UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF PUERTO RICO

IN RE:

INSTITUTO MEDICO DEL NORTE, INC.
a/k/a CENTRO MEDICO WILMA N. VAZQUEZ
a/k/a HOSPITAL WILMA N. VAZQUEZ SKILL NURSING FACILITY OF CENTRO MEDICO WILMA N. VAZQUEZ

Debtor

CASE NO. 13-08961(ESL)

CHAPTER 11

DISCLOSURE STATEMENT

OF

INSTITUTO MEDICO DEL NORTE, INC.

October 31, 2014

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INSTITUTO MEDICO DEL NORTE, INC

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I. INTRODUCTION

Pursuant to Section 1125 of the United States Bankruptcy Code, 11 U.S.C. §101, *et seq.* (the "Bankruptcy Code"), Instituto Médico del Norte, Inc., Debtor and Debtor-in possession in the above captioned case ("Debtor"), submits this Disclosure Statement (the "Disclosure Statement") to all of its known creditors. The purpose of the Disclosure Statement is to provide such information as Debtor believes may be deemed necessary for its creditors to make an informed decision in exercising their rights to vote on Debtor's Plan of Reorganization (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 recommends that you vote to accept the Plan. Each creditor must, however, review the Plan and the Disclosure Statement carefully, including all exhibits in their entirety, and determine whether or not to accept or reject the Plan based upon that creditor's independent judgment and evaluation. The description of the Plan in the Disclosure Statement is in summary form and is qualified by reference to the actual terms and conditions of the Plan, which should be reviewed carefully before making a decision to accept or reject the Plan. Capitalized terms not otherwise defined herein have the same meaning as set forth in the Plan, other terms shall have the meaning ascribed to them in the Bankruptcy Code.

The information contained in the Disclosure Statement has been provided by Debtor based upon Debtor's knowledge of its records, business and affairs. Except as otherwise expressly indicated, the information provided by Debtor in the Disclosure Statement has not been subject to an audit or independent review.

Although great efforts have been made to be accurate, Debtor, its counsel and other professional advisors do not warrant the accuracy of the information contained herein.

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

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

Debtor believes that the Plan provides the quickest recovery and will maximize the return to creditors on their Claims. A**CCORDINGLY, DEBTOR URGES ALL CREDITORS TO VOTE IN FAVOR OF ITS PLAN.**

II. SUMMARY OF THE PLAN

The Plan specifies the manner in which the Claims and Interest 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 of Debtor’s shareholder's interest in Debtor. To the extent that the terms of the Disclosure Statement vary from those of the Plan, the terms of the Plan will control.

Description Of Claim	***Class***	***Estimated Amount of Allowed Claim***	***Treatment Under the Plan/ Estimated Recovery Under the Plan***
Holders of Allowed Administrative Expense Claims	UNCLASSIFIED	$245,097.82	Unimpaired. Proposed Distribution: 100% of the allowed amount of the Claim Except as otherwise agreed to by Debtor and the holder of an Allowed Administrative Expense Claim, each such holder shall be paid in full in the regular course of business or as authorized by the Court, on or before the Effective Date. These claims include professionals, post-petition creditors and other administrative expenses of the estate. For details of claimants, their proofs of claims, and amounts expected to be allowed. See Summary of Claims and Plan Payments attached hereto as **Exhibit A-2**.
The Allowed Priority Claim of PR Department of Treasury	CLASS 1	$3,606,947.32	Impaired. Proposed Distribution: $1,500,000 within a year. The Allowed Priority Claim of PR Department of Treasury shall be paid either (i) upon such terms as may be agreed to with such Holder or (ii) Debtor shall pay $500,000 on or before the Effective Date. The remaining $1,000,000 shall be paid in a deferred equal consecutive 12 monthly installments commencing on the Effective Date, equal to $83,333.00 without interest. See Summary of Claims and Plan Payments attached hereto as **Exhibit A-3**.
The Allowed Priority Claim of Employees and Subcontractors as per Court Order	CLASS 2	$837,233.22	Unimpaired. Proposed Distribution: 100% of the allowed amount of the Claim. The Allowed Priority Claims of employees and subcontractors will be paid in full as per Court Order on dkt #18 or as they become due

			without interest. Up to September 3, 2014, $590,324.28 had been paid. See Summary of Claims and Plan Payments attached hereto as **Exhibit A-3**.
The Allowed Priority Claim of Internal Revenue Service	CLASS 3	$992.54	Unimpaired. Proposed Distribution: 100% of the allowed amount of the Claim. The Allowed Priority Claim of the Internal Revenue Service will be paid within 90 days of the Effective date of the Plan without interest. See Summary of Claims and Plan Payments attached hereto as **Exhibit A-3**.
The Allowed Priority Claim of State Insurance Fund	CLASS 4	$344,129.66	Unimpaired. Proposed Distribution: 100% of the allowed amount of the Claim. The Allowed Priority Claim of the State Insurance Fund was stipulated and approved by the Court in dkt #154. As part of the stipulation $120,935.00 owed by the SIF to the Debtor was applied to the priority portion of the claim to reduce the allowed priority claim to $223,194.66. Commencing 60 days after the Effective Date of the Plan, the allowed claim will be paid in full in 60 equal monthly installments of $4,135.70, including principal and interest at the rate of 4.25% per annum. See Summary of Claims and Plan Payments attached hereto as **Exhibit A-3**.
The Priority Claim of PR Department of Labor	CLASS 5	$0.00	The priority claim of the Puerto Rico Department of Labor was objected and the objection was granted in full. No amount will be paid under this class. See Summary of Claims and Plan Payments attached hereto as **Exhibit A-3**.

The Allowed Priority Claim of Siemens Healthcare	CLASS 6	$16,102.72	Unimpaired. Proposed Distribution: 100% of the allowed amount of the Claim. The Allowed Priority Claim of Siemens Healthcare will be paid in 60 equal monthly installments without interest. See Summary of Claims and Plan Payments attached hereto as **Exhibit A-3**.
The Allowed Claim of Oriental Bank and Trust ("Oriental")	CLASS 7	$8,951,814.92	Impaired. Proposed Distribution: 100% of the allowed amount of the Claim. The Allowed Claim of Oriental is secured by real estate, accounts receivable and equipment. The total estimated value of the collateral is $8,951,815 as evidenced by the corresponding mortgage note and financing statements, filed with the Department of State of Puerto Rico, as finally determined and allowed by the Court is currently being paid $75,069 per month, according to a payment plan agreed upon in 1991. This Plan proposes to restructure the balance of the allowed secured claim to be amortized in a 30 year term with interest at the annual rate of 4.25%. Monthly installments of $38,867.43, including principal and interest, will commence the Effective Date of the Plan. Debtor's guarantee to ORIENTAL will remain unaltered, ORIENTAL retaining its perfected security interest on Debtor's real estate and accounts receivable until full satisfaction of ORIENTAL'S claim. See Summary of Claims and Plan Payments attached hereto as **Exhibit A-1**.
Allowed Secured Claim of the Internal Revenue Service	CLASS 8	$540,265.29	Impaired Proposed Distribution 100% of the allowed amount of the Claim. The Allowed Secured Claim of Internal Revenue Service is being stipulated. Collateral for this Claim is medical equipment. This

			Claim will receive adequate protection payments of $20,000 per month to the Effective date of the Plan. Commencing 30 days after the Effective Date, the holders of claim under this class will receive 23 equal monthly installments of $20,617.38 of principal and interest at the annual rate of 3%, which is the statutory rate expected to be prevailing at the confirmation date. See Summary of Claims and Plan Payments attached hereto as **Exhibit A-1**. Unimpaired
Other Allowed Secured Claims	CLASS 9	$205,412.63	Proposed Distribution: 100% of the allowed amount of the Claim Other Allowed Secured Claims holding equipment collateral include Advanced Wound Healing and Borschow Hospital Medical. Advanced Wound Healing and Borshow Hospital Medical have been paid during the pendency of the case, or will be paid before the Effective Date of the Plan. See Summary of Claims and Plan Payments attached hereto as **Exhibit A-1**. Impaired
Unsecured claims arising from Executory Contracts	CLASS 10	$383,299.22	Proposed Distribution : 100% of the allowed amount of the Claim Impaired Allowed Unsecured Class 10 arising from assumed executory contracts, will be paid in full satisfaction of such claims through different payment plans negotiated with the contract parties, as detailed in Debtor's Summary of Claims and Plan Payments attached hereto as Exhibit **A-4**. As agreed with creditor, Ciracet will be receiving equally monthly payments of $1,639.35 for 18 months. All other payments are expected to be completed by the effective date of the

			plan
General Unsecured Convenience Claims	CLASS 11	$378,690.58	Impaired Proposed Distribution : 5% of the allowed amount of the Claim General Unsecured claims allowed for less than $10,000.00 and those claims of any other unsecured class that may elect to be treated under this class will receive 5% of the allowed amount of their claim, not to exceed $500, per claim, within 90 days of the Effective Date of the Plan. The aggregate distribution in this class is expected to be $18,934.53. For details of claimants, their proofs of claims, and amounts expected to be allowed see Summary of Claims and Plan Payments attached hereto as Exhibit **A-5**.
General Unsecured Claims	CLASS 12	$5,878,865.59	Impaired Proposed Distribution : 5% of the allowed amount of the Claim General Unsecured claims allowed for amounts more than $10,000.00, except those claims that elect to be included in class 11 and those unsecured claims included in classes 10 and 11, will receive 5% of the allowed amount of their claim, in 60 consecutive installments, without interest, commencing 60 days after the Effective Date of the Plan. The aggregate monthly payments under this class are expected to be $4,242.08. For details of claimants, their proofs of claims, and amounts expected to be allowed see Summary of Claims and Plan Payments attached hereto as Exhibit **A-5**. Impaired - non voting
Equity Security	CLASS 13		Proposed Distribution: 0%

Interest			The equity security holders of pre-petition common shares will receive no distribution for their interest, however they will be allowed to retain their existing shares in the Debtor corporation. No dividends will be payable during the payment plan term and until all other priority and unsecured classes are paid as stated in the plan.

For a more detailed description of the treatment of the foregoing classes of Claims and Interests, see "SUMMARY OF CLAIMS AND PLAN PAYMENTS **Exhibit A** hereto.

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

This Disclosure Statement includes background information about Debtor and identifies the classes into which creditors 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 the Exhibits thereto 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, to be returned to the following address:

Instituto Médico del Norte, Inc.
c/o F. David Godreau, Esq.
Latimer Biaggi Rachid & Godreau
FirstBank Building, Stop 23, Suite1205
1519 Ponce De León Avenue
Santurce, Puerto Rico, 00909

The Ballots must be received **on or before 4:00 P.M. (Eastern Standard Time) on ____________, 2015,** 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 recommends a vote for "ACCEPTANCE" of the Plan.

3.3 Ballots

Pursuant to the provisions of the Bankruptcy Code, only classes of claims or interests which are “impaired” under the terms and provisions of a plan are entitled to vote to accept or reject such plan. A Class is deemed not to have accepted a plan, if such plan provides that the claims or interests of such Class don't entitle the holders of such claims or interests to receive or retain any property under the plan on account of such claims or interests.

Class 13 Holder of Debtor's shares is unimpaired under the Plan, is deemed to have accepted the Plan and is not entitled to vote. Members of Classes and are impaired under the Plan and entitled to vote for acceptance or rejection of the Plan.

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

3.4 <u>The Confirmation Hearing</u>

Pursuant to Section 1128 of the Bankruptcy Code, the Bankruptcy Court has scheduled a hearing on confirmation of the Plan to commence on _____________, 2015 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 C** 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. A class of interest holders is deemed to have accepted a plan if at least 2/3 in amount of the allowed interests of such Class held by holders of such interests who actually cast ballots to accept or reject the plan. Further, unless there is acceptance of the plan by all members of an impaired Class, the Bankruptcy Court must also determine that under the plan, Class members will receive property of a value, as of the Effective Date, that is not less than the amount that such Class members would receive or retain if the Debtor were to be liquidated under Chapter 7 of the Bankruptcy Code on the Effective Date of the plan.

3.6 Confirmation of the Plan Without the Necessary Acceptances

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

IV. GENERAL INFORMATION

4.1 Debtor's Description and Historical View

The Debtor's corporation was created in 1977. Its principal founders were Dr. Eduarda Pabón and her husband Dr. Enrique Vázquez Pares, now deceased. Their vision was to develop and operate a state of the art healthcare institution in Vega Baja, Puerto Rico. Their main inspiration was their daughter Wilma N. Vazquez who had always dreamed of creating a facility that would give access to healthcare services to those in need. Wilma passed away prematurely in her life, long before the Hospital was developed. For her support and inspiration to her father's vision they named the Hospital after her. It was in 1985 that the Hospital opened its doors to the public and it has been in operation ever since. The majority stockholders are Dr. Pabón and other members of her family who also own stock of the Debtor's corporation.

The hospital vision is:

To be the best healthcare service provider alternative for all of its clients.

To transmit hope to the people that are served.

To maintain a healthy and positive environment in all of the provided services and in its business practice.

To maintain a cordial environment between its employees, medical staff and clients.

To emphasize excellence in everything done.

Debtor's primary structure is located at state road number 2 km 39.5 Algarrobo Ward, at Vega Baja, Puerto Rico. It is the only Hospital facility in Vega Baja, Puerto Rico, and the closet hospital to the municipalities of Morovis, Vega Alta, Dorado and Corozal. In total, these municipalities have a population of over 200,000. Its facilities consist of a two stories building with substantial parking. The main structure covers approximately 120,000 square feet. There is within the same premises an additional 5,000 square feet, two stories building, for storage of medical records and general documentation. The Hospital is licensed for 150 healthcare (acute care) system beds, of those 130 are Hospital beds and 20 are skilled Nursing Facility beds. The services provided by the Hospital are the following:

- Pediatrics
- Internal Medicine
- General Surgery
- Orthopedics

- Urology
- Gynecology
- Lab
- Imaging Center
- Operating Rooms
- Physical Therapy
- Respiratory Therapy
- Hematology/Oncology
- Nuclear Medicine
- Cardiology
- Pain Management
- Infectology
- Nephrology
- Pneumology Critical Care

Skilled Nursing Facility:
(Physical Rehabilitation Unit)

- Physical Therapy
- Recreational Therapy
- Occupational Therapy
- Wound & Ulcer Care

Physician Services

- Pediatrics
- Internal Medicine
- General Surgery
- Orthopedics
- Gynecology
- Urology
- Cardiology
- Nephrology
- Ophthalmology
- ENT
- Rheumatology
- Pneumology
- Wound Care Specialist
- Plastic Surgery
- Radiologist
- Nuclear Medicine
- Hematologist/Oncologist
- Infectologist

Emergency Room Services

- 24 Hours

- Lab
- X-ray
- Ct Scan
- Surgeons
- Orthopedics
- Pediatrics
- Access to Operating Rooms

Outpatient Services

- Imaging Center
- Wound & Ulcer Care Center
- Hyperbaric Chamber
- Physical Therapy Center
- Elective/Ambulatory Surgery
- Laboratory
- Nuclear Medicine

Outpatient Services Imaging Center

- Ct-Scan
- X-Ray
- Ultrasound
- Bone Densitometry
- Nuclear Medicine

Outpatient Services Wound & Ulcer Care Center

- Traditional Therapy
- Negative Pressure Therapy
- Non-invasive Vascular Studies (Doppler & Duplex)
- Hyperoxygenation Therapy *

Hyperoxygenation Therapy:

Is an oxygen based treatment that is offered through an oxygen pressurized chamber at 2.5 ATM. This treatment permits oxygen flow in the body through blood stream, plasma and corporal fluids and reach affected organs and tissue. The treatment stimulates regeneration and creation of new blood vessels therefore improving circulation and accelerating healing of wounds and ulcers.

Outpatient Services Physical Therapy Center:

- Neurologic Rehabilitation
- Orthopedic Rehabilitation
- Pain Care and Management
- Motor Developmental Delay
- Care and Management of Burn Lesions

Operating Room Services

- 24 Hours
- Seven (7) Operating Rooms
- Five (5) Board Certified
- Anesthesiologists
- Inpatient
- ER
- Elective & Ambulatory Surgeries
- Comfortable Reception Area

Private Clinics

Chemotherapy
Vaccination
Pain Management

4.2 Licenses, Accreditations and Approvals

Debtor is licensed by the Department of Health of the Commonwealth of Puerto Rico, ("The Department of Health") to maintain and operate the Hospital and Skilled Nursing facilities. The Hospital also complies with the Center for Medicare and Medicaid Services ("CMS") and other State and Federal standards and regulations applicable to hospitals, for which on-site surveys are performed to assess compliance.

4.3 Skilled Nursing Facility

The skilled nursing facility is a fundamental part of the post- acute care programs that Debtor offers to the community. It was opened in 1989 as a Hospital-based facility with 20 licensed beds for non-acute nursing care and is located on the first floor of the Hospital. Admissions to the units are based on referrals by physicians for rehabilitation services. This facility is known by the quality of its rehabilitation services and skilled nursing care for a variety of diagnosis, focused on the patient achieving the maximum level of independence as well as physical, emotional and social well been, after suffering trauma, illness or surgical procedures affecting their physical activity. The facility was recently recognized by the Organization Hospital Compare for sustaining a five-star score in quality services, as well as by QIPRO, an independent organization authorized by Medicare in Puerto Rico, for continuous quality improvement assessments, due to the results obtained during its participation in the project for the prevention and management of pressure ulcers. Revenues for the years ended December 31, 2013, 2012 and 2011 were approximately and respectively $1,922,982, $1,856,992 and $1,605,208, or 9% of Debtor's total revenues.

4.4 Governance

Debtor is governed by a Board of Directors of five (5) members. The Board is vested with the powers to direct and manage Debtor's corporate affairs and business policies as well as Debtor's funds. Together with Debtor's management, the board establishes the framework for planning, directing, coordinating, providing and improving care treatment for services to respond to community and patient needs and improve healthcare outcomes.

4.5 Medical staff

Debtor has an organized, self- governing medical staff that provides oversight for the quality of care, treatment services, delivered by practitioners who are credentialed and have clinical privileges through the medical staff process. It reports to and is accountable to Debtor's Board of Directors. The medical staff is also responsible for the ongoing evolution of the competency of practitioners who have clinical privileges, delineating the scope of clinical privileges that will be granted to practitioners and providing leadership in performance improvement activities within the organization. It delegates authority in accordance with the

Law and regulations to the medical staff executive committee to carry out medical staff responsibilities.

The medical staff executive committee performs it works within the context of Debtor's rules and Regulations. The medical staff has and maintains a set of bylaws that define its role within the context of a hospital setting and sets forth responsibilities in the oversight of care, treatment, and services. As of December 2013 there were 86 physicians with clinical privileges. The members of the medical staff are grouped into eight categories: Active Staff, Provisional Staff, Courtesy Staff, Honorary Staff, Special Courtesy Staff, Emergency Department Staff, and Government Health Reform Primary Care Physicians and Consulting Staff. Approximately 50% of the active staff is board certified.

4.6 Personnel

As of December 2013, 319 full-time and temporary persons were employed by Debtor. As of December 2013, 110 independent contractors, (nurses, pharmacy staff and physicians), were employed by the Debtor. In 2011, Debtor reduced the labor hours and days of nonclinical staff in an effort to reduce the operating losses and control costs. From 2011 to 2013 Debtor was exempted from the payment of the Christmas bonus, resulting in a $491,310 reduction in its payroll costs.

4.7 Rental Agreements

Debtor leases space to various physicians and to an unrelated party for the operation of TV services. These rental agreements average terms of three (3) years. The agreements generally contain renewal options and require the lessees to pay for nonstructural repairs. Rental Income for the years ended December 31, 2013, 2012 and 2011 was $9,600, $1,500 and $9,000 respectively.

4.8 <u>Operating Leases</u>

Debtor leases medical and office equipment under operating leases. The expenses under the terms of such leases during the years ended December 31, 2013, 2012 and 2011 amounted to approximately $142,200, $142,200 and $102,508 respectively.

4.9 <u>Patient Service Revenue</u>

Debtor has arrangements with third-party payers that provide for payments to Debtor at amounts different from Debtor's established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs and per diem payments.

4.10 <u>Patient Service Revenue, Net</u>

Debtor has an agreement with the Medicare Program that provides for payment to Debtor at amounts different from Debtor's established rates. A summary of the payments arrangement with Medicare follows:

- In-patient acute care services rendered to Medicare Program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other Factors. Outpatient services rendered to Medicare beneficiaries are paid at rates determined under the Outpatient Prospective Payment System (OPPS). These rates vary according to classification system consisting of group of services so that services within each group are clinically comparable with respect to the use of resources. Inpatient capital cost related to Medicare beneficiaries are paid based on a fully prospective method.

- Debtor is reimbursed for cost reimbursable items at a tentative rate with a final settlement determined after submission of an annual cost report and audits thereof by Medicare's fiscal intermediary. Laws and Regulations governing the Medicare program are extremely complex and subject to interpretation.

Debtor has also entered into payment agreements with certain commercial insurance carriers and health maintenance organizations. The basis for payment to Debtor under these agreements include prospectively determined rates per discharge at discounts from established charges and prospectively determined daily rates.

4.11 <u>The Health Insurance Portability and Accountability Act</u>

The Health Insurance Portability and Accountability Act (HIPPA) was enacted in August 1996 to assure health insurance portability, reduce healthcare fraud and abuse, guarantee security and privacy of health information and enforce standards for health information. Organizations are subject to significant fines and penalties if found not to be compliant with HIPPA's provisions. Debtor has not been subject to any such fines.

4.12 <u>Other matters</u>

The healthcare industry is subject to numerous laws and regulations that include, among other things, matters such as government healthcare participation requirements, various licenses and accreditations, reimbursements for patient services, and Medicare and Medicaid fraud and abuse.

Government action has increased with respect to investigations and/or allegations concerning possible violations consisting of fraud and abuse, and false claims statutes and/or regulations by healthcare providers.

Providers that are found to have violated these laws and regulations may be excluded from participating in government healthcare programs, subjected to fines or penalties, or required to repay amounts received for previously billed patient services. Debtor's policies, procedures and practices comply with governmental regulations.

4.13 Operations

During the period from 2010 to 2012, Debtor had a revenue reduction of 11% in relation to previous years. This decrease in revenues was mainly due to stricter rules of admissions adopted by the industry based on InterQual[1] and Millimans[2] guidelines. During this period, Debtor had operational losses totaling $9,470,143. In 2011 and 2012, and operational costs reflected a 13% increase in relation to previous years, mainly caused by an increase in utility costs, (energy, water, gas, materials, payroll taxes and uncollectible accounts). Also, the minimum wage increase represented an increase of payroll of $458,166.

Furthermore, in 2011 and 2012 the Hospital's cash flow was materially affected due to inconsistency in payments from the Puerto Rico Healthcare Program better known as Mi Salud. During this period, changes made by the Puerto Rico Government of third party payers that administered the program created large payment gaps to providers. These changes substantially hindered the ability of the Hospital to pay its obligation as they became due.

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[1] InterQual evidence based clinical decision support criteria used by thousands of healthcare organizations.

[2] Milliman is a large international independent actuarial and consulting firm. Milliman's primary business includes consulting in healthcare.

As of December 31, 2012, Debtor had an accumulated net assets deficiency of $13,331,498. Restoring Debtor's profitability and strengthening its financial position are largely dependent upon attaining an adequate volume of operations, the success of established and ongoing cost cutting measures, generating sufficient cash flows from operations to meet obligations on a timely basis and obtaining financing as may be required. For the past three years until August 2013, Debtor operated at a loss.

Prior to filing its Chapter 11 petition, Debtor had commenced the reorganization of its finance division, focusing on improving billing and collection systems, installing a new information system and electronic healthcare record, and reducing inventory. Debtor also reduced its workforce by reducing labor shifts in 2011 in an effort to reduce recurring operating losses and control costs. The Hospital's management is also analyzing options to reduce its energy consumption focusing in four main areas of opportunity to increase efficiency and lower cost. These areas of opportunity are lightning, HVAC, mechanical equipment such as motors, and control systems. In addition, Debtor is evaluating solar options to produce less expensive electricity.

To increase revenues, the Debtor continues to establish and improve profitable services such as Hematology-Oncology, Pain Management, Nuclear Medicine and Wound Care Centers. Also, management continues to outreach primary physician groups to receive their patients and therefore increasing patient volume.

4.14 <u>Advisory Group</u>

<u>Heathcare Advisor</u>

As part of its reorganization, Debtor engaged the services of Dr. Enrique Vazquez Vazquez as the Board of Director's main advisor in healthcare strategic planning specially focused on "Quality of Care and Clinical Documentation". Dr. Vazquez has over 25 years of experience in the healthcare and hospital industry, having worked at several hospital facilities in Puerto Rico. His previous experience includes Physician, Vice President of Medical Affairs, Medical Director, Physician Advisor for Utilization, Chief Quality & Informatics Officer, Vice President Medical Strategies & Management, Chief Quality Officer and consultant for several hospitals including the Puerto Rico Hospital Association. He is also Board Certified in Internal Medicine, Rheumatology, Geriatrics and Sports Medicine. Dr. Vazquez also provides the Hospital with support services for the Hospital administration, clinical departments, medical director, faculty president, physician executive committee, selection and implementation of the electronic health record, computerized physician order entry and health information exchange.

Counsel For Debtor

As counsel for the reorganization, Debtor has engaged Latimer, Biaggi, Rachid & Godreu, and David Godreau Zayas, Esq. The firm and Mr. Godreau are highly experienced bankruptcy attorneys and have assisted numerous health care institutions in their reorganization process. Approval of the employment of the firm was entered on November 25, 2013, dkt #23. An amendment of the application was filed on December 12, 2013, dkt #32, and approved on January 7, 2014, dkt #44.

Insolvency and Restructuring Advisors

Debtor also engaged Mr. Jose Monge Robertín, CPA, CIRA, CGMA and Monge Robertin & Asociados Inc. as Certified Insolvency and Restructuring advisors with over 30 years of experience in the accounting field. Monge Robertin & Asociados (the Firm) has significant experience as accountants for Debtors, trustees and Creditor’s Committees. Mr. José Monge Robertín, who is the firm's chief restructuring advisor, was the first Certified Insolvency and

Restructuring Advisor (CIRA) in Puerto Rico since 1998. He is also a Certified Public Accountant since 1977 and Chartered Global Management Accountant since 2012. The firm is also member of the American Bankruptcy Institute, The Association of Insolvency and Restructuring Advisors, the Puerto Rico Society of Certified Public Accountants and the American Institute of Certified Public Accountants. Monge is also the founder of the Puerto Rico Business Reorganization Institute. Employment was approved on May 6, 2014, dkt #146.

External Auditors

FPV & Galindez,CPA's, PSC, Certified Public Accountants (Galindez) were engaged by the Debtor as external auditors to perform audit and tax functions as required by the Puerto Rico Internal Revenue Code. Galindez has ample experience in audits of health care facilities, are members of the Puerto Rico Society of Certified Public Accountants, and the American Institute of Certified Public Accountants. Approval for the employment of Galindez was entered on January 8, 2014, dkt #45.

With the approval of the Court, dkt #62, Debtor retained the services of Luis B. González & Co., CPA's P.S.C. to review the balance sheet of the Hospital as of September 30, 2013, and the related statements of loss, retained earnings, and cash flows for the year then ended, to prepare a compilation as to income and loss to be submitted to the Department of Labor to obtain exemption for payment of Christmas Bonus.

Under the leadership of the Hospital's management and its expert advisors in the Health Care Industry, Debtor has and continues to implement cost saving measures, to increase productivity and profitability, and increase revenues while assuring Debtor's patients high quality health care services.

4.15 The Hospital Management is the following:

1- Hospital Administrator - Ramon Vilar Rovira, MHA

2- Chief Financial Officer - Yodee A. Reynolds Gossette

3- Chief Executive Officer - Ing. José O. Pabón Quiñones

4- Chief Operating Officer - Ing. José O. Pabón Quiñones

5- Medical Director - Dra. Eduarda Pabón Torres

6- Director of Nurses Services - Luz E. Rivera Rodríguez, BSN

7- Human Resources Director - Aymette García Maldonado

8- Director of Physical Facilities - Ing. José O. Pabón Quiñones

9- Epidemiologist. - Gladys Rivera Ramos, BSN Epidemiologist

4.16 Events Leading To Bankruptcy

In the summer of 2007 the industry changed its billing system from paper bills to electronic billing. This change had a transition impact on the Hospital collections. It also brought significant billing rejections due to national provider identification numbers and re-certification issues as well as programming issues with the health insurances electronic billing system.

Since 2008 the Hospital has been struggling with its payment to the Puerto Rico Power Authority ("PREPA") payments. In the second semester of 2008 electric bills increased 53%. The Hospital made several payment arrangements with PREPA to bring the account current. The efforts were interrupted by payments interruption of Triple C and MCS Mi Salud both Medicaid programs. The Medicaid program represents between 40%-45% of Hospital's revenues. The health insurances held payments due to the government not issuing the required deposits of program funds. During 2007, 2008 and 2009 the Hospital had a significant increase in wages due to federal minimum increase and state nurses minimum wages and therefore payroll taxes also increased. These increases also brought salaries increases with other personnel that were previously above minimum wages. In addition the Hospital had difficulty recruiting pharmacists since industry compensation had significantly increased. These increases had a domino effect since their medical suppliers also increased their prices. Finally, they also had to increase Physician's wages to be competitive with the industry.

The cash flow issues made it very difficult to issue timely payroll tax payments. Also the increase in payroll taxes and the late charges, fines & penalties and interest made it more difficult to catch up. The Hospital made several efforts to make payment arrangements with all governmental agencies, but monthly payments were difficult to achieve. The Hospital also had pressure from the vendors to issue payments to receive supplies necessary for patient care.

In 2010 the Hospital suffered a decrease in its percentage of admissions of 1.7% from total Emergency Department, (ED), visits. The Hospital historical percentage of admissions up to June 2009 from ED was 15.5%. From July 2009 up to May 2010 the percentage of admissions was 13.8%. This reduced their total patient admissions in 20% for 2010 and resulted in a loss of revenue of $2,054,186 in 2010 compared to 2009. This reduction in percentage of admissions was directly related to what the Hospital considers to be inappropriate external interventions which apparently were motivating physicians not to admit patients. The Hospital took measures to correct this issue and involved the corresponding governmental agencies, so they could be aware of the aforesaid. In June 2010, the Hospital was able to stabilize the situation and noticed a substantial increase in percentage of admissions from total ED visits. Although the percentage of admissions from total ED visits did not return to historical levels in average for

2010, the last seven months of 2010 their percentage of admissions from total ED visits went up to 15.42%. Management minimized the loss in revenue, but still it was a significant loss that materially affected negatively the Hospital financial condition. Although the situation was stabilized, total admissions never returned to 2008/2009 levels, when they peak, therefore the institution continued to experience heavy revenue losses in 2011 and 2012. Below is a summary of revenue losses for those years.

Net loss:

Since 2010 up to 2012 the Hospital had net losses of $992,970, $4,967,511 and $3,509,662 for a grand total of $9,470,143. As of September 30, 2013 the Hospital had a net income of $6,794.

The improvement in 2013 was not sufficient to cover the accumulated debt from prior periods. The Hospital did not have sufficient cash flow to cover current expenses and accumulated debts. Insufficient cash flows also had an impact on excessive bank charges for uncollected funds, late payment fees, etc.

4.17 Events Preceding Debtor's Chapter 11 Filing.

The events preceding and causing the filing of Debtor's Chapter 11 include: increase in operational costs, unequal reimbursement fees from health plans, the impact of payments for compensation of malpractice claims, including the legal costs associated therewith, increase in payroll expense due to the implementation of Law 127, and labor claims, the increase in electric energy expense, among others. These factors resulted in significant and recurring operating losses in Debtor's operations.

4.18 <u>Medicare Advantage</u>

The industry has suffered an impact with the substantial penetration of Medicare Advantage (HMO) plans in the island (65%), which led to a 11% decrease in Debtor's daily patient census from 60 in 2007 to 53 in 2009. Also, this shift in relative percentage of Medicare Advantage versus Medicare, fee-for-service, impacts payment frequency from 15 days in Medicare to approximately 60 days in Medicare Advantage.

These programs are based on capitation agreements, in which the emphasis is in prevention and coordinated care, resulting in less hospitalization or in major referrals with preference to outpatient services. Medicare Advantage requires preauthorization of services in contrast to traditional Medicare services, a strategy to control utilization of services. It also has unreasonable control over the length of stay requiring new pre-authorization for the continuance of care.

4.19 <u>Impact of Law No. 27</u>

On February 28, 2006, the Secretary of the Department of Labor and Human Resources of Puerto Rico issued a Regulation making effective Law No. 27 of July 20, 2005, which established a new salary structure for nurses in Puerto Rico. Originally, when the law was enacted, it was understood that its effective date would be a year after. The law establishes certain exemptions for those entities as to which it would have a detrimental effect on their financial position, and provided a period of three years to implement its requirements as to such entities. However, the Regulation approved on February 28, 2006 established that the effective date of Law 27 was upon its enactment; that is July 20, 2005. The hospital industry in Puerto Rico challenged the Regulation in terms of its retroactive effect.

On March 8, 2007, the Puerto Rico Court of Appeals decided in favor of the hospital industry establishing the effectiveness of Law No. 27 as July 20, 2006 for the first stage of the new salary structure. The Regulation impacted Debtor's operational expenses by increasing the cost of payroll in during a 3year period.

4.20 Labor Relations

Debtor has no collective Bargaining Agreements with any union.

4.21 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 the opportunity to file the Plan and Disclosure Statement, as envisioned by the Bankruptcy Code, without the pressures that drove Debtor into Chapter 11.

Debtor has undertaken the following efforts for the benefit of its Estate and its creditors:

Debtor sought and obtained the Bankruptcy Court's approval to retain David Godreau from Latimer Biaggi Rachid & Godreau LLC, as its bankruptcy counsel. Mr. José M. Monge was retained as Debtor's reorganization CPA. In addition CPA Luis B. Gonzalez and CPA Julio A. Galindez and CPA Axel Ramirez from FVP Galindez CPA's have been retained and approved by the Bankruptcy Court. The 341 meeting of creditors was held and closed on January 13, 2014.

No Official Creditors Committee has been appointed. On January 16, 2014 the Puerto Rico Electric Power Authority ("PREPA") filed a Motion for Adequate Protection. On February 26, 2014 a stipulation for Adequate Protection was filed with the Court and an order was entered on March 24, 2014 approving the same. The state of Erick Valentin Aguilar filed a Motion for Relief from Stay on February 4, 2014 asking for leave to continue against an insurance company in a malpractice case. On March 4, 2014 the Bankruptcy Court entered an order modifying the stay, to the extent that it might be applicable, to allow the estate to continue a state court action against said insurance company. On February 12, 2014 Debtor filed a motion requesting leave to abandon certain tv sets that were damaged. This request was granted by the court.

Debtor has and continues to implement cost saving measures to increase productivity and profitability, while assuring the best hospital care services to its patients. Debtor has also continued in its efforts to encourage the medical faculty to increase its malpractice insurance coverage and to complete the medical records on time so that the invoicing process can be accelerated.

Debtor has commenced the reorganization of its finance division, focusing on improving billing and collection systems, updating the information system and establishing additional measures for the establishment of a strict inventory control. In addition Debtor already started with the process of having medical records digitalized.

Contracts with medical plans have been updated and/or renewed with higher rates and the addition of more services, which allows for higher reimbursement per patient day. The impact of these recent negotiations will increase both, in-patient and out-patient revenues.

4.22 <u>Financial Results – Post Petition</u>

As a result of efforts in cost control and internal reorganization, Debtor has achieved positive results post-petition as can be seen form **Exhibit D-** Summary of Monthly Operating Reports.

4.23 <u>Quality of Care and Risk Management and Loss Control Programs</u>

In August 2010, Debtor appointed Dr. Enrique Vázquez Chief of Informatics and Quality Officer. Dr. Vázquez is responsible for overseeing and establishing strategic direction for quality, risk management and infection control programs. Debtor is engaged in effective processes for optimization and safety culture, through, among others, mortality, sentinel events (unanticipated death or severe organ damage), near miss (risk of death or severe organ loss), Medicare and Medicaid Incentive Programs for preventable complications like healthcare acquired conditions not present on admission (HAC's and POA), and utilization review to prevent denials, avoid recoveries from Medicare audit contractors (RAC's) and legal malpractice claims.

Risk Management is an integrated, hospital-wide program for the prevention, monitoring, and control of areas of potential liability exposure, minimizing legal malpractice claims. It is Debtor's intent through the Risk Management Program to enhance the safety of patients, visitors, and employees, and minimize financial loss to Debtor through risk detection, evaluation, and prevention. Within the scope of this work, Debtor is achieving its goals for continuous quality improvement, safety and patient satisfaction that will lead Debtor to a more cost-effective operation.

The following are critical components of Debtor's initiatives to enhance patient, visitor and employee safety, reduce medical errors and liability potential:

1. Promote non punitive environment so as to stimulate error reporting. It is a fact that hospitals in general report only 20% of medical errors and adverse events. With an increase in reporting errors and adverse events, there will be a better opportunity to measure the effectiveness of performance improvement activities.

2. Standardize medical errors and adverse events classification, assure thorough root cause (RCA) system analysis, emphasizing distinction of active and latent failure. The focus will be on the system and not the individual unless there is documented intention to harm or willful neglect.

3. All communication-handoff processes are to be thoroughly revised to assure that correct, clear and relevant information is communicated to the correct person at the right moment.

4. Clinical staffing (nursing in particular) guidelines and policies are to be revised so as to assure optimum staffing ratios and mix based on key variables of patient care needs, their complexity and severity as well as particular unit or department historical prevalence of HAC's (Healthcare Acquired Conditions), medical errors and medical malpractice claims and losses or their potential. Safety Officers are to be assigned to those areas with the highest incidence and prevalence of those factors.

5. Appropriate disclosure of adverse events to patients and family members is to be emphasized as part of an error, prevention, early detection and mitigation strategy.

6. A concurrent documentation improvement initiative is to be established so as to assure that precise and relevant clinical information is documented in the medical

record establishing the patient's true severity and complexity. By this means, certain statistics such as mortality and readmission rates can be appropriately adjusted and communication between healthcare providers regarding patient status, diagnosis and treatment will be more effective.

7. A continuous educational program for in-house staff regarding key risk management theory, concepts and standards is to be established. The recently contracted liability insurance carriers are to assist with their expertise and resources in this area.

8. Health information technology has evolved and in particular the Electronic Health Record (EHR) as well as the Computerized Physician Order Entry (CPOE). Debtor is committed to the optimization of its current Health Information System (HIS) as well as to the acquisition of the previously mentioned applications. With the correct systems in place and with current decision support potential including alerts, alarms and other safeguards, there should be a significant decrease in medical errors and adverse events.

V. CLAIMS AGAINST DEBTOR AND ITS ASSETS

5.1 Claims Against Debtor

Claims against Debtor that are Allowed Claims, as defined in the Plan, will be entitled to distribution pursuant thereto. Total claims scheduled under the second amended schedules (dkt #208) total $22,380,729.53. Creditors filed 71 proof of claims up to October 15, 2014 for a total aggregate amount of claims of $19,663,014.88. The amount of claims expected to be allowed is $21,388,851.50.

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 <u>Objections to Claims</u>

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 A** hereto a Summary of Claims and Plan Payments, including reconciliation of claims against Debtor, indicating those objected or to be objected and those pending stipulation.

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 (1) 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 Debtor's 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 Claims for voting purposes.

Debtor had objected to the following Claims:

POC No.	**Claimant**	**Total Amount Claimed**	**Classification of claim by Claimant**	**Amount Expected to be Allowed**	**Reason for Objection**	

4-1	PR TELEPHONE (Claro)	3,048.02	Unsecured	$0.00	Insufficient information to analyze claim Status: Pending	
5-1	Travelers indemnity Co.	1,815.00	Unsecured		Insufficient information to analyze claim Status: Objected	
6-1	Abbot laboratories inc.	24,480.00	Unsecured	$21.420.00	Insufficient information to analyze claim. Did not want to provide invoices to debtor unless attorney request them. Status: Creditor modified amount	
8-1	Yoly Industrial	$1,491.51	unsecured	$ 1,201.92	Partially paid Status: Granted	
9-1	Isla lab products.inc	$62,748.37	unsecured	$0.00	Duplicate with POC 68-1 Status: Stipulated	
15-1	ABC Mechanical Engineering Group Inc.	$42,740.50	Unsecured	$19,743.90	Includes late fees Status: Granted	

18-1	Carlos Marrero Ortiz	$20,000.00	unsecured	$6,262.91	In July he provide only partial service. Did not provide services after 2-Aug-11. Status: Granted	
20-1	Sucn. Erik Valentin Aguilar	$695,114.35	Secured unsecured	$148,962.34	See judgment Status: Adv. Procedure	
36-1	Cardinal Health P.R 120 Inc. (Borshow Hospital Medical Supplies) Unsecured	$366,612.93	Unsecured	$340,767.52	Not enough collateral	
42-1	Richard Perez	$7,622.71	Unsecured	$6,706.21	Partially Paid Status: Granted	
43-1	Sucn Carlos Alberto Vega	$41,680.00	unsecured	$2,305.00	Did not provide proof of services rendered Status: Granted	

47-1	P.R Department of Treasury	24,096.03	unsecured	1,263.64	Sales Tax paid Penalty surcharges adjusted. Status: Pending stipulation	
49-1	GE Healthcare IITS LLC	$268,000.08	Unsecured	$268,000.08	There is no information regarding the lien Status: Allowed	
56-1	Instituto Ortopedico Plaza las Americas	$32,000.00	unsecured	$28,000.00	Includes post petition invoice already paid. Status: Amended by POC 71-1	
65-1	Domingo Garcia Seda	$51,000.00	unsecured	$0.00	Bar Dated No Documentation of Claim. Status: Pending	
69-1	Anan I Otero	$100,000.00	unsecured	$0.00	Bar Dated No Documentation of Claim Status: Pending	
70-1	P.R Department of Labor	413,521.32	unsecured	$0.00	Bar Rated Estimated Partially Paid Status: Granted	

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 Classification of Claims

Unclassified Claims

In accordance with Section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims are not classified in the Plan. A description of the unclassified claims and the Claims and Interest in each class, as well as the estimated principal amount thereof as of the Effective Date and their treatment, are set forth in the Plan and summarized hereof.

Administrative Expense Claims are generally the ordinary and necessary costs of administering and operating during a Chapter 11 case. These claims include professionals, post-petition creditors and other administrative expenses of the estate. The total expected to be allowed of these unclassified claims is $ 245,097.82. For details of claimants, their proofs of claims, and amounts expected to be allowed see Summary of Claims and Plan Payments attached hereto as **Exhibit A-2**. Unclassified claims are unimpaired.

CLASS 1 - This class is comprised of the allowable priority tax claim of the Puerto Rico Treasury Department. The Treasury filed its proofs of claim #46-1 and 47-1 for $1,816,973.69 and $22,022.80 which are expected to be stipulated between the Debtor and Treasury. This Class is impaired.

CLASS 2 - This class is comprised of the allowable priority employee wages and accrued vacations due at the date of the filing of the petition. The total amount under this Class is $837,233.22. Debtor requested the Court permission to pay these benefits to employees and professionals as they may become due. Payment during the pendency of the case was authorized by the Court in docket #18. This Class is unimpaired. See Summary of Claims and Plan Payments in EXHIBIT A-3 and A-3a.

CLASS 3 - This class is comprised of the allowable priority tax claim of the Internal Revenue Service. The IRS filed its proof of claim #22-2 for $992.54 which was not objected. A Stipulation for the payment of IRS was approved by the Bankruptcy Court. See Docket No. 217 and Summary of Claims and Plan Payments in EXHIBIT A-3. This Class is unimpaired.

CLASS 4 - This class is comprised of the allowable priority tax claim of the Puerto Rico State Insurance Fund (SIF) for workmen's compensation. The SIF stipulated this claim with Debtor in docket No. 136 for $344,129.66 priority. The SIF recognizes as part of the stipulation that it owed the Debtor $120,935.00 for services. The amount owed by the SIF will be retained in partial payment of the claim. The Stipulation with the Puerto Rico State Insurance Fund was approved by the Bankruptcy Court. See Docket No. 154. See Summary of Claims and Plan Payments in EXHIBIT A-3. This Class is unimpaired.

CLASS 5 -This class is comprised of the priority tax claim of the Puerto Rico Labor Department. The Labor Department filed its proof of claim #70-1 for $396,864.76 which was objected. The objection was granted and no amount was allowed. See Summary of Claims and Plan Payments in EXHIBIT A-3.

CLASS 6 - This class is comprised of the allowable priority claim under section 509(b)(9) of Siemens Healthcare. Siemens filed proof of claim #58-1 for $16,102.72 which has been allowed. This Class is unimpaired. See Summary of Claims and Plan Payments in EXHIBIT A-3.

CLASS 7 - This class comprises the allowable secured claim of Oriental Bank and Trust. Oriental filed proof of claim #50-3, as amended, for $8,951,814.92 as of the date of the filing of the petition. Debtor has been paying $75,069.00 per month as adequate protection, to reduce principal since the filing of the petition. The claim is secured by real estate, accounts receivable and medical and hospital equipment of the Debtor not encumbered by other creditors. The total value of the collateral is estimated at $8,951,815. This Class is impaired. See Summary of Claims and Plan Payments in EXHIBIT A-1.

CLASS 8 - This class is composed of the allowed secured claim of the Internal Revenue Service. The IRS filed proof of claim # 22-2 for the amount of $540,265.29 which has been stipulated and approved by the Court. Debtor started paying during the month of September 2014 an adequate protection of $20,000 per month. This claim is secured by liens on personal property perfected with liens filed in the US District Court. This Class is impaired. See Summary of Claims and Plan Payments in EXHIBIT A-1.

CLASS 9- This class is composed of the claims of Advanced Wound Healing (proof of claim #64-1) for $90,000.00 and Borschow Hospital Medical (proof of claim #35-1) for $115,412.63. Both claims have been allowed for the aggregate $205,412.63. These claims are secured by medical equipment. This Class is impaired. See Summary of Claims and Plan Payments in EXHIBIT A-1.

CLASS 10- This class is comprised of unsecured executory contract claims. Scheduled executory contracts totaled $455,803.80, however proofs of claims 23-1 and 29-1 increased the amounts expected to be allowed, but with the adjustments to the scheduled amount of Continental Casualty, the amount expected to be allowed decreases to $383,299.22. Debtor has continued to pay this executory contracts except Continental Casualty that will not be payable under the plan since the scheduled amount was related to a deductible that is not expected to be due. Continental Casualty did not file a proof of claim. Debtor reached an agreement with Ciracet to pay 50% of their claim in 18 equally monthly installments of $1,639.35. The stipulation will be filed within the next five days. This Class is impaired. See Summary of Claims and Plan Payments in EXHIBIT A-4.

CLASS 11 - This class includes all allowed unsecured claims of less than $10,000.00, not included in class 10 or those of class 12 that elect to be treated under this class. The aggregate of allowable claims under this class, not including class 12 elections total $378,690.58. This Class is impaired. See Summary of Claims and Plan Payments in EXHIBIT A-5.

CLASS 12 - This class includes all allowed unsecured claims of more than $10,000.00, not included in classes 10, or 11, and those of Class 12 that may elect to be treated under Class 11. The aggregate of allowable claims under this class, not including class 12 elections total $5,878,865.59. This Class is impaired. See Summary of Claims and Plan Payments in EXHIBIT A-5.

CLASS 13 - This class is composed of the equity security holders of the Debtor as of the date of filing the petition. This Class is impaired.

6.2 Treatment of Allowed Claims

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

CLASS 1 - The Allowed Priority Claim of PR Department of Treasury shall be paid either (i) upon such terms as may be agreed to with such Holder or (ii) Debtor shall pay $500,000 on or before the Effective Date and the remaining $1,000,000 shall be paid in deferred 12 equal consecutive monthly installments commencing on the Effective Date, equal to $83,333.00 without interest. See Summary of Claims and Plan Payments attached hereto as **Exhibit A-3**. Debtor is working on a stipulation with the PR Department of Treasury. For details of the proofs of claims, and amounts expected to be allowed see Summary of Claims and Plan Payments attached hereto as **Exhibit A-3**.

CLASS 2 - These claims will be paid in full as per Court Order on dkt #18 or as they become due without interest. Up to September 3, 2014, $590,324.38 had been paid. No amounts under this class are expected to be payable as of the effective date of the plan. For details of claimants, their proofs of claims, and amounts expected to be allowed see Summary of Claims and Plan Payments attached hereto as **Exhibit A-3**.

CLASS 3 - The Allowed Priority claim of the Internal Revenue Service, $992.54, will be paid within 90 days of the Effective Date of the Plan without interest. See Summary of Claims and Plan Payments attached hereto as **Exhibit A-3**.

CLASS 4 - The allowed Priority Claim of the State Insurance Fund was stipulated as per docket 136 and approved in docket #154. As part of the stipulation $120,935.00 owed by the SIF to the Debtor was applied to the priority portion of the claim and reduced the allowed priority to $223,194.66. Commencing 60 days after the Effective Date of the Plan, the allowed claim will be paid in full in 60 equal installments of $4,135.70, including principal and interest at the rate of 4.25% per annum. See Summary of Claims and Plan Payments attached hereto as **Exhibit A-3**.

CLASS 5 - The Priority Claim of the Puerto Rico Department of Labor was objected and the objection granted in full. No amount will be paid under this class. See Summary of Claims and Plan Payments attached hereto as **Exhibit A-3**.

CLASS 6 - The allowed Priority Claim of Siemens Healthcare will be paid in 60 equal monthly installments of $268.38, without interest, commencing 60 days after the Effective Date of the Plan. See Summary of Claims and Plan Payments attached hereto as **Exhibit A-3**.

CLASS 7 - The allowed secured claim of Oriental, is currently being paid $75,069.00 per month according to a payment plan agreed upon in 1991. This Plan proposes to restructure the balance of the allowed secured claim to be amortized in a 30 year term with interest at the annual rate of 4.25%. Monthly installments of $38,867.43, including principal and interest, will commence at the Effective Date of the Plan. Debtor's guarantee to ORIENTAL will remain unaltered, retaining its perfected security interest on Debtor's real estate, accounts receivable and medical and hospital equipment until full satisfaction of its claim. See Summary of Claims and Plan Payments attached hereto as **Exhibit A-1**.

CLASS 8 - The allowed secured claim of the Internal Revenue Service will receive adequate protection payments of $20,000 per month, starting September 2014, up to the Effective date of the Plan. Commencing 30 days after the Effective Date, the holder of claim under this class will receive up to 23 equal monthly installments of $20,617.38 of principal including interest at the annual rate of 3%, which is the statutory rate expected to be prevailing at the confirmation date. See Summary of Claims and Plan Payments attached hereto as **Exhibit A-1**.

CLASS 9 - Advanced Wound has been paid during the pendency of the case, or is expected to have paid before the Effective Date of the Plan a total of $90,000.00. Borschow has been paid during the pendency of the case, or is expected to have been paid before the Effective Date of the Plan $115,412.63. See Summary of Claims and Plan Payments attached hereto as **Exhibit A-1**.

CLASS 10 - The allowed claims arising from assumed executory contracts, will be paid in full satisfaction of such claims through different payment plans negotiated with the contract parties, as detailed in Debtor's Summary of Claims and Plan Payments attached hereto as **Exhibit A-3**. Debtor reached an agreement with Ciracet to pay 50% of their claim in 18 equally monthly installments if $1,639.35. The stipulation will be filed within the next five days. All other payments are expected to be completed prior to the effective date of the plan.

CLASS 11 - This class will receive 5% of the allowed amount of their claim, not to exceed $500, per claim, within 90 days of the Effective Date of the Plan. The aggregate distribution in this class is expected to be $18,934.53. For details of claimants, their proofs of claims, and amounts expected to be allowed see Summary of Claims and Plan Payments attached hereto as **Exhibit A-4, Column for Class 11**.

CLASS 12 - General Unsecured claims allowed for amounts more than $10,000.00, except those claims that elect to be included in classes 11 and those unsecured claims included in classes 10 and 11, will receive 5% of the allowed amount of their claim, in 60 consecutive installments, without interest, commencing 60 days after the Effective Date of the Plan. The aggregate monthly payments under this class are expected to be $4,242.08. For details of claimants, their proofs of claims, and amounts expected to be allowed see Summary of Claims and Plan Payments attached hereto as **Exhibit A-5 Column for Class 12**.

CLASS 13 - The equity security holders of pre-petition common shares will receive no distribution for their interest, however they will be allowed to retain their existing shares in the Debtor's corporation. No dividends will be payable during the payment plan term and until all other administrative, priority and unsecured classes are paid as stated in the plan.

6.3 Means for Implementation of the Plan

Except as otherwise provided in the Plan, Debtor will effect payment of all Allowed Administrative Expense Claims, Priority Tax Claims. Oriental Bank's Secured Claim and General Unsecured Claims with the available funds originating from Debtor's operations and the collection of Debtor's accounts receivable.

6.4 Debtor's Post Confirmation Management

After confirmation of the Plan, Debtor will continue with its current

Management, consisting of:

1- Hospital Administrator - Ramon Vilar Rovira, MHA

2- Chief Financial Officer - Yodee A. Reynolds Gossette

3- Chief Executive Officer - Ing. José O. Pabón Quiñones

4- Chief Operating Officer - Ing. José O. Pabón Quiñones

5- Medical Director - Dra. Eduarda Pabón Torres

6- Director of Nurses Services - Luz E. Rivera Rodríguez, BSN

7- Human Resources Director - Aymette García Maldonado

8- Director of Physical Facilities - Ing. José O. Pabón Quiñones

9- Epidemiologist. - Gladys Rivera Ramos, BSN Epidemiologist

6.5 Executory Contracts and Unexpired Leases

All executory contracts and unexpired leases which have not expired by their own terms or have been assumed or rejected on or prior to the Confirmation Date shall be deemed rejected on the Effective Date, and the entry of the Confirmation Order by the Bankruptcy

Court shall constitute approval of such rejections pursuant to Sections 365(a) and 1123(b)(2) of the Bankruptcy Code.

VII. LIQUIDATION AND FINANCIAL ANALYSIS

7.1 Best Interest of Creditors and Comparison with Chapter 7 Liquidation

In order for the Court to approve the Reorganization Plan proposed by Debtor, it must be demonstrated that the creditors will be treated better than or receive distributions superior to those they would receive under a Chapter 7 Liquidation. In the event Debtor's Chapter 11 case is converted to Chapter 7 of the Bankruptcy Code, Debtor would be required to cease all activities, its approximately 600 employees and subcontractors would be dismissed and a Chapter 7 trustee appointed for Debtor's Estate to liquidate the Estate's assets pursuant to the provisions of the Bankruptcy Code, after attending to the immediate issues of securing Debtor's assets, and the resolution of any issues involving Debtor's employees. The Chapter 7 Trustee could abandon Debtor's assets due to their lack of equity for unsecured creditors. In this case, other creditors will not receive any dividends in or out of the bankruptcy proceedings.

A Liquidation Analysis with respect to Debtor's assets as of October 30, 2013 is attached as **EXHIBIT C** hereto (the "Liquidation Analysis"). 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.

The Liquidation Analysis, after considering the possible recovery from the sale of assets by the Trustee in public auctions, shows clearly that unsecured creditors would receive nothing from a Chapter 7 Liquidation. It should also be considered that due to the nature of the institution, the liquidation proves could take as long as five years prior to actually distributing funds even to secured creditors. In the event of the abandonment of real estate due to lack of equity, the secured creditor would be able to foreclose on the property, however it would not be receiving title on the licenses or permits to operate the institution, and this would further complicate the possibilities of recovering its claim from the sale of the foreclosed property. Based on the above, the Analysis shows that the Plan of Reorganization provides substantially more recovery to all creditors than a liquidation, and the plan permits avoids the loss of jobs and permits the institution the opportunity to continue servicing the community.

Confirmation of the Plan will ensure that holders of Administrative Expense Claims, Allowed Priority Tax Claims, Oriental Bank and Allowed Convenience and General Unsecured Claims to receive prompt dividends on their claims.

7.2 <u>Feasibility of the Plan</u>

A) <u>Financial Projections</u>

Debtor, with the assistance of its Court appointed financial consultant, has prepared financial projections (the "Projections") based on the confirmation and implementation of the Plan. The 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 Projections will be realized.

The projections attached as **Exhibit B** to this Disclosure Statement contemplate the five year period commencing on the Effective Date of the Plan.

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

As of the Petition Date, Debtor owned assets and had liabilities, as more particularly described in its Schedules and Statement of Financial Affairs, which Debtor filed with the Bankruptcy Court on October 30th, 2013, as amended on December 17, 2013 and August 7, 2014. As aforesaid, Debtor has prepared and filed with the Bankruptcy Court monthly operating reports summarizing its post-petition financial performance. These monthly operating reports and Debtor's Schedules, Statement of Financial Affairs are available for public inspection at the office of the Clerk of the Bankruptcy Court during regular business hours and the PACER System at any time, seven days a week. On **Exhibit D** hereto, Debtor is including a summary of its monthly operating reports for the period of October 2013 to August, 2014.

C) Personal Property

As of the Petition Date, Debtor's Schedules listed Debtor's personal property, excluding accounts receivable, consists of checking accounts, security deposits, furnishings and medical supplies, medical equipment, vehicles, prepaid insurance, and inventory totaling $1,422,260.00 at their estimated market values.

D) Accounts Receivable and Liquidated Debts

As of October 30, 2013, Debtor's net accounts receivable totaled $4,683,720.00, which are considered collectible based on past years' experience, write-offs history, and analysis of doubtful accounts.

E) Real Estate

The Debtor is owner of the hospital and office facilities in which it operates. Based on prior appraisals and the existing market condition, Debtor has estimated the market value of its real estate at $5,000,000.00 as of the filing of the petition.

7.3 Pending Litigation and Other Liabilities

At the time of the filing of the Chapter 11 petition, the following cases were pending and were stayed by the by the provisions of Section 362(a)[3] of the Bankruptcy Code:

CAPTION OF SUIT AND CASE NUMBER	NATURE OF PROCEEDING	COURT OR AGENCY AND LOCATION	STATUS OR DISPOSITION
ANGEL LUIS TORRES ANDROVER, *et als* vs. CENTRO MEDICO WILMA N.VAZQUEZ, *et als*	MALPRACTICE CAUSE OF ACTION	COURT OF FIRST INSTANCE OF PUERTO RICO BAYAMON SECTION	STAYED PENDING TRIAL
ANA I. OTERO GONZALEZ, *et als vs.* CENTRO MEDICO WILMA N. VAZQUEZ	TORT ACTION ACCIDENT	COURT OF FIRST INSTANCE OF PUERTO RICO BAYAMON SECTION	STAYED PENDING TRIAL
ANGEL; G. TORRES, *et als vs.* CENTRO MEDICO WILMA N. VAZQUEZ, *et als*	DISCRIMINATION AND UNJUST TERMINATION	COURT OF FIRST INSTANCE OF PUERTO RICO BAYAMON SECTION	JUDGEMENT
BRENDA LIZ MERCADO, *et als vs. CENTRO MEDICO WILMA N. VAZQUEZ, et als*	Labor wrongful dismissal, pregnancy discrimination	COURT OF FIRST INSTANCE OF PUERTO RICO BAYAMON SECTION	STAYED SETTLEMENT NEGOTIATIONS PENDING

CESAR CASTILLO, *et als vs.* CENTRO MEDICO WILMA N. VAZQUEZ	COLLECTION OF MONEY	COURT OF FIRST INSTANCE OF PUERTO RICO BAYAMON, SECTION	STAYED SETTLEMENT NEGOTIATION
BANCO SANTANDER *vs. Dr. ENRRIQUE VAZQUEZ PARES*; *et als*	COLLECTION OF MONEY	COURT OF FIRST INSTANCE OF PUERTO RICO BAYAMON SECTION	STAYED COMPLAINT FILED
PERFECT CLEANING SERVICES,INC. et als vs. CENTRO MEDICO WILMA N. VAZQUEZ. et als	COLLECTION OF MONEY	COURT OF FIRST INSTANCE OF PUERTO RICO BAYAMON SECTION	STAYED SETTLEMENT NEGOTIATION
RUBEN GUZMAN RIVERA *et als vs.* CENTRO MEDICO WILMA N. VAZQUEZ, *et als*	TORT ACTION	COURT OF FIRST INSTANCE OF PUERTO RICO BAYAMON SECTION	STAYED
NITZA ENID SANCHEZ RODRIGUEZ, *et als vs.* HOSPITAL DAMAS, INC., *et als* CIVIL NO. JDP 2009-0530	TORT ACTION PONCE SECTION	COURT OF FIRST OF PUERTO RICO INSTANCE	STAYED

Debtor has the benefits of a malpractice insurance policy. For the years 2009 to 2010 the coverage was for $500,000 for occurrence and $1,000,000 in the aggregate. The insurance was placed with Aegis International Insurance Corporation. For the years 2010 to 2011 the coverage was for $500,000 for occurrence and $1,000,000 in the aggregate. The insurance was placed with Aegis International Insurance Corporation. For the years 2011 to 2012 the coverage was for $500,000 for occurrence and $1,000,000 in the aggregate. The insurance was placed with CNA. For the years 2012 to 2013 the coverage was for $500,000 for occurrence and $1,000,000 in the aggregate. The insurance was placed with CNA. For the years 2013 to 2014 the coverage was for $500,000 for occurrence and $1,000,000 in the aggregate. The insurance was placed with CNA.

VIII. BAR DATE AND DETERMINATION OF CLAIMS

8.1 Bar Date

On November 1, 2013, in the "Notice of Chapter 11 Bankruptcy Case, Meeting of Creditors and Deadlines" issued in Debtor's case, the Bankruptcy Court fixed March 9, 2014, as the bar date for the filing of proofs of claims and interests (except for Governmental Units), and April 28, 2014, 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 Debtor's 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 Debtor's Chapter 11 Case, or (c) the proposal of an alternative plan.

A. Liquidation Under Chapter 7

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

To estimate the amount available for distribution, real estate was adjusted to liquidation value at a 30% discount. This discount is very conservative due to the specialized nature of the buildings. Discounts on real estate sold in chapter 7 proceedings have been seen as high as 50% of market, due to the extensive inventories of repossessed properties and the reality that financial institutions are very limited in the financing offer even for acquisition of real estate due to the reduced market values.

Vehicles, equipment, are estimated to be sold at 25% of their market values and office equipment at 10%. These values respond to the age of the equipment and the fact that new equipment prices are lower as technology advances. The estimated recovery from the sale of assets, assuming the Trustee does not abandon the secured creditors' collaterals, and the Trustee does not file preferential actions is $7,165,458.

Secured creditors and real estate taxes would be paid in full, Chapter 7 administrative expenses that are estimated at $168,763 would be paid in full, Chapter 11 administration expenses, including professionals and post-petition suppliers would be paid in full, but priority claims would not recover more than 53% and unsecured creditors would receive nothing. The process and distribution to creditors could take as long as two to three years. Another consequence of the liquidation would be the loss of jobs and the loss of the client for all creditors, causing other reduction in indirect jobs in the area and affecting the accessibility to healthcare to thousands of elderly and low income patients.

As set forth in the Liquidation Analysis attached as **Exhibit C** hereto, Debtor believes that conversion of the Case to Chapter 7 of the Bankruptcy Code would result in no distribution to General Unsecured Claims other than those arising From Malpractice Claims due to additional decreases in values of Debtor's assets, delay in distribution on account of such conversion, and the encumbrance of substantially all of Debtor's assets by Oriental Bank.

Thus, Debtor believes that the interest of creditors and the goals of Chapter

11 are better served by the confirmation of the Plan.

B. <u>Dismissal of the Case and/or Foreclosure by Oriental Bank</u>

The dismissal of the case will cause a run of creditors to the state court in an effort to collect what is owed to them and the Foreclosure by Oriental Bank of almost all the assets of the Debtor which serves as collateral to its commercial loan. Therefore, dismissal should not be seen as a viable alternative for creditors.

C. <u>Alternative Plan of Reorganization</u>

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

X. TAX EFFECTS

Debtor is a domestic corporation registered under the Laws of the Commonwealth of Puerto Rico. The reduction of debt contemplated in this Plan is not taxable, however it is required that such income from debt reduction be used to reduce tax losses carried forward.

As of December 31, 2012, the Hospital had carryforward losses amounting to approximately $6,600,000, which are available to offset future taxable income expiring as follows:

Year of loss	Amount	Expiration Date
2007	$ 20,000	December 31, 2019
2009	106,155	December 31, 2021
2010	5,138,129	December 31, 2022

2011	894,716	December 31, 2023
2012	472,151	December 31, 2024
	$6,631,151	

The reduction in debt contemplated by this plan is approximately $4,900,000.00, leaving still $1,731,000 in losses carried forward available for reduction of future taxable income. These losses would expire between 2019 and 2024.

XI. CONCLUSION

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

San Juan, Puerto Rico this 3/th of October, 2014.

INSTITUTO MEDICO DEL NORTE INC.

By: ______________________

\s\ José O. Pabón, BSCE
President of the Board of Directors
And Chief Executive Officer

LIST OF EXHIBITS