

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

CASE NO. 13-08961(ESL) CHAPTER  
11

Debtor

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DEBTOR'S AMENDED PLAN OF  
REORGANIZATION OF  
INSTITUTO MEDICO DEL NORTE, INC.  
August 31, 2015

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DEBTOR'S AMENDED PLAN OF  
REORGANIZATION

COMES NOW INSTITUTO MEDICO DEL NORTE, INC. ("the Debtor") and hereby proposes the following Amended Plan of Reorganization (the "Plan") under Section 1121 of Title 11 of the United States Code.

ARTICLE I

DEFINITIONS AND CONSTRUCTION OF TERMS

For purposes of this Plan, the following terms shall have the meanings specified in this Article I. A term used but not defined herein, which is also used in the Bankruptcy Code, shall have the meaning ascribed to that term in the Bankruptcy Code. Wherever from the context it appears appropriate, each term stated shall include both the singular and the plural, and pronouns shall include the masculine, feminine and neutral, regardless of how stated. The words "herein," "hereof," "hereto," "hereunder" and other words of similar import refer to the Plan as a whole and not to any particular Section, sub-Section or clause contained in the Plan. The rules of construction contained in Section 102 of the

Bankruptcy Code shall apply to the terms of the Plan. The headings in the Plan are for convenience of reference only and shall not limit or otherwise *affect* the provisions hereof.

1- "Administrative Claim" shall mean a Claim that is Allowed under Section 503(b) of the Bankruptcy Code and that is entitled to priority under Section 507(a)(1) of the Bankruptcy Code, including, without limitation:

(a) fees and expenses of Professionals Allowed pursuant to a Final Order entered under Sections 330, 331, or 503 of the Bankruptcy Code, and

(b) all fees and charges assessed against the Estate pursuant to 28 U.S.C. §1930.

2- "Allowed" shall mean, with reference to any Claim:

(a) a Claim that has been listed by the Debtor in its Schedules, as amended, and (i) is not listed as disputed, contingent or unliquidated, and (ii) is not a Claim as to which a proof of claim has been filed;

(b) a Claim as to which a timely proof of claim has been filed by the Bar Date and either (i) no objection thereto, or application to estimate, equitably subordinate or otherwise limit recovery, has been made on or before any applicable deadline, or (ii) if an objection thereto, or application to estimate, equitably subordinate or otherwise limit recovery has been interposed, the extent to which such Claim has been Allowed (whether in whole or in part) by a Final Order;

(c) a Claim arising from the recovery of property under Section 550 or 553 of the Bankruptcy Code and Allowed in accordance with Section 502(h) of the Bankruptcy Code; or

(d) any Claim expressly Allowed under the Plan or pursuant to the Confirmation Order.

3- "Bankruptcy Case" shall mean the Debtor's Chapter 11 case pending in the Bankruptcy Court.

4- "Bankruptcy Code" shall mean Title 11 of the United States Code, as amended from time to time, as applicable to the Bankruptcy Case.

5- "Bankruptcy Court" shall mean the United States Bankruptcy Court for the District of Puerto Rico where the Bankruptcy Cases are pending.

6- "Bankruptcy Rules" shall mean the Federal Rules of Bankruptcy Procedure as promulgated under 28 U.S.C. §2075, and any local rules of the Bankruptcy Court.

7- "Bar Dates" shall mean March 9, 2014 and April 28, 2014, fixed as the last dates for the filing of proofs of claim by creditors asserting Claims against Debtor, other than governmental units, and by governmental units, as stated in the "Notice of Chapter 11 Bankruptcy Case, Meeting of Creditors and Deadlines" dated November 1, 2013, issued by the Clerk of the Bankruptcy Court in Debtor's Bankruptcy Case, or otherwise be forever barred from asserting a Claim against Debtor or its property and from voting on the Plan and/or sharing in distributions under the Plan.

8- "Business Day" shall mean any day other than a Saturday, Sunday or legal holiday recognized in the Commonwealth of Puerto Rico.

9- "Dollar or \$" shall mean lawful currency of the United States of America (including wire transfers, cashier's checks drawn on a bank insured by the Federal Deposit Insurance Corporation, certified checks and money orders).

10- "Cash Equivalents" shall mean equivalents of Cash in the form of readily marketable securities or instruments issued by a Person other than the Debtor or an affiliate of the Debtor, including, without limitation, readily marketable direct obligations of, or obligations guaranteed by the United States of America, commercial paper of domestic corporations carrying a Moody's Rating of "A" or better, or equivalent rating of any other nationally recognized rating service, interest-bearing certificates of deposit.

11- "Claim" shall mean a claim against a Person or its property as defined in Section 101(5) of the Bankruptcy Code, including, without limitation, (i) any right to payment, whether or not such right is

reduced to judgment, and whether or not such right is liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured; or (ii) any right to an equitable remedy for breach of performance, if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, or is fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

12- "Claims Objection Bar Date" shall mean the later of (1) the date that such claim becomes due and payable in accordance with its terms, or thirty (30) days before the first date fixed by the Bankruptcy Court for the hearing on the confirmation of Debtor's Plan.

13- "Claims Objection" means the objections to claims that have been or may be filed against the Holders (or purported Holders) of Claims.

14- "Class" shall mean those classes designated in Article III of the Plan.

15- "Collateral" shall mean any property or interest in property of the Estate subject to a Lien to secure the payment or performance of a Claim, which Lien is not subject to avoidance or otherwise invalid under the Bankruptcy Code or applicable law.

16- "Confirmation Date" shall mean the date on which the Clerk of the Bankruptcy Court enters the Confirmation Order on the docket in this Bankruptcy Case.

17- "Confirmation Order" shall mean the order of the Bankruptcy Court confirming the Plan pursuant to the provisions of the Bankruptcy Code.

18- "Contingent or Unliquidated Claim" shall mean any Claim for which a proof of claim has been filed with the Bankruptcy Court but which was not filed in a sum certain, or which has not occurred and is dependent upon a future event that has not occurred or may never occur, and which has not been Allowed.

19- "Creditors" shall mean any person or entity having an Allowed Claim against Debtor.

20- "Debtor" shall mean Instituto Médico del Norte, Inc., Centro Medico Wilma N. Vazquez, Inc., Hospital Wilma N. Vazquez and/or Skill Nursing Facility of Centro Medico Wilma N. Vazquez.

21- "Disclosure Statement" shall mean the disclosure statement relating to the Plan, including, without limitation, all exhibits and schedules thereto, in the form approved by the Bankruptcy Court pursuant to Section 1125 of the Bankruptcy Code.

22- "Disputed Claim" shall mean:

(a) if no proof of claim relating to a Claim has been filed, a claim that is listed in the Schedules as unliquidated, disputed or contingent; or

(b) if a proof of claim relating to a Claim has been filed, a Claim as to which a timely objection or request for estimation, or request to equitably subordinate or otherwise limit recovery in accordance with the Bankruptcy Code and the Bankruptcy Rules has been made, or which is otherwise disputed by the Debtor in accordance with applicable law, which objection, request for estimation, action to limit recovery or dispute has not been withdrawn or determined by Final Order; or

(c) a Claim which is a Contingent or Unliquidated Claim.

23- "Disputed Claim Amount" shall mean the amount set forth in the proof of claim relating to a Disputed Claim or an amount estimated pursuant to an order of the Bankruptcy Court in respect of a Disputed Claim in accordance with Section 502(c) of the Bankruptcy Code.

24- "Disputed Claims Reserve" shall have the meaning set forth in Section 5.6 hereof.

25- "Distribution Record Date" shall mean the Business Day preceding the Effective Date.

26- "Effective Date" shall mean the date which is thirty (30) days after the Confirmation Date, or if such date is not a Business Day, the next succeeding Business Day; provided, however, that if, as of such date, all conditions precedent to the occurrence of the Effective Date set forth in Article X of the

Plan have not been satisfied or waived pursuant to Section 10. 2 of the Plan, then the first Business Day immediately following the day upon which all such conditions have been satisfied or waived.

27- "Equity Holder" shall mean the owner of any stock of the debtor.

28-"Equity Interest" shall mean the interest of any holder of common equity securities of Debtor, and all options, warrants and rights, contractual or otherwise, to acquire any such equity securities in Debtor, as such interest exists immediately prior to the Effective Date.

29-"Estate" shall mean the estate created in the Bankruptcy Case pursuant to Section 541 of the Bankruptcy Code.

30-"Excess Cash Flow" shall mean with respect to any fiscal year, earnings before interest, taxes, depreciation and amortization ("EBITDA"), minus (i) income taxes; (ii) payments to Debtor's General Unsecured Creditors under the Plan; (iv) payment of all of Debtor's debt service.

31-"Final Decree" shall mean the order of the Court closing Debtor's case after Debtor's estate is fully administered.

32-"Final Order" shall mean an order or judgment which has not been reversed, stayed, modified or amended and, as to which (i) the time to appeal or seek review or rehearing has expired and no appeal or petition for *certiorari*, review or rehearing is pending, or (ii) if an appeal, review, re-argument or *certiorari* of the order has been sought, the order has been affirmed or the request for review, re-argument or *certiorari* has been denied and the time to seek a further appeal, review, re-argument or *certiorari* has expired, and as a result of which such order shall have become final and non-appealable in accordance with applicable law; provided, however, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be filed with respect to such order shall not cause such order not to be a Final Order.

33-"General Unsecured Claim" shall mean a Claim that is not a Secured Claim or that is not entitled to priority of payment under Section 507 of the Bankruptcy Code.

34-"Holder" shall mean a Person or Entity who holds a Claim or Interest.

35-"Internal Revenue Code" shall mean Title 26 of the United States Code, as amended from time to time.

36-"Lien" shall have the meaning set forth in Section 101(37) of the Bankruptcy Code, except that a lien that has been avoided in accordance with Sections 544, 545, 546, 547, 548, 549 or 553 of the Bankruptcy Code shall not constitute a Lien.

37-"Order of Relief" shall mean the date of the entry of the order of relief.

38-"Organizational Documents" shall mean Debtor's corporate bylaws, amended certificate of incorporation, as the case may be, together with all other corporate documents necessary to effectuate the provisions of the Plan. In accordance with Section 1123(a)(6) of the Bankruptcy Code, Debtor's amended certificate of incorporation will prohibit the issuance of non-voting equity securities until such time as all payments have been made under the Plan and all other of Debtor's obligations under the Plan have been satisfied or discharged.

39-"Person" shall mean any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated association or organization, governmental agency or political subdivision thereof.

40-"Petition Date" shall mean October 30, 2013, the date on which Debtor filed its voluntary Chapter 11 petition with the Bankruptcy Court, pursuant to the Bankruptcy Code.

41-"Plan" shall mean this Plan of Reorganization under Chapter 11 of the Bankruptcy Code, including, without limitation, the Plan Documents, if any, and all exhibits, supplements, appendices and



schedules hereto and thereto, either in their present form or as the same may be altered, amended or modified from time to time.

42-"Plan Documents" shall mean and include such agreements, instruments and documents as may be required to effectuate the terms of this Plan.

43-"Priority Claims" shall mean any and all Claims (or portions thereof), entitled to priority under Section 507(a) of the Bankruptcy Code other than Priority Tax Claims and Administrative Expense Claims.

44-"Priority Tax Claims" shall mean any Claim of a governmental unit entitled to priority under Section 507(a)(8) of the Bankruptcy Code.

45-"Professionals" shall mean those Persons (i) employed pursuant to an order of the Bankruptcy Court in accordance with Sections 327 or 1103 of the Bankruptcy Code and to be compensated for services pursuant to Sections 327, 328, 329, 330 and 331 of the Bankruptcy Code, or (ii) for which compensation and reimbursement is allowed by the Bankruptcy Court pursuant to Section 503(b)(4) of the Bankruptcy Code.

46-"Pro Rata" shall mean a proportionate share of the total distribution made at any particular time under this Plan to the holders of Allowed Claims in a Class, such that the ratio of the consideration distributed on account of an Allowed Claim in a Class to the amount of such Allowed Claim is the same as the ratio of the amount of the consideration distributed on account of all Allowed Claims in such Class to the total of all Allowed Claims in such Class.

47-"Schedules" shall mean the schedules of assets and liabilities, the list of holders of interests and the statements of financial affairs filed by the Debtor under Section 521 of the Bankruptcy Code and Bankruptcy Rule 1007, as such schedules, lists and statements have been or may be supplemented or amended from time to time.

48-"Secured Claim" shall mean any Claim that is secured by Collateral, to the extent of the value of such Collateral, as determined in accordance with Section 506(a) of the Bankruptcy Code, or, in the event that such Claim is a claim of setoff under Section 553 of the Bankruptcy Code, to the extent of the amount of such setoff.

**ARTICLE II  
TREATMENT OF ALLOWED ADMINISTRATIVE EXPENSE CLAIMS AND  
ALLOWED PRIORITY TAX CLAIMS**

**2.1 Non-Classification.**

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 administrative unclassified claims is \$276,520.82.

**2.2 Administrative Expense Claims.**

(a) General. 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 Cash in the regular course of business or as authorized by the Court on or before the Effective Date.

(b) U.S. Trustee's Fees. The United States Trustee's quarterly fees shall be paid in full without prior approval pursuant to 11 U.S.C. § 1930 on or before the Effective Date.

(c) Professional Compensation and Expense Reimbursement Claims.

The professionals retained by Debtor in Debtor's Chapter 11 case have and will incur fees and expenses from the date of their retention through the Effective Date of the Plan. It is impossible to predict the amount of professional administrative expense fees that will be incurred through the confirmation of the Plan. Pursuant to orders of the Bankruptcy Court, certain professionals have been paid interim fees and expenses. As of the filing of this Disclosure Statement, Debtor has paid approximately \$270,000.00 in fees and expenses to its professionals. Debtor estimates that additional allowed Professional Fee Claims to its professionals will aggregate from \$100,000.00 to \$150,000.00 for unpaid services rendered and expenses incurred up to the Confirmation of the Plan. All amounts paid to professionals through the Confirmation Date, including interim fees and expenses already paid are subject to final Bankruptcy Court approval. Debtor reserves the right to contest the allowance of any professional fees.

Other Unclassified: Unclassified also include claims by the Municipality of Vega Baja for which no proof of claim has been filed and that could be considered priority or unsecured once a proof of claim is filed and Debtor has the opportunity to review it. The Debtor has agreed to consent to the filing of the late proof of claim in good faith and will review the claim when filed in order to reach an agreement on the amounts and treatment under the plan. Also unclassified includes administrative claims of the Municipality of Vega Baja for which no proof of claim or motion for administrative payment has been filed as of this date. Once these administrative claims have been filed Debtor will review the claim in order to reach an agreement on the allowable amounts and treatment under the plan. A stipulation by the Municipality and the Debtor is being filed simultaneously to this amended plan of reorganization. If an agreement cannot be reached by September 11, 2015, Debtor shall file its objection to these claims by September 18, 2015 and the Municipality will file its reply by September 28, 2015.

**ARTICLE III  
CLASSES OF CLAIMS AND EQUITY INTEREST**

As of the Petition Date, Debtor had secured debt with Oriental Bank, Internal Revenue Service and other suppliers, priority tax liabilities, unsecured debt and non-priority unsecured debt, as more particularly described below. The Plan classifies the various claims against Debtor. A description of all classes of Claims and the Equity Interest, the estimated principal amount of each Class as of the Effective Date and its treatment are set forth below.

The Classes of claims and the Interest in Debtor are as follows:

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 #46-2 and 47-3 which were stipulated between the Debtor and the Treasury Department as an allowed priority claim of \$2,515,948.69. 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's 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.

CLASS 3 - This class is comprised of the allowable priority tax claim of the Internal Revenue Service. The IRS filed its proof of claim #22-3 for \$996.92 which was not objected. 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 included in Proof of Claim 32-1. The SIF stipulated this claim with Debtor in docket No. 136 and the SIF amended its POC as POC #32-2 for \$292,785.22. Debtor has allowed the amendment as 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 and applied to the priority claim principal amount. The deferred balance of this allowed priority claim, after deducting the amount owed by the SIF, is \$171,850.22 The Stipulation with

the Puerto Rico State Insurance Fund was approved by the Bankruptcy Court on docket# 154. 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 in docket # 179\_and no amount was allowed.

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.

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 May 1, 2014, instead of October 30, 2013 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. As of the date of this Amended Plan the Debtor has paid \$1,651,518.00 adequate protection and expects to pay another \$225,207.00 (3 months) prior to the effective date of the Plan. The expected balance as of the effective date of the plan is \$7,358,286.79. The claim is secured by real estate of the Debtor, accounts receivable and medical and hospital equipment not encumbered by other creditors. The total value estimated of the collateral is \$8,951,815. This Class is impaired.

CLASS 8 - This class is composed of the allowed secured claim of the Internal Revenue Service. The IRS filed proof of claim # 22-3 for the amount of \$540,265.29 which has been stipulated with Debtor (docket #197)and approved by the Court in docket 217. 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. A Stipulation for the payment of IRS was approved by the Bankruptcy Court in docket #217. This Class is impaired.

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. Debtor has made monthly payments to these secured creditors they have paid them in full, without interest prior to the effective date of the plan. This Class is impaired.

CLASS 10 - This class is comprised of unsecured executory contract claims. Scheduled executory contracts totaled \$455,803.80, however proofs of claims and adjustments reduced 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 these 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 proof of claim # 41 in 18 equally monthly installments of \$1,639.35. The stipulation was filed on November 10, 2014, docket # 293 and approved by the Court on December 5, 2014, docket #311. This Class is impaired.

CLASS 11 - This class includes all allowed unsecured claims of less than \$10,000.00, not included in class 10 and 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 \$378,990.58. This Class is impaired.

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 \$6,329,352.88. This Class is impaired

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.

#### ARTICLE IV TREATMENT OF 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. Other allowed unclassified priority claims of the Municipality of Vega Baja priority claims shall be paid within 60 months of the effective date of the plan including interest at the annual rate of 6%. Allowed administrative claims of the Municipality of Vega Baja would be paid \$48,673.00 upon confirmation of then amended plan and any remaining post petition accrued municipal license tax shall be paid as agreed by the parties and approved by the Court.

CLASS 1 – The Debtor and the Puerto Rico Treasury filed a stipulation (dkt#447) for the payment of its allowed priority tax claims in the following manner: 10% of the allowed principal or \$251,947.87 upon the effective date of the plan, and the remaining balance of \$2,264,353.83 will be paid in 60 equal monthly installments of \$40,939.52, including principal and interest at the rate of 3.25% per annum commencing 30 days after the effective date. 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. 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 on 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 \$171,850.22. Commencing 60 days after the Effective Date of the Plan, the allowed claim will be paid in full in 60 equal installments of \$3,184.31, 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, without interest, of \$268.38 commencing 60 days after the Effective Date of the Plan.

CLASS 7 - The allowed secured claim of Oriental, 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 **231** year term with interest at the annual rate of 5.98%. Monthly installments of \$60,000.00 including principal and interest, will commence at the Effective Date of the Plan for six months, and then 54 monthly payments of \$75,069.00. The remaining balance will be due in a balloon payment 30 days thereafter. 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.

CLASS 8 - The allowed secured claim of the Internal Revenue Service has been paid 20,000.00 per month since September 2014 an aggregate amount expected to reach \$320,000.00 at 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 \$9,866.68 of principal including interest at the annual rate of 3%, which is the statutory rate expected to be prevailing at the confirmation date.

CLASS 9 - Advanced Wound has been paid during the pendency of the case the total allowed claim of \$90,000.00. Borschow has been also been paid during the pendency of the case the total allowed claim of \$115,412.63.

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 equal monthly installments of \$1,639.35. The stipulation was filed on November 10, 2014 and approved by the Court on December 5, 2014, docket # 311.

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 \$18,951.50. 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 class 11 and those unsecured claims included in class 10, 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 \$5,264.63. Claims for bodily injury covered by insurance will be paid by the related insurance company. 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 to pre-petition shareholders during the payment plan term and until all other administrative, priority and unsecured classes are paid as stated in this plan.

#### ARTICLE V MEANS FOR IMPLEMENTATION OF THE PLAN

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

5.2 Method of Distributions Under the Plan.

(a) In General. Subject to Bankruptcy Rule 9010, all distributions under the Plan to the Holders of Allowed Claims shall be mailed by first class mail, postage prepaid, to the address of each Holder as listed on the Master Address List of the Bankruptcy Case, as the same may have been amended, as of the Distribution Record Date, unless Debtor has been notified in writing of a change of address, including, without limitation, by the filing of a proof of claim or notice of transfer of a Claim filed by a Holder of an allowed Claim that provides an address for such Holder different from the address reflected on the Master Address List. Debtor shall have no obligation to locate such Holders of Allowed Claims whose distributions or notices are properly mailed but nevertheless returned.

(b) Distribution to be on Business Day. Any payment or distribution required to be made under the Plan on a day other than a Business Day shall be made on the next succeeding Business Day.

(c) Fractional Dollars. Whenever any payment of a fraction of a dollar would otherwise be called for, the actual payment shall reflect a rounding of such amount to the nearest whole dollar (rounding down in the case of less than \$0.50, and rounding up in the case of more than \$0.50).

(d) Distribution to Holders as of the Distribution Record Date. As of the close of business on the

Distribution Record Date, the claims register shall be closed. Debtor shall have no obligation to recognize any transfer of any Claims occurring after the close of business on the Distribution Record Date, and shall instead be entitled to recognize and deal for all purposes under the Plan with only those Holders of record as of the close of business on the Distribution Record Date, unless otherwise provided for by order of the Bankruptcy Court.

5.3 Objections to Disputed Claims. Any objections to Claims against Debtor shall be prosecuted by Debtor, including any application to estimate or disallow Claims for voting purposes.

5.4 Deadlines for Objecting to Disputed Claims. Except as otherwise provided by order of the Bankruptcy Court with respect to any Claim, Debtor may file an objection to such Claim or otherwise dispute such Claim until the later of (i) the date that such Claim becomes due and payable in accordance with its terms, or (ii) thirty (30) days before the first date fixed by the Bankruptcy Court for the hearing on the confirmation of the Plan.

5.5 Estimation of Claims. Debtor may, at any time, request that the Bankruptcy Court estimate any Disputed Claim pursuant to Section 502(c) of the Bankruptcy Code, and the Bankruptcy Court shall have jurisdiction to estimate such Claim at any time, including, without limitation, during litigation concerning the Claim or an objection thereto. Debtor shall be entitled to request that the Bankruptcy Court determine either the Allowed amount of such Claim or a maximum limitation in reference thereof. If the Bankruptcy Court determines the maximum limitation of such Claim, the determination shall not preclude Debtor from pursuing any additional proceedings to object to any ultimate payment of the Claim. If the Bankruptcy Court determines the Allowed amount of such Claim, the amount so determined shall be deemed the amount of the Disputed Claim for all purposes under this Plan. All those proceedings are cumulative and not exclusive remedies.

5.6 Disputed Claims Reserve.

(a) Establishment. Debtor shall maintain a reserve (the "Disputed Claims Reserve") equal to 100% of the distributions to which holders of the respective Disputed Claims would be entitled under

the Plan if such Disputed Claims were Allowed Claims or for such lesser amount as required by a Final Order.

(b) Investment of Cash. Cash in the respective Disputed Claims Reserve may be invested by Debtor only in Cash Equivalents having maturities sufficient to enable Debtor to make all necessary payments to holders of Disputed Claims, in accordance to this Plan, if and when, such Disputed Claims become Allowed Claims. Any interest, income, distributions or accretions on account of such investment in Cash Equivalents shall be for Debtor's benefit and account, and the payment of any income taxes or other taxes arising there from shall be solely the responsibility of Debtor.

(c) Distribution Upon Allowance of Disputed Claims. The holder of a Disputed Claim that becomes an Allowed Claim subsequent to the Initial Distribution Date shall receive distributions of Cash from the Disputed Claims Reserve as soon as practical following the date on which such Disputed Claim becomes an Allowed Claim pursuant to a Final Order. Such distributions shall be made in accordance with the Plan based upon the distributions that would have been made to such holder under the Plan if the Disputed Claim had been an Allowed Claim on or prior to the Initial Distribution Date. No holder of a Disputed Claim shall have any claim against the Disputed Claims Reserve until the Disputed Claim shall become an Allowed Claim, and no holder of a Disputed Claim shall have any right to interest on the Disputed Claim.

5. 7 Reversion of Unclaimed Checks and Disputed Claims Reserve. The following amounts shall revert and be vested in Debtor, as to the claims to be paid under the Plan, free and clear of any claim or interest of any Holder of that Claim under the Plan: (i) the amount of any checks issued for distributions under the Plan that remain uncashed for a period of 90 days after the date of the distributions, and (ii) to the extent that a Disputed Claim is not Allowed or becomes an Allowed Claim in an amount less than the Disputed Claim Amount, the excess of the amount of Cash or Cash Equivalents in the Disputed Claims Reserve attributable to the Disputed Claim, over the amount of Cash actually distributed on account of such Disputed Claim.

5.7 Vesting of Certain Assets in the Creditor Trust. On the Effective Date, the Creditor Trust Assets shall be irrevocably transferred to and vest in the Creditor Trust to be managed and used by the Creditor Trustee for the sole purposes of carrying out the Plan and effectuating the Distributions to Holders of Allowed Class 13 Claims provided for in the Plan. Except as otherwise provided in the Plan, the Estate's title to and any interest in the Creditor Trust Assets will pass to the Creditor Trust on the Effective Date, free and clear of all Claims, Liens and Interests, including any "equity" or "sponsorship" interests, in accordance with section 1141 of the Bankruptcy Code.

#### **ARTICLE VI VOTING ON THE PLAN**

6.1 Voting of Claims. Each holder of an Allowed Claim in an impaired Class which retains or receives property under the Plan shall be entitled to vote separately to accept or reject the Plan and indicate such vote on a duly executed and delivered ballot as provided in such order as is entered by the Bankruptcy Court establishing certain procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan.

6.2 Nonconsensual Confirmation. If any impaired Class entitled to vote shall not accept the Plan by the requisite statutory majorities provided for in Sections 1126(c) or 1126(d) of the Bankruptcy Code, as applicable, or if any impaired class is deemed to have rejected the Plan, Debtor reserves the right (i) to confirm the Plan under Section 1129(b) of the Bankruptcy Code, and (ii) to amend the Plan in accordance with Section 11.3 hereof to the extent necessary to obtain the entry of a Confirmation Order.

#### **ARTICLE VII EXECUTORY CONTRACTS, UNEXPIRED LEASES AND POST-PETITION CONTRACTS**

7.1 1 Rejection of Executory Contracts and Unexpired Leases. All executory contracts and unexpired leases (other than insurance policies) which have not expired by their own terms or assumed by Debtor 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 rejection pursuant to Sections 365(a) and 1123(b)(2) of the Bankruptcy Code.

**7.2 Rejection Damage Claims.** If the rejection of such an executory contract or unexpired lease results in a claim for damages by the other party or parties to such contract or lease, any claim for such damages, if not evidenced by a filed proof of claim, shall be forever barred and shall not be enforceable against the Estate, or its properties, its agents, successors, or assigns, unless a proof of claim is filed with the Bankruptcy Court and served upon counsel for Debtor on or before forty-five ( 45) days following the Confirmation Date. Debtor retains the right to further object to any rejection damages claims filed in accordance with this Section.

#### **ARTICLE VIII RELEASE AND DISCHARGE OF CLAIMS**

**8.1 Discharge.** Except as otherwise expressly provided in Section 1141 of the Bankruptcy Code or the Plan, the distributions made pursuant to and in accordance with the applicable terms and conditions of the Plan are in full and final satisfaction, settlement, release and discharge of Debtor of any debt that arose before the Effective Date, and any debt of Debtor of a kind specified in Section 502(g), 502(h), or 502(i) of the Bankruptcy Code, and all Claims against Debtor or its Estate of any nature, including, without limitation, any interest accrued thereon from and after the Petition Date, whether or not (i) a proof of claim based on such debt, obligation or equity interest is filed or deemed filed under Section 501 of the Bankruptcy Code; (ii) such Claim is Allowed under Section 502 of the Bankruptcy Code; or (iii) the holder of such Claim has accepted the Plan.

**8.2 Injunction Relating to the Plan.** As of the Effective Date, all Persons will be permanently enjoined from commencing or continuing, in any manner or in any place, any action or other proceeding, whether directly, indirectly, derivatively or otherwise against Debtor or its Estate, on account of, or respecting any Claims, debts, rights, Causes of Action or liabilities discharged pursuant to the Plan, except to the

extent expressly permitted hereunder.

8.3 Cancellation of Existing Indebtedness and Liens. Except as may otherwise be provided for in the Plan, on the Effective Date, all credit agreements, promissory notes, mortgages, security agreements, invoices, contracts, agreements and any other documents or instruments evidencing Claims against the Debtor, together with any and all Liens securing the same, shall be cancelled, discharged and released without further act or action by any Person under any applicable agreement, law, regulation, order or rule, and Debtor obligations thereunder shall be deemed cancelled, discharged and released. To the extent deemed necessary or advisable by Debtor, any holder of a Claim shall promptly provide Debtor with an appropriate instrument of cancellation, discharge or release, as the case may be, in suitable form for recording wherever necessary to evidence such cancellation, discharge or release, including the cancellation, discharge or release of any Lien securing the Claim.

8.4 Setoffs. Except as otherwise provided herein, nothing contained in the Plan shall constitute a waiver or release by the Estate of any rights of setoff the Estate may have against any Person.

8.5 Exculpation. The Debtor, and their respective present and former members, officers, directors, representatives, shareholders, employees, advisors, attorneys and agents acting in such capacity shall have no liability to any Holder of any Claim or Shareholder Interest or any other Person for any act taken or omission made after the Petition Date in connection with, or arising out of, the Case, the Plan, the Disclosure Statement, the solicitation of votes for confirmation of the Plan, the administration of the Plan or property of the Debtor's estate distributed under this Plan, or any transaction contemplated by the Plan or the Disclosure Statement in furtherance thereof, except for willful misconduct or gross negligence as determined by a Final Order and, in all respects, shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. Nothing in the Plan shall release, discharge or exculpate any non-Debtor party from any Claim owed to the United States Government or its agencies, including any liability arising under the Internal Revenue Code or criminal laws of the United States.

**ARTICLE IX  
CONDITIONS PRECEDENT TO EFFECTIVE DATE**

9.1 Conditions Precedent to Effectiveness. The Plan shall not become effective and the Effective Date shall not occur, unless and until the following conditions shall have been satisfied, or such conditions shall have been waived pursuant to Section 9.2 hereof:

(a) the Confirmation Order, in form and substance reasonably acceptable to Debtor, shall have been entered by the Bankruptcy Court and shall have become a Final Order;

(b) all actions, other documents and agreements necessary to implement the Plan shall have been executed, delivered and, if necessary, properly recorded, and shall have become effective; and

(c) the Estate shall have sufficient Cash to meet all Cash funding obligations under the Plan required to be made on the Effective Date, including without limitation, sufficient Cash to establish the Disputed Claims Reserve as to those claims to be paid by Debtor.

9.2 Waiver of Conditions. Debtor may waive one or more of the conditions precedent to the effectiveness of the Plan set forth in this Section, except that Debtor may not waive the condition that the Estate will have sufficient Cash to meet all of Debtor's payment and funding obligations under the

Plan on the Effective Date, and to establish the Disputed Claims Reserve corresponding to Debtor, as set forth in Section 5.6(a) hereof.

#### ARTICLE X RETENTION OF JURISDICTION

10.1 Retention of Jurisdiction. After the Effective Date, the Bankruptcy Court shall have exclusive jurisdiction of the following specified matters arising out of and related to the Bankruptcy Case and the Plan pursuant to Sections 105(a) and 1142 of the Bankruptcy Code:

(a) to hear and determine any and all objections to the allowance of any Claims or any controversies as to the classification of any Claims or estimate any Disputed Claim;

(b) to hear and determine any and all applications by Professionals for compensation and reimbursement of expenses pursuant to Section 2.2(c) hereof;

(c) to determine any and all applications, motions, adversary proceedings and contested or litigated matters pending before the Bankruptcy Court on the Confirmation Date;

(d) to determine all controversies, suits and disputes that may arise in connection with the interpretation, enforcement or consummation of the Plan;

(e) to enforce the provisions of the Plan subject to the terms thereof;

(f) to correct any defect, cure any omission, or reconcile any inconsistency in the Plan, the Plan Documents or in the Confirmation Order as may be necessary to carry out the purpose and the intent of the Plan;

(g) to determine such other matters as may be provided for in the Confirmation Order.



**ARTICLE XI  
MISCELLANEOUS**

11.1 Continuation of Injunctions or Stays until Effective Date. All injunctions or stays provided for in the Bankruptcy Cases under Sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

11.2 Exemption from Transfer Taxes. In accordance with Section 1146(c) of the Bankruptcy Code,

(a) the issuance, transfer or exchange of any security under the Plan or the making or delivery of any instrument of transfer pursuant to, in implementation of, or as contemplated by the Plan, including any deeds, bills of sale or assignments executed in connection with any of the transactions contemplated under the Plan, or the re-vesting, transfer or sale of any real or personal property of the Debtor pursuant to, in implementation of, or as contemplated by the Plan,

(b) the making, delivery, creation, assignment, amendment or recording of any note or other obligation for the payment of money or any mortgage, or other security interest under, in furtherance of, or in connection with the Plan,

(c) the making, delivery or recording of any deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan, including, without limitation, the Confirmation Order, shall not be subject to any document recording tax, stamp tax, conveyance fee or other similar tax, mortgage tax, real estate transfer tax, mortgage recording tax or other similar tax or governmental assessment. Consistent with the foregoing, officials of a governmental unit in which any instrument hereunder is to be recorded shall, pursuant to the Confirmation Order, be ordered and directed to accept such instrument, without requiring the payment of any documentary stamp tax, deed stamps, transfer tax, intangible tax or similar tax.

11.3 Amendment or Modification of the Plan. Alterations, amendments or modifications of the Plan may be proposed in writing by Debtor at any time prior to the Confirmation Date, provided that the Plan, as altered, amended or modified, satisfies the conditions of Sections 1122 and 1123 of the Bankruptcy Code, and Debtor shall have complied with Section 1125 of the Bankruptcy Code. The Plan may be altered, amended or modified at any time before or after the Confirmation Date and before substantial consummation, provided that the Plan, as altered, amended or modified, satisfies the requirements of Sections 1122 and 1123 of the Bankruptcy Code and the Bankruptcy Court, after notice and a hearing, confirms the Plan, as altered, amended or modified, under Section 1129 of the Bankruptcy Code. A holder of a Claim that has accepted the Plan shall be deemed to have accepted the Plan, as altered, amended or modified, if the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim of such holder. Debtor may, without notice to holders of Claims insofar as it does not materially and adversely affect the interests of any such holders, correct any defect or omission in the Plan and any exhibit thereto.

11.4 Severability. If, prior to the Confirmation Date, any term or provision of the Plan is determined by the Bankruptcy Court to be invalid, void or unenforceable, the Bankruptcy Court may, upon Debtor's request, alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing is valid and enforceable according to its terms.

11.5 Revocation or Withdrawal of the Plan. Debtor reserves the right to revoke or withdraw the Plan prior to the Confirmation Date. If Debtor revokes or withdraws the Plan prior to the Confirmation Date, then the Plan shall be deemed null and void. In such event, nothing contained herein shall constitute or be deemed a waiver or release of any Claims by or against Debtor or any other Person or to prejudice in any manner Debtor's rights or those of any Person in any further proceedings involving Debtor.

11.6 Binding Effect. The rights, duties and obligations of any Person named or referred to in this Plan shall be binding upon, and shall inure to the benefit of, the successors and assigns of such Person.

11.7 Notices. All notices, requests and demands to or upon Debtor shall only be effective if in writing and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and confirmed, addressed as follows:

Instituto Médico del Norte, Inc.  
PO Box 7001  
Vega Baja, PR 00694

With a copy to:  
F. David Godreau, Esq.  
Latimer Biaggi Rachid & Godreau LLC  
PO Box 9022512  
San Juan, Puerto Rico, 00902-2512  
Tel.: 787-724-0230  
Fax: 787-724-9171  
E-mail: [dgodreau@lbrglaw.com](mailto:dgodreau@lbrglaw.com)

11.8 Governing Law. Except to the extent the Bankruptcy Code, Bankruptcy Rules or other federal law is applicable, or to the extent the Plan or the Plan Documents provide otherwise, the rights and obligations arising under this Plan shall be governed by, construed and enforced in accordance with the laws of the Commonwealth of Puerto Rico.

11.9 Withholding and Reporting Requirements. In connection with the consummation of the Plan, Debtor shall comply with all withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority and all distributions hereunder shall be subject to any such withholding and reporting requirements.

11.10 Plan Documents. Upon filing with the Bankruptcy Court, the Plan Documents may be inspected at the office of the Clerk of the Bankruptcy Court during normal court hours. Holders of Claims may obtain a copy of the Plan Documents upon written request to Debtor in accordance with Section 11.7 hereof. Any Plan Documents are incorporated into and made a part of the Plan, as if fully set forth in full herein.

11.11 Post-Confirmation Fees. Final Decree. Debtor shall be responsible for the payment of any post-confirmation fees due pursuant to 28 U.S.C. §1930(a)(6) and the filing of post-confirmation reports, until a final decree is entered or as otherwise provided by the Bankruptcy Court. A final decree shall be entered as soon as practicable after initial distributions have commenced under the Plan.

11.12 Headings. Headings are used in the Plan for convenience and reference only, and shall not constitute a part of the Plan for any other purpose.

11.13 Filing of Additional Documents. On or before substantial consummation of the Plan, Debtor shall file with the Bankruptcy Court any agreements or other documents that may be necessary or appropriate to effectuate and further evidence the terms and conditions hereof.

**11.14** Inconsistency. In the event of any inconsistency between the Plan and the Disclosure Statement, the Plan Documents or any other instrument or document created or executed pursuant to the Plan, the terms of the Plan shall govern.

In San Juan, Puerto Rico, this 31st of August, 2015

Instituto Médico del Norte, Inc.

\s\Jose O. Pabón Quiñones, BSCE President  
Board of Directors