

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

In re:

Case No. 16-01008

ANGEL CONTRERAS CORDERO

Chapter 11

Debtor

**FIRST DISCLOSURE STATEMENT
FOR PLAN OF REORGANIZATION DATED JULY 28, 2016**

Jesús Enrique Batista-Sánchez, Esq.

The Batista Law Group, PSC

Cond. Mid-Town Center
420 Ave. Juan Ponce De León
Suite 901

San Juan, PR 00918

(787) 620-2856

1. INTRODUCTION

This is the disclosure statement (the “Disclosure Statement”) in the chapter 11 case of **Angel Contreras Cordero** (the “Debtor”). This Disclosure Statement contains information about the Debtor and describes the Plan of Reorganization (the “Plan”). A full copy of the Plan is attached to this Disclosure Statement as **Exhibit A**. 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 proposed distributions under the Plan are discussed at pages 6 through 9 of this Disclosure Statement. This Plan provides for three (3) classes of secured claims; one (1) class of unsecured claims; and one (1) classes of equity security holders. Additionally, the Plan provides treatment for unsecured priority claims which have not been classified. Unsecured creditors holding allowed claims will receive distributions, which the proponent of this Plan has valued at approximately \$90,000.00 or an estimated 60.00% distribution. In addition, this Plan also provides for the payment of Allowed Administrative Claims, if any.

A. Purpose of This Document

This Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case,
- How the Plan proposes to treat claims or equity interests of the type you hold (i.e., what you will receive on your claim or equity interest if the plan is confirmed),
- Who can vote on or object to the Plan,
- What factors the Bankruptcy Court (the “Court”) will consider when deciding whether to confirm the Plan,
- Why the Debtors believe 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 in liquidation, and
- The effect of confirmation of the Plan.

Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed.

1. Time and Place of the Hearing to Finally Approve This Disclosure Statement and Confirm the Plan.

On _____ a.m. a Hearing shall be held before the Honorable Enrique S. Lamoutte at the United States Bankruptcy Court, District of Puerto Rico, José V. Toledo Federal Building & US Courthouse 300 Recinto Sur Street, Courtroom #2, San Juan, Puerto Rico 00901

to determine whether to finally approve this Disclosure Statement and confirm the Plan (the “Confirmation Hearing”). The Court will fix the last day for the filing and serving of written objections to the disclosure statement and confirmation of the plan.

2. Deadline For Voting to Accept or Reject the Plan.

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot in the enclosed envelope to The Batista Law Group, PSC., Condominio Midtown 420 Ponce de Leon Ave., Suite 901, San Juan, PR 00918. See section IV. A. below for a discussion of voting eligibility requirements.

Your ballot must be received before _____ at 5:00 p.m EST. or it will not be counted.

3. Deadline For Objecting to the Adequacy of Disclosure and Confirmation of the Plan.

Objections to this Disclosure Statement or to the confirmation of the Plan must be filed with the Court and served upon the Debtor by _____.

4. Identity of Person to Contact for More Information

If you want additional information about the Plan, you should contact:

The Batista Law Group, PSC
Jesús E. Batista Sánchez, Esq.
Mid-Town Plaza
420 Ponce De León, Ave.; Suite #901
San Juan, Puerto Rico 00969
Tel: (787) 620-2856
Fax: (787) 625-0259
Email: jesus.batista@batistalawgroup.com

C. Disclaimer

The Court has conditionally approved this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms. The Court has not yet determined whether the Plan meets the legal requirements for confirmation, and the fact that the Court has approved this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted. The Court’s approval of this Disclosure Statement is subject to final approval at the hearing on confirmation of the Plan. Objections to the adequacy of this Disclosure Statement may be filed until _____.

II. BACKGROUND

A. Description and History of the Debtors

Mr. Angel Contreras Cordero is an individual Debtor. Mr. Contreras works as a car salesman at Car Factory, Inc. In addition, Mr. Contreras owns a rental income generating real property located at Sabana Llana Apt. 1501 Condominio Golden View Plaza San Juan, PR 00924 (The "Rental Property"). The Rental Property is currently rented and generates monthly gross income in the amount of \$495.00. The Debtor owns his primary residence, which is located at: Edificio A Apt. H 202 Condominio Vereda Del Mar Rio Grande, PR 00745 (the "Primary Residence"). The Primary Residence has an estimated market value of \$110,000.00 and its owned by the Debtor free and clear of mortgages. Finally, the Debtor owns a real property, which the Debtor received as a donation from his now-deceased father, located at Calle Diamela 1794 Urb. Mansiones De Rio Piedras San Juan, PR 00926. This real property is in need of repairs; once repaired, however, it will be marketed for rent.

Previously, the Debtor owned his own auto dealership for over 20 years. As a result of Puerto Rico's declining economy and a difficult and expensive divorce proceeding, the Debtor's dealership experienced significant sales declines which in turn impacted the Debtor's ability to keep-up with his unsecured obligations. Eventually, the Debtor defaulted on his unsecured obligations and this in turn lead to the filing of the instant case.

B. Debtor: Mr. Ángel Contreras Cordero

C. General Purpose: This Plan consists of four (4) classes of creditors and interests. The purpose of this Plan is to: (a) reorganize allowed priority claims against the Debtor; and (b) reorganize allowed unsecured claims against the Debtor.

D. Significant Events During the Bankruptcy Case

On February 12, 2016, the Petition Date, the Debtor filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. Since that time, the Debtor has operated its financial affairs as Debtor and Debtor in Possession.

The Debtor has closed all pre-petition bank accounts. The personal property that required insurance coverage is currently insured. All Monthly Operating Reports, through the month ending June 30, 2016, have been filed. Upon information and belief, Quarterly Fees payable to the United States Trustee have been paid.

The 341 Meeting of Creditors was held on March 18, 2016, at 9:00 AM. Additionally, on April 5, 2016 (Dk. #25) this Court entered an Order approving Jesus E. Batista Sanchez, Esq., as Counsel of Record.

E. Projected Recovery of Avoidable Transfers.

The Debtor has not yet completed their investigation with regard to prepetition transactions. If you received a payment or other transfer within 90 days of the bankruptcy, or other transfer avoidable under the Code, the Debtor may seek to avoid such transfer.

F. Claims Objections

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. Unless otherwise determined by an Order of this Court, the Debtor shall have until 30th day following the Effective Date of the Plan to file objections to claims.

G. Current and Historical Financial Conditions

The identity and fair market value of the estate's assets and liabilities are listed in **Exhibit B – Debtor's Schedules A through F**. As of the Petition Date, the Debtor's Assets and Liabilities reflected Assets in the amount of \$371,125.72 and Liabilities in the amount of \$269,099.21.

The Debtor's primary assets are its real estate assets. First, the Debtor owns the Primary Residence located at Edificio A Apt. H 202 Condominio Vereda Del Mar Rio Grande, PR 00745, which has a market value of \$110,000.00; real property located at Calle Diamela 1794 Urb. Mansiones De Rio Piedras San Juan, PR 00926, which has a market value of \$100,000.00; and the Rental Property located at Sabana Llana Apt. 1501 Condominio Golden View Plaza San Juan, PR 00924, with a market value of approximately \$50,000.00. The Debtor also owns a future interest in an undivided hereditary estate which is valued at approximately \$46,512.50.

The Debtor's liabilities include: (a) secured claims in the amount of \$45,628.09, (b) priority claims in excess of \$7,670.38 and (c) other unsecured claims in excess of \$148,518.50. See, **Chart of Claims** attached hereto as **Exhibit F**.

The Debtors most recent financial statements issued before the bankruptcy are set forth in **Exhibit C**.

III. SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

A. What is the Purpose of the Plan of Reorganization?

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

B. Unclassified Claims

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

1. *Administrative Expenses*

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

<u>Type</u>	<u>Estimated Amount Owed</u>	<u>Proposed Treatment</u>
Expenses Arising in the Ordinary Course of Business After the Petition Date	Less than \$500.00	Paid in full on the effective date of the Plan, or according to terms of obligation if later.
The Value of Goods Received in the Ordinary Course of Business Within 20 Days Before the Petition Date	\$0.00	Paid in full on the effective date of the Plan, or according to terms of obligation if later.
Professional Fees, as approved by the Court.	\$10,500.00	Paid in full on the effective date of the Plan, or according to terms of obligation if later.
Clerk’s Office Fees	\$0.00	Paid in full on the effective date of the Plan
Other administrative expenses	\$0.00	Paid in full on the effective date of the Plan or according to separate written agreement
Office of the U.S. Trustee Fees	\$0.00	Paid in full on the effective date of the Plan
Total	\$11,000.00	

2. *Priority Claims:*

a. Priority Tax Claims: Priority tax claims are unsecured income, employment, and other taxes described by § 507(a)(8) of the Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 5 years from the order of relief.

The following chart lists the Debtors’ estimated § 507(a)(8) priority tax claims and their proposed treatment under the Plan:

<u>Description</u>	<u>Estimated Amount Owed</u>	<u>Date of Assessment</u>	<u>Treatment</u>	
Internal Revenue Services	\$6,440.86	2012-2015	Pmt Interval: Amount of Pmt: Begin Date: End Date: Interest Rate: Total Payout Amount:	36 payments \$188.02 2nd Month 77 th month 3.25% \$6,768.72
Department of Treasury	\$1,047.77	2013	Pmt Interval: Amount of Pmt: Begin Date: End Date: Interest Rate: Total Payout Amount:	36 payments \$30.59 2 nd Month 37 th month 3.25% \$1,101.24

b. Other Priority Claims: The Plan also provides for the Priority Claim of Mrs. Neisha Alvarado (“Alvarado”). Alvarado filed Proof of Claim #8, allegedly a domestic support claim entitled to priority under the Code. If allowed, Alvarado’s POC #8 Claim will be paid in full on or before the Effective Date of the Plan.

C. Classes of Claims and Equity Interests

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

1. Classes of Secured Claims

Allowed Secured Claims are claims secured by property of the Debtors’ bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under § 506 of the Code. If the value of the collateral or setoffs securing the creditor’s claim is less than the amount of the creditor’s allowed claim, the deficiency will be classified as a Class 4 General Unsecured Claim, unless the creditor’s claim is secured only by collateral which is the Debtor’s primary residence.

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

<u>Class</u>	<u>Description</u>	<u>Insider</u>	<u>Impairment</u>	<u>Treatment</u>
1	<u>Allowed Secured Claim of Banco Popular de Puerto Rico</u> : Class one (1) consists of the Allowed Secured Claim of Banco Popular	No	Yes	The Allowed Class 1 Secured Claim will be satisfied in full via the continuance of payments by the

	<p>de PR, if any, <i>limited to the Principal balance only</i>, which is allegedly secured by a pre-petition mortgage that encumbers certain real property located at: SABANA Llana Apt. 1501 Condominio Golden View Plaza San Juan, PR 00924 (the “Sabana Llana Property”). Banco Popular de PR has filed a Proof of Claim #4 in the amount of \$45,628.09.</p>			<p>Debtors based on the same terms, condition and provisions as existed pre-petition. Allowed Class 1 Creditors will retain their liens to the same extent and priority as existed pre-petition.</p> <p>The Debtor’s obligation regarding the payment of taxes, insurance and any other escrow account obligations remain the same as per the original loan obligation.</p>
2	<p><u>Allowed Secured Claim of Banco Popular de Puerto Rico</u>: Class two (2) consists of the Allowed Secured Claim of Banco Popular de PR, if any, <i>limited to the arrears balance only</i>, which is allegedly secured by a pre-petition mortgage that encumbers the Sabana Llana. Banco Popular de PR filed Proof of Claim #4 in the amount of \$45,628.09, of which \$320.60 are arrears.</p>	No	Yes	<p>Any Allowed Class 2 Claim will be paid in full via one lump sum payment. The payment of Class 2 will be on or before the last day of the 2nd month following the Effective Date of the Plan. Creditors with Allowed Class 2 Claims will retain their liens to the same extent and priority as existed pre-petition.</p>
3	<p><u>The Allowed Class 3 Claim of CRIM</u>. Class three (3) consists of the Allowed Secured Claim, if any, of Centro de Recaudaciones de Ingresos Municipales (“CRIM”), allegedly secured by a pre-petition statutory liens on the Debtor’s real properties located at: Apt. H-202 Edificio A, Condominio Veredas del Mar, Rio Grande (the “Rio Grande Property”); 1794 Calle Diamela Urb. Mansiones de Rio Piedras, San Juan, PR (the “Mansiones Property”) and the Property located at Apt 25A Condominio Rio Mar II (the “Rio Mar Property”). CRIM filed Proof of Claim #7, in the amount of 10,334.90, which may qualify as a Class 3 Claim.</p>	No	Yes	<p>Any Allowed Class 3 Claim will be paid in full on or before the last day of the 37th month following the Effective Date of the Plan. Commencing on the 1st day of the second (2nd) month following the Effective Date of the Plan, the Debtor will make monthly payments based on: (a) the amount of the Allowed Class 3 Claim, (b) at a yearly rate of interest of 3.25%, and (c) based on a 36-month amortization schedule. Payments are estimated at \$301.69 per month. On or before the last day of the 37th month following the Effective Date of the Plan, the Debtor will make one lump sum payment of any remaining balance. Allowed Class 3 Creditors will retain their liens to the same extent and priority as existed pre-petition.</p>

2. *Classes of Unsecured Claims*

Allowed Unsecured Claims are claims which are not secured by property of the Debtors' bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under § 506 of the Code. Additionally, if the value of the collateral or setoffs securing a creditor's claim is less than the amount of the creditor's allowed claim, the deficiency (i.e., any difference) may also be classified as a Class 4 General Unsecured Claim; unless the creditor's claim is secured only by collateral which is the Debtor's primary residence.

The following chart lists all classes containing Debtor's unsecured claims and their proposed treatment under the Plan:

4	<p>General Unsecured Claims: Class 4 consists of the (a) pre-petition unsecured claims against the Debtor, to the extent Allowed, if any, and (b) any other Allowed Claim which is deemed partially or entirely unsecured. The Debtor estimates that there will be approximately \$145,624.75 in Allowed Unsecured Claims.</p>	No	Yes	<p>The Allowed Class 4 General Unsecured Claims, if any, will be satisfied via cash distribution, estimated at \$90,000 or a 60.0% distribution, on any Allowed Class 4 General Unsecured Claim. Distributions will be made on a monthly basis commencing on the 1st day of the 38th month following the Effective Date of the Plan and continue thereafter to the 218th month. Payments are estimated to be in the amount of \$500.00.</p>
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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, the Debtor is the equity interest holder.

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

5	<p>Debtor's Equity: Class 5 consists of the Debtor's interest in the assets of the Estate.</p>			<p>The Debtor will retain its interest to the property of the estate.</p>
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D. Means of Implementing the Plan

1. Source of Payments

Payments and distributions under the Plan will be funded by the following:

The Plan establishes that the Plan will be funded from the cash-flow generated by the Reorganized Debtor. It generally consists of the income generated by the Debtor from his employment. In addition, the Debtor's non-filing wife, makes financial contributions to the Debtor. The Debtor will contribute his cash flows to fund the Plan commencing on the Effective Date of the Plan and continue to contribute through the date that Holders of Allowed Class 1, 2, 3 and 4 Claims receive the payments specified for in the Plan.

2. Post-confirmation Management

The Post-Confirmation Managers of the Debtor shall be Mrs. Angel Contreras Cordero.

E. Risk Factors

The proposed Plan has the following risks:

1. Income Risk Factors: Although the Debtor believes the Reorganized Debtor will be able to generate sufficient income subsequent to the Effective Date to make payments under the Plan, there is a risk that the income that is projected is not sufficient and thus the Debtor will not achieve the income necessary to enable it to make payments to Creditors.

F. Executory Contracts and Unexpired Leases

The Plan, in Exhibit 6.1, lists all executory contracts and unexpired leases that the Debtor will assume under the Plan; if any. Assumption means that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Code, if any. If applicable, Exhibit 6.1 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 Exhibit 6.1 will be rejected under the Plan. Consult your adviser or attorney for more specific information about particular contracts or leases.

If you object to the rejection of your contract or lease, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan.

The Deadline for Filing a Proof of Claim Based on a Claim Arising from the Rejection of a Lease or Contract Is 60 Days from the Rejection of Such Agreement or any other later

date set by the Court. Any claim based on the rejection of a contract or lease will be barred if the proof of claim is not timely filed, unless the Court orders otherwise.

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

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

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 Plan Proponent believes that Classes 1 through 4 are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan.

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

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

The deadline for filing a proof of claim in this case was June 16, 2016.

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

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

3. Who is Not Entitled to Vote

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

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

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

4. Who Can Vote in More Than One Class

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

B. Votes Necessary to Confirm the Plan

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

1. Votes Necessary for a Class to Accept the Plan

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

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

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

2. Treatment of Nonaccepting Classes

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds nonaccepting classes is commonly referred to as a ‘cram-down 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 § 1129(a)(8) of the Code, does not “discriminate unfairly,” and is “fair and equitable” toward each impaired class that has not voted to accept the Plan.

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

C. Liquidation Analysis

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a chapter 7 liquidation. A liquidation analysis is attached to this Disclosure Statement as **Exhibit D**. This analysis of the Debtor’s Assets and Liabilities reveals that in a Chapter 7 liquidation all creditors of the estate, with Allowed Claims, would receive a contribution which is less than the projected distribution under the Plan. Pursuant to the contemplated Plan, general unsecured creditors in this Case, with Allowed Claims, will receive a \$90,000.00 distribution (approximately 60.00%) on their Allowed Unsecured Claims.

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 Plan Proponent believes that the Debtor 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. This includes payment for Administrative Expenses estimated at \$10,500.00 which the Debtor has scheduled for the months of September through November of 2016. The Debtor estimates that at the time of an Order of Confirmation¹, the debtor will have in excess of \$10,000.00 in liquid assets to fund the Plan. A five (5) year cash-flow statement and projections,

¹ The Debtor contemplates September 2015 Confirmation Date.

showing the projected amount of cash on hand on the effective date of the Plan, is attached to this disclosure statement as **Exhibit E**².

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

The Plan Proponent must also show that it will have enough cash over the life of the Plan to make the required Plan payments. The Plan Proponent has provided projected financial information. Those projections are listed in **Exhibit E**.

The Plan Proponent's financial projections show that, after paying operating expenses and post-confirmation taxes, the Debtor will have positive cash-flows on an annual basis. Generally, the Five Year Projected Statement of Operations indicates that the Debtor's income from his employment and financial support from this non-filing wife will suffice to make all payments contemplated under the Plan.

Specifically, the financial projections evidence that the Plan is projected to be cash-flow positive as early as Month #1 of the Plan (even after deducting for the professional services administrative expense payable in the months of September through November of 2016). Commencing with the Debtor's projected Net Income, the Plan's Five Year Cash Flow Projections evidence the Debtor's ability to sustain all projected payments under the Plan. First, the Projections evidence the sustained ability to make the monthly secured payments of \$652.22 to BPPR (Class 1) and \$320.60 which is one lump sum payment to BPPR (Class 2). Equally, the Projections evidence the Debtor's ability to satisfy the priority tax payments of \$188.02 through months #3 through #37. These payments will satisfy the unclassified priority tax claims of the IRS and Department of Treasury. Long-term, the projections also evidence the Debtor's ability to satisfy payments to Class 3 Secured Claims of \$302.00 in months #3 through #37 and the \$500.00 payment contemplated for Class 4 General Unsecured Claims. Therefore, post Confirmation, the Debtor's projected cash-flows demonstrate sustained ability to continue to make payment on the secured debt reorganized through the Plan in addition to all other payments scheduled under the Plan. See, **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

1. **Discharge.** Confirmation of this Plan does not discharge any debt provided for in this Plan until the court grants a discharge on completion of all payments under this Plan, or as otherwise provided in § 1141(d)(5) of the Code. The Debtor will not be discharged from any debt excepted from discharge under § 523 of the Code, except as provided in Rule 4007(c) of the Federal Rules of Bankruptcy Procedure.

² See also, Five Year Projected Statement of Operations, attached as Exhibit E.

2. Injunction. As part of the Confirmation Order, the Bankruptcy Court shall permanently enjoin and prohibit all Holders of Claims, Liens, Security Interests, Liens, encumbrances rights and Interest in, to or against the Debtor, the Property and any of the Reorganized Debtor's assets from asserting, prosecuting or collecting such Claims, Liens, Security Interests (other than Liens or Security Interests expressly continued pursuant to the terms of the Plan or the operative documents between Debtor and the Holder of a Claim regarding the treatment of the Claim under the Plan), encumbrances, rights and Interests against the Reorganized Debtor; provided, however, that such injunction shall not apply to any Claim asserted against the Debtor by a claimant based upon a default by the Debtor in performance of their obligations to the claimant under the Plan.

B. Modification of Plan

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

Upon request of the Debtor, the United States trustee, or the holder of an allowed unsecured claim, the Plan may be modified at any time after confirmation of the Plan but before the completion of payments under the Plan, to (1) increase or reduce the amount of payments under the Plan on claims of a particular class, (2) extend or reduce the time period for such payments, or (3) alter the amount of distribution to a creditor whose claim is provided for by the Plan to the extent necessary to take account of any payment of the claim made other than under the Plan.

C. Final Decree

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Plan Proponent, or such other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case. Alternatively, the Court may enter such a final decree on its own motion.

Respectfully Submitted,

/s/Angel Contreras Cordero
Angel Contreras Cordero

Jesús E. Batista Sánchez, Esq.
The Batista Law Group, PSC
420 Ave. Ponce de León; Suite 901
San Juan, PR 00918
Tel. 787-620-2856
Fax. 787-625-0259