

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

**IN RE:
HALAIS GROUP, INC.**

DEBTOR

CASE NO. 16-01361 MCF

CHAPTER 11

**DEBTOR'S DISCLOSURE STATEMENT
DATED FEBRUARY 28, 2017**

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I. INTRODUCTION

Pursuant to Section 1125 of the United States Bankruptcy Code, 11 U.S.C. §101, *et seq.* (the "Bankruptcy Code"), Halais Group, Inc., debtor and debtor-in-possession in the above captioned case ("Debtor"), provides its disclosure statement (the "Disclosure Statement") to all of its known creditors. This Disclosure Statement contains information about the Debtor and describes the Debtor's Plan of Reorganization, dated February 28th, 2017 (the "Plan"). A full copy of the Plan is attached to this Disclosure Statement as Exhibit A. A table of the proposed distribution to be made under the Plan is also attached as Exhibit B, and discussed in this Disclosure Statement.

The purpose of the Disclosure Statement is to provide such information as Debtor believes may be deemed necessary for Debtor's creditors to make an informed decision in exercising their rights to vote on Debtor's Plan. Particularly, this Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case;
- How the Plan proposes to treat claims or equity interests of the type you hold (*i.e.*, what you will receive on your claim or equity interest if the plan is confirmed);
- The prospects if confirmation is denied or the proposed Plan does not become effective;
- Who can vote on or object to the Plan;
- What factors the Bankruptcy Court (the "Court") will consider when deciding whether to confirm the Plan;
- Why Debtor believes the Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest during a liquidation; and

- The effect of the confirmation of the Plan.

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. ***Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.***

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The information contained in the Disclosure Statement has been provided by Debtor's representative, based upon his knowledge of Debtor's records, business and affairs. Except as otherwise expressly indicated, the information provided in the Disclosure Statement has not been subject to an audit or independent review. Although great efforts have been made to be accurate, Debtor, its counsel and other professional advisors do not warrant the accuracy of the information contained herein.

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

The Disclosure Statement has not yet been approved by the Bankruptcy Court as providing information deemed adequate to enable Debtor's creditors to make an informed judgment in exercising their right to vote for or against the Plan. The Court has not yet determined whether the Plan meets the legal requirements for confirmation, and the fact that the Court approves this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted.

The hearing at which the Court will determine whether to finally approve this Disclosure Statement and confirm the Plan will be scheduled by the Bankruptcy Court and will be conducted at the U.S. Bankruptcy Court, District of Puerto Rico, 300 Recinto Sur Street, Second Floor, San Juan PR 00901. ***You will receive a Notice for this hearing from the Debtor.***

Debtor believes that the Plan provides the quickest recovery and will maximize the return to creditors on their claims. **ACCORDINGLY, DEBTOR URGES ALL CREDITORS TO VOTE IN FAVOR OF THE PLAN.**

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II. GENERAL INFORMATION

A. Description, History, and Management of the Debtor's Business

Halais Group, Inc., established on September 11, 2000, is a for-profit corporation organized under the laws of Puerto Rico, and it is involved in the business of providing burial and cremation services, and sales of cemetery lots and columbariums.

Before filing for bankruptcy, Halais Group, Inc. was managed by its founder and president Mr. Raymond Halais-Karesh. After the bankruptcy, Debtor's business is still managed by its president with the assistance and advice of the professionals retained in this case. Debtor's

finances and accounting structure were established and the corporate affairs of the Debtor have been adjusted and under strict compliance.

B. Insiders of the Debtor

Pursuant to 11 U.S.C. §101(31)(B) of the United States Bankruptcy Code, an insider (if the debtor is a corporation) includes (i) director of the debtor; (ii) officer of the debtor; (iii) person in control of the debtor; (iv) partnership in which the debtor is a general partner; (v) general partner of the debtor; or (vi) relative of a general partner, director, officer, or person in control of the debtor.

The insider of the Debtor is Mr. Raymond Halais- Karesh. There are no insider claims nor be any distribution under the terms of the Plan.

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C. Events Leading to Chapter 11 Filing

The Debtor experienced as significant loss of revenues due to a reduction of salesmen employees. As a result of the revenues' decrease, the cemetery business was not able to comply with its debts as were originally structured and thus was sued for the foreclosure of the cemetery lot and also had garnishments executed by the CRIM and the Department of Treasury.

D. Significant Events During the Bankruptcy Case

Debtor retained legal professional services from Lcdo. Carlos Alberto Ruiz, CSP and accounting professional services from Albert Tamarez-Vásquez, CPA. The employment of these professionals was approved by the Court. Debtor has executed measures and made adjustments to reorganize its business affairs.

The Debtor does not intend to pursue preference, fraudulent conveyance, or any kind of avoidance actions.

E. Objections to Claims

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. The procedures for resolving disputed claims are set forth in Article V of the Plan.

F. Current and Historical Conditions

Debtor's financial condition is detailed in Debtor's summary of monthly operating reports filed with the Court, and hereby attached as Exhibit C.

III. SUMMARY OF DEBTOR'S PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

A. Purpose of the Plan of Reorganization

As required by the Code, the Plan places claims and equity interests in various classes and describes the treatment each class will receive. The Plan also states whether each class of claims or equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

B. Unclassified Claims

Certain types of claims are automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code. As such, the Plan Proponent has *not* placed the following claims in any class:

1. Administrative Expenses

Administrative expenses are costs or expenses of administering the Debtor's Chapter 11 case which are allowed under §507(a)(2) of the Code. Administrative expenses also include the

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value of any goods sold to the Debtor in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires that all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different treatment.

The following chart lists the Debtor's estimated administrative expenses and their proposed treatment under the Plan:

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<u>Type</u>	<u>Estimated Amount Owed</u>	<u>Proposed Treatment</u>
Professional Fees, as approved by the Court - Lcdo. Carlos Alberto Ruiz, CSP - CPA Albert Tamarez Vasquez	\$ 12,000.00 \$ 4,500.00	Paid in full on the effective date of the Plan, or according to separate written agreement, or according to Court order if such fees have not been approved by the Court on the effective date of the Plan.
Office of the U.S. Trustee Fees	\$ 1,950.00	Debtor proffers payments are current. If any outstanding amount is due it will be paid in full on the effective date of the Plan.
<u>TOTAL</u>	<u>\$ 18,450.00</u>	

2. Priority Tax Claims

Priority tax claims are unsecured income, employment, and other taxes described by §507(a)(8) of the Code. Unless the holder of such a §507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 5 years from the order of relief. Each holder of a priority tax claim will be paid consistent with § 1129(a)(9)(C) of the Code, in monthly cash installments, equal to the allowed amount of its claim, plus yearly interest over a period ending before the statutory five year period from the filing of the captioned petition.

The following lists the Debtor's §507(a)(8) priority tax claims and their proposed treatment under the plan:

Description (name and type of tax)	Estimated Amount Owed	Treatment
IRS	\$ 71,202.35	Monthly Payment = \$1,616.00 Begin date = May 1 st , 2017 End date = April 1 st , 2022 Total Payout = \$71,202.00
State Insurance Funds Corp. (CFSE)	\$5,347.08	Monthly Payment = \$121.00 Begin date = May 1 st , 2017 End date = April 1 st , 2021 Total Payout = \$5,347.00
PR Department of Treasury	\$69,907.42	Monthly Payment = \$1,586.00 Begin date = May 1 st , 2017 End date = April 1 st , 2021 Total Payout = \$69,907.00
PR Department of Treasury (IVU) ¹	\$221,272.75	Monthly Payment = \$937.00 Begin date = May 1 st , 2017 End date = April 1 st , 2021 Total Payout = \$41,273.00
PR Department of Labor	\$1,892.13	Monthly Payment = \$43.00 Begin date = May 1 st , 2017 End date = April 1 st , 2021 Total Payout = \$1,892.00

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C. Classes of Claims and Equity Interests

The following are the classes set forth in the Plan, and the proposed treatment that they will receive under the Plan:

1. Classes of Secured Claims

¹ This claim will be objected because substantial part of the claim was estimated by the PR Department of Treasury, in addition, the debtor has evidence of payment towards it.

Allowed Secured Claims are claims secured by property of the Debtor’s bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under §506 of the Code. If the value of the collateral or setoffs securing the creditor’s claim is less than the amount of the creditor’s allowed claim, the deficiency will be classified as a general unsecured claim.

The following chart lists all classes containing Debtor’s secured prepetition claims and their proposed treatment under the Plan:

<u>Class</u>	<u>Description</u>	<u>Impairment</u>	<u>Treatment</u>
1	Swift Capital	Impaired	Total Payout = \$89,638.00 As per Court Order in docket entry no. 125, creditor will continue to obtain the equivalent of the 10% of all revenues obtained by debtor.
2	CRIM	Impaired	Monthly Payment = \$769.00 Begin date = May 1 st , 2017 End date = April 1 st , 2022 Total Payout = \$54,828.00
3	Bautista Cayman Asset Company	Impaired	The ongoing negotiations between this secured creditor and the DIP preclude the disclosure of the proposed payments and other terms.
4	Department of Treasury	Impaired	Monthly Payment = \$201.00 Begin date = May 1 st , 2017 End date = April 1 st , 2024 Total Payout = \$14,351.00

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2. Classes of General Unsecured Claims

General unsecured claims are not secured by property of the estate and are not entitled to priority under §507(a) of the Code. The following chart identifies the Plan’s proposed treatment of Class 6, which contains general unsecured claims against the Debtor:

Class	Description	Impairment	Treatment
5	General Unsecured Claims	Impaired	All Unsecured creditors in this class holding allowed claims will receive Pro-rata distributions of a total of <u>\$10,000.00</u> at the effective date of the Plan. Based on the current allowed amounts, each claim holder in this class will receive approximately 100.00% of the allowed amount. Any change in the allowed amounts may change the actual distribution percentage, but it will be nevertheless the same to all of them. (This amount is subject to the final negotiation between Debtor and Class 3 member.)

3. Class of Equity Interest Holders

Equity interest holders are parties who hold an ownership interest (*i.e.*, equity interest) in the Debtor. In a corporation, entities holding preferred or common stock are equity interest holders. In a partnership, equity interest holders include both general and limited partners. In a limited liability company ("LLC"), the equity interest holders are the members. Finally, with respect to an individual who is a debtor, the Debtor is the equity interest holder.

The following chart sets forth the Plan's proposed treatment of the class of equity interest holders:

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Class	Description	Impairment	Treatment
6	Equity Interest Holders	Impaired	There will be no distribution to this class.

D. Means for Implementation of the Plan

The Plan will be implemented as required under §1123(a)(5) of the Code. Payments and distributions under the Plan will be funded by from the cash flow from operations and future income of the Debtor, as well as Stockholders' contributions.

E. Risk Factors

The Puerto Rico economy as well as the possibility of failure to collect rent from the tenants. However, if there is any problem with said collection of rent, debtor's president will cover any difference.

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F. Executory Contracts and/or Unexpired Leases

The Plan, in Section 6.01, specifies the Debtor will assume or reject unexpired leases and executory contracts, which have not been expressly rejected or assumed under 11 U.S.C. §365(a). Assumption means that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Code, if any. It also lists how the Debtor will cure and compensate the other party to such contract or lease for any such defaults.

If you object to the assumption of your unexpired lease or executory contract, the proposed cure of any defaults, or the adequacy of assurance of performance, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan, unless the Court has set an earlier time.

All executory contracts and unexpired leases that are not listed in Section 6.01 of the Plan will be rejected under the Plan. Consult your advisor or attorney for more specific information about particular contracts or leases.

G. Tax Consequences of Plan

Creditors and Equity Interest Holders Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys, And/Or Advisors.

IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

The Court has not yet confirmed the Plan described in this Disclosure Statement. To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the Code. These include the requirements that: the Plan must be proposed in good faith; at least one impaired class of claims must accept the plan, without counting the votes of insiders; the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in §1129, and they are not the only requirements for confirmation.

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 to be returned to the following address:

**Halais Group, Inc.
c/o Lcdo. Carlos Alberto Ruiz, CSP
PO Box 1298, Caguas, PR 00726-1298**

The Ballots must be received on or before 4:00 P.M. (Eastern Standard Time) of the date that will be notified, to be counted in the voting. Ballots received after this time will not be counted in the voting unless the Bankruptcy Court so orders. Those not marked as accepted or rejected will be deemed as an acceptance of the Plan. If creditors choose not to send them,

they will also be counted in favor of the acceptance of the Plan. Debtor recommends a vote for "ACCEPTANCE" of the Plan.

Pursuant to §1128 of the Bankruptcy Code, the Bankruptcy Court will schedule a hearing on confirmation of the Plan. The Confirmation Hearing will be held before the Honorable Mildred Caban Flores, United States Bankruptcy Judge, in the United States Courthouse, 300 Recinto Sur, San Juan, Puerto Rico, 00901, or before any other Bankruptcy Judge that may be designated to hold the same at such 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.

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

Any objection to confirmation of the Plan must be in writing, filed and served as required by the Bankruptcy Court pursuant to the order approving the Disclosure Statement on Debtor,

the United States Trustee and all parties having appeared in the case and requested to be served with pleadings filed in the case.

A. Who May Vote or Object

Any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met.

Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A creditor or equity interest holder has a right to vote for or against the Plan only if that creditor or equity interest holder has a claim or equity interest that is both (1) allowed or allowed for voting purposes and (2) impaired.

In this case, the Debtor believes that *there are no* unimpaired classes. Debtor believes that *classes 1 through 5* are impaired and that holders of claims in these classes, therefore, are entitled to vote, to accept or reject the Plan.

1. What Is an Allowed Claim or an Allowed Equity Interest?

Only a creditor or equity interest holder with an allowed claim or an allowed equity interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if either (1) the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of claim or equity interest, unless an objection has been filed to such proof of claim or equity interest. When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

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The deadline for filing a proof of claim in this case was June 30th, 2016 for all creditors, except for governmental units whose deadline was on August 24th, 2016.

2. What Is an Impaired Claim or Impaired Equity Interest?

As noted above, the holder of an allowed claim or equity interest has the right to vote only if it is in a class that is *impaired* under the Plan. As provided in § 1124 of the Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

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3. Who is Not Entitled to Vote

The holders of the following five types of claims and equity interests are *not* entitled to vote:

- holders of claims and equity interests that have been disallowed by an order of the Court;
- holders of other claims or equity interests that are not “allowed claims” or “allowed equity interests” (as discussed above), unless they have been “allowed” for voting purposes.
- holders of claims or equity interests in unimpaired classes;
- holders of claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) of the Code; and
- holders of claims or equity interests in classes that do not receive or retain any value under the Plan;
- administrative expenses.

Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan and to the Adequacy of the Disclosure Statement.

4. Who Can Vote in More Than One Class

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise hold claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and should cast one ballot for each claim.

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B. Votes Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by a *cramdown* on non-accepting classes, as discussed later in Section [B.2.].

1. Votes Necessary for a Class to Accept the Plan

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept the Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

A class of equity interests accepts the Plan if the holders of at least two-thirds (2/3) in amount of the allowed equity interests in the class, who vote, cast their votes to accept the Plan.

2. Treatment of Nonaccepting Classes

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds nonaccepting classes is commonly referred to as a *cramdown* plan. The

Code allows the Plan to bind nonaccepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of § 1129(a)(8) of the Code, does not “discriminate unfairly” and is “fair and equitable” toward each impaired class that has not voted to accept the Plan.

You should consult your own attorney if a “cramdown” confirmation will affect your claim or equity interest, as the variations on this general rule are numerous and complex.

C. Liquidation Analysis

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a chapter 7 liquidation. A liquidation analysis is attached to this Disclosure Statement as Exhibit D.

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D. Feasibility

The Court must find that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan.

1. Ability to Initially Fund Plan

Debtor believes that it will have enough cash on hand on the effective date of the Plan to pay all the claims and expenses that are entitled to be paid on that date. See Summary of Monthly Operating Reports and Projected Financial Information attached as Exhibits C and E.

2. Ability to Make Future Plan Payments And Operate Without Further Reorganization

Debtor has provided projected financial information. Those projections are listed in Exhibit E.

You Should Consult with Your Accountant or other Financial Advisor If You Have Any Questions Pertaining to These Projections.

V. EFFECT OF CONFIRMATION OF PLAN

A. Discharge of Debtor

The order under §1141(d) of the Bankruptcy Code, except as otherwise provided for in the Plan or in the Order of Confirmation, the rights granted by the Plan and the payments and distributions to be made hereunder shall be in complete exchange for, and in full satisfaction, discharge and release of, all existing debts and claims of any kind, nature or description whatsoever against the Debtor. On the Consummation Date, all existing claims shall be deemed to be exchanged, satisfied, discharged and released in full; and all holders of claims shall be precluded from asserting any other or future claim based upon any act or omission, transaction or other activity of any kind or nature that occurred prior to the Consummation Date, whether or not such holder filed a proof of claim.

The order of confirmation of the Plan shall constitute an injunction against pursuing any claim or interest, whether or not a proof of claim or proof of interest based on any such debt, liability, or interest is filed or deemed filed, under 11 U.S.C. 501; whether or not such claim is allowed under 11 U.S.C. §502 or whether the holder of such claim has accepted this Plan in the manner set forth herein.

Being a Corporation, the confirmation of the plan does not discharge debtor from any debt (A) of a kind specified in paragraph (2)(A) or (2)(B) of section 523(a) of the Bankruptcy Code that is owed to a domestic governmental unit, or owed to a person as the result of an action filed under subchapter III of Chapter 37 of title 31 or any similar State statute; or (B) for a tax or

customs duty with respect to which debtor made a fraudulent return; or willfully attempted in any manner to evade or to defeat such tax or such customs duty.

B. Modification of Plan

Debtor may modify the Plan before confirmation of the Plan. However, the Court may require a new disclosure statement and/or re-voting on the Plan. The Plan Proponent may also seek to modify the Plan at any time after confirmation only if (1) the Plan has not been substantially consummated and (2) the Court authorizes the proposed modifications after notice and a hearing.

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C. Final Decree

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the case shall be closed upon the Debtor's compliance with the statutory requirements of section 1101(2) of the Bankruptcy Code. Debtor will apply for final decree evidencing the Plan has been substantially consummated (subject to the final results of negotiations between Debtor and Class 3 member.)

VI. 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 the Case or (c) the proposal of an alternative plan or settlement with creditors.

A. Liquidation under Chapter 7

If no plan can be confirmed, the Case may be converted to Chapter 7 of the Bankruptcy Code, and as indicated above, 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.

Debtor believes that conversion of the Case to Chapter 7 of the Bankruptcy Code would not be in the best interest of creditors, due to additional costs of administration under Chapter 7, and delay in distribution on account of such conversion. As it was discussed in Section IV (C), the estimated dividend for unsecured claims under a Chapter 7 proceeding would be 0% and through this Plan of Reorganization is a Dividend of 1.60%.

Thus, Debtor believes that the interest of Creditors and the goals of Chapter 11 are better served by the continuation of the Chapter 11 proceedings.

B. Dismissal of the Case

Dismissal of the Case would likely create substantial problems for all parties involved, which would result, in an abandonment of the orderly and structured equitable payments provided for the Plan under the provisions of the Bankruptcy Code. Therefore, dismissal of the Case is not a viable alternative for creditors.

C. Alternative Plan of Reorganization

If the Plan is not confirmed, Debtor could attempt to formulate a different plan. Debtor believes, however, that the Plan described herein will provide the greatest and most expeditious return to creditors, subject to final negotiation with secured creditor Bautista Cayman Asset.

VII. CONCLUSION

Debtor submits that the Plan is fair and reasonable and in the best interest of the Estate and Creditors and offers the best possible recoveries for Creditors under the circumstances, subject to the final negotiations with BCA. Debtor therefore, urges creditors to vote in favor of the Plan once it is amended to provide definite terms of Class 3 creditors.



/s/ Raymond Halais Karesh
Signing as President of Debtor
Halais Group, Inc.



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