

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

IN THE MATTER OF: UNIVERSAL DOOR & WINDOW MANUFACTURE, INC. Debtor in Possession

CASE NO. 15-01120 (ESL)

CHAPTER 11

SECOND AMENDED DISCLOSURE
STATEMENT

December 14, 2016

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ARTICLE I. INTRODUCTION

Section 1125 of the Bankruptcy Code requires that a debtor make post petition disclosure in the form of a disclosure statement which provides "adequate information" to its creditors before a debtor or a party acting on its behalf may solicit acceptances of a Chapter 11 plan. Creditors are urged to consult with their own attorney, or with each other, and to review all of the pleadings and other documents on file with the Bankruptcy Court in order to fully understand the disclosures made herein, regarding the Debtor's proposed plan of reorganization (hereafter referred to as the "Plan") and any other pertinent matters in this case. All amendments included in this Second Amended Disclosure Statement are underlined to facilitate its review. A summary of the Plan is included with this Second Amended Disclosure Statement.

DEFINITIONS

For the purposes of this Second Amended Disclosure Statement and Plan of Reorganization, the following terms shall have the respective meanings set forth below. 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 neuter, regardless of how stated. The words "herein", "hereof", "hereto", "hereunder" and other words of similar import refer to the Second Amended Plan as a whole and not to any particular section, sub-section or clause contained in the Second Amended Plan. The rules of construction contained in Section 102 of the Bankruptcy Code shall apply to the terms

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of this Second Amended Plan. The headings in the Second Amended Plan are for convenience of reference only and shall not limit or otherwise affect the provisions hereof.

1.1 ***“Administrative Creditor”*** shall mean a person entitled to payment of an Administrative Expense Claim.

1.2 ***“Administrative Expense Claim”*** shall mean any Claim constituting a cost or expense of administration of the Chapter 11 proceeding allowed under 11 U.S.C. Sec. 503(b) and 507(a)(2).

1.3 ***“Allowed Claim”*** shall mean any Claim, proof of which was properly filed on or before the Bar Date set by the Bankruptcy Court or if no proof of claim has been so filed, any claim which has been or hereafter is listed by the Debtor in its Schedules (as they may be Second Amended or supplemented from time to time in accordance with the Bankruptcy Rules) and is not listed as disputed, contingent or unliquidated. In either case, the term refers to a claim as to which no objection to the allowance thereof has been interposed, or as to which any objection has been denied by a Final Order. Unless otherwise provided for in this Plan, “Allowed Claim” shall not include interest, costs, fees, expenses or other charges on the principal amount of such Claim from and after the Petition Date.

1.4 ***“Allowed Secured Claim”*** shall mean any Allowed Claim which is a Secured Claim and shall include in the amount thereof - unless otherwise stated in this Second Amended Plan - all interest accrued on or after the Petition Date, fees, costs, and charges as may be allowed by applicable law.

1.5 ***“Bankruptcy Code” or “Code”*** shall mean the provisions of Title 11 of the United States Code, 11 U.S.C. Sections 101 et seq., as Second Amended from time to time.

1.6 ***“Bankruptcy Court” or “Court”*** shall mean the United States Bankruptcy Court for the District of Puerto Rico, having jurisdiction over this Chapter 11 proceeding,

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or such other court as may be exercising jurisdiction over this Chapter 11 proceeding.

1.7 ***“Bankruptcy Rules” or “Rules”*** shall mean the Federal Rules of Bankruptcy Procedure, as Second Amended from time to time, as promulgated under 28 U.S.C. §2075, and any local rules of the Bankruptcy Court.

1.8 ***“Bar Date”*** shall mean the deadline of June 25, 2015 for all creditors except a governmental unit, and August 18, 2015 for a governmental unit, after which any proof of claim filed will not have any effect on this Second Amended Plan and will not entitle its holder to participate with other Claims in distributions under this Second Amended Plan or to vote on the Second Amended Plan, unless authorized by the Court.

1.9 ***“Cash”*** shall mean lawful currency of the United States of America (including wire transfers, cashier’s checks or regular checks drawn on a bank insured by the Federal Deposit Insurance Corporation, certified checks and money orders).

1.10 ***“Claim”*** shall mean any right to payment whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured; or any right to an equitable remedy for breach of performance if such breach gives rise to a right of payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

1.11 ***“Class”*** shall mean a category of holders of Claims or Interests as those classes are designated in Article II of this Second Amended Plan.

1.12 ***“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 under the Bankruptcy Code or otherwise invalid under the Bankruptcy Code or applicable law.

1.13 ***“Confirmation Date”*** shall mean the date the Confirmation Order in this Chapter 11 proceeding made in accordance with the provisions of 11 U.S.C. Section 1129 becomes a Final Order.

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1.14 **"Confirmation Order"** Shall mean the order of the Bankruptcy Court confirming the Second Amended Plan pursuant to the provisions of the Bankruptcy Code.

1.15 **"Consummation Date"** shall mean the date by which all of the conditions precedent to consummation as set forth in this Second Amended Plan, shall have been met or waived.

1.16 **"Contingent Claim"** shall include liabilities in which the Debtor's legal duty to pay does not come into existence until triggered by the occurrence of a future event and such future occurrence was within the actual or presumed contemplation of the parties at the time the original relationship of the parties was created.

1.17 **"Cramdown"** shall mean the confirmation of the Second Amended Plan under 11 U.S.C. §1129 (b).

1.18 **"Creditor"** shall mean any Person who has a Claim against the Debtor which arose on or before the Petition Date or a Claim of any kind specified in 11 U.S.C. § 502(g), 503(h) or 502(l).

1.19 **"Critical Vendors"** shall mean those creditors which are critical for debtors' operations and reorganization process, which were so declared by the Bankruptcy Court.

1.20 **"Debtor"** shall mean UNIVERSAL DOOR & WINDOW MANUFACTURE, INC.

1.21 **"Disclosure Statement"** shall mean the Disclosure Statement as Second Amended filed by the Debtor with the Bankruptcy Court in this Chapter 11 proceeding pursuant to 11 U.S.C. Section 1125, including, without limitation, all exhibits and schedules thereto, as approved by the Bankruptcy Court and notified to all Creditors and parties in interest, in accordance with the provisions of the Bankruptcy Code and Rules.

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1.22 ***“Effective Date”*** shall mean 30 days after the order confirming the Second Amended Plan becomes a final-unappealable order; and shall be the date on which the Second Amended Plan provides for the initiation of payments under the Second Amended Plan.

1.23 ***“Estate”*** shall mean the property owned by the Debtor which comprises the Chapter 11 estate of the Debtor in the above-captioned Chapter 11 proceeding pursuant to Section 541 of the Bankruptcy Code.

1.24 ***“Exhibit”*** unless otherwise stated, are the documents attached to the Second Amended Disclosure Statement.

1.25 ***“Final Order”*** shall mean an Order of the Bankruptcy Court for the District of Puerto Rico which shall not have been reversed, stayed, modified or Second Amended; and the time to appeal from or to seek review or rehearing of such order shall have expired - and as to which no appeal or petition for review or rehearing or certiorari proceeding is pending - as a result of which such Order shall have become final in accordance with Rule 8002 of the Rules of Bankruptcy Procedure; 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, unless such motion is actually filed, and being entertained by the Court.

1.26 ***“Lien”*** shall mean a mortgage, pledge, judgment lien, security interest, charging order, or other charge or encumbrance on property as is effective under applicable law as of the petition date.

1.27 ***“Liquidation Analysis”*** shall mean the analysis of the potential sale of the assets of the estate in the hypothetical scenario of a Chapter 7 liquidation by an assigned Trustee and the distribution that would be expected for each class of creditor, considering the liquidation expenses.

1.28 ***“Liquidation Value”*** shall mean the sales price by which any item of the Debtor’s property could be expected to bring per the Liquidation Analysis.

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1.29 **"Person"** shall mean any individual, corporation, partnership, association, joint stock company, trust, unincorporated organization, government or any political subdivision thereof, or other entity.

1.30 **"Petition Date"** shall mean February 19, 2015 the date on which the instant Chapter 11 proceeding was commenced by the Debtor's filing of its Voluntary Petition.

1.31 **"Plan"** shall mean this Plan of Reorganization, as Second Amended, under Chapter 11 of the Bankruptcy Code, including, without limitation, all exhibits, supplements, appendices and schedules hereto and thereto, either in their present form or as the same may be Second Amended or modified from time to time.

1.32 **"Priority Claim"** shall mean any Allowed Claim, other than an Administrative Expense Claim or Priority Tax Claim, to the extent entitled to priority in payment under 11 U.S.C. Section 507(a).

1.33 **"Priority Creditor"** shall mean any Creditor which is the holder of a Priority Claim.

1.34 **"Priority Tax Claim"** shall mean any Allowed Claim of any governmental unit entitled to a priority in payment under 11 U.S.C. Section 507(a)(8).

1.35 **"Priority Wage Claim"** shall mean any Allowed Claim of any employee who is entitled to a priority in payment under 11 U.S.C. Section 507(a)(4) or (5).

1.36 **"Property"** shall mean the property of the Estate which shall be administered by the Debtor.

1.37 **"Pro Rata"** shall mean in the same proportion that a Claim or Interest in a given Class bears to the aggregate amount of all Claims (including disputed Claim until allowed or disallowed) or the aggregate number of all Interests in such Class.

1.38 **"Schedules"** shall mean the schedules of assets and liabilities, the list of holders of interests and the statement of financial affairs filed by the Debtor under Section 521 of the Bankruptcy Code and Bankruptcy Rule 1007, as such schedules,

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lists and statements have been or may be supplemented or Second Amended from time to time.

1.39 ***“Secured Claim”*** shall mean a Claim, the holder of which is vested with a perfected, non-voidable lien on property in which the Debtor has an interest, which lien is valid, perfected, and enforceable under applicable law and not subject to avoidance under the Code or other applicable non-bankruptcy law, and is duly established in this case, to the extent of the value of such holder’s interest in the Debtor’s interest in such Property, as determined in accordance with 11 U.S.C. Section 506.

1.40 ***“Secured Creditor”*** shall mean a Creditor who has a Secured Claim.

1.41 ***“Stockholder Investment”*** shall mean any investment provided by any stockholder in order to acquire outstanding secured loans.

1.42 ***“Substantial Consummation”*** of this Plan shall mean the commencement of any of the events provided for in 11 U.S.C. Section 1101.

1.43 ***“Trustee”***, unless otherwise stated, shall mean the Debtor-in-Possession.

1.44 ***“Voluntary Petition”*** shall mean the voluntary petition for relief filed by Debtor on the Petition Date.

For purposes of this Second Amended Disclosure Statement, and to the extent not otherwise provided herein, all capitalized terms below shall have the meanings set forth in the Second Amended Plan of Reorganization of the same date proposed by the Debtor herewith and, unless otherwise indicated, the singular shall include the plural, and any term used in this Second Amended Disclosure Statement which is not defined in the Second Amended Plan, but which is defined in the Bankruptcy Code (11 U.S.C.), shall have the meaning designated in the Bankruptcy Code.

DISCLAIMER

Creditors are advised that the financial information contained in this Second Amended Disclosure Statement has not been the object of an audit and is not certified

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by independent public accountants, except where expressly stated otherwise. The Debtor does not warrant or represent that the information contained herein is without inaccuracy notwithstanding its good-faith efforts to disclose all matters with careful attention to accuracy and completeness.

Any representation concerning the Debtor, and/or any other statement relative to it, different from, or not included in this Second Amended Disclosure Statement, is not authorized by the Debtor. Any representation or inducement not contained in this Second Amended Disclosure Statement, which might be made to secure acceptance of the Second Amended Plan, should not be relied upon by a creditor in deciding how to vote on the Second Amended Plan.

VOTING REQUIREMENTS

In order for the Second Amended Plan to be confirmed by the Bankruptcy Court, the Bankruptcy Code requires that the Second Amended Plan be approved by all classes of creditors and interest holders or that the Court find that the Second Amended Plan is "fair and equitable" as to any dissenting class.

Creditors of impaired classes may vote for the acceptance or rejection of the Second Amended Plan. Classes of creditors that are not impaired by the Second Amended Plan are deemed by law to have accepted the Second Amended Plan and are not entitled to vote. As provided by 11 U.S.C. §1124, a class of claims or interests is impaired under a plan unless, with respect to each claim or interest of such a class, the Second Amended Plan -

- (1) leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder of such claim or interest; or
- (2) notwithstanding any contractual provision or applicable law that entitles the holder of such claim or interest to demand or receive accelerated payment of such claim or interest after the occurrence of a default -
 - (A) cures any such default that occurred before or after the

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- commencement of the case under this title, other than a default of a kind specified in section 365(b)(2) of this title;
- (B) reinstates the maturity of such claim or interest as such maturity existed before such default;
 - (C) compensates the holder of such claim or interest for any damages incurred as a result of any reasonable reliance by such holder on such contractual provision or such applicable law; and
 - (D) does not otherwise alter the legal, equitable, or contractual rights to which such claim or interest entitles the holder of such claim or interest.

Ordinarily, a plan may not be confirmed unless at least one impaired class, assuming there is at least one impaired class, accepts the plan. In the Second Amended Plan filed by Debtor, classes 1, 2, 3, 4 and 5 are impaired, and are thus entitled to vote. The Debtor has designated certain claims as Unclassified, such as administrative expenses of the estate, priority tax claims, a contingent class (Class 6) and equity security holders (Class 7), which are considered unimpaired and is not entitled to vote.

A class has accepted the Second Amended Plan if such a plan has been accepted by creditors, other than those under 11 U.S.C. 1126 (e), that hold at least two-thirds (2/3) in amount and represent more than one-half (1/2) in number of the allowed claims of such class held by the voting creditors.

Each creditor is urged to consult with its own attorney and obtain advice on this Second Amended Disclosure Statement and the Second Amended Plan. The statements contained herein are only a brief summary of the Second Amended Plan and its confirmation process and thus constitute just part of what should be relied upon in making your determination as to whether to vote in favor of or against the Second Amended Plan. Creditors are expressly referred to the Debtor's Schedules of Assets and Liabilities, the Statement of Financial Affairs, their amendments, and all other

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documents duly filed in this case with the Bankruptcy Court. This Second Amended Disclosure Statement is predicated upon certain assumptions which may not materialize, and you are urged to give consideration to such assumptions.

No representation concerning the Debtor or as to the actual or realizable value of its property, are authorized by the Debtor other than as set forth in this Second Amended Disclosure Statement. Any amendments or clarifications to this Second Amended Disclosure Statement or the Second Amended Plan shall be in writing and filed with the Court.

DEBTOR'S HISTORY

Debtor is a domestic corporation organized under the laws of the Commonwealth of Puerto Rico (Register # 83817) on May 14, 1993. The company was originally dedicated to the manufacturing of security doors and windows in aluminum and glass for the Puerto Rico housing and commercial markets. In 2011 manufacturing operations were closed and the conversion to a commercial income producing property was commenced. The remaining assets of the company are its real estate, equipment and inventory. The real estate is composed of a 32,000 square foot industrial building in several lots of land aggregating approximately 21,900 square meters, or approximately 5.5 "cuerdas"¹. The managing shareholder since the inception of the company had been Angel Carmelo Serrano, until 2010, while Evelio Crespo Traverzo, his spouse and daughter, were the principal shareholders. Mr. Crespo was involved in construction projects and installations in other wholly owned corporations and Serrano had another business related to solar products.

Due to the continuing economic crisis in the Island, and the collapse of the housing construction industry, sales plummeted to a level that could not sustain the

¹ Cuerdas is a land measurement commonly used in Puerto Rico equivalent to 3.983 square meters.

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operation. Serrano organized another corporation to continue the business separately and engaged several of the company's skilled workers.

The company management was taken over by Evelio Crespo Traverso on December 2010 and he decided to shut down the manufacturing process, and commenced to consider various alternatives to reorganize and payoff its creditors. Discrepancies among the shareholders ended in the December 2013 resignation of Serrano who subsequently surrendered his shares in exchange of a hold harmless agreement of his personal guarantees to Banco Popular and COFFEC (SBA). The only creditors with personal guarantees from Serrano are Banco Popular and COFFEC (SBA). Although creditors with personal guarantees from Serrano did not participate in the agreement, and therefore Serrano was not directly released from these guarantees, the principal creditors with guarantees are secured by real property that has been appraised at \$1,365,000.00 and will be paid under the plan of reorganization. Since most of the claim is covered under the plan, and Evelio Crespo guarantees through a hold harmless agreement with Serrano, the Debtor does not expect that Serrano will actually pay any guarantee on behalf of the Debtor, and if that occurs, Serrano can claim any damages to Crespo under the Hold Harmless Agreement. For the benefit of all parties in interest Debtor hereby includes the Sale of Shares and Hold Harmless Agreement in EXHIBIT G)

Due to the problems in construction, and the consequent reduction of real estate values, the best alternative was to convert the property into a small shopping center at low rental rates. San Sebastián is a regional center of agriculture and commerce in the Island and Crespo saw the need of many small and medium retailers to relocate to a location at lower costs, more accessible and better parking facilities. The principal advantages of the commercial center is low rentals and location. The center also has part of its space divided for small shops and outlets which, although the rent is relatively low for larger retailers (between \$4.17 and \$11.63 per square feet), the rates per square foot for smaller outlets reach levels of \$34.67-\$50.67 per year.

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Financing for the conversion from a manufacturing facility to a commercial center was based on three sources:

- a) the Debtor's liquidation of inventories, receivables and equipment of the Debtor
- b) the financing support of MIB Enterprises Corp., an affiliate which provided funds to complete the improvements and,
- c) repairs of the existing facilities, and interior improvements made by the lessees under contract with MIB.

The commercial center was named **The Grand Outlet and Commercial Center - Plaza Artesanal** - and is located in Guatemala Ward, Road 446 #52 Ricardo Serrano Avenue near the intersection with the main state road #111, which connects San Sebastián with Moca to the west and Lares to the east.

The Debtor entered into a construction and real estate management contract with MIB Enterprises, Corp. that provided much needed working capital to complete the conversion from a manufacturing facility to a commercial center. Funds provided by MIB under the agreement to convert the manufacturing facilities to the shopping center were \$383,699.00. MIB's funds were capitalized from the cancellation of the Evelio Crespo's IRA, and other contributions from construction jobs. MIB marketed the property among local retailers and has been able to occupy 78% of rentable space and expects to reach 90% occupancy by June 30, 2017. The occupation of the center has been slow due to the increasingly difficult real estate market for commercial properties, but has been consistently increasing due to the competitive rates offered and the prime location in road 111, in San Sebastian.

SHAREHOLDERS OF THE DEBTOR

As of the date of the petition, Mr. Evelio Crespo Traverzo, Mrs. Liliana Alers

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(their conjugal partnership) and their daughter Lierel Crespo Alers had 100% of all common shares outstanding, at the par value of \$1,000.00 each. Lierel Crespo Alers had 10% of common shares outstanding and the conjugal partnership the rest.

DIRECTOR AND OFFICER

As of the date of filing, Evelio Crespo Traverso is President, Secretary and Treasurer of the Debtor corporation with no compensation or fringe benefits assigned.

MANAGEMENT AND OPERATIONS CONTRACT

Debtor engaged MIB Enterprises Corp. (MIB), an affiliated company, for all demolition and construction services as well as the daily repairs, maintenance and admistration of the property. Construction requested by lessees can also be performed by MIB, chargeable to the lessees directly. The common area services of accounting, security, alarms, maintenance, common utilities, exterminating and air conditioning are engaged by MIB to professionals in these fields in order to control costs and improve performance. The contract provides that demolition and construction work was billed to the Debtor at a cost plus 10% and the management of the center is performed at cost, plus a \$1,500.00 per month management fee. All rental income is collected by MIB and transferred to the Debtor net of common area expenses, and improvement costs paid. Since the filing of the petition, most funds generated by the property have been dedicated to improvements in the property and payment to the secured creditor. Contract included in EXHIBIT H).

EMPLOYMENT AND PAYROLLS

The debtor has no employees.

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EVENTS LEADING TO BANKRUPTCY

After years of successful operations, sales of manufactured doors and windows plummeted due to the economic situation of the Island, several banks were taken over by the FDIC, and the construction and mortgage industry were seriously affected. The economic crisis was further increased by the crisis in the Commonwealth Government and its corporations that is still creating concern and a reduction in the population of the Islands. The reduced volume was so low that the fixed expenses of the operation, plus secured and tax obligations could not be paid. The conversion of company real estate to commercial income producing property was commenced on March 2012 but the delays in obtaining all the necessary permits caused added costs and loss of rental revenue. Meanwhile the Debtor was sued by various prior employees for unjustified dismissal and vacations pay, and Banco Popular filed for foreclosure of the property. To stay these proceedings and reorganize the business, the Debtor decided to seek protection under Chapter 11 of the US Bankruptcy Code.

DATE THE PETITION WAS FILED

The instant bankruptcy petition was filed on February 19, 2015. During the course of the Bankruptcy proceedings, the Debtor has continued operations as a Debtor in Possession under Chapter 11 of the US Bankruptcy Code.

BANKRUPTCY PROCEEDINGS

During the course of the Bankruptcy proceedings, the Debtor has complied with its duties as a Debtor in Possession under a Chapter 11, such as, filing of monthly operating reports, payment of fees to the U.S. Trustee, payment of post petition expenses and preservation of the property of the estate.

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The following paragraphs provide the most significant proceedings in the case to date:

1. **Schedules, Statement of Financial Affairs and Creditors' Meeting:**

On February 23, 2015 the Debtor submitted its Schedules and Statement of Financial Affairs (Dkt. # 14). Second Amended Schedules and Statement of Financial Affairs were filed on April 24, 2015 (Dkt. #22). Second Second Amended Schedules A, D, E and F were filed on January 29, 2016 (Dkt #132) due to changes in valuation of the properties (see Appraisal Reports dated November 11, 2015, EXHIBITS F-1, F-2 and F-3) and to include and/or change creditors and reclassify claims.

2. **Meeting of Creditors:**

The 341 meeting of creditors was held on March 27, 2015 and closed the same day.

3. **Status Conference:**

Debtors counsel presented the Court its Status Conference Report on April14, 2015 and the Status Conference was held on April21, 2015.

4. **Employment of Professionals:**

To assist it in this reorganization, Debtor has employed the following professionals pursuant to Code Section 327:

COUNSEL FOR DEBTOR: Vidal Law Offices, was engaged by Debtor on February 19, 2015, (Dkt.# 3), and approved by the Court on March 23, 2015, Dkt # 12. On February 23, 2016 (Dkt #159) Counsel Vidal filed a request to withdraw legal representation for personal reasons, and the Court granted said motion on February 29th 2016 (Dkt#163). On March 11, 2016, Debtor filed its application to employ Neson Robles Diaz Law Offices PSC. (Dkt#159). The

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Honorable Court granted Debtor's motion to employ new legal counsel on March 16, 2016 (Dkt# 186).

CERTIFIED INSOLVENCY AND RESTRUCTURING ADVISORS - MONGE ROBERTIN & ASOCIADOS a firm specialized in turnarounds, reorganization and, consulting services and Jose M. Monge Robertín, CPA, CIRA, CGMA, its principal, has 40 years experience in public accounting and more than 20 years in reorganizations, was engaged by Debtor to assist in financial matters of the reorganization, review claims, prepare cash flow projections, prepare the Liquidation Analysis, and the financial plan of reorganization in general as well as the evaluation and testimony on feasibility and other financial matters. The Application to employ Monge Robertin & Asociados was filed on March 5, 2015, (Dkt #9) and approved by the Court on Abril 7, 2015, (Dkt #16).

IS APPRAISER GROUP, PSC - A highly experienced appraisal firm and its principal, Ismael Iern Suarez, Certified Appraiser and Civil Engineer with licenses in the Commonwealth of Puerto Rico, has been engaged by the Debtor to review real estate valuations as of the date of the filing of the petition. The application for the engagement of the appraiser was filed on September 28, 2015 (Dkt #54), and approved by the Court on October 6, 2015 (Dkt #56).

5. Objections to Claims

The Debtor has identified objections to claims including proofs of claims by the following agencies and other claimants:

Municipality of San Sebastian, Puerto Rico POC# 4-1-theDebtor filed an objection to this claim due to lack of information and details on the claim and the

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fact that the claim was not signed. The Municipality of San Sebastián filed a Second Amended POC (#4-2) but still did not include enough information to review the amount claimed and still did not sign the claim. POC #4-2 was also objected (Dkt #129). The objection was granted by the Court on March 2, 2016 (Dkt # 166). Based on the approval of the Court, the amount allowed is \$4,452.40, of which \$1,378.40 is classified as Priority and \$3,074.00 as Unsecured. The Municipality has requested reconsideration (dkt#303) alleging they had received no notice of the objection to their amended claim and dis not have the funds to engage counsel to answer the second objection. No explanation was provided as to more why they were not able to answer during eight months after the Court granted the second objection. Debtor has filed a motion in opposition (dkt#309) of the reconsideration sought by the Municipality. Still to this day the proof of claims have not been signed and the information has not been provided in its entirety to support the amounts claimed by the Municipality.

State Insurance Fund POC# 7-1 -the objection was for improper classification and amounts not owed because for the year 2012 the company had no employees and thus was not subject to workmens compensation costs. The Court allowed the Debtor's objection in docket #172. State Insurance Fund Amended again its claim in POC #7-2 and it was allowed as amended .

Puerto Rico Department of Treasury POC #10-1 - The Treasury filed its proof of claim as secured, and Debtor objected due to classification since the claim, after considering prior liens and mortgages does not have enough equity in the collateral to secure the claim (dockets#130 and 136). The objection was granted in docket # 178, however the Treasury had requested time to answer the objection and the Order was entered prior to the expiration of the extension.

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Subsequently both the Treasury and the Debtor have requested time to answer the objections and the related answer. The parties expected to be able to reach an agreement on this matter, however to this day, they have not been able to stipulate on this matter.

The Puerto Rico Department of Treasury also filed POC #11-1 - this claim was amended by POC #11-2 and the amended POC was allowed.

Angel Serrano POC #12-1 - This claim was objected due to late filing and as not owed. There is no evidence that the claimant, a guarantor of two secured loans, has paid any debt on behalf of the Debtor. Furthermore this claimant has an agreement with the existing principal shareholder in which any amount paid on behalf of the Debtor on secured loans he guaranteed would be refunded. Since the loans are collateralized by the Debtor's real estate, the possibility of any amount being paid by this guarantor is minimal, if any. The objection on this claim was denied based on the issue of lack of notice and Serrano was permitted to file his claim. . Debtor requested a reconsideration based on the fact that there is no evidence that Serrano has paid any and Serrano objected. The Court set a hearing for March 22, 2016 (dkt #128) but finally denied the reconsideration on February 11, 2016 without a hearing (dkt# 152). Debtor will be filing a new objection focusing on the evidence of the claim and the fact that the claimant has not, paid any debt on behalf of the Debtor.

Carlos Yordan-POC #13-1 - Carlos Yordan in his personal capacity filed POC#13, as a secured creditor, not as a representative of a creditor. Upon review of the claim and the answer to the objection, the Debtor understands that the creditor is the trust fund, not the claimant, Carlos Yordan. The objection was denied by the Court and a reconsideration was also denied, without a hearing. The Debtor continues to object the fact that the owner of the mortgage is not the claimant or the representative of the

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claimant and the amount and classification of the claim. Debtor objects the secured position claimed by Yordan because the claim holds a fourth rank in the property register as clearly shown in all the title studies presented and the value of the property as appraised by an independent appraiser, is insufficient to provide equity to property taxes, the first and second mortgages. Also the claim should be adjusted to the amount owed. Debtor will be filing filing a new objection.

Small Business Administration POC #14-1- This claim has been objected (dkt #131) due primarily to lack of equity for the classification amounts claimed. SBA filed amended POC# 14-2 which is allowed by Debtor.

6. Fee Applications

Counsel for Debtor filed his application for compensation for the amount of \$10,612.18 and approved by the Court on dkt # 280 on September 12, 2016. Financial advisors are expected to file their first fee application on or before December 31, 2016.

7. Executory Contracts

There are no executory contracts in which the Debtor is lessee for real estate, vehicles or equipment. MIB has continued to provide services under its management contract with the Debtor, and it will be assumed upon the confirmation as part of this plan.

8. Negotiations with Secured Creditors

The principal secured creditor, Banco Popular de Puerto Rico, is considered to be secured in full with an equity in excess of 30% over debt and a Loan to Value ratio of 77%. In addition, the collateral has been improved and continues to be improved by funding from the Debtor, its affiliate, MIB and its lessees. Nevertheless, Debtor commenced in August 2015 to make principal payments of \$4,000 per month to Banco Popular as adequate protection. Debtor expects to reach an agreement with Banco

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Popular to restructure the loan as part of this plan of reorganization or seek financing for a discounted payoff.

The second largest secured creditor, the Small Business Administration is expected to be allowed \$258,311.69 as secured and \$677,501.77 as unsecured in accordance with their amended proof of claim. Debtor's principal shareholder (Evelio Crespo) is in the process of negotiating with SBA for the deficiency guaranteed. Any amounts payable by the principal shareholder to SBA, will be treated under CLASS 6.

FINANCIAL INFORMATION

Debtor's financial information is provided in Exhibit E, a Summary of the Monthly Operating Reports post petition. Additionally, the information provided in the Schedules and Statement of Financial Affairs filed with the Court, reflect the Debtor's financial condition at the date of the petition. Creditors and interested parties should be aware that Scheduled assets under Schedule B are stated at estimated market values while financial information in financial statements are stated at cost or market whichever is lower under generally accepted accounting principles (GAAP). Also, Monthly Operating Reports are presented on a cash basis of accounting while financial statements are based on the accrual basis of accounting as required by GAAP.

Monthly Operating Reports available in the Bankruptcy Court's file, reflect the Debtor's post petition finances from February 19, 2015 to October 31, 2016. The Debtor, with the support of MIB, has been able to maintain collection on rental income, pay its operating expenses, pay adequate protection payments to the principal secured creditor, and the costs of improving the property to continue leasing other areas of the commercial property.

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AFFILIATED COMPANIES

The Debtor's shareholder had organized several related companies for construction and management of commercial properties. These commonly owned related companies are the following:

MIB ENTERPRISES, CORP. (MIB)

MIB was organized as a domestic corporation in the Commonwealth of Puerto Rico in July 7, 2010. The sole shareholder of MIB is Evelio Crespo Traverzo. Due to current health conditions the official positions of President and Treasurer are occupied since August, 2016 by Mrs. Lillian Alers Soto and the position of Secretary by Livel Crespo Alers. MIB has performed all the demolition, construction and operations of the Debtor's real estate and has the construction and management contract of the commercial center owned by the Debtor. The contract provides for a cost plus 10% construction and demolition service, and an administrative fee of \$1,500.00 per month, although MIB has not been able to collect every month its management fee, it has been through the efforts of MIB, and its manager that the Debtor has been able to convert the facilities, market its spaces and manage the operation at very low costs. All terms and conditions of the contract between MIB and the Debtor can be seen in EXHIBIT H.

VELI PLAZA LLC

Veli Plaza was organized as a domestic corporation in the Commonwealth of Puerto Rico in October 5, 2010 to be a Development of Commercial Centers for small business and/or construction of properties. The sole shareholder of Veli Plaza was Evelio Crespo Traverzo. The Company was unable to commence

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operations and was cancelled by the Department of State of the Commonwealth of Puerto Rico on Oct 15, 2015.

ARTICLE II ASSETS AND LIABILITIES OF THE ESTATE

ASSETS AS OF PETITION DATE

The following summarizes the assets of the estate (at their estimated market value) as of February 19, 2015, (the filing date), as included in the Second Second Amended Schedule A and Second Amended Schedule B:

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Assets (as estimated market value)

Inventory	\$18,000
Equipment	<u>25,500</u>
Commercial center in 14,863.7 square meters	1,200,000
Land for future development in two lots of 5,215.7 and 686.4 meters	<u>210,000</u>
Total assets	<u>\$ 1,453,500</u>

The valuation of assets as of the filing of the petition was made as follows:

Real estate: Market value as of October 15, 2015 appraised by independent appraiser Ismael Isern Suárez Lic #12209, employment approved by Court (Dkt #56). See EXHIBITS F-1, F-2 and F-3.

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Equipment and inventory - The equipment remaining in the estate are two rolling cranes and the inventory is surplus glass that the Debtor has been unable to sell due to the conditions of the market and the closings of most other windows manufacturers. The values were estimated by Debtor based on current sales of used equipment and surplus glass.

LIABILITIES AS OF PETITION DATE AS SECOND AMENDED

Debtor's creditors as of the time of the petition, as Second Amended, were listed with total claims as follows:

SECURED CREDITORS:	<u>\$1,453,500</u>
(See <u>Second Second Amended</u> Schedule D)	
PRIORITY UNSECURED CREDITORS:	<u>71,783.42</u>
(See <u>Second Amended</u> Schedule E)	
UNSECURED CREDITORS:	<u>1,563,851.60</u>
(See <u>Second Second Amended</u> Schedule F)	
 TOTAL <u>SECOND SECOND AMENDED SCHEDULES CLAIMS</u>	 <u>\$3,089,135.02</u>

Proof of claims filed were a total of \$4,641,268.16 of which \$2,141,144.99 were claimed as secured, \$48,981.05 were claimed as priority and \$2,309,353.81 were claimed as unsecured. Deadlines to file proof of claims were June 25, 2015 for general claims and August 18, 2015 for government and tax claims. The Court authorized the late filing of proof of claims #12 and 13 due to notice issues.

Claims expected to be allowed are as follows:

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SECURED CREDITORS:	<u>\$1,448,896.13</u>
ADMINISTRATIVE CLAIMS.....	<u>61,550.00</u>
PRIORITY UNSECURED CREDITORS:	<u>71,783.42</u>
<u>UNSECURED CREDITORS</u>	<u>1,616,647.90</u>
<u>UNSECURED CONVENIENCE CLAIMS</u>	<u>57,864.47</u>
TOTAL CLAIMS EXPECTED TO BE ALLOWED.....	<u>\$3,256,741.92</u>

The Summary of Claims and Plan Payments (**EXHIBIT A**) details amounts scheduled, proofs of claims, status of the review of claims, the amounts expected to be allowed and the proposed plan payments.

ARTICLE III- PENDING LITIGATION

The lawsuits pending against the Debtor at the filing of the petition have been stayed in the local Court as well as administrative procedures in the Department of Labor. No proof of claims were filed by prior employees or the Department of Labor as to employee claims.

ARTICLE IV- LIQUIDATION ANALYSIS

One requirement for the confirmation of a plan under Chapter 11 of the Code is that with respect to each impaired class of claims, each claim holder of such class has accepted the Second Amended Plan or will receive or retain under the plan on account of such allowed claim, a value as of the effective date of the plan, that is not less than

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the amount such claim holder would receive or retain if the debtor were liquidated under Chapter 7 of the Code. In order to provide the possible distribution to creditors from the liquidation of Debtor's assets, the Debtor made an analysis of the assets and the expected proceeds from the disposition of those assets in a Chapter 7 liquidation scenario. This Second Amended Liquidation Analysis is attached as **EXHIBIT C**. For the purpose of determining a possible recovery from liquidation of assets the scheduled value of the property was adjusted considering the recoveries by Chapter 7 Trustee's in other cases, the type of assets, the economic conditions of the Island, and the workload of Trustees.

The Liquidation Analysis was prepared as of February 19, 2015 with information on inventories, equipment and real estate values as set forth in the Second Amended Schedules. The claim amounts expected to be allowed presented in this Analysis are based on the Second Amended Schedules adjusted after the review of proofs of claims.

In this case, the Chapter 7 Trustee most probably would abandon the real estate, inventory and equipment because there would be no benefit to the unsecured creditors and would not even provide for the payment of Chapter 7 and 11 expenses of administration. Under these circumstances the case would become a "No Asset Case" and would be closed without distribution to creditors. Secured creditors would continue proceedings to execute their liens and administrative, priority and unsecured creditors would receive nothing.

The alternative analysis would be that the Trustee prefers not to abandon the collaterals and is able to negotiate a carve out for the benefit of the administrative Chapter 7 claims and unsecured creditors. Realtor fees and legal closing costs would be paid completely because they are post conversion necessary expenses to sell the properties. Court cost will be paid 100%, but accounting fees would be paid 50% and Trustee fees would be paid only 5%. This Analysis was included as **EXHIBIT C**.

The adjustments applied correspond to the Debtor's and financial advisor's estimate of what a Chapter 7 Trustee's sale could recover. Real estate is expected to

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be recovered at 60% of the appraised or estimated market value, since the market is flooded with residential and commercial properties foreclosed and surrendered. Furniture and fixtures are considered to be liquidated at 20% of the original estimated market values based on prior experience of Chapter 7 liquidations. The remaining plant equipment and inventory are considered to be liquidated at 50% and 40% respectively of the estimated market value.

Possible preference actions were not considered as part of our analysis since no significant payments were found within the 90 day preference period.

Creditors should also consider the time and expenses that such liquidation would entail. Creditors should be aware that a liquidation under Chapter 7 could take as long as two or even three years. Distributions to unsecured creditors will be zero since there will be no amount recovered to satisfy secured claimants, expenses of the liquidation, administrative Chapter 11, post-petition creditors and priority claimants.

If the Trustee could reach an agreement for a carve out from proceeds of the sale of collateral, the funds would probably not be enough to cover Chapter 7 administrative expenses and nothing would be distributed to Chapter 11 expenses, post petition payables, priorities or unsecured claims.

CRIM tax liens and the PR Department of Treasury- property tax lien are not expected to be challenged by the Trustee and would be a reduction of the allowable amount payable to secured creditors. Also, this scenario assumes the Trustee would negotiate a 5% carve out for administrative Chapter 7 expenses. Recovery of the property tax claims are expected to be 100%, Banco Popular is expected to receive a distribution of 69% on their claim, while the subsequent lienholders would receive nothing due to their rank and the estimated liquidation value of the collateral.

Administrative Chapter 7 expenses include Trustee fees and are based on the allowed table of fees, estimated at \$46,775, court costs are estimated at \$500, legal and closing fees are estimated at \$16,920, (2% of sellout) and accountant fees in \$500. Accountant fees will be required to file final returns. Realtor commissions were

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estimated at 3% of the possible sellout of real estate. These Chapter 7 expenses would be paid based on the necessity of the services.

Estimated expenses of administration under Chapter 11, priority claims and unsecured claims would receive nothing.

Considering this result the Debtor has developed a Second Amended Reorganization Plan that provides a substantially better distribution to all classes that would be affected in a liquidation.

ARTICLE V-SUMMARY OF THE SECOND AMENDED PLAN

The Second Amended Plan of Reorganization proposed by the Debtor provides a substantial payments to all classes of creditors, in a period of 5 years. Under the Second Amended Plan, the Debtor will continue to operate the income producing real estate and developing it as additional capital may be obtained. In contrast a liquidation would not produce distributions for most of the creditor classes and would probably not produce enough to cover the liquidation administrative expenses. Shareholders will contribute additional capital and pre petition shares will be cancelled. New shares based on capital contributions will be issued with the same \$1,000 per share par value.

CLASSIFICATION AND TREATMENT OF CLAIMS

A. DESIGNATION OF CLASSES OF CLAIMS AND INTERESTS

The Plan has been drafted designating seven (7) classes, and all classes are designed in accordance with the mandates of 11 U.S.C. 1122 and 1123. (All creditors and other parties in interest are urged to read and consider the Second Amended Plan)

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in full inasmuch as it represents a proposed legally binding agreement with the Debtor and any other party involved.) A summary of the Second Amended Plan's classes of creditors and their treatment follows:

Administrative claims are not classified. They shall consist of allowed administrative expense priority claims, as provided under Section 503 of the Code, including, but not limited to, fees to the United States Trustee, fees and expenses of the Debtor's counsel, special counsel, financial advisors, external auditors and any other professionals retained by the Debtor, as may be allowed by the Bankruptcy Court. Claimants under this class will be paid in full on or before the Effective Date, or in such time and manner agreed upon with the particular claimant. Debts under this class are estimated at \$61,550.00. See EXHIBIT A-SUMMARY OF CLAIMS AND PLAN PAYMENTS-PRIORITY-ADMINISTRATIVE CLAIMS.

Also UNCLASSIFIED are claims entitled to priority under section 507 (a) (8) including social security taxes, municipal license taxes, and Puerto Rico Department of Treasury claims. The amounts expected to be allowed under this category is \$71,783.42.

The classes of creditors designated in this plan are as follows:

CLASS 1 SECURED CLAIMS BY TAXING AUTHORITIES

This class includes the secured claim of the PR Department of Treasury Special Property Taxes (POC #10-1) and the Centro de Recaudacion de Ingresos Municipales (POC#2-1). The the PR Department of Treasury- Property Taxes claim and CRIM are statutarilly guaranteed by real property. The amount claimed by CRIM, in POC #2-1, are related to the Grand Outlet and Comercial Center-Plaza Artesanal property. Also secured under this class are the PR Department of Treasury - other taxes (POC #10-1) and the Internal Revenue Service (POC #1-7) which are collateralized with movable property. The amount estimated to be allowed in relation

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to this Class is \$196,808.08. This class is impaired.

CLASS 2 SECURED CLAIM - BANCO POPULAR DE PUERTO RICO (BPPR)

This class includes the secured claim of the BPPR which is collateralized by real estate of the Grand Outlet and Comercial Center-Plaza Artesanal valued in the Second Amended Schedules at approximately \$1,087,536.04 after property tax claims considered in CLASS 1. The secured creditor also has first liens on two additional properties valued at \$205,187.24 after the property tax claims considered in CLASS1. The proof of claim filed by BPPR claimed \$993,876.36 as secured. Debtor has estimated that the market value of the real estate serving as collateral is \$1,297,188.05 and has an equity cushion of at least 30%. Debtor is providing adequate protection by additional improvements in the property and commenced payments to principal of \$4,000 per month in August 2015 until the effective date of the plan. This Class is impaired.

CLASS 3 SECURED CLAIM - SMALL BUSINESS ADMINISTRATION

This class includes the secured portion of the SBA claim 14-2 which is partly collateralized by real estate of the Debtor included in the Schedules at approximately \$258,311.69, since there is not enough equity in the properties. The claim was scheduled as COFECC because Debtor did not have prior knowledge of the assignment and transfer of the debt to the Small Business Administration on November 22, 2004. On December 14, 2015, SBA requested to file a late proof of claim based on that they were not notified of the filing of the bankruptcy (Dkt #93). Debtor Amended its Schedule (now Second Amended) to include SBA as creditor and delete COFECC. The expected amount to be allowed as secured is \$258,311.69. The unsecured portion of the SBA secured claim will be treated as Class 5. This Class is impaired.

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CLASS 4 GENERAL UNSECURED - CONVENIENCE CLASS

This class is comprised of general unsecured claims allowed for less than \$10,000 and those claimants of Class 5 that may elect to be treated under this class. Amounts expected to be allowed under this class aggregate \$57,864.47. See EXHIBIT A, UNSECURED CLAIMS - CONVENIENCE CLASS column. This Class is impaired.

CLASS 5 GENERAL UNSECURED CREDITORS

This class shall consist of creditors with Allowed Unsecured Claims of more than \$10,000, except those claimants that elect to be treated under CLASS 4. Amounts expected to be allowed under this class aggregate \$1,616,648.00 and any amounts on guarantees paid on behalf of Debtor's loans included under CLASS 6. See EXHIBIT A, UNSECURED CLAIMS.

CLASS 6- CONTINGENT CLAIMS

This class is comprised of claims that may arise after the effective date of the plan, from any amounts payable in the future by officers, guarantors or co-debtors included in Second Amended Schedule H.

CLASS 7 EQUITY SECURITY HOLDERS

This class is comprised of the claim of the stock holders of the Debtor with common shares issued and outstanding as of the filing of the petition. This Class is impaired, however, as insiders, this class does not have the right to vote on the plan.

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TREATMENT OF CLASSES OF CREDITORS

UNCLASSIFIED

Administrative claims of professionals as allowed will be paid in full upon the approval of the Court or as may be agreed upon with the professional. Post petition accounts payable will be paid in the ordinary course of business.

All unsecured priority tax claims pursuant to Section 507(a)(8) of the Code, as the same are allowed, shall be paid within five years from the filing date, together with the applicable fixed statutory interest rate prevailing at the confirmation date or under any other terms agreed to with the creditor.

The Internal Revenue Service will be paid in 55 equal monthly payments of \$64.67 including principal and interest at 3.25% per annum.

The Municipality of San Sebastian will be paid in 55 equal monthly payments of \$27.78 including principal and interest at 4% per annum.

The Puerto Rico Treasury will be paid in 55 equal monthly payments of \$734.76 and \$617.36 including principal and interest at 4.5% per annum. See **EXHIBIT A-SUMMARY OF CLAIMS AND PLAN PAYMENTS -OTHER PRIORITY**. Payments to priority tax claims will commence within 90 days of the Effective Date of the Plan. These Unclassified claims are unimpaired.

CLASS 1 SECURED CLAIMS BY TAXING AUTHORITIES

This class will be paid within five years from the date of the filing of the petition including the allowed secured principal and interest at the statutory rate applicable at the date of the confirmation of this plan.

The estimated equal monthly payments of the claim of the PR Department of Treasury- Special Property Taxes (POC #10-1) is \$448.85, and for other taxes is \$720.31, both amounts including principal and interest at the rate of 4.5% per annum

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commencing 30 days after the effective date of the plan with a term of 55 months. The estimated equal monthly payments of the claim of CRIM related to Grand Outlet and Comercial Center-Plaza Artesanal property, POC #2-1 is \$1,904.14 including principal and interest at the rate of 4.5% per annum commencing 30 days after the effective date of the plan with a term of 55 months. The IRS payments on POC 1-6 are proposed to be 55 equal monthly payments of \$853.23 per month commencing 30 days after the effective date and including principal and interest at the annual rate of 3.25%. This Class is impaired.

CLASS 2 SECURED CLAIM - BANCO POPULAR DE PUERTO RICO (BPPR)

The Debtor commenced to pay adequate protection payments from August 2015 to the secured creditor in the amount of \$4,000 per month up to the effective date of the plan. Upon the effective date of the plan, Debtor proposes to pay the full allowable secured claim during a period of 20 years in equal monthly payments of \$4,251.61, including principal and interest at the prevailing prime rate (currently 3.25% per annum). The accumulated pre petition interest of \$160,292.42 will be paid in monthly payments without interest as follows: In the first year \$1,045.30 per month, in the second year \$1,800.00 per month, in the third year \$2,000.00 per month, in the fourth year \$3,500 per month and in the fifth year \$5,012.40 per month. The collateral shall continue to guarantee the claim until full satisfaction of the allowed secured amount and Debtor will be responsible of payments of adequate insurance and property taxes. This Class is impaired.

CLASS 3 SECURED CLAIM - SMALL BUSINESS ADMINISTRATION (SBA)

Upon the effective date of the plan, Debtor proposes to pay the full allowable secured claim during a period of 20 years in equal monthly payments of \$1,464.57, including principal and interest at 3.25% per annum. The collateral shall continue to guarantee the claim until full satisfaction of the allowed secured amount and Debtor will

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be responsible of payments of adequate insurance and property taxes. This Class is impaired.

CLASS 4 GENERAL UNSECURED- CONVENIENCE CLASS

Unsecured Convenience claims will be paid 5% of the allowed amount of the claim, not to exceed \$500.00 per claim, without interest, within 90 days after the effective date of the plan. The aggregate amount expected to be paid under this Class is \$2,893.22. This Class is impaired.

CLASS 5 GENERAL UNSECURED CREDITORS

Claims under this class will be paid 5% of the allowed amount of the claim in 60 equal monthly installments of principal in the aggregate of \$1,347.21, without interest, commencing 90 days after the effective date of the plan. This Class is impaired.

CLASS 6 CONTINGENT CLAIMS

Claims under this class, upon presentation of evidence of payment on behalf of Debtor to a guaranteed secured or priority creditor of this estate and that such payments have not been satisfied by Evelio Crespo Traverzo, will be compensated in full and paid in accordance with the treatment of the related secured or priority class or as may be agreed with the Debtor. This class is considered unimpaired for purposes of this plan.

CLASS 7 EQUITY SECURITY HOLDERS

All shares held by stockholders of the corporation at the date of the filing of the petition shall be cancelled. No dividends will be paid to creditors under this class.

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EFFECTIVE DATE OF THE PLAN

The effective date of the Second Amended Plan shall be 30 days after the confirmation Order has been entered and is final and unappealable.

TAX CONSEQUENCES AND TAX ATTRIBUTES OF THE DEBTOR

Debtor is a domestic corporation organized under the laws of the Commonwealth of Puerto Rico and subject to Puerto Rico Income Taxes, Property Taxes and Municipal license taxes. Payroll taxes and Worker's Compensation Insurance are not contemplated because debtor has no employees.

All annual tax filings have been filed up to the calendar year ended December 31, 2013. During 2014, the debtor had no income, however, an income tax return is being prepared for filing. The 2015 income tax return is expected to be filed within 10 days.

Corporate taxes: Under the Puerto Rico Tax Code as amended, losses incurred in prior years will be available to reduce future taxable income, however the income derived from debt reductions must first be offset against losses carried forward prior to offsetting current or future taxable income². Income from the reduction of debt is not taxable for Puerto Rico Income Tax purposes. Income taxes have not been provided for in the projected cash flows because the reduction of debts under the plan are not expected to not offset all losses carried forward.

² Internal Revenue Code of Puerto Rico Section 1031.01(b)(10)(B).

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FEASIBILITY

Exhibit B shows Management's cash flow projection for a period of five years, which includes the payments under the Second Amended Plan. Rent and other income, and operating expenses are based on prior year experience considering market conditions and the continued evaluation of operations to develop efficiencies and reduce costs. Based on the cash flow projections and the foreseeable market conditions, the Debtor will be able to comply with the provisions of the Second Amended Reorganization Plan proposed.

ARTICLE VI-IMPAIRMENT OF EXISTING CLAIMS AND INTERESTS

As provided by 11 U.S.C. §1124, a class of claims or interests is impaired under a plan unless, with respect to each claim or interest of such a class, the Second Amended Plan:

- (1) leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder of such claim or interest; or
- (2) notwithstanding any contractual provision or applicable law that entitles the holder of such claim or interest to demand or receive accelerated payment of such claim or interest after the occurrence of a default.
 - (A) cures any such default that occurred before or after the commencement of the case under this title, other than a default of a kind specified in section 365(b)(2) of this title;
 - (B) reinstates the maturity of such claim or interest as such maturity existed before such default;
 - (C) compensates the holder of such claim or interest for any damages

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incurred as a result of any reasonable reliance by such holder on such contractual provision or such applicable law; and
(D) does not otherwise alter the legal, equitable, or contractual rights to which such claim or interest entitles the holder of such claim or interest.

ARTICLE VIII-PROOF OF CLAIMS NOT FILED

The Second Amended Plan provides that where a proof of claim has not been filed, the Allowed Claim shall be in the amount appearing in the Second Second Amended Schedules filed by the Debtor, provided however, that the scheduled amount is not shown as unliquidated, contingent or disputed, in which case no amount will be allowed. To the extent no debt was listed by the debtor in its Second Second Amended Schedules, no amount will be provided for claimants who have not filed proof of claims.

ARTICLE IX- OBJECTIONS TO CLAIMS

The Debtor may file an objection to any claim as to its validity or amount within 30 days after the Confirmation Order. If an objection is made, payment to such claimants will be made only after the entry of a final order by the Court allowing such claim and in accordance with the provisions of the Second Amended Plan governing such class to which such claims belongs.

The final bar date for proofs of claims was June 25, 2015 (for any non Government Proof of Claims), and August 18, 2015 for government claims. Objections include duplications, improper classifications, amounts not owed, changes due to agreements reached and other reasons.

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ARTICLE X- ELECTION OF TREATMENT BY CREDITORS

Creditors classified under Class 5 - General Unsecured can elect to be treated as Class 4 - Unsecured Convenience, however the amount allowable will not exceed \$10,000.

ARTICLE XI- CONDITIONS PRECEDENT TO CONSUMMATION

Before consummation of the Second Amended Plan takes place, the Confirmation Order shall have become a final and unappealable order, objections to claims will be filed, and the Court should have resolved all objections.

ARTICLE XII- NON ACCEPTANCE OF THE PLAN (Cramdown)

If all applicable requirements of 11 U.S.C. § 1129(a), other than subsection (a)(8), are met with respect of to the Second Amended Plan, the Debtor hereby requests that the Court confirm this Second Amended Plan notwithstanding the requirements of said section. The Second Amended Plan complies (or, if needed will be modified to comply) with the cramdown requirements of sec. 1129(b); it does not discriminate unfairly and is fair and equitable with respect to each class of claims or interests that is impaired under and has not accepted this Second Amended Plan.

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ARTICLE XIII- MEANS OF EXECUTION OF THE SECOND AMENDED PLAN AND MANAGEMENT OF DEBTOR

The Debtor is proposing an Second Amended Plan of Reorganization, through the Debtor in Possession. This Second Amended Plan of Reorganization presents a scenario upon which it will be funded as follows:

1. Collection of rent and other receivables.
2. Rent income and renewals of contracts.
3. Contributions from shareholders and affitiate.
4. Payments to creditors by shareholders
5. Disposition of remaining inventory and equipment

ARTICLE XIV-POST CONFIRMATION MANAGEMENT

The Debtor will continue to be managed with the support of MIB Enterprises, now under the direction of Lillian Alers Soto.

ARTICLE XV- RISK FACTORS

Management has presented this Second Amended Disclosure Statement and Second Amended Plan based on their experience of the real estate business of the Debtor, and the assistance and counsel of its financial and legal advisors. However, although developed in good faith and with the support and credit of many of its creditors and investors, it is inherently subject to its ability to reach profitable levels of occupancy, maintain costs and expenses controlled and a number of other external factors not controlled by management of the Debtor. The current economies of The United States and Puerto Rico have been under significant stress that affects employment and disposable income of the company's tenants. Puerto Rico has similar problems

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particularly related to the government's Retirement Fund actuarial deficit, the government's cash flow and the evaluation of the classification of Puerto Rico government bonds. Mitigating factors to the economic conditions is that the Islands have completed their electoral process, a new government commences in January 2017, and Congress has enacted the PROMESA Act with a Fiscal Oversight Board to assist the Commonwealth Government in its restructuring of debt and fiscal adjustments. The successful completion of payments under this proposed Second Amended Reorganization Plan are subject to the above stated internal and external risk factors. Creditors considering the approval of this Second Amended Plan should take into consideration these risks.

ARTICLE XVI- PROVISIONS FOR THE MODIFICATION OF THE PLAN

The Debtor may propose amendments or modifications of the Plan at any time prior to its confirmation, upon notice to creditors and parties in interests. After confirmation of the Second Amended Plan, the Debtor may, with the approval of the Court and as long as it does not adversely affect the interests of the creditors, remedy any defect or omission, in such manners as may be necessary to carry out the purposes and effects of the same.

ARTICLE XVII CLOSING OF THE CASE

At such time as the case has been substantially consummated, this case shall be closed. In order for the case to be closed, the Debtor shall file an application for final decree showing that the case has been fully administered and the Second Amended Plan has been substantially consummated. The Court shall enter an order approving the Debtor' report and closing the case.

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ARTICLE XVIII-RELEASE AND DISCHARGE OF CLAIMS

Discharge. On the Effective Date of the Second Amended Plan, the Debtor shall be discharged from any debt that arose before confirmation of the Second Amended Plan, subject to the occurrence of the Effective Date, to the extent specified in § 1141 of the Bankruptcy Code, except that the Debtor shall not be discharged of any debt imposed or maintained by the Second Amended Plan. After the Effective Date of the Second Amended Plan all pre-petition claims against the Debtor will be limited to the debts described in the preceding sentence.

Injunction Relating to the Plan. As of the Effective Date, all persons are hereby 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 the Debtor and/or its Estate, on account of, or respecting any Claims, debts, rights, Causes of Action or liabilities discharged pursuant to the Second Amended Plan, except to the extent expressly permitted under the Plan.

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

ARTICLE XIX- OTHER PROVISIONS

Confirmation of the Second Amended Plan and the Confirmation Order will vest title of all property of the Estate in Debtor and will constitute final settlement with all creditors holding a pre-confirmation claim. A binding relationship between debtor and its creditors will be created or maintained, as set forth in this Second Amended Plan, and as reflected in the certificate of indebtedness to be issued by debtor thereunder. Any cause of action, or current proceeding against debtor arising out of any pre-confirmation claim shall accordingly be rendered moot, or settled.

All injunctions or stays provided for in the bankruptcy case at bar under Sections 105 or 362 of the Bankruptcy Code (11 U.S.C.), or otherwise, and in existence on the

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Confirmation Date, shall remain in full force and effect until the Effective Date.

All claims against Debtor of whatever nature, including any claim arising from the rejection of any executory contract, or any other action, shall be bound by the provisions of this Second Amended Plan.

Any holder of a claim or interest who fails to file an objection in writing to the provisions of the Second Amended Plan, not later than 14 days prior to the date set for the confirmation of the Second Amended Plan, may be deemed to have accepted its classification and be bound by the proposed Second Amended Plan.

All actions taken by the Debtor with respect to any person shall not be construed to release, waive, discharge, compromise or in any other way satisfy any claim, except those subject to any agreement between the parties.

Upon completion of the requirements of the Second Amended Plan and the order of confirmation, the Debtor and /or the claimant shall execute all corresponding documents and cooperate fully to reflect, release and / or reaffirm all the obligations herein provided.

The Second Amended Plan shall become effective upon its Effective Date of the Second Amended Plan.

To the extent that any term of this Second Amended Disclosure Statement varies from the terms of the Second Amended Plan, the terms of the Second Amended Plan shall govern.

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ARTICLE XX-RETENTION OF JURISDICTION

The Bankruptcy Court shall retain jurisdiction over this case as is conferred upon it by law, rule or statute, or by the Second Amended Plan, to enable the Debtor to substantially consummate any and all proceedings which it may bring before or after the entry of the order of confirmation, in order to carry out the provisions of the Second Amended Plan and or any related matter.

DATED: December 14, 2016

/s Evelio Crespo Traverso

PRESIDENT,
Universal Door & Window Manufacture, Inc.

/s NELSON ROBLES DIAZ, ESQ.
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List of Exhibits

Summary of Claims and Plan Payments for <u>Second Amended Plan</u>	A
<u>Second Amended</u> Cash Flow Projections.....	B
<u>Second Amended</u> Liquidation Analysis.....	C
Financial Statement as of <u>December</u> 31, 2015.....	D
Summary of Debtors Monthly Operating Reports..	E
<u>Appraisal Report Real Estate Property 25,693</u>	F-1
<u>Appraisal Report Real Estate Property 4,428</u>	F-2
<u>Appraisal Report Real Estate Property 13,776</u>	F-3
<u>Agreement to Surrender Shares of Universal Door & Windows</u>	G
<u>Construction and Management Agreement between Debtor and MIB</u>	H

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