

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

In re:

**ALBERTO RAMÓN MENÉNDEZ BESOSA**  
and  
**ELBA SOCORRO GELY LATALLADI**  
*Debtors*

Case No. **13-08280-MCF11**  
Chapter 11  
INDIVIDUALS

**AMENDED DISCLOSURE STATEMENT  
DATED NOVEMBER 12, 2015**

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## I. INTRODUCTION.

This is the Disclosure Statement (the “Disclosure Statement”) in the Chapter 11 case of **ALBERTO RAMÓN MENÉNDEZ BESOSA**, and **ELBA SOCORRO GELY LATALLADI** (the “Debtors”). This Disclosure Statement contains information about the Debtors and describes “DEBTORS’ AMENDED PLAN OF REORGANIZATION dated November 12, 2015 (the “Plan”). A full copy of the Plan is attached to this Disclosure Statement as Exhibit A. ***Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.***

Attached as appendixes and exhibits to this Disclosure Statement are copies of the following documents:

- (a) The Chapter 11 Plan of Reorganization (the “Plan”) ***Exhibit A.***
- (b) The Liquidation Analysis, which sets forth estimated recoveries in a Chapter 7 liquidation as compared to a Chapter 11 liquidation. ***Exhibit B.***
- (c) The Projected Cash Flows for the five months comprising the plan. ***Exhibit C.***
- (d) The Claims Reconciliation. ***Exhibit D.***
- (e) Summary of Operating Reports. ***Exhibit E.***
- (f) Debtors’ most recent Monthly Operating Report. ***Exhibit F.***
- (g) Appraisal Report for residential property at Urb. Reparto Bucaré 12 Esmeralda Street G-14 San Juan, Puerto Rico. ***Exhibit G.***
- (h) Appraisal Report for commercial property at 1374 Ashford Ave. Santa María Cond. LC-B (APT. 1-A) San Juan, Puerto Rico. ***Exhibit H.***
- (i) Ballot for the acceptance or rejection of the Plan of Reorganization. ***Exhibit I.***

No representations concerning the debtor, including the Debtors’ future operations or the value of property, are authorized other than as set forth in this statement. Any representation, warranty, agreement or inducement other than as contained in this statement, made to secure acceptance or rejection of the Plan by Debtors’ creditors should not be relied upon in voting on the Plan.

The information contained herein has not been subject to certified audit for the foregoing reason: the debtors are unable to warrant or represent that the information contained herein is without any inaccuracy, although great efforts have been made to be accurate.

The proposed distributions under the Plan are discussed at pages 11-14 of this Disclosure Statement.

### A. Purpose of This Document.

This Disclosure Statement describes:

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

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

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

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

**1. *Time and Place of the Hearing to finally approve this Disclosure Statement and Confirm the Plan.***

The hearing at which the Court will determine whether to finally approve this Disclosure Statement and confirm the Plan will take place at Mildred Cabán Flores Courtroom, at 300 Recinto Sur Street, Third Floor Courtroom No. 3, San Juan, Puerto Rico 00901 at the date and time to be set by the Court.

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

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot if by regular mail to Almeida & Dávila, PSC at PO BOX 191757, San Juan, PR 00919-1757; by phone to (787) 722-2500; if by fax to (787) 722-2227, or if by email in PDF format to [info@almeidadavila.com](mailto:info@almeidadavila.com). See section IV.A below for a discussion of voting eligibility requirements. Your ballot must be received by 5 days before the confirmation hearing or any other time fixed by the Court, or it will not be counted, unless the Bankruptcy Court so orders. Debtors recommend a vote for “ACCEPTANCE” of the Plan.

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

Objections to this Disclosure Statement or to the confirmation of the Plan must be filed with the Court and served upon the US Trustee, the Debtors and any other party in interest by the time fixed by the Court once it approves the disclosure statement.

**4. Identity of Person to Contact for More Information.**

If you want additional information about the Plan, you should contact Almeida & Dávila, PSC, attorneys for the Debtors by mail at PO BOX 191757, San Juan, PR 00919-1757, or if by email in PDF format to [info@almeidadavila.com](mailto:info@almeidadavila.com).

**C. Disclaimer.**

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

**II. BACKGROUND**

**A. Description and History of the Debtors and their Business.**

Mr. Alberto Ramón Menéndez Besosa is a natural person of legal age, resident of Guaynabo, Puerto Rico, and citizen of the United States of America. He was born on June 20, 1951 in San Juan, Puerto Rico, where he studied elementary and middle school. He attended high school in Connecticut, United States and later studied at the University of Sagrado Corazón in Puerto Rico, where he graduated with a bachelor degree in Business Administration in 1975. After his graduation Mr. Menéndez went to work with his father for approximately five years selling personal security equipment to hardware stores. In 1980, Mr. Menéndez began to work at the Puerto Rico Telephone Company where he held various positions in the sales area until 1986. On that same year he was recruited by Panamerican Telecommunications Company as Sales Manager where he worked for six years. On 1992, Mr. Menéndez returned to Puerto Rico Telephone Company and worked as Product Manager in the Sales and Marketing Department until his early retirement in 2006. Currently he is retired but is responsible for the administration of Happy Face Club, Inc. a day care center and pre-school founded by his wife Elba Gely.

Mrs. Elba Socorro Gely Latalladi was born on July 15, 1954 in Arroyo, Puerto Rico. Later she moved to the town of Guayama, where she studied elementary through high school. She attended University of Sagrado Corazón in Santurce, Puerto Rico, where she graduated with a bachelor degree in Social Studies in 1975. After graduation she worked at Banco Popular of Puerto Rico. Mrs. Gely married Mr. Alberto Menéndez in January 7, 1977. In 1980 Mrs. Gely went

to work at Piaget School located in Isla Verde as an assistant director until approximately 1995. Three years later, in 1998 she founded her own business, a day care center. Happy Faces Club Day Care, Inc. (the "Company") was organized under the laws of the Commonwealth of Puerto Rico on January 6, 2000, and operates as maternal and pre-school nursery for children.

Mr. Menéndez joined the Company in 2006 and became responsible for the administration of the business. Their combined hard work over the years allowed them to operate a successful business and to move their operations to a more adequate facility. They rented a building located at No. 267 & No. 269 Winston Churchill Ave. in San Juan from E.A.M. Enterprises, Inc., an affiliated company. This decision allowed them to have a stronger financial condition and to provide adequate facilities for their children.

However, on the year 2009 amidst the economic crisis in Puerto Rico, the day care center began to lose enrollment, which in turn, caused reduction in revenue. In addition they experimented heavy competition from primary school which expanded their grade offer to include pre-school to deal with their own financial difficulties. In the following years the day care center lose more than 50% of its enrollment and income. The debtors began having difficulty meeting their financial obligations to their creditors, including the rent owed to E.A.M. Enterprises. E. A. M. Enterprises obtained financing from Doral Bank for the purchase of the buildings located at No. 267 & No. 269 Winston Churchill Ave. in the year 2004. The debtors provided their personal guarantee in this credit transaction. On 2012, Doral Bank filed a complaint against EAM Enterprises for collection of moneys and foreclosure of the aforementioned property which serves as collateral of its debt. Although negotiation were held between E.A.M., the debtors and creditor Doral Bank, a final agreement could not be reached.

In order for Debtors to protect themselves from the present and potential complaint(s) in the local Court, and to reach an agreement with secured creditor Doral Bank, they came to the determination that the relief of bankruptcy was necessary for them to rehabilitate their present financial situation. The Debtors filed a Bankruptcy Petition on October 4, 2013 under Chapter 13 of the Bankruptcy Code. However such petition was dismissed since the amount of their debts did not and do not qualify them for bankruptcy under that chapter. The debtors then, on January 29, 2014 proceeded to file a conversion from bankruptcy under Chapter 13 to Chapter 11 in order to reorganize his finances. The Bankruptcy Court entered the order confirming the conversion on February 20, 2014.

Attached as **Exhibit C** are the Projected Cash Flow for five years, and a recent valuation of debtors' properties is also attached in **Exhibits G** and **H**.

**B. Property of the Debtors.**

**a. Real Property of the Debtors**

Debtors own two real properties: one residential property located at Guaynabo, Puerto Rico; and one commercial properties located at San Juan, Puerto Rico; described below:

i. Residential Property: house located at Urb. Reparto de Bucaré 12 Esmeralda Street, Guaynabo, Puerto Rico, with 4 bedrooms and 3 bathrooms, a gross living area of 1,745 square feet, lot of 983 square meters, purchased by Debtors on 1992 at a cost of \$271,000.00. Used as principal residence by Debtors. Most recent appraisal was performed on November 5, 2014 and estimated its value in \$400,000.00. See **Exhibit G**.

ii. Commercial property: rental property located at Cond. Santa María 1374 Ave. Ashford LC-B (APT. 1-A) San Juan, Puerto Rico, consisting of a commercial space of 462 square feet. Acquired by heritage in 1994. Most recent appraisal was performed on November 5, 2014 and estimated its value in \$97,000.00. See **Exhibit H**.

**b. Personal Property of the Debtors**

Debtors own personal properties in the aggregate estimate amount of \$142,480.29. The same were listed by them in Amended Schedule B of the petition and are categorized as follows:

Property Description	Item No. in Schedule B	Value
Cash on Hand	1	\$50.00
Checking Account at Doral Bank *****5868	2	\$69.75
Checking Account at Doral Bank *****2404	2	\$75.86
Checking Account at Doral Bank *****7718	2	\$0.85
Security Deposit with PR Aqueduct & Sewer Authority	3	\$75.00
Security Deposit with the PR Electric Power Authority	3	\$233.72
Furniture and household appliances	4	\$20,800.00
Collectibles: Artesanía 80 Santos Puertorriqueños	5	\$800.00
Wearing Apparel	6	\$1,500.00
Jewelry	7	\$31,640.00
Life Insurance – Triple S Vida	10	\$1,489.75
Retirement with Telefonica de Puerto Rico	12	\$0.00
Shares with EAM Enterprises, Inc.	13	\$0.00
Shares with Happy Faces Club Day Care, Inc.	13	\$0.00
Accounts Receivable from MHM, Inc. through a Bond Claim No. 09133136	16	\$8,385.00



United Surety & Indemnity Company		
1/3 Hereditary Interest Property located in Patillas, PR	20	\$9,524.86
1/4 Hereditary Interest Property located in Culebras, PR	20	\$21,661.50
100% Hereditary Interest Property located in Sebring, Florida	20	\$17,924.00
Automobiles		
2006 Toyota Corolla Mileage: 87,000	25	\$6,550.00
2012 Toyota Venza (4D) (AUT) Mileage: 9,000	25	\$21,500.00
Dog Labrador	28	\$200.00
<b>TOTAL</b>		<b>\$142,480.29</b>

For a more detailed description of the personal property of the debtors refer to Amended Schedule B of the Voluntary Petition.

**C. Pending Litigation.**

As follows is the status of the case pending against, and on behalf of the debtors:

1. Foreclosure Complaint by Doral Bank v. EAM Enterprises, Inc. Case No. K CD2013-0976 at the First Instance Court of San Juan, Puerto Rico. This action for foreclosure is related to the commercial property in debtor's real property located at 267 & 269 Winston Churchill Ave. in San Juan, Puerto Rico. The case was stayed with the filing of debtors' bankruptcy petition in October 4, 2013. Debtors gave personal guarantee in this transaction.

**D. Insiders of the Debtors.**

Debtors have no insider claims.

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

Debtors' main reason for filing the petition was to protect themselves from the foreclosure proceedings by Doral Bank, to cease incurring in legal fees and reach an agreement with said creditor. Debtors felt their only possibility to resolve the negotiations with Doral Bank was the filing of the instant bankruptcy in order to pay their creditors as part of a plan and be able to maintain their properties and their business now that they are in their retirement years.

**F. Significant Events during the Bankruptcy Case**

***Professionals Approved by the Court***

Since October 4, 2013, and as approved by the Court on May 30, 2014, Debtor's attorney has been and continues to be Almeida & Dávila P.S.C.

On August 8, 2014, this Honorable Court approved the application for employment of the following professional to assist the debtors in this case: Mr. Albert Tamarez, C.P.A. Mr. Tamarez is currently preparing Debtors' monthly operating reports and has prepared the Analysis and Projections enclosed herein.



Debtors have been filing Monthly Operating Reports with the Bankruptcy Court reflecting Debtors' income and disbursements, as well as other items during the period of February 2014 to December 2014. The Monthly Operating Reports can be inspected by parties in interest at the Office of the Clerk of the Bankruptcy Court, and through the Court's CM/ECF system. A Forecast of Cash Flows and Disbursements is attached in **Exhibit C**.

### ***Adversary Proceedings***

At present, there are no adversary proceedings pending before the Bankruptcy Court.

### **I. Claims Objections**

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

### **J. Current and Historical Financial Conditions**

The identity and fair market value of the estate's assets are evidenced through **Exhibits B through H**. The Debtor's Projected Cash Flow is set forth in **Exhibit B**.

The most recent post-petition operating report filed since the commencement of the Debtors' bankruptcy case is set forth in **Exhibit F**.

Since the filing of the instant bankruptcy, Debtors' income and expenses have been as follows:

<b><i>Date</i></b>	<b><i>Income</i></b>	<b><i>Expenses</i></b>	<b><i>Ending Cash Balance</i></b>	<b><i>Docket No.</i></b>
February 2014			\$1,338	<b>84</b>
March 2014	\$4,757	\$3,995	\$2,100	<b>85</b>
April 2014	\$5,847	\$4,273	\$3,674	<b>86</b>
May 2014	\$5,971	\$6,896	\$2,748	<b>87</b>
June 2014	\$5,971	\$7,800	\$ 919	<b>88</b>
July 2014	\$7,219	\$4,598	\$3,540	<b>89</b>
August 2014	\$6,445	\$7,979	\$2,005	<b>90</b>
September 2014	\$5,221	\$4,695	\$2,531	<b>91</b>
October 2014	\$6,099	\$6,818	\$1,812	<b>92</b>
November 2014	\$6,099	\$5,265	\$2,645	<b>99</b>
December 2014	\$8,104	\$6,768	\$3,981	<b>100</b>

January 2015	\$6,998	\$6,521	\$4,458	<b>166</b>
February 2015	\$6,992	\$9,188	\$2,262	<b>128</b>
March 2015	\$6,115	\$6,906	\$1,470	<b>132</b>
April 2015	\$6,113	\$5,406	\$2,176	<b>145</b>
May 2015	\$6,989	\$6,464	\$2,701	<b>146</b>
June 2015	\$6,142	\$6,603	\$2,239	<b>152</b>
July 2015	\$18,659	\$15,826	\$5,072	<b>155</b>
August 2015	\$5,790	\$7,021	\$3,842	<b>157</b>
September 2015	\$5,242	\$6,872	\$2,211	<b>161</b>

Debtors' expect their total monthly income to be \$6,099 and disposable income to be approximately \$1,869 monthly through the life of the plan, this will allow debtors to comply with the proposed monthly plan payments of \$1,818.54.

### **III. SUMMARY OF THE PLAN OF REORGANIZATION**

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

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

#### **B. Effective Date of the Plan.**

The effective date of this Plan shall be the thirtieth (30th) day following the date of the entry of the order of confirmation. But if a stay of the confirmation order is in effect on that date, the effective date will be the first business day after that date on which no stay of the confirmation order is in effect provided that the confirmation order has not been vacated. The effective date shall be the date on which there shall be made all initial payments under the plan.

#### **C. Unclassified Claims.**

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

**1. Administrative Expenses.**

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

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

a) Additional professional fees of approximately \$11,050.00 for attorneys and \$5,000.00 for accountants, will be paid in the first twelve months of the Plan or as approved by this Honorable Court, or according to separate written agreement, or according to court order if such fees have not been approved by the Court on the effective date of the Plan;

b) Office of the U.S. Trustee Fees will be paid quarterly fees when due or on the effective date of the Plan in the amount of \$1,950.00;

A total approximate amount of \$16,050.00 in administrative expenses, or costs of administering the Debtor's chapter 11 case which are allowed under § 507(a) (2) of the Code, are to be paid in the first twelve months of debtor's Chapter 11 Plan plus \$1,950.00 quarterly fees to the Office of the U.S. Trustee for the duration of the Plan. Administrative claims in this Plan are not impaired. The main source for the payments of the claims included in this class are rental income, salary from business and social security benefits.

Creditors with allowed administrative claims are not impaired therefore, do not have the right to vote.

**2. Priority Tax Claims.**

Priority tax claims are unsecured income, employment, and other taxes described by § 507(a) (8) of the Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period of twelve months from the order of relief. Debtors do not estimate § 507(a)(8) priority tax claims in the instant case, if any priority claim(s) are filed the same will be paid within the twelfth month of this plan.

**D. Classes of Claims and Equity Interests.**

The following are the classes set forth in the Amended Plan, and the proposed treatment that they will receive under the Amended Plan. A reconciliation of all claims is included as **Exhibit D**.

**1. Classes of Secured Claims**

Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under § 506 of the Code. Following are all classes containing Debtor's secured prepetition claims and their proposed treatment under the Plan:

**Class 1 – Secured Claims: Home Owners Associations, Asociación de Vecinos de Bucaré, Inc. and Condominium Santa María**

The first secured creditor included in this class, Asociación de Vecinos de Bucaré, Inc., has a claim (no. 18) for \$370.00, arising from statutory lien over debtors' real property located at Urb. Bucaré 12 Esmeralda Street San Juan, Puerto Rico. Asociación de Vecinos de Bucaré filed an amended claim on August 3, 2015 in the amount of \$2,017.

The second secured creditor included in this class, is Condominium Santa María with a claim for \$615.50, arising from statutory lien over debtors' real property located at Condominium Santa María 1374 Ave. Ashford LC-B (APT. 1-A) San Juan, Puerto Rico.

Claim no. 18 pre-petition amount of \$370.00 is paid in full and part of the post-petition amount of \$2,017 (\$1,000.00) is paid. The balance in the amount of \$1,017 will be paid outside the plan on December 10, 2015. The claim from Condominium Santa María in the amount of \$615.50 is paid in full.

Class 1 creditors will not be receiving payments in the proposed amended Plan and are not impaired under the provision of this Plan, therefore does not have a right to vote.

**Class 2 – Secured Claim: Caribe Federal Credit Union**

The secured creditor included in this class, is Caribe Federal Credit Union, with claim no. 8 for \$334,768.00, secured over debtors' 100% ownership interest in the residential property located at Urb. Bucaré 12 Esmeralda Street San Juan, Puerto Rico. The actual estimated value of the property based on appraisal as of November 5, 2014 is \$400,000.00.

In relation to this property the debtors consent to the relief from the automatic stay pursuant to 11 USC §362(d) to allow the Class 2 creditor to enforce its state-law

interest against the collateral only. Any deficiency claim filed by this creditor will be treated as unsecured in the plan.

Class 2 creditor is impaired to the extent that its original rights are altered through the Plan as a result of the provisions herein, therefore, it has the right to vote.

### **Class 3 – Secured Claims: Huntington National Bank and Toyota Financial Services**

The first secured creditor included in this class, Huntington National Bank has a claim (no. 15) for \$8,160.33, arising from an auto loan secured over debtors' 2006 Toyota Corolla. The second secured creditor included in this class, Toyota Financial Services, has a claim (no. 2) for \$43,361.25 arising from an auto loan secured over debtors' 2012 Toyota Venza (4D) (AUT).

The debtors will surrender both automobiles to their respective creditors to allow them to enforce its state-law interest against the collateral only. Any deficiency claim filed by this creditor will be treated as unsecured in the plan.

Class 3 creditors are impaired to the extent that its original rights are altered through the Plan as result of the provisions herein, therefore they have the right to vote.

### **Class 4 – Secured Claim: CRIM**

Secured creditor included in this class, CRIM, has a claim for \$2,744.29, arising from statutory lien over debtors' real property located at Cond. Santa María 1374 Ave. Ashford LC-B (APT. 1-A) San Juan, Puerto Rico. This claim will be paid on monthly payments in the amount of \$51.00 for 60 months, for a total amount of \$3,060.00

Class 4 creditor is impaired to the extent that its original rights are altered through the Plan as result of the provisions herein; therefore, it has the right to vote.

## ***2. Classes of Priority Unsecured Claims.***

Certain priority claims that are referred to in §§ 507(a) of the Code are required to be placed in classes. The Code requires that each holder of such a claim receive cash on the effective date of the Plan equal to the allowed amount of such claim. However, a class of holders of such claims may vote to accept different treatment.

Each holder of a priority tax claim will be paid deferred cash payments over a term not to exceed 12 months from the date of the effective date of the plan and this case with interest at the applicable statutory rate.

Debtors do not estimate priority claims in the instant case. If any priority claims are filed the same will be paid within the twelfth month of the plan to the extent allowed as priority claims under § 507 of the Code.

Priority tax claims shall be paid in an amount equal to the allowed amount of such Claim, plus 4.25% interest, unless the holder of such Claim agrees with the Debtor to a different treatment. Debtors' priority tax claims as allowed and ordered paid by the Court are not impaired under the Plan.

**Debtors have no priority unsecured claims.**

### **3. *Classes of General Nonpriority Unsecured Claims.***

General unsecured claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code. There is no §1122(b) convenience class in Debtors' Plan.

Following are all classes containing Debtor's unsecured pre-petition claims and their proposed treatment under the Plan

#### **Class 5 – General Unsecured Nonpriority Claims.**

Class 5 includes the Claims of General Unsecured Creditors not classified in this Plan, as allowed, approved and ordered paid by the Court, under §502 of the Code, currently estimated by Debtors in \$883,846.82. This amount include Bautista Cayman Asset Company (before Doral Bank / Doral Recovery II), claim no. 13 for \$721,471.41, arising from Doral Bank's loan to E.A.M. Enterprises, Inc., to which debtors extended a personal guarantee. This claim is unsecured with respect to the debtors. Such loan is also secured by a first mortgage upon real property of E.A.M. Enterprises. Creditor Bautista Cayman will retain its lien over E.A.M. Enterprises, Inc.'s property. Debtors are actively engaged in negotiations to sell this property, and will use the proceeds of this transaction to pay the loan to Bautista Cayman.

Unsecured creditors in this case will receive 12% of their claims (\$106,061.62), which is more than the amount they will receive in a Chapter 7 liquidation which is 8% of their claims. See ***Exhibit B, Liquidation Analysis***. Creditors in this class will be paid in sixty (60) monthly installments of \$1,767.54, for a total amount of \$106,061.62, unless the holder of such claims agree with the Debtors to a different treatment.

Class 5 creditors are impaired to the extent that its original rights are altered through the Plan as result of the provisions herein therefore, they have the right to vote.

Creditors with disputed, contingent and/or unliquidated claims, at the effective date, will receive distribution, if any, if their claim is filed within ninety days after the effective date of the Plan and the same is allowed by the Court. Creditors with disputed, contingent and/or unliquidated claims were notified of their status by the Debtors.

#### **4. Disputed Claims.**

A disputed claim is a claim that has not been allowed or disallowed, by a final non-appealable order, and as to which either: (i) a proof of claim has been filed or deemed filed, and the Debtor or another party in interest has filed an objection; or (ii) no proof of claim has been filed, and the Debtor has scheduled such claim as disputed, contingent, or unliquidated.

Where a proof of claim has not been filed, the Allowed Claim shall be in the amount appearing in the Schedules filed by the Debtors, provided however, that the scheduled amount is not shown as unliquidated, contingent or disputed, in which case no amount will be allowed unless the Debtors have notified such creditors and such creditors has filed a timely proof of claim.

The Debtor will have the power and authority to settle and compromise a disputed claim with court approval and compliance with Rule 9019 of the Federal Rules of Bankruptcy Procedure.

The following Scheduled Claims are listed as Disputed, Contingent, and Unliquidated in this case:

1. Unsecured Claim from Mercedes Benz Financial in the amount of \$18,642.50 was scheduled by debtors in the voluntary petition as unliquidated. Creditor Mercedes Benz Financial filed a proof of claim (*Docket No. 10*) on October 29, 2013 in the amount of \$18,642.50.
2. Unsecured Claim from Doral Bank in the amount of \$721,974.00 was scheduled by debtors in the voluntary petition as contingent, unliquidated and disputed. Creditor Doral Bank (now Bautista Cayman Asset Company) filed a proof of claim (*Docket No. 13*) on November 21, 2013 in the amount of \$721,471.41.

THE FOREGOING IS A BRIEF SUMMARY OF IMPORTANT DISPOSITIONS OF THE PLAN. CREDITORS ARE URGED TO READ THE PLAN IN FULL. THEY ARE FURTHER URGED TO CONSULT WITH COUNSEL, OR WITH EACH OTHER IN ORDER TO FULLY UNDERSTAND THE PLAN. THE PLAN IS COMPLEX INASMUCH AS IT REPRESENTS A PROPOSED LEGALLY BINDING AGREEMENT BY DEBTOR AND AN INTELLIGENT



JUDGEMENT CONCERNING SUCH PLAN CANNOT BE MADE WITHOUT UNDERSTANDING IT.

**D. Means of Implementing the Plan.**

**1. Source of Payments.**

The Debtors will be able to execute this amended plan through the Debtors' income for the 60 months beginning on the effective date of the plan, which includes rental income from the commercial property located at Cond. Santa María 1374 Ave. Ashford LC-B (APT. 1-A) of \$2,850.00, salary of \$1,760, social security income of \$1,211.00 and debtors' retirement income of \$278.00, for a total amount of \$6,099.00.

Also, Debtors adjusted their monthly expenses to be able to execute the proposed amended plan. First, they consented to the relief of the automatic stay in relation to the property that is their principal residence located in Guaynabo and is no longer making the monthly payments in the amount of \$2,448 on the mortgage loan to creditor Caribe Federal. In addition, Debtors will surrender their two automobiles to creditors Huntington Bank and Toyota Financial Services which accounts for \$913 on monthly payments. These adjustments represent a total saving of \$3,361 in the monthly plan payments in comparison with the Plan of Reorganization filed on January 15, 2015. Part of this amount (\$1,500) will be used to pay administrative expenses in the first twelve months of the plan and rent expense the next forty-eight months. The rest (\$1,861) will be used to fund the proposed amended plan.

In addition, as part of the plan, Debtors will continue to operate their business, in order to finance the provisions of the Chapter 11 Amended Plan. The plan proponents have provided projected financial information. Those projections are listed in **EXHIBIT C**.

**2. Post-confirmation Management.**

After Confirmation the Debtors will continue to manage their own affairs.

**E. Risk Factors.**

The proposed Plan has the regular day care center and preschool business operations risk. Attached as **Exhibit C** are the Financial Projections of the Plan under the assumptions detailed herein. These include projected statement of operations and payment plans for all claims. While it cannot be foreseen with absolute certainty that the cash flow projections which accompany this Disclosure Statement will be met, Debtors have no reason to believe that the contrary will be the case. Debtors understand that the Plan is confirmable for the benefit of their creditors.

The Projected Cash Flows for the sixty (60) months starting January 1, 2016 take into account the following assumptions:

1. Debtors will continue receiving monthly retirement income and social security income projected at an average monthly amount of \$1,489.00 and rental income of \$2,850. Debtors also project that revenue from debtors' business will continue steady at the rate of \$1,760 per month throughout the life of the plan for a total of \$6,099 in monthly income.
3. The projections also reflect the assumption that Debtors expenses will maintain the same during the sixty (60) months of the life of the plan.

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

**F. Executory Contracts and Unexpired Leases**

The Plan lists all executory contracts and unexpired leases that the Debtors will assume under the Plan. Assumption means that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Code, if any. The Plan also lists how the Debtors will cure and compensate the other party to such contract or lease for any such defaults.

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

Consult your adviser or attorney for more specific information about particular contracts or leases.

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

**G. Tax Consequences of Plan.**

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

The following are the anticipated tax consequences of the Plan:

The tax consequences of the Plan to the debtors would be to have to recognize income for any debt that is discharged by the plan inasmuch as the expenses related to such debt were taken as a tax deduction in prior years.

The general tax consequences for creditors would be that they in turn would get a tax deduction for any amounts they are not able to collect to the extent they reported such amounts

as income in prior years, and if they take this deduction and later recover any amounts, such amounts would have to be reported as income.

In any event, creditors and equity interest holders concerned with how the Plan may affect their tax liability should consult with their own Accountants, Attorneys and/or Advisors.

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

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

##### **A. Who May Vote or Object.**

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

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

In this case, the Plan Proponent believes that classes; 2, 3, 4 and 5 are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. Class 1 is not impaired, therefore does not have a right to vote.

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

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

***The deadline for filing a proof of claim in this case was June 30, 2014 for all creditors, except governmental units, and April 2, 2014 for all governmental units. For the amended Schedule F with the purpose of disputing certain creditors, the deadline for filing a proof of claim is 90 days after the entry of the order of confirmation of debtors' Plan of Reorganization.***

***The deadline for filing objections to claims is 30 days before the Confirmation Hearing, or 30 days after the filing of the proof of claim, whichever is later.***

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

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

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

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

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

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

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

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

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

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within

that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by cram down on non-accepting classes, as discussed later in this Section.

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

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept the Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

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

**2. Treatment of Nonaccepting Classes.**

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

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

**C. Liquidation Analysis.**

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

**D. Feasibility.**

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

The Amended Plan Proponent has provided projected financial information. Those projections are listed in ***Exhibit C***.

The Amended Plan Proponent's financial projections show that the Debtors will have an aggregate annual average cash flow in the first year, after paying operating expenses, plan payments, and post-confirmation taxes, of \$4,861.00. The final Plan payment is estimated to be paid in full on or before February 28, 2021.

The assumptions taken into account for the financial projections of the Debtors are that:

1. Debtors will continue receiving monthly retirement income and social security income projected at an average monthly amount of \$1,489.00.
2. Debtors also project that revenue from debtors' business income and rental income will continue steady at the rate of \$4,610.00 per month throughout the life of the plan.
3. The total monthly income is \$6,099.
4. The projections also reflect the assumption that Debtors expenses will maintain the same during the sixty (60) months of the life of the plan.

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

**V. EFFECT OF CONFIRMATION OF PLAN.**

**A. DISCHARGE OF DEBTOR.**

The Debtors are individuals and § 1141(d) (3) is not applicable. Confirmation of this Plan does not discharge any debt provided for in this Plan until the court grants a discharge on completion of all payments under this Plan, or as otherwise provided in § 1141(d)(5) of the Code. The Debtors will not be discharged from any debt excepted from discharge under § 523 of the Code, except as provided in Rule 4007(c) of the Federal Rules of Bankruptcy Procedure.

Discharge of Claims. Except as otherwise expressly provided herein, by the Bankruptcy Code or in the Confirmation Order, the rights granted by this Plan and the payments and distributions made hereunder shall be in complete exchange for and in full and final satisfaction, settlement, release and discharge of all existing debts and Claims of any kind, nature or description whatsoever against the Debtors or the Debtors in Possession, or the Reorganized Debtors, or any of their assets or properties; and on the Consummation Date, all existing Claims against the Debtor or Debtor in Possession shall be, and shall be deemed to be, exchanged, satisfied, discharged and released in full; and all holders of Claims shall be precluded from asserting against the Debtors and the Reorganized Debtors, or their assets or properties any other or further Claim based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Consummation Date, whether or not such holder filed a proof of claim; whether or not such Claim is allowed, and whether or not the holder of such Claim has accepted the Plan.

**B. Modification of Plan.**

The Plan Proponent may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new disclosure statement and/or revoting on the Plan.

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

**C. Final Decree.**

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

**RESPECTFULLY SUBMITTED.**

In San Juan, Puerto Rico, this 12<sup>th</sup> day of November, 2015.

By: /s/ALBERTO RAMON MENENDEZ  
BESOSA  
ALBERTO RAMON MENENDEZ BESOSA

By: /s/ELBA SOCORRO GELY LATALLADI  
ELBA SOCORRO GELY LATALLADI

**I HEREBY CERTIFY** that on this date, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system which will send notification of such filing to all CM/ECF participants including the U.S. Trustee.

**RESPECTFULLY SUBMITTED.**

In San Juan, Puerto Rico, this 12<sup>th</sup> day of November, 2015.

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