

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

IN THE MATTER OF:

ROBERTO SEBELEN MEDINA
BETSIE MARIE CORUJO MARTINEZ

Debtors

CASE NO. 14-06368 (BKT)

CHAPTER 11

FIRST AMENDED DISCLOSURE STATEMENT

I. INTRODUCTION

Roberto Sebelen Medina and Betsie Marie Corujo Martinez (hereinafter also referred to as "Debtor"), provide this First Amended Disclosure Statement ("Disclosure Statement") to all of their known creditors and other parties in interest in order to disclose that information deemed by him to be material, important and necessary for his creditors and other parties in interest to arrive at a reasonably informed decision in exercising their right to vote for acceptance of the Plan of Reorganization ("Plan"). A copy of the Plan is filed contemporaneously herewith.

Creditors are advised that they have the right to vote accepting or rejecting the Plan proposed by Debtor. They are further advised that in order for the Plan to be accepted by a class of creditors, the creditors composing such class, that hold at least two thirds in amount and more than one half in number of the allowed claims of such class which vote must accept the Plan. Therefore, it is very important for creditors to exercise their right to vote in reference to the acceptance or rejection of the Plan, since in accordance to Section 1141(d) of the Bankruptcy Code, except as otherwise provided therein, in the Plan or in the

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order confirming the Plan, the confirmation of a plan discharges the Debtor from any debt that arose before the date of said confirmation and from any debt of a kind specified in Section 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not the creditors have accepted the Plan or have filed their claims, or such claims are deemed filed or allowed under Section 502 of the Bankruptcy Code.

NO REPRESENTATIONS CONCERNING THE DEBTOR (PARTICULARLY AS TO THE REORGANIZED DEBTOR'S FUTURE OPERATIONS OR THE VALUE OF PROPERTY) ARE AUTHORIZED BY THE DEBTOR OTHER THAN AS SET FORTH IN THIS STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS OTHER THAN AS CONTAINED IN THIS STATEMENT SHOULD NOT BE RELIED UPON BY YOU AND SUCH ADDITIONAL REPRESENTATIONS AND INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR WHO IN TURN SHALL DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTION AS MAY BE DEEMED APPROPRIATE.

THE INFORMATION CONTAINED HEREIN AS OF SEPTEMBER 30, 2016 HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT, FOR WHICH REASON THE DEBTOR IS UNABLE TO WARRANT OR REPRESENT THAT IT IS WITHOUT ANY INACCURACY, ALTHOUGH GREAT EFFORTS HAVE BEEN MADE TO BE ACCURATE.

II. ADEQUACY OF DISCLOSURE IN A CHAPTER 11 CASE

Post-petition disclosure and solicitation is governed by the provisions of Section 1125 of the Bankruptcy Code.

Section 1125, requires that, other than in small business cases under Section 1125(f) of the Bankruptcy Code, which is not the situation in Debtor's case, a written "disclosure statement" approved by the Court after notice and hearing be transmitted to holders of claims and interests together with the plan or a summary thereof. Post-petition solicitation of acceptances or rejections of a plan may be made only at the time of or after

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transmission of the "disclosure statement". 7 *Collier on Bankruptcy*, ¶1125.01[1] (Matthew Bender, 15 Ed. Revised 1998).

Also, Section 1125(a)(1) requires that the disclosure statement contains "adequate information" in sufficient detail as far as reasonably practicable in light of the nature and history of the particular Debtor and the condition of the Debtor's financial records. It must be such information as would enable a hypothetical reasonable investor (typical of the holders of claims and interests of the relevant class) to make an informed judgment about the plan. Adequate information, however, need not include information about any other possible or proposed plan. 7 *Collier on Bankruptcy*, op. cit. ¶1125.01[2].

Section 1125(a)(2) defines the hypothetical investor referred to in subsection (a)(1) as an investor having:

a claim or interest of the relevant class,

such a relationship with the Debtors as the holders of other claims or interests of such class generally have, and

such ability to obtain such information from sources other than the disclosure required by section 1125 as holders of claims or interests in such class generally. (*Collier on Bankruptcy*, op. cit. ¶1125.01[2][a]).

Disclosure is the pivotal concept in reorganization practice under the Bankruptcy Code.

As described in the House Report:

If adequate disclosure is provided to all creditors and stock holders whose rights are to be affected, then they should be able to make an informed judgment of [sic. on] their own rather than having a court or the Securities and Exchange Commission inform them in advance whether the proposed plan is a good plan. Therefore, the key to the consolidated chapter is the disclosure

section. (H.R. Rep. No. 95-595, 95th Cong., 1st Sess. 226-231 (1977)).

The definition of "adequate information" in Section 1125(a)(1) requires that a disclosure statement include information in sufficient reasonable detail as far as is practicable. *Collier*, op. cit. ¶1125.02[1].

As stated in the legislative history to Section 1125(a):

Precisely what constitutes adequate information in any particular instance will develop on a case-by-case basis. Courts will take a practical approach as to what is necessary under the circumstances of each case, such as the cost of preparation of the statements, the need for relative speed in solicitation and confirmation, and, of course, the need for investor protection. There will be a balancing of interests in each case. In reorganization cases, there is frequently great uncertainty. Therefore the need for flexibility is greatest. (H.R. Rep. No. 95-595, 95th Cong., 1st Sess. at 409 (1977)).

The Senate Report expands upon the House Report's description of Section 1125(a) in the following manner:

Reporting and audit standards devised for solvent and continuing businesses do not necessarily fit a Debtor in reorganization. Subsection (a)(1) expressly incorporates consideration of the nature and history of the Debtor and the condition of its books and records into the determination of what is reasonably practicable to supply. These factors are particularly pertinent to historical data and to discontinued operations of no future relevance.

A plan is necessarily predicated on knowledge of the assets and liabilities being dealt with and on factually supported expectations as to the future course of the business sufficient to meet the feasibility standard in section 1129(a)(11) of this title. It may thus be necessary to provide estimates or judgments for that purpose. Yet it remains practicable to describe, in such detail as may be relevant and needed, the basis for the plan and the data on which supporters of the plan rely.

S. R. Rep. No. 989, 95th Cong. 2d §§ 120-121 (1978).

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The definition of "adequate information" contained in Section 1125(a)(1) must be considered together with the phrase, "investor typical of holders of claims or interest of the relevant class" defined in Section 1125(a)(2). That definition recognizes that the quality of information available to members of a given class will vary as will the sophistication of members of various classes. (*Collier*, op. cit. ¶1125.02[3]).

For example, a trade creditor may have a general unsecured claim for \$1,000 and be a member of a class, which includes a commercial bank holding a claim of \$1,000,000. The bank presumably will be more sophisticated in financial matters than the trade creditor and, depending on the circumstances of the case, may have access to detailed current and historical financial information concerning the Debtor's business, which is not, and has not been, available to the trade. Trade creditors, on the other hand, may have information with respect to the Debtor's business and the sophistication necessary to interpret such information, which is not enjoyed by the Debtor's debenture holders or shareholders. (*Collier*, op. cit. ¶1125.02[3]).

Section 1125(d) specifically provides that the adequacy of disclosure is not to be governed by any otherwise applicable nonbankruptcy law, rule or regulation. (*Collier*, op. cit. ¶1125.02[4]).

As stated in the House Report:

The bill also permits the disclosure statement to be approved without the necessity for compliance with the very strict rules of Section 5 of the Securities Act of 1933, section 14 of the Securities Exchange Act of 1934, or relevant State securities laws. Without such a provision, the court would have no discretion in approving disclosure statements that go to public classes, but would be required in every case to require a full proxy statement or prospectus whenever public classes were solicited [sic]. Such a statement requires certified audited financial statements and extensive information. The cost of developing a prospectus or proxy statement for a large company often runs well over \$1 million. That cost would be nearly prohibitive in a bankruptcy reorganization. In addition, the

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information normally required under section 14 may simply be unavailable, because of the condition of the Debtors. Finally, court supervision of the contents of the disclosure statement will protect the public investor from any serious inadequacies in the disclosure statement.

The provision does not prohibit a section 14-type statement or a prospectus. In some cases it may indeed be appropriate to go that length in disclosure. The courts will have to determine the need on a case-by-case basis. The section merely does not require it in every public case. (H.R. Rep. No. 95-595, 95th Cong., 1st Sess. 227-229 (1977)).

The aforesaid is even more applicable to Debtor's reorganization proceedings considering that this Disclosure Statement does not go to public classes.

III. THE DEBTOR

For over 20 years, Debtor was an active client of Westernbank; having two commercial loans for properties located in Caceres #7 and Calle Narciso Font #17, both in Carolina, one construction loan for a residence in Urb. Santa Maria, Calle Orquidea #93 in San Juan, and a personal loan. All four loans were up to date. On April 30, 2010 Westernbank was closed by the FDIC and all of Debtor's loans were acquired by Banco Popular. At the time of the acquisition, Banco Popular froze the loans and it is Debtor's opinion that such action was without motive, since it was a loan that provided a balance for disbursement and enough time to complete the work. On May 2, 2011 Banco Popular filed a lawsuit against Debtor at the Superior Court of San Juan, Case No. K CD2011-1017, for collection of monies and foreclosure. This lawsuit included Debtor's commercial facility, as a whole (along with the three (3) above mentioned loans which were up to date). After two (2) years of litigation, on September 27, 2013 the San Juan

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Superior Court issued a resolution that indicated, among other things, that the rent money generated (\$16,000 per month) from the properties located in Caceres #7 and Narciso Font #17 in Carolina was to be consigned in the court. In to overturn this decision, various motions were filed, explaining how the rent money belonged to the three (3) properties; of which one was not mortgaged by Banco Popular. These motions were fruitless and the Lessee (Municipio de Carolina) began consigning the rent in the San Juan Superior Court. Therefore, Debtor's income capacity was reduced by more than 60%. As such Debtor had no other choice but to file a Chapter 11 Bankruptcy, to try and make ends meet on August 2, 2014. After filing for bankruptcy, the situation keep getting worse since Debtor must fulfilled its obligations with the lessee, i.e. Municipio de Carolina, without receiving a single cent of the consigned rent money.

After a very long negotiation, Debtor was able to reach an agreement with Banco Popular in order to put an end to all their disagreements and a Stipulation was filed in the captioned case. It is Debtor's position that with the Stipulation reached with Banco Popular, Debtor will be in a position to finally have a feasible plan of reorganization.

Events Leading To Bankruptcy Filling

As a direct result of the above, and needing a breathing spell from the on-going litigation and for the purpose of reorganizing his financial affairs and his business, Debtor obtained the benefits of the automatic stay provisions the Bankruptcy Code by filing a voluntary petition for relief on August 1, 2014 pursuant to 11 U.S.C. Chapter 11 with the Bankruptcy Court.

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Assets as of Petition Date

Assets listed on Debtor's schedules, as amended, are an integral reference to this Disclosure Statement and to the best of Debtor's understanding are accurate as of the filing of the bankruptcy petition. If Debtor understands that these schedules should be further amended, he would do so within 20 days after the hearing to discuss the adequacy of the instant Disclosure Statement.

The main assets listed on Debtor's schedules and their respective values are listed in the liquidation analysis attached hereto as **Exhibit A**.

It must be clarified that Debtor had already sold pre-petition one of its properties located at Ponce, Puerto Rico. As such, the only thing pending at the time of the bankruptcy filing was the collection of the sales price balance owed by the purchaser. Debtor was able to collect said balance, which helped Debtor pay its obligations during the pendency of the captioned case.

Liabilities as of the Petition Date

Liabilities as of the Petition Date can be ascertained through reviewing Debtor's schedules filed in the instant case. Moreover, as **Exhibit B** of the instant Disclosure Statement, unsecured creditors can ascertain the total amount of their claims that Debtor understands will ultimately be deemed allowed by the Bankruptcy Court for voting purposes on the confirmation of Debtor's Plan. The total allowed claim would be the basis for the dividend to be offered by Debtor as part of his Plan.

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IV. POST PETITION EVENTS

Debtor has filed Monthly Operating Reports with the Bankruptcy Court reflecting Debtor's income and disbursements, accounts receivable, accounts payable, taxes and other items during the period of August 2014 to September 2016. A summary of these reports is included herein as **Exhibit C**, and the actual Monthly Operating Reports can be inspected by parties in interest at the Office of the Clerk of the Bankruptcy Court.

V. THE PLAN OF REORGANIZATION

The following is a summary of the significant provisions of the Plan and is qualified in its entirety by said provisions. In the event and to the extent that the description of the Plan contained in the Disclosure Statement is inconsistent with any provisions of the Plan, the provisions of the Plan shall control and take precedence. All creditors are urged to carefully read the Plan.

It is Debtor's intention to make payments to his creditors through the Plan primarily consisting of:

1. Payment of all administrative expenses on the later of the Effective Date and the date the Administrative Claims become allowed.
2. Voluntary surrender of certain real estate property owned by Debtor and owed to Andrea Melby/Melby Ranch Properties LLC.
3. Payment of 100% of all allowed priority tax claims on the Effective Date.
4. Full compliance of the stipulation reached with Banco Popular regarding the real estate properties subject of the stipulation.

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5. Restructuring of secured debt owed to Banco Popular over the real estate that is not subject to the stipulation, in order to pay the same in full according the the terms agreed upon with the Loss Mitigation Department of Banco Popular detailed below.
6. Restructuring of secured debt owed to Scotiabank in order to pay the same in full within 30 years with a 2.75% per annum, or as otherwise agreed with the Loss Mitigation Department of Scotiabank, whichever occurs first.
7. Restructuring of secured debt owed to Deutsche Bank (Wells Fargo) in order to pay the same in full within 30 years with a 2.75% per annum, or as otherwise agreed with the Loss Mitigation Department of Wells Fargo, whichever occurs first.
8. Restructuring of secured debt owed to Doral Bank (Rushmore) in order to pay the same in full within 30 years with a 2.75% per annum, or as otherwise agreed with the Loss Mitigation Department of Rushmore, whichever occurs first.
9. Payment in full of the secured claim of CRIM within 2 years of the Effective Date of the Plan through the sale of the subject real estate.
10. Payment in full of the secured claim of the PR Department of Treasury on the Effective Date.
11. Payment of \$38,600.00 to be distributed on a pro-rate basis to all allowed unsecured claims through three (3) lump sum payments to be paid as follows, a first payment in the amount of \$5,000.00 on the Effective Date; a second

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payment in the amount of \$23,600.00 two years after the Effective Date; and a third and final payment in the amount of \$10,000.00 four years after the Effective Date.

Means of Funding the Plan

The Plan is to be funded by the \$96,526.00 that Debtor will receive from the funds consigned in the Superior Court of San Juan as per the Stipulation with Banco Popular, the sale of two real estate properties owned by Debtor within two years from the Effective Date, and Debtor's current rental income.

Feasibility of the Plan

Debtor has prepared financial projections (the "Projections") based on the confirmation and implementation of the Plan. The Projections are based upon estimates and assumptions that, although developed and considered reasonable by Debtor are inherently subject to significant economic uncertainties and contingencies beyond its control, as well as to certain assumptions with regard to the value of assets that are subject to change. Accordingly, there can be no assurance that the projected performance reflected in the Projections will be realized.

The Projections have been prepared reflecting what creditors will be paid pursuant to the Plan, considering the continuance of Debtor's current monthly rental income, the sale of two real estate, and Debtor's share of the funds consigned in the San Juan Superior Court. They are attached as **Exhibit D** to this Disclosure Statement.

Debtor's Plan classifies the claims as follows:

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ARTICLE I CLASSIFICATION OF CLAIMS

CLASS 1 - Administrative Expense Claims

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. If Debtor disputes any portion of an Administrative Expense Claim, Debtor shall pay such Claim within thirty (30) days after the entry of a Final Order with respect to the allowance of such disputed Administrative Expense Claim. Debtor will reserve the necessary funds to meet these payments. The professionals retained by Debtor in Debtor's Chapter 11 case 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 additional professional administrative expense fees that will be incurred through the Effective Date of the Plan. Pursuant to orders of the Bankruptcy Court, certain professionals have been paid interim fees and expenses. Debtor reserves the right to contest the allowance of any professional fees related to attorneys and certified public accounts that must be approved by the court.

CLASS 2 - Priority Tax Claims

Priority Tax Claims are Claims entitled to priority pursuant to Section 507(a)(8) of the Bankruptcy Code. Such Priority Tax Claims consist of income, real estate, and other miscellaneous taxes accrued prior to the Petition Date.

All Priority Tax Claims will be paid in cash and shall receive in full satisfaction

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thereof 100% of its claims on the Effective Date.

CLASS 3 - Banco Popular's Claims as per Stipulation

Banco Popular's aggregate claim in the approximate amount of four million eight hundred ninety five thousand one hundred eleven dollars (\$4,895,111) arising out of several loans guaranteed by real estate as more specifically detailed in the Stipulation reached with Banco Popular, a copy of which is attached hereto as **Exhibit E**.

CLASS 4 – Banco Popular's Claim not included in Stipulation

Banco Popular's claim (which was not part of the aforementioned Stipulation) in the approximate amount of one hundred twenty thousand three hundred eighteen dollars (\$120,318) arising from Banco Popular's loan to Debtor for the purchase of a real estate located at Urb. Roosevelt, San Juan, PR, secured by a first mortgage thereon.

CLASS 5 - Scotiabank's Secured Claim

Scotiabank's claim in the approximate amount of ninety eight thousand three hundred forty two dollars (\$98,342) arising from Scotiabank's loan to Debtor for the purchase of a real estate located at Tapia Street, San Juan, PR, secured by a first mortgage thereon.

CLASS 6 - Deutsche Bank's Secured Claim

The secured portion of Deutsche Bank (Wells Fargo)'s claim, which is estimated at four hundred thousand dollars (\$400,000) arising from Deutsche Bank's loan to Debtor for the purchase of a real estate located at Broadway Avenue, New York, secured by a first mortgage thereon.

CLASS 7 - Doral Bank's Secured Claim

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Doral Bank (Rushmore)'s claim in the approximate amount of one hundred thirty eight thousand seven hundred sixty dollars (\$138,760) arising from Doral Bank's loan to Debtor for the purchase of a real estate located at Spring Park, Florida, secured by a first mortgage thereon.

CLASS 8 - Melby Ranch's Secured Claim

Andrea Melby-Melby Ranch Properties LLC's claim in the approximate amount of twenty one thousand six hundred and eleven dollars (\$21,611) arising from Melby's loan to Debtor for the purchase of a real estate located at Costilla County, Colorado, secured by a first mortgage thereon.

CLASS 9 - CRIM's Secured Claim

CRIM's claim in the approximate amount of nine thousand nine hundred and sixty dollars (\$9,960) arising from CRIM's statutory lien over Debtor's property at Amparo Street, Cataño, PR..

CLASS 10 - PR Department of Treasury's Secured Claim

PR Department of Treasury's claim in the approximate amount of two thousand seven hundred eighty four dollars (\$2,784) arising from Treasury's statutory lien over Debtor's property at Rafael Lamar St., San Juan, PR.

CLASS 11 – General Unsecured Claims

Unsecured claims to the extent that such claims are approved and allowed by the Court or deemed allowed under the provisions of the Bankruptcy Code. As depicted in **Exhibit B** to the Disclosure Statement, Debtor estimates that the total amount of

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unsecured claims, including the deficiency claims of secured creditors, will be approximately \$5,723,415.

ARTICLE II CLAIMS NOT IMPAIRED UNDER THE PLAN

2.1 CLASS 1 - Administrative Expense Claims

(a) Impairment and Voting - Administrative Expense Claims are not impaired under the Plan, and therefore not entitled to vote to accept or reject the Plan.

(b) Distribution - These claims will be paid in full on the Effective Date or as agreed to with the holders of such claims.

2.2 CLASS 2 - Priority Tax Claims

(a) Impairment and Voting - Priority Tax claims are not impaired under the Plan, and therefore not entitled to vote to accept or reject the Plan.

(b) Distribution - These claims will be paid in full on the Effective Date.

2.3 CLASS 10 - PR Department of Treasury's Secured Claim

(a) Impairment and Voting - Priority Tax claims are not impaired under the Plan, and therefore not entitled to vote to accept or reject the Plan.

(b) Distribution - These claims will be paid in full on the Effective Date.

ARTICLE III TREATMENT OF CLASSES THAT ARE IMPAIRED UNDER THE PLAN

3.1 CLASS 3 - Banco Popular's Claims as per Stipulation

(a) Impairment and Voting - Class 3 is impaired under the Plan and therefore shall be entitled to vote to accept or reject the Plan.

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(b) Distribution - Banco Popular will receive the treatment agreed to by the parties as per the Stipulation, a copy of which is attached hereto as Exhibit E. **Banco Popular will retain its liens encumbering its collateral until the collateral is sold as per the Stipulation.**

3.2 CLASS 4 – Banco Popular’s Claim not included in Stipulation

(a) Impairment and Voting - Class 4 is impaired under the Plan and therefore shall be entitled to vote to accept or reject the Plan.

(b) Distribution – Banco Popular will receive 100% of its secured claim, through the restructuring of the debt agreed with the Loss Mitigation Department of Banco Popular as follows: 60 monthly payments of \$435.77 commencing on October 1, 2016; 12 monthly payments of \$503.79 thereafter; 12 monthly payments of \$575.25 thereafter; 12 monthly payments of \$649.61 thereafter; 12 monthly payments of \$726.67 thereafter; and 372 monthly payments of \$795.05 thereafter. **Banco Popular will retain its liens encumbering its collateral until payment in full of its claim.**

3.3 CLASS 5 - Scotiabank’s Secured Claim

(a) Impairment and Voting - Class 5 is impaired under the Plan and therefore shall be entitled to vote to accept or reject the Plan.

(b) Distribution – Scotiabank will receive 100% of its secured claim, which is estimated to be \$98,342, through the restructuring of the debt through three hundred and sixty (360) equal monthly payments plus a 2.75% per annum; or through the terms to be agreed with the Loss Mitigation Department if said agreement is reached before

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the confirmation of the Plan. **Scotiabank will retain its liens encumbering its collateral until payment in full of its claim.**

3.4 CLASS 6 - Deutsche Bank's Secured Claim

(a) Impairment and Voting - Class 6 is impaired under the Plan and therefore shall be entitled to vote to accept or reject the Plan.

(b) Distribution – Deutsche Bank's will receive 100% of its secured claim, which is estimated to be \$400,000, through the restructuring of the debt through three hundred and sixty (360) equal monthly payments plus a 2.75% per annum; or through the terms to be agreed with the Loss Mitigation Department if said agreement is reached before the confirmation of the Plan. **Deutsche Bank will retain its liens encumbering its collateral until payment in full of its claim.**

3.5 CLASS 7 - Doral Bank's Secured Claim

(a) Impairment and Voting - Class 7 is impaired under the Plan and therefore shall be entitled to vote to accept or reject the Plan.

(b) Distribution – Doral Bank (Rushmore) will receive 100% of its secured claim, which is estimated to be \$138,760, through the restructuring of the debt through three hundred and sixty (360) equal monthly payments plus a 2.75% per annum; or through the terms to be agreed with the Loss Mitigation Department if said agreement is reached before the confirmation of the Plan. **Doral Bank (Rushmore) will retain its liens encumbering its collateral until payment in full of its claim.**

3.6 CLASS 8 - Melby Ranch's Secured Claim

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(a) Impairment and Voting - Class 8 is impaired under the Plan and therefore shall be entitled to vote to accept or reject the Plan.

(b) Distribution – Melby Ranch will receive 100% of its secured claim through the voluntary surrender of the property subject of its lien to be perfected within thirty days of the Effective Date. **Melby Ranch will retain its liens encumbering its collateral until the transfer of the realty is perfected.**

3.7 CLASS 9 - CRIM's Secured Claim

(a) Impairment and Voting - Class 9 is impaired under the Plan and therefore shall be entitled to vote to accept or reject the Plan.

(b) Distribution – CRIM will receive 100% of its secured claim through the sale of the realty subject of the lien to be perfected within two (2) years of the Effective Date.

3.8 CLASS 11 – General Unsecured Claims

(a) Impairment and Voting - Class 11 is impaired under the Plan and therefore shall be entitled to vote to accept or reject the Plan.

(b) Distribution – Holders of Allowed General Unsecured Claims shall receive dividends in the total aggregate amount of \$38,600.00 to be distributed on a pro-rata basis through three (3) lump sum payments to be paid as follows, a first payment in the amount of \$5,000.00 on the Effective Date; a second payment in the amount of \$23,600.00 two years after the Effective Date; and a third and final payment in the amount of \$10,000.00 four years after the Effective Date, as depicted in **Exhibit B** of the Disclosure Statement.

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THE FOREGOING IS A PRESENTATION OF THE CLASSIFICATION OF CLAIMS UNDER 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.

VI. FINANCIAL INFORMATION RESPECTING DEBTOR

EXHIBIT A is a comparison of what creditors would receive in dividends in the event of a liquidation of Debtor's non-exempt assets under Chapter 7 of the Bankruptcy Code *vis a vis* what creditors are to receive under the provisions of the Plan.

VII. PROOFS OF CLAIM FILED

Debtor is in the process of reconciling all proofs of claim filed and will file the corresponding objections prior to the bar date provided for in the Plan.

VIII. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Under the Plan Debtor will assume all unexpired leases and executory contracts, which have not been expressly rejected or assumed under 11 U.S.C. §365(a).

In San Juan, Puerto Rico, this 28th day of October, 2016.

s/Roberto Sebelen Medina
ROBERTO SEBELEN MEDINA

s/Betsie M. Corujo Martinez
BETSIE M. CORUJO MARTINEZ