

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

IN RE:

EDGARDO ACEVEDO BADILLO
JENNIFER ENID JIMENEZ
RAMOS

Debtors

CASE NO. 15-05928 (EAG))

RE: **CHAPTER 11**

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RE: **CHAPTER 11**

**DISCLOSURE STATEMENT IN SUPPORT OF
DEBTOR'S CHAPTER 11 PLAN
DATED : 9/25 /2016**

EDGARDO ACEVEDO BADILLO & JENNIFER ENID JIMENEZ RAMOS ("Debtors"), Debtor-in-Possession, through the undersigned counsel, hereby submits to his creditors this Disclosure Statement in connection with his Chapter 11 Plan dated *9/25/2016 In Upon Approval of the Disclosure Statement/* (the "Plan") pursuant to Chapter 11 of Title 11, U.S.C. (the "Code").

I. Preliminary Statement

1.1 BANKRUPTCY CODE PROVISIONS FOR POST PETITION DISCLOSURE: Section 1125 of the Bankruptcy Code requires that the debtor makes post-petition disclosure in the form of a Disclosure Statement which provides "adequate in to his creditors before Debtor or a party acting on behalf may solicit acceptances of a Chapter 11 Plan his of Reorganization. Creditors are urged to consult with their own attorney, or with each other, and to review all the pleadings and other documents on file with the S. Bankruptcy Court in order of to fully understand the disclosures made herein, regarding Debtor's proposed Plan of Reorganization (hereafter referred to as the "Plan") and any other pertinent matters in this case. A copy of the Plan is attached to this Disclosure Statement.

1.2 DISCLAIMER Creditors are advised that the financial information contained in this Disclosure Statement has not been the object of an audit and is not certified by independent public accountants, except where expressly stated

otherwise. Debtor does not warrant or represent that the information contained herein is without inaccuracy notwithstanding the efforts to disclose all matters with careful attention to accuracy and completeness. The information relevant and required for the preparation of this Disclosure Statement and Debtor's Plan of Reorganization has been provided and facilitated by the Debtor.

1.3 VOTING REQUIREMENTS In order for the Plan to be confirmed by the Bankruptcy Court, the Bankruptcy Code requires that the Plan be approved by all classes of creditors and interest holders or that the Court finds that the Plan is "fair and equitable" as to any dissenting class. 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, if the 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 incurred as a result of any reasonable reliance by such holder on such contractual provision or such applicable law, and

(D) if such claim or such interest arises from any failure to perform a nonmonetary obligation, other than a default arising from failure to operate a nonresidential real property lease subject to section 365(b) 1)(A). Compensates the holder of such claim or such interest (other than the debtor or an insider) for any actual pecuniary loss incurred by such holder as a result of such failure; and

(E) 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, but not in all circumstances, a plan may not be confirmed unless at least one impaired class, assuming there is at least one impaired class, accepts the plan. A class has accepted the 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 more than one-half (h) in number of the allowed claims of such accepted or rejected such plan, those actually voting class held by creditors that have for the Plan. Creditors may vote for the acceptance or rejection of the plan.

Each creditor is urged to consult with its own attorney and obtain advice on the proposals and dispositions of this Disclosure Statement and Plan of Reorganization. The statements contained herein are only a brief summary of the confirmation process and should not be relied upon in making your determination as to whether to vote in favor of or against the Plan. Creditors should consult their attorneys before making a determination to vote for or against the Plan.

Creditors are expressly referred to the Debtor's schedules of assets and liabilities and the statement of financial affairs and all other documents duly filed with the Bankruptcy Court. This Plan is predicated upon certain assumptions that may not materialize, and you are urged to give consideration to such assumptions.

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

2. DEBTORS' HISTORY:

Background, Events Leading to Bankruptcy, Reasons for filing

Debtor Edgardo Acevedo has been involved in selling vehicles business approximately 12 years. Due to the economic crisis in Puerto Rico & generally throughout the world, car dealers have been one of the hardest hit. As a result, Debtor's income, dropped dramatically. From February 14, 2003 to February of 2014, debtor operated as Acevedo Badillo Inc. at Road #2, Km 108.2, Coto Ward, Isabela, and Puerto Rico.

The main event that contributed to the filing of the instant petition: On February, 2014 due to the cancellation of vehicles' "floor -plan" financing provided by Reliable, Acevedo Badillo, Inc. business closed. Debtors were not able to satisfy all their debt, they were forced to recur to the protection of the bankruptcy court to resolve the balance of the debts that could not be satisfied or negotiated with their creditors. As last resort, the Debtor filed a voluntary petition in this Court for reorganization relief under Chapter 11 of title 11 of the U.S. Code (as amended, the "Bankruptcy Code").D.E #1 on August 4, 2015.

2.2 DATE THE PETITION WAS FILED.

The bankruptcy petition was filed on August 3, 2015, "the Petition date" for reorganization relief under the provisions of the Chapter 11 of title 11 of the U.S. Code (as amended, the "Bankruptcy Code"). The Debtor continues to hold the assets of the estate as a Debtor-in-Possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code to hold the assets of the estate as a Debtor-in-Possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. An unsecured creditors' committee has not been appointed in this case. No trustee or examiner has been appointed.

2.3 BANKRUPTCY PROCEEDINGS: *Compliance with Operating Guidelines and DIP Requirements*

Upon filing of this bankruptcy petition, debtor has taken all possible measures necessary to reorganize his household income and expenses. Debtor is in compliance with the U.S Trustee Office Operating Guidelines as follows:

- a) Debtor has filed all Monthly operating Reports

- b) Property, public liability insurance has been maintained
- c) Quarterly fees required by the U.S. Trustee are up to date
- d) Post-petition expenses are being paid as these become due
- e) Post-petition taxes, including estimated payments on personal taxes, are being paid as these become due Debtor is working hard restructuring their finances in a sound and stable fashion which will provide for the intended reorganization pursued within this bankruptcy case.

Debtor Edgardo Acevedo has a job as salesman for Mocar, Inc.; a used cars dealer located in Moca, Puerto Rico which is a stable income. Codebtor Jennifer Jimenez also has a job and works as secretary for the same company. The funding of his reorganization plan will come from both of their incomes, plus rental income from the property leased for \$3,000/monthly to Payco.(The property located in Road #2, Km 108.2, Coto Ward, Isabela, Puerto Rico).

The Debtor's income and expenses reflected on the Monthly Operating Reports *show debtors' effort and devotion to comply with proposed plan.*

Employment of Professionals:

On September 10, 2015 the Debtor filed an application to employ Miriam Lozada Ramirez, Esq. to serve as attorney for the debtor in possession. The application was approved by the Court on October 7, 2015. *The firm* was paid \$10,000.00 for work related to this case, which were paid prepetition from. . The total unpaid professional fees as of the date of this Plan are estimated to be fully covered by the prepetition retainer. At the moment *The Firm does not contemplates* to file a fee application.

On September 17, 2015, debtor in possession has retained the services of accountant Heriberto Reguero, the application was approved by the Court on October 19, 2015. *The accountant* expects to file shortly, a fee application, which fees and costs are subject to court approval.

3. DEBTORS FINANCIAL INFORMATION

3.1 GENERAL FINANCIAL INFORMATION:

Debtors together with the appointed accountant analyzed the financial projections of statements of Income and Significant Changes in Financial Position and the expected cash flow results of operations for the projection period. Accordingly, the projection along with the timely filed Monthly Operating reports, reflects the commitment required to fulfill the covenants proposed in the Plan of Reorganization.

Exhibit # 1 financial projections of statements of Income and Significant Changes in Financial Position

3.2 ASSETS AND LIABILITES AS OF PETITION DATE:

The Debtor filed the Schedule of Assets and Liabilities and Statement of Financial Affairs (collectively, the "Schedules and Statements") with the Bankruptcy Court on September 10, 2015 (Docket entry no. 16). Among other things, the Schedules and Statements set forth the Claims of known creditors against Debtor as of the Petition Date, based upon Debtor's record. This information was provided by Debtor. Exhibit# 2 appraisal of Debtor's commercial real estate at: Road #2, Km 108.2 , Coto Ward, Isabela, Puerto Rico.

Exhibit 3; comparable sales as to the property located in located at Montaña Ward, Aguadilla, Puerto Rico, and debtors' residence at Highway 467 Km 2.2 Int, Bo Camaseyes, Estancias La Roca, Aguadilla,PR.

Claims Bar Date and Proof of claims

The bar date for the filing of pre-petition claims against the Debtor was The Bar Date was **12/14/2015** for creditors and **2/1/2016** for governmental units.

Under the Plan, Administrative Claims must be filed by the first Business Day thirty (30) days after the Effective Date.

To this date the Debtor has received eight (8) proofs of claims asserting approximately in 1,024,501.40 claims and/ or listed.

Debtor's estimate of Allowed claims are identified herein. See schedule of payments under the plan of reorganization.

3.5 LIQUIDATION ANALYSIS:

One requirement for the confirmation of a plan under Chapter 11 of the U.S. Code is that, with respect to each impaired class of claims, each claim holder of such class has accepted the 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 the amount such claim holders would receive or retain if the debtors were liquidated under Chapter 7 of the Code on such date. In order to provide the value as of the effective date of the plan under a Chapter 7 scenario, Debtor provides a detailed liquidation analysis.

For purposes of determining a liquidation value, Debtor has estimated as realizable in a chapter 7 scenario the value for existing real and personal property. The estimated realizable values have been deducted for purposes of the liquidation analysis using the experience of liquidation of assets under Chapter 7 bankruptcy cases.

For the estimated realizable value, estimated administrative expenses have been reduced to determine the estimated amount for unsecured creditors in liquidation. A detailed liquidation analysis, with the bases for preparation thereof, is enclosed herein as Exhibit 4. Liquidation analysis

The liquidation analysis prepared for this case shows that, upon realization of estate assets and payment of liens, expenses and unsecured priority claims, there should be no net available assets in a liquidation proceeding for general unsecured creditors.

4. SUMMARY OF THE PLAN OF REORGANIZATION

4.1 CLASSIFICATION OF CLAIMS AND INTERESTS

The Plan establishes 8 classes of claims, plus two categories of unclassified claims (for administrative expenses and for priority taxes). The classes of claims are identified and treated as follows:

Unclassified claims

A. Administrative Expenses. Administrative Expense claims approved and allowed by the Court shall be paid in full, in cash, by the Debtor on the effective date of the Plan or as soon thereafter as the amount thereof can be fixed, unless a different treatment is agreed to or provided for in this Plan. Administrative claims which by their terms are not due and payable on or before the Effective Date shall be paid as and when due.

Within this class are all preconfirmation fees payable to the U.S. trustee pursuant to 28 U.S.C. § 1930(a) (6), which shall be paid on the effective date of the Plan, if not paid sooner. After confirmation, and until the case is closed, the Debtor shall be responsible for timely payment of fees incurred pursuant to 28 U.S.C. § 1930(a) (6).

3.1. Administrative Expenses (Unclassified): Administrative Expense claims approved and allowed by the Court shall be paid in full, in cash, by the Debtor on the Effective Date or as soon thereafter as the amount thereof can be fixed, unless a different treatment is agreed to or provided for in this Plan. Administrative claims which by their terms are not due and payable on or before the Effective Date shall be paid as and when due.

3.2. **Priority Taxes (Unclassified)**: This class includes the claim of the IRS in the priority amount of \$ 3,738.31 (Claim No. 2).

2.1 Class A (Priority (non-tax) Claims): Class A consists of Priority Claims under §507 other than Administrative Claims and Priority Tax Claims.

2.2. Class B, (Claim No. 5 filed on 10/23/2015), Cooperativa de A/c de Aguada [“COOPERATIVA”] secured prepetition claim : in the total amount of \$340,390.76 as of the filing date, secured by a Mortgage Note dully registered on the Debtor’s commercial real estate at: Road #2, Km 108.2, Coto Ward, Isabela, Puerto Rico.

2.3 Class C, (Claim No. 4 filed on 10/23/2015) Cooperativa de A/c de Aguada [“COOPERATIVA”] secured claim: Class C consists of the secured prepetition claim of “COOPERATIVA,” in the amount of \$247,188.59 as of the filing date, secured by a Mortgage Note dully registered on the Debtors’ real estate on undeveloped 22,298.02 s/m lot, located at Montaña Ward, Aguadilla, Puerto Rico.

2.3A. Class C-1 (Claim No. 5 filed on 10/23/2015) Cooperativa de A/c de Aguada [“COOPERATIVA”] secured claim: Class C-1 consists of the pre & post-petition arrears claim of *in the amount of \$40,112.16 as to mortgage note.*

2.4 Class D (Claim No. 6) Banco Popular de Puerto Rico [BPPR] Now, Condado 3, LLC (PO BOX 70291, SAN JUAN, PR 00936) secured claim: Class D consists of the secured prepetition claim of BPPR, in the amount of \$170,101.93 as of the filing date, secured by a second rank MORTGAGE LOAN dully registered on the Debtor’s real estate on undeveloped 22,298.02 s/m lot, located at Montaña Ward, Aguadilla, Puerto Rico.

2.5. Class E (Claim No. 1) RELIABLE, secured claim: Class E consists of the secured claim of Reliable \$23,424.00, (Claim No. #1), which is secured by a purchase money security on a 2014 Kia Sorrento. *This Class is unimpaired as the account is current.*

2.6 Class F (Claim NO. 3) **Firstbank** secured claim : Class F consists of the secured claim of *Firstbank*, Mortgage Note in the amount of \$281,384.31 as of the filing date upon debtors' residence located in Highway 467 Km 2.2 Int, Bo Camaseyes, Estancias La Roca, Aguadilla,PR.

2.7 Class G consists of all general unsecured claims against the Debtor. This class shall consist of general unsecured creditors. General Unsecured Creditors include those listed by the Debtors and those who have filed proof of claims. General unsecured creditors were listed by Debtors and filed proof of claims total the amount of \$148,778.15 Unsecured Creditors are as follow:

CREDITOR	TYPE OF DEBT	OWED
CONDADO 3,LLC	Deficiency POC #7	\$64,352.79
Coop A/C Aguada	Deficiency POC #4	\$47,188.59
CONDADO 3,LLC	Deficiency POC #8	\$ 5,440.77
Tomás Méndez		\$30,000.00
BPPR Special Loans Division	POC #5	No deficiency, creditor has judgement entered against codebtor of claim Edgardo Acevedo Santiago Civil case #ACD-2014-0087Aguadilla Superior Court
Zales		\$1,374.00

Hillcrust & Davidson	\$ 422.00
TOTAL	\$148,778.15

This class is impaired.

4.2 TREATMENT OF CLAIMS & INTERESTS

4.2.a. Administrative Expenses (Unclassified): Administrative Expense claims approved and allowed by the Court shall be paid in full, in cash, by the Debtor on the Effective Date or as soon thereafter as the amount thereof can be fixed, unless a different treatment is agreed to or provided for in this Plan. Administrative claims which by their terms are not due and payable on or before the Effective Date shall be paid as and when due.

The Debtor has retained the firm of MIRIAM LOZADA RAMIREZ as bankruptcy counsel, which appointment has been approved by the Court on 10/7/2015. *The firm* was paid \$10,000.00 for work related to this case, which were paid prepetition from. The total unpaid professional fees as of the date of this Plan are estimated to be fully covered by the prepetition retainer. At the moment *The Firm does not contemplates* to file a fee application.

At the moment *The Firm does not contemplates* to file a fee application.

The debtor has retained accountant Heriberto Reguero, with the approval of the Court on 10/19/2015. *The accountant* expects to file shortly, a fee application , which fees and costs are subject to court approval. Administrative expensefor accountant fees it's estimated no more than 1,2000.00

The Debtor is unaware of any other unpaid administrative expense claims.

Within this class are all pre-confirmation fees payable to the U.S. Trustee pursuant to 28 U.S.C. § 1930(a)(6), which shall be paid on the Effective Date, if not paid sooner. After confirmation, and until the case is closed, the Debtor shall

be responsible for timely payment of fees incurred pursuant to 28 U.S.C. § 1930(a)(6).

4.2.b **Priority Taxes (Unclassified)**: This class includes the claim of the IRS in the priority amount of \$ 3,738.31 (Claim No. 2). In the event such claim is allowed, for income taxes. All priority tax claims shall be paid in full, with interest at the statutory rate on such claims, in equal quarterly cash payments commencing 90 days after the Effective Date, amortized over the remaining period of 5 years from the Petition Date, unless a different treatment is agreed to or provided for in the Plan. Claim is to be evidenced on a promissory note for the full amount thereof, bearing interest at the statutory rate, dated as of the Effective Date, the value of the future payment to be equal to its allowed amount.

4.2.c **Class A (Priority (non-tax) Claims)**: The Debtor is unaware of any such claims, and no proofs of claim in this class have been filed. In the unlikely event that there are any allowed Claims in Class A, they shall be paid in full, in cash, by the Debtor on the Effective Date or as soon thereafter as the amount thereof can be fixed, unless a different treatment is agreed to or provided for in this Plan. This class is not impaired.

4.2.d **Class B: Cooperativa de A/c de Aguada [“COOPERATIVA”] secured claim (POC #5)**: in the amount of \$340,390.76 as of the filing date, on the Debtor’s commercial real estate at: Road #2, Km 108.2 , Coto Ward, Isabela, Puerto Rico.

The secured claim which is secured against *such real property* shall be valued under 11 U.S.C. § 506(a) at \$450,000.00 as of the Effective Date of the plan. If “Cooperativa” disputes the value of the collateral stated above, it must timely file an objection to confirmation, or the value stated by Debtor will be determined to be the value of the collateral. The secured portion of the claim shall be paid in 180 monthly payments of \$2,560.69, amortized over fifteen years at an

interest rate of 4.25% *per annum*, plus an escrow deposit for taxes and insurance as provided in the existing loan documents. **This class is impaired.**

4.2.e **Class C: Secured Claim Cooperativa de A/c de Aguada** [“COOPERATIVA”] secured claim: Class C consists of consists of the secured prepetition claim of “*COOPERATIVA*”, (Claim No. 4), in the amount of \$247,188.59 as of the filing date, secured by a MORTGAGE LOAN dully registered on the Debtor’s undeveloped real estate 22,298.02 s/m lot, located at Montana ward, Aguadilla, Puerto Rico. The Loan is secured by certain savings and shares of the Debtor in the amount of \$19,608.62, pursuant to the statutory lien created by the Article 6.03(c), of Act Number 255 of October 28, 2002. Debtors surrender savings and shares to Cooperativa de A/C de Aguada. Debtors surrender collateral. **This class is impaired.**

4.2.f **Class C-1 Cooperativa de A/c de Aguada** [“COOPERATIVA”] secured claim): Class C-1 consists of the pre and post-petition arrears claim of “*COOPERATIVA*”, *Claim No 5, in the amount of \$41,327.68* Such arrears shall be paid in 120 months. For the first 36 monthly payments debtor will pay \$175.00; the remaining 84 months, debtor will pay \$402.52. **This class is impaired.**

4.2.g **Class D (Claim No. 6) Banco Popular de Puerto Rico [BPPR] Now, Condado 3, LLC (PO BOX 70291, SAN JUAN, PR 00936)** secured claim: Class D consists of the secured prepetition claim of *BPPR*, in the amount of \$170,101.93 as of the filing date, secured by a second rank Mortgage Note dully registered on the Debtor’s real estate at real estate on undeveloped 22,298.02 s/m lot, located at Montaña Ward, Aguadilla, Puerto Rico. Debtors surrenders collateral to creditor. **This class is impaired.**

4.2.h **Class E: RELIABLE**, secured claim: Class E consists of the secured claim of Reliable \$23,424.00, (Claim No. #1 filed on 8/7/2015), which is secured by a purchase money security on vehicle 2014 Kia Sorrento. Debtor has maintained this account current. *This class is not impaired.* Vehicle has double interest insurance.

4.2.i **Class F Firstbank** secured claim: Class C consists of consists of the secured prepetition claim of *Firstbank*, (Claim No. 3), in the amount of \$281,384.31 as of the filing date.

First Bank Mortgage Note: The amount due under this class will be paid in full but on modified terms. On the effective date of the plan, the outstanding secured debt of this creditor will be restructured, under either of the two alternatives *to be determined at the discretion of the creditor*:

1) into an installment payment plan calling for consecutive monthly payments to pay a secured amount of \$281,984.31 as fixed herein in cash and in full with interest computed at fixed interest rate of 3.5%, payable in monthly payments of no more than \$1,266.24 during a period of 360 months, this payment including escrow reserves.

2) into an agreed loan modification relief agreement that could be negotiated with the secured creditor as these may be available to preserve and maintain this residential dwelling through any available alternatives including but not limited to the Home Affordable Modification Program guidelines adopted by the government's initiative to avoid residential foreclosures.

Payments within subsection #1 above will commence automatically on the effective date of the Plan. After twelve (12) consecutive payments pursuant subsection #1, this treatment shall become final and binding, if the procedure within subsection #2, hasn't commenced within said period. In any event, if this residential dwelling is foreclosed, any deficiency amount that may arise upon execution of judgment will be considered as a general unsecured claim sharing in pro-rata distribution with other allowed claimants under Class G Refer to

Schedule of Payments under the Plan of Reorganization enclosed herein. **This class is impaired.**

4.2. j **Class G (General Unsecured Claims)**

The total unsecured claims (whether claimed or listed) subject to distribution is \$129,168.76. CLASS G claimants shall receive from the Debtor a non-negotiable, interest bearing at 3.25% annually, promissory note dated as of the Effective Date. Creditors in this class shall receive a total repayment of 6% of their claimed or listed debt which equals to \$9117.34. To be paid Pro Rata to all allowed claimants under this class. Unsecured Creditors will receive monthly payment of \$75.98 to be distributed pro rata among them, for the term 10 years. The first payment will be made on JUNE 1, 2017.

If Class G votes to accept this Plan, the total payment to the holders of Class F claims shall be increased to 10 % , payable at 3.5 % interest bearing note to be tendered upon the effective date payable in one hundred and twenty(120) monthly installments from the effective date of the plan. **This class is impaired.**

4.3 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 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,

- b. other than a default of a kind specified in section 365(b)(2) of this title: 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 (other than the debtor or an insider) for any actual pecuniary loss incurred by such holder as a result of such failure; and e) does not otherwise, alter the legal, equitable, or contractual rights to which such claim or interest entitles the holder of such claim or interest.

4.4 DISCHARGE OF CLAIMS

If Debtors are individuals and §1141(d) (3) is not applicable

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

4.5 OBJECTION TO CLAIMS

The Debtor, as he may desire or upon order of the Bankruptcy Court, if requested, may file an objection to any claim as to its validity or amount within 30 days before the confirmation date and may substitute for the Debtor as the objecting party to any pending claim objections. Objections not filed by the date of confirmation shall be deemed waived. 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 Plan governing such class to which such claims belongs. The claim of any creditor whose claim has

been scheduled as disputed but who has not filed a proof of claim, shall be disallowed by confirmation of the Plan, unless written objection to such disallowance is filed prior to the confirmation hearing

5. OTHER PROVISIONS

5.1 EXECUTORY CONTRACTS

Any prepetition Executory Contracts and Leases in effect as of the Effective Date (other than any leases to tenants) and not specifically rejected will be deemed rejected as of the Effective Date. Any Claims arising from the rejection of Contracts and Leases must be filed on or before the Rejection Claim Bar Date. The Rejection Claim Bar Date is 30 days after the Effective Date, or, if later, 30 days after entry of any Final Order rejecting the Executory Contract or Lease. Absent the filing of a proof of claim on or before the Rejection Claim Bar Date, all Rejection Claims shall be forever barred from assertion and shall not be enforceable against the Debtor, its Estate, Assets, or properties. All Rejection Claims shall be General Unsecured Claims.

5.2 MEANS OF EXECUTION OF THE PLAN

The Debtor shall have sufficient funds to make all payments due under the Plan. The funds will come from income of wages/commissions plus rental of commercial real estate leased to Payco. see attached exhibit 1 of Projected Statements of Income and Significant Changes in Financial Position. The Debtor shall retain their residential property, located in Highway 467 Km 2.2 Int, Camaseyes ward, Estancias La Roca, Aguadilla, PR. and, the Debtor's commercial real estate at: Road #2, Km 108.2, Coto Ward, Isabela, Puerto Rico of the estate. The property located in undeveloped 22,298.02 s/m lot, located at Montaña Ward, Aguadilla, Puerto Rico is surrendered to secured creditors. Debtors shall pay ordinary living expenses, pay the operating expenses for the real estate, and pay the creditors the amounts set forth in this Plan therefrom.

Consistent with the provisions of this Plan and subject to any releases provided for herein, the Debtor reserves his right to begin or continue any adversary proceeding permitted under the Code and Rules to collect any debts, or to pursue claims in any court of competent jurisdiction. Except as expressly provided for in this Plan, nothing in this Plan shall be deemed to constitute a waiver of any claim that the Debtor may assert against any other party, including the holder of any claim provided for in this Plan, and the allowance of any claim against the Debtor or the estate shall not bar any claim by the Debtor against the holder of such claim.

On the Consummation Date of the plan, the administration of Debtor's property as well as any ongoing litigation shall be and become the general responsibility of Debtor, who shall thereafter have the responsibility for the management, control and administration. Management of Debtor's affairs, collection of money and distribution to creditors, will be under the control and supervision of Debtor, who will assume the same role they have assumed throughout this reorganization process.

5.3 PROVISIONS FOR THE MODIFICATION OF THE PLAN

The Debtor may submit modifications to the Plan at any time before Confirmation pursuant to § 1127(a) of the Code, and thereafter in accordance with § 1127(b) or (e). After confirmation, the plan may be modified pursuant to § 1127(e).

5.4 CLOSING OF THE CASE

At the time that the case has been substantially consummated, the case shall be closed. In order for the case to be closed, debtor shall file an application for final decree showing that the case has been fully administered and the Plan has been substantially consummated. The Court may conduct a hearing upon application thereof and after notice to all creditors and parties of interest. Thereafter an order approving the debtor's report and closing, the case shall be entered.

5.5 RETENTION OF JURISDICTION

Following the Confirmation Date, the Court shall retain jurisdiction over the Debtor, the Debtor's operations and Assets for the following purposes until the Court enters an Order closing the case:

A. To rule on the allowance or classification of claims and to hear any objections thereto. The failure of the Debtor to object to, or to examine any claim for the purposes of voting shall not be deemed a waiver of the Debtor's right to object to such claim in whole or in part;

B. To hear and determine all adversary proceedings and contested matters;

C. To allow and approve or disapprove any administrative expenses not previously allowed;

D. To determine and resolve questions concerning the existence of defaults under the Plan;

E. To modify the Plan pursuant to § 1127(b) of the Code;

F. To correct any defect, to cure any omission, to reconcile any inconsistency in the Plan or Order of Confirmation as may be necessary to carry out the purposes and intent of the Plan; and

G. To issue any Order necessary to carry out the Plan.

6. MISCELLANEOUS

No creditor may take any collection action against Debtor or property of the estate or of the Debtor so long as Debtor is not in Material Default in performing his obligations to such creditor under the Plan.

On the Effective Date, all property of the estate will vest in the reorganized Debtor pursuant to § 1141(b) of the Code free and clear of all claims and interests except as provided in this Plan.

Except as specifically provided in this Plan, the obligations to creditors that Debtor undertakes in the confirmed Plan replace those obligations to creditors that existed prior to the Effective Date of the Plan. Debtor's obligations under the confirmed Plan constitute binding contractual promises that, if not satisfied through performance of the Plan, create a basis for an action for breach of contract under state law. To the extent a creditor retains a lien under the Plan,

except as provided in this Plan, that creditor retains all rights provided by such lien under applicable non-Bankruptcy law.

This is the Disclosure Statement and Plan of Reorganization hereby proposed to creditors and parties in interest, filed with the Honorable Bankruptcy Court on this same date. Parties are encouraged to review these documents in order to formulate an informed decision on debtor whereabouts and conditions. A hearing to consider the approval of this Disclosure Statement will be scheduled by the Honorable Court, with Notice of said hearing served to all parties as per the master address list.

Respectfully submitted, in Mayaguez, Puerto Rico, September 25, 2016.

/s/ EDGARDO ACEVEDO BADILLO; /s/ JENNIFER ENID JIMENEZ RAMOS

/s/ MIRIAM S. Lozada Ramírez, Esq.
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CERTIFICATE OF SERVICE: I hereby certify that on this date I electronically filed the above document with the Clerk of the Court using an ECF /CM System which sends notification of such filing to counsel for debtor(s) if an ECF/CM user. I further certify that I have served this notice by depositing true and correct copy thereof in the United States Mail, postage prepaid, to the non an ECF/CM participants: debtor(s) and all parties in interest and counsel for debtor(s), if not an ECF/CM user, as per service list, copy of which was attached only to the original of this document and the Trustee's copy.

/S/ MIRIAM S. LOZADA RAMÍREZ, ESQ.