

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

IN RE:

LEVITT HOMES CORPORATION

Debtor

CASE NO. 15-03368 (ESL)

CHAPTER 11

DISCLOSURE STATEMENT

OF

LEVITT HOMES CORPORATION

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USDC-PR 114312

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I. INTRODUCTION

Pursuant to Section 1125 of the United States Bankruptcy Code, 11 U.S.C. §101, *et seq.* (the "Bankruptcy Code"), Levitt Homes Corporation, debtor and debtor-in-possession in the above captioned case ("Debtor"), provides this Disclosure Statement (the "Disclosure Statement") to all of Debtor's known creditors. The purpose of the Disclosure Statement is to provide such information Debtor believes may be deemed necessary for Debtor's creditors to make an informed decision in exercising their rights to vote on Debtor's Plan (the "Plan"), dated as of the date of the Disclosure Statement. The Plan is being filed with the United States Bankruptcy Court for the District of Puerto Rico ("Bankruptcy Court") simultaneously herewith.

Debtor recommends that you vote to accept the Plan. Each creditor must, however, review the Plan and the Disclosure Statement carefully, including all Exhibits in their entirety, and determine whether or not to accept or reject the Plan based upon that creditor's independent judgment and evaluation. The description of the Plan in the Disclosure Statement is in summary form and is qualified by reference to the actual terms and conditions of the Plan, which should be reviewed carefully before making a decision to accept or reject the Plan. Capitalized terms not otherwise defined herein have the same meaning as set forth in the Plan; other terms shall have the meaning ascribed to them in the Bankruptcy Code.

The information contained in the Disclosure Statement has been provided by Debtor based upon Debtor's knowledge of its records, business, and affairs. Except as otherwise expressly indicated herein, the information provided in the Disclosure Statement has not been subject to an audit or independent review. Although great efforts have been made to be accurate, the Debtor and their Counsel, and other professional advisors do not warrant the accuracy of the information contained herein.

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

No representations concerning Debtor, including the value of its assets, or the aggregate dollar amount of claims which may be allowed, are authorized other than as set forth in the Disclosure Statement. Any representations, warranties, or agreements made to secure acceptance or rejection of the Plan by Debtor's creditors that differ from those contained in the Disclosure Statement should not be relied upon in voting on the Plan. The Debtor believes that the Plan provides the quickest recovery and will maximize the return to creditors on their Claims. **ACCORDINGLY, DEBTOR URGES ALL CREDITORS TO VOTE IN FAVOR OF THE PLAN.**

II. SUMMARY OF THE PLAN

The Plan specifies the manner in which the Claims and the Interests in Debtor are to be treated. Allowed Administrative Expense Claims and Allowed Priority Tax Claims are not classified for purposes of voting under the Plan, but the Plan does provide for the treatment of such Claims. The table below provides a summary of the treatment of those Claims and for all other classes of claims, as well as Debtor's shareholders' interests in Debtor. To the extent that the terms of the Disclosure Statement vary from those of the Plan, the terms of the Plan will control.

DESCRIPTION OF CLAIM	CLASS	ESTIMATED AMOUNT OF ALLOWED CLAIM	TREATMENT AND ESTIMATED RECOVERY UNDER THE PLAN
<p>Holders of Allowed Administrative Expense Claims (Estimated)</p>	<p>N/A</p>	<p>\$83,850</p>	<p>Unimpaired.</p> <p>Estimated Recovery: 100%</p> <p>Except as otherwise agreed to by Debtor and the Holder of an Allowed Administrative Expense Claim, each such Holder shall be paid in cash in full by Debtor on or before the Effective Date of the Plan. (the "Effective Date")</p> <p>Payments to Professionals will be made as approved by the Bankruptcy Court during the pendency of the Chapter 11 Case. US Trustee's Quarterly fees will continue to be paid when due, with any pending balance to be paid on the Effective Date.</p>
<p>Holders of Allowed Priority Tax Claims (Secured and Unsecured)</p>	<p>N/A</p>	<p>\$17,921.40</p>	<p>Unimpaired.</p> <p>Estimated Recovery: 100%</p> <p>Holders of Allowed Priority Tax Claims (Secured and Unsecured), consisting of the unsecured and secured claims of "Centro de Recaudación de Ingresos Municipales" ("CRIM") and the unsecured claims of the Municipality of Caguas, will be paid in full, on the Effective Date.</p>
<p>Holders of Allowed Undisputed General Unsecured Claims</p>	<p>Class 1</p>	<p>\$782,139.32</p>	<p>Impaired.</p> <p>Estimated Recovery: 70%</p> <p>Holders of Allowed Undisputed (Undisputed) General Unsecured Claims (Non-Insiders) for \$782,139.32, will be paid in full satisfaction of their claims 70% thereof, at the Effective Date.</p>

DESCRIPTION OF CLAIM	CLASS	ESTIMATED AMOUNT OF ALLOWED CLAIM	TREATMENT AND ESTIMATED RECOVERY UNDER THE PLAN
<p>Holders of Disputed General Unsecured Claims</p>	<p>Class 2</p>	<p>\$150,000.00</p>	<p>Impaired.</p> <p>Estimated Recovery Range: 0% to 70%</p> <p>This Class is composed of the two (2) Contingent and Disputed Claims filed by Asociación de Condomines Riverwalk and Guaynabo South Combine, respectively for \$275,043.00 and \$451,020.00 listed in Exhibit C hereto, subject to determination by the Court.</p> <p>As of the Effective Date, Debtor will establish an escrow account for approximately \$105,000, equivalent to 70% of the estimated balances of the claims in this Class (\$150,000).</p> <p>If the amounts finally granted by the Court to these claimants are approximately those estimated by Debtor, they will receive 70% of their final allowed claims. Their final recovery rate if any will be known after the resolution of the two (2) claims by the Court.</p>
<p>Holders of Allowed General Unsecured Claims of Insiders and Debtor's Affiliates</p>	<p>Class 3</p>	<p>\$3,610,890.84</p>	<p>Impaired.</p> <p>Estimated Recovery: Unknown</p> <p>Holders of Allowed General Unsecured Claims of Debtor's Affiliates and Insiders for \$3,610,890.84, resulting from advances to Debtor, loans to Debtor, and unpaid salaries, will be paid from the sale of Debtor's remaining assets, on a pro-rata basis, after the payments set forth above.</p> <p>The final recovery of these claimants as well as its timing will depend on the future sale of Debtor's remaining assets and the available cash in Debtor's account after payment to the Classes set forth above.</p>
<p>Interests in Debtor</p>	<p>Class 4</p>	<p>N/A</p>	<p>Unimpaired.</p> <p>Estimated Recovery: N/A</p> <p>Debtor's shareholders will retain their shares in Debtor, unaltered.</p>

For a more detailed description of the treatment of the foregoing Claims and Interests, see “Treatment of Claims and Interests under the Plan”.

The Disclosure Statement has been prepared by Debtor to provide creditors with adequate information so that they can make an informed judgment about the Plan. Each creditor should read the Disclosure Statement and the Plan in their entirety before voting on the Plan. No solicitation of votes on the Plan may be made except pursuant to the Disclosure Statement and no person has been authorized to utilize any information concerning Debtor’s assets other than the information contained herein for purposes of solicitation.

III. INFORMATION ABOUT THE REORGANIZATION PROCESS

3.1 Purpose of a Disclosure Statement

This Disclosure Statement includes background information about Debtor and identifies how creditors have been placed in the Plan. The Disclosure Statement describes the proposed treatment of Debtor’s creditors if the Plan is confirmed and contains information concerning the prospects in the event of confirmation or, in the alternative, the prospects if confirmation is denied or the proposed Plan does not become effective.

Upon its approval by the Bankruptcy Court, the Disclosure Statement and the Exhibits thereto will have been found to contain, in accordance with the provisions of the Bankruptcy Code, adequate information of a kind and in sufficient detail to enable a reasonable, hypothetical investor, typical of a holder of an impaired claim or an interest to make an informed judgment about the Plan. Approval of the Disclosure Statement, however, does not constitute a recommendation by the Bankruptcy Court either for or against the Plan.

3.2 Voting Procedure

Creditors entitled to vote on the Plan may cast their votes for or against the Plan by completing, dating, signing, and causing the Ballot Form accompanying this Disclosure Statement as **Exhibits A-1, A-2, and A-3** to be returned to the following address:

**LEVITT HOMES CORPORATION
c/o Charles A. Cuprill, P.S.C.
356 Fortaleza Street, Second Floor
San Juan, PR 00901**

The Ballots must be received **on or before 4:00 P.M. (Eastern Standard Time) on _____, 2017**, to be counted in the voting. Ballots received after this time will not be counted in the voting unless the Bankruptcy Court so orders. The Debtor recommends a vote for "ACCEPTANCE" of the Plan.

3.3 Ballots

Pursuant to the provisions of the Bankruptcy Code, only classes of claims or equity interests which are "impaired" under the terms and provisions of a plan are entitled to vote to accept or reject such plan, except as provided in Section 1126(g) of the Bankruptcy Code as to any Class which is deemed not to have accepted the Plan because the Plan provides that the claims or interests of such class do not entitle the holders of such claims or interests to receive or retain any property under the Plan on account of such claims or interests.

Members of Classes 1, 2, and 3 are impaired under the Plan and entitled to vote. They will be asked to vote for acceptance or rejection of the Plan. Class 4 is unimpaired and not entitled to vote.

3.4 The Confirmation Hearing

Pursuant to Section 1128 of the Bankruptcy Code, the Bankruptcy Court has scheduled a hearing on confirmation of the Plan to commence on _____, 2017 at _____ .M. or as soon

thereafter as the Debtor can be heard. The Confirmation Hearing will be held before the Honorable Enrique S. Lamoutte Inclan, United States Bankruptcy Judge, in the United States Bankruptcy Court, Courtroom 1, 300 Recinto Sur Street, San Juan, Puerto Rico, 00901. At the Confirmation Hearing, the Bankruptcy Court will consider whether the Plan satisfies the various requirements of the Bankruptcy Code, including whether it is feasible and in the best interests of holders of claims and interests. The Bankruptcy Court will also receive and consider a Report of Plan Voting prepared by Debtor, summarizing the votes for acceptance or rejection of the Plan by Debtor entitled to vote.

The Confirmation Hearing may be adjourned from time to time without further notice except for the announcement of the adjourned date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

At the Confirmation Hearing with respect to the Plan, the Bankruptcy Court will (i) determine whether the requisite votes have been obtained for the impaired Class, (ii) hear and determine objections, if any, to the Plan and to the confirmation of the Plan, that have not been previously disposed of, (iii) determine whether the Plan meets the confirmation requirements of the Bankruptcy Code, and (iv) determine whether to confirm the Plan.

Any objection to confirmation of the Plan must be in writing, filed and served as required by the Bankruptcy Court pursuant to the order approving the Disclosure Statement, a copy of which is attached as **Exhibit B** hereto.

3.5 Acceptances Necessary to Confirm the Plan

The vote of each holder of the impaired Class is important since at the Confirmation Hearing and as a condition to the confirmation of the Plan, the Bankruptcy Court must determine, among other things, whether the impaired Class has accepted the Plan. Under Section

1126 of the Bankruptcy Code, the impaired Class will be deemed to have accepted the Plan if at least 2/3 in amount and more than 1/2 in number of the Allowed Claims of the impaired Class members who actually cast ballots to accept or reject the Plan, accept the Plan. Further, unless there is acceptance of the Plan by all members of the impaired Class, the Bankruptcy Court must also determine that under the Plan, such Class members will receive property of a value, as of the Effective Date, that is not less than the amount that such Class members would receive or retain if Debtor were liquidated under Chapter 7 of the Bankruptcy Code on the Effective Date of the Plan. **THESE CALCULATIONS ARE BASED ONLY ON THE CLAIMS AMOUNTS AND NUMBER OF CREDITORS WHO ACTUALLY VOTE. ANY BALLOT THAT IS VALIDLY EXECUTED THAT DOES NOT CLEARLY INDICATE REJECTION OF THE PLAN, SHALL BE DEEMED TO CONSTITUTE A VOTE FOR ACCEPTANCE OF THE PLAN. THE VOTE OF EACH CREDITOR IS IMPORTANT.**

IV. GENERAL INFORMATION

4.1 Description and Historical View of the Debtor.

Debtor was organized under the laws of Puerto Rico on March 19, 1999 and was formerly engaged in the construction of residences, with its last projects at the municipalities of Guaynabo and Caguas, respectively known as Hacienda San José and Finca Elena. Since the agreement reached with its secured creditor, as described below, Debtor has not been engaged in construction activities.

Until the filing of Debtor's Chapter 11 petition, its offices were at B-5, Tabounuco Street, Suite 207 Galería San Patricio, Guaynabo, Puerto Rico 00968. Debtor has four (4) shareholders, each holding 25% of Debtor's voting common stock. These four (4) shareholders are Eng. Rafael Torrens, Eng. Agustin Mujica, José M. Rodriguez, CPA and Mr. Orlando Rodriguez.

4.2 Events Preceding Debtor's Chapter 11 Filing

The economic recession that Puerto Rico has been facing during the last ten (10) years has adversely impacted numerous sectors and entities of Puerto Rico's economy, primarily Debtor's construction industry. Puerto Rico's battered construction industry, has shown a continued deterioration during the past years. As a result, Debtor had difficulties in complying with its secured obligations and its creditors generally in the ordinary course of business, primarily due to the decline in sales in the residential units at Debtor's two (2) remaining projects and the lack of financing for home buyers.

Due to the above, during 2013, Debtor reached agreements with its secured creditor, PRLP 2011 Holdings, LLC (successor of Banco Popular de Puerto Rico) to surrender thereto its two (2) remaining projects, in full payment and release of Debtor's obligations. The Court of First Instance of Puerto Rico, Bayamón and Caguas Sections entered judgments approving the corresponding agreements for the surrendering of the two (2) projects and Debtor's releases.

After the surrender of the two (2) projects, Debtor had no option but to proceed with the orderly liquidation of its remaining under the Plan.

Consequently, for that purpose and reorganizing its financial affairs, obtain the benefits of the automatic stay provisions of Section 362(a) of the Bankruptcy Code and execute an orderly liquidating plan, on May 4, 2015, Debtor filed a voluntary petition for relief pursuant to 11 U.S.C. Chapter 11 with the Bankruptcy Court.

4.3 Debtor's Post-Petition Endeavors.

As a result of the filing by Debtor of its Chapter 11 petition, Debtor received the benefits of 11 U.S.C. § 362(a), which stays all collection actions and judicial proceedings against Debtor, thus preventing a run to the court house by creditors and the possible execution of Debtor's remaining assets, providing Debtor the opportunity to file a Liquidation Plan and a Disclosure

Statement, without the pressures that drove Debtor into Chapter 11, as envisioned by the Bankruptcy Code.

During the course of its case, Debtor has undertaken the following efforts for the benefit of its Estate and its creditors:

Debtor sought and obtained the Bankruptcy Court's approval to retain Charles A. Cuprill, Law Office, P.S.C., as its bankruptcy counsel (Docket No. 13).

Debtor also sought the Bankruptcy Court's approval to retain Luis R. Carrasquillo, CPA, CIRA ("Carrasquillo") as its financial advisor on all matters pertaining to Debtor's Chapter 11 case (Docket No. 14).

On August 3, 2015, Debtor filed a Motion for the sale of a parcel of land known as "The Village", in Caguas, Puerto Rico, for \$985,000, to the Municipality of Caguas, pursuant 11 U.S.C. §363(f), with a \$235,000 down payment, two (2) yearly installments of \$225,000 and one las yearly installment for \$300,000 granted by the Court on September 2, 2015. To date the Municipality has paid Debtor \$685,000.00 of the \$985,000.00, with the balance of \$300,000.00 to be paid during January 2017.

On July 5, 2016, Debtor filed a motion for leave to sell 22.0906 cuerdas at Hato Nuevo Ward, Guaynabo, Puerto Rico under Section 363 of the Bankruptcy Code, free and clear of all liens and encumbrances to Rafael I. Díaz Fuentes, for \$125,000, which was approved by the Bankruptcy Court on August 5, 2016. Closing on the sale took place on August 11, 2016.

The proceeds from these two (2) sales, will be used to fund the Plan assuring payment to General Unsecured Creditors in the case.

After various pleadings and motions, primarily objections to the proofs of claim filed by Mrs. Lillian Nieves Garcia (POC No. 6) and Mr. Pedro Millan Nieves (POC No. 8), Debtor and

these two (2) creditors have reached a settlement agreement (the “Settlement Agreement”) to conclude their controversies whereby Nieves will amend POC No. 6 to \$321,428.57, Debtor will withdraw its objection to Nieves’ motion to reconsider the order of August 8, 2016, granting Debtor’s objection to POC No. 6, with Debtor agreeing to file the Plan, which Class 1 creditors receiving at least 70% of their allowed claims, Milan will withdraw POC No. 8 and willk to retain for herself the residence at 24 RB Rio Cristal Plaza, Urbanización Encantada, Trujillo Alto, P.R., including all liens and encumbrances thereon.

V. CLAIMS AGAINST DEBTOR

5.1 Claims Against Debtor

Claims against Debtor that are Allowed Claims, as defined in the Plan, will be entitled to Distribution pursuant thereto, as indicated in pages 6 through 8 hereof.

The Plan provides that only Holders of Allowed Claims, that is, holders of Claims not in dispute, not contingent, liquidated in amount and not subject to objection or estimation are entitled to receive distribution thereunder. Until a claim becomes an Allowed Claim, distribution will not be made to the holder of such claim.

5.2 Objections to Claims

The amounts set forth as due to holders of unclassified and classified claims are estimates, based upon Debtor’s Schedules or Debtor’s belief as to the amounts due thereto. Debtor is including as **Exhibit C** hereto a Summary of Claims and Plan Payments.

Any objections to Claims must be filed and served on their holders by the Claims’ Objection Bar Date, which as set forth in the Plan is thirty (30) days before the first date fixed by the Bankruptcy Court for the hearing on the confirmation of Debtor’s Plan. If an objection has

not been filed to a Claim by the Claims Objection Bar Date, the Claim will be treated as an Allowed Claim.

Objections to Claims filed in Debtor’s Chapter 11 case are to be prosecuted by Debtor, including any application to estimate or disallow Claims for voting purposes.

As of the date of this Disclosure Statement Debtor has filed objections to the following claims, giving notice to the creditors that they had thirty (30) days to respond thereto:

POC #	Claimant	Amount Claimed	Amount Expected to be Allowed	Reason for Objection	Action by the Court
1	Infokeepers of P.R., Inc.	\$14,438.12 (Secured)	\$14,438.12 General Unsecured	Proof of Claim No. 1 was erroneously filed as a Secured Claim instead as a General Unsecured Claim. Therefore, this claim, must be allowed in the amount claimed, but as a General Unsecured Claim.	Pending Decision
5	JM Resto Construction, Inc.	\$24,243.85 (Unsecured Priority)	\$24,243.85 General Unsecured	Claim No. 5 was erroneously filed as a Unsecured Priority Claim instead of as a General Unsecured Claim. Therefore, this claim must be allowed in the amount claimed, but as a General Unsecured Claim.	Pending Decision
6	Mrs. Lillian Nieves Garcia	\$ 842,755.39	\$422,233.34	The amount to be allowed to be limited to that granted by the Department of Consumer Affairs for the Commonwealth of Puerto Rico’s (“DACO”), order of June 23, 2010.	Settled
7	Asociación de Condomines Riverwalk (“Riverwalk”)	\$275,093.90	\$0.00	On October 23, 2015, the automatic stay of Section 362(a) of the Bankruptcy Code was lifted (Docket No. 62) for proceedings regarding Riverwalk’s claim to be continued before DACO, Case No. 1081130000041, where it has been at bench for a long period of time and stayed upon the filing of Debtor’s Chapter 11 petition by the provisions of 11 USC § 362 (a).	Pending Decision

POC #	Claimant	Amount Claimed	Amount Expected to be Allowed	Reason for Objection	Action by the Court
				<p>On or about August 19, 2016, Debtor filed a motion for DACO to rule on Debtor's motion to dismiss pending since May 13, 2016 (the "Motion"). On July 7, 2016, DACO granted Debtor a term to submit to Riverwalk documents regarding the filtrations alleged thereby, which Debtor did, DACO granting Riverwalk twenty (20) days to file any opposition to Debtor's submission, which Riverwalk failed to do. The above reveals that Riverwalk has no claim against Debtor and to that effect on October 5, 2016 Debtor renewed its objection to Claim No. 7 as to which on November 3, 2016 Riverwalk requested twenty one (21) days to reply.</p>	
9	PRLP Properties I, LLC	\$59,367,481.75	\$0.00	Amount not due pursuant to the pre-petition agreements with the creditor.	Granted Docket No. 109
10	Guaynabo South Combine Corporation ("GSC")	\$451,020.00	\$0.00	<p>On September 8, 2015, GSC filed proof of claim number 10 (the "POC") for \$451,020.00, against Debtor, as a general unsecured claim on the alleged basis of "amount paid and expenses incurred on behalf of Debtor", without any evidence in support thereof.</p> <p>Debtor sustains that the POC fails to comply with Rule 3001(c) (1) of the Federal Rules of Bankruptcy Procedure. <i>In re Kirkland</i>, 572 F. 3d. 838, 841(10th Cir. 2009); <i>In re Lindell Drop Forge Co.</i>, 111 B.R. 137 (Bankr.W.D.Mich. 1990); <i>In re Immerfall</i>, 216 B.R. 513 (S.D.Ind. 1998), and as such must be disallowed.</p>	Pending Decision

POC #	Claimant	Amount Claimed	Amount Expected to be Allowed	Reason for Objection	Action by the Court
11	Rosa M. Diaz Berrios and Luis Adorno Hernández	\$110,000	\$0.00	On September 9, 2015, POC No. 11 was filed for \$110,000.00 alleging damages for emotional distress and anguish, due to alleged damages due to a landslide of a slope behind claimants residence. The allegations of the Complaint filed in Civil No. FPE 2012-0111, establish that Debtor is not liable for the damages claimed.	Granted Docket No. 93
12	Department of the Treasury of Puerto Rico (Treasury)	\$17,907.85 Secured \$833.69 Priority \$1,220.08 Unsecured	\$0.00	On September 23, 2015 Treasury filed POC No. 12, mostly related to real property taxes over certain residential units sold by Debtor, years ago, thus, not Debtor's responsibility. Treasury also claimed certain withholding taxes, which based on the evidence, were paid during May and June 2015.	Objection Granted at Docket No. 237

VI. DESCRIPTION OF THE PLAN

The following is a summary of the significant provisions of the Plan and is qualified in its entirety by said provisions. 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.

The Plan contemplates, the use of the funds generated from the sale of the assets set forth above, for its funding. Administrative Expense Claims, Priority Tax Claims, and Holders of Allowed General Unsecured Claims under Class 1, will be paid on the Effective Date. An escrow account (reserve account) will be established for the future payment to Holders of Claims under Class 2.

Prior to any distribution to General Unsecured Creditors, Debtor will pay in full, on or before the Effective Date of the Plan, any pending Allowed Administrative Expense Claims and Allowed Priority Claims.

Class 2 Claims will be paid promptly, on a pro-rata basis from the reserve account to be established, after the resolution of the pending contested matters with Riverwalk and GSC.

Payment to Class 3, Claims of Insiders and Affiliates, will be made from the proceeds of the sale of Debtor's remaining assets, after payment of all other claims, pursuant to the Plan.

6.1 Unclassified Claims

In accordance with Section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Claims are not classified in the Plan. A description of the unclassified Claims and the Claims of General Unsecured Creditors, as well as the estimated principal amounts thereof, as of the Effective Date, and their treatment, are set forth in the Plan and summarized in pages 6 through 8 hereof.

Administrative Expense Claims are generally the ordinary and necessary costs of administering and operating during a Chapter 11 case, including claims under section 503(b)(9) of the Bankruptcy Code, if any. These claims are listed in Exhibit C hereto.

Except as otherwise agreed to by Debtor and the holder of a pending Allowed Administrative Expense Claim, each such holder shall be paid in full on or before the Effective Date. US Trustee Fees will be paid when due, during the pendency of the case.

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.

6.2 Professional Fee Claims

The professionals retained by Debtor in its Chapter 11 case have and will incur fees and expenses from the date of their retention through the Effective Date of the Plan. It is impossible to predict the amount of professional administrative expense fees that will be incurred through the confirmation of the Plan. As of the filing of this Disclosure Statement, Debtor has paid approximately \$82,981 in professional fees, including the retainers, to Debtor's appointed professionals. Debtor estimates that additional Allowed Professionals Fee Claims will aggregate from \$75,000 to \$100,000 for services rendered and expenses incurred up to the Confirmation of the Plan, for all professionals retained by Debtor. All amounts paid to professionals through the Confirmation Date, including interim fees and expenses are subject to final Bankruptcy Court approval. Debtor reserves the right to contest the allowance of any professional fees. Payments to Professionals will be made as approved by the Bankruptcy Court during the pendency of the Chapter 11 Case.

6.3 Priority Tax Claims and Other Priority Claims

Priority Tax Claims entitled to priority pursuant to Section 507(a)(8) of the Bankruptcy Code, consist of certain property taxes (secured and unsecured) owed to CRIM amounting to \$9,106.52 and certain amounts due to the Municipality of Caguas in the amount of \$8,814.88. Such claims are listed in the **Exhibit D** hereto.

The Allowed Priority Tax Claims will be paid in full, on the Effective Date.

6.4 Classes of Claims and Equity Interests

As of the Petition Date, Debtor had priority unsecured and non-priority unsecured debts, as more particularly described below and in pages 6-8 hereof.

The Plan classifies the Claims of General Unsecured Creditors and of Holders of the Equity Interests in Debtor, in four (4) separate classes are set forth below:

Class 1 – Consists of Holders of Undisputed Allowed General Unsecured Claims

Class 2 – Consists of Holders of Disputed General Unsecured Claims

Class 3 – Consists of Holders of Allowed General Unsecured Claims - Insiders and/or Affiliates.

Class 4 – Consists of Holders of the Shares in Debtor.

6.5 Treatment of Claims.

Class 1 –Allowed Undisputed General Unsecured Claims

- (a) Impairment and Voting - Class 1 is impaired under the Plan. Holders of Allowed Undisputed General Unsecured Claims are entitled to vote to accept or reject the Plan.
- (b) Distribution –Holders of Allowed Undisputed General Unsecured Claims (Non-Insiders) for \$782,139.32, will be paid in cash 70% thereof on the Effective Date.

Class 2 –Holders of Disputed General Unsecured Claims

- (a) Impairment and Voting - Class 2 is impaired under the Plan. Holders of Disputed General Unsecured Claims are entitled to vote to accept or reject the Plan.
- (b) Distribution –This Class is composed of two (2) claims identified as Contingent and Disputed Claims in Debtor’s Chapter 11 Schedules and in **Exhibit C** hereto whose amounts are subject to determination. On the Effective Date, Debtor will establish an escrow account for approximately \$105,000, equivalent to 70% of the estimated amounts of the claims in this Class (\$150,000), to be distributed to the claimants in this Class if they prevail, if both on a pro-rata basis and if only one up to 70% if its claim, any remaining funds to revert to Debtor.

Class 3 –Holders of Allowed General Unsecured Claims of Affiliated Entities or Insiders

- (a) Impairment and Voting - Class 3 is impaired under the Plan. Holders of Allowed General Unsecured Claims of Affiliated Entities or Insiders are entitled to vote to accept or reject the Plan.
- (b) Distribution – Holders of Allowed General Unsecured Claims of Debtor’s Affiliates and Insiders for \$3,610,890.84, resulting from advances to Debtor, unpaid salaries, and other loans to Debtor, will be paid from the sale of Debtor’s remaining assets and from any cash balance in Debtor’s bank accounts after payments to Classes 1 and 2. The final recovery for Class 3 creditors, as well as the timing of their payments, are unknown as they depend on the future sale of Debtor’s remaining assets.

Debtor’s Affiliates and Insiders are subordinating the collection of their allowed claims to the payment of the other classes of claims, pursuant to the provisions of the Plan, solely if the Plan is confirmed. If the case is converted or dismissed, this subordination will not be available for the benefit of the other creditors in the case.

Class 4 – Interests Holders in Debtor

- (a) Impairment and Voting - Class 4 is unimpaired under the Plan. Interest Holders in Debtor are deemed to have accepted the Plan and are not entitled to vote to accept or reject the Plan.
- (b) Distribution – Holders of the Equity Interests in Debtor will retain their shares unaltered.

6.6 Means for Implementation of the Plan

Except as otherwise provided in the Plan, Debtor will effect payments of pending Administrative Expense Claims, Priority Tax Claims, and Class 1 Claims on the Effective Date from the cash balance currently available in Debtor’s accounts.

Class 2 Claims will be paid, on a pro-rata basis, from the \$105,000, carve out to be established on the Effective Date, subject to their determination and allowance, as indicated above.

Class 3 claims will be paid from the sale of Debtor's remaining assets and any cash balance in Debtor's accounts after payments to Class 1 and 2, on a pro-rata basis. These creditors recovery and its timing are unknown. Dividends to this Class will commence after payment of the other claims.

6.7 Debtor's Post Confirmation Management

After the confirmation of the Plan, Debtor will continue with its current management, consisting of Eng. Agustin Mujica and Jose Rodríguez, CPA to liquidate and manage Debtor's estate, with a monthly salary of \$3,000.00 each.

6.8 Executory Contracts and Unexpired Leases

All executory contracts and unexpired leases which have not expired by their own terms or have been rejected on or prior to the Confirmation Date shall be deemed rejected on the Effective Date and the entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such rejection pursuant to Sections 365(a) and 1123(b)(2) of the Bankruptcy Code.

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

VII. LIQUIDATION AND FINANCIAL ANALYSIS

7.1 Best Interest of Creditors and Comparison with Chapter 7 Liquidation

In the event Debtor's Chapter 11 case is converted to Chapter 7 of the Bankruptcy Code, Debtor would be required to cease all of its remaining activities and a Chapter 7 Trustee would be appointed for Debtor's estate to liquidate the estate's assets pursuant to the provisions of the Bankruptcy Code, after attending to the immediate issues of securing them and the resolution of any issues involving Debtor's pending controversies with Riverwalk and GSC.

A Liquidation Analysis with respect to Debtor's assets as of September 30, 2016 is attached as **Exhibit E** hereto (the "Liquidation Analysis").

The Liquidation Analysis reveals that in the event of a liquidation of Debtor's assets by a Chapter 7 Trustee, there would be a substantial loss to Debtor's Estate, taking into account the Chapter 7 costs of administration, the decrease in the recovery from the liquidation of Debtor's assets and the expected value of Debtor's assets in a Chapter 7 scenario. It also reflects what in Chapter 11 the respective Creditors are expected to receive under the Plan versus what is projected they would receive in Chapter 7, underscoring the benefits of the confirmation of the Plan and its effectiveness. Pursuant to such analysis, under a Chapter 7 scenario, Priority Tax Claimants and Chapter 11 Administrative Expense Claims will receive 100% of their allowed claims. Meanwhile, General Unsecured Creditors (all) would receive dividends in a range between 32% and 36% of their allowed claims, when Debtor's Plan is proposing an estimated dividend of 70% for Classes 2 and 3 (almost the double).

Confirmation of the Plan will ensure that holders of Administrative Expense Claims, Allowed Priority Claims, and Allowed General Unsecured Claims (except for those claim of Debtor's affiliates and insiders) will receive prompt dividends on their claims, as set forth above.

The Liquidation Analysis contains estimates and assumptions that, although developed and considered reasonable by Debtor, are inherently subject to significant economic uncertainties and contingencies beyond Debtor's control.

7.2 Feasibility of the Plan

A) Financial Projections

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

As **Exhibit G** hereto, Debtor is including a summary of its monthly operating reports for the period ended September 30, 2016. **Exhibit H** hereto consists of Debtor's operating report, as of September 30, 2016.

As of the Petition Date, Debtor owned assets and had liabilities, as more particularly described in its Schedules and Statement of Financial Affairs, filed with the Bankruptcy Court on May 4, 2015. Debtor's Schedules and Statement of Financial Affairs are available for public inspection at the office of the Clerk of the Bankruptcy Court during regular business hours.

a) Real Property

As of the Petition Date, Debtor was the owner in fee simple of (ten) parcel of land and remnants, as listed and fully described in its Schedule A to Debtor's petition filed on May 4, 2015 (Docket No. 1), with an aggregate estimated value of \$4,237,798, summarized as follows:

Finca Elena - Parcel A (Vacant Parcel of Land)	\$ 220,926 *
Sabana Seca I - Vacant Parcel of Land	250,725
Sabana Seca II - Vacant Parcel of Land	1,150,276
Camino del Mar - Vacant Parcel of Land	185,075
Parcel GA at Encantada Development	100,000
Parcel C at Encantada Development	300,000
Remant (Parcel F) at Encantada Development	200,000
The Village at Tomás de Castro, Caguas	985,000 *
Pueblito at Cañabón, Caguas	676,396
La Mansión at Las Palmas, Cataño	169,400
Total Estimated Value	<u>\$ 4,237,798</u>

The two (2) properties listed with an asterisk above have been sold during the Debtor's chapter 11 proceedings as indicated above.

b) Personal Property

As of the Petition Date, Debtor's Schedules listed Debtor's personal property consisting of cash, bank accounts, accounts receivable, and furniture and fixtures, with an aggregate value of \$316,412.71. A Detail of Debtor's personal property is included in its Schedule B to its chapter 11 petition, available for public inspection at the office of the Clerk of the Bankruptcy Court during regular business hours.

c) Accounts Receivable and Liquidated Debts

As of the filing date, Debtor listed, in its Schedule B, accounts receivable with an estimated balance of \$141,407.11. An updated recoverability analysis of Debtor's accounts receivable as of August 31, 2016, appears in the Liquidation Analysis mentioned above.

d) Liquidation Analysis

In order to analyze realistic liquidation scenarios and considering the updated value of Debtor's assets as of September 30, 2016, Debtor has included its Liquidation Analysis as **Exhibit E** hereto.

7.3 Pending Litigation and Other Liabilities

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

Case/ Name	Nature	Forum	Status
Rosa M. Díaz Berríos; Luis Adorno Hernández vs. Encantada Homeowners Assoc., Levitt Homes Puerto Rico, Inc.; Aseguradora ABC Civil No. FPE2012-0111	Construction Defects	Court of First Instance of Puerto Rico Carolina Section	Stayed
Asociación Condomines del Cond. Riverwalk vs. Levitt Homes Corporation, COSAD de Puerto Rico, Inc., Compañía Aseguradora XYZ; Compañía de Finanza ABC Case Number SJ10811030000041	Construction Defects	Department of Consumer Affairs (DACO)	Stayed
Lillian Nieves García, Pedro Millan Nieves, Nestor Nieves Maldonado vs. Levitt Homes Puerto Rico, Inc.; Ing. Miguel G. Molina, Ing. Agustin Mujica Vazquez; Hill Construction Corporation; Vivical; Ing. John Doe, Richard Roe; Aseguradora A,B,C Case Number 10022514	Construction Defects	Department of Consumer Affairs (DACO)	Stayed
Asociación Condomines Riverwalk vs. Levitt Homes Corporation Case Number 10811300000041	Construction Defects	Department of Consumer Affairs (DACO)	Stayed Relief from stay granted
La Cima Homeowners Association, Et Als vs. Levitt Homes Corporation, Et Als Civil No. FAC2006-1945	Construction Defects	Court of First Instance of Puerto Rico, Carolina Section	Stayed

VIII. BAR DATE AND DETERMINATION OF CLAIMS

8.1 Bar Date

On May 5, 2015, in the “Notice of Chapter 11 Bankruptcy Case, Meeting of Creditors and Deadlines” issued in Debtor’s case, the Bankruptcy Court fixed September 8, 2015, as the bar date for the filing of proofs of claims and interests (except for Governmental Units), and November 2, 2015, for such filings by Governmental Units.

8.2 Determination of Claims

The Plan specifies procedures for objecting to claims. Debtor may object to Claims within thirty (30) days before the first date fixed by the Bankruptcy Court for the hearing on the confirmation of the Plan. No payments will be made under the Plan on account of Disputed Claims until their allowance by the Bankruptcy Court. The Plan provides that Distributions on Disputed Claims will be held in reserve until the Disputed Claims are allowed (at which time the reserves will be distributed and the Claims will be treated according to the terms of the Plan), or disallowed (at which time the reserves will be distributed on account of Allowed Claims pursuant to the terms of the Plan).

Any Claims which (a) are not listed as an Allowed Claims on Debtor's Schedules, as amended; (b) are not evidenced by a valid, timely filed Proof of Claim; or (c) are not listed in the Plan or exhibits to the Plan as Allowed Claims, shall not receive any distribution of cash or property under the Plan until the same become Allowed Claims, and shall be disallowed and discharged if they are not Allowed by Order of the Bankruptcy Court.

IX. ALTERNATIVES TO THE PLAN

If the Plan is not confirmed and consummated, the alternatives include (a) Debtor's liquidation under Chapter 7 of the Bankruptcy Code, (b) dismissal of Debtor's Chapter 11 Case, or (c) the proposal of an alternative plan.

A. Liquidation under Chapter 7

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

As set forth in the Liquidation Analysis attached as Exhibit E hereto, Debtor believes that conversion of the Case to Chapter 7 of the Bankruptcy Code would result in a limited distribution to creditors, due to the decreased value of Debtor's assets, the unfamiliarity of a trustee with Debtor's business and assets and with the manner of most effectively disposing of Debtor's assets, the carrying costs of certain assets such as insurance, property taxes, etc., and the delay in distribution on account of such conversion.

Thus, Debtor believes that the interest of creditors and the goals of Chapter 11 are better served by the confirmation of the Plan.

B. Dismissal of the Case

Dismissal of the Case would likely create substantial problems for Debtor and parties involved, including a run to the courthouse, which would result, in an abandonment of the orderly and structured equitable payments provided by the Plan. Therefore, dismissal of the Case is not a viable alternative for creditors.

C. Alternative Plan of Reorganization

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

X. TAX EFFECTS

Based on Debtor's net operating carry loss forwards, the provisions of the Puerto Rico Internal Revenue Code of 2011, as amended, and the tax provisions of the Bankruptcy Code, Debtor expects that the implementation of the Plan will not have any tax effects.

XI. CONCLUSION

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

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San Juan, Puerto Rico this 21st day of November, 2016.

LEVITT HOMES CORPORATION

By: 

José M. Rodríguez
Executive Vice-President