

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

ARNALDO GONZALEZ BERRIOS
REINELIA VEGA VEGA
Debtors

CASE NO. 15-08167(BKT)
CHAPTER 11

DISCLOSURE STATEMENT
November 4, 2016

TO THE HONORABLE BRYAN K. TESTER
BANKRUPTCY JUDGE

TO CREDITORS
TO OTHER PARTIES IN INTEREST

Arnaldo González Berrios and Reinelia Vega Vega, as debtors in possession, through the undersigned attorney, submits they Disclosure Statement as of November 4, 2016, together with the proposed Plan of Reorganization.

Respectfully submitted, in San Juan, Puerto Rico, this 4 day of November 2016.

/s/ Gerardo L. Santiago Puig

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1. INTRODUCTION AND BANKRUPTCY PROVISION

a. Bankruptcy Provisions for Post Petition Disclosure

Section 1125 of the Bankruptcy Code, 11 USC Sec. 1125, requires that debtors make post petition disclosure in the form of a disclosure statement which provides “adequate information” to their creditors before debtors or a party on their behalf may solicit acceptances of a Chapter 11 Plan of Reorganization. Creditors are urged to consult with their own attorney, or with each other, and to review all of the pleadings and all other documents on file with the US Bankruptcy Court in order to fully understand the disclosure made herein, regarding debtors’ proposed Plan of Reorganization (from herein referred to as the Plan) and any other pertinent matters in this case. A copy of the Plan is attached to this Disclosure Statement.

This is the Disclosure Statement in the Chapter 11 case of Arnaldo González Berrios and Reinelia Vega Vega, 15-08167, hereinafter the “debtors”. This Disclosure Statement contains information about the debtors and describes the reorganization plan filed by debtors on November 4, 2016. A full copy of the plan is attached to this Disclosure Statement on Exhibit A and additional copy of the Plan has been filed in separate legal docket too.

b. 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. Debtors do 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.

c. 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 find that the Plan is “fair and equitable” as to any dissenting class. As provided by 11 USC 1124, a class of claims or interests is impaired under a plan unless, with respect to each claim or interest of such class, the plan:

- i. Leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder of such claim or interest; or

- ii. Notwithstanding any contractual provisions 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 such default
- iii. Cures any such default that occurred before or after the commencement of the case under this title, other than a default specified in section 365(b)(2) of this title.
- iv. Reinstate any maturity of such claim or interest as such maturity existed before such default.
- v. 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
- vi. Does not otherwise alter the legal, equitable or contractual right 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 USC, Sec. 1126 (e), that hold at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the allowed claims of such class held by creditors, that have accepted 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 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 debtors' schedules of assets and liabilities and the statement of financial affairs and all other documents duly filed with the Bankruptcy Code. This Plan is predicated upon certain assumptions that may not materialize, and you are urged to give consideration to such assumptions.

No representation concerning Debtors or as to the actual realizable value of its property is authorized by the debtor 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, OPERATIONS AND STRUCTURE

a. The Debtors and their Operations

Debtors acquired multiple real estate properties with the proceeds of a prize obtained from the Lotería Electrónica in 2003. Debtors also invested near to \$1,000,000.00 in stocks of Banco Popular de PR with said prize. Unfortunately, the stocks of BPPR reduced their value and debtors lost almost all the money invested in stocks.

The realty acquired by debtors, were obtained by paying a down payment and the direct monthly payment for the mortgage were being deducted from the bank account. Also, debtors invested high amount of money remodeling the properties in order to make them available for rent. Three of the properties are located in Ponce de León Ave., close to the University of Puerto Rico, Rio Piedras Campus.

As the business in the Rio Piedras area decline, the properties were vacant for a long period of time, without produce any income for debtors, who were paying the monthly mortgage payments.

Also, debtors were operating a wholly owned corporation known Librería Mágica, Inc., in the area close to the Rio Piedras Campus. Due to the closing of the Rio Piedras Campus for the student strike at the beginning of the first semester of 2009, created that almost all the business in the area suffered low income and some of the tenants at the properties of debtor closed leaving high balance in rent unpaid.

Debtors continued accumulating an extreme high amount of debts and defaulted the terms with Banco Popular (now PR Asset Portfolio 2013-1 Int. LLC).

Previous to the filing of this bankruptcy case, debtor had filed another Chapter 11 bankruptcy case before this Bankruptcy Court, case docket number 12-08866 (BKT). Said case was confirmed but dismissed after confirmation since debtor was unable to file a Final Decree after having default the payments proposed in the confirmed plan due to a serious illness of debtor.

b. Events Leading Commencement of Chapter 11 Case

As we explained before the dismissal of the previous case, some creditors continue the collection process against debtors and they decided to return to the Bankruptcy Court seeking protection. As stated above, debtors' business were not producing enough income to cover the expenses related to the maintenance of the properties and the monthly mortgage payments with secured creditors.

c. Date the Petition was Filed

This Bankruptcy petition was filed on October 19, 2015, under Chapter 11, since then debtors remained operating as Debtors in Possession, and as of today such is the situations.

d. Bankruptcy Proceedings

i. Compliance with Operating Guidelines and DIP Requirements

Upon October 19, 2015, debtors have taken all possible measures necessary to reorganize their finances and their business. Debtors are in compliance with the Operating Guidelines as follows.

- (1) Monthly Operating Reports have been completed and filed with the Court up to September 2016.
- (2) All necessary insurance has been maintained.
- (3) Quarterly fees required by the US Trustee are up to date.
- (4) Post Petition expenses are paid in the ordinary course of business.
- (5) Tax returns and declarations have been filed as these become due.

ii. Employment of Professionals

On October 22, 2015, debtors filed the application to employ attorney Gerardo L. Santiago Puig who has served as the attorney for the debtors in possession. On November 18, 2015, the Court entered an order approving this employment.

iii. Operational Adjustments Implemented

At the present time debtors have continued operating their business wholly owned by them know Librería Mágica, Inc., located at Ponce de León Avenue, in San Juan, PR. Mrs. Reinelia Vega Vega received salary as employee of the corporation. Mr. Arnaldo González is the administrator of the properties located at Ponce de León Avenue of which debtors received rents. Actually, those properties (3) are partially occupied and Mr. González is in charge of collecting the rents and the maintenance of the buildings. The properties are well identified in Schedule A.

Debtors are now receiving an additional income not available when they filed the first bankruptcy case and it is the benefits of Social Security approved for both debtors since June 2016. Actually they are receiving approximately \$1,365.00 per month.

3. Debtors Financial Information

a. General Financial Information

For purposes of filing this petition, debtors have analyzed and presented the required schedules. The information provided in the schedules and statement of financial affairs, as amended, show debtors' financial situation as of the date of the filing of the petition. Said financial situation has changed on account of the reorganization steps currently undertaken.

Monthly operating reports, available in the Bankruptcy Court, show that debtors' finances have remained constant and that the possibility of a reorganization of their finances is viable. A summary of all monthly operating reports has been prepared and enclosed herein as Exhibit B.

Debtors have filed all their tax return. Also, debtors are not responsible or required to pay any child support or alimony.

b. Assets and Liabilities as of Petition Date

i. Schedules and Statement of Financial Affairs

On November 6, 2015, debtors filed the Schedules of Assets and Liabilities and Statement of Financial Affairs (collectively, the "Schedules and Statements"). Among other things, the Schedules and Statements set forth the Claims of known creditors against the debtors as of the Petition Date, based upon debtors' books and records.

Moreover, a detail of all assets is provided in the liquidation analysis section, with updated values as detailed herein as Exhibit C.

ii. Claims bar date and proof of claims

On October 22, 2015, the Bankruptcy Court entered an order setting a bar date for general unsecured non priority creditors to file their proof of claims on or before February 21, 2016, for all creditors (except a governmental unit) and April 19, 2016, for governmental unit. To date the debtors have received fifteen (15) proof of claims forms asserting \$1,701,816.32 claims,

of which \$1,375,286.36 are secured; \$218,500.60 are unsecured; and, \$108,029.36 are priority.

The debtors have begun the process of reviewing the asserted claims and as of today, debtors have identified claims that will be objected to. Objections to claims will be filed at least thirty (30) days prior to the confirmation hearing.

The debtors' estimates of Allowed Claims are identified herein. See Schedules of Payments under the Plan of Reorganization enclosed as Exhibit D.

c. Pending Litigation

As of today, debtors have no pending litigation. However it is expected the objection of some claims. As of today, we have identified claim number 7 filed by CRIM will be objected since it included some properties not owned by debtors anymore.

d. Liquidation Value Analysis

One requirement for the confirmation of a Plan under Chapter 11 of the Bankruptcy 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 that such claims holders would received or retain if the debtor were to be liquidated under Chapter 7 of the Bankruptcy Code on such date. In order to provide the value as of the effective date of the plan under a Chapter 7 scenario, debtors provide a detailed liquidation value analysis.

For purpose of determining a liquidation value, debtors have estimated as realizable in a Chapter 7 scenario from 0% of the actual or scheduled value of existing 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. Liens and encumbrances have been reduced as well. Under the plan of reorganization, unsecured creditors will receive 2% dividend.

For the estimated realizable value, estimated administrative expenses have been reduced to determine the estimated amount for unsecured creditors in liquidation. A detail liquidation analysis is enclosed herein as Exhibit C.

The liquidation analysis prepared for this case shows that upon realization of estate assets and payments of liens and expenses, unsecured creditors will receive no meaningful dividend under Chapter 7 proceeding in as much most estate property is encumbered to a secured creditor or claimed exempted.

4. Summary of the Plan of Reorganization

a. Article I: Definitions

For the purposes of this Plan of Reorganization, the following terms shall have the respective meanings set forth.

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

“Administrative Expense Claim” shall mean any claim constituting a cost or expenses of administration of the Chapter 11 proceeding allowed under 11 USC Sec. 503(b) and 507 (a)(1).

“Allowed Claim” shall mean any Claim, proof of which was properly filed on or before the Bar Date set by the Bankruptcy Court, namely February 21, 2016, for creditors other than non governmental unites and April 19, 2016, for governmental units, or if no proof of claim has been filed, which has been or hereafter is listed as liquidated in amount and not in disputed, contingent or unliquidated in the Debtor’s schedules of assets and liabilities filed with the Bankruptcy Court (as they may be amended or supplemented from time to time according to the Bankruptcy Rules) and, in either case. A Claim to which no objection to the allowance thereof has been interposed within the applicable period of limitation (if any) fixed by the Bankruptcy Court, or about which any objection has been determined by a Final Order. Unless otherwise provided for in the Plan, “Allowed Claim” shall not include interest, costs, fees, expenses or other charges on the principal amount of such Claim from and after the Petition Date.

“Allowed Secured Claim” shall mean any Allowed Claim which is a secured claim and shall include in the amount thereof, unless otherwise stated in the Plan, all interest accrued on or after the petition date, fees, costs, and charges as may be allowed.

“Bankruptcy Code” or “Code” shall mean the provisions of Title 11 of the United States Code, 11 USC, Sec. 1101, et seq, as amended from time to time.

“Bankruptcy Court” shall mean the United States Bankruptcy Court for the District of Puerto Rico, having jurisdiction over this Chapter 11 proceeding, or such other court as may be exercising jurisdiction over this Chapter 11 proceeding.

“Bankruptcy Rules” or “Rules” shall mean the Federal Rules of Bankruptcy Procedures, as amended from time to time.

“Bar Date” shall mean the deadline of February 21, 2016, for creditors other than non governmental units, and April 19, 2016, for governmental units, after which any proof of claim filed will not have any effect on this Plan and will not entitle its holder to participate with other claims under this Plan.

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

“Class” shall mean a category of holders of claims or interests that is substantially similar to other claims or interests in such class.

“Confirmation Date” shall mean the Date by which all of the conditions precedent to the consummation set forth in this Plan shall have been met or waived.

“Consummation Date” shall mean the Date by which all of the conditions precedent to the consummation set forth in this Plan shall have been met or waived.

“Cramdown” shall mean the confirmation of the Plan under the provisions of 11 USC, Sec. 1129(b).

“Creditor” shall mean any person who has a claim against the debtor which arose on or before the Petition Date or a claim of any kind specified in 11 USC, Secs. 502(g), 503(h) or 502(i).

“Creditors Committee” shall mean the elected committee that represents the creditors in this proceeding pursuant to 11 USC, Sec. 705. No creditors committee has been appointed in this case.

“Debtors” shall mean Arnaldo González Berrios and Reinelia Vega Vega.

“Effective Date of the Plan” shall mean thirty (30) days after the order of confirmation of the plan becomes a final order and unappealable, and shall be the date on which there shall be made all initial cash payments required by the Plan.

“Estate” shall mean the Property owned by the debtors that comprises the Chapter 11 of the estate of the debtors in the above captioned Chapter 11 Proceeding.

“Final Order” shall mean an Order of the Bankruptcy Court (or other court of appropriate jurisdiction) which shall not have been reversed, stayed, modified or amended and that the time to appeal from or to seek review or rehearing of such order have expired, and about which, no appeal or petition for review or rehearing or certiorari proceeding is pending as a result of which such Order shall become final according to Rule 8002 of the Rules of Bankruptcy Procedure, as such Rules may be amended from time to time.

“Liquidation” shall mean the compliance liquidation of the Property of Debtors’ Estate, by a duly appointed trustee, according to the provision of Chapter 7 of the Bankruptcy Code.

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

“Liquidation Analysis” shall mean the comparison of the current assets and liabilities of the Debtors in order to determine the liquidation value of the debtors’ property.

“Liquidation Value” shall mean the value that any item of the debtors’ property could be expected to bring during a liquidation.

“Order of Confirmation” shall mean the Order of the Bankruptcy Court confirming this Plan according to the provisions of Chapter 11 of the Bankruptcy Code.

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

“Petition Date” shall mean October 19, 2015, the date on which debtor filed its voluntary petition and commenced the instant Chapter 11 proceeding.

“Priority Claim” shall mean any allowed claim other than an Administrative Expense Claim or Priority Tax Claim, to the extent entitled to priority in payment under 11 USC, Sec. 507(a).

“Priority Creditor” shall mean any Creditor that is the holder of a Priority Claim.

“Priority Tax Claim” shall mean any allowed claim of any person who is entitled to a priority in payment under 11 USC, Sec. 507(a)(8).

“Priority Claim” shall mean any allowed claim of any person who is entitled to a priority in payment under Section 507.

“Property” shall mean the property of the Estate which shall be administered by the debtors.

“Pro Rata” shall mean in the same proportion that a claim or interest in a given class bears to the aggregate amount of all claims (including disputed claims allowed or disallowed or the aggregate number of all interests in such class.

“Secured Claim” shall mean a claim the holder of which is vested with a perfected, non voidable lien on property in which the debtor has an interest, which lien is valid, perfected and enforceable under applicable law and not subject to avoidance under the Bankruptcy Code or other applicable non bankruptcy law, and is duly established in this case, to the extent of the value of such holder’s interest in the debtors’ interest in such Property, as determined according to 11 USC, Sec. 1101(2).

“Substantial Consummation” of this Plan shall mean any of the events provided for on 11 USC, Sec. 506.

“Trustee” shall mean the Debtor-in-Possession.

“Unsecured Creditor” shall mean a creditor that is a holder of an allowed general unsecured claim.

“Voluntary Petition” shall mean the Voluntary Petition for Relief filed by the debtors on the Petition Date.

- b. Article II: Designation of Classes of Claims and Interests and Treatment of Classes
 - i. Designation of Claims

The plan divides the creditors into nine (9) classes. The classes of creditors are as follows:

(1) Class 1: Administrative Expenses Under Sec. 507(a)

These are claims under Section 507(a)(2) of the Bankruptcy Code, accrued pursuant to Section 503(b) and court costs as defined in the Bankruptcy Code for which application for or allowance or a claim if filed prior to the effective date, as the same are allowed, approved and ordered paid by the Court. It is estimated that claims on this class will be approximately \$5,000.00.

(2) Class 2: Claims Entitled to Priority Under Sec. 507(a)(3), (4), (5), (6), (7), (9) and (10) of the Bankruptcy Code as the same are allowed approved and ordered paid by the Court.

There is one creditor in this class. The Treasury Department filed a proof of claim number 14, in the total amount of \$45,280.44, of which \$37,353.68 are priority.

(3) Class 3: Secured Claim - PR Asset Portfolio 2013-1 Int. LLC

This class is comprised by PR Asset Portfolio 2013-1 Int. LLC, obligation. This creditor filed a proof of claim number 14, in the total amount of \$844,620.69.

The collateral of PR Asset Portfolio 2013 Int. LLC, are some pledge agreements securing several mortgage notes attached to proof of claim no. 14. The properties serving as collateral for this claim are the following: commercial property located at 1013 Ponce de León Ave., Rio Piedras, PR; commercial property located at 1011 Ponce de León Ave., Rio Piedras, PR; commercial property located at 1015 Ponce de León Ave., Rio Piedras, P.R., Plot of land (9.35 cdas) located at Guardarraya Ward, Patillas, P.R., Plot of land (20 cdas) located at Guardarraya Ward, Patillas and Plot of land (2.5 cdas) located at Guardarraya Ward, Patillas.

(4) Class 4: Secured Creditor DLJ Mortgage Capital Inc.

DLJ Mortgage Capital Inc. filed a proof of claim number 13, in the total amount of \$182,960.46. The property serving as collateral for this claim is debtor's real property located at Hacienda de Jagueyes, Aguas Buenas, PR.

(5) Class 5: Secured Creditor First Bank

First Bank filed a proof of claim number 9, in the total amount of \$260,368.20. The property serving as collateral for this claim is debtor's real property located at Urb. Campo Lago, 65 Paloma del Lago St., Cidra, PR.

(6) Class 6: Secured Creditor PR Treasury Department (Special Contribution Taxes as per Act 7)

This claims consists of special taxes over real properties owned by debtors in the approximately amount of \$3,893.40 on the following real property Urb. Campo Lago, 65 Paloma del Lago St., Cidra, PR.

(7) Class 7: Secured Creditor Popular Auto

Popular Auto filed a proof of claim number 6, in the total amount of which \$3,364.85 as secured. The property serving as collateral for this claim is debtor's vehicle, 2007, Jeep Wrangler.

(8) Class 8: Secured Creditor Popular Auto

Popular Auto filed a proof of claim number 5, in the total amount of which \$7,314.55 as secured. The property serving as collateral for this claim is debtor's vehicle, 2004, Toyota Sienna.

(9) Class 9 - General Unsecured Creditors

This Class is composed of unsecured claims as finally allowed by this Honorable Court. It is estimated that claim in this class will be an amount close to \$189,388.27. This class will be paid two percent (2%) of their claims.

ii. Treatment for Classes of Claims and Interest

(1) Class 1 - Administrative Expenses Under Sec. 507(a)

These are claims under Section 507(a)(2) of the Bankruptcy Code, accrued pursuant to Section 503(b) and court costs as defined in the Bankruptcy Code for which application for or allowance or a claim if filed prior to the effective date, as the same are allowed, approved and ordered paid by the Court.

Each holder of an administrative expense claim allowed under § 503 of the Code (legal fees upon approval of the Court), will be paid in full on the effective date of this Plan (as defined in Article VII), in cash, or upon such other terms as may be agreed upon by the holder of the claim and the Debtor.

All fees required to be paid by 28 USC § 1930(a)(6) will accrue and be timely paid until the case is closed, dismissed or converted to another chapter of the Code. Any US Trustee Fees owed on or before the effective date of this Plan will be paid on the effective date.

This class is not impaired.

(2) Class 2 - Claims Entitled to Priority Under Sec. 507(a)(3), (4), (5), (6), (7), (9) and (10) of the Bankruptcy Code as the same are allowed approved and ordered paid by the Court.

There are two creditors in this class. The Treasury Department filed a proof of claim number 14, in the total amount of \$45,280.44, in which \$37,353.68 is priority.

This class will receive on account of such claim regular installment payments in cash of a total value, as of the effective date of the plan, equal to the allowed amount of such claim plus 3.0% yearly interest over a period ending not late than 5 years after the date of the order for relief .

This class is unimpaired.

(3) Class 3 - Secured Claim PR Asset Portfolio 2013-1 Int. LLC

This class is comprised by PR Asset Portfolio 2013-1 Int. LLC. This creditor filed a proof of claim number 14, in the total amount of \$844,620.69.

On April 11, 2016, PR Asstes Portfolio 2013-1 and debtors filed a Stipulation by virtue of which debtors agreed for the lifting of stay in favor of PRAPI over the following properties:

- (a) Plot of land (9.35 cdas) located at Guardarraya Ward, Patillas;
- (b) P.R., Plot of land (20 cdas) located at Guardarraya Ward; Patillas: and
- (c) Plot of land (2.5 cdas) located at Guardarraya Ward, Patillas.

Debtors proposes to retain the properties identified as follows:

- (a) Commercial property located at 1013 Ponce de León Ave., Rio Piedras, PR, with an actual value of \$350,000.00;
- (b) Commercial property located at 1011 Ponce de León Ave., Rio Piedras, PR, with an actual value of \$450,000.00;
- (c) Commercial property located at 1015 Ponce de León Ave., Rio Piedras, PR, with an actual value of \$295,000.00.

The secured portion of PR Asset Portfolio 2013-1 Int.LLC, claim regarding the three properties debtors are proposing to retain (those described as a, b and c of the precedent paragraph) will be paid in the following manner:

- (i) Debtors will make forty eight (48) consecutive monthly payments in the amount of \$3,000.00; and
- (ii) A lump sum in the amount of \$766,000.00 at the forty eight (48) month.

Debtors could make a payment in the amount of \$766,000.00 at any time to fully pay PR Asset Portfolio 2013-1 Int. LLC, claim without any penalty or obligation to satisfy the \$4,500.00 per month for the period of time remaining to complete the forty eight (48) months.

This class is impaired.

(4) Class 4: Secured Creditor DLJ Mortgage Capital Inc.

DLJ Mortgage Capital Inc., filed a proof of claim number 13, in the total amount of \$182,960.46. The property serving as collateral for this claim is debtor's real property located at Hacienda de Jagueyes, Aguas Buenas, PR.

Debtors agreed for the lifting of stay in favor of DLJ Mortgage Capital Inc.

This class is unimpaired.

(5) Class 5: Secured Creditor First Bank

First Bank filed a proof of claim number 9, in the total amount of \$260,368.20. The property serving as collateral for this claim is debtor's real property located at Urb. Campo Lago, Apt. 65, Cidra, PR.

On August 19, 2016, this Honorable Court lifted the stay in favor of First Bank.

This class is unimpaired.

(6) Class 6: P.R. Treasury Department (Special contributions as per Act 7)

This claim will be paid in sixty monthly installments commencing thirty (30) days after the order confirming the plan become final and unappealable.

This class is impaired

(7) Class 7: Secured creditor Popular Auto

Popular Auto filed a proof of claim number 5, in the total amount of which \$7,314.55 is secured. The property serving as collateral for this claim is debtor's vehicle, 2004, Toyota Sienna.

Debtor will surrender the collateral to Popular Auto.

This class is not impaired.

(8) Class 8: Secured Creditor Popular Auto

Popular Auto filed a proof of claim number 6, in the total amount of which \$3,364.85 is secured. The property serving as collateral for this claim is debtor's vehicle, 2007, Jeep Wrangler.

The amounts due under this class will be paid in full but on modified terms. The outstanding secured debt will be restructured into a monthly installment payment plan in order to pay the secured amount determined herein full with interest computed at interest rate of 8.00%, with amortization computed over 5 years and payable in monthly installments in the amount of \$68.23, during a period of 60 months. Insurance of the collateral will be provided by debtor.

This class is impaired.

(9) Class 9: General Unsecured Creditors

This Class is composed of unsecured claims as finally allowed by this Honorable Court. It is estimated that claim in this class will be an amount close to \$189,388.27. This class will be paid two percent (2%) of their claims in 60 equal monthly payments, commencing the next month after full payment of the priority claim After the effective date of the plan.

This class is impaired.

c. Article III: Payments Provisions Under the Plan (Impairment of Existing Claims and Interest)

As provided by 11 USC, Sec. 1124, a class of claims or interests is impaired under a plan unless, with respect to each claim or interest of such class, the plan:

- i. Leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder of such claim or interest; or
 - ii. Notwithstanding any contractual provisions 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 such default
 - iii. Cures any such default that occurred before or after the commencement of the case under this title, other than a default specified in section 365(b)(2) of this title.
 - iv. Reinstate any maturity of such claim or interest as such maturity existed before such default.
 - v. 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
 - vi. Does not otherwise alter the legal, equitable or contractual right to which such claim or interest entitles the holder of such claim or interest.
- d. Article IV: Voting on the Plan and Compliance with 11 USDC, Sec. 1129

Unimpaired Claims: Claims in classes 1, 2, 4 and 7 are deemed unimpaired by this Plan in accordance with Section 1124 of the Bankruptcy Code. By virtue of such status, such classes either are deemed to have accepted the plan in accordance with section 1126(f) of the Bankruptcy Code or are not otherwise required to have their votes to accept or reject the Plan solicited.

Impaired Voting Claims: For voting purposes, Class 3, 5, 6, 8 and 9 are impaired and debtors will solicit the votes of such class with respect to the acceptance or rejection of the Plan pursuant to the Provisions of 11 USC, Section 1126.

- e. Article V: Discharge of Claims

Except as otherwise provided for in this Plan or in the Order of Confirmation, the rights granted by the Plan and the payments and distributions to be made, shall be in complete exchange for, and in full satisfaction, discharge and release of, all existing debts and claims of any kind, nature or description whatsoever against the debtors. On the Consummation Date, all existing claims shall be deemed to be exchanged, satisfied, discharged and released in full; and all holders of claims shall be precluded from asserting any other or future claim based upon any act or

omission, transaction or other activity of any kind or nature that occurred prior to the Consummation Date, whether or not such holder filed a proof of claim.

The order of confirmation of this Plan shall constitute an injunction against the pursuit of any claim or equity interest, whether or not a proof of claim or proof of interest based on any such debt, liability, or interest is filed or deemed filed under 11 USC, Sec. 501, such claim is allowed under 11 USC, Sec. 502, or the holder of such claim has accepted this Plan in the manner set forth herein. However, a discharge order will not be entered until all payments under the plan are made in accordance with 11 USC, Sec. 1141 (d)(5)(A), or the court order otherwise.

f. Article VI: Objections to Claims

The debtors, at their option or upon order of the Bankruptcy Code, 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 debtors 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 belong.

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 the disallowance is filed prior to the confirmation hearing.

g. Article VII: Executory Contracts

Debtors assume all unexpired leases and executory contracts to which they are a party and which have not been expressly rejected pursuant to 11 USC, Sec. 365 (a).

h. Article VIII: Means of Execution of the Plan

Upon confirmation of the plan, the Debtors shall have sufficient funds to make payments then due under this Plan. The funds will be obtained from debtors' income from employment.

On the Confirmation Date of the Plan, the operation of the named business and other estate assets shall be and become the general responsibility of the reorganized debtor ("Reorganized debtor"), which shall thereafter have the responsibility for the management and control and administration thereof.

i. Article IX: Provision for the Modification of the Plan

The debtor may propose amendments or modifications of this Plan at any time prior to its confirmation pursuant to 11 USC, Sec. 1127. After confirmation of the Plan, the Reorganized Debtor may, with the approval of the Court and as long as it does not adversely affect the interests of the creditors, remedy any defect or omission, in such manner as may be necessary to carry out the purposes and effects of the same.

j. Article X: Closing of the Case

At such time as the case has been substantially consummated, this case shall be closed. In order for the case to be closed, Debtors 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 in interest. Thereafter, an order approving the Debtor's report and closing the case shall be entered.

k. Article XI: Retention of Jurisdiction

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

5. Other Miscellaneous Provisions

a. Executory Contracts

Debtors assumes all unexpired leases and executory contracts to which it is a party and which have not been expressly rejected pursuant to 11 USC, Section 365(a).

b. Means of Execution of the Plan

Upon confirmation of the plan, the Debtor shall have sufficient funds to make payments then due under this Plan. The funds will be obtained from debtor's income from employment.

On the Confirmation Date of the Plan, the estate assets shall be and become the general responsibility of the reorganized debtor ("Reorganized debtor), which shall thereafter have the responsibility for the management and control and administration thereof.

c. Provisions for the Modification of the Plan

The debtor may propose amendments or modifications of this Plan at any time prior to its confirmation pursuant to 11 USC, Sec. 1127. After confirmation of the Plan, the Reorganized Debtors may, with the approval of the Court and as long as it does not adversely affect the interests of the creditors, remedy any defect or omission, in such manner as may be necessary to carry out the purposes and effects of the same.

d. Closing of the Case

At such time as the case has been substantially consummated, this case shall be closed. In order for the case to be closed, 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 in interest. Thereafter, an order approving the Debtor's report and closing the case shall be entered.

e. Retention of Jurisdiction

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

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 and informed decision on debtors' whereabouts and conditions. A hearing to consider the approval of this Disclosure Statement and Confirmation of the Plan will be scheduled Honorable Court, with Notice of said hearing served to all parties as per the master address list.

NOTICE

NOTICE IS HEREBY GIVEN THAT UNLESS AN OBJECTION TO THE DISCLOSURE STATEMENT IS FILED WITHIN TWENTY EIGHT (28) DAYS FROM SERVICE, THE COURT MAY ENTER AN ORDER APPROVING THE AMENDED DISCLOSURE STATEMENT. IF AN OBJECTION IS TIMELY FILED THE COURT SHALL SCHEDULE A HEARING ACCORDINGLY.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 4 day of November 2016.

/s/ Arnaldo González Berrios

/s/ Reinelia Vega Vega

ARNALDO GONZALEZ BERRIOS

REINELIA VEGA VEGA

CERTIFICATE OF ELECTRONIC FILING AND SERVICE: It is hereby certified that on this date copy of this motion has been electronically filed with the Clerk of the Court using CM/ECF system which will sent notification of such filling, and also certify that I have mail by United States Postal Service copy of this motion to non CM/ECF participant at theirs address of record in this case.

/s/ Gerardo Santiago Puig

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