

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

In re:

Case No. 15-04840

FELIX ROQUE VELAZQUEZ

Chapter 11

Debtor(s)

_____/_

**FIRST DISCLOSURE STATEMENT
FOR PLAN OF REORGANIZATION DATED SEPTEMBER
14, 2016**

Jesús Enrique Batista-Sánchez, Esq.

The Batista Law Group, PSC

Cond. Mid-Town Center
420 Ave. Juan Ponce De León
Suite 901
San Juan, PR 00918
(787) 620-2856

1. INTRODUCTION

This is the disclosure statement (the “Disclosure Statement”) in the chapter 11 case of **Felix Roque Velazquez** (the “Debtor”). This Disclosure Statement contains information about the Debtor and describes the Small Business Plan of Reorganization (the “Plan”) filed by the Debtor on April 20, 2016 as supplemented on September 14, 2016. A full copy of the Plan is attached to this Disclosure Statement as **Exhibit A**. Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.

The proposed distributions under the Plan are discussed at pages 6 through 13 of this Disclosure Statement. General unsecured creditors are classified in Class 8, and will receive a distribution of \$30,000.00 which amounts to approximately 30.0% of their allowed claims. Payments will be distributed over sixty months (60) with monthly payments equal to \$500.00 commencing on the first day of the sixty first (61) month following the Effective Date of the Plan and continue, on a monthly basis, through the last day of the 120th month following the Effective Date of the Plan. The Payment will be based on principal only, without any payment of interest.

A. Purpose of This Document

This Disclosure Statement describes:

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

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

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

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

1. Time and Place of the Hearing to Finally Approve This Disclosure Statement and Confirm the Plan.

On _____ a.m. a Hearing shall be held before the Honorable

Mildred Caban at the United States Bankruptcy Court, District of Puerto Rico, José V. Toledo Federal Building & US Courthouse 300 Recinto Sur Street, Courtroom #_____, San Juan, Puerto Rico 00901 to determine whether to finally approve this Disclosure Statement and confirm the Plan (the “Confirmation Hearing”). The Court will fix the last day for the filing and serving of written objections to the disclosure statement and confirmation of the plan.

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

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot in the enclosed envelope to The Batista Law Group, PSC., Condominio Midtown 420 Ponce de Leon Ave., Suite 901, San Juan, PR 00918. See section IV. A. below for a discussion of voting eligibility requirements.

Your ballot must be received before _____ at 5:00 p.m EST. or it will not be counted.

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

Objections to this Disclosure Statement or to the confirmation of the Plan must be filed with the Court and served upon the Debtor by _____.

4. Identity of Person to Contact for More Information

If you want additional information about the Plan, you should contact:

The Batista Law Group, PSC
Jesús E. Batista Sánchez, Esq.
Mid-Town Plaza
420 Ponce De León, Ave.; Suite #901
San Juan, Puerto Rico 00969
Tel: (787) 620-2856
Fax: (787) 625-0259
Email: jesus.batista@batistalawgroup.com

C. Disclaimer

The Court has conditionally approved this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms. The Court has not yet determined whether the Plan meets the legal requirements for confirmation, and the fact that the Court has approved this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted. The Court’s approval of this Disclosure Statement is subject to final

approval at the hearing on confirmation of the Plan. Objections to the adequacy of this Disclosure Statement may be filed until _____.

II. BACKGROUND

A. Description and History of the Debtors' Business

The Debtor is an individual debtor and is a medical doctor. Dr. Roque is a practicing surgeon whose medical practice is located in Cayey, Puerto Rico. As part of his medical practice, the Debtor owns a 33% interest in Instituto de Cirugia Avanzada y Control de Obesidad Corp. (the "Instituto de Cirugia Avanzada") located at Hospital Menonita Suite 304 Cayey, PR 00926. The Debtor also owns two real properties located at: 1) Urb. La Serrania 291 Calle Lirio Caguas PR 00725 (the "Caguas Property"); and 2) 150 Candelero Drive FW 720 Palmas Del Mar Humacao PR 00791 PR. (the "Palmas del Mar Property"). The Caguas Property is the Debtor's former residence and is presently occupied by the Debtor's ex-spouse and the Debtor's minor child. As set-forth herein, the Debtor will be retaining the Caguas Property. The Palmas del Mar Property is the Debtor's former vacation home. As set-forth herein, and as part of the Debtor's financial reorganization, the Debtor is surrendering his interest in the Palmas Del Mar Property.

B. Insiders of the Debtors

The Debtor does not have any "insiders," as such a term is defined in §101(31) of the United States Bankruptcy Code (the "Code").

C. Management of the Debtors Before and During the Bankruptcy

During the two years prior to the date on which the bankruptcy petition was filed, the officers, directors, managers or other persons in control of the Debtor (collectively the "Managers") was the Debtor himself (i.e., Dr. Felix Roque).

Similarly, the Manager of the Debtor during the Debtors' chapter 11 case has also been the Debtor himself.

After the effective date of the order confirming the Plan, the directors, officers, and voting trustees of the Debtor, any affiliate of the Debtor participating in a joint Plan with the Debtor, or successor of the Debtor under the Plan (collectively the "Post Confirmation Managers"), will also be Dr. Felix Roque Velazquez. The responsibilities and compensation of these Post Confirmation Managers are described in Section III. D. below of this Disclosure Statement.

D. Events Leading to Chapter 11 Filing

The Bankruptcy Petition in this case was filed to estop a collection suits against the Debtor. Specifically, the Debtor was subject of a medical malpractice lawsuit as well as other financial claims. The financial claims were due to a general deterioration in the Debtor's

earning capacity; which in turn, was due to increasingly smaller payments from health insurance providers. To address the above challenges, the Debtor filed this Case.

Here, the Debtor seeks to reorganize his finances by: (a) surrendering multiple assets which are the object of unsustainable debt burdens (i.e., the vacation home, the boat, the Nissan GTR, amongst others); (b) restructuring the debt of financial assets the Debtor will retain (i.e., the Caguas Property); and (c) installing a sustainable payment schedule for unsecured claims which will be paid by the Debtor.

E. Significant Events During the Bankruptcy Case

On June 26, 2015, the Petition Date, the Debtor filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. Since that time, the Debtor has operated his financial affairs as Debtor and Debtor in Possession.

The Debtor has closed all pre-petition bank accounts. The real property that required insurance coverage is currently insured. All Monthly Operating Reports, through the month ending February 29, 2016, have been filed. *See*, Dockets #71, 73, 74, 92, 93, 94, 104, 105 and 113. Upon information and belief, Quarterly Fees payable to the United States Trustee have been paid.

The 341 Meeting of Creditors was held on July 31, 2015, at 1:00 PM. Since, on July 23, 2015 (Dk. #19) this Court entered an Order approving Jesus E. Batista Sanchez, Esq., as Counsel of Record and on September 17, 2015 (Dk. #58) this Court also approved the employment of Manuel Feliciano as Financial Consultant/Accountant for the Debtors.

Additionally, on November 17, 2015 the Debtor entered into a Stipulated Agreement with Cooperative de Ahorro y Credito de Medicos which resolved at least four of the secured claims against the Debtor. *See*, Dk. #78. Further, the Debtor has consented to at least three other relief of stay motions with respect to secured claims which the Debtor has agreed to surrendered.

F. Projected Recovery of Avoidable Transfers.

The Debtor has not yet completed his investigation with regard to prepetition transactions. If you received a payment or other transfer within 90 days of the bankruptcy, or other transfer avoidable under the Code, the Debtor may seek to avoid such transfer.

G. Claims Objections

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. The procedures for resolving disputed claims are set forth in Article V of the Plan. Unless otherwise determined by this Honorable Court, any objection to Claim will be filed on or before the 30th day following the effective date of the Plan.

H. Current and Historical Financial Conditions

The identity and fair market value of the estate's assets are listed in **Exhibit B**. As of the Petition Date, the Debtor's Assets and Liabilities reflected Assets in the amount of \$727,998.38 and Liabilities in the amount of \$5,445,373.47.

The Debtor's principal assets are his real properties, which include: (i) the Caguas Property located at Urb. La Serrania 291 Calle Lirio Caguas PR 00725 and which is valued at \$275,000.00; and the (ii) Palmas Del Mar Property located at 150 Candeler Drive FW 720 Palmas Del Mar Humacao PR 00791, which is valued at \$235,000.00. In addition, the Debtor also owns personal property valued at \$472,998.38. There, the primary assets are the Debtor's retirement account/instruments, valued at just over \$250,000.00 and vehicles owned by the Debtor, valued at just under \$100,000.00.

The Debtors liabilities primarily correspond to the secured claims against his Real Properties. These claims include: (a) a secured claim on the Serrania Property, estimated in the amount of \$318,691.80 (see, POC #10 filed by Banco Popular de Puerto Rico); (b) a secured claim on the Palmas del Mar Property, in the amount of \$330,218.20 (see, POC #7 filed by Banco Popular de Puerto Rico). In addition, there are secured claims filed against the Debtor's vehicles which exceed \$225,000.00. Finally, a total of \$53,600.00 in general unsecured claims were filed against the Debtor.

The Debtors most recent financial statements issued before the bankruptcy are set forth in **Exhibit C**.

III. SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

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

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

B. Unclassified Claims

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

1. Administrative Expenses

Administrative expenses are costs or expenses of administering the Debtors' chapter 11 case which are allowed under § 507(a)(2) of the Code. Administrative expenses also include the

value of any goods sold to the Debtors in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires that all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different treatment.

The following chart lists the Debtors' estimated administrative expenses and their proposed treatment under the Plan:

<u>Type</u>	<u>Estimated Amount Owed</u>	<u>Proposed Treatment</u>
Expenses Arising in the Ordinary Course of Business After the Petition Date	Less than \$1,000.00	Paid in full on the effective date of the Plan, or according to terms of obligation if later.
The Value of Goods Received in the Ordinary Course of Business Within 20 Days Before the Petition Date	\$0.00	Paid in full on the effective date of the Plan, or according to terms of obligation if later.
Professional Fees, as approved by the Court.	\$15,000.00	Paid in full on the effective date of the Plan, or according to separate written agreement, or according to court order if such fees have not been approved by the Court on the effective date of the Plan.
Clerk's Office Fees	\$0.00	Paid in full on the effective date of the Plan
Other administrative expenses	\$0.00	Paid in full on the effective date of the Plan or according to separate written agreement
Office of the U.S. Trustee Fees	\$0.00	Paid in full on the effective date of the Plan
Total	\$15,000.00	

2. Priority Tax Claims

Priority tax claims are unsecured income, employment, and other taxes described by § 507(a)(8) of the Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 5 years from the order of relief.

The following chart lists the Debtors' estimated § 507(a)(8) priority tax claims and their proposed treatment under the Plan:

<u>Description</u>	<u>Estimated Amount Owed</u>	<u>Date of Assessment</u>	<u>Treatment</u>	
Department of Labor	\$65.93	2015	Pmt Interval:	1 Payment
			Amount of Pmt:	\$65.93
			Begin Date:	2 nd Month
			End Date:	2 nd Month
			Interest Rate:	0.00%
			Total Payout Amount:	\$65.93
Puerto Rico Department of Treasury	\$1.00	2015	Pmt Interval:	1 Payemnt
			Amount of Pmt:	\$1.00
			Begin Date:	2 nd Month
			End Date:	2 nd Month
			Interest Rate:	0.00%
			Total Payout Amount:	\$1.00
Internal Revenue Services	\$1.00	2015	Pmt Interval:	1 Payemnt
			Amount of Pmt:	\$1.00
			Begin Date:	2 nd Month
			End Date:	2 nd Month
			Interest Rate:	0.00%
			Total Payout Amount:	\$1.00

C. Classes of Claims and Equity Interests

The following are the classes set forth in the Plan, and the proposed treatment that they will receive under the Plan:

1. *Classes of Secured Claims*

Allowed Secured Claims are claims secured by property of the Debtors' bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under § 506 of the Code. If the value of the collateral or setoffs securing the creditor's claim is less than the amount of the creditor's allowed claim, the deficiency will be classified as a Class 8 General Unsecured Claim, unless the creditor's claim is secured only by collateral which is the Debtor's property.

In this Case, Secured Claims are classified in Classes 1 through 7, as follows:

<u>Class</u>	<u>Description</u>	<u>Insider</u>	<u>Impairment</u>	<u>Treatment</u>
1.	<u>The Allowed Class One Claim of Banco Popular de Puerto Rico Secured by the Caguas Property.</u> Class One (1) Claim consists of the Allowed Secured Claim, if any, of Banco Popular de Puerto	No	Yes	The Allowed Class 1 Claim will be paid \$275,000.00 on or before the last day of the 120 th month following the Effective Date of the Plan. Commencing on the 1 st day of the second month following the Effective

	<p>Rico, secured by Debtor's Caguas Property, which is non-homestead real estate owned by Debtor. Banco Popular filed Proof of Claim #10, in the amount of 318,691.80.</p>		<p>Date of the Plan, the Debtor will make monthly payments based on: (a) the amount of the Allowed Class 1 Claim, (b) at a yearly rate of interest of 4.75%, and (c) based on a 360 month amortization schedule. Creditors with Allowed Class 1 Claims will retain their liens to the same extent and priority as existed pre-petition</p> <p><u>Section 506(a) Allocation.</u> Banco Popular's Allowed Claims that is secured by the Serrania Property will be bifurcated pursuant to Section 506(a) of the Bankruptcy Code into secured and unsecured Claims based upon the Determined Value of the Caguas Property. The total value of all Allowed Class 1 Claim will not exceed the Determined Value of the Caguas Property. Allowed Claims with a prepetition security interest in the Caguas Property that do not qualify as secured Class 1 Claims based upon the foregoing will be deemed Class 8 General Unsecured Claims.</p> <p>2. <u>Valuation.</u> Unless a party with standing objects, confirmation of the Plan and <u>entry of the Confirmation Order shall be deemed a final and binding determination, pursuant to Section 506(a) and/or Fed. R. B. Proc. 3012, that the value of the Caguas Property is \$275,000.00.</u> If a party with standing objects to the foregoing valuation of the Caguas Property on or before the Confirmation Objection Deadline, the Bankruptcy Court shall conduct, as part of the Confirmation Hearing, an evidentiary hearing to</p>
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				<p>determine the value of the Caguas Property as of the Petition Date.</p> <p>3. <u>Treatment:</u></p> <p>Allowed Class 1 Claim: \$275,000.00 Monthly Pmt: \$1,434.53 Pmt Begins: 2nd Month of Plan Pmts End: 120th Month of Plan Interest Rate: 4.75% Treatment of Lien: Retain Lien.</p>
2.	<p><u>The Allowed Class 2 Claim of Banco Popular de Puerto Rico Secured by the Palmas Del Mar Property.</u> Class Two (2) consists of the Allowed Secured Claim, if any, of Banco Popular de Puerto Rico, allegedly secured by a pre-petition mortgage on the Palmas del Mar Property owned by Debtor. Banco Popular filed Proof of Claim #7 in the amount of 330,218.20, which may constitute the Allowed Class 2 Claims.</p>	No	Yes	<p>The Class 2 Claim will be satisfied via the surrender of the Palmas del Mar Property as per the terms of the August 18, 2015 Stipulation by and between the Debtor and BPPR. See, Dk. #28. Additionally, the Debtor consents to lifting the automatic stay in favor of Banco Popular de Puerto Rico.</p>
3.	<p><u>The Allowed Class 3 Claim of Medicoop Secured by the 2015 Subaru.</u> Class Three (3) consists of the Allowed Secured Claim, if any, of Medicoop, allegedly secured by a pre-petition lien on a 2015 Subaru owned by Debtor. Medicoop filed Proof of Claim #1, which may qualify as a Class 3 Claim, in the amount of \$54,640.61. It is anticipated that the Claims filed pursuant to Class 3 will result in Allowed Class 3 Claims in the amount of \$54,640.61.</p>	No	Yes	<p>The Holder of an Allowed Secured Class 3 Claim will receive a 100% distribution on its Allowed Class 3 Secured Claim. It is estimated that the Class 3 Allowed Secured Claims will be in the amount of \$54,640.61. Debtor will continue to make regular monthly payment directly to Medicoop until said loan is paid in full based upon the same terms and conditions as existed pre-petition. The Holder of the Allowed Class 3 Claim shall retain its lien to the same extent and priority as existed pre-petition. Furthermore, the Stipulation Agreement executed by and between the Debtor and Medicoop shall be deemed incorporated herewith. See, Dks. #78 and #86.</p>

4.	<u>The Allowed Class 4 Claim of Medicoop Secured by the 2014 Honda Civic.</u> Class Four (4) consists of the Allowed Secured Claim, if any, of Medicoop, allegedly secured by a pre-petition lien on a 2014 Honda Civic. Medicoop filed Proof of Claim #2, which may qualify as a Class 4 Claim, in the amount of \$20,435.54. It is anticipated that the Claims filed pursuant to Class 4 will result in Allowed Class 4 Claims in the amount of \$20,435.54.	No	Yes	The Holder of an Allowed Secured Class 4 Claim, if any, will receive a 100% distribution on its Allowed Secured Claim. As per stipulation filed at docket #78 the 2014 Honda Civic is in the possession of and being used by a third-party. Due to the foregoing Debtor consents a relief from stay in favor of Meddicoop as to the 2014 Honda Civic. The Holder of the Allowed Class 4 Claim shall retain its lien to the same extent and priority as existed pre-petition. Furthermore, the Stipulation Agreement executed by and between the Debtor and Medicoop shall be deemed incorporated herewith. See, Dks. #78 and #86.
5	<u>The Allowed Class 5 Claim of Popular Auto Secured by the 2012 Nissan GTR.</u> Class Five (5) consists of the Allowed Secured Claim, if any, of Popular Auto, allegedly secured by a pre-petition lien on a 2012 Nissan GTR. Popular Auto filed Proof of Claim #5, which may qualify as a Class 5 Claim, in the amount of \$29,348.17. It is anticipated that the Claims filed pursuant to Class 5 will result in Allowed Class 5 Claims in the amount of \$29,348.17.			The Holder of an Allowed Secured Class 5 Claim, if any, will be satisfied via the surrender of the 2012 Nissan GTR. The Debtor has consented and/or consents to relief of stay as to the 2012 Nissan GTR.
6	<u>The Allowed Class 6 Claim of Toyota Credit Secured by the 2011 Lexus.</u> Class Six (6) consists of the Allowed Secured Claim, if any, of Toyota Credit, allegedly secured by a pre-petition lien on a 2011 Lexus RX. Toyota Credit filed Proof of Claim #8, which may qualify as a Class 6 Claim, in the amount of \$21,285.15. It is anticipated that the Claims filed pursuant to Class 6 will result in Allowed Class 6 Claims in the amount of \$21,285.15.			The Holder of an Allowed Secured Class 6 Claim, if any, will be satisfied via the surrender of the 2011 Lexus RX. The Debtor has consented and/or consents to relief of stay as to the 2011 Lexus.

7	<u>The Allowed Class 7 Claim of Popular Auto Secured by the 2005 Chaparral Boat.</u> Class Seven (7) consists of the Allowed Secured Claim, if any, of Popular Auto, allegedly secured by a pre-petition lien on a 2005 Chaparral Boat. Popular Auto filed Proof of Claim #6, which may qualify as a Class 7 Claim, in the amount of \$41,769.43. It is anticipated that the Claims filed pursuant to Class 7 will result in Allowed Class 7 Claims in the amount of \$41,769.43.			The Holder of an Allowed Secured Class 7 Claim, if any, will be satisfied via the surrender of the 2005 Chaparral Boat. The Debtor has consented to relief of stay.
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4. *Classes of Priority Unsecured Claims*

Certain priority claims that are referred to in §§ 507(a)(1), (4), (5), (6), and (7) of the Code are required to be placed in classes. The Code requires that each holder of such a claim receive cash on the effective date of the Plan equal to the allowed amount of such claim. However, a class of holders of such claims may vote to accept different treatment.

The Debtor does not have any claims of the kind described under §§ 507(a)(1), (4), (5), (6), and (a)(7) of the Code.

5. *Class of General Unsecured Claims*

General unsecured claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code.

In this Case, Unsecured Claims are classified in Class #8. The following chart identifies the Plan's proposed treatment of the class of claims which contain general unsecured claims against the Debtor:

<u>Class</u>	<u>Description</u>	<u>Insider</u>	<u>Impairment</u>	<u>Treatment</u>
8.	<u>The Allowed Class 8 Claims of General Unsecured Creditors.</u> Class 8 General Unsecured Claims consists of all unsecured claims allowed under § 502 of the Code. This Class consists of the (a) pre-	No	Yes	It is anticipated that the Claims filed pursuant to Class 8 will result in Allowed Class 8 Claims in the approximate amount \$97,292.00. The Plan proposes a \$30,000.00 distribution on these claims. These claims will be paid via monthly payments. Payment

	petition unsecured claims against the Debtor, to the extent Allowed, if any. It is anticipated that the Claims filed pursuant to Class 8 will result in Allowed Class 8 Claims in the approximate amount of \$97,292.00.			will be payable on or before the last day of the 120 th month following the Effective Date of the Plan. Payments on the Class 8 Claims will commence on the first day of the 61 st month following the Effective Date of the Plan and continue, on a monthly basis, through the last day of the 120 th month following the Effective Date of the Plan. The Payment will be in the amount of \$500.00 per month, based on principal only, without any payment of interest
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4. Class of Equity Interest Holders

Equity interest holders are parties who hold an ownership interest (i.e., equity interest) in the Debtor. In a corporation, entities holding preferred or common stock are equity interest holders. In a partnership, equity interest holders include both general and limited partners. In a limited liability company (“LLC”), the equity interest holders are the members. Finally, with respect to an individual who is a debtor, the Debtor is the equity interest holder.

In this Case, the Debtor’s Equity is classified in Class #9. The following chart sets forth the Plan’s proposed treatment of the class of equity interest holders:

Class	Description	Impairment	Treatment
6	Debtors’ Equity (Ownership) Interest over Property of the Estate	No	Debtors will retain his Ownership Interest.

D. Means of Implementing the Plan

1. Source of Payments

Payments and distributions under the Plan will be funded by the following:

The Plan establishes that the Plan will be funded from the cash-flow generated by the Reorganized Debtor. The Debtor’s cash-flows consist of the business income from DBA Felix Roque Velazquez. The Debtor will contribute his cash flow to fund the Plan commencing on the Effective Date of the Plan and continue to contribute through the date that Holders of Allowed Class 1, 3 and 8 Claims receive the payments specified for in the Plan.

2. Post-confirmation Management

The Post-Confirmation Managers of the Debtor shall be: (a) Mr. Felix Roque Velazquez.

E. Risk Factors

The proposed Plan has the following risks:

1. Income Risk Factor: Although the Debtor believes the Reorganized Debtor will be able to generate sufficient income subsequent to the Effective Date of the Plan to make the payments contemplated by the Plan, there is a risk that the income that is projected from DBA Felix Roque Velazquez is not sufficient and thus the Debtor will not achieve the income necessary to enable him to make payments to Creditors.

F. Executory Contracts and Unexpired Leases

The Plan, in **Exhibit B-1**, lists all executory contracts and unexpired leases that the Debtor will assume under the Plan. Assumption means that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Code, if any. **Exhibit B-1** also lists how the Debtor will cure and compensate the other party to such contract or lease for any such defaults.

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

All executory contracts and unexpired leases that are not listed in **Exhibit B-1** and specifically assumed therein will be deemed rejected under the Plan. Consult your adviser or attorney for more specific information about particular contracts or leases.

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

The Deadline for Filing a Proof of Claim Based on a Claim Arising from the Rejection of a Lease or Contract Is 60 Days from the Rejection of Such Agreement or any other later date set by the Court. Any claim based on the rejection of a contract or lease will be barred if the proof of claim is not timely filed, unless the Court orders otherwise.

G. Tax Consequences of Plan

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

IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the Code. These include the requirements that: the Plan must be proposed in good faith; at least one

impaired class of claims must accept the plan, without counting votes of insiders; the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in § 1129, and they are not the only requirements for confirmation.

A. Who May Vote or Object

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

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

In this case, the Plan Proponent believes that Classes 1 through 8 are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. The Plan Proponent believes that Class 9 is unimpaired and that holders of claims in Class 9, therefore, do not have the right to vote to accept or reject the Plan.

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

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

The deadline for filing a proof of claim in this case was December 28, 2015.

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

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

3. Who is Not Entitled to Vote

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

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

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

4. Who Can Vote in More Than One Class

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

B. Votes Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by “cram-down” on non-accepting classes, as discussed later in Section IV - B.2.

1. Votes Necessary for a Class to Accept the Plan

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

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

2. Treatment of Nonaccepting Classes

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

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

C. Liquidation Analysis

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a chapter 7 liquidation. A liquidation analysis is attached to this Disclosure Statement as **Exhibit D**. This analysis of the Debtor’s Assets and Liabilities reveals a Liquidation Value (the amount of assets that would be available for distribution to unsecured creditors in a hypothetical Chapter 7 liquidation) is sufficient for unsecured creditors to receive approximately \$28,000.00 or a 28.00% distribution on their claims. Here, the Plan proposes to distribute to unsecured creditors \$30,000.00 or an estimated 30.00% distribution on their claims. As such, under the Plan General Unsecured Creditors stand to receive at least as much as they would receive under a hypothetical Chapter 7 Liquidation.

D. Feasibility

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

1. Ability to Initially Fund Plan

The Plan Proponent believes that the Debtor will have enough cash on hand on the effective date of the Plan to pay all the claims and expenses that are entitled to be paid on that date. The Debtor estimates that at the time of an Order of Confirmation, the debtor will have sufficient in liquid assets to fund the Plan. A Table showing the projected amount of cash on hand on the effective date of the Plan, and the sources of that cash are attached to this disclosure statement as **Exhibit E**.

2. Ability to Make Future Plan Payments And Operate Without Further Reorganization

The Plan Proponent must also show that it will have enough cash over the life of the Plan to make the required Plan payments.

The Plan Proponent has provided a Five Year Cash Flow Projection, which is attached as **Exhibit E**.

The Plan Proponent's financial projections show that the Debtor will have sufficient aggregate monthly cash flow to fund the Plan. That is, the Debtor's projected cash-flows demonstrate sustained ability to continue to make payment on the secured debt reorganized through the Plan in addition to all other payments scheduled through the Plan.

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

V. EFFECT OF CONFIRMATION OF PLAN

A. NO DISCHARGE OF DEBTOR

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

B. Modification of Plan

The Plan Proponent may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new disclosure statement and/or revoting on the Plan. The Plan Proponent may also seek to modify the Plan at any time after confirmation only if (1) the Plan has not been substantially consummated and (2) the Court authorizes the proposed modifications after notice and a hearing.

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

C. Final Decree

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

Respectfully Submitted,

/s/ Felix Roque Velazquez
Felix Roque Velazquez

Jesús E. Batista Sánchez, Esq.
The Batista Law Group, PSC
420 Ave. Ponce de León; Suite 901
San Juan, PR 00918
Tel. 787-620-2856
Fax. 787-625-0259

