

UNITED STATES BANKRUPTCY COURT
DISTRICT OF PUERTO RICO

In re:

ADLER GROUP, INC.

Debtor

Case No. 17-02727-MCF11

Chapter 11

DISCLOSURE STATEMENT

OF

ADLER GROUP, INC.

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LIST OF EXHIBITS

- Exhibit A – Plan of Reorganization
- Exhibit B – Payments under the Plan
- Exhibit C – Liquidation Analysis
- Exhibit D – Monthly Operating Reports

I. INTRODUCTION

Pursuant to Section 1125 of the United States Bankruptcy Code, 11 U.S.C. § 101, *et seq.* (the "Bankruptcy Code"), Adler Group, Inc., debtor and debtor-in-possession in the above captioned case ("Debtor"), submits its Disclosure Statement (the "Disclosure Statement") to all of its known creditors and parties in interest in the captioned case. 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 (the "Plan"), dated as of the date of the Disclosure Statement.

The Plan is being filed with the United States Bankruptcy Court for the District of Puerto Rico ("Bankruptcy Court")¹ simultaneously herewith.

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

The information contained in the Disclosure Statement has been provided by Debtor based upon Debtor's knowledge of its records, business, and affairs. Except as otherwise expressly indicated,

¹ 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.

the information provided by Debtor 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.

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

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.

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.**

II. SUMMARY OF THE PLAN

The Plan specifies the manner in which the Claims and Interests in the Debtor are to be treated. Allowed Administrative Expense Claims and Allowed Priority Tax Claims are not classified for purposes of voting under the Plan, but the Plan does provide for the treatment of such Claims. The table below provides a summary of the treatment of those claims and of the various Classes of Claims against Debtor, as well as that of Debtor's shareholder's interest in Debtor. To the extent that the terms of the Disclosure Statement vary from those of the Plan, the terms of the Plan will control.

DESCRIPTION OF CLAIM	CLASS	ESTIMATED AMOUNT OF ALLOWED CLAIM	TREATMENT AND ESTIMATED RECOVERY UNDER THE PLAN
<p> Holders of Allowed Administrative Expense Claims (Estimated)</p>	<p>N/A</p>	<p>\$30,000.00</p>	<p>Unimpaired.</p> <p>Estimated Recovery: 100%</p> <p>Except as otherwise agreed to by Debtor and the Holder of an Allowed Administrative Expense Claim, each such Holder shall be paid in full by Debtor in the regular course of Debtor's business or as authorized by the Court, on or before the Effective Date of the Plan.</p> <p>Payments to Professionals will be made as approved by the Bankruptcy Court during the pendency of the Chapter 11 Case. US Trustee Quarterly Fees will be paid when due, with any pending balance to be paid on or before the Effective Date of the Plan.</p>
<p> Holders of Allowed Priority Tax Claims Secured and Unsecured</p>	<p>N/A</p>	<p>\$128,023.00</p>	<p>Impaired.</p> <p>Estimated Recovery: 100%</p> <p>The Holders of Allowed Priority Tax Claims, Secured and Unsecured, shall be paid 100%, in cash, in deferred equal consecutive monthly installments as shown in the Exhibit B hereto, commencing on the Effective Date of the Plan and continuing on the last day of each month thereafter over a 60-month period after the Effective Date, equal to the amount of such Allowed Priority Tax Claims, plus the statutory rate of interest prevailing during the month the Plan is confirmed, estimated at 4.25% per annum. Payments are estimated to be \$2,372.21 per month.</p>

The Secured Claim of Oriental Bank ("Oriental")	Class 1	\$2,113,480.10	<p>Impaired.</p> <p>Oriental's secured claims resulting from a Commercial Loan executed on March 24, 2015 by and between Oriental and Debtor (the "Agreement"), shall be paid \$5,000.00 over a 60-month period as adequate protection payment while Debtor's property recovers from the damages suffered from hurricane Maria and a settlement is reached between the parties.</p>
Small Business Administration ("SBA")	Class 2	\$1,594,467.39	<p>Impaired</p> <p>SBA's Claim resulting from a Commercial Loan executed on March 24, 2015 by and between BBVA and Debtor shall receive distribution under Class 3 of this Plan. This claim was filed as a secured claim, nevertheless, pursuant to this Honorable Court's February 22, 2018 order, the same is deemed unsecured, and shall receive distribution under Class 3 of this Plan.</p>
Holders of Allowed General Unsecured Claims	Class 3	\$2,174,822.14	<p>Impaired.</p> <p>This class will receive a distribution of \$15,000.00, equivalent to 1.89% of their allowed claims.</p>
Holders of Contingent Claims	Class 4	\$1,344,302.94	<p>Impaired.</p> <p>This class consists of any and all contingent, unliquidated, and/or disputed claims that are scheduled as such in Debtor's Schedules including deficiency claims, if any, filed by secured creditors. These claims include Eric Alvarez Menendez and any deficiency claim from secured creditors or rejection claims from executory contracts. The Debtor scheduled these claims in the amount of \$1,344,302.94.</p>

Interests in Debtor	Class 5	N/A	Impaired. The Holders of the Equity Interest in Debtor will not receive any distribution under the Plan.
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For a more detailed description of the treatment of the foregoing Classes of Claims and Interest, see “Treatment of Claims and Interest under the Plan”.

The Disclosure Statement has been prepared by Debtor to provide creditors with adequate information so that they can make an informed judgment about the Plan. Each creditor should read the Disclosure Statement and the Plan in their entirety before voting on the Plan. No solicitation of votes on the Plan may be made except pursuant to the Disclosure Statement and no person has been authorized to utilize any information concerning Debtor’s assets other than the information contained herein for purposes of solicitation.

III. INFORMATION ABOUT THE REORGANIZATION PROCESS

3.1 Purpose of a Disclosure Statement

The Disclosure Statement includes background information about Debtor and identifies the classes into which creditors and the equity holder have been placed by the Plan. It describes the proposed treatment of each of those Classes if the Plan is confirmed and contains information concerning the prospects in the event of confirmation or, in the alternative, the prospects if confirmation is denied or the proposed Plan does not become effective.

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

3.2 Voting Procedure

All creditors entitled to vote on the Plan may cast their votes for or against the Plan by completing, dating, signing and causing the Ballot Form to be returned to the following address:

ADLER GROUP, INC.
c/o MRO Attorneys at Law, LLC
PO Box 367819
San Juan, PR 00936-7819

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 the Plan on account of such claims or interests.

Classes 1 through 4 are impaired under the Plan and entitled to vote for acceptance or rejection of the Plan. Class 5 is deemed to have rejected the Plan and not entitled to vote to accept or reject the Plan.

A party who holds claims in more than one impaired Class should complete a Ballot for each Class with respect to the applicable portion of the claim included in each Class.

3.4 The Confirmation Hearing

The Confirmation Hearing will be held before the Honorable Mildred Caban Flores, 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 Plan satisfies the various requirements of the Bankruptcy Code, including whether it is feasible and in the best interests of Holders of claims and interests. The Bankruptcy Court will also receive and consider a Report of Plan Voting prepared by Debtor, summarizing the votes for acceptance or rejection of the Plan by parties entitled to vote.

The Confirmation Hearing may be adjourned from time to time without further notice except for the announcement of the adjourned date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

At the Confirmation Hearing with respect to the Plan, the Bankruptcy Court will (i) determine whether the requisite votes have been obtained for each Class, (ii) hear and determine objections, if any, to the Plan and to the confirmation of the Plan, that have not been previously disposed of, (iii) determine whether the Plan meets the confirmation requirements of the Bankruptcy Code, and (iv) determine whether to confirm the Plan. Any objection to confirmation of the Plan must be in writing, filed and served as required by the Bankruptcy Court pursuant to the order approving the Disclosure Statement.

3.5 Acceptances Necessary to Confirm the Plan

The vote of each Holder of an impaired claim entitled to vote is important since at the Confirmation Hearing and as condition to the confirmation of the Plan on a consensual basis, the

Bankruptcy Court must determine, among other things, whether each impaired Class of creditors and interest holders entitled to vote has accepted a 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 Plan by all members of an impaired Class, the Bankruptcy Court must also determine that under the Plan, Class members will receive property of a value, as of the Effective Date, that is not less than the amount that such Class members would receive or retain if the debtor were to be liquidated under Chapter 7 of the Bankruptcy Code on the Effective Date of the Plan.

3.6 Confirmation of the Plan without the Necessary Acceptances

If a Class or Classes of impaired Claims do not accept the Plan, Debtor will request confirmation of the Plan under the “cram down” provisions of Section 1129(b) of the Bankruptcy Code, which permits confirmation, notwithstanding non-acceptance by one or more impaired Classes, if the Bankruptcy Court finds that the Plan does not discriminate unfairly against and is fair and equitable as to each non-accepting Class entitled to vote on the Plan, as long as at least one class of impaired creditors votes to accept the Plan. Section 1129(b) of the Bankruptcy Code requires among other things, that claimants must either receive the full value of their claims and if they receive less, that no Class with junior liquidation priority may receive anything.

THESE CALCULATIONS ARE BASED ONLY ON THE CLAIMS AMOUNTS AND

NUMBER OF CREDITORS WHO ACTUALLY VOTE. ANY BALLOT THAT IS VALIDLY EXECUTED THAT DOES NOT CLEARLY INDICATE REJECTION OF THE PLAN SHALL BE DEEMED TO CONSTITUTE A VOTE FOR ACCEPTANCE OF THE PLAN. THE VOTE OF EACH CREDITOR IS IMPORTANT.

IV. GENERAL INFORMATION

4.1 Debtor's Description and Historical View.

Debtor is a private educational system administrator, located in Gurabo, Puerto Rico. It serves a predominantly Hispanic population offering a learning program for students in grades from pre-kinder through the 12th grade.

Debtor is accredited by the Middle States Association and the Department of Education of Puerto Rico. Debtor's revenues are mainly composed of registration revenues, monthly tuition fees, cafeteria, after school programs, uniforms, among others.

4.2 Events Preceding Debtor's Chapter 11 Filing.

The demographic transition in Puerto Rico that has taken place in recent years of what the U.S. Census has reflected as a population loss of nearly 350,000 or possibly more, has resulted into less students in the private education sector, a decrease in governmental revenues, and a decrease of investment from the private sector. The local depletion of intellectual or professional resources through emigration, or brain drain, has been substantial.

As a result of Puerto Rico's economy contraction during the past years, coupled with the significant increases in costs including utilities, supplies, and others and a decrease in enrolled students, the Debtor has been suffering a significant decrease in its free cash flows and was

accumulating trade and other liabilities, in the ordinary course of business.

Consequently, Debtor's management has been involved in the school's restructuring and reorganization process, for the purpose of remedying the financial problems and state of affairs that caused the significant decrease in enrollment during the last years, and mitigate the impact over the school's cash flows.

Thus, in an effort to continue with its operations, provide a breathing spell and obtain the benefits of 11 U.S.C. 362 (A), which stays all collection actions and judicial proceedings, on April 20, 2017, Debtor filed its Chapter 11 Reorganization case.

4.3 Debtor's Post-Petition Endeavors.

As a result of the filing by the Chapter 11 petition, Debtor received the benefits of 11 U.S.C. § 362(a), which stayed all collection actions and judicial proceedings against it, providing Debtor 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 Debtor case on June 19, 2017, which was closed. Debtor has undertaken the following efforts for the benefit of its Estate and its creditors:

Debtor sought and obtained the Bankruptcy Court's approval to retain MRO Attorneys at Law, LLC, as its bankruptcy counsels. Debtor also sought and obtained the Bankruptcy Court's approval to retain Tamarez CPA, LLC, ("Tamarez") as its financial consultant on all matters pertaining to Debtor's reorganization.

V. CLAIMS AGAINST DEBTOR

5.1 Claims Against Debtor

Claims against Debtor that are Allowed Claims, as defined in the Plan, will be entitled to

distribution pursuant thereto, as indicated in pages 6 through 11 hereof.

The Plan provides that only the Holders of Allowed Claims, that is, Holders of Claims not in dispute, not contingent, liquidated in amount and not subject to objection or estimation are entitled to receive distribution thereunder. Until a claim becomes an Allowed Claim, distribution will not be made to the Holder of such claim.

5.2 Objections to Claims

The amounts set forth as due to Holders of unclassified and classified claims are estimates only, based upon Debtor's Schedules or Debtor's belief as to amounts due thereto.

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, 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.

VI. DESCRIPTION OF THE PLAN

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

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

6.1 Unclassified Claims

In accordance with Section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims Secured and Unsecured are not classified in the Plan. A description of the unclassified claims and the Claims and Interest in each class, as well as the estimated principal amount thereof as of the Effective Date and their treatment, are set forth in the Plan. 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 Debtor and the Holder of an Allowed Administrative Expense Claim, each such Holder shall be paid in full by Debtor in the regular course of Debtor's business or as authorized by the Court, on or before the Effective Date of the Plan.

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

6.3 Professional Fees

The professionals retained by Debtor in Debtor's Chapter 11 case have and will incur fees and expenses from the date of their retention through the Effective Date of the Plan. It is impossible to predict the amount of professional administrative expense fees that will be incurred through the confirmation of the Plan. As of the filing of this Disclosure Statement, Debtor has paid its Chapter 11 counsel and financial consultant \$10,00.00, as their retainer fees.

Debtor estimates that additional Allowed Professionals Fee Claims, to all professionals, retained by Debtor will approximate between \$30,000 and \$50,000, for unpaid services to be rendered

and expenses incurred up to the Confirmation of the Plan. 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. Debtor reserves the right to contest the allowance of any professional fees.

6.4 Means for Implementation of the Plan

Except as otherwise provided in the Plan, Debtor will effect payments of pending Administrative Expense Claims on or before the Effective Date from the estimated cash balance in its DIP accounts.

Payments and distributions under the Plan will be funded from the cash resulting from Debtor's Operations.

6.5 Cancellation of Existing Agreements

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

6.6 Effectuating Documents and Further Transactions

Upon entry of the Confirmation Order, Debtor 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 Plan, including, without limitation, implementing all settlements and compromises as set forth in or contemplated by the Plan and performing all obligations under the

Plan.

6.7 Authority to Act

Prior to, on or after the Effective Date (as appropriate), all matters expressly provided for under the Plan that would otherwise require approval of the stockholders, security holders, officers, directors, partners, managers, members of Debtor 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 of Debtor or notice to, order of or hearing before the Bankruptcy Court.

6.8 Debtor's Post Confirmation Management

After confirmation of the Plan, Debtor will continue with its current management, consisting of its President and Treasurer, Mr. Jose Torres Gonzalez ("Mr. Torres"), its Vocal, Mr. Rene Rivera Vega ("Mr. Rivera"), and its Vice-President, Mr. Oscar Vazquez Melendez ("Mr. Vazquez").

6.9 Executory Contracts and Unexpired Leases

Executory contracts and unexpired leases, which have not expired by their own terms or have been rejected on or prior to the Confirmation Date, shall be deemed assumed on the Effective Date and the entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such assumption pursuant to Sections 365(a) and 1123(b)(2) of the Bankruptcy Code. All other contracts will be deemed as rejected as of the Effective Date.

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 evidenced by a filed proof of claim, shall be forever barred and will not be enforceable against the Estate, or its properties, its agents, successors, or assigns, unless a proof of claim is filed with the Bankruptcy Court and served upon counsel for Debtor on or before forty-five (45) days following the Confirmation Date. Debtor retains the right to further object to any rejection damages claims filed in accordance with this Section.

6.10 Exculpation

Debtor, and its present members, officers, directors, representatives, shareholders, employees, advisors, attorneys and agents acting in such capacity shall have no liability to any Holder of any Claim or Shareholder 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 case, the Plan, the Disclosure Statement, the solicitation of votes for confirmation of the Plan, the administration of the Plan or Debtor's property distributed under the Plan, or any transaction contemplated by the Plan or the 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 Plan. Nothing in the Plan shall release, discharge or exculpate any non-Debtor party from any Claim owed to the United States Government or its agencies.

VII. LIQUIDATION AND FINANCIAL ANALYSIS

7.1 Best Interest of Creditors and Comparison with Chapter 7 Liquidation

The Liquidation Analysis, included as **Exhibit C** hereto, reveals that in the event of a liquidation of Debtor's assets under Chapter 7, considering the costs and expenses of such a proceeding, there would be a substantial loss to Debtor's Estate. It reflects that in a liquidation scenario most creditors, other than the main secured creditor, will not receive any distribution. The Liquidation

Analysis also reflects what in Chapter 11 the respective creditors are expected to receive under the Plan versus what is projected they would receive in Chapter 7, underscoring the benefits of the confirmation of the Plan and its effectiveness.

Confirmation of the Plan will assure that Holders of Chapter 11 Administrative Expense Claims, Allowed Priority Tax Claims, and General Unsecured Claims 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 Debtor's control.

7.2 Feasibility of the Plan

A) Financial Projections

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

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

As of the Petition Date, Debtor owned assets and had liabilities, as more particularly described in its Schedules and Statement of Financial Affairs, filed with the Bankruptcy Court on April 20, 2017. Debtor has prepared and filed with the Bankruptcy Court monthly operating reports summarizing its

post-petition financial performance included as **Exhibit D** hereto. These monthly operating reports and Debtor's 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) Personal Property

As of the Petition Date, Debtor's Schedules listed Debtor's personal property consisting of checking accounts, security deposits, accounts receivable, furniture, fixtures, equipment, prepaid insurance, and prepaid expenses. A detail of Debtor's personal property is included in its Schedule B, available for public inspection at the office of the Clerk of the Bankruptcy Court during regular business hours.

D) Real Properties: Debtor is the owner of the following real properties:

- a) Property Located at:
Carr. 189, Km. 3.1
(Interior) Rincon Ward
Gurabo, Puerto Rico

VIII. BAR DATE AND DETERMINATION OF CLAIMS

8.1 Bar Date

On April 27, 2017, in the "Notice of Chapter 11 Bankruptcy Case, Meeting of Creditors and Deadlines" issued in Debtor's case, the Bankruptcy Court fixed August 31, 2017, as the bar date for the filing of proofs of claims and interests, except for Governmental Units, the bar date of which was set for October 24, 2017.

8.2 Determination of Claims

No payments will be made under the Plan on account of Disputed Claims until their allowance by the Bankruptcy Court. The Plan provides that Distributions on Disputed Claims will be held in

reserve until the Disputed Claims are allowed (at which time the reserves will be distributed and the Claims will be treated according to the terms of the Plan), or disallowed (at which time the reserves will be distributed on account of Allowed Claims pursuant to the terms of the Plan).

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

IX. ALTERNATIVES TO THE PLAN

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

A. Liquidation Under Chapter 7

If a plan cannot be confirmed, the Case may be converted to Chapter 7 of the Bankruptcy Code, and a Trustee would be elected or appointed to liquidate Debtor's assets for distribution to creditors in accordance with the priorities established by the Bankruptcy Code.

As set forth in the Liquidation Analysis attached as **Exhibit C** hereto, Debtor believes that conversion of the Case to Chapter 7 of the Bankruptcy Code, considering the costs and expenses of such a proceeding, would result in a substantial loss to Debtor's Estate. The Liquidation Analysis reflects what in Chapter 11 the respective creditors are expected to receive under the Plan versus what is projected they would receive in Chapter 7, underscoring the benefits of the confirmation of the Plan and its effectiveness. Thus, Debtor believes that the interest of creditors and the goals of Chapter 11 are

better served by the confirmation of the Plan.

B. Dismissal of the Case

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 Plan. Therefore, dismissal of the Case is not a viable alternative for creditors.

C. Alternative Plan of Reorganization

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

X. TAX EFFECTS

Based on the provisions of the Puerto Rico Internal Revenue Code of 2011, as amended, and the tax provisions of the Bankruptcy Code, Debtor expects that the implementation of the Plan will not have any tax effects.

XI. CONCLUSION

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

Adler Group, Inc.
HC 02 Box 16161
Gurabo, PR 00778

s/ Jose Torres Gonzalez
Jose Torres Gonzalez
President and Treasurer of Debtor

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 14th day of March 2018.

MRO Attorneys at Law, LLC

Attorneys for Debtor

PO Box 367819

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