

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

IN RE:

ALONSO & CARUS IRON WORKS, INC.

DEBTOR

CASE NO. 15-02250 (ESL)

CHAPTER 11

FIRST AMENDED DISCLOSURE STATEMENT

OF

ALONSO & CARUS IRON WORKS, INC.

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I. INTRODUCTION¹

Pursuant to Section 1125 of the United States Bankruptcy Code, 11 U.S.C. § 101, *et seq.* (the "Bankruptcy Code"), **Alonso & Carus Iron Works, Inc.**, debtor and debtor-in-possession (**"Debtor"**) in the above captioned case (**the "Bankruptcy Case"**), submits its **First Amended** Disclosure Statement (the "Disclosure Statement") to all of its known creditors and parties in interest in the **Bankruptcy 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 **First Amended** 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") simultaneously herewith.

Debtor **and the Official Committee of Unsecured Creditors (the "Committee")** recommend that you vote to accept the Plan as it is the best alternative available. 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. **In connection with a decision by creditors to accept or reject the Plan, creditors should pay special attention to Article XI ("Certain Risk Factors to be Considered") and other information in this Disclosure Statement detailing certain of the risk factors relating to the Debtor's Cash Flow Projections (defined herein) and the issues facing the Puerto Rican economy.**

¹ Capitalized terms not defined herein shall have the meanings ascribed to them in the Plan.

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 same. Capitalized terms not otherwise defined herein have the **meanings** ascribed to them in the **Plan**.

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, 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, **and Committee, 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 **and the Committee believe** that the Plan provides the quickest recovery and will maximize the return to creditors on their Claims. **ACCORDINGLY, DEBTOR AND THE COMMITTEE URGE 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 shareholders' **interests** 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 N OF CLAIM	CLASS	ESTIMATED AMOUNT OF ALLOWED CLAIM	TREATMENT AND ESTIMATED RECOVERY UNDER THE PLAN
Holders of Allowed Administrative Expense Claims (Estimated)	N/A	\$ <u>341,200.00</u>	<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, <u>these claims, including all professional fees, shall be paid in full on or before the Effective Date of the Plan. Debtor shall deposit into an escrow account with Debtor's counsel the funds to pay allowed professional fee claims in accordance with Schedule A hereto. The escrowed funds shall be paid to the corresponding professionals upon entry of an Order approving the corresponding Professional's fee application by the Bankruptcy Court.</u></p> <p><u>United States</u> Trustee's <u>quarterly</u> fees <u>shall</u> be paid when due, with any outstanding balance to be paid on or before the Effective Date.</p>
			<p>Unimpaired.</p> <p>Estimated Recovery: 100%</p>

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<p>Holders of Allowed Priority Tax Claims, Secured and Unsecured</p>	<p>N/A</p>	<p><u>\$632,015.33</u></p>	<p>Holders of Allowed Priority Tax Claims, Secured and Unsecured, shall be paid by Debtor either: (i) upon such terms as may be agreed to with such Holders, (ii) on the later of the Effective Date of the Plan or the date that such Allowed Priority Tax Claims would have been due if the Bankruptcy Case had not been commenced, or (iii) in deferred equal consecutive monthly installments 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% per annum, provided that the payment to the holders of Allowed Priority Tax Claims is effected in a manner not less favorable than the most favored non-priority unsecured claims provided for in the Plan. <u>Debtor shall deposit into an escrow account with Debtor's counsel funds in an amount sufficient to pay all Allowed Priority Tax Claims that are due on the Effective Date.</u></p> <p>Monthly payments to the Holders of Allowed Priority Tax Claims <u>are estimated at \$11,614.87.</u></p>
<p>The Secured Claim of Capex Financial Company (<u>"Capex"</u>)</p>	<p>Class 1</p>	<p><u>\$166,256.78</u></p>	<p>Unimpaired</p> <p>Estimated Recovery: 100%</p> <p>The Claim of Capex, secured by certain machinery and equipment, <u>as has been reduced by payments made during the Bankruptcy Case,</u> will continue to be paid in accordance with the terms and conditions of the financing agreement executed by and between Debtor and <u>Capex,</u></p>

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			with a monthly payment of \$5,343. <u>00</u> .
The <u>Secured</u> Claims of Banco Popular de Puerto Rico ("BPPR")	Class 2	<u>\$11,103,639.33</u>	<p>Impaired.</p> <p>Estimated Recovery: 100%</p> <p><u>BPPR's claim that is secured</u> by Debtor's real estate, trade accounts receivable, and inventories, <u>as has been reduced by payments made during the Bankruptcy Case,</u> will be paid in full as follows:</p> <ol style="list-style-type: none"> Loan number 110-0900-2719614-002, with an estimated balance of \$7,518,293.06 as of the <u>Petition Date</u>, secured by Debtor's real properties, shall be paid in full, over a 300 month period (25 years), with <u>equal</u> monthly <u>payments</u> of \$45,053.20, including interest at 5.25% per annum. Loan number 110-0900-2719614-001, with an estimated balance of \$3,663,562.19 as of the <u>Petition Date</u>, secured by Debtor's <u>trade</u> accounts receivable and inventories, shall be paid in full, over a <u>300 month</u> period (25 years), with <u>equal</u> monthly <u>payments</u> of \$21,953.81, including interest at 5.25% per annum. <p>The monthly payments to BPPR <u>will</u> total \$67,007.01. Both loans will have a balloon payment due on June 30, 202<u>1</u>. Debtor <u>will</u> <u>negotiate the</u> balloon payments <u>in good faith with BPPR</u> before such date and <u>expects to</u> continue with the monthly payments <u>as set forth above.</u> BPPR's collateral and guarantees will remain unaltered <u>and</u> BPPR <u>is</u> retaining its perfected security interests on Debtor's</p>

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<p> Holders of Allowed General Unsecured Claims </p>	<p>Class 3</p>	<p><u>\$3,214,439.93</u></p>	<p>assets mentioned above.</p> <p>Impaired.</p> <p>Estimated Recovery: 100%</p> <p><u>Holders of Allowed General Unsecured Claims greater than or equal to \$2,000 ("General Unsecured Claims"), shall be paid in full, without interest, as set forth below:</u></p> <p><u>Effective on December 15, 2015, and on the 15th day of each month thereafter until March 15, 2016, Debtor shall deposit into an escrow account with Debtor's counsel, the sum of \$30,900, which shall be used exclusively to fund a distribution to Holders of Allowed General Unsecured Claims (the "Unsecured Creditor Escrow"), on the Effective Date. In the event that the Effective Date does not occur on or before April 15, 2016, Debtor shall deposit into the Unsecured Creditor Escrow the additional sum of \$41,200.00 on April 15, 2016 and \$41,200.00 on the 15th of each month thereafter until the Effective Date occurs.</u></p> <p><u>Aside from Department of the Treasury of Puerto Rico's proof of claim number 44, which is pending review by Debtor, and any Claims filed after the Bar Dates, Debtor shall not object any other General Unsecured Claim and all such other Claims shall be allowed as filed or as otherwise listed in Debtor's Schedule F.</u></p> <p><u>On the Effective Date, Holders of Allowed General Unsecured Claims shall be paid by Debtor their pro-rata share of the Unsecured Creditor Escrow. Any portion of the Unsecured</u></p>
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			<p><u>Creditor Escrow attributable to Disputed Claims, shall be treated and distributed by Debtor in accordance with Sections 6.5 and 6.6 of the Plan.</u></p> <p><u>On the Effective Date, Debtor shall issue to the Holders of Allowed General Unsecured Claims promissory notes (the "Notes") in the amount of their Allowed General Unsecured Claim minus the amount each Holder of an Allowed General Unsecured Claim received from the Unsecured Creditor Escrow (the "Net Claim").</u></p> <p><u>The Notes shall provide for payment in full of the Net Claim in equal installments over 72 months from the Effective Date, without interest. In addition, the Notes shall provide that the balance due thereunder shall be immediately due and payable in the event that Debtor fails to timely make any payments due thereunder.</u></p> <p><u>In the event that in any of the five (5) years following the Effective Date Debtor has sufficient Excess Cash Flows (defined herein), Debtor shall make an additional payment equal to 50% of Excess Cash Flows, based on Debtor's audited financial statements, to the Holders of Allowed General Unsecured Claims on a pro rata basis, thus accelerating the payments due under the Notes.</u></p> <p><u>Excess Cash Flows shall mean: EBITDA minus income taxes minus payment to Holders of General Unsecured Claims, minus payments to BPPR minus other deferred payments under the Plan, minus capital expenditures, as set forth in</u></p>
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			<p><u>Debtor's Cash Flow Projections (the "Cash Flow Projections") annexed hereto as Exhibit E.</u></p> <p><u>The Excess Cash Flows calculation shall be calculated as of the end of each of Debtor's fiscal years while any portion of the Notes remain outstanding and shall be paid not later than 120 days after the end of Debtor's fiscal year. Excess Cash Flows distributions shall be applied against the last payments due under the Notes.</u></p> <p><u>After the Effective Date, Debtor may negotiate discounted pay-offs of individual general unsecured creditors' claims.</u></p> <p><u>The Plan Covenants² shall be in effect and observed by the Debtor full payment of Debtor's obligations in connection with General Unsecured Claims, the Notes and Convenience Class Claims.</u></p>
<u>Allowed Convenience Class Claims</u>	<u>Class 3A</u>	<u>\$45,640.87</u>	<p><u>Unimpaired.</u></p> <p><u>Estimated Recovery: 100%</u></p> <p><u>Convenience Class Claims, which are defined as General Unsecured Claims that are less than \$2,000.00, shall be paid in full on the Effective Date. To the extent a Convenience Class Claim is not allowed on the Effective Date, Debtor shall reserve funds in the amount of such Claim and shall pay the same in full within ten (10) days of such Claim becoming an Allowed Claim.</u></p>

² **"Plan Covenants" shall mean the covenants that are to be in effect and observed by the Debtor as part of the treatment of Class 3 Creditors under the Plan. The Plan Covenants are attached hereto as Schedule B.**

Interests in Debtor	Class 4	N/A	Unimpaired. Estimated Recovery: N/A <u>Equity Holders shall be entitled to retain their shares in Debtor unaltered. Equity Holders shall not be entitled to any distributions under the Plan on account of their General Unsecured Claims or Equity Interests, but they shall vote in favor of confirmation of the Plan.</u>
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For a more detailed description of the treatment of the foregoing Classes of Claims and Interests, see "Treatment of Claims and Interests 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 equity holders 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 Forms accompanying this Disclosure Statement as **Exhibits A1 and A2**, to be returned to the following address:

**ALONSO & CARUS IRON WORKS, INC.
c/o CHARLES A. CUPRILL, P.S.C., LAW OFFICES
356 Fortaleza Street – Second Floor
San Juan, PR 00901**

The Ballots must be received **on or before 4:00 P.M. (Eastern Standard Time) on _____, 2016**, to be counted in the voting. Ballots received after this time will not be counted in the voting unless the Bankruptcy Court so orders. Debtor **and the Committee recommend** a vote for "ACCEPTANCE" of the Plan **as it is the best alternative available under the circumstances.**

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 2 and 3 are impaired under the Plan. Members of Classes 2 and 3 are entitled to vote for acceptance or rejection of the Plan. Classes 1, **3A** and 4 are unimpaired under the Plan, are deemed to have accepted the Plan and are not entitled to vote. 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 the confirmation of the Plan to commence on _____ **2016 at _____.M.**, or as soon thereafter as the parties can be heard. The Confirmation Hearing will be held before the Honorable Enrique S. Lamoutte, 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, 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 Plan on a consensual basis, the Bankruptcy Court must determine, among other things, whether each impaired Class of creditors and interests' 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. **Likewise, 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, **accept 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. **THE CALCULATIONS REFERENCED IN SECTIONS 3.5 AND 3.6 OF THIS DISCLOSURE STATEMENT ARE BASED ONLY ON THE CLAIM AMOUNTS AND NUMBER OF CREDITORS WHO ACTUALLY VOTE. ANY BALLOT THAT IS VALIDLY EXECUTED, BUT 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 EXTREMELY IMPORTANT.**

IV. GENERAL INFORMATION

4.1 Debtor's Description and Historical View.

Debtor was incorporated on July 11, 1961, under the name of Alonso & Peluzzo Iron Works, Inc. In 1962, as a result of the acquisition of the shares of Mr. Ventura Peluzzo, Mr. Laureano Carus, became a stockholder of the Company, whose name was

changed to Alonso & Carus Iron Works, Inc. After the Company was acquired by Euro-American Steel Company in 2006, its present shareholders have implemented successful development plans resulting in consistent sales and revenue growth.

Debtor has participated in the construction of hundreds of demanding and challenging projects, including many landmarks in Puerto Rico and the Caribbean that showcase the superior capabilities of steel. As the largest integrated structural steel and tank builder in Puerto Rico, Debtor provides a full range of design, engineering, construction and erection services through an innovative, responsive and customer focused organization.

Its fully integrated engineering, construction, field erection and industrial technical services makes Debtor a "One-Stop Shop" for its customers' of steel construction. However, Debtor's growth has been recently **adversely** affected by the decline in sales resulting from the lack of new construction projects and the **currently** recession experienced **by** the local economy.

Eng. Jorge Ramos Viruet, is Debtor's president with 70% of Debtor's common shares. Eng. Jorge Ramos Ortiz holds the remaining 30% of Debtor's shares. Debtor's sales were approximately \$15,639,000 and \$18,678,000 during the fiscal years ended on June 30, 2014 and 2013, respectively.

On March 27, 2015, Debtor filed its voluntary petition for relief under 11 U.S.C. Chapter 11 and as of that date has been managing its affairs and operating its businesses as a debtor-in-possession pursuant to 11 U.S.C. §§ 1107 and 1108.

4.2 Events Preceding Debtor's Chapter 11 Filing.

The economic downturn and recession Puerto Rico has been facing during the last **several** years have adversely impacted numerous sectors and entities,

primarily the construction industry on which a substantial part of Debtor's business depends.

As a result, the continued decrease in new construction contracts has affected Debtor's contract revenues and the necessary liquidity to comply with its obligations.

Puerto Rico's battered construction industry has shown continued deterioration during the past years. The sharp downturn in public infrastructure projects as a result of the **government's** ongoing fiscal crisis, coupled with a complicated and time consuming permits process, and sky-high prices for construction materials, have hampered what just a few years ago was one of the most thriving and dynamic **industries in Puerto Rico**, which significantly contributed to the island's economy with more than 180,000 direct and indirect jobs. This sector contributed 15% of the gross national product, a higher percentage than tourism and agriculture.

Also, an increase in demand for raw materials in countries such as China and India, has reduced the local supply of key construction materials, increasing their costs. Moreover, local circumstances have played an adverse role in the construction sector, such as the costly, slow, and laborious permits process. Despite the advances with the new permitting reform in Puerto Rico and the enactment of the Public-Private Partnership Law, the construction sector has experienced a steady decline in activity that intensified in late 2009.

Construction permits approved per sector from 2012 until present were approximately 8% as to the public sector and approximately 92% as to the private sector.

The total number of approved construction permits issued during fiscal year 2006 was 9,451, while in fiscal year 2014, the approvals decreased to 3,687, a 61% decrease. The total value in dollars of construction permits decreased by \$1,961,013,000 (a 70% decrease) when comparing the permits approved during 2008 versus those approved in 2014.

Notwithstanding, Debtor believes it will be successful in its reorganization process. Debtor's Cash Flow Projections consider all of the above headwinds faced by the construction industry. However, all creditors must be aware that the Cash Flow Projections are primarily premised on 2014 and 2015 actual revenues. As the Debtor has been the most important player in the market in its sector, Debtor believes its revenue projections will be achieved, notwithstanding the aforementioned issues that the construction industry is facing.

4.3 Debtor's Post-Petition Endeavors.

As a result of the filing by Debtor of its Chapter 11 **petition**, Debtor has received the benefits of 11 U.S.C. § 362(a), which stays all collection actions and judicial proceedings against Debtor, providing Debtor with the opportunity to file a Plan and Disclosure Statement, as envisioned by the Bankruptcy Code, without the pressures that drove Debtor into Chapter 11.

The United States Trustee held the first meeting of creditors pursuant to Section

341 of the Bankruptcy Code in Debtor's case on May 4, 2015, which was closed.

Debtor's operations have continued with Debtor as a debtor-in-possession, with Debtor undertaking the following efforts for the benefit of its **estate** and its creditors:

Debtor sought and obtained the Bankruptcy Court's approval to retain Charles A. Cuprill, PSC Law Offices, as its bankruptcy counsel.

Debtor also sought and obtained the Bankruptcy Court's approval to retain Luis R. Carrasquillo, CPA ("Carrasquillo") as its financial consultant on all matters pertaining to Debtor's reorganization.

On July 14, 2015, the Office of the United States Trustee appointed the Committee pursuant to 11 U.S.C. § 1102. The Committee is currently comprised of the following four members: (i) Infra Metals Co., Inc.; (ii) Olympic Steel, Inc.; (iii) Saginaw Pipe Co., Inc.; and (iv) Triple S Steel Supply Co.³ The Committee sought and obtained the Bankruptcy Court's approval to retain Lowenstein Sandler LLP as its lead counsel, Vilariño & Associates, LLC as its Puerto Rico counsel and GlassRatner Advisory & Capital Group, LLC as its financial advisor.

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 **a** distribution pursuant thereto, as indicated in **Article II of this Disclosure Statement.**

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. Debtor is including as **Exhibit C** hereto a Summary of Claims and Plan Payments **as of January 4, 2016**, including reconciliation of claims against Debtor, indicating those **Claims that were previously objected to or will potentially** be objected to **in the future**.

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 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 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 Debtor's Chapter 11 case are to be prosecuted by Debtor, including any application to estimate or disallow them 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:

³ **Valley Joist, Inc. was previously a member of the Committee.**

<u>POC #</u>	<u>Claimant</u>	<u>Total Amount Claimed</u>	<u>Amount Expected to be Allowed</u>	<u>Reason for Objection</u>	<u>Action by the Court</u>
<u>19</u>	<u>AT&T Mobility Puerto Rico, Inc.</u>	<u>\$ 1,964.31 Unsecured</u>	<u>\$0.00</u>	<u>The proof of claim consisted of invoice XXX2015 for the billing cycle from March 1, 2015 to March 31, 2015, which was paid in full on May 1, 2015, through an ACH transaction, reference number XX-1447.</u>	<u>Pending Decision</u>
<u>37</u>	<u>AXESA SERVICIOS DE INFORMACION ("AXESA")</u>	<u>\$2,536.97 Priority</u>	<u>\$1,060.97 Unsecured</u>	<u>On July 31, 2015, AXESA filed the proof of claim, which includes pre and post-petition invoices, which have been paid. AXESA also erroneously classified the proof of claim as having priority. The proof of claim is to be allowed for \$1,060.97 as a General Unsecured Claim.</u>	<u>Granted</u>

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.

6.1 Unclassified Claims

In accordance with Section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims are not classified in the 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 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, such shall be paid in full on the Effective Date of the Plan.

United States Trustee **quarterly** fees will be paid when due, with any outstanding balance to be paid on or before the Effective Date.

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 Fee Claims

Professionals retained by Debtor and the Committee have and will incur fees and expenses from the date of their retention through the Effective Date. It is impossible to predict the amount of professional **Administrative Expense** fees that will be incurred through the confirmation of the Plan. **Debtor will reserve the necessary funds to meet these payments and estimates that additional professional Administrative Expense fees to all professionals retained by Debtor and by the Committee, will amount to approximately \$310,000 for unpaid services rendered and expenses incurred up to the confirmation of the Plan.**

Prior to the Effective Date, Debtor shall deposit into an escrow account with Debtor's counsel the funds to pay allowed Professional fee claims in accordance with Schedule A to the Disclosure Statement . The escrowed funds shall be paid to the corresponding Professionals upon entry of an Order by the

Bankruptcy Court approving the Professional's fee application. Debtor reserves the right to contest the allowance of any Professional fees.

All fees and expenses of Professionals for services rendered after the Confirmation Date in connection with the Bankruptcy Case, the Plan, the Plan Documents, and Disclosure Statement, including, without limitation, those relating to the occurrence of the Effective Date, shall be paid by Debtor in accordance with the following procedures and without the need for application to the Bankruptcy Court or further Bankruptcy Court authorization. Professionals seeking payment of such fees and expenses shall submit to counsel for the Debtor and/or the Committee, as applicable, invoices setting forth a reasonably detailed summary of the work performed and the expenses incurred by such Professional. Any objections to such invoices shall be communicated in writing (electronic mail shall suffice) within ten (10) days of receipt of such invoice. If an objection to a Professional's invoice is timely communicated within the above-referenced ten (10) day period, such Professional shall only be entitled to receive the undisputed amount of the invoice and the Bankruptcy Court shall have jurisdiction to determine the disputed portion of such invoice if the parties are unable to resolve the dispute consensually. Except in the event of an unresolved objection as provided herein, no such fees or expenses shall be subject to Court approval.

6.4 Priority Tax Claims

Priority Tax Claims are Claims entitled to priority pursuant to Section 507(a)(8) of the Bankruptcy Code. Such Priority Tax Claims consist of taxes accrued prior to the Petition Date.

The Holders of Allowed Priority Tax Claims, Secured and Unsecured, shall be paid by Debtor either: (i) upon such terms as may be agreed to with such Holders, (ii) on the later of the Effective Date of the Plan or the date that such Allowed Priority Tax Claims would have been due if the Bankruptcy Case had not been commenced, or (iii) in deferred equal consecutive monthly installments 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% per annum, provided that the payment to the holders of Allowed Priority Tax Claims is effected in a manner not less favorable than the most favored non-priority unsecured claims provided for in the Plan. **Debtor shall deposit into an escrow account with Debtor's counsel funds in an amount sufficient to pay all Allowed Priority Tax Claims that are due on the Effective Date.**

The estimated potential Priority Tax Claims totaling \$**632,015.33** are listed in **Exhibit D** hereto.

6.5 Classification of Claims and Equity Interests

As of the Petition Date, Debtor had secured claims with Banco Popular de Puerto Rico, Capex Financial Company, and other non-priority unsecured claims, as more particularly described below. The Plan classifies the various claims against Debtor. A description of all Classes of Claims and the Equity Interests, the estimated principal amount of each Class as of the Effective Date and its treatment are set forth below. The Classes of Claims and the Interests in Debtor set forth in the Plan are as follows:

Class 1 – The Allowed **Secured** Claim of Capex for \$**166,256.78**, as has been reduced by payments made during the Bankruptcy Case, arising from an equipment financing agreement, secured by a 1101 Drilling and Sawing Line, with an estimated value of \$225,000.

Class 2 - The Allowed **Secured** Claims of BPPR secured by Debtor's real estate, trade accounts receivable, and inventories, as finally determined and allowed, estimated **at \$11,103,639.33 as has been reduced by payments made during the Bankruptcy Case.**

Class 3 – Allowed General Unsecured Claims, including those arising from rejected executory contracts, if any, **estimated at** \$3,214,439.93.

Class 3A –Convenience Class Claims, which are defined as General Unsecured Claims that are less than \$2,000.00, and aggregate approximately of \$45,640.87.

Class 4 – Holders of the Equity Interests in Debtor.

6.6 Treatment of Claims.

Class 1 – **Allowed Secured Claim of Capex**

- (a) Impairment and Voting - Class 1 is unimpaired under the Plan and will not be entitled to vote to accept or reject the Plan.
- (b) Distribution - Capex's **Allowed** Claim **as has been reduced by payments made during the Bankruptcy Case**, will continue to be paid in accordance with the terms and conditions of the financing agreement executed by and between Debtor and Capex, with a

monthly payment **of** \$5,343.**00**.

Class 2 – Allowed Secured Claim of BPPR

(a) Impairment and Voting - Class 2 is impaired under the Plan and is entitled to vote to accept or reject the Plan.

(b) Distribution - BPPR's secured claim, **as has been reduced by payments made during the Bankruptcy case,** will be paid as follows:

1. Loan number 110-0900-2719614-002, with an estimated balance of \$7,518,293.06, as of the **Petition Date**, secured by Debtor's real properties, shall be paid in full, over a 300-month period (25 years), with **equal** monthly **payments** of \$45,053.20, including interest at 5.25% per annum.
2. Loan number 110-0900-2719614-001, with an estimated balance of \$3,663,562.19 as of **the Petition Date**, secured by Debtor's **trade** accounts receivable and inventories, shall be paid in full, over a 300-month period (25 years), with **equal** monthly **payments** of \$21,953.81, including interests at 5.25% per annum.

The monthly payments to BPPR **will** total \$67,007.01. Both loans will have a balloon payment due on June 30, 202**1**. Debtor **will negotiate** the balloon **payments in good faith with BPPR** before such date and **expects to** continue with the monthly payments as set forth above. BPPR's collateral and guarantees will remain unaltered

and BPPR **is** retaining its perfected security interests on Debtor's assets mentioned above.

Class 3 – Allowed General Unsecured Claims

- (a) Impairment and Voting - Class 3 is impaired under the Plan and is entitled to vote to accept or reject the Plan.
- (b) Distribution – **Holders of Allowed General Unsecured Claims shall be paid in full, without interest, as set forth below:**

Effective December 15, 2015, and on the 15th day of each month thereafter until March 15, 2016, Debtor shall deposit the sum of \$30,900 into the Unsecured Creditor Escrow. In the event that the Effective Date does not occur on or before April 15, 2016, Debtor shall deposit into the Unsecured Creditor Escrow the additional sum of \$41,200.00 on April 15, 2016 and \$41,200.00 on the 15th of each month thereafter until the Effective Date occurs.

Aside from the Department of the Treasury of Puerto Rico's proof of claim number 44, which is pending review by Debtor, and any claims filed after the Bar Dates, Debtor shall not object any other General Unsecured Claim and all other General Unsecured Claims shall be Allowed as filed or as otherwise listed in Schedule "F" of Debtor's Schedules.

On the Effective Date, Holders of Allowed General Unsecured Claims shall be paid by Debtor their pro-rata share of the Unsecured Creditor Escrow. Any portion of the

Unsecured Creditor Escrow attributable to Disputed General Unsecured Claims shall be treated and distributed by Debtor in accordance with Sections 6.5 and 6.6 of the Plan.

On the Effective Date, Debtor shall issue to the Holders of Allowed General Unsecured Claims the Notes in the amount of their net claim (the "Net Claim").

The Notes shall provide for payment in full of the Net Claim in equal installments over 72 months from the Effective Date, without interest. In addition, the Notes shall provide that the balance due thereunder shall be immediately due and payable in the event that Debtor fails to timely make any payments due thereunder.

In the event that in any of the five (5) years following the Effective Date Debtor has sufficient Excess Cash Flows, Debtor shall make an additional payment equal to 50% of Excess Cash Flows, based on Debtor's audited financial statements, to the Holders of Allowed General Unsecured Claims on a pro rata basis, thus accelerating the payments due under the Notes. The Excess Cash Flows shall be calculated as of the end of each of Debtor's fiscal year while any portion of the Notes remain outstanding and shall be paid not later than 120 days after the end of Debtor's fiscal year. Excess Cash Flows distributions shall be applied against the last payments due under the Notes.

After the Effective Date, Debtor may negotiate discounted

pay-offs of individual General Unsecured Creditors' claims.

The Plan Covenants shall be in effect and observed by the Debtor until full payment of Debtor's obligations in connection with General Unsecured Claims, the Notes and Convenience Class Claims.

Class 3A – Allowed Convenience Class Claims

(a) Impairment and Voting - Class 3A is unimpaired under the Plan.

(b) Distribution – Holders of Allowed Convenience Class Claims shall be paid in full on the Effective Date.

Class 4 – Equity Interests in Debtor

(a) Impairment and Voting - Class 4 is unimpaired under the Plan.

(b) Distribution –Equity Holders shall be entitled to retain their shares in Debtor unaltered. Equity Holders shall not be entitled to any distributions under the Plan on account of their General Unsecured Claims or Equity Interests, but they shall vote in favor of confirmation of the Plan.

6.7 Means for Implementation of the Plan

Claims will be paid with available funds arising from Debtor's operations, available cash balance as of the Effective Date, the collections of Debtor's accounts receivable, certain retainages in various projects, and Debtor's continued operations.

Debtor's Cash **Flow** Projections, showing the feasibility of the Plan, are **annexed** hereto as **Exhibit E**. The **Cash Flow Projections** present Debtor's

projected results of operations during the five-year period ending on June 30, 2020, and **take into account the payments that must be made to implement the Plan.**

6.8 Cancellation of Existing Agreements

Except as otherwise stated in the Plan, on the Effective Date, all agreements and other documents evidencing any Claim or rights of any holder of a Claim against the Debtor, including all indentures and notes evidencing such Claims, shall be cancelled.

6.9 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 thereunder.

6.10 Authority to Act

Prior to, on or after the Effective Date, all matters expressly provided for in the Plan that would otherwise require approval of the stockholders, security holders, officers, directors, partners, managers, members or other owners of Debtor shall be deemed to have occurred and shall be in effect prior to, on or after the Effective Date 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 other owners of such entities or notice to, order of or hearing before the Bankruptcy Court.

6.11 Debtor's Post Confirmation Management

After confirmation of the Plan, Debtor will continue with its current management, consisting of its President, Eng. Jorge Ramos Viruet, and others members of its management team in fundamental positions for Debtor's operations. **Effective as of November 2015 and continuing through the date that the Notes are paid in full, Jorge L. Ramos Viruet's annual salary has been reduced from \$217,200 to \$188,400. Mr. Ramos Viruet shall not receive any bonuses, additional compensation or perquisites during this period. Jorge Ramos, Jr.'s total compensation shall remain at \$99,580 during this period.**

6.12 Executory Contracts and Unexpired Leases

All unexpired executory contracts listed in Debtor's Schedules 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.

6.13 Waiver of Avoidance Actions

On the Effective Date, Debtor, on behalf of itself and its estate, shall be deemed to unconditionally waive any and all Avoidance Actions against Debtor's trade creditors. Any and all Avoidance Actions against Debtor's Insiders (as such term is defined in Section 101(31) of the Bankruptcy Code) shall be waived only upon the timely and full payment of Debtor's obligations in connection with General Unsecured Claims, the Notes and Convenience Class Claims. Any time limitations for the commencement of

any such Avoidance Actions against the Debtors' Insiders, including, but not limited to, those set forth in Section 546(a) of the Bankruptcy Code, shall be tolled until the timely and full payment of Debtor's obligations in connection with General Unsecured Claims, the Notes and Convenience Class Claims.

6.14 Exculpation

Debtor, the Committee, and their present and former members, officers, directors, representatives, shareholders, employees, advisors, attorneys, and agents, **as applicable**, 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 **Bankruptcy Case**, the Plan, **the Plan Documents**, the Disclosure Statement, the solicitation of votes for confirmation of the Plan, the administration of the Plan or property of the Debtor's estate 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 **in connection with** the **Bankruptcy Case**. 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, including any liability arising under the Internal Revenue Code or criminal laws of the United States.

6.15 Other Releases

On the Effective Date, Debtor, on behalf of itself and its estate, shall be deemed to unconditionally release the Committee and its members (solely in

their representative capacity) and the Committee's attorneys and financial advisors from any and all Claims, debts, obligations, rights, suits, judgments, damages, actions, Causes of Action, remedies, and liabilities of any nature whatsoever, whether known or unknown, foreseen or unforeseen, liquidated or unliquidated, fixed or contingent, matured or unmatured, existing as of the Effective Date or thereafter arising, at law, in equity, or otherwise, that Debtor would have been legally entitled to assert in its own right or that any holder of a Claim, Interest, or other person or entity would have been legally entitled to assert on behalf of Debtor or its estate, based in whole or in part upon any act or omission, transaction, agreement, event, or other occurrence taking place or existing on or prior to the Effective Date. Without limiting the generality of the foregoing, to the extent permitted by law, the Debtor and any successors-in-interest of Debtor shall waive all rights under any statutory provision purporting to limit the scope or effect of a general release, whether due to lack of knowledge or otherwise.

6.16 Effect on Third Parties

The Plan shall be binding on Debtor, creditors and all parties in interest, including, without limitation, any successor to Debtor, estate representative, or Chapter 7 Trustee that may be appointed or elected for Debtor. Pursuant to the Plan, the releases, exculpations and other agreements created thereunder shall not be subject to any challenges, counterclaims, setoffs, subordinations, recharacterizations, defenses or avoidances. Nothing in the Plan shall vest or confer on any Person (as defined in Section 101(41) the Bankruptcy Code)

standing or authority to pursue any cause of action belonging to Debtor or its estate.

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 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, only BPPR, Capex, and Chapter 7 Administrative Expense Claims will receive payment **on account** of their claims, leaving no funds for Chapter 11 Administrative Expense Claims, **Priority** Tax Claims, and General Unsecured Creditors. 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 Administrative Expense Claims, Allowed Priority Tax Claims, and General Unsecured Claims will receive 100% of their allowed claims under the Plan.

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, has prepared **Cash Flow** Projections based on the confirmation and implementation of

the Plan **and agreements reached with the Committee.** The **Cash Flow** Projections are 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 **Cash Flow** Projections will be realized.

The **Cash Flow** Projections are attached as **Exhibit E** to this Disclosure Statement. As **Exhibit G** hereto, Debtor is including **a** copy of its interim unaudited financial statements as of September 30, 2014. **Exhibit H** hereto presents Debtor's historical audited financial statements for the last four (4) years. **Exhibit H-1 hereto shows Debtor's summary of monthly operating reports as of October 31, 2015.**

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, which Debtor filed with the Bankruptcy Court on March 27, 2015. As **stated previously**, Debtor has prepared and filed with the Bankruptcy Court monthly operating reports summarizing its post-petition financial performance. These monthly operating reports **and Schedules** are available **for** public inspection at the office of the Clerk of the Bankruptcy Court during regular business hours.

1. Real Property

As of the Petition Date, Debtor was the owner in fee simple of the following real properties:

- (i) Parcel of Land with a manufacturing industrial plant at Road 869, Palmas Ward, Cataño, P.R., with an appraised value of \$3,500,000, as of October 14, 2014 (Cadaster No. 061-037-175-08) (See **Exhibit J-1**),
- (ii) Parcel of Land with a Manufacturing Industrial Plant at Road 865, Km. 4.6, Candelaria Ward, Toa Baja, P.R., with an appraised value of **\$890,000** as of October 14, 2014 (Cadaster No. 060-000-008-07), (See **Exhibit J-2**),

2. 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, vehicles, leasehold improvements, prepaid insurance, prepaid expenses, and inventory. A detail of Debtor's personal property is included in Schedule **"B" of the Schedules**, available for public inspection at the office of the Clerk of the Bankruptcy Court during regular business hours.

3. Accounts Receivable and Liquidated Debts

As of the **Petition Date**, Debtor's listed in Schedule **"B" of the Schedules**, trade accounts receivable with an estimated balance of \$3,794,743. However, a careful review of said receivables was made by Debtor in the updated recoverability analysis part of the Liquidation Analysis, in **Exhibit F** hereto.

7.3 Pending Litigation and Other Liabilities

As of the **Petition Date**, the following cases were pending:

CAPTION OF SUIT AND CASE NUMBER	NATURE OF PROCEEDING	COURT	STATUS OR DISPOSITION
ALONSO & CARUS IRON WORKS, INC. VS AUTORIDAD DE LOS PUERTOS DE PR; ASEGURADORA XYZ CIVIL NUM.: KCD 2015-0061	COLLECTION OF MONEY	COURT OF FIRST INSTANCE OF PUERTO RICO, SAN JUAN SECTION	STAYED
ALONSO & CARUS IRON WORKS, INC. VS SAN JUAN TOWING AND MARINE SERVICES CSL NORTH AMERICA CIVIL NUM.: DCD 2011-2950 (701)	COLLECTION OF MONEY	COURT OF FIRST INSTANCE OF PUERTO RICO, BAYAMON SECTION	IN PROGRESS
INFRA-METALS CO. VS ALONSO & CARUS IRON WORKS, INC. CASE NO. 8:15-CV-318TT-30MAP	COLLECTION OF MONEY	UNITED STATES DISTRICT COURT, MIDDLE DISTRICT OF FLORIDA	STAYED

7.4 Leases and Executory Contracts

As of the Petition Date, Debtor was a party to several unexpired leases and executory contracts, as listed on **Exhibit I** hereto. All unexpired executory contract listed in Debtor's Schedules 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.

VIII. BAR DATE AND DETERMINATION OF CLAIMS

8.1 Bar Date

On April 1, 2015, in the "Notice of Chapter 11 Bankruptcy Case, Meeting of Creditors & Deadlines" issued in Debtor's case, the Bankruptcy Court fixed August 3, 2015 as the bar date for the filing of proofs of claims and interests (except for Governmental Units), and September 28, 2015, for such filings by Governmental Units.

8.2 Determination of Claims

The Plan specifies procedures for objecting to claims. Debtor and any other entity authorized under the Bankruptcy Code 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 Plan. 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 **the** Schedules, as amended; (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 **the Bankruptcy** Case, or (c) the proposal of an alternative plan.

A. Liquidation Under Chapter 7

If a plan cannot be confirmed, the **Bankruptcy** 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 F** hereto, Debtor believes that conversion of the **Bankruptcy** 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**. It reflects that in a liquidation scenario, there would be no funds for the payment to General Unsecured Creditors and Chapter 11 administrative **expense claims and priority** claims. 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.

Thus, Debtor **and the Committee believe** that the interest of creditors and the goals of Chapter 11 are better served by the confirmation of the Plan **as it is the best alternative available under the circumstances**.

B. Dismissal of the Case and/or Foreclosure

Dismissal of the **Bankruptcy** 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 **Bankruptcy** 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 **and the Committee believe** 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. CERTAIN RISK FACTORS TO BE CONSIDERED

The Plan and its implementation are based on numerous assumptions, including, but not limited to, the timing, confirmation and consummation of the Plan, the anticipated future performance of the reorganized Debtor, and the realization of Debtor's Cash Flow Projections. As explained in this Disclosure Statement, Debtor's Cash Flow Projections are based upon estimates and assumptions that are inherently subject to significant economic uncertainties and contingencies, as well as assumptions with regard to the value of Debtor's assets that are subject to change. Details relating to certain of these economic uncertainties, contingencies, and risks—many of which contributed to the Debtor's filing of the Bankruptcy Case—upon which Debtor's Cash Flow Projections are based are set forth in Article IV of this Disclosure Statement and the Exhibits annexed thereto. Because Debtor's actual performance may differ materially from the Cash Flow Projections, the Cash Flow Projections should not be relied upon as a guaranty, representation or other assurance of Debtor's actual performance or the implementation of the Plan.

XII. CONCLUSION

Debtor **and the Committee submit** 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.

ALONSO & CARUS IRON WORKS, INC.
First Amended Disclosure Statement

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San Juan, Puerto Rico, this 11th day of January, 2016.

ALONSO & CARUS IRON WORKS, INC.

By: 

Eng. Jorge L. Ramos Viruet
President