

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

**IN RE:
Komodidad Distributors, Inc.**

**Bankruptcy Case No.: 16-04164
Chapter 11**

Debtor

**IN RE:
G.A. Design & Sourcing, Corp.**

**Bankruptcy Case No.: 16-04166
Chapter 11**

Debtor

**IN RE:
G.A. Property Development, Corp.**

**Bankruptcy Case No.: 16-04167
Chapter 11**

Debtor

**IN RE:
G.A. Investors, S.E.**

**Bankruptcy Case No.: 16-04169
Chapter 11**

Debtor

**IN RE:
Gamaxport Inc.**

**Bankruptcy Case No.: 16-04170
Chapter 11**

Debtor

ADMINISTRATIVELY CONSOLIDATED

FIRST AMENDED DISCLOSURE STATEMENT OF

**KOMODIDAD DISTRIBUTORS, INC.
G.A. DESIGN & SOURCING, CORP.
G.A. PROPERTY DEVELOPMENT, CORP.
G.A. INVESTORS, S.E.
GAMAXPORT, INC.**

/s/ Javier Vilariño
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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"), Komodidad Distributors, Inc. ("Komodidad") (Case No. 16-04164) and its affiliates, G.A. Design & Sourcing, Corp. ("GAD") (Case No. 16-041646), G.A. Property Development, Corp. ("GAP") (Case No. 16-04167), G.A. Investors, Inc. ("GAI") (Case No. 16-04169), and Gamaxport, Inc. ("GX") (Case No. 16-04170), debtors and debtors-in-possession in the above captioned cases ("Debtors"), submit their Consolidated First Amended Disclosure Statement (the "Amended Disclosure Statement") to all of their known creditors and parties in interest in the captioned cases. The purpose of the Amended Disclosure Statement is to provide such information as Debtors believe may be deemed necessary for Debtors' creditors to make an informed decision in exercising their rights to vote on Debtors' Joint First Amended Plan (the "Amended Plan"), dated May 28, 2017. The Amended Plan is being filed with the United States Bankruptcy Court for the District of Puerto Rico ("Bankruptcy Court")¹ simultaneously herewith. Pursuant to L.B.R. 3016-2, Debtors are including, as **Exhibit J** of this First Amended Disclosure Statement, all identified amendments to the original December 28, 2016 Disclosure Statement.

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

¹ Capitalized terms shall have the meaning as defined in the Amended Plan.

Amended Plan, other terms shall have the meaning ascribed to them in the Bankruptcy Code.

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

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

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

Debtors believe that the Amended Plan provides the quickest recovery and will maximize the return to creditors on their Claims. **ACCORDINGLY, DEBTORS URGE ALL CREDITORS TO VOTE IN FAVOR OF THE AMENDED PLAN.**

II. SUMMARY OF THE PLAN

The Amended Plan specifies the manner in which the Claims and Interests in the Debtors are to be treated. Allowed Administrative Expense Claims and Allowed Priority Tax Claims are not classified for purposes of voting under the Amended Plan, but the Amended 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 Debtors, as well as Debtors' shareholders' interest in Debtors. To the extent that the terms of the Amended Disclosure Statement vary from those of the Amended Plan, the terms of the

Amended Plan will control.

DESCRIPTION OF CLAIM	CLASS	ESTIMATED AMOUNT OF ALLOWED CLAIM ²	TREATMENT AND ESTIMATED RECOVERY UNDER THE PLAN
<p>Holders of Allowed Administrative Expense Claims (Estimated)</p>	<p>N/A</p>	<p>\$175,000.00</p>	<p>Unimpaired. Estimated Recovery: 100%</p> <p>Except as otherwise agreed to by the Debtors and each holder of an Allowed Administrative Expense Claim, including 503(b)(9) claims, each such holder shall be paid in full by the Debtors in the ordinary course of the Debtors’ business or as authorized by the Court, on or before the Effective Date.</p> <p>Payments to Debtors’ retained professionals will be made as approved by the Court. US Trustee’s Quarterly Fees will continue to be paid when due, with any outstanding balance to be paid on or before the Effective Date.</p>
<p>Priority Tax Claims</p>	<p>N/A</p>	<p>\$2,019.00</p>	<p>Unimpaired. Estimated Recovery: 100%</p> <p>Holders of Allowed Priority Tax Claims, Secured and Unsecured, will be paid in full, on the Effective Date.</p>
<p>The Claims of the Economic Development Bank of P.R., Firstbank Puerto Rico, and Banco Popular de P.R., (collectively referred to as the “Syndicate”)</p>	<p>Class 1</p>	<p>\$44,614,000.00</p>	<p><u>Alternative A- as summarized in Page 1 of Exhibit AA hereto, under this alternative the Syndicate’s Allowed Claims shall be paid as follows (pursuant to the Confirmation Order and on and after the Effective Date, as specified below):</u></p> <p>(i) On or before June 30, 2017, the Syndicate shall receive a net cash payment of \$18,500,000.00 from an Exit Loan to be granted to Debtors by Stabilis Capital, LLC, or any other financing entity. Upon the Syndicate’s receipt of this partial payment, the Syndicate shall release all mortgage notes, liens, security agreements, and other pledge documents, including those relative to the lease agreements with respect to Debtors’ Caguas and Ponce Realities as well as over all other assets of the operating stores at such locations.</p> <p>(ii) On or before June 30, 2017, the Syndicate shall receive a net cash payment of \$2,500,000.00 from a second Exit Loan to be granted to Debtors by an unrelated third party. Upon the Syndicate’s receipt of this partial payment, the Syndicate shall release</p>

² Allowed claims herein are presented on a Consolidated Basis. For detail by Debtor, please refer to Exhibit C hereto.

all UCC filings, liens, security agreements, and other pledge documents, regarding Debtors' accounts receivables and inventories, which will be provided to this Third Party Lender as collateral for the \$2,500,000 Exit Loan, among other security interests that may be provided by Debtors.

(iii) On or before June 30, 2017, the Syndicate shall receive from Debtors as payment-in-kind, title "free and clear" (to the fullest extent permitted under the Bankruptcy Code) to the real properties listed below and in consideration thereof shall apply \$9,665,000 as a partial payment towards its Allowed Claims. For avoidance of doubt such properties and their agreed-to-values are as follows:

Gatsby - Bayamón	\$ 1,600,000
Gatsby - San Juan	3,200,000
Gatsby – Carolina	2,240,000
El Cairo Property	150,000
Rio Mar Apartment	380,000
El Verde Apartment	100,000
Caguas Residential Prop.	75,000
Gatsby – Naranjito	<u>1,920,000</u>
Total	<u>\$ 9,665,000</u>

(iv) On or before July 31, 2017, the Syndicate will receive from Debtors \$350,000 from the proceeds of the liquidation of inventories and the collection of Debtors' accounts receivables corresponding to the stores mentioned in item (iii) above.

(v) On or before June 30, 2017, the Syndicate will receive \$180,000³ from Debtor's principals, as a capital contribution, to be credited against the discounted pay off amount of \$32,000,000.

(vi) The Syndicate has received \$833,333 in monthly payments during 2017, to be credited against the discounted pay off amount of \$32,000,000.

Total recovery for the Syndicate under this alternative would sum to approximately \$32,028,000, but will not exceed the payment of \$32,000,000 to the Syndicate. For

³ From the liquidation of Principals' 401K retirement plans.

the avoidance of doubt, the closing of the transactions provided in Sections (i),(ii), (iii) and (v) of Alternative A shall occur simultaneously pursuant to the Confirmation Order on the Effective Date.

(vii) The Syndicate’s deficiency claim, estimated in \$12,586,000 after the application of the aforementioned payments, will be dealt under Class 5 General Unsecured Claims below, with the Syndicate being entitled to vote, but not receiving payments under such Class.

Alternative B- as summarized in Page 2 of Exhibit AA hereto, under this alternative the Syndicate’s Allowed Claims shall be paid as follows (pursuant to the Confirmation Order and on and after the Effective Date, as specified below):

(i) On or before June 30, 2017, the Syndicate shall receive a net payment of \$16,000,000.00 from a Exit Loan to be granted to Debtors by Stabilis Capital, LLC, or any other financing entity. Upon the Syndicate’s receipt of this partial payment, the Syndicate shall release all mortgage notes, liens, security agreements, and other pledge documents, including those relative to the lease agreements with respect to Debtors’ Caguas Realty, as well as over all other assets of the operating store at such location.

(ii) On or before June 30, 2017, the Syndicate shall receive from Debtors as payment-in-kind, title to the real properties listed below and in consideration thereof shall apply \$9,590,000 as a partial payment towards its Allowed Claims. For avoidance of doubt such properties and their agreed-to-values are as follows:

Gatsby - Bayamón	\$ 1,600,000
Gatsby - San Juan	3,200,000
Gatsby – Carolina	2,240,000
El Cairo Property	150,000
Rio Mar Apartment	380,000
El Verde Apartment	100,000
Gatsby – Naranjito	<u>1,920,000</u>
Total	<u>\$ 9,590,000</u>

(iii) On or before July 31, 2017, the Syndicate will receive from Debtors \$850,000 from the proceeds of the

			<p>liquidation of the inventories and the collection of accounts receivables corresponding to the stores mentioned in item (ii) above.</p> <p>(iv) On or before June 30, 2017, the Syndicate will receive \$180,000⁴ from Debtor's principals, as a capital contribution, to be credited against the discounted pay off amount of \$32,000,000.</p> <p>(v) The Syndicate has received \$833,333 in monthly payments during 2017, to be credited against the discounted pay off amount of \$32,000,000.</p> <p>(vi) In addition, on or before June 30, 2017, the Syndicate shall receive from Debtors as payment-in-kind, title to the real property located at Ponce, Puerto Rico, at an agreed-to-value of \$3,960,000, provided that:</p> <p>a. The Syndicate will provide a 2-year lease agreement (lease-back) to Debtors for at least 12,000 square feet, at an annual rent of \$17.08 per s .f., which lease agreement shall be in form and substance acceptable to Debtors and the Syndicate.</p> <p>b. As part of the Deed of Transfer of this property, the Syndicate will grant Debtors a First Right of Refusal (which will be sixty (60) to ninety (90) days subject to further negotiations and documentation of which shall be acceptable in form and substance to the Debtors and the Syndicate) whereby Debtors are given the opportunity of matching any offers received from any unrelated third party for the sale/purchase of this property. After the expiration of the First Right of Refusal period without Debtors exercising this right, the Syndicate may sell the property to the potential buyer.</p> <p>c. The Syndicate will be granted a second mortgage of \$600,000 over Debtors' Caguas Realty, which second mortgage documentation shall be in form and substance acceptable to Debtors and the Syndicate.</p> <p>Total recovery for the Syndicate under this alternative would sum to approximately \$32,013,000, but will not exceed the payment of \$32,000.000 to the Syndicate. For the avoidance of doubt, the closing of the transactions</p>
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⁴ From the liquidation of Principals' 401K retirement plans.

			<p>provided in Sections (i),(ii), (iv), and (vi) of Alternative B shall occur simultaneously pursuant to the Confirmation Order on the Effective Date.</p> <p>The Syndicate’s deficiency claim, estimated in \$12,601,000 after the application of the aforementioned payments, will be dealt under Class 5 General Unsecured Claims below, with the Syndicate being entitled to vote, but not receiving payments under such Class.</p>
The Secured Claim of Scotiabank de Puerto Rico, Inc. (“Scotia”)	Class 2	\$105,428.18	<p>Unimpaired.</p> <p>Estimated Recovery: 100%</p> <p>Scotia’s allowed claim, secured by a rental (residential) apartment at Río Mar Ocean Village, Río Grande, Puerto Rico, shall be paid on the Effective Date. After the payment to Scotia, that apartment will be transferred to the Syndicate as part of the discounted pay-off of its claim.</p>
The Secured Claim of Toyota Financial Services (“Toyota”)	Class 3	\$4,216.54	<p>Unimpaired.</p> <p>Estimated Recovery: 100%</p> <p>Toyota’s secured claim arising from a loan for the acquisition of a 2011 Lexus ES350, shall continue to be paid pursuant to the contractual agreement with Toyota through four (4) equal consecutive monthly installments of \$1,067.02, including principal and interest at 5.80% per annum, until full payment of the claim.</p>
Holders of Allowed Cure Claims from Assumed Executory Contracts, Except for those relative to Non-Residential lease Agreements	Class 4	\$17,999.41	<p>Unimpaired.</p> <p>Estimated Recovery: 100%</p> <p>Holders of Allowed Cure Claims from Assumed Executory Contracts, except for those relative to Non-Residential Lease Agreements, shall be paid in full, on the Effective Date. The Cure Claims of Non-Residential Lease Agreements will be dealt under Class 5 of general Unsecured Claims as the same will be rejected as of the Effective Date.</p>

<p>Holders of Allowed General Unsecured Claims</p>	<p>Class 5</p>	<p>\$4,969,232.14</p>	<p>Impaired.</p> <p>Estimated Recovery: 25%</p> <p>Holders of Allowed General Unsecured Claims in excess of \$1,000, excluding the claims of Debtors’ Shareholders and Affiliates (which, for the avoidance of any doubt, shall be cancelled and extinguished on the Effective Date), but including the cure claims of the Non-Residential Lease Agreements that will be rejected as of the Effective Date, will be paid in full satisfaction of their claims 25% thereof through sixty (60) equal consecutive monthly installments of approximately \$20,291, each, commencing not later than September 30, 2017 and continuing on the thirtieth (30th) day of the subsequent fifty-nine (59) months.</p> <p>Holders of Allowed General Unsecured Claims of \$1,000 or less, will receive in full satisfaction of their claims 25% thereof, on the Effective Date.</p>
<p>The Allowed Secured Claim of Mrs. Carmen Miranda Rivera</p>	<p>Class 6</p>	<p>\$135,201.67</p>	<p>Impaired.</p> <p>Estimated Recovery: 100%</p> <p>The Allowed Secured Claim of Mrs. Carmen Miranda Rivera secured by a parcel of land acquired by Debtors for parking spaces at Debtors’ Caguas facilities, shall be paid through equal consecutive monthly installments of \$2,000, including interest at 4.5% per annum, commencing on the Effective Date, until the full payment of her claim.</p>
<p>Interests in Debtors</p>	<p>Class 7</p>	<p>N/A</p>	<p>Unimpaired.</p> <p>Estimated Recovery: N/A</p> <p>Holders of the Equity Interests in Debtors will not receive any distribution under the Amended Plan. Debtors’ Shareholders will retain their shares in Debtors, unaltered, in exchange for the new value contributed to Debtors, as indicated above.</p>

For a more detailed description of the treatment of the foregoing Classes of Claims and Interests, see “Treatment of Claims and Interests under the Amended Plan”.

The Amended Disclosure Statement has been prepared by Debtors to provide creditors with adequate information so that they can make an informed judgment about the Amended Plan. Each creditor should read the Amended Disclosure Statement and the Amended Plan in their entirety before voting on

the Amended Plan. No solicitation of votes on the Amended Plan may be made except pursuant to the Amended Disclosure Statement and no person has been authorized to utilize any information concerning Debtors' assets, for purposes of solicitation, other than the information contained herein.

III. INFORMATION ABOUT THE REORGANIZATION PROCESS

3.1 Purpose of a Disclosure Statement

The Amended Disclosure Statement includes background information about Debtors and identifies the classes into which creditors and the equity holders have been placed by the Amended Plan. It describes the proposed treatment of each of those Classes if the Amended 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 Amended Plan does not become effective.

Upon its approval by the Bankruptcy Court, the Amended Disclosure Statement and its Exhibits 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 Amended Plan. Approval of the Amended Disclosure Statement, however, does not constitute a recommendation by the Bankruptcy Court either for or against the Amended Plan.

3.2 Voting Procedure

All creditors entitled to vote on the Amended Plan may cast their votes for or against the Amended Plan by completing, dating, signing and causing the Ballot Form accompanying this Amended Disclosure Statement as **Exhibits A-1** through **A-4**, to be returned to the following address:

KOMODIDAD DISTRIBUTORS, INC.
c/o VILARINO & ASSOCIATES LLC
PO BOX 9022515
San Juan, PR 00902-2515

The Ballots must be received **on or before 4:00 P.M. (Eastern Standard Time) on June 19, 2017**, to be counted in the voting. Ballots received after this time will not be counted in the voting unless the Bankruptcy Court so orders. Debtors recommend a vote for "ACCEPTANCE" of the Amended 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 don't entitle the holders of such claims or interests to receive or retain any property under a Plan on account of such claims or interests.

Classes 1, 5 and 6 are impaired under the Amended Plan and are entitled to vote for acceptance or rejection of the Amended Plan. Classes 2, 3, 4 and 7 are unimpaired under the Amended Plan and thus not entitled to vote to accept or reject the Amended Plan. Members of Class 7, Interests in Debtors, will retain its shares in Debtors unaltered and thus, are deemed to have accepted the Amended Plan and are not entitled to vote to accept or reject the Amended 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 has scheduled a hearing on confirmation of the Amended Plan to commence on **June 22, 2017 at 9:30 A.M.**, or as soon thereafter as the parties can be heard. The Confirmation Hearing will be held before the Honorable Enrique S. Lamoutte Inclan, United States Bankruptcy Judge, 300 Recinto Sur Street, 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 Amended 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 Debtors, summarizing the votes for acceptance or rejection of the Amended 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 Amended 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 Amended Plan and to the confirmation of the Amended Plan, that have not been previously disposed of, (iii) determine whether the Amended Plan meets the confirmation requirements of the Bankruptcy Code, and (iv) determine whether to confirm the Amended Plan.

Any objection to confirmation of the Amended Plan must be in writing, filed and served as required by the Bankruptcy Court pursuant to the order approving the Amended 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 Amended Plan on a consensual basis, the Bankruptcy Court must determine, among other things, whether each impaired Class of creditors and interest holders entitled to vote has accepted the Amended Plan. Under Section 1126 of the Bankruptcy Code, an impaired Class of creditors is deemed to have accepted a plan if at least 2/3 in amount and more than 1/2 in number of the Allowed Claims of the Class members who

actually cast ballots to accept or reject the plan, accept the plan. A class of interest holders is deemed to have accepted a plan if at least 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. Further, unless there is acceptance of the Amended Plan by all members of an impaired Class, the Bankruptcy Court must also determine that under the Amended 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 Debtors were to be liquidated under Chapter 7 of the Bankruptcy Code on the Effective Date of the Amended Plan.

3.6 Confirmation of the Plan without the Necessary Acceptances

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

IV. GENERAL INFORMATION

4.1 Debtors' Description and Historical View

Debtors operate as the Gatsby Group, a group of privately owned entities composed of the following five (5) companies, which are managed under common control and ownership, as follows:

- a. Komodidad was organized on August 4, 1965, for the purpose of selling apparel and accessories on a wholesale basis, under the trade name of "Gatsby". The Company has historically operated a central office and a warehouse facility in Caguas, Puerto Rico as well as nine (9) stores throughout the most economic active towns of Puerto Rico. It also operates a virtual store where sales are made through its internet web page. The stores operate under the trade name of "Gatsby" and "Shopgatsby.com". Komodidad operates and consolidates departments for all its affiliates and provides the necessary support in terms of human resources, accounting functions, mobilization of personnel to cover affiliates' needs, finance department, has historically allocated funds to cover its affiliates' obligations, and provides all managerial functions therefor.
- b. GAD, was organized on September 21, 2004, for the purpose of developing techniques, processes, procedures, specifications and designs for clothing, apparel, and accessories for men, women, and children, and for the licensing and franchising of such techniques, processes, and procedures. It is also engaged in the design for the local and export markets (Intangible Business) and the sale and distribution of products, including clothing, apparel, and accessories. GAD has served to strategize and seek for opportunities to lower the costs of production, purchase, and design of clothing for the consolidated operation. Its operations are part of those of Komodidad as it is the entity that develops and designs the merchandise sold at the Komodidad stores. Its operations have enable Debtors to reduce their inventory

costs, formerly acquired at the New York and Los Angeles markets, improving significantly Gatsby Group's gross margins.

- c. GAI was organized on December 23, 1994, and is primarily engaged in the administration and development of real estate and the rental of commercial spaces. It owns the majority of the real estate which serves to distribute the clothing apparel through Gatsby's stores. This entity's operation is also integrated to that of Komodidad, as it provides leased spaces for Komodidad operations and sales. It also offers commercial lease spaces to third parties at the Caguas and Ponce properties.
- d. GAP was organized on March 3, 2006, and is engaged in the rehabilitation and development of real estate and of the rental of commercial spaces. It has the same purpose as G.A. Investors, S.E., as it provides leased spaces to conduct Komodidad operations and sales.
- e. GX was organized on December 4, 1997, for the purpose of offering services as purchasing agents of merchandise and their resale outside of Puerto Rico. It also managed the logistics for the introduction of the Gatsby Group's merchandise in emerging international markets. It owns an interest in real estate in Venezuela.

4.2 Events Preceding Debtors' Chapter 11 Filing.

During 2006, the local government having overspent its budget and being short of funds closed down for several weeks, creating fear and uncertainty in Puerto Rico's commercial and private community, severely affecting the retail industry in Puerto Rico.

Years after 2006, have been the worst period for the local retail industry being affected by the sharp increase in the costs of utilities, increase in minimum wages, in occupancy costs such as rent, coupled with an aggressive competition from US retail chains, which have recently entered in the local retail market.

On February 4, 2014, the credit rating agency Standard & Poor (“S & P”) downgraded the Government of Puerto Rico’s general obligations (GOs) bonds to a speculative level, (“junk bonds”), placing them below the levels that are recommended for investment purposes. Since 2002, the GOs bonds had been decreasing in value, classified as Baa3 by Moody's and BBB- by S & P, the minimum ratings in the category of investment grades.

Downgrades suffered by Puerto Rico’s bonds are the result of the sharp deterioration of its fiscal condition, the increase of governmental debt vis a vis its revenues, and the lack of economic growth since 2006, and adverse economic forecast and the coming years.

As a result of this economic crisis, a demographic transition in Puerto Rico has taken place, and what the 2010 U.S. Census originally reflected as a population loss of 82,821 persons during the past decade, turned out to be of nearly 295,000 or possibly more persons. The reduction in population translates into less consumption, decrease in revenues for the government, and in investment from the private sector. The local depletion of intellectual and professional resources through emigration, or brain drain, has been substantial. The Puerto Rico Community Survey showed that the percentage of the population who left the island with some college or post-secondary education increased from 38% in 2010 to 50% in 2011.

During 2010, new department stores such as Macy’s, Aeropostale, Abercrombie & Fitch, Lacoste, entered the local market (primarily at Plaza Las Americas) affecting local retailers’ sales, through their purchase power, offering better prices for similar merchandise, with greater discounts. Moreover, *Mall of San Juan*, a 631,000 square feet shopping center featuring first Nordstrom and Saks Fifth Avenue in the Island, in addition to over 100 specialty stores and restaurants, approximately 60% of which are new to Puerto Rico, opened on March 26, 2015, significantly reducing the flow of customers in local medium-to-high end clothing market stores. Although

Debtors are somewhat different than regular local retailers, as their sales are undertaken by re-sellers, who ultimately sell Debtors' merchandise to customers, the above factors have affected the expending power of their customers

Statistics obtained from the Puerto Rico Planning Board, indicate that during fiscal year 2015, a decrease of 1% was experienced by Puerto Rico's retail industry, specifically for clothing and shoe sales for men and women. However, it is important to note that industry's statistics for retail sales in clothing and shoes for men and women, include all type of clothing and demographics. It must also be underscored that such statistics include sales by many US chains that entered the local market during the last five (5) years. Thus, the sales of local retailers have decreased significantly, as the universe of the sales has been distributed among many players in the same market, in a less populated Island. Retail statistics for the last five (5) years are as follows:

Retail Sales in Clothing and Shoe Stores (In Thousands) (Fiscal Years)					
<u>Months</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
July	\$ 78,780	\$ 73,176	\$ 74,465	\$ 76,356	\$ 75,326
August	55,871	59,492	56,159	58,316	64,406
September	49,563	45,761	50,462	51,232	53,926
October	47,605	47,932	47,410	49,473	50,303
November	57,568	92,206	57,607	63,130	60,571
December	113,564	114,618	115,774	127,134	121,404
January	55,856	52,722	52,814	55,518	53,367
February	47,764	45,739	45,783	54,526	53,796
March	54,989	53,142	53,531	60,914	58,161
April	59,442	48,544	51,221	55,257	55,072
May	60,632	64,364	66,594	71,769	71,197
June	63,645	65,861	67,284	69,804	70,716
Totals	<u>\$ 745,279</u>	<u>\$ 763,558</u>	<u>\$ 739,104</u>	<u>\$ 793,427</u>	<u>\$ 788,244</u>
Change		\$ 18,278	\$ (24,454)	\$ 54,323	\$ (5,183.3)
% Change		<u>2.5%</u>	<u>-3.2%</u>	<u>7.3%</u>	<u>-1%</u>

Source: http://www.jp.gobierno.pr/Portal_JP/Default.aspx?tabid=185

During 2012, an increase of 2.5% was noted. This increase is attributed to the entry of new clothing stores such as Forever Twenty-One, Abercrombie & Fitch, Carolina Herrera, Express Men, Massimo Dutti, Marciano, Oakley, and Victoria's Secret. Some of these major chains also have been

increasing their stores in major shopping malls and outlets such as Plaza Las Americas, Plaza del Caribe, Plaza Carolina, Puerto Rico Premium Outlets (Barceloneta), and The Outlet Mall at Route 66. Besides the economic recession, local clientele has increased purchase of clothing apparel through the Internet (available 24 hours a day) web sites, which provide free shipping and handling, and no sales taxes, as locally imposed.

The Women apparel industry showed larger decreases in sales during 2015, as compared to 2014. The following table, obtained from Indicadorespr.com⁵, shows that this segment of the industry experienced a 3% decline in sales during 2015, as follows:

Women Apparel Retail Sales 2014 and 2015³		
<u>Months</u>	<u>2014</u>	<u>2015</u>
July	\$ 21,641	\$ 20,595
August	21,475	20,528
September	23,265	22,122
October	21,690	22,117
November	30,024	28,539
December	23,153	21,489
January	24,683	23,179
February	24,011	23,101
March	17,997	17,585
April	17,477	18,114
May	20,521	20,782
June	<u>38,851</u>	<u>38,148</u>
Totals	<u>\$ 284,789</u>	<u>\$ 276,299</u>
Change		<u>\$ (8,749)</u>
% Change		<u>-3%</u>

Therefore, Debtors' sales, especially those of Komodidad, have decreased significantly during the last four (4) years, as follows:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Net Sales	\$ 36,234,876	\$ 32,968,674	\$ 26,172,810	\$ 21,573,454
Cost of Sales	<u>21,717,522</u>	<u>19,193,929</u>	<u>13,680,258</u>	<u>11,752,266</u>
Gross Profit	14,517,354	13,774,745	12,492,552	9,821,188

⁵<https://www.indicadores.pr/Business/Ventas-al-Detalle-por-industria-y-region-Retail-Sa/5f6t-4fvc>

Service Charges				
Income	1,461,776	1,442,675	1,570,460	1,224,739
Administrative Fees	<u>803,981</u>	<u>859,000</u>	<u>561,000</u>	<u>461,000</u>
Total Revenues	16,783,111	16,076,420	14,624,012	11,506,927
	46%	49%	56%	53%
Operating Expenses ⁶	<u>14,982,849</u>	<u>14,524,863</u>	<u>12,946,913</u>	<u>11,017,686</u>
Operating Income	<u>\$ 1,800,262</u>	<u>\$ 1,551,557</u>	<u>\$ 1,677,099</u>	<u>\$ 489,241</u>

However, Debtors' management has been able to reduce its operational expenses, as also shown above, by almost \$4 million, primarily during the last two (2) years.

Cost savings programs such as salary reductions, positions eliminations/consolidation, reduction in marketing programs, were implemented during 2016 and 2017. Despite the harsh economic local conditions and enduring recession that has devastated the Puerto Rico economy over the last decade, Debtors were making the payment of their debt service with the Syndicate and all suppliers.

Moreover, with the change in strategies for the acquisition of its merchandise (internally designed), Debtors' overall gross margins have increased from 46% in 2011 to 53% in 2015.

Debtors' business is cyclical and during the low seasons of the year, they concentrate in the preparation for the forthcoming income generating season.

On various dates in March and April 2016, the Syndicate delivered Notices of Default and Reservations of Rights to Debtors with respect to certain alleged Events of Default under Debtors' Amended and Restated Credit Facility therewith, which Debtors dispute. Debtors and the Syndicate have engaged in litigation in respect to such matters and related issues, as detailed in numerous pleadings filed with the Court. Each of the Debtors and the Syndicate have reserved all rights with respect to such matters, pending the confirmation and effectiveness of an acceptable Amended Plan.

⁶ Excludes depreciation and amortization.

As a result of the above, in an effort to protect their operations, provide themselves with a breathing spell, and obtain the benefits of 11 U.S.C. 362 (A), which stays all collection actions and judicial proceedings, on May 25, 2016, Debtors filed their Chapter 11 Petitions.

The Amended Plan contemplates that the reduction of Debtors' overhead expenses under a partial liquidation and the continuance of their limited operations, with new pricing inventories, the introduction of new merchandise designed and developed internally, and the implementation of costs savings programs.

4.3 Debtors' Post-Petition Endeavors.

As a result of the filing by the Chapter 11 petitions, Debtors have received the benefits of 11 U.S.C. § 362(a), which stayed all collection actions and judicial proceedings against them, providing Debtors with the opportunity to file a plan and disclosure statement, as envisioned by the Bankruptcy Code, without the pressures that drove them into Chapter 11.

The United States Trustee held the first meeting of creditors pursuant to Section 341 of the Bankruptcy Code in Debtors cases on June 27, 2016, which was closed.

Debtors have undertaken the following efforts for the benefit of their Estates and their creditors:

Debtors sought and obtained the Bankruptcy Court's approval to retain Vilariño & Associates, LLC, as their bankruptcy counsel.

Debtors also sought and obtained the Bankruptcy Court's approval to retain CPA Luis R. Carrasquillo & Co., P.S.C. ("Carrasquillo") as their financial consultant on all matters pertaining to Debtors' reorganization.

On February 21, 2017, Debtors did not move forward with the Confirmation of their First Plan given a reduction of their sales during the holidays, prior to the hearing on said date, which would affect the projections going forward. Debtors have carefully examined their operations and

have prepared this Amended Plan in such a fashion that Debtors will be able to meet their obligations under a slimmer operation guaranteeing projected payments to creditors.

The deferred payment plans will only consist of (i) payments to General Unsecured Claims, which shall be paid from the proceeds of Debtors' reduced retail operations, and (ii) the repayment of a Stabilis Capital, LLC's DIP loan of no consequence to the Syndicate, other than to meet the \$32M thereto, to be amortized from Debtors' leasing operations.

Debtors' management has continued with the implementation of an aggressive restructuring and partial liquidating plan to reduce Debtors' overhead costs improving profitability and operating cash flows. Some of the activities to such an end summarized below, are concentrated on salary reductions to management, closing of several stores, elimination of certain benefits to employees, reduction of stores leased spaces. In light of the events that have occurred since the filing of Debtors' original Plan, they will continue implementation of their restructuring, and implement the following partial liquidation.

Salary Reduction to Management

In the ordinary course of business Debtors pay management annual salaries of approximately \$795,000. In order to assist Debtors in their reorganization, management has preliminarily decreased their salaries by approximately 20%, on an overall basis. Annual savings with these reductions approximate \$222,000 (including payroll taxes). These preliminary salary adjustments were effective on September 1, 2016.

Salary Reduction Attrition

Management has lowered operating salaries by reducing stores operating hours (i.e. no operations during Sundays, in some stores), reduced working hours of warehouse employees, consolidated certain positions, and reduced their head count by attrition. As a result, Debtors have

achieved annualized savings of approximately \$867,000. Moreover, as set forth above, as a result of the closing of most of the stores and the significant reduction in the retail operations, office salaries will also be significantly reduced.

Rent Expense

As of December 28, 2016, when Debtors filed their original Plan, rent expense included those paid to third parties, such as Caguas' premises (Office and Warehouse), the Manati, Mayaguez, Hatillo Stores, and two (2) properties in New York. At that juncture, management entered discussions with certain landlords and felt positive that the negotiations detailed below would be achieved on or before November 30, 2016. However, in light of the events that have occurred since December 28, 2016, Debtors' partial liquidation considers ceasing operations in most of its stores, and the surrendering of the premises where those stores operate to further decrease operational costs.

In addition, the square footage of the Caguas and Ponce Stores will be reduced to increase rental space with the consequential income from third parties and improve operational results thereto.

Debtors have prepared their Cash Flows Projections, considering the aforesaid cost reduction programs, as well as the improvements in their gross margins, underscoring the feasibility of the Amended Plan.

V. CLAIMS AGAINST DEBTORS

5.1 Claims Against Debtors

Claims against Debtors that are Allowed Claims, as defined in the Amended Plan, will be entitled to distribution pursuant thereto, as indicated in pages 6-10 hereof.

The Amended Plan provides that only 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 Debtors’ Schedules or belief as to amounts due thereto. Debtors are including as **Exhibit C** hereto a Summary of Claims and Plan Payments as of May 3, 2017, including reconciliation of claims filed against Debtors, indicating those objected, to be objected, and those pending review.

Exhibit D hereto lists the allowed Priority Tax Claims.

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 Amended Plan is the later of 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 the Amended 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 Debtors’ Chapter 11 cases are to be prosecuted by Debtors, including any application to estimate or disallow Claims for voting purposes. Debtor has filed objections to the following claims, giving notice to the particular creditors that they had thirty (30) days to respond thereto:

POC #	Claimant	Total Amount Claimed	Amount Expected to be Allowed	Reason for Objection	Action by the Court
3-2	Mar Jor and Sons, Inc. (Komodidad)	\$16,274.67 Unsecured Priority	\$16,274.67 General Unsecured	This claim was erroneously filed as an Unsecured Priority Claim instead of a General Unsecured Claim. Therefore, it must be allowed in the amount claimed, but as a General Unsecured Claim.	Granted Docket 249
3	Department of Treasury (GA Investors)	\$3,452.52 Priority \$141.05 Unsecured	\$0.00 Priority \$0.00 Unsecured	These claims refer to payroll taxes for April 2016. Debtor reviewed its books and records, which revealed that it filed its quarterly tax returns on time and paid all payroll taxes due for the month.	Granted Docket 163

				Therefore, the claim was objected.	
3	Department of Treasury (GA Design)	\$893.79 Priority \$100.00 Unsecured	\$0.00 Priority \$0.00 Unsecured	This claim is related to Sales and Use taxes for February 2016. Debtor reviewed its books which revealed that no tax liabilities are due under for concept, for such month. Therefore, the claim was objected.	Resolved upon filing of Amended Claim
2	Department of Treasury (GA Design)	\$1,792.56 Priority \$71.37 Unsecured	\$0.00 Priority \$0.00 Unsecured	This claim relates to Payroll Taxes for April 2016. Debtor reviewed its books and records which revealed that no tax liabilities are due under this concept, for such month. Therefore, the claim was objected.	Resolved upon filing of Amended Claim
21-1	Fast Office and Computer Supply	\$ 4,850.04 Priority	\$4,850.04 As a General Unsecured	Claimant erroneously filed the claim as an Unsecured Priority Claim instead of a General Unsecured Claim. Therefore, this claim, is to be allowed in the amount claimed, as a General Unsecured Claim.	Granted Docket 145
30-1	Toyota Credit de Puerto Rico	\$16,662.33 Secured Claim	\$0.00	An examination of this POC indicates that the correct Debtor is Mr. Jorge L. Bourdon Feliciano, Case Number 16-04332 (MFC). Therefore, the POC-30 was filed in the wrong case and is not due by Debtors.	Granted Docket 146
31-1	Aurea Colón Rivera	\$292,682.00 Unsecured Claim	\$0.00	A review of POC-31 shows that Claimant is attaching in support to her POC thereof, copy of a Complaint (the "Complaint") filed in Civil Case No. EPE2016-0006-703, related to Labor Law Claims including unjustified dismissal, under Law 80, for discrimination, among other claims. As of the filing date, such case had not been concluded and there was no judgement against Debtors, thus the claim cannot be allowed as correct, nor for the amounts claimed. As a matter of fact, and as a result of the filing of Debtors' Chapter 11 cases, the Court of the First Instance, Caguas Section, issued an order staying the proceedings in said case. Therefore, there is no final judgement nor amounts adjudicated to the Claimant.	Granted Docket 147
43-1	Jessica Pou-Febles	\$22,124.41 General Unsecured Claim	\$20,000.00	This claim is related to a labor law claim for unjustified dismissal, under case number EPE2014-0134. The POC quantifies the total alleged damages, including the associated legal fees in \$22,124.41. Debtors and Claimant filed a	Stipulated by Debtors and Claimant as filed on April 17, 2017 in Docket 363.

				Stipulation at Docket No. 363, wherein they agreed that Debtors would accept the Claim for \$20,000.00, to be paid as a general unsecured claim, and, in consideration thereof, Claimant Jessica Pou-Febles agreed to forever settle all issues and controversies related to case number EPE2014-0134.	Granted in Docket 385
46-1	MILLIONARE CLUB APPAREL GROUP LLC	\$45,648.66 Unsecured Priority	\$45,648.66 General Unsecured	This claim was erroneously filed as an Unsecured Priority Claim instead of a General Unsecured Claim. Therefore, this claim, is to be allowed in the amount claimed, as a General Unsecured Claim.	Granted Docket 240
49-1	KIMIK, LLC	\$133,372.00 Unsecured Priority	\$133,372.00 As but as a General Unsecured Claim	A portion of this claim, was erroneously filed as an Unsecured Priority Claim instead of as a General Unsecured Claim. Therefore, Debtors object the classification of the Claim, which is to be allowed in the amount as claimed, but as a General Unsecured Claim.	Granted Docket 206
51-1	MIK MAK, Inc.	\$10,380.00	\$10,380.00 But as a General Unsecured Claim	A portion of this claim, was erroneously filed as an Unsecured Priority Claim instead of, as a General Unsecured Claim. Therefore, Debtors object the classification of the Claim, which is to be allowed in the amount claimed, but as a General Unsecured Claim.	Granted Docket 236
52-1	State Insurance Fund Corporation	\$8,125	\$7,850	The amount claimed did not consider a payment made in August 26, 2016 for \$275.00.	SIF Amended its Claim. Allowed as Amended
58-1	American Hangers & Fixtures Corp.	\$3,620	\$7,850	The amount claimed duplicates POC No. 59.	Granted Docket 269

VI. DESCRIPTION OF THE PLAN

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

Except as otherwise agreed to by Debtors and the Holder of an Allowed Administrative Expense Claim, each such Holder shall be paid in full by Debtor on or before the Effective Date.

6.1 Unclassified Claims

In accordance with Section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Claims are not classified in the Amended 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 Amended Plan. Administrative Expense Claims are generally the ordinary and necessary costs of administering and operating during a Chapter 11 case.

6.2 Administrative Expense Claims

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

If Debtors dispute any portion of an Administrative Expense Claim, Debtors shall pay such Claim within thirty (30) days after the entry of a Final Order with respect to the allowance thereof.

6.3 Professionals Fees Claims

The professionals retained by Debtors in their Chapter 11 cases have and will incur fees and expenses from the date of their retention through the Effective Date of the Amended Plan. It is impossible to predict the amount of professional administrative expense fees that will be incurred through the confirmation of the Amended Plan. As of the filing of this Amended Disclosure Statement, Debtors have paid their Chapter 11 counsel and financial consultant \$250,000 approximately, including their retainer fees.

Debtors estimate that additional Allowed Professionals Fee Claims, to all professionals, retained

by Debtors will add to approximately between \$100,000 and \$175,000, for unpaid services to be rendered and expenses incurred up to the entry of the final decree closing the bankruptcy cases.

All amounts paid and to be paid to professionals through the Confirmation Date, including interim fees and expenses are subject to final Bankruptcy Court approval. Debtors reserve the right to contest the allowance of any professional fees.

6.4 Classes of Claims and Equity Interests

As of the Petition Date, Debtors had secured claims due to the Syndicate, Scotia, Mrs. Carmen Miranda Rivera, Toyota, cure claims arising from Assumed Executory Contracts, and General Unsecured Claims as more particularly described below. The Amended Plan classifies the various claims against Debtors. A description of all classes of Claims and the Equity Interests, the estimated principal amount due to each Class as of the Effective Date, and its treatment are set forth below. The Classes of Claims and the Interests in Debtors set forth in the Amended Plan are as follows:

Class 1 – The Syndicate’s Claims– The Syndicate’s Claims⁷ arising from various loans for the acquisition and/or development of certain real estate, inventories, and other assets.

Class 2 - The Allowed Secured Claim of Scotiabank de Puerto Rico, Inc. (“Scotia”) – Scotia’s allowed claim secured by a rental apartment at Rio Mar Ocean Village, Rio Grande, Puerto Rico.

Class 3 –Toyota Financial Services Allowed Secured Claim (“Toyota”) Toyota’s secured claim arising from a vehicle loan for the acquisition of a 2011 Lexus ES350.

Class 4 – Holder of Allowed Cure Claims from Assumed Unexpired Executory Contracts – Holders of Allowed Unsecured Claims arising from assumed unexpired executory

⁷ As defined in the Amended Plan.

contracts.

Class 5 – Holders of Allowed General Unsecured Claims – Class 5 consists of Holders of Allowed General Unsecured Claims.

Class 6 – The Secured Claim of Mrs. Carmen Miranda Rivera – Class 6 consists of the secured claim of Mrs. Carmen Miranda Rivera, secured by a mortgage over a parcel of land adjacent to Debtors' commercial building at Caguas, P.R.

Class 7 – Holders of Interests in Debtors – Holders of Interest in Debtors, consisting of Messrs. Carlos Galliano, Miguel Galliano, and Jorge Galliano.

6.5 Treatment of Claims.

Class 1 – The Syndicate's Claims

- (a) Impairment and Voting – Class 1 is impaired under the Amended Plan and is entitled to vote to accept or reject the Amended Plan.
- (b) Distribution – The Syndicate's Claims will be paid as follows:

Alternative A- as summarized in Page 1 of Exhibit AA hereto, under this alternative the Syndicate's Allowed Claims shall be paid as follows (pursuant to the Confirmation Order and on and after the Effective Date, as specified below):

- (i) On or before June 30, 2017, the Syndicate shall receive a net cash payment of \$18,500,000.00 from an Exit Loan to be granted to Debtors by Stabilis Capital, LLC, or any other financing entity. Upon the Syndicate's receipt of this partial payment, the Syndicate shall release all mortgage notes, liens, security agreements, and other pledge documents, including those relative to the lease agreements with respect to Debtors' Caguas and Ponce Realities as well as over all other assets of the operating stores at such locations.
- (ii) On or before June 30, 2017, the Syndicate shall receive a net cash payment of \$2,500,000.00 from a second Exit Loan to be granted to Debtors by an unrelated third party. Upon the Syndicate's receipt of this partial payment, the Syndicate shall release all UCC filings, liens, security agreements, and other pledge documents, regarding Debtors' accounts receivables and inventories, which will be provided to this Third Party Lender as collateral

for the \$2,500,000 Exit Loan, among other security interests that may be provided by Debtors.

- (iii) On or before June 30, 2017, the Syndicate shall receive from Debtors as payment-in-kind, title “free and clear” (to the fullest extent permitted under the Bankruptcy Code) to the real properties listed below and in consideration thereof shall apply \$9,665,000 as a partial payment towards its Allowed Claims. For avoidance of doubt such properties and their agreed-to-values are as follows:

Gatsby - Bayamón	\$ 1,600,000
Gatsby - San Juan	3,200,000
Gatsby – Carolina	2,240,000
El Cairo Property	150,000
Rio Mar Apartment	380,000
El Verde Apartment	100,000
Caguas Residential Prop.	75,000
Gatsby – Naranjito	<u>1,920,000</u>
Total	<u>\$ 9,665,000</u>

- (iv) On or before July 31, 2017, the Syndicate will receive from Debtors \$350,000 from the proceeds of the liquidation of inventories and the collection of Debtors’ accounts receivables corresponding to the stores mentioned in item (iii) above.
- (v) On or before June 30, 2017, the Syndicate will receive \$180,000⁸ from Debtor’s principals, as a capital contribution, to be credited against the discounted pay off amount of \$32,000,000.
- (vi) The Syndicate has received \$833,333 in monthly payments during 2017, to be credited against the discounted pay off amount of \$32,000,000.

Total recovery for the Syndicate under this alternative would sum to approximately \$32,028,000, but will not exceed the payment of \$32,000,000 to the Syndicate. For the avoidance of doubt, the closing of the transactions provided in Sections (i),(ii), (iii) and (v) of Alternative A shall occur simultaneously pursuant to the Confirmation Order on the Effective Date.

- (vii) The Syndicate’s deficiency claim, estimated in \$12,586,000 after the application of the aforementioned payments, will be dealt under Class 5 General Unsecured Claims below, with the Syndicate being entitled to vote, but not receiving payments under such Class.

⁸ From the liquidation of Principals’ 401K retirement plans.

Alternative B- as summarized in Page 2 of the Exhibit AA hereto, under this alternative the Syndicate's Allowed Claims shall be paid as follows (pursuant to the Confirmation Order and on and after the Effective Date, as specified below):

- (i) On or before June 30, 2017, the Syndicate shall receive a net payment of \$16,000,000.00 from an Exit Loan to be granted to Debtors by Stabilis Capital, LLC, or any other financing entity. Upon the Syndicate's receipt of this partial payment, the Syndicate shall release all mortgage notes, liens, security agreements, and other pledge documents, including those relative to the lease agreements with respect to Debtors' Caguas Realty, as well as over all other assets of the operating store at such location.
- (ii) On or before June 30, 2017, the Syndicate shall receive from Debtors as payment-in-kind, title to the real properties listed below and in consideration thereof shall apply \$9,590,000 as a partial payment towards its Allowed Claims. For avoidance of doubt such properties and their agreed-to-values are as follows:

Gatsby - Bayamón	\$ 1,600,000
Gatsby - San Juan	3,200,000
Gatsby – Carolina	2,240,000
El Cairo Property	150,000
Rio Mar Apartment	380,000
El Verde Apartment	100,000
Gatsby – Naranjito	<u>1,920,000</u>
Total	<u>\$ 9,590,000</u>
- (iii) On or before July 31, 2017, the Syndicate will receive from Debtors \$850,000 from the proceeds of the liquidation of the inventories and the collection of accounts receivables corresponding to the stores mentioned in item (ii) above.
- (iv) On or before June 30, 2017, the Syndicate will receive \$180,000⁹ from Debtor's principals, as a capital contribution, to be credited against the discounted pay off amount of \$32,000,000.
- (v) The Syndicate has received \$833,333 in monthly payments during 2017, to be credited against the discounted pay off amount of \$32,000,000.
- (vi) In addition, on or before June 30, 2017, the Syndicate shall receive from Debtors as payment-in-kind, title to the real property located at Ponce, Puerto Rico, at an agreed-to-value of \$3,960,000, provided that:
 - a. The Syndicate will provide a 2-year lease agreement (lease-back) to Debtors for at least 12,000 square feet, at an annual rent of \$17.08 per s.f.,

⁹ From the liquidation of Principals' 401K retirement plans.

which lease agreement shall be in form and substance acceptable to Debtors and the Syndicate.

- b. As part of the Deed of Transfer of this property, the Syndicate will grant Debtors a First Right of Refusal (which will be sixty (60) to ninety (90) days subject to further negotiations and documentation of which shall be acceptable in form and substance to the Debtors and the Syndicate) whereby Debtors are given the opportunity of matching any offers received from any unrelated third party for the sale/purchase of this property. After the expiration of the First Right of Refusal period without Debtors exercising this right, the Syndicate may sell the property to the potential buyer.
- c. The Syndicate will be granted a second mortgage of \$600,000 over Debtors' Caguas Realty, which second mortgage documentation shall be in form and substance acceptable to Debtors and the Syndicate.

Total recovery for the Syndicate under this alternative would sum to approximately \$32,013,000, but will not exceed the payment of \$32,000,000 to the Syndicate. For the avoidance of doubt, the closing of the transactions provided in Sections (i),(ii), (iv), and (vi) of Alternative B shall occur simultaneously pursuant to the Confirmation Order on the Effective Date.

- (vii) The Syndicate's deficiency claim, estimated in \$12,601,000 after the application of the aforementioned payments, will be dealt under Class 5 General Unsecured Claims below, with the Syndicate being entitled to vote, but not receiving payments under such Class.

On or before July 31, 2017, the Syndicate will withdraw with prejudice all current actions against the personal guarantors of the allowed Syndicate claim case KCD-2016-1222 (803).

Class 2 – Scotia's Secured Claim

- (a) Impairment and Voting - Class 2 is unimpaired under the Amended Plan and is not entitled to vote to accept or reject the Amended Plan.
- (b) Distribution – Scotia's allowed claim, secured by a rental (residential) apartment at Río Mar Ocean Village, Río Grande, Puerto Rico, shall be paid on the Effective Date. After the

payment to Scotia, that apartment will be transferred to the Syndicate as part of the discounted pay-off of its claim.

Class 3 – Toyota’s Allowed Secured Claim (“Toyota”)

- (a) Impairment and Voting - Class 3 is unimpaired under the Amended Plan and is not entitled to vote to accept or reject the Amended Plan.
- (b) Distribution – Toyota’s secured claim arising from a loan for the acquisition of a 2011 Lexus ES350, shall continue to be paid pursuant to the contractual agreement with Toyota through four (4) equal consecutive monthly installments of \$1,067.02, including principal and interest at 5.80% per annum, until full payment of the claim.

Class 4 – Holders of Allowed Cure Claims from Assumed Executory Contracts

- (a) Impairment and Voting - Class 4 is unimpaired under the Amended Plan and is not entitled to vote to accept or reject the Amended Plan.
- (b) Treatment – Holders of Allowed Cure Claims from Assumed Executory Contracts, except for those relative to Non-Residential Lease Agreements, shall be paid in full, on the Effective Date. The Cure Claims of Non-Residential Lease Agreements will be dealt under Class 5 of general Unsecured Claims as the same will be rejected as of the Effective Date.

Class 5 – Holders of Allowed General Unsecured Claims

- (a) Impairment and Voting - Class 5 is impaired under the Amended Plan and is entitled to vote to accept or reject the Amended Plan.
- (b) Treatment – Holders of Allowed General Unsecured Claims in excess of \$1,000, excluding those from Debtor’s Shareholders and Affiliates (which, for the avoidance of any doubt, shall be cancelled and extinguished on the Effective Date), but including the cure claims of the Non-Residential Lease Agreements that will be rejected as of the Effective Date, will be paid in full satisfaction of their

claims 25% thereof through sixty (60) equal consecutive monthly installments of approximately \$20,291, each, commencing not later than September 30, 2017, and continuing on the thirtieth (30th) day of the subsequent fifty-nine (59) months.

Holders of Allowed General Unsecured Claims of \$1,000 or less, will receive in full satisfaction of their claims 25% thereof, in cash, on the Effective Date of the Amended Plan.

Class 6 – The Secured Claim of Mrs. Carmen Miranda Rivera (“Mrs. Rivera”)

- (a) Impairment and Voting - Class 6 is impaired under the Amended Plan and is entitled to vote to accept or reject the Amended Plan.
- (b) Distribution –Mrs. Rivera’s allowed claim, shall be paid by equal consecutive monthly installments of \$2,000, including interest at 4.5% per annum, commencing on the Effective Date until the full payment her claim.

Class 7 – The Interests of Debtors’ Shareholder

- (a) Impairment and Voting - Class 7 is unimpaired under the Amended Plan, and not entitled to vote to accept or reject the Amended Plan, as it is deemed to have accepted the Amended Plan pursuant to 11USC § 1126 (g).
- (b) Distribution – Holders of the Equity Interests in Debtors will not receive any distribution under the Amended Plan. Debtors’ Shareholders will retain their shares in Debtors, unaltered, in exchange for the new value contributed to Debtors, as indicated above.

6.6 Means for Implementation of the Plan

Claims will be paid with available funds arising from Stabilis loan or any other third party lender, Debtors’ reduced retail operations, available cash balance as of the Effective Date, the collections of Debtors’ accounts receivable, and Debtors’ continued leasing operations.

Debtors' Cash Flows Projections, showing the feasibility of the Amended Plan are attached hereto as **Exhibit E**.

They present Debtors' projected results of operations (on a consolidated basis) and Amended Plan payments during a five-year period, and consider the implementation of the Amended Plan.

6.7 Cancellation of Existing Agreements

Except to the extent reinstated or unimpaired under the Amended Plan or for purposes of evidencing a right to distribution thereunder or as otherwise provided herein, on the Effective Date, all agreements and other documents evidencing any Claim or rights of any holder of a Claim against Debtors, including all indentures and notes evidencing such Claims, shall be cancelled.

6.8 Effectuating Documents and Further Transactions

Upon entry of the Confirmation Order, Debtors shall be authorized and instructed to execute, deliver, file or record such contracts, instruments, releases, consents, certificates, resolutions and other agreements and documents and take such actions as may be reasonably necessary or appropriate to effectuate, implement, consummate and further evidence the terms and conditions of the Amended Plan, including, without limitation, implementing all settlements and compromises as set forth in or contemplated by the Amended Plan and performing all obligations thereunder.

6.9 Authority to Act

Prior to, on or after the Effective Date (as appropriate), all matters expressly provided for under the Amended Plan that would otherwise require approval of the Debtors' stockholders, security or membership holders, officers, directors, partners, managers, members shall be deemed to have occurred and shall be in effect prior to, on/or after the Effective Date (as appropriate) pursuant to the applicable law of Puerto Rico, without any requirement of further vote, consent,

approval, authorization or other action by such stockholders, security holders, officers, directors, partners, managers, members or notice to, order of or hearing before the Bankruptcy Court.

6.10 Debtors’ Post Confirmation Management

After the confirmation of the Amended Plan, Debtors will continue with its current management, consisting of its President, Mr. Jorge Galliano Artime, and other members of their management team in fundamental positions for Debtors’ operations. To assist Debtors’ in their reorganization, management has reduced their salaries to provide savings to the operations of more than \$100,000¹⁰, as follows:

	<u>Pre-petition Salaries</u>	<u>Annual Salary Reduction (10%-30%)</u>	<u>Post-petition Salaries</u>
JORGE A GALLIANO ARTIME	\$ 155,820	\$ 42,820	\$ 113,000
CARLOS J GALLIANO GARCIA	97,000	26,000	71,000
CARLOS GALLIANO ARTIME	116,820	37,820	79,000

6.11 Executory Contracts and Unexpired Leases

Executory contracts and unexpired leases, except for those; listed or mentioned below in **Section 7.4**, which have not expired by their own terms or that have not been rejected prior to the Confirmation Date shall be deemed rejected on the Effective Date and the entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such rejection pursuant to Sections 365(a) and 1123(b)(2) of the Bankruptcy Code.

Moreover, the following contracts which were assumed during the pendency of the cases, but which based on the Amended Plan are not necessary for Debtors’ effective reorganization, will be deemed rejected as of the Effective Date:

V.O. INDUSTRIAL, CORP., PO BOX 734 CAGUAS, PR 00728	Contract Type: RENT AGREEMENT Term: FIVE (5) YEARS Description: TWO (2) LEASE AGREEMENTS FOR COMMERCIAL OFFICES AND WAREHOUSE FACILITIES AT CAGUAS, P.R. DEEMED REJECTED UNDER AMENDED PLAN
ROSA RODRIGUEZ, S.E. (RRSE) PO BOX 906 HATILLO, PR 00659	Contract Type: RENT AGREEMENT Term: NINETEEN (19) YEARS Description: HATILLO STORE

¹⁰ Considering savings of \$25,494 in payroll taxes.

	DEEMED REJECTED UNDER AMENDED PLAN
CRP II-MANATI, LLC PO BOX 636699 ATLANTA, GA 30353	Contract Type: RENT AGREEMENT Term: ONE (1) YEAR Description: MANATI STORE ACTION TAKEN BY DEBTORS: EXPIRED CONTRACT AND STORE WAS CLOSED DEEMED REJECTED UNDER AMENDED PLAN
CRP II-UNIVERSITY, LLC PO BOX 636699 ATLANTA, GA 30353	Contract Type: RENT AGREEMENT Term: TWO (2) YEARS Description: MAYAGUEZ STORE DEEMED REJECTED UNDER AMENDED PLAN

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

6.12 Exculpation

Debtors, and their present and former members, officers, directors, representatives, shareholders, employees, advisors, consultants, attorneys and agents acting in such capacity shall have no liability to any Holder of any Claim or Equity Interest or any other Person for any act taken or omission made after the Petition Date in connection with, or arising out of the captioned cases, the Amended Plan, the Amended Disclosure Statement, the solicitation of votes for confirmation of the Amended Plan, the administration of the Amended Plan or Debtors’ property distributed under the Amended Plan, or any transaction contemplated by the Amended Plan or the Amended Disclosure Statement in furtherance thereof, except for willful misconduct or gross negligence, as determined by a Final Order of the Court and, in all respects, shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Amended Plan. Nothing in the Amended Plan shall release, discharge or exculpate any non-Debtor party from any Claim owed to the United States Government or its agencies, including any liability arising under

the Internal Revenue Code or criminal laws of the United States.

VII. LIQUIDATION AND FINANCIAL ANALYSIS

7.1 Best Interest of Creditors and Comparison with Chapter 7 Liquidation

The Liquidation Analysis (**Exhibit F**) reveals that in the event of a liquidation of Debtors' assets under Chapter 7, considering the costs and expenses of such a proceeding, and the updated appraisal reports provided by the Syndicate, there would be a substantial loss to Debtors' Estates. It reflects that in a liquidation scenario, Secured Claims, Chapter 7 Administrative Claims and Chapter 11 Administrative Claims, would receive dividends on their allowed claims, leaving no funds in the Estates for General Unsecured Creditors. Under this scenario, Holders of Allowed General Unsecured Claims will not receive any dividends from the proceeds of the liquidation.

Confirmation of the Amended Plan will assure that holders of Administrative Expense Claims, Secured Claims and General Unsecured Claims will receive prompt dividends on their claims, as set forth above.

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 Debtors' control.

7.2 Feasibility of the Plan

A) Financial Projections

Debtors have prepared financial projections (the "Projections") based on the confirmation and implementation of the Amended Plan. The Projections are based upon estimates and assumptions that, although developed and considered reasonable by Debtors are inherently subject to significant economic uncertainties and contingencies beyond Debtors' control, as well as to

certain assumptions with regards 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 are attached as **Exhibit E** to this Amended Disclosure Statement. As **Exhibit G** hereto, Debtor is including copy of their certified combined financial statements as of December 31, 2015. **Exhibit H**, hereto presents Debtors' Monthly Operating Reports as of March 31, 2017, and **Exhibit I** hereto presents Debtors' Consolidated Summary of Monthly Operating Report as of March 31, 2017.

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

As of the Petition Date, Debtors owned assets and had liabilities, as more particularly described in their Schedules and Statement of Financial Affairs, filed with the Bankruptcy Court on May 25, 2016, as Amended on May 27, 2016, July 21, 2016, and September 14 and 15, 2016. Debtors have prepared and filed with the Bankruptcy Court monthly operating reports summarizing their post-petition financial performance (see **Exhibits H and I**). These monthly operating reports and Debtors' Schedules, Statement of Financial Affairs, and schedules of executory contracts are available for public inspection at the office of the Clerk of the Bankruptcy Court during regular business hours.

C) Real Property

As of the Petition Date, GAP, Komodidad, and GAI were the owners in fee simple of various real properties, as listed and more fully described in Schedules A filed on July 21, 2016, with an aggregate estimated value of \$43,094,568.00¹¹, summarized as follows:

Road PR-2, Km 11.6 Int., Bayamon, PR	\$ 2,200,000.00
José Mercado Avenue & South of Ruiz Belvis Street, Caguas, PR	22,000,000.00
Galería del Sur Shopping Center	7,700,000.00
1250-1252, San Juan, PR	4,700,000.00

¹¹ These values reflect those obtained from appraisal reports dated 2013 and 2014. They do not reflect the actual market values of the real properties as of the filing date nor as of the date of this Disclosure Statement. Please refer to Debtors' Liquidation Analysis for updated information.

3 Km 6 8 San Antón & Sabana Abajo Ward, Carolina, PR	2,900,000.00
Cedro Abajo Ward, 152 Km 14.6, Naranjito, PR	2,500,000.00
Apt 5A, Caguas, PR	100,000.00
Cairo 1243, San Juan, PR	150,000.00
Betances 58, Caguas, PR	75,000.00
Apt. 8287 Ocean Villa, Rio Grande, PR	547,000.00
Betances 66, Caguas, PR	<u>222,568.00</u>
Estimated Value	<u>\$ 43,094,568.00</u>

A detail and full descriptions of Debtor’s real properties are included in Debtors’ Schedule A/B, available for public inspection at the office of the Clerk of the Bankruptcy Court during regular business hours.

D) Personal Property

As of the Petition Date, Debtors’ Schedules listed Debtors’ personal property consisting of checking accounts, utility bonds (deposits), accounts receivable, furniture, fixtures, store equipment, vehicles, leasehold improvements, prepaid insurance, prepaid expenses, and inventory. A detail of Debtors’ personal property is included in their Schedules A/B, available for public inspection at the office of the Clerk of the Bankruptcy Court during regular business hours.

7.3 Pending Litigation and Other Liabilities

At the time of the filing of the Chapter 11 petitions, certain causes of actions were either pending or stayed. After the filing of the petitions, one cause of action has resumed. The following are the causes of actions related to the bankruptcy estates and their status:

Case Title/Case Number	Nature of Case	Forum	Status
Rios Mendez, Steven Yarok vs Gatsby Mayaguez 11CI201500547	Torts	Court of First Instance of Puerto Rico, Añasco, Section	Concluded
Jessica Pou Febles vs Komodidad Distributors, Inc. EPE2014-0134	Labor Claim	Court of the First Instance of Puerto Rico, Caguas Section	Stipulated between the Parties. Docket 363

Aurea Colón Rivera vs Komodidad Distributors, Inc. EPE2016-0006	Labor Claim	Court of the First Instance of Puerto Rico, Caguas Section	Resumed
Julio Cesar Álamo Casiano Su Esposa Elizabeth López Merced vs Komodidad Distributors, Inc. EDP-2009-0062	Torts	Court of the First Instance of Puerto Rico, Caguas Section	Closed

7.4 Leases and Executory Contracts

As of the Petition Date, Debtors were parties to the following unexpired leases and executory contracts, as set forth in their Amended Schedule G:

Name and Mailing Address of other Parties to Lease or Contract	Description of Contract of Lease and Nature of Debtor's Interest.
LEXUS DE SAN JUAN PO BOX 29477 SAN JUAN, PR 00929	Contract Type: LEASE AGREEMENT Term: SIX (6) YEARS Description: LEXUS ES350 ACTION TAKEN BY DEBTOR: ASSUMED THE CONTRACT
ORIENTAL BANK AND TRUST PO BOX 195115 SAN JUAN, PR 00919	Contract Type: LEASE AGREEMENT Term: SIX (6) YEARS Description: NISSAN JUKE 2012 ACTION TAKEN BY DEBTORS: ASSUMED THE CONTRACT
XEROX CORPORATION PO BOX 827598 PHILADELPHIA, PA 19182	Contract Type: COPIERS SERVICE CONTRACT Term: FIVE (5) YEARS Description: LEASE AGREEMENT 1 ACTION TAKEN BY DEBTORS: ASSUMED THE CONTRACT
XEROX CORPORATION PO BOX 827598 PHILADELPHIA, PA 19182	Contract Type: COPIERS SERVICE CONTRACT Term: FIVE (5) YEARS Description: LEASE AGREEMENT 2 ACTION TAKEN BY DEBTORS: ASSUME THE CONTRACT
HP FINANCIAL CORPORATION PO BOX 71494 SAN JUAN, PR 00936	Contract Type: SERVERS- HARDWARE SERVICE CONTRACT Term: FOUR (4) YEARS Description: FINANCIAL SERVICES ACTION TAKEN BY DEBTORS: ASSUMED THE CONTRACT
G & S REALTY 1, LLC	Contract Type: RENT AGREEMENT Term: FIVE (5) YEARS

	Description: LEASE AGREEMENT FOR NY RESEARCH AND DEVELOPMENT OFFICES. ACTION TAKEN BY DEBTORS: CONTRACT WILL EXPIRE UPON ITS OWN TERMS
V.O. INDUSTRIAL, CORP., PO BOX 734 CAGUAS, PR 00728	Contract Type: RENT AGREEMENT Term: FIVE (5) YEARS Description: TWO (2) LEASE AGREEMENTS FOR COMMERCIAL OFFICES AND WAREHOUSE FACILITIES AT CAGUAS, P.R. ACTION TAKE BY DEBTORS: DEEMED REJECTED UNDER THE AMENDED PLAN
ROSA RODRIGUEZ, S.E. (RRSE) PO BOX 906 HATILLO, PR 00659	Contract Type: RENT AGREEMENT Term: NINETEEN (19) YEARS Description: HATILLO STORE DEEMED REJECTED UNDER THE AMENDED PLAN ACTION TAKEN BY DEBTORS: REJECT THE CONTRACT
CRP II-MANATI, LLC PO BOX 636699 ATLANTA, GA 30353	Contract Type: RENT AGREEMENT Term: ONE (1) YEAR Description: MANATI STORE ACTION TAKEN BY DEBTORS: EXPIRED CONTRACT AND STORE WAS CLOSED, DEEMED AS REJECTED UNDER THE AMENDED PLAN
CRP II-UNIVERSITY, LLC PO BOX 636699 ATLANTA, GA 30353	Contract Type: RENT AGREEMENT Term: TWO (2) YEARS Description: MAYAGUEZ STORE ACTION TAKEN BY DEBTORS: REJECT THE CONTRACT DEEMED REJECTED UNDER THE AMENDED PLAN
EQUITY RESIDENTIAL MANAGEMENT, LLC 140 TRUMP PLACE RIVERSIDE BLVD, NEW YORK, NY	Contract Type: RENT AGREEMENT Term: TWO (2) YEARS Description: APARTMENT NEW YORK, NY ACTION TAKEN BY DEBTORS: REJECT THE CONTRACT DEEMED REJECTED UNDER THE AMENDED PLAN

The above executory contracts will be deemed as Assumed or Rejected as of the Effective Date as specified above, as may be modified during the pendency of the cases, upon the entry of the Confirmation Order with any arrears paid pursuant to the treatment of Class 4 and/or 5 above as to the assumed ones.

Moreover, Debtors are parties to certain lease agreements as Landlords, which will be deemed Assumed as of the Effective Date upon the entry of the Confirmation Order.

VIII. BAR DATE AND DETERMINATION OF CLAIMS

8.1 Bar Date

On May 31, 2016, in the “Notice of Chapter 11 Bankruptcy Case, Meeting of Creditors and Deadlines” issued in Debtors’ case the Bankruptcy Court fixed September 26, 2016, as the bar date for the

filing of proofs of claims and interests (except for Governmental Units), and November 28, 2016, for such filings by Governmental Units.

8.2 Determination of Claims

The Amended Plan specifies procedures for objecting to claims. Debtor 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 Amended Plan. No payments will be made under the Amended Plan on account of Disputed Claims until their allowance by the Bankruptcy Court. The Amended 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 Amended Plan), or disallowed (at which time the reserves will be distributed on account of Allowed Claims pursuant to the terms of the Amended Plan).

Any Claims which (a) are not listed as Allowed Claims on Debtors' Schedules, as amended; (b) are not evidenced by a valid, timely filed Proof of Claim; or (c) are not listed in the Amended Plan or exhibits to the Amended Plan as Allowed Claims, shall not receive any distribution of cash or property under the Amended 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 Amended Plan is not confirmed and consummated, the alternatives include (a) Debtors' liquidation under Chapter 7 of the Bankruptcy Code, (b) dismissal of Debtors' 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 Debtors' 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 F** hereto, Debtors believe that conversion of the Cases to Chapter 7 of the Bankruptcy Code, considering the costs and expenses of such a proceeding, would result in a substantial loss to Debtors' Estates. The Liquidation Analysis reflects what in Chapter 11 the respective creditors are expected to receive under the Amended Plan versus what is projected they would receive in Chapter 7, underscoring the benefits of the confirmation of the Amended Plan and its effectiveness.

Thus, Debtors believe that the interest of creditors and the goals of Chapter 11 are better served by the confirmation of the Amended Plan.

B. Dismissal of the Case

Dismissal of the Case would likely create substantial problems for all parties involved, including a run to the courthouse, which would result, in an abandonment of the orderly and structured equitable payments provided by the Amended Plan. Therefore, dismissal of the Case is not a viable alternative for creditors.

C. Alternative Plan

If the Amended Plan is not confirmed, at present, Debtors do not foresee a different plan. Debtors believe that the Amended Plan will provide the greatest and most expeditious return to creditors.

X. TAX EFFECTS

Based on Debtors' available net operating losses carryforward, the provisions of the Section 1031.01 of the Puerto Rico Internal Revenue Code of 2011, as amended, and the tax provisions of the Bankruptcy Code, Debtors expect that the implementation of the Amended Plan will not have any tax effects.

XI. CONCLUSION

Debtors submit that the Amended Plan is fair and reasonable and in the best interests of the Estates and Creditors and offers the best possible recovery for Creditors under the circumstances. Debtors therefore, urge Creditors to vote in favor of the Amended Plan.

San Juan, Puerto Rico, this 28th day of May 2017.

Komodidad Distributors, Inc.
G.A. Design & Sourcing, Corp.
G.A. Property Development, Corp.
G.A. Investors, S.E.
Gamaxport Inc.

By: /s/ Jorge Galliano
Jorge Galliano
President