

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

IN THE MATTER OF:

CARIAN, MANAGMENT., INC.

Debtor in possession

CASE NO. 10-04052 BKT

CHAPTER 11

DISCLOSURE STATEMENT

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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 Amended 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.), 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

Carian Management's prime business is the ownership, maintenance and development of real property that it leases to its sister company, AAA Imports and other customers. (See Bankruptcy Case No. 10-4048 for documents relating to AAA Imports' Bankruptcy Case). By leasing its real property to its related company, AAA Imports, collectively, Carian Management and AAA Imports were better able to identify prime retail locations suited to its sector, develop and locate warehouse property, and market itself in a way to promote the entirety of the AAA Imports' chain of retail stores. AAA Imports' retail chains have been able to compete successfully with both traditional "dollar stores" and national retail chains such as Walmart and Kmart. This successful competition was due in substantial part to the efficiencies gained by operating with its sister company Carian Management

In 2006 AAA Imports acquired and operated two chains of discount retail stores: Dolar y Algo Extra and Almacenes Caravana. These two chains have a history of successful sales dating back, in the case of Almacenes Caravana, to 1978 and for Dolar y Algo since 1995. After demonstrating success in operating the two chains Almacenes Caravana and Dolar y Algo Extra, AAA Imports and Carian were offered an opportunity to expand upon their success by acquiring the assets of the La Reina chain of discount stores in 2007. This opportunity was brought to Carian and AAA Imports by Westernbank's asset-based lending officer.

In May 2006, AAA Imports and Carian entered into a loan agreement with Westernbank (whose interest in this matter has been subsequently acquired by Banco Popular de Puerto Rico) that included three separate facilities: a revolving loan and two separate term loans (described in

the agreement as Term Loan A and Term Loan B).¹ In 2007, when AAA Imports acquired La Reina, Westernbank increased the amount of credit available to AAA Imports and Carian but the division of the overall credit facility into term loans and a revolving loan remained.²

Although both Carian and AAA Imports entered the loan agreement with each entity jointly and severally guaranteeing the obligations, the loan agreement itself represents three discrete obligations: Term Loan A, Term Loan B, and the Revolving Loan. The revolving loan is secured by AAA Imports' inventory. Accordingly, the revolving loan is more fully discussed in the AAA Imports' bankruptcy proceeding. (*See* Bankruptcy Case No. 10-4048). Term Loans A and B are secured not by inventory, but by a series of mortgage notes applying to Carian's real property. For the purposes of this Disclosure Statement and proposed Plan of Reorganization, Carian Management shall take on the responsibility of paying Term Loans A and B since these loans are secured by Carian property. Because the revolving loan is secured by AAA Imports' inventory, AAA Imports will discuss the treatment of the revolving loan obligation more fully in its Disclosure Statement.

Although both AAA Imports and Carian have been able to achieve joint efficiencies by working together to identify and acquire property that is well-suited for AAA Imports' retail development, the two entities are nonetheless distinct. Where AAA Imports is almost exclusively a retailer, Carian Management is primarily a landlord. Other than the obligation to

¹The May 2006 Loan facility allowed for credit lines up to the following amounts: Revolving Loan: \$5 million; Term Loan A: \$8.5 million; and Term Loan B: \$4 million. Due to subsequent amendments, especially the 2007 amendment regarding the acquisition of the La Reina assets, the amount available under the credit facilities was augmented to a total of \$23.35 million. The amounts of the outstanding balance on these loans as of the petition date is discussed below and in the Disclosure Statement for AAA Imports. (*See* Case No. 10-4048).

²In the 2007 Amended Loan Agreement, there was an additional Term Loan - Term Loan C - for the amount of \$700,000 with a very short amortization period.

Westernbank/Banco Popular, the two companies have separate creditors with distinct obligations. The two companies market themselves as distinct entities. AAA Imports leases retail space from landlords other than Carian Management and Carian Management is looking to lease or develop space for entities other than AAA Imports. Despite this separation, AAA Imports is still Carian Management's largest and most significant client.

As of this writing, Carian Management possesses nine parcels of real property. (*See Exhibit 1, Summary of Debtor's Real Property*).

1.5 EVENTS LEADING TO BANKRUPTCY

As noted above, AAA Imports is Carian Management's largest customer and most significant source of accounts receivable. Although AAA Imports has a history of successful sales, two events substantially impaired the ability of AAA Imports to meet its obligations: the global economic recession and the acquisition of La Reina assets. After the acquisition, the La Reina assets failed to meet reasonable expectations for success. The inventory turned out to be obsolete and many of the fixtures acquired needed repair. This situation regarding La Reina consumed the excess capital of AAA Imports. Making matters worse, was the global economic recession that resulted in a decrease in sales for retailers nationally.

With the decline in its earnings and faced with costs higher than expected resulting from the La Reina acquisition, AAA Imports began to accumulate arrears on its rental obligations to Carian Management. Finally, with the closure of Debtor's primary lender, Westernbank, Debtor could no longer have access to a credit facility, despite BPPR's acquisition of the facility, to enable it to overcome the crisis provoked by the global recession and the unanticipated costs of the La Reina acquisition. With the inability of its primary client AAA Imports to pay its lease

obligations to Carian, Carian inevitably became unable to meet its obligations as they came due. In order to protect its real property assets, and ensure a productive reorganization that redounds to the benefit of creditors and the estate, Carian submitted a petition for Bankruptcy under Chapter 11 of the Bankruptcy Code.

1.6 DATE THE PETITION WAS FILED

This bankruptcy petition was filed on May 13, 2009. 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 May 27, 2010 the Debtor submitted its Schedules and Statement of Financial Affairs. (See Dkt. No. 12). The 341 meeting of creditors was held on June 21, 2010 and closed on June 22, 2010. (See Dkt. No. 23).

II. Employment of Professionals:

Debtor submitted its application to employ attorney Carmen Conde on May 13, 2010 (Dkt. No. 3). This Court approved Debtor's application on June 7, 2010 (Dkt. No. 15). On July 28, 2010 the Debtor submitted its application to employ an external auditor, Kercad, Estrada and Company (Dkt. No. 29).

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. Other Matters:

A. **Administrative Consolidation with AAA Imports:**

1. On May 13, 2010, the Debtor submitted its motion for administrative consolidation with AAA Imports. (Dkt. Nos. 4 and 7). On June 10, 2010, this Court granted the Administrative consolidation. (Dkt. No. 19).

B. **Objection to Claims**

As of this writing, the Debtor has not submitted any objections to claim but is still in the process of reviewing all claims. Further, the bar date for claims is not until September 20, 2010. Accordingly, the Debtor is still in the process of reviewing all claims to determine if the amount claimed is accurate and properly owed. The Debtor anticipates completing this process prior to Confirmation and will, during the course of the instant proceedings, submit any objections to claims that are warranted.

D. **Fee Applications:** As of this writing, none of Debtor's professionals have submitted any fee application.

E. **Executory Contracts:** As part of its Reorganization efforts, Debtor is evaluating its contracts with other entities—including AAA Imports. To date, Debtor has not rejected or assumed any executory contract. Due to time constraints and the need to conduct substantive negotiations and

analysis of the unexpired lease contracts, Carian Management may request an extension of time in which to make its final determination regarding the unexpired leases.

1.8. FINANCIAL INFORMATION

Debtor's financial information prior to its bankruptcy petition is herein provided on **Exhibit 2**. 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 3** 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

Debtor has included a complete summary of its real property holdings attached as **Exhibit 1**. Nevertheless, for convenience, the Debtor briefly lists its real property holdings here but parties are urged to review attached Exhibit 1 for a more thorough description of the property.

1. Central Warehouse, Espinosa Ward (Parcel A)(Lot Numbers: 1103, 877, and 402 in Dorado) (18,496 m²). Appraised value: \$2.5 million
2. Central Warehouse, Espinosa Ward (Parcel B)(Lot Number 4687, Dorado)(15,452 m²). Appraised value: \$2.8 million.
3. Canton Mall (Bayamon) (Lot Numbers 3043 - 3046, Bayamon). Appraised value: \$4.8 million.
4. Camuy Store (Lot Number 5559): Appraised value: \$270,000.
5. Barranquitas Store (Lot Number 2036): Appraised value: \$310,000.
6. Naranjito Store (Lot Numbers 675 and 3136): Appraised value: \$290,000.
7. Vega Baja Warehouse (Lot Number 2109): Appraised value: \$1.125 million.
8. Vega Baja Store (Lot Number 90): Appraised value: \$330,000.
9. Orocovis Store (Lot Number 1235): Appraised value: \$320,000.

2.1.2 PERSONAL PROPERTY

Personal property for the Debtor is detailed in the Amended Schedules B filed with the Court. This property primarily consists of its checking account and its accounts receivable. 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 (Through Westernbank) - As discussed above, the 2006 Loan Agreement between Debtor, AAA Imports and Westernbank is an agreement with three

separate loan obligations: a Revolving Loan and two separate term loans (described in the Loan Agreement as Term Loan A and Term Loan B). The Revolving loan is secured by AAA Imports' inventory and is discussed in AAA Imports' Bankruptcy proceeding. The term loans, however, are secured by Carian's real property holdings and treated here. As of the Petition date, the total outstanding balance on the term loans was \$11,963,632. This amount is secured up to the amount of the value of the collateral.

CRIM - CRIM has a secured claim for \$166,369 against the Debtor.

2.2.2. GENERAL UNSECURED CREDITORS

General unsecured creditors were listed in Debtor's Schedules in the total amount of \$5,965,721. Of this amount, however, is \$4,855,504—the amount of the revolving loan to Westernbank which shall be treated and paid by AAA Imports and *not* Carian. (See Section 1.4 for a discussion of the three discrete loan obligations contained in the 2006 Loan Agreement. See also Case No. 10-4048 for AAA Imports' treatment of the revolving loan). Carian shall accept responsibility for AAA Imports' obligation as an unsecured debt but shall not make any payments on the obligation unless AAA Imports defaults. The remaining amount, \$1,110,217 reflects the Debtor's unsecured obligations reported in its schedules. Subsequent to the filing of Debtor's schedules, proofs of claims have been filed by several unsecured creditors. The bar date for the instant case is September 20, 2010 and therefore as of this writing the bar date has yet to lapse. After review of the proof of claims filed to date, those listed by the Debtor, the exclusion of the claims of insiders, and the agreements reached with several creditors, the liability to unsecured creditor, including disputed, contingent and unliquidated claims is estimated in the amount of \$5,923,795.

**ARTICLE III
PENDING LITIGATION**

As of Petition Date, Debtor was not a party to any litigation. The Debtor does not expect a significant impact in its reorganization process due to the outcome of pending litigation.

**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. 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 under Debtor's Plan of Reorganization (10%) is higher than under a Chapter 7 trustee.

Debtor's Plan of Reorganization considers the full payment of all administrative, secured creditors and priority claims and a 10% dividend to the general unsecured creditors. The proposed Plan is thus in the benefit of the creditors.

**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 six (6) 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 follow:

CLASS 1 ADMINISTRATIVE CLAIMS

Shall consist of **ALLOWED ADMINISTRATIVE EXPENSE PRIORITY 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 \$ 80,000.

CLASS 2 SECURED CLAIM

Banco Popular de Puerto Rico (Through Westernbank) -

As discussed above, the 2006 Loan Agreement between Debtor, AAA Imports and Westernbank is an agreement with three separate loan obligations: a Revolving Loan and two separate term loans (described in the Loan Agreement as Term Loan A and Term Loan B). Because the Revolving loan is secured by AAA Imports' inventory, the Debtor here shall not be including the obligation as part of its payment schedule. (*See* Bankruptcy Case No. 10-4048 regarding treatment of the revolving loan by AAA Imports). With respect to the two term loans, however, since these are secured by Debtor's real property, the Debtor shall be proposing a treatment for these obligations up to the amount of the value of the collateral with any remaining obligation being considered unsecured. As of the petition date, the two term loans of the 2006 Loan Agreement have a total outstanding balance of \$11,963,632. This amount is secured up to \$11,892,000.

CLASS 3 SECURED CLAIM

CRIM - CRIM has a secured claim against the Debtor for \$166,369.

CLASS 4 - SECURED MAINTENANCE CLAIM

Class 4 is represents the Maintenance Contract for Canton Mall secured against the Debtor's property. As of the petition date, the claim for these Maintenance Services was \$78,588.

CLASS 5 GENERAL UNSECURED CREDITORS:

This class shall consist of **GENERAL UNSECURED CREDITORS** listed by the Debtor and those entities who have filed proof of claims asserting an unsecured obligation. General unsecured creditors related to this Class were listed in Debtor's Amended Schedules in the total amount of \$5,965,721. Of this amount, however, is \$4,855,504—the amount of the revolving loan to Westernbank which shall be taken on by AAA Imports and *not* Carian. (See Section 1.4 for a discussion of the three discrete loan obligations contained in the 2006 Loan Agreement). Carian shall accept responsibility for AAA Imports' obligation as an unsecured debt but shall not make any payments on the obligation unless AAA Imports defaults. The remaining amount, \$1,110,217 reflects the Debtor's unsecured obligations as reported in its schedules. After review of the proof of claims filed to date, those listed by the Debtor, the exclusion of the claims of insiders, and the agreements reached with several creditors, the liability to unsecured creditor, including disputed, contingent and unliquidated claims is estimated in the amount of \$5,923,795.

CLASS 6 EQUITY SECURITY AND/OR OTHER INTEREST HOLDERS

This class includes all equity security and interest holders which are the owners of the stock of the Debtor.

B. TREATMENT OF CLASSES OF CLAIMS AND INTERESTS

CLASS 1 ADMINISTRATIVE CLAIMS

Shall consist of **ALLOWED ADMINISTRATIVE EXPENSE PRIORITY 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 \$ 80,000. Claimants under this class will be paid in full on effective date or as agreed between the Debtor and the professionals. This class is not impaired.

CLASS 2 SECURED CLAIM

Banco Popular de Puerto Rico (Through Westernbank) - As discussed above, the 2006 Loan Agreement between Debtor, AAA Imports and Westernbank is an agreement with three separate loan obligations: a Revolving Loan and two separate term loans (described in the Loan Agreement as Term Loan A and Term Loan B). Because the Revolving loan is secured by AAA Imports' inventory, the Debtor here shall not be providing a treatment of this obligation. With respect to the two term loans, however, since these are secured by Debtor's real property, the Debtor shall be proposing a treatment for these obligations. As of the petition date, the two term loans of the 2006 Loan Agreement have a total outstanding balance of \$11,963,632. With respect to the outstanding obligation, the Debtor will combine the two outstanding term loans into a single loan with an amortization period of 30 years and an interest rate of the Prime Rate plus 1%. This will result in a lower monthly payment for the Debtor. The obligation is secured up to an amount of \$11,892,000. The remaining portion of this obligation shall be

treated as unsecured. This class is impaired. (See Exhibit 5 for proposed payment and amortization schedule).

CLASS 3 SECURED CLAIM

CRIM - CRIM has a secured claim against the Debtor for \$166,369. This claim shall be paid over the course of 72 monthly payments plus interest at the prime rate. This Class is impaired.

CLASS 4 - SECURED MAINTENANCE SERVICES

Class 4 is represents the Maintenance Contract for Canton Mall secured against the Debtor's property. As of the petition date, the claim for these Maintenance Services was \$78,558. This claim shall be paid pursuant to a stipulated agreement between the parties. (Please see Exhibit 5 for payment schedule). This Class is unimpaired.

CLASS 5 GENERAL UNSECURED CREDITORS:

This class shall consist of **GENERAL UNSECURED CREDITORS** listed by the Debtor and those entities who have filed proof of claims asserting an unsecured obligation. General unsecured creditors related to this Class were listed in Debtor's Amended Schedules in the total amount of \$5,965,721. Of this amount, however, is \$4,855,504—the amount of the revolving loan to Westernbank which shall be taken on by AAA Imports and *not* Carian. (See Section 1.4 for a discussion of the three discrete loan obligations contained in the 2006 Loan Agreement). Carian shall accept responsibility for AAA Imports' obligation as an unsecured debt but shall not make any payments on the obligation unless AAA Imports defaults. Accordingly, the remaining amount, \$1,110,217 reflects the Debtor's unsecured obligations as reported in its schedules. After review of

the proof of claims filed to date, those listed by the Debtor, the exclusion of the claims of insiders, and the agreements reached with several creditors, the liability to unsecured creditors, including disputed, contingent and unliquidated claims is estimated in the amount of \$5,923,795. With respect to the remaining claims in this class, the Debtor shall distribute a dividend of 10% on all claims paid over the course of 72 months from the effective date. Please See Exhibit 5, the Payment Plan for full treatment and payment schedule. This class is impaired.

CLASS 6 EQUITY SECURITY AND/OR OTHER INTEREST HOLDERS

This class includes all equity security and interest holders which are the owners of the stock of the Debtor.

(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 CRIM AND OTHER PRIORITIES
UNDER SECTION 507 (a)(8) OF THE CODE**

All unsecured priority governmental claims pursuant to Section 507(a)(8) of the Code, as the same are allowed, approved and ordered to be paid by the Court, will receive in 100% plus interest at the prime rate (determined as of confirmation date) in full payment of their Allowed Claim and/or any other agreed amount within the term provided by the Code. Presently, there are no debts that fall under this category. *See* Payment Plan, Unsecured Priority Claims. **Exhibit 5, supra.**

**ARTICLE IX
LEASES AND EXECUTORY CONTRACTS**

Contracts to Which Debtor is a party: Debtor as of petition date was a party to the certain leases and executory contracts (See **Exhibit No. 6**):

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 Claim 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 supercede 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 unless the Debtor have notified such creditors and such creditors has filed a timely proof of claim. To the extent 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 30 days prior or after 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
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 and the possible sale or surrender of assets in payment to Debtor's creditor, Banco Popular if necessary to ensure Debtor's operation. The

parcels of real property under consideration to be surrendered or sold are the Debtor's Naranjito Store (Lot Nos. 675 and 3136), the Barranquitas Store (Lot No. 2036), the Orocovis Store (Lot No. 1235), the Camuy Store (Lot No. 5559) and the Vega Baja store (Lot No. 90). The rents generated by the lease of Debtor's properties will be sufficient to fund the plan. The Debtor shall be managed by Orlando Adrovet, President, who has over 30 years of sales management experience and Andres Martinez, vice President, who also has over 30 years experience in business management. Neither Mr. Adrovet nor Mr. Martinez shall be receiving a salary for their work from Carian Management.

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 in its notes to the Payment Plan. Debtor's Plan of Reorganization also considers Debtor's experience and knowledge of the real estate business and the maintenance and marketing of all properties for their specific use.

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.

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 90 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 7th day of September, 2010.



Andres Martinez
VICE PRESIDENT, Carian Management, Inc.

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 .

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/s/ CARMEN D. CONDE TORRES

Carmen D. Conde Torres

USDC No.: 207312