class 1	\$28,015.58	<p>Impaired.</p> <p>Estimated Recovery: 0%</p> <p>Holders of Allowed Other Pre-petition Priority Claims will not receive any dividends under the Plan.</p>
The claim of Westernbank secured by substantially all of Debtor's assets.	Class 2	Estimated: \$18,541,094.83	<p>Impaired.</p> <p>Estimated Recovery: 35%</p> <p>Westernbank will receive the proceeds of the sale of Debtor's assets to Continental, as approved by the Court on May 15, 2009, amounting to \$6,500,000.00, plus any funds arising from Debtor's accounts receivable and Debtor's balance of available cash.</p>
The Claim of Firstbank Puerto Rico ("Firstbank") secured by a 2001 Ocean Yacht 48' model Super Sport,	Class 3	\$422,028.28	<p>Impaired.</p> <p>Estimated Recovery: Undetermined</p> <p>As per the settlement agreement between Debtor and Firstbank dated August 13, 2009, Debtor has agreed to surrender Firstbank's collateral thereto. Any deficiency on Firstbank's claim will be dealt with under Class 5 below.</p>

Official Number 1107603, named <i>Pekkita</i>			
The Claim of Popular Auto secured by a Polishing Machine, Marmo Meccanica 2006, Model CT522	Class 4	\$79,427.46	Impaired. Estimated Recovery: Undetermined On or before the Effective Date Debtor will surrender the Polishing Machine to Popular Auto. Any deficiency on Popular Auto's Claim will be dealt with under Class 5 below.
Holders of Allowed General Unsecured Claims, including pre-petition allowed claims of landlords and parties to executory contracts whose lease contracts were rejected.	Class 5	\$34,384,544.56	Impaired. Estimated Recovery: 0% Holders of Allowed General Unsecured Claims will not receive any dividends under the Plan.
Interest in Debtor	Class 6	N/A	Impaired. The 100% common shares of Debtor held by Mercedes Rivera Auffant will be canceled on the Effective Date.

For a more detailed description of the treatment of the foregoing classes of Claims and Interest, see, "Treatment of Claims and Interest Under the Plan".

The Disclosure Statement has been prepared by Debtor to provide creditors with adequate information in order that they can make an informed judgment about the Plan. Each creditor should read the Disclosure Statement and the Plan in their entirety before voting on the Plan. No solicitation of votes on the Plan may be made except pursuant to the Disclosure Statement and no person has been authorized to utilize any information concerning Debtor's assets other than the information contained herein for purposes of solicitation.

III. INFORMATION ABOUT THE REORGANIZATION PROCESS

3.1 Purpose of a Disclosure Statement

This Disclosure Statement includes background information about Debtor and identifies the classes into which creditors have been placed by the Plan. The Disclosure Statement describes the proposed treatment of each of those classes if the Plan is confirmed. In addition, it contains information concerning the prospects in the event of confirmation or, in the alternative, the prospects if confirmation is denied or the proposed Plan does not become effective.

Upon its approval by the Bankruptcy Court, the Disclosure Statement and the Exhibits thereto will have been found to contain, in accordance with the provisions of the Bankruptcy Code, adequate information of a kind and in sufficient detail to enable a reasonable, hypothetical investor, typical of a holder of an impaired claim or an interest to make an informed judgment about the Plan. Approval of the Disclosure Statement, however, does not constitute a recommendation by the Bankruptcy Court either for or against the Plan.

3.2 Voting Procedure

All creditors entitled to vote on the Plan may cast their votes for or against the Plan by completing, dating, signing and causing the Ballot Forms accompanying the Disclosure Statement as **EXHIBIT B1, B2 and B3**, to be returned to the following address:

**Carabel Export & Import, Inc.
c/o Charles A. Cuprill-Hernández, P.S.C., Law Offices
356 Fortaleza Street – Second Floor
San Juan, PR 00901**

The Ballots must be received **on or before 4:00 P.M. (Eastern Standard Time) on _____, 2009**, to be counted in the voting. Ballots received after this time will not be counted in the voting process unless the Bankruptcy Court so orders.

Debtor recommends a vote for "ACCEPTANCE" of the Plan.

3.3 Ballots

Pursuant to the provisions of the Bankruptcy Code, only classes of claims or equity interests which are "impaired" under the terms and provisions of a plan are entitled to vote to accept or reject such plan.

Members of Allowed Other Priority Claims, Class 1, Class 5 General Unsecured Creditors and the Interest Holder, Class 6 are impaired under the Plan, are deemed to have rejected the Plan and are not entitled to vote since the claims and interest of such Classes do not entitle the holders of such claims and interest to receive or retain any property under the Plan on account of such claim. Class 2, Westernbank, Class 3, Firstbank, and Class 4, Popular Auto, are also impaired under the Plan and entitled to vote. Westernbank, Firstbank and Popular Auto will be asked to vote for acceptance or rejection of the Plan.

3.4 The Confirmation Hearing

Pursuant to Sections 1125 (c) and 1128 of the Bankruptcy Code, the Bankruptcy Court has scheduled a hearing on the confirmation of the Plan to commence on _____, at _____ .M., or as soon thereafter as the parties can be heard. The Confirmation Hearing will be held before the Honorable Enrique S. Lamoutte, United States Bankruptcy Judge, in Courtroom 1, 300 Recinto Sur Street, San Juan, Puerto Rico 00901. At the Confirmation Hearing, the Bankruptcy Court will consider whether the Plan satisfies the various requirements of the Bankruptcy Code, including whether it is feasible and in the best interests of holders of claims and interest. The Bankruptcy Court will also receive and consider a Report of Plan Voting prepared by Debtor to be filed **no later than _____ at 4:00 P.M.**

(**EASTERN STANDARD TIME**), summarizing the votes for acceptance or rejection of the Plan by parties entitled to vote.

The Confirmation Hearing may be adjourned from time to time without further notice except for the announcement of the adjourned date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

At the Confirmation Hearing, with respect to the Plan, the Bankruptcy Court will (i) determine whether the requisite votes have been obtained for each Class, (ii) hear and determine objections, if any, to the Plan and to the confirmation of the Plan, that have not been previously disposed of, (iii) determine whether the Plan meets the confirmation requirements of the Bankruptcy Code, and (iv) determine whether to confirm the Plan.

Any objection to confirmation of the Plan must be in writing, filed and served as required by the Bankruptcy Court pursuant to the order approving the Disclosure Statement on the U.S Trustee and all parties having appeared and requested to be served with pleadings filed in the case.

3.5 Acceptances Necessary to Confirm the Plan

The vote of each holder of an impaired claim is important, since at the Confirmation Hearing and as condition to the confirmation of the Plan, the Bankruptcy Court must determine, among other things, whether each impaired Class with a right to vote has accepted the Plan. Under Section 1126 of the Bankruptcy Code, an impaired Class is deemed to have accepted the Plan if at least 2/3 in amount and more than 1/2 in number of the Allowed Claims of the Class members who actually cast ballots to accept or reject the Plan, accept the Plan. Further, unless there is acceptance of the Plan by all members of an impaired Class, the Bankruptcy Court must also determine that under the Plan, Class members will

receive property of a value, as of the Effective Date, that is not less than the amount that such Class members would receive or retain if Debtor were liquidated under Chapter 7 of the Bankruptcy Code on the Effective Date of the Plan.

3.6 Confirmation of the Plan Without the Necessary Acceptances

If a Class or Classes of impaired Claims entitled to vote do not accept the Plan, Debtor will request confirmation of the Plan under the "cram down" provisions of Section 1129(b) of the Bankruptcy Code, which permit confirmation, notwithstanding non-acceptance by one or more impaired classes, if the Bankruptcy Court finds that the Plan does not discriminate unfairly against and is fair and equitable as to each non-accepting Class, as long as at least one class of impaired creditors votes to accept the Plan. Section 1129(b) of the Bankruptcy Code requires among other things, that claimants must either receive the full value of their claims and if they receive less, that no Class with junior liquidation priority may receive anything. **THESE CALCULATIONS ARE BASED ONLY ON THE CLAIMS AMOUNTS AND NUMBER OF CREDITORS WHO ACTUALLY VOTE. ANY BALLOT THAT IS VALIDLY EXECUTED THAT DOES NOT CLEARLY INDICATE REJECTION OF THE PLAN, SHALL BE DEEMED TO CONSTITUTE A VOTE FOR ACCEPTANCE OF THE PLAN. THE VOTE OF EACH CREDITOR IS IMPORTANT.**

IV. GENERAL INFORMATION

4.1 Description of the Debtor.

Debtor is a domestic corporation formerly engaged in the retail sale and distribution of a variety of ceramic, marble and porcelain tiles, natural stone, stone slabs, products related to granite, marble, glue, grout and related products with its office at Road Number 1, Km. 24.5, San Juan, Puerto Rico, until May 15, 2009,

when substantially all of Debtor's assets, encumbered by Westernbank, were sold to Continental for \$6,500,000.00, as approved by the order of the Bankruptcy Court of May 15, 2009.

4.2 Historical Overview.

Debtor used to supply its products to commercial and residential markets, including contractors, architects, interior designers and decorators throughout Puerto Rico, the Caribbean and the Virgin Islands.

Debtor had eleven (11) stores throughout Puerto Rico for the retail sale of its products and eighty six (86) employees.

4.3 Events Preceding Debtor and its Affiliates' Chapter 11 Filings and Debtor and its Affiliates' Substantive Consolidation After Chapter 11.

During 2006 the economy of Puerto Rico was adversely affected by a diminution in construction and related economic activities, as well as by post-election activism between the two principal political parties, which further eroded any developmental activity. This political struggle resulted in a budgetary battle which culminated in a governmental shutdown, resulting in a stagnation of commercial activities in Puerto Rico.

On December 30, 2008, Debtor and its other affiliates, Quattro Group Corporation ("Quattro"), Architectural Materials Corporation ("ARC") and MHD Investments Corporation ("MHD") ("Debtors"), filed voluntary petitions for relief under the provisions of 11 U.S.C. Chapter 11, and as of that date Debtor has managed its affairs and operated its business as a debtor in possession, until the sale of the assets to Continental. Debtor continues as a debtor in possession pursuant to 11 U.S.C. §1107.

The United States Trustee convened the first meetings of creditors pursuant to Section 341 of the Bankruptcy Code in Debtor and its affiliates' cases on February 12, 2009. The Section 341 meetings were closed.

Pursuant to Debtor and its affiliates' request, on February 27, 2009, the Bankruptcy Court directed the substantive consolidation of Debtor and its affiliates with Debtor as the surviving entity.

4.4 Debtor's Post-Petition Endeavors.

Debtor sought and obtained Bankruptcy Court approval to retain Charles A. Cuprill, PSC Law Offices, as its bankruptcy counsel. Debtor also sought and obtained the Bankruptcy Court's approval to retain Luis R. Carrasquillo, CPA, as its accountant and financial consultant on all matters pertaining to its reorganization.

V. DESCRIPTION OF THE PLAN

The following is a summary of the significant provisions of the Plan and is qualified in its entirety by said provisions. A copy of the Plan accompanies this Disclosure Statement. In the event and to the extent that the description of the Plan contained in the Disclosure Statement is inconsistent with any provisions of the Plan, the provisions of the Plan shall control and take precedence. All creditors are urged to carefully read the Plan.

5.1 Unclassified Claims

In accordance with Section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims are not classified in the Plan. A description of the unclassified claims and the claims in each class, as well as the estimated principal amounts of each as of the Effective Date and their treatment, are set forth in the Plan and summarized in pages 5 and 6 above. Administrative

Expense Claims are generally the ordinary and necessary costs of administering and operating during a Chapter 11 case.

5.2 Administrative Expense Claims

Except as otherwise agreed to by Debtor and the holder of an Allowed Administrative Expense Claim, excluding professional fees but including certain withholding and sales and use taxes, each such holder shall be paid *pro-rata* in cash from the \$300,000.00 carve out established by Continental Tiles, Inc. ("Continental") and Westernbank Puerto Rico ("Westernbank") on the Effective Date. If Debtor disputes any portion of any such Administrative Expense Claim, Debtor shall pay such Claim *pro-rata* within thirty (30) days after the entry of a Final Order with respect to the allowance of such disputed Administrative Expense Claim. Debtor will reserve the necessary funds to meet these payments. Debtor estimates these claims in \$1,013,056.17.

5.3 Professional Fee Claims

The professionals retained in the Chapter 11 case by Debtor have and will incur fees and expenses from the date of their retention through the Effective Date of the Plan. Pursuant to orders of the Bankruptcy Court, certain professionals have been paid interim fees and expenses. As of the filing of this Disclosure Statement, Debtor has paid approximately \$155,472.00 in fees and expenses to professionals. Debtor estimates that additional Allowed Professionals Fee Claims will aggregate around \$43,500.00 to be paid from the remaining balance of the \$90,000.00 carve out for unpaid services rendered and expenses incurred up to the Effective Date of the Plan. All amounts paid to professionals through the Effective Date of the Plan, including interim fees and expenses already paid are subject to final Bankruptcy Court approval.

5.4 Pre – Petition Priority Tax Claims

Priority Tax Claims are Claims entitled to priority pursuant to Section 507(a)(8) of the Bankruptcy Code. Such Priority Tax Claims consist of income, real estate and other miscellaneous taxes accrued prior to the Petition Date.

The estimated potential Priority Tax Claims are listed in **EXHIBIT C** in the amount of \$8,863,568.96. There will not be any distribution to Priority Tax Claimants.

5.5 Classes of Claims and Equity Interest

As of the Petition Date, Debtor had priority and non-priority unsecured debt, and secured debt, as more particularly described below. The Plan classifies the various claims against Debtor. A description of all classes of Claims and the Equity Interest, the estimated principal amount of each Class as of the Effective Date and its treatment are set forth below as follows:

Class 1 - Other Pre-petition Priority Claims. Class 1 shall consist of all Allowed Other Pre-petition Priority Claims, including priority claims under section 503 (b) (9), arising from reclamation claims under section 546 (c) of the Bankruptcy Code, excepting administrative expenses, including the fees of professionals, and Tax Claims. These claims are estimated in \$28,015.58.

Class 2 - Secured Claim of Westernbank. Class 2 shall consist of the Allowed Claim of Westernbank secured by substantially all of Debtor's assets. This claim is estimated in \$18,541,094.83.

Class 3 - Secured Claim of Firstbank. Class 3 shall consist of the Claim of Firstbank secured by a 2001 Ocean Yacht 48' model Super Sport,

Official Number 1107603, named *Pekkita*. This claim is estimated in \$422,028.28.

Class 4 – Secured Claim of Popular Auto. Class 4 shall consist of the Claim of Popular Auto secured by a Polishing Machine, Marmo Meccanica 2006, Model CT522. This claim is estimated in \$79,427.46.

Class 5 - General Unsecured Claims. Class 5 shall consist of holders of Allowed General Unsecured Claims, including pre-petition allowed claims of landlords and parties to executory contracts whose lease contracts were rejected and the unpaid balance of Westernbank Secured Claim. These claims are estimated in \$34,384,544.56.

Class 6 - Interest in Debtor. Class 6 shall consist of the shares of Debtor's common shares held by Mercedes Rivera Auffant.

5.6 Treatment of Claims.

Class 1 – Other Pre-petition Priority Claims

(a) Impairment and Voting. Class 1 is impaired under the Plan and will not receive any dividends thereunder. Holders of Allowed Other Pre-petition Priority Claims are conclusively presumed to have rejected the Plan and are not entitled to vote to accept or reject the Plan.

(b) Distribution. None

Class 2 - Secured Claim of Westernbank

(a) Impairment and Voting. Class 2 is impaired under the Plan. Westernbank will be entitled to vote to accept or reject the Plan.

(b) Distribution. Westernbank will receive the proceeds of the sale of Debtor's assets to Continental, as approved by the Court on May 15, 2009, amounting to \$6,500,000.00, plus any funds arising from Debtor's accounts

receivable and Debtor's balance of available cash. The balance of Westernbank's claim for \$18,541,094.83 is dealt with under Class 5 as a General Unsecured Claim.

Class 3 – Secured Claim of Firstbank

(a) Impairment and Voting. Class 3 is impaired under the Plan. Firstbank will be entitled to vote to accept or reject the Plan.

(b) Distribution. As per the settlement agreement between Debtor and Firstbank dated August 13, 2009, Debtor has agreed to surrender Firstbank's collateral thereto. Any deficiency in Firstbank's claim will be dealt with under Class 5 as a General Unsecured Claim.

Class 4 – Secured Claim of Popular Auto

(a) Impairment and Voting. Class 4 is impaired under the Plan. Popular Auto will be entitled to vote to accept or reject the Plan.

(b) Distribution. On or before the Effective Date, Debtor will surrender Popular Auto's collateral thereto. Any deficiency in Popular Auto's Claim will be dealt with under Class 5 as a General Unsecured Claim.

Class 5 – General Unsecured Claims

(a) Impairment and Voting. Class 5 is impaired under the Plan. Holders of Allowed General Unsecured Claims against Debtor will not receive any dividends under the Plan and will not be entitled to vote to accept or reject the Plan.

(b) Distribution. None

Class 6 – Interest in Debtor

(a) Impairment and Voting. Class 6 is impaired under the Plan. The holder of the Equity Interest in Debtor, Mercedes Rivera Auffant, will not be entitled to vote to accept or reject the Plan. Her shares will be cancelled on the Effective Date.

(b) Treatment. None.

5.7 Means for Implementation of the Plan

Except as otherwise provided in the Plan, on the Effective Date, Debtor will effect the *pro-rata* payment of Administrative Expense Claims and the Administrative Withholding and Sales and Use Taxes, excluding professional fees, from the \$300,000.00 carve out established by Continental and Westernbank. The Secured Claim of Westernbank will be paid from the net proceeds of the sale of substantially all of Debtor's assets to Continental, the Secured Claim of Firstbank will be paid as per the settlement agreement between Debtor and Firstbank, which stipulates that Debtor will surrender Firstbank's collateral thereto, consisting of a 2001 Ocean Yacht 48' model Super Sport, Official Number 1107603, named *Pekkita*, and the Secured Claim of Popular Auto will be paid by the surrendering of Popular Auto's collateral thereto consisting of a Polishing machine, Marmo Meccanica 2006, Model CT522.

Pending professional and U.S. Trustee's fees will be paid from the remaining balance of the \$90,000.00 carve out agreed to with Westernbank. **Exhibit D** hereto provides a summary of the claims against Debtor and the distributions to be made under the Plan.

5.8 Debtor's Post Confirmation Activities

After confirmation of the Plan and the distribution as aforesaid, there will not be any further activities on Debtor's part and hence, no management or employees.

5.9 Executory Contracts and Unexpired Leases

Any remaining 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 and assigned 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 on the Confirmation Date, shall be deemed rejected on the Effective Date, 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.

If the rejection of such an executory contract or unexpired lease results in a claim for damages by the other party or parties to such contract or lease, any claim for such damages, if not evidenced by a filed proof of claim, shall be forever barred and shall not be enforceable against the Estate, or its properties, its agents, successors, or assigns, unless a proof of claim is filed with the Bankruptcy Court and served upon counsel for Debtor and the Creditors Committee on or before forty-five (45) days following the Confirmation Date. Debtor retains the right to further object to any rejection damages claims filed in accordance with this Section.

VI. LIQUIDATION AND FINANCIAL ANALYSIS

6.1 Best Interest of Creditors and Comparison with Chapter 7 Liquidation

In the event Debtor's Chapter 11 case is converted to Chapter 7 of the Bankruptcy Code, a Chapter 7 Trustee will be appointed to liquidate the Estate's assets pursuant to the provisions of the Bankruptcy Code, after attending to the resolution of any issues involving Debtor, the Chapter 7 Trustee will proceed with the distribution of the \$300,000.00 carve out from which fees of the Chapter 7 Trustee and those of any professionals retained by the Chapter 7 Trustee will be deducted, as well as other Chapter 7 administrative expenses, resulting in less funds available for the present administrative claimants to be paid *pro-rata* from the \$300,000.00 carve out established by Westernbank and Continental.

In the event of a liquidation of Debtor's assets under Chapter 7, there would be a diminution of the funds available for distribution, taking into account the Chapter 7 costs of administration and the Chapter 7 Trustee's fees.

6.2 Pending Litigation and Other Liabilities

On the Petition Date, Debtor was a defendant in certain cases before the Court of First Instance of Puerto Rico, Superior Sections of Bayamón and San Juan consisting of *Westernbank Puerto Rico v. Carabel Export & Import, Inc. et als*, Civil Case No. KCD 2008-0007, and *Carpets & Rugs Warehouse, Inc. v. Carabel Export & Import*, Civil Case No. KCD 2006-0618. These cases were stayed upon the filing of the Chapter 11 petitions. In addition, Debtor was a defendant in the case of *Ismael Torres v. Carabel Export & Import, Inc.*, Case Number 07-2203 (FAB), before the United States District Court for the District of Puerto Rico, which was also stayed.

6.3 Leases and Contracts

As of the Petition Date, Debtor was a party to various unexpired leases and executory contracts, as set forth in Schedule G to Debtor's Chapter 11 petition, all of which were rejected pursuant to the order of the Bankruptcy Court of May 15, 2009, approving the sale of substantially all of Debtor's assets to Continental.

VII. BAR DATE AND DETERMINATION OF CLAIMS

7.1 Bar Date

On December 31, 2009, in the "Notice of Chapter 11 Bankruptcy Case, Meeting of Creditors and Deadlines" in Debtor's case, the Bankruptcy Court fixed April 30, 2009, as the bar date for the filing of proofs of claims and interests (except for Governmental Units), and June 29, 2009, for such filings by Governmental Units.

VIII. CONCLUSION

Debtor also believes that the Plan is fair and reasonable, in the best interest of the Estate and Creditors, and offers the best possible recovery for secured creditors Westernbank and Firstbank, and the administrative claimants as set forth above. Debtor therefore, urges Westernbank, Firstbank and Popular Auto to vote in favor of the Plan.

Dated: August 27, 2009.



Mercedes Rivera Auffant
President

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF PUERTO RICO**

IN RE:

CARABEL EXPORT & IMPORT, INC.

Debtor

CASE NO. 08-08956 (ESL)

CHAPTER 11

PLAN OF REORGANIZATION

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CARABEL EXPORT & IMPORT, INC. ("Debtor") hereby proposes the following Plan of Reorganization (the "Plan") under Section 1121 of Title 11 of the United States Code.

ARTICLE I

DEFINITIONS AND CONSTRUCTION OF TERMS

For purposes of this Plan, the following terms shall have the meanings specified in this Article I. A term used but not defined herein, which is also used in the Bankruptcy Code, shall have the meaning ascribed to that term in the Bankruptcy Code. Wherever from the context it appears appropriate, each term stated shall include both the singular and the plural, and pronouns shall include the masculine, feminine and neuter, regardless of how stated. The words "herein," "hereof," "hereto," "hereunder" and other words of similar import refer to the Plan as a whole and not to any particular Section, sub-Section or clause contained in the Plan. The rules of construction contained in Section 102 of the Bankruptcy Code shall apply to the terms of the Plan. The headings in the Plan are for convenience of reference only and shall not limit or otherwise affect the provisions hereof.

"Administrative Claim" shall mean a Claim that is Allowed under Section 503(b) of the Bankruptcy Code and that is entitled to priority under Section 507(a)(1) of the Bankruptcy Code, including, without limitation:

- (a) fees and expenses of Professionals Allowed pursuant to a Final Order entered under Sections 330, 331, or 503 of the Bankruptcy Code, and
- (b) all fees and charges assessed against the Estate pursuant to 28 U.S.C. §1930.

"Allowed" shall mean, with reference to any Claim:

(a) a Claim that has been listed by the Debtor in its Schedules, as amended, and (i) is not listed as disputed, contingent or unliquidated, and (ii) is not a Claim as to which a proof of claim has been filed;

(b) a Claim as to which a timely proof of claim has been filed by the Bar Date and either (i) no objection thereto, or application to estimate, equitably subordinate or otherwise limit recovery, has been made on or before any applicable deadline, or (ii) if an objection thereto, or application to estimate, equitably subordinate or otherwise limit recovery has been interposed, the extent to which such Claim has been Allowed (whether in whole or in part) by a Final Order;

(c) a Claim arising from the recovery of property under Section 550 or 553 of the Bankruptcy Code and Allowed in accordance with Section 502(h) of the Bankruptcy Code; or

(d) any Claim expressly Allowed under the Plan or pursuant to the Confirmation Order.

"Bankruptcy Case" shall mean the Debtor's Chapter 11 case pending in the Bankruptcy Court.

"Bankruptcy Code" shall mean Title 11 of the United States Code, as amended from time to time, as applicable to the Bankruptcy Case.

"Bankruptcy Court" shall mean the United States Bankruptcy Court for the District of Puerto Rico where the Bankruptcy Cases are pending.

"Bankruptcy Rules" shall mean the Federal Rules of Bankruptcy Procedure as promulgated under 28 U.S.C. §2075, and any local rules of the Bankruptcy Court.

"Bar Dates" shall mean April 30, 2009, fixed as the due date for the filing of proofs

of claim by creditors asserting Claims against Debtor, other than governmental units, and by governmental units, June 29, 2009, as stated in the "Notice of Chapter 11 Bankruptcy Case, Meeting of Creditors and Deadlines" dated December 31, 2008, issued by the Clerk of the Bankruptcy Court in Debtor's Bankruptcy Case, or otherwise be forever barred from asserting a Claim against Debtor or its property and from voting on the Plan and/or sharing in distributions under the Plan.

"Business Day" shall mean any day other than a Saturday, Sunday or legal holiday recognized in the Commonwealth of Puerto Rico.

"Cash" shall mean lawful currency of the United States of America (including wire transfers, cashier's checks drawn on a bank insured by the Federal Deposit Insurance Corporation, certified checks and money orders).

"Cash Equivalents" shall mean equivalents of Cash in the form of readily marketable securities or instruments issued by a Person other than the Debtor or an affiliate of the Debtor, including, without limitation, readily marketable direct obligations of, or obligations guaranteed by the United States of America, commercial paper of domestic corporations carrying a Moody's Rating of "A" or better, or equivalent rating of any other nationally recognized rating service, interest-bearing certificates of deposit, or other similar obligations of domestic banks or other financial institutions having a shareholders' equity or equivalent capital of not less than Two Hundred Million Dollars (\$200,000,000.00).

"Claim" shall mean a claim against a Person or its property as defined in Section 101(5) of the Bankruptcy Code, including, without limitation, (i) any right to payment, whether or not such right is reduced to judgment, and whether or not such right is liquidated, unliquidated, fixed, contingent, matured, unmatured,

disputed, undisputed, legal, equitable, secured or unsecured; or (ii) any right to an equitable remedy for breach of performance, if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, or is fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

"Claims Objection Bar Date" shall mean the later of (1) the date that such claim becomes due and payable in accordance with its terms or thirty (30) days before the first date fixed by the Bankruptcy Court for the hearing on the confirmation of Debtor's Plan.

"Claims Objection" means the objections to claims that have been or may be filed against the Holders (or purported Holders) of Claims.

"Class" shall mean those classes designated in Article III of the Plan.

"Collateral" shall mean (a) any property or interest in property of the Estate subject to a Lien to secure the payment or performance of a Claim, which Lien is not subject to avoidance or otherwise invalid under the Bankruptcy Code or applicable law.

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

"Confirmation Order" shall mean the order of the Bankruptcy Court confirming the Plan pursuant to the provisions of the Bankruptcy Code.

"Contingent or Unliquidated Claim" shall mean any Claim for which a proof of claim has been filed with the Bankruptcy Court but which was not filed in a sum certain, or which has not occurred and is dependent upon a future event that has not occurred or may never occur, and which has not been Allowed.

"Debtor" shall mean Carabel Export & Import, Inc.

"Disclosure Statement" shall mean the disclosure statement relating to the Plan, including, without limitation, all exhibits and schedules thereto, in the form approved by the Bankruptcy Court pursuant to Section 1125 of the Bankruptcy Code.

"Disputed Claim" shall mean:

(a) if no proof of claim relating to a Claim has been filed, a claim that is listed in the Schedules as unliquidated, disputed or contingent; or

(b) if a proof of claim relating to a Claim has been filed, a Claim as to which a timely objection or request for estimation, or request to equitably subordinate or otherwise limit recovery in accordance with the Bankruptcy Code and the Bankruptcy Rules has been made, or which is otherwise disputed by the Debtor in accordance with applicable law, which objection, request for estimation, action to limit recovery or dispute has not been withdrawn or determined by Final Order; or

(c) a Claim which is a Contingent or Unliquidated Claim.

"Disputed Claim Amount" shall mean the amount set forth in the proof of claim relating to a Disputed Claim or an amount estimated pursuant to an order of the Bankruptcy Court in respect of a Disputed Claim in accordance with Section 502(c) of the Bankruptcy Code.

"Disputed Claims Reserve" shall have the meaning set forth in Section 5.6 hereof.

"Distribution Record Date" shall mean the Business Day preceding the Effective Date.

"Effective Date" shall mean the date which is thirty (30) days after the Confirmation Date, or if such date is not a Business Day, the next succeeding Business Day; provided, however, that if, as of such date, all conditions precedent to the occurrence of the Effective Date set forth in Article IX of the Plan have not been satisfied or waived pursuant to Section 9.2 of the Plan, then the first Business Day immediately following the day upon which all such conditions have been satisfied or waived.

"Equity Holder" shall mean Mercedes Rivera Auffant, Debtor's president and holder of the Equity Interest in Debtor.

"Equity Interest" shall mean the interest of the holder of common equity securities of Debtor, and all options, warrants and rights, contractual or otherwise, to acquire any such equity securities in Debtor, as such interest exists immediately prior to the Effective Date.

"Estate" shall mean the estate created in the Bankruptcy Case pursuant to Section 541 of the Bankruptcy Code.

"Final Decree" shall mean the order of the Court closing Debtor's case after Debtor's estate is fully administered.

"Final Order" shall mean an order or judgment which has not been reversed, stayed, modified or amended and, as to which (i) the time to appeal or seek review or rehearing has expired and no appeal or petition for *certiorari*, review or rehearing is pending, or (ii) if an appeal, review, re-argument or *certiorari* of the order has been sought, the order has been affirmed or the request for review, re-argument or *certiorari* has been denied and the time to seek a further appeal, review, re-argument or *certiorari* has expired, and as a result of which such order

shall have become final and non-appealable in accordance with applicable law; provided, however, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be filed with respect to such order shall not cause such order not to be a Final Order.

"Firstbank" shall mean Firstbank Puerto Rico.

"General Unsecured Claim" shall mean a Claim that is not a Secured Claim or that is not entitled to priority of payment under Section 507 of the Bankruptcy Code.

"Holder" shall mean a Person or Entity who holds a Claim or Interest.

"Internal Revenue Code" shall mean Title 26 of the United States Code, as amended from time to time.

"Lien" shall have the meaning set forth in Section 101(37) of the Bankruptcy Code, except that a lien that has been avoided in accordance with Sections 544, 545, 546, 547, 548, 549 or 553 of the Bankruptcy Code shall not constitute a Lien.

"Order of Relief" shall mean the date of the entry of the order of relief.

"Organizational Documents" shall mean Debtor's corporate bylaws, amended certificate of incorporation, as the case may be, together with all other corporate documents necessary to effectuate the provisions of the Plan. In accordance with Section 1123(a)(6) of the Bankruptcy Code, Debtor's amended certificate of incorporation will prohibit the issuance of non-voting equity securities until such time as all payments have been made under the Plan and all other of Debtor's obligations under the Plan have been satisfied or discharged.

"Person" shall mean any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated association or organization, governmental agency or political subdivision thereof.

"Petition Date" shall mean December 30, 2008, the date on which Debtor filed its voluntary Chapter 11 petition with the Bankruptcy Court, pursuant to the Bankruptcy Code.

"Plan" shall mean this Plan of Reorganization under Chapter 11 of the Bankruptcy Code, including, without limitation, the Plan Documents, if any, and all exhibits, supplements, appendices and schedules hereto and thereto, either in their present form or as the same may be altered, amended or modified from time to time.

"Plan Documents" shall mean and include such agreements, instruments and documents as may be required to effectuate the terms of this Plan.

"Popular Auto" shall mean Popular Auto.

"Priority Claims" shall mean any and all Claims (or portions thereof), entitled to priority under Section 507(a) of the Bankruptcy Code other than Priority Tax Claims and Administrative Expense Claims.

"Priority Tax Claims" shall mean any Claim of a governmental unit entitled to priority under Section 507(a)(8) of the Bankruptcy Code.

"Professionals" shall mean those Persons (i) employed pursuant to an order of the Bankruptcy Court in accordance with Sections 327 or 1103 of the Bankruptcy Code and to be compensated for services pursuant to Sections 327, 328, 329, 330 and 331 of the Bankruptcy Code, or (ii) for which compensation and reimbursement is allowed by the Bankruptcy Court pursuant to Section 503(b)(4) of the Bankruptcy Code.

"Pro Rata" shall mean a proportionate share of the total distribution made at any particular time under this Plan to the holders of Allowed Claims in a Class, such that the ratio of the consideration distributed on account of an Allowed Claim in a Class to the amount of such Allowed Claim is the same as the ratio of the amount of the consideration distributed on account of all Allowed Claims in such Class to the total of all Allowed Claims in such Class.

"Schedules" shall mean the schedules of assets and liabilities, the list of holders of interests and the statements of financial affairs filed by the Debtor under Section 521 of the Bankruptcy Code and Bankruptcy Rule 1007, as such schedules, lists and statements have been or may be supplemented or amended from time to time.

"Secured Claim" shall mean any Claim that is secured by Collateral, to the extent of the value of such Collateral, as determined in accordance with Section 506(a) of the Bankruptcy Code, or, in the event that such Claim is a claim of setoff under Section 553 of the Bankruptcy Code, to the extent of the amount of such setoff.

"Westernbank" shall mean Westernbank Puerto Rico.

ARTICLE II

TREATMENT OF ALLOWED ADMINISTRATIVE EXPENSE CLAIMS AND ALLOWED PRIORITY TAX CLAIMS

2.1 Non-Classification. In accordance with Section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims are not classified in the Plan. A description of the unclassified claims and the claims in each class, as well as the estimated principal amounts of each as of the Effective Date and their treatment, are set forth below. Administrative Expense Claims are generally the ordinary and necessary costs of administering and operating during a Chapter 11 case.

2.2 Administrative Expense Claims.

(a) General. Except as otherwise agreed to by Debtor and the holder of an Allowed Administrative Expense Claim, excluding professional fees but including certain withholding and sales and use taxes, each such holder shall be paid *pro-rata* in cash from the \$300,000.00 carve out established by Continental Tiles, Inc. ("Continental") and Westernbank Puerto Rico ("Westernbank") on the Effective Date. Debtor projects that these claimants will receive a 45% dividend on their claims. If Debtor disputes any portion of an Administrative Expense Claim, Debtor shall pay such Claim within thirty (30) days after the entry of a Final Order with respect to the allowance of such disputed Administrative Expense Claim. Debtor will reserve the necessary funds to meet these payments.

(b) U.S. Trustee's Fees. Any pending United States Trustee's quarterly fees shall be paid in full pursuant to 11 U.S.C. § 1930 on or before the Effective Date.

(c) Professional Compensation and Expense Reimbursement Claims.

The professionals retained in Debtor's Chapter 11 case by Debtor and the Creditors' Committee have and will incur fees and expenses from the date of their retention through the Effective Date of the Plan. It is impossible to predict the amount of additional professional administrative expense fees that will be incurred through the Effective Date of the Plan. Pursuant to orders of the Bankruptcy Court, certain professionals have been paid interim fees and expenses. As of the filing of this Disclosure Statement, Debtor has paid approximately \$155,472.00 in fees and expenses to professionals. There are pending applications for compensation consisting of that of Debtor's counsel for \$8,251.18 and that of Debtor's

accountant, CPA Luis R. Carrasquillo & Co. for \$7,242.07, which are to be paid upon their approval by the Bankruptcy Court from the \$90,000.00 carve out agreed to by Westernbank. Debtor estimates that additional Allowed Professionals Fee Claims will aggregate around \$43,500.00 for unpaid services rendered and expenses incurred up to the Confirmation of the Plan. All amounts paid to professionals through the Confirmation Date, including interim fees and expenses already paid are subject to final Bankruptcy Court approval. Debtor reserves the right to contest the allowance of any professional fees.

(d) All fees and expenses of Professionals for services rendered after the Confirmation Date in connection with the Bankruptcy Case and the Plan including, without limitation, those relating to the occurrence of the Effective Date, shall be paid by Debtor upon receipt of reasonably detailed invoices therefore in such amounts and on such terms as such Professionals and Debtor may agree, without the need for further Bankruptcy Court authorization or entry of a Final Order.

2.3 Pre-Petition Priority Tax Claims. Priority Tax Claims are Claims entitled to priority pursuant to Section 507(a)(8) of the Bankruptcy Code. Such Priority Tax Claims consist of income, real estate and other miscellaneous taxes accrued prior to the Petition Date.

The estimated potential Priority Tax Claims are listed in **Exhibit C** to the Disclosure Statement in the amount of \$8,863,568.96.

Allowed unpaid Unsecured Priority Tax Claim will not receive any dividends under the Plan.

ARTICLE III

CLASSES OF CLAIMS AND EQUITY INTEREST

As of the Petition Date, Debtor had priority and non-priority unsecured debt, and secured debt, as more particularly described below. The Plan classifies the various claims against Debtor. A description of all classes of Claims and the Equity Interest, the estimated principal amounts of each Class as of the Effective Date and its treatment are set forth below as follows:

Class 1 - Other Pre-petition Priority Claims. Class 1 shall consist of all Allowed Other Pre-petition Priority Claims, including priority claims under section 503 (b) (9), arising from reclamation claims under section 546 (c) of the Bankruptcy Code, excepting administrative expenses, including the fees of professionals, and Tax Claims. These claims are estimated in \$28,015.58.

Class 2 - Secured Claim of Westernbank. Class 2 shall consist of the Allowed Claim of Westernbank secured by substantially all of Debtor's assets. This claim is estimated in \$18,541,094.83.

Class 3 - Secured Claim of Firstbank. Class 3 shall consist of the Claim of Firstbank secured by a 2001 Ocean Yacht 48' model Super Sport, Official Number 1107603, named *Pekkita*. This claim is estimated in \$422,028.28.

Class 4 - Secured Claim of Popular Auto. Class 4 shall consist of the Claim of Popular Auto secured by a Polishing Machine, Marmo Meccanica 2006, Model CT522.

Class 5 - General Unsecured Claims. Class 5 shall consist of holders of Allowed General Unsecured Claims, including pre-petition allowed claims of landlords and parties to executory contracts whose lease

contracts were rejected. These claims are estimated in \$34,384,544.56.

Class 6 - Interest in Debtor. Class 6 shall consist of the shares of Debtor's common shares held by Mercedes Rivera Auffant.

ARTICLE IV

TREATMENT OF CLAIMS

Class 1 – Other Pre-petition Priority Claims

(a) Impairment and Voting. Class 1 is impaired under the Plan and will not receive any dividends thereunder. Holders of Allowed Other Pre-petition Priority Claims are conclusively presumed to have rejected the Plan and are not entitled to vote to accept or reject the Plan.

(b) Distribution. None

Class 2 - Secured Claim of Westernbank

(a) Impairment and Voting. Class 2 is impaired under the Plan. Westernbank will be entitled to vote to accept or reject the Plan.

(b) Distribution. Westernbank will receive the proceeds of the sale of Debtor's assets to Continental, as approved by the Court on May 15, 2009, amounting to \$6,500,000.00, plus any amounts arising from Debtor's accounts receivable and Debtor's balance of available cash. The balance of Westernbank's claim for \$18,541,094.83 is dealt with under Class 5 as a General Unsecured Claim.

Class 3 – Secured Claim of Firstbank

(a) Impairment and Voting. Class 3 is impaired under the Plan. Firstbank will be entitled to vote to accept or reject the Plan.

(b) Distribution. As per the settlement agreement between Debtor and

Firstbank dated August 13, 2009, Debtor has agreed to surrender Firstbank's collateral thereto. Any deficiency in Firstbank's claim will be dealt with under Class 5 as a General Unsecured Claim.

Class 4 – Secured Claim of Popular Auto

- (a) Impairment and Voting. Class 4 is impaired under the Plan. Popular Auto will be entitled to vote to accept or reject the Plan.
- (b) Distribution. On or before the Effective Date Debtor will surrender the Polishing Machine to Popular Auto. Any deficiency on Popular Auto's Claim will be dealt with under Class 5 below.

Class 5 – General Unsecured Claims

- (a) Impairment and Voting. Class 5 is impaired under the Plan. Holders of Allowed General Unsecured Claims against Debtor will not receive any dividends under the Plan and will not be entitled to vote to accept or reject the Plan.
- (b) Distribution. None

Class 6 – Equity Interest

- (a) Impairment and Voting. Class 6 is unimpaired under the Plan. The holder of the Equity Interest in Debtor, Mercedes Rivera Auffant, will not be entitled to vote to accept or reject the Plan. Her shares will be cancelled on the Effective Date.
- (b) Treatment. None.

ARTICLE V

MEANS FOR IMPLEMENTATION OF THE PLAN

5.1 Except as otherwise provided in the Plan, on the Effective Date, Debtor will effect the *pro-rata* payment of Administrative Expense Claims and the

Administrative Withholding and Sales and Use Taxes, excluding professional fees, from the \$300,000.00 carve out established by Continental and Westernbank. The Secured Claim of Westernbank will be paid from the net proceeds of the sale of substantially all of Debtor's assets to Continental, the Secured Claim of Firstbank will be paid as per the settlement agreement between Debtor and Firstbank, which stipulates that Debtor will surrender Firstbank's collateral thereto, consisting of a 2001 Ocean Yacht 48' model Super Sport, Official Number 1107603, named *Pekkita*, and the Secured Claim of Popular Auto will be paid by the surrendering of Popular Auto's collateral thereto consisting of a Polishing machine, Marmo Meccanica 2006, Model CT522.

Pending professional and U.S. Trustee's fees will be paid from the \$90,000.00 carve out agreed to with Westernbank.

5.2 Method of Distributions Under the Plan.

(a) In General. Subject to Bankruptcy Rule 9010, all distributions under the Plan to the Holders of Allowed Claims shall be mailed by first class mail, postage prepaid, to the address of each Holder as listed on the Master Address List of the Bankruptcy Case, as the same may have been amended, as of the Distribution Record Date, unless Debtor has been notified in writing of a change of address, including, without limitation, by the filing of a proof of claim or notice of transfer of a Claim filed by a Holder of an Allowed Claim that provides an address for such Holder different from the address reflected on the Master Address List. Debtor shall have no obligation to locate such Holders of Allowed Claims whose distributions or notices are properly mailed but nevertheless returned.

(b) Distribution to be on Business Day. Any payment or distribution required to be made under the Plan on a day other than a Business Day shall be made on the next succeeding Business Day.

(c) Fractional Dollars. Whenever any payment of a fraction of a dollar would otherwise be called for, the actual payment shall reflect a rounding of such fraction to the nearest whole dollar (rounding down in the case of less than \$0.50, and rounding up in the case of more than \$0.50).

(d) Distribution to Holders as of the Distribution Record Date. As of the close of business on the Distribution Record Date, the claims register shall be closed. Debtor shall have no obligation to recognize any transfer of any Claims occurring after the close of business on the Distribution Record Date, and shall instead be entitled to recognize and deal for all purposes under the Plan with only those Holders of record as of the close of business on the Distribution Record Date, unless otherwise provided for by order of the Bankruptcy Court.

5.3 Objections to Disputed Claims. Any objections to Claims against Debtor shall be prosecuted by Debtor, including any application to estimate or disallow Claims for voting purposes.

5.4 Deadlines for Objecting to Disputed Claims. Except as otherwise provided by order of the Bankruptcy Court with respect to any Claim, Debtor may file an objection to such Claim or otherwise dispute such Claim until the later of (i) the date that such Claim becomes due and payable in accordance with its terms, or (ii) thirty (30) days before the first date fixed by the Bankruptcy Court for the hearing on the confirmation of the Plan.

5.5 Estimation of Claims. Debtor may, at any time, request that the Bankruptcy Court estimate any Disputed Claim pursuant to Section 502(c) of the Bankruptcy Code, and the Bankruptcy Court shall have jurisdiction to estimate such Claim at any time, including, without limitation, during litigation concerning the Claim or an objection thereto. Debtor shall be entitled to request that the Bankruptcy Court determine either the Allowed amount of such Claim or a maximum limitation in reference thereof. If the Bankruptcy Court determines the maximum limitation of such Claim, the determination shall not preclude Debtor from pursuing any additional proceedings to object to any ultimate payment of the Claim. If the Bankruptcy Court determines the Allowed amount of such Claim, the amount so determined shall be deemed the amount of the Disputed Claim for all purposes under this Plan. All those proceedings are cumulative and not exclusive remedies.

5.6 Disputed Claims Reserve.

(a) Establishment. Debtor shall maintain a reserve (the "Disputed Claims Reserve") equal to 100% of the distributions to which holders of the respective Disputed Claims would be entitled under the Plan if such Disputed Claims were Allowed Claims or for such lesser amount as required by a Final Order.

(b) Investment of Cash. Cash in the respective Disputed Claims Reserve may be invested by Debtor only in Cash Equivalents having maturities sufficient to enable Debtor to make all necessary payments to holders of Disputed Claims, in accordance to this Plan, if and when, such Disputed Claims become Allowed Claims. Any interest, income, distributions or accretions on account of such investment in Cash Equivalents shall be for Debtor's benefit and account, and the payment of any

income taxes or other taxes arising therefrom shall be solely the responsibility of Debtor.

(c) Distribution Upon Allowance of Disputed Claims. The holder of a Disputed Claim that becomes an Allowed Claim subsequent to the Initial Distribution Date shall receive distributions of Cash from the Disputed Claims Reserve as soon as practical following the date on which such Disputed Claim becomes an Allowed Claim pursuant to a Final Order. Such distributions shall be made in accordance with the Plan based upon the distributions that would have been made to such holder under the Plan if the Disputed Claim had been an Allowed Claim on or prior to the Initial Distribution Date. No holder of a Disputed Claim shall have any claim against the Disputed Claims Reserve until the Disputed Claim shall become an Allowed Claim, and no holder of a Disputed Claim shall have any right to interest on the Disputed Claim.

5.7 Reversion of Unclaimed Checks and Disputed Claims Reserve. The following amounts shall revert and be vested in Debtor, as to the claims to be paid under the Plan, free and clear of any claim or interest of any Holder of that Claim under the Plan: (i) the amount of any checks issued for distributions under the Plan that remain uncashed for a period of 90 days after the date of the distributions, and (ii) to the extent that a Disputed Claim is not Allowed or becomes an Allowed Claim in an amount less than the Disputed Claim Amount, the excess of the amount of Cash or Cash Equivalents in the Disputed Claims Reserve attributable to the Disputed Claim, over the amount of Cash actually distributed on account of such Disputed Claim.

ARTICLE VI

VOTING ON THE PLAN

6.1 Voting of Claims. Each holder of an Allowed Claim in an impaired Class which retains or receives property under the Plan shall be entitled to vote separately to accept or reject the Plan and indicate such vote on a duly executed and delivered ballot as provided in such order as is entered by the Bankruptcy Court establishing certain procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan.

6.2 Nonconsensual Confirmation. If any impaired Class entitled to vote shall not accept the Plan by the requisite statutory majorities provided for in Sections 1126(c) or 1126(d) of the Bankruptcy Code, as applicable, or if any impaired class is deemed to have rejected the Plan, Debtor reserves the right (i) to confirm the Plan under Section 1129(b) of the Bankruptcy Code, and (ii) to amend the Plan in accordance with Section 11.3 hereof to the extent necessary to obtain the entry of a Confirmation Order.

ARTICLE VII

EXECUTORY CONTRACTS, UNEXPIRED LEASES AND

POST-PETITION CONTRACTS

7.1 Rejection of Executory Contracts and Unexpired Leases. All executory contracts and unexpired leases (other than insurance policies) which have not expired by their own terms or have been rejected on or prior to the Confirmation Date shall be deemed rejected on the Effective Date, 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.