

B25B (Official Form 25B) (12/08)

UNITED STATES BANKRUPTCY COURT
DISTRICT OF PUERTO RICO

IN THE MATTER OF:

AUGUSTO'S CUISINE CORPORATION

Debtor

CASE NO. 15-09390 (ESL)

CHAPTER 11

**AUGUSTO'S CUISINE CORPORATION'S FIRST AMENDED DISCLOSURE
STATEMENT DATED JULY 8, 2016**

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I. INTRODUCTION

This is the first amended disclosure statement (the “Disclosure Statement”) in the small business chapter 11 case of Augusto’s Cuisine Corporation (the “Debtor”). This Disclosure Statement contains information about the Debtor and describes its First Amended Plan of Reorganization (the “Plan”) filed by the Debtor on even date. 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 5-9 of this Disclosure Statement. General unsecured creditors are classified in Class 3, and will receive a distribution of 4.9% of their allowed claims, to be distributed in sixty monthly payments after the Effective Date of the Plan.

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 Debtor believes 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*

The hearing at which the Court will determine whether to finally approve this Disclosure Statement and confirm the Plan will take place on a date to be scheduled by the Bankruptcy

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Court, which will be subject of a separate order, and will be held in Courtroom 2, at the Jose V. Toledo Federal Building & US Courthouse, 300 Recinto Sur, 2nd Floor, Old San Juan, PR 00901.

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 Fuentes Law Offices, LLC, P.O. Box 9022726, San Juan, PR 00902-2726. See section IV.A. below for a discussion of voting eligibility requirements.

Your ballot must be received by the deadline to be established by the Bankruptcy Court through the order scheduling the hearing on confirmation of the Plan 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 Debtor by the deadline to be established by the Bankruptcy Court through the order scheduling the hearing on confirmation of the Plan.

4. *Identity of Person to Contact for More Information*

If you want additional information about the Plan, you should contact Fuentes Law Offices, LLC, P.O. Box 9022726, San Juan, PR 00902-2726.

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 the deadline to be established by the Bankruptcy Court through the order scheduling the hearing on confirmation of the Plan.

II. **BACKGROUND**

A. **Description and History of the Debtor's Business**

The internationally known Chef Augusto Schreiner incorporated debtor in August 9, 1988. Since its inception Debtor has been dedicated to running a fine dining restaurant in Miramar, Puerto Rico. Pursuing a lifelong interest in the culinary arts, Debtor's current President, Ariel Rodriguez, started his career under the mentorship of the Chef Augusto Schreiner, while

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finishing his bachelor's degree in Economics from the University of Puerto Rico. Thereafter, he completed his formal culinary studies from the well-recognized institution, the Culinary Institute of America in New York. He returned to the Island to become Chef Augusto's Sous Chef, and acquired, along with two other shareholders, Debtor's shares in 2005. Mr. Rodriguez was 28 years old at that time. The media and the public set out great expectations for this young chef as the restaurant is considered one of the finest in the Island. He exceeded these expectations through his hard work, creativity and dedication. Furthermore, he has gained numerous awards at local and international level. His commitment to the advancement of the Puerto Rican and Caribbean cuisine has led him to join diverse international culinary organizations, including the Chaîne des Rôtisseurs. Currently, he is the Sergeant of Arms of the Puerto Rico Chapter of the American Culinary Federation and holds Chair of the Restaurant Committee of the Puerto Rico Hotel and Tourism Association. In addition, he was captain of the Puerto Rico Culinary Team in 2003 and served as the team's coach from 2004 to 2007, leading the respective teams to win three gold medals and one silver medal in the Taste of the Caribbean competitions. Also, in 2009 he won first place in the Competition Master Chef Puerto Rico.

B. Insiders of the Debtor

Debtor's insiders are the following:

1. Ariel Rodriguez is the President and holds 33.33% of Debtor's common shares.
2. Zerymar Ramirez de Arrellano is Debtor's Secretary.
3. Alexander Vega holds 33.33% of Debtor's common shares.
4. Luis Alvarez holds 33.33% of Debtor's common shares.

C. Management of the Debtor Before and During the Bankruptcy

Ariel Rodriguez has been the Debtor's President, Chef, and Administrator before and during the bankruptcy process.

D. Events Leading to Chapter 11 Filing

Debtor's bankruptcy case was filed due to the inability to reach an agreement with the Department of Treasury of Puerto Rico, who proceeded to shut down Debtor's business to embargo all of Debtor's assets. As such, Debtor was forced to file an emergency bankruptcy to reopen its business.

E. Significant Events During the Bankruptcy Case

- Mr. Alexis Fuentes, Esq., of Fuentes Law Offices, LLC, was approved by the court as Debtor's counsel through the Order dated January 11, 2016 at Docket No. 34.
- CPA Aida Escribano-Ramallo of BDO Puerto Rico PSC was approved by the court as Debtor's financial consultant through the Order dated January 11, 2016 at Docket No. 35.
- Debtor was able to obtain, thanks to the new value contributions of Mr. Ariel Rodriguez, a post-petition financing in order to reach a settlement agreement by

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and between Debtor and the Department of Treasury of Puerto Rico. The Court approved the post-petition financing and the settlement with Treasury through the Order dated February 24, 2016 at Docket No. 51. [More info is included below.](#)

- [Debtor filed its initial disclosure statement and plan on May 23, 2016 and a hearing to finally approve the same was held on July 5, 2016. The Court denied the final approval of Debtor's initial disclosure statement.](#)
- A copy of the docket report of the captioned case is included herein as **Exhibit B**.

[Settlement Agreement and Post-Petition Financing Agreement. On February 9, 2016, the Debtor filed an "Urgent Motion to Approve Post-Petition Financing and Approve Settlement Agreement with the Department of the Treasury" \(the "Motion"\). Docket No. 44. As detailed in the Motion, prior to the Petition Date, Treasury had revoked the Debtor's alcoholic beverage license. The Debtor operates one of the premier fine food establishments in Puerto Rico and without the ability to serve alcohol and liquor to its customers, the Debtor faced the possibility of losing its going concern value, the potential of having to close operations, and, therefore, the ability to consummate any plan. Through the Settlement Agreement with Treasury and Post-Petition Financing Agreement \(as those terms are defined in the Motion\), the Debtor was able to resolve these controversies, which paved the way for the Debtor to restore and preserve its going concern value and present this plan. See Motion, Docket No. 44.](#)

[Specifically, through the Settlement Agreement, the Debtor reached an agreement with Treasury pursuant to which the Debtor will satisfy Treasury's priority claim through the DIP Facility \(as defined in the Motion\), and satisfy Treasury's priority claim for employee withholding taxes and Treasury's general unsecured claim for all other amounts due as of the Petition Date as provided and set forth in this Plan. As consideration, Treasury issued an alcoholic beverage license to the Debtor, among other benefits listed in the Settlement Agreement. Further, through the Financing Agreement, the Debtor obtained the funds necessary to satisfy Treasury's claim for taxes as detailed above, and, thus, obtain the benefits of the Settlement Agreement and present this plan.](#)

[Further, through the Financing Agreement, the Debtor also obtained certain funds to make improvements to the Debtor's operations and facilities, which improvements pave the way for the projections attached to the disclosure statement.](#)

F. Projected Recovery of Avoidable Transfers

Payments made by Debtor within the 90 day period before the filing of the captioned case were made on the ordinary course of Debtor's business. As such, and since these payments cannot be considered as a preference, fraudulent conveyance, or other avoidance actions, Debtor will not file any complaints to recover avoidable transfers.

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 [by August 15, 2016](#). Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an

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objection to your claim is later upheld. The procedures for resolving disputed claims are set forth in Article V of the Plan.

H. Current and Historical Financial Conditions

The Debtor's most recent income tax return is set forth in **Exhibit C**.

A summary of Debtor's post-petition operating reports filed since the commencement of the Debtor's bankruptcy case is set forth in **Exhibit D**.

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 Debtor's 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 Debtor 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 Debtor's 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	\$29,276.00	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 or before the effective date of the Plan.
Professional Fees, as approved by the Court.	\$20,000.00	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, including the IRS administrative claim	\$6,683.00	Paid in full on the effective date of the Plan or according to separate written agreement
Office of the U.S. Trustee Fees	\$4,875.00	Paid in full on the effective date of the Plan
TOTAL	\$60,834.00	

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. As to Treasury, the priority and other claims are treated as set forth in the Settlement Agreement filed under Exhibit B to Docket No. 44, and approved by the Court, which is incorporated as if set forth in full herein and made an integral part of the Disclosure Statement and Plan as well as the order approving the same under Docket No. 51.

The following chart lists the Debtor's estimated § 507(a)(8) priority tax claims and their proposed treatment under the Plan, taking into consideration the objections to claims to be filed by August 15, 2016 as depicted in the enclosed report by CPA Escibano or as may be filed:

Claimant	Estimated Amount Owed	Date of Assessment	Treatment
CRIM	\$1,812.38	2015	Pmt interval = 48 months Monthly payment = \$40.92 Begin date = 10/15/2016 End date = 9/15/2020 Interest Rate % = 4% Total Payout Amount = \$1,964.16

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Claimant	Estimated Amount Owed	Date of Assessment	Treatment
MUNICIPALITY OF SAN JUAN	\$7,630.65	2015	Pmt interval = 48 months Monthly payment = \$172.29 Begin date = 10/15/2016 End date = 9/15/2020 Interest Rate % = 4% Total Payout Amount = \$8,269.92
IRS	\$22,485.31	2015	Pmt interval = 48 months Monthly payment = \$507.70 Begin date = 10/15/2016 End date = 9/15/2020 Interest Rate % = 4% Total Payout Amount = \$24,369.60
STATE INSURANCE FUND	\$11,356.06	2015	Pmt interval = 48 months Monthly payment = \$256.41 Begin date = 10/15/2016 End date = 9/15/2020 Interest Rate % = 4% Total Payout Amount = \$12,307.68
MUNICIPALITY OF SAN JUAN	\$18,360.52	2015	Pmt interval = 48 months Monthly payment = \$414.56 Begin date = 10/15/2016 End date = 9/15/2020 Interest Rate % = 4% Total Payout Amount = \$19,898.88
DEPARTMENT OF LABOR OF PR	\$1,815.21	2015	Pmt interval = 48 months Monthly payment = \$40.99 Begin date = 10/15/2016 End date = 9/15/2020 Interest Rate % = 4% Total Payout Amount = \$1,967.52
DEPARTMENT OF TREASURY OF PR	\$34,891.66	2015	Pmt interval = 48 months Monthly payment = \$787.82 Begin date = 10/15/2016 End date = 9/15/2020 Interest Rate % = 4% Total Payout Amount = \$37,815.36

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*

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Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate 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 general unsecured claim.

The post-petition lender, i.e. TKL Holdings III, LLC, holds a lien over virtually all of Debtor's assets pursuant to the post-petition financing approved by the Court. Furthermore, pursuant to the approved post-petition financing Debtor obliged itself to the following:

- to execute and deliver a Shareholders' Agreement Upon the Effective date of the Plan;
- to convey or assign 30% of the issued and outstanding shares of the Debtor to TKL Holdings and all remaining shares to Ariel Rodríguez;
- to grant TKL Holdings the right to appoint 2 out of 3 board members for the reorganized Debtor and Ariel Rodríguez 1 out of 3 board members for the reorganized Debtor; and
- to allow TK Holdings to have the right to appoint 1 out of 3 board members for reorganized Debtor and Ariel Rodríguez shall have the right to appoint 2 out of 3 board members for reorganized Debtor, upon payment of DIP facility.

TKL Holdings' rights and the Debtor's obligations thereto, are detailed in the Financing Agreement, attached as Exhibit A under Docket No. 44, which is incorporated as if set forth in full herein and made an integral part of the plan and disclosure statement, as well as the order approving the same under docket no. 51. In addition to TLK Holdings' secured claim, the Internal Revenue Service ("IRS") has a pre-petition secured claim over Debtor's property.

The following chart lists all classes containing Debtor's secured claims and their proposed treatment under the Plan:

Class #	Description	Impairment	Treatment
1	Secured Class of TKL Holdings	IMPAIRED	TKL Holdings III, LLC shall be paid pursuant to the post-petition financing approved by the Court, which calls for a monthly payment equivalent to 12% of Debtor's gross revenues, yielding an annual interest rate of 4.5%. <u>However, the commencement of said payments shall now be on the Effective Date of the Plan.</u>
2	<u>Secured Class of the IRS</u>	<u>UNIMPAIRED</u>	<u>The secured class of the IRS will be paid according to the Bankruptcy Code in the same manner as its priority claim, i.e. in 48 equal monthly payments yielding a 4% interest per annum.</u>

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2. *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.

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

3. *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. [A complete list of these claims and the monthly payments to be made to each one is included in the financial projections and report performed by CPA Escibano and attached hereto.](#)

The following chart identifies the Plan's proposed treatment of Class 3, which contain general unsecured claims against the Debtor:

Class #	Description	Impairment	Treatment
3	General Unsecured Class	IMPAIRED	<p>Monthly Pmt = \$833.33</p> <p>Pmts Begin = 10/15/2016</p> <p>Pmts End = 9/15/2021</p> <p>Estimated percent of claim paid = 4.9%</p>

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.

[The only shareholder that has provided and will continue to provide new value to Debtor in order to fuel Debtor's plan is Debtor's president, Mr. Ariel Rodriguez. As detailed in the Motion \(Docket No. 44\), and as approved by this Court in the Order \(Docket No. 51\) approving the Motion, Settlement Agreement, and Post-Petition Agreement \(the "Order"\), dated February 24, 2016, Mr. Ariel Rodríguez provided substantial new value sufficient to retain the shares of the reorganized Debtor as provided above. Specifically, and as already](#)

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determined in the Order, “Debtor’s Plan shall also include and recognize the following as ‘new value’ provided by Ariel Rodríguez to the Debtor, which is essential to materialize the [Post-Petition Financing] and ensure the viability of the reorganized Debtor: (a) the Additional Collateral; (b) the Guarantee; and (c) the post-petition and post-confirmation services that Mr. Ariel Rodríguez provides to the Debtor’s operations (collectively, the “New Value”). See Order, Paragraph 5, pg. 6. The term “Additional Collateral” and “Guarantee” are defined in the Order, in Paragraph 4, pg. 4. In addition to the New Value already recognized and approved through the Order, Mr. Ariel Rodríguez is also contributing a total of \$45,000 during the first two years of Debtor’s plan in order for Debtor to have sufficient funds to make its payments under the plan.

The following chart sets forth the Plan’s proposed treatment of the class of equity interest holders:

Class #	Description	Impairment	Treatment
4	Equity interest holders	IMPAIRED	All interest of all shareholders will be cancelled on the Effective Date of the Plan. On such date, the reorganized Debtor shall execute an amended shareholders agreement pursuant to which (i) the reorganized Debtor shall convey 30% of the shares of the reorganized Debtor to TKL Holdings III, as provided and approved under the post-petition financing agreement as part of the terms upon which the post-petition financing was provided; and (ii) all remaining shares of the reorganized Debtor shall be conveyed to Mr.

Class #	Description	Impairment	Treatment
			Ariel Rodriguez, as the only shareholder who provided new value to Debtor. The new value provided by Mr. Ariel Rodriguez is detailed above. ▼

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D. Means of Implementing the Plan

1. Source of Payments

Payments and distributions under the Plan will be funded by the on-going operations of the Debtor, the New Value provided by Mr. Ariel Rodriguez and the capital contribution of \$45,000 by Mr. Rodriguez as aforementioned.

2. Post-confirmation Management

The Post-Confirmation Managers of the Debtor, and their compensation, shall be as follows:

Name	Affiliations	Insider (yes or no)?	Position	Compensation
Ariel Rodriguez	President	Yes	President	\$66,066.00

E. Risk Factors

The proposed Plan has the following risks:

The usual risk associated with a business.

F. Executory Contracts and Unexpired Leases

The Plan, in Article 6.1, 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. Article 6.1 also lists how the

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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 Article 6.1 of the Plan will be 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 To Be Fixed by the Bankruptcy 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.

There are no anticipated tax consequences of the Plan to the Debtor and/or its creditors.

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 and 3 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 classes 2 and 4 are unimpaired and/or insiders and that holders of claims in these classes, 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 is April 3, 2016.

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;

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- 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 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 nonaccepting 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 “cramdown” 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 E**.

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.

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 projected financial information, which have been validated by the court appointed financial advisor, CPA Aida Escribano. Those projections as well as a report performed by CPA Escribano are included in **Exhibit F**.

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

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V. EFFECT OF CONFIRMATION OF PLAN

A. DISCHARGE OF DEBTOR

Discharge. On the effective date of the Plan, the Debtor shall be discharged from any debt that arose before confirmation of the Plan, subject to the occurrence of the effective date, to the extent specified in § 1141(d)(1)(A) of the Code, except that the Debtor shall not be discharged of any debt (i) imposed by the Plan, (ii) of a kind specified in § 1141(d)(6)(A) if a timely complaint was filed in accordance with Rule 4007(c) of the Federal Rules of Bankruptcy Procedure, or (iii) of a kind specified in § 1141(d)(6)(B). After the effective date of the Plan your claims against the Debtor will be limited to the debts described in clauses (i) through (iii) of the preceding sentence.

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.

B25B (Official Form 25B) (12/08) – Cont.

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.

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.

VI. OTHER PLAN PROVISIONS

None.

AUGUSTO'S CUISINE CORPORATION

801 Ave. Ponce de Leon
San Juan, PR 00907

s/ Ariel R. Rodriguez
ARIEL R. RODRIGUEZ

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s/ Alexis Fuentes-Hernandez

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EXHIBITS

Exhibit A - Copy of Proposed Plan of Reorganization

Exhibit B - Copy of Docket Report

Exhibit C - Last Income Tax Return

Exhibit D - Summary of Post-Petition Operating Reports

Exhibit E – Liquidation Analysis

Exhibit F – Projections of Cash Flow and Earnings for Post-Confirmation Period