

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

IN RE:

LIDA BAUCAGE PEREZ

DEBTOR

CASE NO. 15-04099 (MCF)

CHAPTER 11

**DEBTOR'S DISCLOSURE STATEMENT**  
**DATED AUGUST 31, 2016**

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**TABLE OF CONTENTS**

<b>I.</b>	<b>INTRODUCTION .....</b>	<b>4</b>
<b>II.</b>	<b>GENERAL INFORMATION .....</b>	<b>6</b>
	A. Description, History, and Management of the Debtor’s Business	
	B. Insiders of the Debtor.....	7
	C. Events Leading to Chapter 11 Filing.....	7
	D. Significant Events during the Bankruptcy Case.....	7
	E. Projected Recovery of Avoidable Transfers.....	8
	F. Objections to Claims.....	8
	G. Current and Historical Conditions.....	8
<b>III.</b>	<b>SUMMARY OF DEBTOR’S PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS.....</b>	<b>8</b>
	A. Purpose of the Plan of Reorganization.....	8
	B. Unclassified Claims .....	9
	1. Administrative Expenses .....	9
	2. Priority Tax Claims.....	10
	C. Classes of Claims and Equity Interests- Treatment.....	10
	1. Classes of Secured Claims.....	10
	2. Classes of General Unsecured Claims.....	11
	3. Class of Equity Interest Holders.....	13
	D. Means for Implementation of the Plan.....	14
	E. Risk Factors.....	14
	F. Executory Contracts and/or Expired Leases.....	14
	G. Tax Consequences of Plan.....	15
<b>IV.</b>	<b>CONFIRMATION REQUIREMENTS AND PROCEDURES.....</b>	<b>15</b>
	A. Who may vote or object .....	16
	1. What is an Allowed Claim or Allowed Equity Interest? .....	17
	2. What is an Impaired Claim or Impaired Equity Interest?.....	17
	3. Who is Not Entitled to Vote.....	18
	4. Who can vote in more than one class.....	18
	B. Votes Necessary to Confirm the Plan .....	18
	1. Votes necessary for a class to accept the plan.....	19
	2. Treatment of non-accepting classes.....	19
	C. Liquidation Analysis.....	19
	D. Feasibility.....	20
	1. Ability to Initially Fund the Plan.....	20
	2. Ability to Make Future Plan Payments and Operate Without Further Reorganization.....	20

<b>V.</b>	<b>EFFECT OF CONFIRMATION OF THE PLAN</b> .....	20
	A. Discharge of Debtor.....	20
	B. Modification of Plan.....	21
	C. Final Decree.....	21
<b>VI.</b>	<b>ALTERNATIVES TO THE PLAN</b> .....	22
	A. Liquidation under Chapter 7.....	22
	B. Dismissal of the Case.....	22
	C. Alternative Plan of Reorganization.....	23
<b>VII.</b>	<b>OTHER PROVISIONS</b> .....	23
<b>VIII.</b>	<b>CONCLUSION</b> .....	23

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**LIST OF EXHIBITS**

- EXHIBIT A - PLAN OF REORGANIZATION
- EXHIBIT B - PAYMENTS UNDER THE PLAN OF REORGANIZATION
- EXHIBIT C - SUMMARY OF MONTHLY OPERATING REPORTS
- EXHIBIT D - LIQUIDATION ANALYSIS
- EXHIBIT E - PROJECTED FINANCIAL INFORMATION

## I. INTRODUCTION

Pursuant to Section 1125 of the United States Bankruptcy Code, 11 U.S.C. sec. 101, *et seq.* (the "Bankruptcy Code"), Lida Baucage Perez, Debtor-In-Possession (Debtor), in the above captioned case provides this Disclosure Statement to all of her known creditors. This Disclosure Statement contains information about the Debtor and describes the Debtor's Plan of Reorganization ("Plan"), dated August 31, 2016. A full copy of the Plan is attached to this Disclosure Statement as Exhibit A. A table of the proposed distribution to be made under the Plan is also attached as Exhibit B, and also discussed in this Disclosure Statement.

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

- The Debtor and the significant events during the bankruptcy case,
- The Plan's proposal on how to treat claims or equity interests depending on the type of claim the creditor holds (*i.e.*, what you will receive on your claim or equity interest if the plan is confirmed),
- The prospects if confirmation is denied or the proposed Plan does not become effective,
- Who can vote on or object to the Plan,
- What factors the Bankruptcy Court (the "Court") will consider when deciding whether or not to confirm the Plan,

- Why Debtor believes the Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest during a liquidation of the assets, and
- The effect of the Plan's confirmation.

Each creditor must, however, review the Plan and this 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 it 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; while other terms shall have the meaning ascribed to them in the Bankruptcy Code. ***Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney you may wish to consult one.***

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

No representations concerning the Debtor, including the value of her assets, or the aggregate dollar amount of claims which may be allowed are authorized other than those set forth in this 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 voting on the Plan.

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

The hearing at which the Court will determine whether to finally approve this Disclosure Statement and thus confirm the Plan will be scheduled by the Bankruptcy Court and will be conducted at the U.S. Bankruptcy Court, District of Puerto Rico, 300 Recinto Sur Street, Courtroom 3, Third Floor, San Juan, PR. ***You will receive a Notice for this hearing from the Debtor.***

## **II. GENERAL INFORMATION**

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

The Debtor is a general physician practitioner who works as Associate Medical Director for a health insurance company and also provides professional medical services in once a week in a local hospital. Before filing for bankruptcy, the Debtor managed her own professional and personal financial affairs. The Debtor is still managing her financial affairs but with the assistance and advice of the professionals retained in the instant case.

**B. Insiders of the Debtor**

Pursuant to 11 U.S.C. sec. 101(31)(A) of the United States Bankruptcy Code, an insider, if the Debtor is an individual, includes: (i) relative of the debtor or a general partner of the debtor; (ii) partnership in which the debtor is a general partner; (iii) general partner of the debtor; or (iv) corporation which the debtor is a director, officer, or person in control. In the instant case, the Debtor has no any insider with interest and/or claims against the estate.

**C. Events Leading to Chapter 11 Filing**

The Debtor's professional and personal financial affairs were significantly affected due to the reduction in the household income caused by her husband's loss of his source of income as a construction contractor and the eventual deterioration of his physical health to the extension of not being able to work. As a result, the Debtor became the only bread earner in the household and these circumstances impaired the Debtor to pay her debts under the terms incurred. These circumstances led the Debtor to initially file for bankruptcy under the Chapter 13 of Bankruptcy Code. However, the Debtor's general unsecured debts substantially accrued due to the lack of registration of the mortgage deed of her principal residence; this forced her to file for conversion to a Chapter 11 case since the amount of unsecured debts surpassed the limits set forth by 11 USC sec. 109(e).

**D. Significant Events During the Bankruptcy Case**

The Debtor retained legal professional services from Carlos Alberto Ruiz Law Office, CSP and accounting professional services from Albert Tamarez-Vasquez, CPA. The employment of these professionals was approved by the Court.

The Debtor has executed measures and adjustments to reorganize her financial affairs. Also, the Court approved the sale of a Debtor's real state asset which was sold on August 5,

2016 for the amount of \$80,000.00; the proceeds from that sale are being used to fund the Plan.

**E. Projected Recovery of Avoidable Transfers**

The Debtor does not intend to pursue preference, fraudulent conveyance, or any kind of avoidance actions because none have been identified.

**F. Objections to Claims**

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

**G. Current and Historical Conditions**

The Debtor's financial condition is detailed in a Summary of the Monthly Operating Reports filed with the Court, which is hereby attached as Exhibit C.

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

**A. Purpose of the Plan of Reorganization**

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

**B. Unclassified Claims**

Certain types of claims are automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims **do not vote** on the Plan. They



may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code. As such, the Plan’s proponent has not placed the following claims in any class:

1. Administrative Expenses

Administrative expenses are costs or expenses of administering the Debtor’s Chapter 11 case which are allowed under sec. 507(a)(2) of the Code. The administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires that all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different treatment.

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

<b><u>Type of Administrative Expense</u></b>	<b><u>Estimated Amount Owed</u></b>	<b><u>Proposed Treatment</u></b>
Professional Fees, as may be approved by the Court - Carlos Alberto Ruiz Law Office, CSP - Albert Tamarez Vasquez, CPA	\$12,000.00 \$6,000.00	Paid in full on the effective date of the Plan, or according to court order, if such fees have not been approved by the Court on the effective date of the Plan.
Office of the U.S. Trustee Fees	\$1,950.00	Debtor states that payments are current. If any outstanding amount is due it will be paid in full on the effective date of the Plan.
<b>TOTAL</b>	<b>\$19,950.00</b>	

2. Priority Tax Claims

Priority tax claims are unsecured income taxes, employment taxes, and/or other taxes described by sec. 507(a)(8) of the Code. Unless the holder of such priority tax claim agrees

otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding five (5) years from the Order of Relief. Each holder of a priority tax claim will be paid consistent with sec. 1129(a)(9)(C) of the Code, in monthly cash installments, equal to the allowed amount of its claim, plus yearly interest over a 5-year period.

In the instant case, there are no priority tax claims pursuant sec. 507(a)(8) thus for such the Plan does not propose any treatment.

**C. Classes of Claims and Equity Interests - Treatment**

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

1. Classes of Secured Claims

Allowed Secured Claims are claims secured by property of the Debtor’s bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims pursuant sec. 506 of the Code. If the value of the collateral or setoffs securing the creditor’s claim is less than the amount of the creditor’s allowed claim, the deficiency will be classified as a general unsecured claim. The following chart lists Classes 1 and 2, which contain Debtor’s secured prepetition claims, and their proposed treatment under the Plan:

<u>Class</u>	<u>Secured Claimants</u>	<u>Impairment</u>	<u>Treatment</u>
1	Oriental Leasing	Unimpaired	The secured creditor Oriental Leasing will continue to receive monthly payments of \$466.00 pursuant to the terms of the original contract.
2	Popular Auto	Unimpaired	The secured creditor Popular Auto will continue to receive monthly payments of \$814.14 pursuant to the terms of the original contract.

2. Classes of General Unsecured Claims

General Unsecured Claims are not secured by property of the estate and are not entitled to priority under sec. 507(a) of the Code. The following chart identifies the Plan’s proposed treatment of Classes 3, 4 and 5, which contain general unsecured claims against the Debtor:

Class	Unsecured Claimants	Impairment	Treatment
3	General Unsecured Claims	Impaired	<p>At the effective date this class will receive a lump-sum payment in the amount of \$10,702.38. Debtor will pay \$600.00 monthly pro-rata basis for a 5 year period among Class 3 and Class 4. With the current claims and allowed amounts by the Plan, the Class 3 will receive \$128.11 monthly for the general unsecured creditors in a 5 year period.</p> <p>Each claim holder under this class will receive pro-rata distributions, as per the allowed amounts. Based on the current allowed amounts, each claim holder in this class will receive approximately 10% of the allowed amount. Any change in the allowed amounts may change the actual distribution percentage, but it will be nevertheless the same to all of them.</p> <p>The monthly pro-rata basis distribution may change from the State Court litigation outcome of the Contingent Unsecured Claims-Class 5.</p>
4	General Unsecured Claim (initially intended to be secured)	Impaired	<p>At the effective date this class will receive a lump-sum payment in the amount of \$39,421.36. Debtor will pay \$600.00 monthly for a 5 year period pro-rata among Class 3 and Class 4. With the current claims and allowed amounts by the Plan, the Class 3 will receive \$471.89 monthly for the general unsecured creditors in a 5 year period.</p> <p>The claim holder under this class will receive</p>

			<p>pro-rata distributions, as per the allowed amount. Based on the current allowed amounts, the claim holder in this class will receive approximately 10% of the allowed amount. Any change in the allowed amounts may change the actual distribution percentage, but it will be nevertheless the same to all of them.</p> <p>The monthly pro-rata basis distribution may change from the State Court litigation outcome of the Contingent Unsecured Claims-Class 5.</p>
5	Contingent General Unsecured Claims	Impaired	<p>This claim is disputed by debtor and is also contingent and it arises of a medical malpractice lawsuit filed against other physicians, as well as the Debtor. The litigation is still pending in State Court. Debtor's medical malpractice claim is covered by an insurance policy. At this time the Debtor believes that she will prevail and be found non-labile; otherwise, the insurance policy should satisfy any civil judgment issued against the Debtor. Nonetheless, the Debtor is reserving the amount of \$9,876.26 (the Reserve) from the product of the sale of a real state property, which is to be held in an escrow/savings account approved by the Bankruptcy Court. The reserved amount had been computed on a pro-rata basis from the allowed amounts for Classes 3, 4 and 5. Hence, the disbursement of the Reserve to Class 3 and Class 4 will occur only if the Debtor is not compelled to pay, in excess of the insurance coverage after a final judgement is issued against the Debtor in favor of Class 5.</p> <p>Notwithstanding, if at the end of the 5 year period of monthly pro-rata distribution to Class 3 and Class 4, the medical malpractice claim against Debtor has not been adjudicated by a non-appealable judgment nor stipulated with the approval of a final/non-appealable order, the <i>Reserve</i></p>

			shall be consigned in the Bankruptcy Court. The consignment will be performed in accordance to General Order 12-4 <i>In Re Administration of Registry Funds</i> or any other superseding order. The debtor then will be entitled to receive a discharge upon completion of all her duties as a debtor pursuant to the terms of the plan and the Bankruptcy Court. The <i>Reserve</i> , plus any interest it may generate after covering all applicable <i>court fees</i> and/or costs for the custody of the <i>Reserve</i> will be distributed among the Classes 3 and 4, <i>pro-rata</i> , in case Class 5 is found to have no right to participate in the distribution of the funds.
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### 3. Class of Equity Interest Holders

Equity interest holders are parties who hold an ownership interest (*i.e.*, equity interest) in the Debtor. In a corporation, entities holding preferred or common stock are equity interest holders. In a partnership, equity interest holders include both general and limited partners. In a limited liability company (“LLC”), the equity interest holders are the members. Finally, with respect to an individual who is a debtor such debtor is the equity interest holder and is not classified and won’t receive any distribution.

#### **D. Means for Implementation of the Plan**

The Plan will be implemented as required under sec. 1123(a)(5) of the Code. Payments and distributions under the Plan will be funded by the cash flow from future income of the Debtor and from the proceeds of the sale of a real property as approved by the Bankruptcy Court.

**E. Risk Factors**

The Debtor does not anticipate any risks regarding the compliance of this proposed Plan.

**F. Executory Contracts and/or Unexpired Leases**

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

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

All executory contracts and unexpired leases that are not listed in Section 6.01 of the Plan will be rejected under the Plan. In the instant case, there are no executory contracts or unexpired leases to be assumed by the Debtor. Consult your advisor or attorney for more specific information about particular contracts or leases.

**G. Tax Consequences of Plan**

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

#### **IV. CONFIRMATION REQUIREMENTS AND PROCEDURES**

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

Pursuant to sec. 1128 of the Bankruptcy Code, the Bankruptcy Court will schedule a hearing on confirmation of the Plan. The Confirmation Hearing will be held before the Honorable Brain K. Tester, United States Bankruptcy Judge, in the United States Courthouse, 300 Recinto Sur, Courtroom 3, Third Floor, San Juan, Puerto Rico, 00901, or before any other Bankruptcy Judge that may be designated to hold the same at such place as may be indicated in the future.

At the Confirmation Hearing, the Bankruptcy Court will consider whether the Plan satisfies the various requirements of the Bankruptcy Code, including whether it is feasible and in the best interests of the holders of claims and interests. The Bankruptcy Court will also receive and consider a Report of Plan Voting prepared by the Debtor, summarizing the votes for acceptance or rejection of the Plan by the 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: (a) determine whether the requisite votes have been obtained for each Class, (b) hear and determine objections, if any, to the Plan and to the confirmation of the Plan, that have not been previously disposed of, (c) determine whether the Plan meets the confirmation requirements of the Bankruptcy Code, and (d) determine whether to confirm the Plan.

Any objection to confirmation of the Plan must be in writing, filed, and served on the Debtor, the United States Trustee, and all parties having appeared in the case and requested to be served with pleadings filed in the case, as required by the Bankruptcy Court pursuant to the order approving this Disclosure Statement.

**A. Who May Vote or Object**

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

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

In this case, the Debtor believes that only Class 3 and 4 are impaired classes and thus only their members holding claims in these classes are entitled to vote to accept or reject the Plan. The Debtor believes that Classes 1 and 2 are unimpaired and that holders of claims in these classes, therefore, do not have the right to vote to accept or reject the Plan. The



members of Class 5 are not entitled to vote either because they do not hold and allowed claim since their claims are both disputed and contingent.

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

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

***The deadline for filing a proof of claim in this case was July 7, 2016 for all creditors, except for governmental units whose deadline is on November 25, 2016 as the Notice of Chapter 11 Bankruptcy Case at Docket No. 60.***

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

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

3. Who is **Not** Entitled to Vote

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

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

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

#### 4. Who Can Vote in More Than One Class

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

### **B. Votes Necessary to Confirm the Plan**

If impaired classes exist, the Court cannot confirm the Plan unless at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class; pursuant sec. 1129 (a) (10) of the Code. The Plan may be eligible to be confirmed by a “cramdown” on the non-accepting classes, as discussed later in Section B.2.

#### 1. Votes Necessary for a Class to Accept the Plan

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept the

Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

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

## 2. Treatment of Non-accepting Classes

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the non-accepting classes are treated in the manner prescribed by sec. 1129(b) of the Code. A plan that binds non-accepting classes is commonly referred to as a “cramdown” Plan. The Code allows the Plan to bind non-accepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of sec. 1129(a)(8) of the Code, does not “discriminate unfairly” and is “fair and equitable” toward each impaired class that has not voted to accept the Plan.

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

## C. Liquidation Analysis

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

**D. Feasibility**

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

1. Ability to Initially Fund Plan

The Debtor believes that she will have enough cash on hand on the effective date of the Plan to pay all the claims and expenses that are entitled to be paid on that date.

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

The Debtor must also show that she will have enough cash over the life of the Plan to make the required Plan payments. For that matter, the Debtor has provided projected financial information. Those financial projections are listed in Exhibit E.

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

**V. EFFECT OF CONFIRMATION OF PLAN**

**A. Discharge of Debtor**

The Order pursuant sec. 1141(d) of the Bankruptcy Code, except as otherwise provided for in the Plan or in the Order of Confirmation, the rights granted by the Plan and the payments and distributions to be made hereunder shall be in complete exchange for, and in full satisfaction, discharge and release of all existing debts and claims of any kind, nature or description whatsoever against the Debtor. On the Consummation Date, all existing claims shall be deemed to be exchanged, satisfied, discharged and released in full; and all holders of claims shall be precluded from asserting any other or future claim based upon any act or omission,

transaction or other activity of any kind or nature that occurred prior to the Consummation Date, whether or not such holder filed a proof of claim.

The Order of Confirmation of the Plan shall constitute an injunction against pursuing any claim or interest, whether or not a proof of claim or proof of interest based on any such debt, liability, or interest is filed or deemed filed, under 11 U.S.C. sec. 501; whether or not such claim is allowed under 11 U.S.C. sec. 502 or whether the holder of such claim has accepted this Plan in the manner set forth herein. Confirmation of the Plan does not discharge any debt provided for in the Plan until the Court grants a discharge on completion of all payments under the Plan, or as otherwise provided in sec. 1141(d)(5) of the Code. Debtor will not be discharged from any debt excepted from discharge under sec. 523 of the Code, except as provided in Rule 4007(c) of the Federal Rules of Bankruptcy Procedure.

**B. Modification of Plan**

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

**C. Final Decree**

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the case shall be closed upon the Debtor's compliance with the statutory requirements of section 1101(2) of the Bankruptcy Code. The Debtor will apply for a Final Decree evidencing that the Plan has been substantially consummated.

## **VI. ALTERNATIVES TO THE PLAN**

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

### **A. Liquidation under Chapter 7**

If no plan can be confirmed, the case may be converted to Chapter 7 of the Bankruptcy Code, and as indicated above, a Trustee would be elected or appointed to liquidate the Debtor's assets for distribution to Creditors in accordance with the priorities established by the Bankruptcy Code.

Debtor believes that conversion of the Case to Chapter 7 of the Bankruptcy Code would not be in the best interest of creditors due to additional costs of administration under Chapter 7, and a certain delay in distribution on account of such conversion. As it was discussed in Section IV-(C), the estimated dividend for unsecured claims under a Chapter 7 proceeding would be 5% but through this Plan of Reorganization the dividend is 10%.

Thus, Debtor believes that the interest of Creditors and the goals of the reorganization in a Chapter 11 are better served by the continuation of the proceedings through this Chapter 11 case.

### **B. Dismissal of the Case**

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

**C. Alternative Plan of Reorganization**

If the Plan is not confirmed, the Debtor could attempt to formulate a different plan. However, Debtor believes that the Plan described herein will provide the greatest and most expeditious return to all the Creditors.

**VII. OTHER PROVISIONS**

The Debtor filed a “*Motion to Sale Property Free and Clear of Liens under Sec. 363(f)*” on April 18, 2016 at Docket No. 76. On July 13, 2016, the Court granted the Debtor’s request to sell the real estate asset located in Aguadilla, Puerto Rico which is part of the bankruptcy estate. (See Bankruptcy Docket No. 109). The real estate property was sold on August 5, 2016 in the amount of \$80,000.00. The proceeds received from the sale of the real property has been deposited in Debtor’s account and are going to be used to fund the Plan for the benefit of the estate and the creditors.

**VIII. CONCLUSION**

The Debtor submits this Plan in *Good Faith* and states that the Plan is fair and reasonable. The Plan offers the best possible recoveries for creditors under the circumstances thus it takes in account the best interest of the estate and creditors.

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