

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

In re MAR REALTY INC

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Debtor in Possession

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**BK. 13-09752(MCF0
Chapter 11**

DISCLOSURE STATEMENT

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Article I.

Introduction and Representations

A. Introduction.

MAR REALTY INC., (“herein Debtor”), has prepared and is disseminating this Disclosure Statement to holders of claims against and interests in Debtor for the purpose of soliciting acceptance of its Plan of Reorganization (the “Plan”). Debtor believes this Disclosure Statement contains the information that is material, important and necessary for its creditors and interest holders to arrive at an informed decision in exercising their right to vote for acceptance of the Plan. A copy of the Plan accompanies this Disclosure Statement as Exhibit “ C.” As holder of a claim or interest in Debtor, your acceptance is important. For a class of claims to accept the Plan, acceptances must be filed by at least two-thirds in amount and more than one-half in number of the Allowed Claims for such class that actually vote on the Plan. A failure to vote on the Plan does not constitute either an acceptance or rejection of the Plan.

B. Representations.

NO REPRESENTATIONS CONCERNING THE DEBTOR OR THE PLAN ARE AUTHORIZED OTHER THAN AS SET FORTH HEREIN. ANY REPRESENTATIONS OR INDUCEMENTS TO SECURE YOUR ACCEPTANCE OF THE PLAN OTHER THAN AS CONTAINED HEREIN SHOULD NOT BE RELIED UPON BY YOU. THE INFORMATION CONTAINED HEREIN HAS NOT BEEN REVIEWED OR PASSED UPON BY AN ACCOUNTANT. THE DEBTOR IS UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ANY INACCURACY ALTHOUGH

ALL SUCH INFORMATION IS ACCURATE TO THE DEBTOR'S BEST KNOWLEDGE, INFORMATION AND BELIEF. THE COURT HAS NOT VERIFIED THE ACCURACY OF THE INFORMATION CONTAINED HEREIN, AND THE COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT IMPLY THAT THE COURT ENDORSES OR APPROVES THE PLAN, BUT ONLY THAT IF THE INFORMATION IS ACCURATE, IT IS SUFFICIENT TO PROVIDE AN ADEQUATE BASIS FOR CREDITORS AND INTEREST HOLDERS TO MAKE INFORMED DECISIONS WHETHER TO APPROVE OR REJECT THE PLAN.

C. Defined Terms.

Most words or phrases used in this Disclosure Statement shall have their usual and customary meanings. Some words or phrases when used in the context of the Plan and Disclosure Statement with initial capital letters shall have the definitions set forth in the Plan. Unless otherwise defined, the terms used in this Disclosure Statement shall have the same meaning as in the Bankruptcy Code or Rules.

Article II.

Background Information

A. Formation and History of the Corporation.

Debtor in Possession is a duly organized and in good standing corporation incorporated on November 9, 2000, pursuant to the provisions of the Law of Corporation for the Commonwealth of Puerto Rico. The Debtor's business is the lease of real estate property.

Debtor is the owner of seven parcel of land, of which were before the filing of the petition leased to several entities.

Among the entities occupying the properties is The Tile Outlet and MMM Health Plan. All the leased agreement as of the time of the filing of the petition had expired. Four months prior to the entry of the order for relief , the debtor entered into a lease agreement with Anderson Financial for a space in Debtor's property located in Hatillo, Puerto Rico .

B. Events Leading to Chapter 11 Filing.

BANCO POPULAR de PR, filed a collection and foreclosure proceedings in the States

Court. The amount claim is in excess of Eight Million Dollar. In order to stay the proceeding and have the opportunity to maximize the value of the properties through an orderly liquidation thru private sale of each of the properties, debtor decided to file for the protection under the provisions of Chapter 11 of title 11 USCA.

C. Bankruptcy Proceedings.

A 341 hearing was held and closed on December 30, 2014. Debtor's counsel appointment was approved on January 16, 2014(Docket#22) .Soon after the filing of the p[petition Banco Popular filed several motions prohibiting the use of cash collateral and the motion requesting the lift of stay against the properties encumbered by the mortgages pledged to the Bank.

After several hearing the parties reach a stipulation which was filed on March 17, 2014. (docket 81)

Article III.

Plan of Reorganization

Although the following is not a substitute for a careful reading of the Plan, the following is a general discussion of the treatment of Allowed Claims and Allowed Interests under the Plan.

A. Treatment of Priority Claims.

1. Priority Claims.

Administrative Claims: The debtor must pay a quarterly fee to the United States Trustee of \$325.00 for each quarter and Debtor has been paying said fees to US Trustee.

All administrative claims are subject to allowance by the Bankruptcy Court and its determination of the reasonableness of the amounts; any party in interest can object to any claim for administrative fees and expenses.

The holders of Allowed Claims which are Administrative Claims shall receive, on account of such claims, cash in the amount of such claims (I) as soon as practical on or after the Effective Date or (ii) at the option of the Debtor, in accordance with the ordinary business terms of payment of such claims. Professionals employed at the expense of the estate of the Debtor and entities who may be entitled to reimbursement or the allowance of fees and expenses from the estate of the Debtor pursuant to subparagraphs (2) through (6) of §503(b) of the Bankruptcy Code, shall receive cash in the amount awarded to such professionals and entities at such times

and only in accordance with a final order entered pursuant to §330 or §503(b)(2) through (6) of the Bankruptcy Code.

2. *Class 1A* (unsecured taxes).

Debtor has filed its Income tax Returns for the past three years and the same show a loss, thus Debtor has no priority debt related to Income Taxes due.

Class 1A consists of unsecured tax claims held by the Common wealth of Puerto Rico and CRIM that are entitled to priority pursuant to §507(a) (7) of the Code. The claim filed by Department of Treasury will be objected. These claims may constitute Class 1 and deemed unsecured, as the Plan contemplates.

IF the properties are sold by the Debtor in Possession within the six month period stipulated with Banco Popular. The outstanding Real Property Taxes will be paid out of the proceeds of said sales.

In the event that the Debtor is unable to close the sales on the properties and the stay is lifted then the claims for real property taxes shall be deemed not allowed pursuant to the provisions of section 502 (b)(3).

3. *Class 1B* (Internal Revenue Taxes). Class 2 consists of the unsecured tax claim held by the Internal revenue Service that are entitled to priority pursuant to §507(a). The Plan once the allowed shall provide for payment within the time period provided for such claims under the provisions of the bankruptcy Code.

B. Treatment of Secured Claims.

Class 2. Class 2 consists of the claim of Banco Popular de Puerto Rico.

1 Banco Popular de Puerto Rico: Banco Popular has several mortgages notes pledged as security to monies advances pursuant to certain loan documents.

A stipulation has been executed by the parties whereby the Debtor is granted a terms of six months to sale the properties, the proceeds of said sales would be applied to the outstanding debt. Upon expiration of the six months period, the bank will proceed with the foreclosure of the properties pursuant to the provision of the applicable state law.

C. Unsecured Claims.

1. *Class 3 A*: Class 3 A consists of unsecured claims the holders of which would have recourse against the debtor outside of the context of a Chapter 11 case, or which do not also hold Allowed Secured Claims requiring the holder to first pursue its available remedies against the Property, including all trade debt. The holders of the Class 3 A Allowed Claims shall receive payment from the proceeds after payment to CRIM, and secured creditor.

D. Treatment of Interests.

1. *Class 4* (noncontributing stockholders): Class 4A consists of the general stockholders who do not make Additional Capital Contributions. Those stockholders who do not make Additional Capital Contributions shall not receive or retain any property under the Plan.

E. Consequences of Default.

If “Debtor” is unable to perform the terms and conditions of this Plan, then it will be in default. The security interests and liens that survive the Plan are enforceable obligations that provide remedies in case of default; in particular, secured creditors could hold trustee's sales of their deeds of trust and the Reorganized Debtor would lose its Property. Secured creditors have recourse only to the collateral securing their claims, and unsecured claimants have recourse only to the Reorganized Debtor.

F. Management.

Mr. Edwin Ramos, debtor's president will continue with the management of Debtor’s business. Ms. Rosalynd Ramos is the in house accountant which manages the financial aspect of the business. None of these officers is earning a salary from debtor's operations.

G. Confirmation Possible Where Class Does Not Accept.

The Court will be asked to confirm as to any class of claims or interests that does not accept the Plan. To do so, the Court must find that the Plan: (1) is fair and equitable with respect to each class of claims or interests that is impaired and as not accepted the Plan; and (2) that each holder of a claim or interest receives or retains under the Plan, on account of such claim or interest, property of a value, as of the Effective Date of the Plan, that is not less than the amount that would be received or retained if the Debtor's property were liquidated under Chapter 7 of Title 11 of the Code. “Debtor” believes the second requirement is satisfied as demonstrated by the Liquidation Analysis set forth below in article VI. “Debtor” believes the first requirement is satisfied with respect to any class that might not accept the Plan. If a Class of Secured Claims does not accept the Plan, the Code provides that the fair and equitable requirement is satisfied if the class retains its lien and receives deferred cash payments of a present value equal to the value of the claimant's secured interest in the collateral. “Debtor” believes this requirement is satisfied as to each Class of Allowed Secured Claims, because the Plan provides for them to receive the value of their interest in their collateral.

If a class of unsecured claims does not accept the Plan and they are not paid in full with a market rate of interest, the fair and equitable requirement of the Code provides that no junior class of interests can receive or retain any property under the Plan on account of their interests. “Debtor”

believes this requirement is satisfied by the Plan because, in the event an unsecured class fails to accept the Plan, then the various classes of interests will not receive anything.

THE FOREGOING IS A SUMMARY OF THE PLAN AND CREDITORS ARE URGED TO READ THE PLAN IN FULL. CREDITORS SHOULD CONSULT WITH COUNSEL IN ORDER FULLY TO UNDERSTAND THE PLAN, WHICH IS A PROPOSED LEGALLY BINDING AGREEMENT BY THE DEBTOR.

Article IV.

Financial Projections

A.1 Value of the Real Property.

Enclosed as exhibit B is the most recent appraisal of debtor's properties

2. Value of movable property and equipment

The existing inventory and movable property has a value of 0.00

B. Current Operations.

Debtor's main business is the management of certain real estate properties which at one time were leased to third parties. As of the filing of the petition only two out of the seven properties owned by the Debtor are presently leased. The income from such leases amounts to \$9,000.00. Five thousand of which are tendered as adequate protection to Banco Popular.

Operating expenses are being reduced, and the income being generated can be easily verified from the monthly reports being submitted to the US Trustee's Office Exhibit A-1 &2 .

C. Source and Application of Funds upon Confirmation.

The source of the funds of the Debtor will be the monies generated from the sale of the properties and or rent.

Article V.

Tax Consequences

“Debtor” has not obtained a tax opinion and expresses no opinion as to the tax consequences to the holder of any claim or interest caused by the terms of the Plan of Reorganization. Stockholders are advised and encouraged to obtain their own tax counsel to determine the tax consequences of this Plan. In obtaining that advice, certain matters require particular attention due to their uncertainty and potentially significant tax consequences. For example, significant issues may arise as to the amount of any debts that will be deemed discharged by the Plan and therefore generate discharge of indebtedness income to the partnership which would flow through to the partners; and the amount of tax that would be payable by partners if they withdraw from the partnership or if the Plan is not confirmed and there is a foreclosure.

BECAUSE “Debtor” EXPRESSES NO TAX ADVICE, IN NO EVENT WILL THE Debtor, THE STOCKHOLDERS OR ANY AFFILIATES OR PROFESSIONAL ADVISORS ENGAGED BY ANY OF THEM BE LIABLE IF, FOR ANY REASON, THE TAX CONSEQUENCES OF THE PLAN OR AN ADDITIONAL CAPITAL CONTRIBUTION ARE OTHER THAN AS ANTICIPATED. CREDITORS AND INTEREST HOLDERS MUST LOOK SOLELY TO AND RELY SOLELY UPON THEIR OWN ADVISORS AS TO THE TAX CONSEQUENCES OF THIS PLAN.

Liquidation Alternative

Debtor estimates the unsecured creditors would receive no distribution in the event of liquidation. Thus liquidation would bring no return to the unsecured creditors and stockholders’ interests would be extinguished. Moreover, at a foreclosure sale the selling price may be less than the current appraised value of the movable property. Consequently, Debtor believes the Plan is in the best interest of all creditors and partners

Article VII.

Recommendation

“Debtor” recommends that its Disclosure Statement for its Plan of Reorganization be approved.

Respectfully submitted

RESPECTFULLY SUBMITTED

In San Juan, Puerto Rico, this 26th of March 2014.

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