

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

IN RE:

EUROCLASS MOTORS, INC.

Debtor

CASE NO. 11-05772(MCF)

CHAPTER 11

DISCLOSURE STATEMENT

OF

EUROCLASS MOTORS, INC.

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LIST OF EXHIBITS

- Exhibit A Ballots**
- Exhibit B Proposed Order**
- Exhibit C Summary of Claims and Plan Payments**
- Exhibit D Allowed Priority Tax Claims**
- Exhibit E Cash Flow Projections**
- Exhibit F Audited Financial Statements as of September 30, 2009 and 2010**
- Exhibit G Liquidation Analysis**
- Exhibit H Summary of Monthly Operating Reports**
- Exhibit I Leases and Executory Contracts**
- Exhibit J Unaudited Financial Statements as of September 30, 2011**

I. INTRODUCTION

Pursuant to Section 1125 of the United States Bankruptcy Code, 11 U.S.C. §101, *et seq.* (the "Bankruptcy Code"), Euroclass Motors, Inc., debtor and debtor-in-possession in the above captioned case ("Debtor"), provides this disclosure statement (the "Disclosure Statement") to all of its known creditors. The purpose of the Disclosure Statement is to provide such information as Debtor believes may be deemed necessary for its creditors to make an informed decision in exercising their rights to vote on Debtor's plan of reorganization (the "Plan"), dated as of this date of the Disclosure Statement. The Plan is being filed with the United States Bankruptcy Court for the District of Puerto Rico ("Bankruptcy Court") contemporaneously 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. In the event of any inconsistencies between the Disclosure Statement and the Plan, the terms of the Plan shall control. Please refer to the Plan for the treatment of claims and interest. The provisions of the Plan are

binding on all creditors and interest holders, therefore, please read the Plan carefully.

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, the information provided by Debtor in the Disclosure Statement has not been subject to an audit or independent review. For the foregoing reason, as well as because of the impossibility of making assumptions, estimates and projections into the future with absolute accuracy, Debtor, its counsel and other professional advisors do not warrant or represent the accuracy of the information contained herein, although every reasonable effort has been made to present accurate information. The records kept by Debtor rely for their accuracy on internal bookkeeping. The records kept by Debtor are not warranted or represented to be free of any inaccuracy. However, as mentioned above, every reasonable effort has been made to present accurate information.

No representations concerning Debtor, including the value of its assets, Debtor's future business operations or the aggregate dollar amount of claims which may be allowed are authorized other than as set forth in the Disclosure Statement. Any representations, inducements, 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. Any additional representation or inducement should be reported to counsel for the Debtor or to the United States Trustee who, in turn,

shall deliver the information to the Bankruptcy Court or take other appropriate action.

All parties entitled to vote on the Plan are urged to review in full the Plan and Disclosure Statement together with all exhibits attached thereto, prior to voting on the Plan, and may desire to consult legal counsel prior to voting to ensure complete understanding of their treatment under the Plan. The Disclosure Statement is intended for the sole use of creditors and interest holders of the Debtor to enable them to make an informed decision about the Plan.

Each creditor and interest holder is urged to consult its own tax advisor and other advisors as to the consequences of the Plan thereto under federal and applicable state, local and foreign tax laws.

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.

Debtor believes that the Disclosure Statement, including the exhibits thereto, contains "adequate information" as the term is defined in Section 1125(a)(1) of the Bankruptcy Code. The "adequate information" herein provided consists of information of a kind, and in sufficient detail, as far as is reasonable practicable in light of the nature and history of the Debtor, that would enable a hypothetical reasonable investor typical of the holders of claims and interest to make an informed judgment about the Plan whether to accept or reject it.

Debtor believes that the Plan provides the quickest recovery and will maximize the return to creditors and parties in interest on their claims.

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

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

The Disclosure Statement contains forward-looking statements, including statements concerning possible or assumed future results of operations of the Debtor and those preceded by, followed by, or that include the word may, will, should, could, expects, plans, anticipates, believes, estimates, predicts, potential, or continue or the negative of such terms and other comparable terminology. All creditors and parties in interest should understand that the factors described below, in addition to those discussed elsewhere in the Disclosure Statement could materially affect Debtor's future results and could cause those results to differ materially from those expressed in such forward looking statements.

Any financial forecasts or other forward-looking analyses contained herein were not prepared with a view to comply with the guidelines for prospective financial statements Published by the American Institute of Certified Public Accountants.

Debtor believes that the Plan provides, under the circumstances, the best possible recoveries to creditors and that acceptance of the Plan is in the best interests of all parties in interest. **ACCORDINGLY, DEBTOR URGES ALL CREDITORS ENTITLED TO VOTE TO CAST THEIR BALLOTS IN FAVOR OF THE PLAN.**

II. SUMMARY OF THE PLAN

The Plan specifies the manner in which the Claims and Interest in the Debtor 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 of Debtor’s shareholder's 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	\$114,500.00	Unimpaired. Estimated Recovery: 100% Except as otherwise agreed to by Debtor and the holder of an Allowed Administrative Expense Claim, each such holder shall be paid in full in Cash in the regular course of business or as authorized by the Court, on or before the Effective Date or on or before thirty (30) days after such claim is allowed by a final order of the Bankruptcy Court, from a \$330,000.00 carve-out agreed to by Debtor with Reliable Finance Holding Company ("Reliable") for the payment of administrative expenses, including professional fees, priority secured and unsecured tax claims and unsecured creditors (the "Carve-Out").
Holders of Allowed Priority Tax Claims, Secured and Unsecured	N/A	\$15,858.03	Unimpaired. Estimated Recovery: 100% Holders of Allowed Priority Tax Claims, Secured and Unsecured, if any, shall receive in full and final satisfaction of their Claims, Cash in an amount equal to their Allowed Claims on the Effective Date of the Plan from the Carve-Out.

Description Of Claim	Class	Estimated Amount of Allowed Claim	Treatment Under the Plan/ Estimated Recovery Under the Plan
The Allowed Secured Claim of Reliable Finance Holding Company ("Reliable")	Class 1	\$1,673,672	<p>Impaired.</p> <p>Estimated Recovery: 100%</p> <p>The Allowed Claim of Reliable secured by substantially all of Debtor's revenue producing assets, including but not limited to Debtor's cash accounts, accounts receivable and inventories, as evidenced by the corresponding financing statements, filed with the Department of State of Puerto Rico, as finally determined and allowed by the Court, will be paid in full pursuant to the Floor Plan Financing Agreement between Debtor and Reliable (the "Floor Plan Financing Agreement") dated March 26, 2011, as amended, with an estimated balance of \$1,673,672 as of August 24, 2011. Reliable will continue receiving monthly payments, with interest at a rate per year equal to $\frac{3}{4}$ of 1% over the prime rate, such interest to be payable monthly until payment in full of the principal, which will be due on July 31, 2012.</p>
Holders of Allowed General Unsecured Claims	Class 2	\$1,487,677.84	<p>Impaired.</p> <p>Estimated recovery: 13%</p> <p>Holders of Allowed General Unsecured Claims against Debtor will be paid in full satisfaction of such claims an estimated dividend of 13% on the Effective Date or on or before thirty (30) days after such claims are allowed by a final order of the Bankruptcy Court from the remaining balance of the Carve-Out, estimated in \$200,000.00 after the payment of Allowed Administrative Expense Claims, and Priority Tax Claims, as indicated above.</p>
Interest in Debtor	Class 3	N/A	<p>Unimpaired.</p> <p>The shares of the Equity Interest Holders in Debtor will be retained thereby unaffected.</p>

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 so 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. It describes the proposed treatment of each of those classes if the Plan is confirmed and 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 this Disclosure Statement as **Exhibits A-1, A-2 and A-3**, to be returned to the following address:

Euroclass Motors, 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 _____, 2012**, to be counted in the voting. Ballots received after this time will not be counted in the voting 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 interests which are "impaired" under the terms and provisions of a plan are entitled to vote to accept or reject such plan. A Class is deemed not to have accepted a plan if such plan provides that the claims or interests of such Class does not entitle the holders of such claims or interests to receive or retain any property under the plan on account of such claims or interests.

Class 3 Holders of Debtor's shares are unimpaired under the Plan, are deemed to have accepted the Plan and are not entitled to vote. Members of Classes 1 and 2 are impaired under the Plan and entitled to vote for acceptance or rejection of the Plan. A party who holds claims in more than one impaired

Class should complete a Ballot for each Class with respect to the applicable portion of the claim included in each Class.

3.4 The Confirmation Hearing

Pursuant to Section 1128 of the Bankruptcy Code, the Bankruptcy Court will schedule a hearing on confirmation of the Plan to commence as soon as the parties can be heard. The Confirmation Hearing will be held before the Honorable Mildred Cabán Flores, United States Bankruptcy Judge, 300 Recinto Sur Street, Courtroom 3, Third Floor, San Juan, Puerto Rico 00901, or before such other Bankruptcy Judge and at such other place as may be indicated in the future. 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 interests. The Bankruptcy Court will also receive and consider a Report of Plan Voting prepared by Debtor, 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, a copy of which is attached as **Exhibit B** hereto.

3.5 Acceptances Necessary to Confirm the Plan

The vote of each holder of an impaired claim entitled to vote is important since at the Confirmation Hearing and as condition to the confirmation of the Plan on a consensual basis, the Bankruptcy Court must determine, among other things, whether each impaired Class of creditors and interests holders entitled to vote has accepted the Plan. Under Section 1126 of the Bankruptcy Code, an impaired Class of creditors is deemed to have accepted the Plan if at least $\frac{2}{3}$ in amount and more than $\frac{1}{2}$ in number of the Allowed Claims of the Class members who actually cast ballots to accept or reject the Plan, accept the Plan. A class of interests' holders is deemed to have accepted a plan if at least $\frac{2}{3}$ in amount of the allowed interests of such Class held by holders of such interests who actually cast ballots to accept or reject the plan accept such 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 the debtor were to be 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 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 permits 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 entitled to vote on the Plan, 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 OF THE DEBTOR

4.1 Description of the Debtor

Debtor is a for-profit corporation organized and authorized to conduct business pursuant to the General Corporation Law of the Commonwealth of Puerto Rico. Debtor was incorporated on November 5, 1991 for the purpose of importing and selling new and used motor vehicles. Debtor registry number with the Department of State of Puerto Rico is 79465. Debtor's offices and principal place of business are located at its facilities of Kennedy Avenue, Km. 3.5, San Juan, Puerto Rico, 00936-4252 ("Kennedy Avenue Premises").

Debtor commenced its operations as a Volkswagen and Audi dealership during 1991, selling new and used cars, parts and accessories, and providing car

repair and maintenance services. In 1996, Debtor sold its Audi franchise rights to another local dealership. Since its establishment in 1991 until 2006, Debtor has been a dealership for the distribution of Volkswagen vehicles in Puerto Rico for Interamericana Transport Industries, Inc., ("ITI"), an independent company from the manufacturer, with headquarters in Miami, Florida. In addition, from 2007 to the present, Debtor has been a Volkswagen of America dealership, an affiliate of the manufacturer for Volkswagen products, with operations in the United States.

During its first thirteen (13) years of operations, from 1991 through 2003, Debtor performed relatively well, managing the operations of three dealerships in Puerto Rico. Due to lack of adequate support from ITI in the area of sales of parts and maintenance services, the following years were very difficult for Debtor, having to restructure its organization and to close the aforesaid dealerships. The economic recession affecting Puerto Rico since 2006, and the United States since 2008 also had an adverse impact on Debtor, further weakening its economic resources.

Debtor's common shareholders are Ramón Vega Díaz, Emilio Vega Macia, Guillermo Vega Macia, Alina Vega Díaz, Leticia Ramírez Rangel, Sonia Ramírez Rangel, Autos Vega, Inc. and Centro Automotriz Santa Rosa, Inc. Mr. Ramón Vega Díaz and Mr. Guillermo Vega Macia are respectively, Debtor's president and secretary/treasurer.

Debtor's Management has extensive experience and an impeccable reputation within the automobile industry in Puerto Rico.

Debtor's president as well as its vice-president, have worked for Debtor since 1991. Also, several of Debtor's shareholders have also participated in Debtor's day-to-day operations since 1991, although to a lesser degree. Debtor employs almost 30 employees, many of which have worked with Debtor for several years. The vast experience and training attained by Debtor's employees is a very important asset of Debtor.

As of July 6, 2011, the date of the filing of Debtor's Chapter 11 petition (the "Petition Date"), Debtor's operations consisted of an automobile dealership engaged in the sale of new and used cars, sale of parts and accessories, and repair and maintenance services.

4.2 Events Preceding Debtor's Chapter 11 Filing

On October 30, 2003, Miguel A. Marrero and Zaida de Choudens, filed an unjust dismissal action under Puerto Rico's Act 80, 29 L.P.R.A. §185 *et seq.*, premised on age and national origin discrimination under Puerto Rico's Act 100, 29 L.P.R.A. §146 *et seq.*, against, *inter alia*, Debtor and Autos Vega, Inc., with the Puerto Rico Court of First Instance, San Juan Section ("San Juan Court"), in the case styled Miguel A. Marrero, Zaida de Choudens v. Euroclass Motors, Inc., Autos Vega Inc., Civil Number KPE2003-0815.

Among its allegations, Miguel A. Marrero ("Mr.Marrero) stated that Debtor and Autos Vega, Inc. (the "Defendants") constructively dismissed him from his job after 15 years of working for them and that he suffered age discrimination and emotional distress as a consequence of the Defendants' actions. He also stated that the Defendants breached his contractual rights as a consequence of lack of payment of his accrued vacations. His wife, Mrs. Zaida de Choudens

("Mrs. Marrero"), alleged that she also suffered emotional damages and distress as a consequence of Mr. Marrero's unjust dismissal. For these and other related allegations, Mr. & Mrs. Marrero sought over \$5,000,000.00 in lost and future wages, severance payment, compensatory and punitive damages, double damages and attorney's fees. On November 26, 2008, the San Juan Court entered Judgment against Debtor and Autos Vega,s Inc., awarding Mr. & Mrs. Marrero \$4,398,989.73 in lost and future wages, severance payment, compensatory and punitive damages, double damages and attorney's fees. On November 30, 2010, the Puerto Rico Court of Appeals confirmed the San Juan Court's Judgment, and on June 10, 2011, the Supreme Court of Puerto Rico denied Debtor's *certiorari* petition. These proceedings have been stayed due to the filing of Debtor's petition for relief under Chapter 11. The judgment against Debtor placed at risk Debtor's operations and liquidity. As a result and in order to protect its assets and operations, on July 6, 2011, Debtor filed a voluntary petition for relief under the provisions of Chapter 11 of the United States Bankruptcy Code with the Bankruptcy Court (the "Petition Date").

4.3 Other Pending Litigation and Other Liabilities

Caption & Case No.	Nature of Proceedings	Court or Agency	Status or Disposition
Emilio Vega Marcia v. Autos Vega, Inc., Euroclass Motors, Inc. and Centro Automotriz Santa Rosa, Inc., Civil No. KPE2008-3324	Violation of Rights and Torts	PR Court of First Instance, San Juan Section	Stayed
Julio César Jiménez v. Euroclass Motors, Inc.	Unjustified Dismissal and Discrimination	PR Court of First Instance, San Juan Section	Stayed
Edgar E. Rivera Martínez and Iveliz Santiago Gerenea v. Euroclass Motors, Inc., DACO No. MA091090000153	Torts	DACO Mayagüez	Stayed

Patricia Biaggi v. Euroclass Motors, Inc., DACO No. SJ0004857	Breach of Contract	DACO San Juan	Stayed
Isoel Lloréns Velázquez v. Euroclass Motors, Inc., DACO No. PO 0001787	Breach of Contract	DACO Ponce	Stayed
Luke Cass v. Euroclass Motors, Inc., DACO No. SJ0002130	Breach of Contract	DACO San Juan	Stayed
Santa Matos Cotys v. Euroclass Motors, Inc., DACO No. 500010071	Breach of Contract	DACO Mayagüez	Stayed

4.4 Debtor's Post-Petition Endeavors

As a result of the filing by Debtor of its Chapter 11 petition, Debtor has received the benefits of 11 U.S.C. § 362 (a), which stays all collection actions and judicial proceedings against Debtor, providing Debtor the opportunity to file a Plan and Disclosure Statement, as envisioned by the Bankruptcy Code, without the pressures that drove Debtor into Chapter 11.

Following the Petition Date, on July 15, 2011 Debtor and Autos Vega, Inc. filed a Motion Requesting Administrative Consolidation of their bankruptcy cases pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. They submitted that the administrative consolidation of the two (2) cases would be more efficient and less expensive than the separate administration of each case, providing judicial economy for the benefit of Debtor's estate and its creditors. On August 8, 2011, the Bankruptcy Court granted the request for administrative consolidation of the two cases, Nos. 11-05772 and 11-05773.

The United States Trustee held the first meeting of creditors pursuant to Section 341 of the Bankruptcy Code in Debtor's case on August 15, 2011 and . The Section 341 meeting was closed.

Debtor's operations continue with Debtor as a debtor-in possession pursuant to 11 U.S.C. sections 1107 and 1108.

Debtor has undertaken the following efforts for the benefit of its estate and its creditors:

Debtor sought and obtained the Bankruptcy Court's approval to retain Charles A. Cuprill, P.S.C., Law Offices as its bankruptcy counsel.

Debtor also sought and obtained the Bankruptcy Court's approval to retain Luis R. Carrasquillo, CPA ("Carrasquillo") to act as its financial consultant on all matters pertaining to Debtor's reorganization.

On July 22, 2011, Debtor and Reliable filed an "Emergency Motion for Authority to Obtain Credit Under Section 364(b), Rule 4001(c) or (d), Motion to Use Cash Collateral and a Motion for Adequate Protection" (the "Emergency Motion"), requesting leave for Debtor to use Reliable's Cash Collateral, as agreed to with Reliable, for a six month period beginning on the Petition Date through and including January 31, 2012, which has been agreed to be extended to July 31, 2012.

On August 4, 2011, Debtor and Reliable filed a Motion to supersede the Emergency Motion, which was granted on August 4, 2011.

V. CLAIMS AGAINST DEBTOR AND ITS ASSETS

5.1 Claims against Debtor

Claims against Debtor that are Allowed Claims, as defined in the Plan, will be entitled to distribution pursuant thereto, as indicated at pages 8-9, and 25-27 hereof.

The Plan provides that only the holders of Allowed Claims, that is, holders of claims not in dispute, not contingent, liquidated in amount and not subject to objection or estimation are entitled to receive distribution thereunder. Until a

claim becomes an Allowed Claim, distribution will not be made to the holder of such claim.

5.2 Objections to Claims

The amounts set forth as due to holders of unclassified and classified claims are estimates only, based upon Debtor’s Schedules or Debtor’s belief as to amounts due thereto. Debtor is including as **Exhibit C** hereto a Summary of Claims and Plan Payments, including reconciliation of claims against Debtor, indicating those objected, those to be objected to, and those pending review.

Any objections to Claims must be filed and served on the holders thereof by the Claims Objection Bar Date, which as set forth in the Plan is the later of (1) the date that such claims become due and payable in accordance with their terms, or thirty (30) days before the first date fixed by the Bankruptcy Court for the hearing on the confirmation of Debtor’s Plan. If an objection has not been filed to a Claim by the Claims Objection Bar Date, the Claim will be treated as an Allowed Claim.

Objections to Claims filed in Debtor’s Chapter 11 case are to be prosecuted by Debtor, including any application to estimate or disallow Claims for voting purposes.

Debtor has objected to the following Claims:

POC No.	Claimant	Total Amount Claimed	Classification of claim by Claimant	Amount Expected to be Allowed	Reason for Objection	Action
21	Department of Treasury	\$304,882.21	Priority \$186,508.59 Unsecured \$118,373.62	Priority \$0.00 Unsecured \$0.00	Contrary to Claimant’s assertions, Debtor filed and paid its quarterly tax returns and/or employees’ income tax withheld for January-March 2004, October-	Pending

POC No.	Claimant	Total Amount Claimed	Classification of claim by Claimant	Amount Expected to be Allowed	Reason for Objection	Action
					December 2007, January-December 2008, April-September 2009, and April-June 2010. As for the alleged tax liability for the 7% tax withholdings for professional services for 2000-2005, Debtor paid the amount, including interest and surcharges, that Treasury determined after an audit.	
9	Internal Revenue Service	\$8,100	Priority FICA \$8,000 FUTA \$100.00	\$0.00	Employee's Withholding Taxes for the period ended September 30, 2011 was timely filed and paid. Federal Unemployment Taxes for year ended December 31, 2011 is due and will be filed and paid on or before January 31, 2012.	Pending
22	Municipio de San Juan	\$290.84	Unsecured	\$0.00	Time-barred	Pending
15	Miguel A. Marrero	\$4,500,908.77	Unsecured	\$169,264.43, which is the equivalent to one year's salary	As per Section 502(b)(7), claim must be capped at the amount expected to be allowed	Pending

VI. THE REORGANIZATION PLAN

As summarized below Debtor proposes a plan that would result in the resolution of the outstanding claims against it.

6.1. Overview of Chapter 11

Chapter 11 is the principal business reorganization Chapter of the Bankruptcy Code. Under Chapter 11 of the Bankruptcy Code, a debtor is authorized to reorganize its business for the benefit of itself, its creditors, and interest holders. Another goal of Chapter 11 is to promote equality of treatment

for similarly situated creditors and similarly situated interest holders with respect to the distribution of a debtor's assets.

The commencement of a Chapter 11 case creates an estate that is comprised of all of the legal and equitable interests of the debtor as of the filing date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

The consummation of a plan of reorganization is the principal objective of a Chapter 11 case. A plan of reorganization sets forth the means for satisfying claims against a debtor and the interests in a debtor. Confirmation of a plan of reorganization by the Bankruptcy Court makes the plan binding upon the debtor, any issuer of securities under the plan, any person or entity acquiring property under the plan, and any creditor of or equity security holder in the debtor, whether or not such creditor or equity security holder (i) is impaired under or has accepted the plan or (ii) receives or retains any property under the plan. Subject to certain limited exceptions and other than as provided in the plan itself or the confirmation order, the confirmation order discharges the debtor from any debt that arose prior to the date of confirmation of the plan and substitutes therefore the obligations specified under the confirmed plan, and terminates all rights and interests of equity security holders.

6.2 Overall Structure of the Plan

Debtor believes the Plan provides the best and most prompt possible recovery to Debtor's creditors and interest holders. Under the Plan, claims against and interests in the Debtor are divided into different classes. 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 is being simultaneously filed herewith. In the event and to the extent that the description of the Plan contained in this 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.

6.3 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 and Interests in each class, as well as the estimated principal amount thereof as of the Effective Date and their treatment, are set forth in the Plan and summarized in pages 25-27 - hereof. Administrative Expense Claims are generally the ordinary and necessary costs of administering and operating during a Chapter 11 case.

6.4 Administrative Expense Claims

Except as otherwise agreed to by Debtor and the holder of an Allowed Administrative Expense Claim, each such holder shall be paid in full in cash in the regular course of business or as authorized by the Court on or before the Effective Date.

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.

6.5 Professional Fee Claims

The professionals retained by Debtor in Debtor's Chapter 11 case 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 professional administrative expense fees that will be incurred through the confirmation 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 \$45,000.00 in fees and expenses to its professionals or as retainers. Debtor estimates that additional Allowed Professionals Fee Claims to professionals will aggregate from \$100,000.00 to \$125,000.00 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.

6.6 Priority Tax Claims

Priority Tax Claims are claims entitled to priority pursuant to Section 507(a)(8) of the Bankruptcy Code. Such Allowed Priority Tax Claims primarily consist of sales and use tax (state and municipal), municipal taxes, employees' withholding taxes, and other miscellaneous taxes accrued prior to the Petition Date. The estimated unpaid Allowed Priority Tax Claims are listed in **Exhibit D** hereto and amount to \$15,858.03.

Holders of Allowed Priority Tax Claims, if any, shall be paid by Debtor in full, in cash, on the Effective Date of the Plan.

6.7 Classes of Claims and Equity Interest

As of the Petition Date, Debtor had secured debt with Reliable and other pending claims as indicated above, priority unsecured debt and non-priority unsecured debt, as more particularly described below and in pages 8-9 hereof. The Plan classifies the various claims against Debtor. A description of all classes of Claims and the Equity Interests, the estimated principal amount of each Class as of the Effective Date and its treatment are set forth below. The Classes of Claims and the Interests in Debtor set forth in the Plan are as follows:

Class 1 – Allowed Secured Claim of Reliable- Class 1 shall consist of the Allowed Secured Claim of Reliable secured by substantially all of Debtor's revenue producing assets, as evidenced by the corresponding financing statements, filed with the Department of State of Puerto Rico, as finally determined and allowed by the Court. This claim was estimated at \$1,673,672.00 as of August 24, 2011.

Class 2 - Holders of Allowed General Unsecured Claims - Class 2 shall consist of Allowed General Unsecured Claims. Class 2 claims are estimated in \$ 1,487,677.84.

Class 3 – Interest in Debtor - Class 3 shall consist of the shares of Equity Interest Holders in Debtor.

6.8 Treatment of Claims.

Class 1 - Secured Claim of Reliable

(a) Impairment and Voting - Class 1 is impaired under the Plan. Reliable will be entitled to vote to accept or reject the Plan.

(b) Distribution and Treatment - The Allowed Claim of Reliable secured by substantially all of Debtor's revenue producing assets, including but not

limited to Debtor's cash accounts, accounts receivable and inventories, as evidenced by the corresponding financing statements filed with the Department of State of Puerto Rico, as finally determined and allowed by the Court, will be paid in full pursuant to the Floor Plan Financing Agreement dated March 26, 2011, as amended, with an estimated balance of \$1,673,672.00 as of August 24, 2011. Reliable will continue receiving monthly payments, with interest at a rate per year equal to $\frac{3}{4}$ of 1% over prime rate, such interest to be payable monthly until payment in full of the principal, which will be due on July 31, 2012.

Class 2 – Holders of General Unsecured Claims

(a) Impairment and Voting - Class 2 is impaired under the Plan. Holders of Allowed General Unsecured Claims shall be entitled to vote to accept or reject the Plan.

(b) Distribution - Holders of Allowed General Unsecured Claims against Debtor shall be paid in full satisfaction of such claims an estimated dividend of 13% on the Effective Date or on or before thirty (30) days after such claims are allowed by a final order of the Bankruptcy Court from the remaining balance of the Carve-Out, estimated in \$200,000.00, after the payment of Allowed Administrative Expense Claims and Priority Tax Claims, as indicated above.

Class 3 – Equity Interest

(a) Impairment and Voting - Class 3 is unimpaired under the Plan. The holders of the Equity Interest in Debtor are deemed to have accepted the Plan and shall not be entitled to vote to accept or reject the Plan.

(b) Treatment - The shares of Debtor's Equity Interest Holders will be retained thereby unaffected.

6.9 Means for Implementation of the Plan

Except as otherwise provided in the Plan, Debtor will effect payment of all Allowed Administrative Expense Claims, Priority Tax Claims, Reliable's Secured Claim and General Unsecured Claims with the available funds originating from Debtor's future operations, the cash available as of the Effective Date of the Plan, and the Carve-Out agreed with Reliable. Attached hereto as **Exhibit E** is Debtor's Cash Flows projections which shows the feasibility of Debtor's operations and the funds generated thereby for the implementation of the Plan.

6.10 Debtor's Post Confirmation Management

After confirmation of the Plan, Debtor will continue with its current Management, consisting of:

- a. Ramón Vega Díaz - President. His compensation package as of September 30, 2011, consists of \$48,000.00 per annum.
- b. Guillermo Vega Macia - Secretary/Treasurer. He does not receive compensation from Debtor but from Autos Vega, Inc.
- c. Eduardo Vázquez - Operations Manager. He does not receive compensation from Debtor but from Autos Vega, Inc.
- d. Jorge Barcias - Finance Director/Controller. He does not receive compensation from Debtor but from Autos Vega, Inc.

6.11 Executory Contracts and Unexpired Leases

All executory contracts and unexpired leases, as listed in **Exhibit I** hereto, which have not expired by their own terms or have been assumed or rejected on or prior to the Confirmation Date shall be deemed assumed on the Effective Date, and the entry of the Confirmation Order by the Bankruptcy Court shall

constitute approval of such assumptions pursuant to Sections 365(a) and 1123(b)(2) of the Bankruptcy Code.

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

6.12 Reservation of Right to Object to Allowance or Asserted Priority of Claims

Nothing in the Plan shall waive, prejudice, or otherwise affect the rights of the Debtor to object at any time, including after the Effective Date, to the validity or asserted priority of any Claim, including without limitation, whether any such Claim should be treated as a subordinated Claim. Moreover, Debtor reserves the right to dispute, contest, or offset against any Claims following or prior to the Effective Date, either in the Bankruptcy Court or in the ordinary course in such manner as may otherwise be appropriate.

6.13 Special Provision Regarding Unimpaired Claims

Except as otherwise explicitly provided in the Plan, nothing shall affect Debtor's rights and defenses, both legal and equitable, with respect to any Unimpaired Claims, including, but not limited to, all rights with respect to legal and equitable defenses to setoffs or recoupments against Unimpaired Claims.

VII. LIQUIDATION AND FINANCIAL ANALYSIS

7.1 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, Debtor would be required to cease all activities, its more than

35 employees would be dismissed and a Chapter 7 trustee appointed for Debtor's Estate to liquidate the Estate's assets pursuant to the provisions of the Bankruptcy Code, after attending to the immediate issues of securing Debtor's assets and the resolution of any issues involving Debtor's employees. The Chapter 7 Trustee most likely would abandon Debtor's assets due to their lack of equity and creditors, other than Reliable, will not receive any dividends in or out of the bankruptcy proceedings. Debtor's audited financial statements as of September 30, 2009 and 2010, are attached as **Exhibit F** hereto, and Debtor's Unaudited Financial Statements as of September 30, 2011 as **Exhibit J**. A Liquidation Analysis with respect to Debtor's assets as of November 30, 2011 is attached as **Exhibit G** hereto (the "Liquidation Analysis").

The Liquidation Analysis reveals that in the event of a liquidation of Debtor's assets, there would be a substantial loss to Debtor's Estate, taking into account Reliable's Secured Claim, Chapter 7 costs of administration and the expected value of the Estate's assets in a liquidation scenario. It reflects that in a liquidation scenario, the proceeds arising therefrom, will only cover 100% of Reliable's secured claim and some of the Chapter 7 Administrative Expense Claims, leaving no funds for distribution to any other Claimants in the case. The liquidation analysis also reflects what in Chapter 11 the respective creditors are expected to receive under the Plan versus what is projected they would receive in Chapter 7, underscoring the benefits of the confirmation of the Plan and its effectiveness.

Confirmation of the Plan will ensure that holders of Administrative Expense Claims, Allowed Priority Tax Claims, Reliable's Claim, and Allowed General

Unsecured Claims will receive prompt dividends on their claims. The Liquidation Analysis contains estimates and assumptions that, although developed and considered reasonable by Debtor, are inherently subject to significant economic uncertainties and contingencies beyond Debtor's control.

7.2 Feasibility of the Plan

A) Financial Projections

Debtor, with the assistance of Mr. Carrasquillo, has prepared financial projections (the "Projections") based on the confirmation and implementation of the Plan. The Projections are based upon estimates and assumptions that, although developed and considered reasonable by Debtor are inherently subject to significant economic uncertainties and contingencies beyond Debtor's control, as well as to certain assumptions with regard to the value of assets that are subject to change. Accordingly, there can be no assurance that the projected performance reflected in the Projections will be realized.

The Projections attached as **Exhibit E** to this Disclosure Statement contemplate the twelve-month period ending December 31, 2012, considering that Debtor's Plan proposes that all payments will be made on or near to the Effective Date, thus projections for future years are unnecessary. As **Exhibit H** hereto, Debtor is including a summary of its monthly operating reports for the period of July 2011 to December 31, 2011.

B) Funds and Assets Sufficient for Payments Required under the Plan

As of the Petition Date, Debtor owned assets and had liabilities, as more particularly described in its Schedules and Statement of Financial Affairs, which Debtor filed with the Bankruptcy Court on July 6, 2011, as amended on July 22,

August 17, and September 21, 2011. As aforesaid, Debtor has prepared and filed with the Bankruptcy Court monthly operating reports summarizing its post-petition financial performance. These monthly operating reports, and Debtor's Schedules and Statement of Financial Affairs are available for public inspection with the Clerk of the Bankruptcy Court during regular business hours.

a) Personal Property

As of the Petition Date, Debtor's Schedules listed Debtor's personal property consisting of checking accounts, security deposits, net accounts receivable, furnishings and supplies, equipment, vehicles, leasehold improvements, prepaid insurance, and taxes and inventory totaling approximately \$4,572,297.00. However, to present Debtor's updated financial condition, Debtor is attaching hereto copy of its audited financial statements as of September 30, 2009 and 2010 (**Exhibit F**), a Liquidation Analysis as of November 30, 2011 (**Exhibit G**), a Summary of its Monthly Operating Reports (**Exhibit H**), and Unaudited Financial Statements as of September 30, 2011 (**Exhibit J**).

b) Accounts Receivable and Liquidated Debts

As of the Petition Date, Debtor's net accounts receivable totaled approximately \$1,058,549.00. However, most of those receivable have been collected during the pendency of the case. As mentioned above, Debtor is attaching hereto copy of its audited financial statements as of September 30, 2001, for updated financial and assets information.

c) Liquidation Analysis

In order to analyze realistic liquidation scenarios in the Liquidation Analysis included as **Exhibit G** hereto, Debtor has utilized the value of its assets as of November 30, 2011.

7.4 Leases and Executory Contracts

As of the Petition Date, Debtor was a party to several unexpired leases and executory contracts, as set forth in Schedule G to its Schedules, and listed on **Exhibit I** hereto. As set forth above, all executory contracts and unexpired leases, as listed in the Exhibit I hereto, which have not expired by their own terms or have been assumed or rejected on or prior to the Confirmation Date shall be deemed assumed on the Effective Date, and the entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such assumptions pursuant to Sections 365(a) and 1123(b)(2) of the Bankruptcy Code.

VIII. BAR DATE AND DETERMINATION OF CLAIMS

8.1 Bar Date

On , July 12, 2011, in the "Notice of Chapter 11 Bankruptcy Case, Meeting of Creditors and Deadlines" issued in Debtor's case, the Bankruptcy Court fixed , November 14, 2011, as the bar date for the filing of proofs of claims and interests, except for Governmental Units, and January 4, 2012, for such filing by Governmental Units.

8.2 Determination of Claims

The Plan specifies procedures for objecting to claims. Debtor and any other entity authorized under the Bankruptcy Code may object to Claims within thirty (30) days before the first date fixed by the Bankruptcy Court for the hearing on the confirmation of the Plan. No payments will be made under the Plan on account of Disputed Claims until their allowance by the Bankruptcy Court. The Plan provides that Distributions on Disputed Claims will be held in reserve until the Disputed Claims are allowed (at which time the reserves will be distributed and the Claims will be treated according to the terms of the Plan), or disallowed (at which time the reserves will be distributed on account of Allowed Claims pursuant to the terms of the Plan).

Any Claims which (a) are not listed as Allowed Claims on Debtor's Schedules, as amended; (b) are not evidenced by a valid, timely filed Proof of Claim; or (c) are not listed in the Plan or exhibits thereto as Allowed Claims, shall not receive any distribution of cash or property under the Plan until the same become Allowed Claims, and shall be disallowed and discharged if they are not allowed by order of the Bankruptcy Court.

IX. ALTERNATIVES TO THE PLAN

If the Plan is not confirmed and consummated, the alternatives include (a) Debtor's liquidation under Chapter 7 of the Bankruptcy Code, (b) dismissal of Debtor's Chapter 11 Case, or (c) the proposal of an alternative plan

A. Liquidation Under Chapter 7

If a plan cannot be confirmed, the Case may be converted to Chapter 7 of the Bankruptcy Code, and a trustee would be elected or appointed to liquidate

Debtor's assets for distribution to creditors in accordance with the priorities established by the Bankruptcy Code.

As set forth in the Liquidation Analysis attached as **Exhibit G** hereto, Debtor believes that conversion of the Case to Chapter 7 of the Bankruptcy Code would result in no distribution to creditors other than Reliable and Chapter 7 Administrative Claimants due to additional decreased values of Debtor's assets, delay in distribution on account of such conversion, and the encumbrance of substantially all of Debtor's assets by Reliable causing the Chapter 7 Trustee to abandon Debtor's assets.

Thus, Debtor believes that the interest of creditors and the goals of Chapter 11 are better served by the confirmation of the Plan.

B. Dismissal of the Case Reliable

Dismissal of the Case would likely create substantial problems for all parties involved, including a run to the courthouse, and the foreclosure by Reliable of its liens on substantially all of Debtor's assets, which would result, in an abandonment of the orderly and structured equitable payments provided by the Plan. Therefore, dismissal of the Case should not be a viable alternative for creditors.

C. Alternative Plan of Reorganization

If the Plan is not confirmed, at present, Debtor does not foresee a different plan. Debtor believes that the Plan described herein will provide the greatest and most expeditious return to creditors.

X. TAX EFFECTS

Based on Debtor's costs of implementing the Plan, the possible loss carryforwards resulting from the Plan, and other factors, the implementation of the Plan will not have any significant tax effects or minimum impact on Debtor. Additionally, under the provisions of the Puerto Rico Internal Revenue Code, any gain on restructuring debts, as a result of the confirmation of a Bankruptcy plan, are not taxable.

XI. EFFECT OF CONFIRMATION

The provisions the Plan, if confirmed, shall bind the Debtor, all Creditors, Interest Holders, and any entity acquiring property under the Plan, whether or not the Claim or Interest of such Creditor or Interest Holder is impaired under the Plan and whether or not such Creditor or Interest Holders has accepted the Plan.

XII. CONCLUSION

Debtor believes that the Plan is fair and reasonable and in the best interest of the Estate and Creditors and offers the best possible recovery for Creditors under the circumstances. Debtor therefore, urges creditors to vote in favor of the Plan.

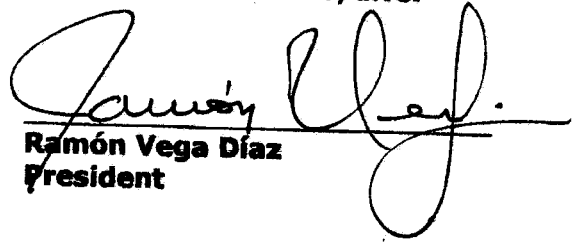
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Dated: January 30, 2012.

EUROCLASS MOTORS, INC.

By:

A handwritten signature in black ink, appearing to read "Ramón Vega Díaz", written over a horizontal line.

Ramón Vega Díaz
President