

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

IN RE:

EMPRESAS PLAYA JOYUDA, INC.

DEBTOR

**CASE NO. 15-09594 EAG
CHAPTER 11**

**DISCLOSURE STATEMENT PURSUANT TO SECTION 1125 OF THE
BANKRUPTCY CODE DESCRIBING THE REORGANIZATION
CHAPTER 11 PLAN PROPOSED BY DEBTOR**

**PLEASE READ THIS DISCLOSURE STATEMENT CAREFULLY. THIS
DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON YOUR
DECISION TO ACCEPT OR REJECT THIS FIRST AMENDED PLAN OF
REORGANIZATION. THE PLAN PROPONENT BELIEVES THAT THIS PLAN OF
REORGANIZATION IS IN THE BEST INTEREST OF THE CREDITORS AND THAT THE
PLAN IS FAIR AND EQUITABLE. THE PROPONENT URGES THAT THE VOTER ACCEPT
THE PLAN.**

TABLE OF CONTENTS

I. INTRODUCTION.....4

A. Purpose of This Document4

B. Confirmation Procedures.....6

 1. Time and Place of the Confirmation Hearing6

 2. Deadline For Voting For or Against the Plan7

 3. Deadline For Objecting to the Confirmation of the Plan7

 4. Identity of Person to Contact for More Information Regarding the Plan7

C. Disclaimer7

II. BACKGROUND7

A. Description and History of the Debtor’s Business8

B. Principals/Affiliates of Debtor’s Business8

D. Events Leading to Chapter 11 Filing8

E. Significant Events During the Bankruptcy.....9

 1. Bankruptcy Proceedings9

 2. Other Legal Proceedings10

 3. Actual and Projected Recovery of Preferential or Fraudulent Transfers10

 4. Procedures Implemented to Resolve Financial Problems10

 5. Current and Historical Financial Conditions11

III. SUMMARY OF THE PLAN OF REORGANIZATION11

A. What Creditors and Interest Holders Will Receive Under the Proposed Plan11

B. Unclassified Claims12

 1. Priority Tax Claims14

C. Classified Claims and Interests Error! Bookmark not defined.

 1. Classes of Secured Claims Error! Bookmark not defined.

 2. Class of General Unsecured Claims Error! Bookmark not defined.

D. Means of Effectuating the Plan20

 1. Funding for the Plan20

 2. Post-confirmation Management21

 3. Disbursing Agent21

E. Other Provisions of the Plan.....21

 1. Executory Contracts and Unexpired Leases21

 2. Changes in Rates Subject to Regulatory Commission Approval21

 3. Retention of Jurisdiction22

 4. Procedures for Resolving Contested Claims22

 5. Effective Date22

 6. Modification22

F. Tax Consequences of Plan22

- G. Risk Factors29

- IV. CONFIRMATION REQUIREMENTS AND PROCEDURES23
 - A. Who May Vote or Object24
 - 1. Who May Object to Confirmation of the Plan.....24
 - 2. Who May Vote to Accept/Reject the Plan.....24
 - 3. Who Is Not Entitled to Vote.....25
 - 4. Who Can Vote in More Than One Class26
 - 5. Votes Necessary to Confirm the Plan26
 - 6. Votes Necessary for a Class to Accept the Plan.....26
 - 7. Treatment of Nonaccepting Classes26
 - 8. Request for Confirmation Despite Nonacceptance by Impaired Class(es)27
 - B. Liquidation Analysis27
 - C. Feasibility28
- V. EFFECT OF CONFIRMATION OF PLAN28
 - A. Discharge.....28
 - B. Revesting of Property in the Debtor29
 - C. Modification of Plan29
 - D. Post-Confirmation Conversion/Dismissal.....29

I. INTRODUCTION

Empresas Playa Joyuda, Inc. (hereinafter referred to as “Empresas Playa Joyuda”, “Proponent” or “Debtor”) is the Debtor in a Chapter 11 bankruptcy case. On December 1, 2015, Empresas Playa Joyuda commenced a bankruptcy case by filing a voluntary Chapter 11 petition under the United States Bankruptcy Code (hereinafter “Code”), 11 U.S.C. §101, *et seq.*, Chapter 11 of the Code allows the Debtor, and under some circumstances, creditors and other parties in interest, to propose a plan of reorganization (hereinafter “Plan”). The Plan may provide for the Debtor to reorganize by continuing to operate, to liquidate by selling assets of the estate, or a combination of both. Empresas Playa Joyuda, the party proposing the Plan sent to you in the same envelope as this document, the proposed Plan. THE DOCUMENT YOU ARE READING IS THE DISCLOSURE STATEMENT FOR THE PLAN WHICH IS ANNEXED HERETO AS *EXHIBIT A*.

This is a reorganizing plan. In other words, the Proponent seeks to accomplish payments under the Plan by distributing all the disposable income as it becomes available, to all parties and creditors as described in this Disclosure and in the Plan.

A. Purpose of This Document

This Disclosure Statement summarizes what is in the Plan, and tells you certain information relating to the Plan and the process the Court follows in determining whether or not to confirm the Plan.

READ THIS DISCLOSURE STATEMENT CAREFULLY IF YOU WANT TO KNOW

ABOUT:

- (1) WHO CAN VOTE OR OBJECT,
- (2) THE PROPOSED TREATMENT OF YOUR CLAIM (i.e., what your claim will receive if the Plan is confirmed), AND HOW

**THIS TREATMENT COMPARES TO WHAT YOU WOULD RECEIVE
IN LIQUIDATION,**

- (3) THE HISTORY OF THE DEBTOR AND SIGNIFICANT EVENTS
DURING THE BANKRUPTCY,**
- (4) WHAT THE COURT WILL CONSIDER WHEN DECIDING
WHETHER TO CONFIRM THE PLAN,**
- (5) THE EFFECT OF CONFIRMATION, AND**
- (6) THE FEASIBILITY OF THE PLAN.**

This Disclosure Statement cannot tell you everything about your rights. You should consider consulting your own lawyer to obtain more specific advice on how this Plan will affect you and what is the best course of action for you.

Be sure to read the Plan as well as the Disclosure Statement. If there are any inconsistencies between the Plan and the Disclosure Statement, the Plan provisions will govern.

Code Section 1125 requires a Disclosure Statement to contain “adequate information” concerning the Plan. The term “adequate information” is defined in the Bankruptcy Code Section 1125(a) as “information of a kind, and in sufficient detail,” about a debtor and its operations “that would enable such a hypothetical investor of the relevant class to make an informed judgment” about accepting or rejecting the Plan. The Bankruptcy Court (hereinafter “Court”) has determined that the information contained in this Disclosure Statement is adequate, and it has approved this document in accordance with Bankruptcy Code Section 1124.

This Disclosure Statement is provided to each creditor whose claim has been scheduled by the Debtor or who has filed a proof of claim against the Debtor and to each

interest holder of record as of the date of approval of this Disclosure Statement. Under the Bankruptcy Code, your acceptance of the Plan may not be solicited unless you receive a copy of this Disclosure Statement prior to or concurrently with such solicitation.

B. Confirmation Procedures

Persons Potentially Eligible to Vote on the Plan

In determining acceptance of the Plan, votes will only be counted if submitted by a creditor whose claim is duly scheduled by the Debtor as undisputed, non-contingent and unliquidated, or who, prior to the hearing on confirmation of the Plan, has filed with the Court a proof of claim which has not been disallowed or suspended prior to computation of the votes on the Plan. The Ballot Form that you will receive does not constitute a proof of claim. If you are uncertain whether your claim has been correctly scheduled, you should check the Debtor's Schedules, which are on file at the office of the Clerk of the Bankruptcy Court located at: United States Bankruptcy Court, U.S. Court House, José V. Toledo Federal Building, 300 Recinto Sur Street, San Juan, P.R. 00901. The Clerk of the Bankruptcy Court will not provide this information by telephone.

THE COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN THIS DISCLOSURE STATEMENT. IN OTHER WORDS, THE TERMS OF THE PLAN ARE NOT YET BINDING ON ANYONE. HOWEVER, IF THE COURT LATER CONFIRMS THE PLAN, THEN THE PLAN WILL BE BINDING ON THE DEBTOR AND ON ALL CREDITORS AND INTEREST HOLDERS IN THIS CASE.

1. Time and Place of the Confirmation Hearing

The hearing at which the Court will determine whether to confirm the Plan has not been appointed by the Court.

2. Deadline For Voting For or Against the Plan

If you are entitled to vote, it is in your best interest to timely vote on the enclosed ballot and return to the undersigned Debtor's legal representation.

The deadline for you to submit your ballot will be established by the Court with the approval of the Disclosure Statement.

3. Deadline For Objecting to the Confirmation of the Plan

Objections to the confirmation of the Plan must be filed with the Court and served upon the undersigned Debtor's legal representation within the time that will be established by the Court with the approval of the Disclosure Statement.

4. Identity of Person to Contact for More Information Regarding the Plan

Any interested party desiring further information about the Plan should contact the undersigned Debtor's legal representation.

C. Disclaimer

The financial data relied upon in formulating the Plan is based on projections and appraisals. The financial projections are shown as **Exhibit G**, and the real property's appraisal report has been submitted by Mr. Ismael Isern Suarez, a certified appraiser.

The Plan Proponent represents that everything stated in the Disclosure Statement is true to the Proponent's best knowledge.

PLEASE NOTE THAT THE APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE A RULING ON THE MERITS, FEASIBILITY OR DESIRABILITY OF THE PLAN.

II. BACKGROUND

A. Description and History of the Debtor's Business

Empresas Playa Joyuda is a corporation established in Puerto Rico in 1980. This corporation is dedicated to hotel rental services. The hotel, which operates under the name Perichi's Hotel is located at State Road 102 Km. 14.3 Playa Joyuda in Cabo Rojo, Puerto Rico. Debtor has owned both properties since 1980. The hotel comprises of two concrete buildings, the building located at Lot #1 has 33 rooms, restaurant, ballroom and an apartment used as Debtor's shareholders residence. The second building located at Lot #2 is composed of 16 hotel rooms, a conference room, a parking for 40 vehicles and a pool. The hotel also has a reception, laundry and office area.

B. Principals/Affiliates of Debtor's Business

Julio C. Pérez Perichi ("Mr. Pérez") and his wife, Mrs. Marlene Cintrón Barber, are both the officers and sole shareholders of the corporation. Mr. Pérez is the President of the corporation and Mrs. Cintrón acts as Secretary of the corporation.

C. Management of the Debtor Before and During the Bankruptcy

Empresas Playa Joyuda, Inc., through its president Mr. Julio Pérez Perichi, has been the only manager of this business before and during the bankruptcy and has remained in control of the properties as debtor in possession, pursuant to §1101(1) of the Code.

D. Events Leading to Chapter 11 Filing

Here is a brief summary of the circumstances that led to the filing of this Chapter 11 case:

- Debtor has confronted a hard economical situation because there is less flow of tourism in the island.
- Debtor has more price competition since the bigger hotels are hogging the industry with better price offers, and locals don't eat at the restaurant as much since big shopping malls have opened many restaurants.

- The hospitality business is a seasonal business. The high seasons that used to allow Debtor to save money for the slower seasons are no longer good enough to save money to meet all the required payments of the whole year.
- Because of the decrease in income, Debtor met with Banco Popular de Puerto Rico, the financial institution with whom Debtor had a mortgage loan, and accomplished an agreement for lower monthly installment payment on their loan. Debtor made the first payments, but at once point this payment got too high, Debtor defaulted on their payment. For such reason Banco Popular de Puerto Rico commenced a foreclosure process. Said mortgage loan was bought by Capital Crossing, LLC.
- By year 2005, the hotel has been struggling to make monthly payments to its principal creditor, Westernbank then, and Banco Popular de Puerto Rico. By the year 2011, foreclosure by Banco Popular de Puerto Rico was underway with a judgment notified on March 8, 2012 and a public auction set for July 3, 2012 which prompted the filing of the first bankruptcy petition on July 1, 2012 in order to stay the auction. This case was dismissed. See, Case No. 12-05243.

E. Significant Events During the Bankruptcy

1. Bankruptcy Proceedings

The following is a chronological list of significant events which have occurred during this case:

- January 15, 2016 - The meeting of creditors was held and closed.
- February 25, 2016 – A Status Conference Hearing was held.

The Court has approved the employment of the following professionals:

- Gratacos Law Firm, PSC – Law firm employed to represent Debtor in all the bankruptcy and related proceedings. The employment was approved on January 11,

2016. The current estimated amount owed to this professional is \$9,000.00

- Carlos E. Ortiz Collado – Financial advisor employed to provide financial advisement in this case and in all matters related. His services include, *inter alia*, meetings regarding the financial process, preparation of required reports, look for possible financial possibilities, private or banking, and look for financial analysis and loan application with COOP A/C Cabo Rojo or other lender be it private or Commercial Bank. The employment was approved on January 11, 2016. The current estimated amount owed to this professional is 2% of the difference between the outstanding balance of the loan with Banco Popular (now Triangle REO PR 2 Corp.) and the amount to be financed with any third party, payable at the time of closing of such financing upon approval of the court.
- Carlos Wilfredo Lamboy Santiago – Accountant employed to conduct the analysis of Debtor's finance, prepare tax returns, complete monthly operating reports, and prepare financial projections, among other duties related to Debtor's finances. The employment was approved on January 27, 2016. The current estimated amount owed to this professional is \$4,900.00

Currently, there is an adversary proceeding pending. See, Adversary Proceeding No.

16-00270

2. Other Legal Proceedings

Debtor is not currently involved in non-bankruptcy legal proceedings.

3. Actual and Projected Recovery of Preferential or Fraudulent Transfers

The Debtor does not intend to pursue preference, fraudulent conveyance, or other avoidance action.

4. Procedures Implemented to Resolve Financial Problems

In an effort to remedy the problems that led to the bankruptcy filing, Debtor has implemented the following procedures:

- Controlled the expenses at the maximum amount possible, according to the necessities of the hotel.
- Filed an adversary proceeding, in order that the Court disallows Triangle REO PR 2 Corp. as completely secured. See, Adversary Proceeding No. 16-00270.
- Commenced negotiations with the Puerto Rico Department of Treasury in order to rectify the amount claimed in the Proof of Claims submitted by this creditor.
- Managed all the accounting and finances of the hotel through Carlos Wilfredo Lamboy Santiago to receive a better and more organized view of the income and expenses of the hotel. This has allowed Debtor to make decisions that would further benefit the cash flow.

5. Current and Historical Financial Conditions

The identity and fair market value of the estate's assets are listed in Exhibit B. This list also identifies the source of the valuation for each asset. Also, a summary of the Debtor's periodic operating reports recently filed in the Debtor's bankruptcy case is set forth will soon be provided in a *Supplement*. This will help the reader to identify the income, expenses and available cash that Debtor has had since the filing of the case.

III. SUMMARY OF THE PLAN OF REORGANIZATION

A. What Creditors and Interest Holders Will Receive Under the Proposed Plan

The Plan classifies claims and interests in various classes. The Plan states whether each class of claims or interests is impaired or unimpaired. The Plan provides the treatment each class will receive.

B. Unclassified Claims

Certain types of claims are not placed into voting classes. They are not considered impaired and they do not vote on the Plan because they are automatically entitled to specific treatment provided for them in the Bankruptcy Code. As such, the Proponent has not placed the following claims in a class:

1. Administrative Expenses and Fees

Administrative expenses are claims for fees, costs or expenses of administering the Debtor’s Chapter 11 case which are allowed under Code Section 507(a)(1), including all professional compensation requests pursuant to Sections 330 and 331 of the Code. The Code requires that all administrative expenses including fees payable to the Bankruptcy Court and the Office of the United States Trustee which were incurred during the pendency of the case must be paid on the Effective Date of the Plan, unless a particular claimant agrees to a different treatment.

The following chart lists all of the Debtor’s unpaid administrative fees and expenses (hereinafter "Compensation"), an estimate of future professional fees and other administrative claims and fees and their treatment under the Plan:

NAME	AMOUNT ESTIMATED	TREATMENT	TYPE OF CLAIM
Gratacos Law Firm, P.S.C.	\$9,000.00	Paid in full on or before the Effective Date	Professional compensation
Carlos Wilfredo	\$4,900.00	Paid in full on or	Professional

Lamboy Santiago		before the Effective Date	compensation
Carlos E. Ortiz Collado	2% of the difference between the outstanding balance of the loan with Banco Popular (now Triangle REO PR 2 Corp.) and the amount to be financed with any third party, payable at the time of closing of such financing upon approval of the court.	Paid in full on or before the Effective Date	Professional compensation
Office of the U.S. Trustee Fees	As invoiced based on Debtor's quarterly disbursements	Paid in full on Effective Date or as the invoices become due	U.S. Trustee

a. Court Approval of Professional Compensation Required:

Pursuant to the Bankruptcy Code, the Court must rule on all professional compensation and expenses listed in this chart before the compensation and expenses will be owed. The professional in question must file and serve a properly noticed fee application for compensation and reimbursement of expenses and the Court must rule on the application. Only the amount of compensation and reimbursement of expenses allowed by the Court will be owed and required to be paid under this Plan as an administrative claim.

Each professional person who asserts a further administrative claim that accrues before the confirmation date shall file with the Bankruptcy Court, and serve on all parties required to

receive notice, an application for compensation and reimbursement of expenses no later than sixty (60) days after the Effective Date of the Plan. Failure to file such an application timely shall result in the professional person's claim being forever barred and discharged. Each and every other person asserting an administrative claim shall be entitled to file a motion for allowance of the asserted administrative claim within ninety (90) days of the Effective Date of the Plan, or such administrative claim shall be deemed forever barred and discharged. No motion or application is required to fix the fees payable to the Clerk's Office or Office of the United States Trustee. Such fees are determined by statute.

As indicated above, the Debtor will need to pay approximately \$13,900.00 worth of administrative claims and fees on the Effective Date of the Plan, plus 2% of the difference between the outstanding balance of the loan with Banco Popular (now Triangle REO PR 2 Corp.) and the amount to be financed with any third party, payable at the time of closing of such financing upon approval of the court, and the Office of the United States Trustee, unless a claimant has agreed to be paid later or the Court has not yet ruled on the claim. Debtor plans to pay most of this administrative claims and fees before the Effective Date.

1. Priority Tax Claims

Priority tax claims are certain unsecured income, employment and other taxes described by Code Section 507(a)(8). The Code requires that each holder of such a Section 507(a)(8) priority tax claim receive the present value of such claim in deferred cash payments with a 4% interest rate, over a period ending no later than five years after the date of the order for relief. The payments will begin on the Effective Date of the Plan. See, **Exhibit C**.

The following is a list of all of the Debtor's Section 507(a)(8) priority tax claims and their treatment under the Plan:

- Internal Revenue Service filed claim no. 2 for the total priority amount of

\$4,362.33. This priority claim stems from unpaid tax related to WT-FICA corresponding to the Tax Period of March 31, 2016. The total amount claimed will be paid the present value of such claim, with a 4% interest rate, in regular installments paid over a period not exceeding 5 years from the order of relief. The monthly payment will be the amount of \$75.61.

The payments will begin on the Effective Date of the Plan.

- Puerto Rico Department of Treasury filed claims no. 6 & 7 for the total priority amount of \$13,380.85. This priority claim stems from unpaid corporate income tax returns (IT(200)) for the tax periods of 2013 through 2014, and sales and uses taxes for the tax periods of 2013 through 2014, some of this amounts were estimated. These claims have been objected, since Debtor has already provided evidence to the Puerto Rico Department of Treasury that the corporate tax returns were filed. Debtor has also amended and filed the sale and use tax returns for the tax periods specified in the Proof of Claim filed by the Puerto Rico Department of Treasury. The claim from unpaid corporate income tax returns (IT(200)) for the tax periods of 2013-2014 is the amount of \$357.45. The monthly payment for the unpaid Corporate Income Tax returns is \$6.20. The Priority claim from unpaid Sales and Use tax forms (IT(550)) is the amount of \$13,023.40. The monthly payment for the unpaid Sales and Use tax forms is \$225.74. The payments will begin on the Effective Date of the Plan. See, Dockets No. __.
- State Insurance Fund filed claim no. 3 for a total priority amount of \$3,554.48. State Insurance Fund's priority claim stems from unpaid workers compensation insurance premiums and workmen's uninsured patron cases expensive paid. The total amount claimed will be paid the present value of such claim, with a 4%

interest rate, in regular installments paid over a period not exceeding 5 years from the order of relief. The monthly payment for the State Insurance Fund is \$61.61. The payments will begin on the Effective Date of the Plan.

- Puerto Rico Department of Labor for the total priority amount of \$3,580.73. Puerto Rico Department of Labor's priority claim stems from unpaid workers compensation insurance premiums. The total amount claimed will be paid the present value of such claim, with a 4% interest rate, in regular installments paid over a period not exceeding 5 years from the order of relief. The monthly payment for the Puerto Rico Department of Labor will be \$62.07. The payments will begin on the Effective Date of the Plan.
- Municipal Revenue Collection Center (C.R.I.M.) for the total priority amount of \$493.00. C.R.I.M.'s priority claim stems from unpaid real property taxes. The total amount claimed will be paid at the present value of such claim, with a 4% interest rate, in regular installments paid over a period not exceeding 5 years from the order of relief. The monthly payment will be \$8.55.
The payments will begin on the Effective Date of the Plan.
- Puerto Rico Tourism Company for the total amount of \$20,713.00. Puerto Rico Tourism Company priority claim stems from unpaid room taxes. The total amount claimed will be paid at the present value of such claim, with a 4% interest rate, in regular installments paid over a period not exceeding 5 years from the order of relief. The monthly payment will be of \$541.34.
The payments will begin on the Effective Date of the Plan.

A. Classified Claims and Interests

1. Classes of Secured Claims

Secured claims are claims secured by liens on property of the estate, See, **Exhibit**

D. The following represent all classes containing Debtor's secured pre-petition claims and their treatment under this Plan:

Class 1. Internal Revenue Services

Claim: 1 for \$25,723.41

Proposed treatment: the complete claim will be paid the present value of such claim, with a 4% interest rate, in regular installments paid over a period not exceeding 5 years from the order of relief. The proposed monthly payment will be of \$445.87. The payments will begin on the Effective Date of the Plan.

This Class is Impaired; claims in this class are entitled to vote on the Plan.

Class 2. Triangle REO PR 2 Corp. C/O Capital Crossing Puerto Rico, LLC.

Claim: 4 for \$1,000,000.00

This creditor is not an insider.

Proposed alternative treatment A: Debtor has filed a 3012 Motion to determine the Valuation of Secured Creditor's Claim Pursuant to 11 U.S.C. §506(A) and Federal Rule of Bankruptcy Procedure 3012. In the Motion, in summary, Debtor requests to this Honorable Court that the extent of Triangle REO PR 2 Corp.'s secured claim is only the value of its collateral, which is estimated in the amount of \$1,000,000.00. The unsecured portion of the claim, which is \$1,448,105.33, will receive treatment proposed alternative A in Class 4 of the Plan.

Debtor will pay two hundred and forty (240) monthly installments of \$6,000.00 at a 4.75% interest rate and a lump sum in the amount of \$185,337.04 in order to pay the totality of the secured portion of the claim. The unsecured portion of the claim, which is \$1,448,105.33, will

receive treatment in the proposed alternative A under the General Unsecured Claims class of the Plan.

This class is Impaired: claims in this class are entitled to vote on the Plan.

Proposed alternative treatment B: Triangle REO PR 2 Corp. has stated the possible intention to make 1111(b)(2) election under the Bankruptcy code. To address this possible election, Debtor proposes the following treatment:

The principal owed without any interests, late fees, or legal expenses is \$1,876,955.75. Debtor will pay three hundred and twelve (312) monthly installments of \$6,000.00 and a last payment of \$4,995.75 in order to pay the totality of the secured portion of the claim.

Proposed alternative treatment C: In the alternative that Debtors 3012 Motion to determine the Valuation of Secured Creditor's Claim Pursuant to 11 U.S.C. §506(A) and Federal Rule of Bankruptcy Procedure 3012 is denied. Triangle REO PR 2 Corp.'s secured claim according to its proof of claim will be \$2,448,105.33.

Debtor will not be able to pay this amount. For Debtor to be able to pay this amount would have to make monthly payments of over \$10,000.00 for over five hundred (500) monthly payments. Debtor does not have this amount of money and will not be able to fulfill the Plan.

This class is Impaired: claims in this class are entitled to vote on the Plan.

Class 3. Municipal Revenue Collection Center (C.R.I.M.)

Debt included in *Schedule D – Creditors Holding Secured Claims*, of the voluntary petition, for \$4,395.00 and \$54,487.42.

This creditor is not an insider.

Proposed treatment: The complete claim will be paid the present value of such claim, with a 4% interest rate, in regular installments paid over a period not exceeding 5 years from the order of relief. The proposed monthly payment for the \$54,487.42 amount is \$944.45. The proposed monthly payment for the 4,395.00 amount is \$76.18.

This Class is Impaired; claims in this class are entitled to vote on the Plan.

2. Class of General Unsecured Claims

Class 4. General Unsecured Claims

General unsecured claims are unsecured claims not entitled to priority under Code Section 507(a). These claims are to be treated as follows:

General unsecured claims are estimated between the creditors that filed their proofs of claim and the ones that were scheduled by Debtor and did not file a proof of claim in the amount of \$1,582,932.53. See the list of the unsecured creditors considered for the Plan, enclosed as **Exhibit E**

Proposed treatment A: This class' allowed unsecured claims will be paid in the following matter: Debtor will award a total sum of \$31,658.65 which represents a 2% distribution for this class. This class's allowed unsecured claims will be paid in 60 equal monthly installments \$527.64; each payment will be distributed pro rate amount all creditors and claimants included in this class. Since the liquidation value in this case is for 0% this class would receive less distribution if Debtor's debts were liquidated under a Chapter 7. If a default in the monthly payments to these creditors were to occur, they would be entitled to collect the past due payments. **See, Exhibit F**

Proposed treatment B: In the alternative that Debtors 3012 Motion to determine the

Valuation of Secured Creditor's Claim Pursuant to 11 U.S.C. §506(A) and Federal Rule of Bankruptcy Procedure 3012 is denied and the amount claimed to be treated as secured, this class' allowed unsecured claims will be paid in the following matter:

Debtor will award a total sum of \$2,696.54 which represents a 2% distribution for this class. This class's allowed unsecured claims will be paid in 60 equal monthly installments \$44.94; each payment will be distributed pro rate amount all creditors and claimants included in this class. Since the liquidation value in this case is for 0% this class would receive less distribution if Debtor's debts were liquidated under a Chapter 7. If a default in the monthly payments to these creditors were to occur, they would be entitled to collect the past due payments. **See, Exhibit F**

This class is Impaired: claims in this class are entitled to vote on the Plan.

Proposed treatment C: Triangle REO PR 2 Corp. has stated the possible intention to make 1111(b)(2) election under the Bankruptcy code. If that is the case, this class' allowed unsecured claims will be paid in the following matter:

Debtor will award a total sum of \$2,696.54 which represents a 2% distribution for this class. This class's allowed unsecured claims will be paid in 60 equal monthly installments \$44.94; each payment will be distributed pro rate amount all creditors and claimants included in this class. Since the liquidation value in this case is for 0% this class would receive less distribution if Debtor's debts were liquidated under a Chapter 7. If a default in the monthly payments to these creditors were to occur, they would be entitled to collect the past due payments. **See, Exhibit F**

This class is Impaired: claims in this class are entitled to vote on the Plan.

C. Means of Effectuating the Plan

1. Funding for the Plan

The Plan will be funded with cash available proceeds from the revenue that the hotel generates, after paying operating expenses and taxes.

2. Post-confirmation Management

The Post-Confirmation Manager of the Estate will continue to be the Debtor.

3. Disbursing Agent

Empresas Playa Joyuda, through its president Mr. Julio Pérez Perichi, shall act as the disbursing agent for the purpose of making all distributions provided for under the Plan.

D. Other Provisions of the Plan

1. Executory Contracts and Unexpired Leases

The Plan provides that all Executory Contracts and Unexpired Leases, except for those specifically assumed by the Debtor in writing or previously assumed by Court Order, shall be deemed rejected. All proofs of claim with respect to claims arising from said rejection must be filed with the Bankruptcy Court within the earlier of (i) the date set forth for filing claims in any order of the Bankruptcy Court approving such rejection or (ii) thirty (30) days after the Confirmation Date. Any such claims, proofs of which are not filed timely, will be barred forever from assertion.

The following is the Executory contract and Unexpired lease to be assumed as obligations of the reorganized Debtor under this Plan:

- Lease agreement with 3G Development, Inc. This contract is current and the same is assumed. Debtor receives the amount of \$1,300.00 per month.

2. Changes in Rates Subject to Regulatory Commission Approval

This Debtor is not subject to governmental regulatory commission approval of its rates.

3. Retention of Jurisdiction

The Court will retain jurisdiction as provided in Section III-C of the Plan.

4. Procedures for Resolving Contested Claims

The Debtor and/or the Disbursing Agent shall have 60 days subsequent to confirmation to object to the allowance of claims. The Proponent has reviewed the claims that have been filed. The Proponent intends to object or cause the Disbursing Agent to object to the following number and amounts of claims in each class.

5. Effective Date

The Plan will become effective on the Effective Date thirty (30) days after the order of confirmation becomes final.

6. Modification

The Plan Proponent may alter, amend or modify the Plan at any time prior to the Confirmation Date and thereafter as provided in Section 1127(b) of the Bankruptcy Code.

E. Tax Consequences of Plan

CREDITORS AND INTEREST HOLDERS CONCERNED WITH HOW THE PLAN MAY AFFECT THEIR TAX LIABILITY SHOULD CONSULT WITH THEIR OWN ACCOUNTANTS, ATTORNEYS, AND/OR ADVISORS. The following disclosure of possible tax consequences is intended solely for the purpose of alerting readers to possible tax issues this Plan may present to the Debtor. The Proponent CANNOT and DOES NOT represent that the tax consequences contained below are the only tax consequences of the Plan because the Tax Code embodies many complicated rules which make it difficult to state completely and

accurately all the tax implications of any action. A tax consequence of the Plan could be an increase in the sales tax or an imposition of a services tax. Debtor cannot predict these complications but has projected the budget to have an available cash flow that could be used to pay these new taxes, if these were to be imposed or amended in the future and during the validity of the Plan.

G. Risk Factors

The following discussion is intended to be a non-exclusive summary of certain risks attendant upon the consummation of the Plan. You are encouraged to supplement this summary with your own analysis and evaluation of the Plan and Disclosure Statement, in their entirety, and in consultation with your own advisors. Based on the analysis of the risks summarized below, the Plan Proponent believes that the Plan is viable and will meet all requirements of confirmation:

- Revenue diminution
- Imposition of new taxes

IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

PERSONS OR ENTITIES CONCERNED WITH CONFIRMATION OF THIS PLAN SHOULD CONSULT WITH THEIR OWN ATTORNEYS BECAUSE THE LAW ON CONFIRMING A PLAN OF REORGANIZATION IS VERY COMPLEX. The following discussion is intended solely for the purpose of alerting readers about basic confirmation issues, which they may wish to consider, as well as certain deadlines for filing claims. The proponent CANNOT and DOES NOT represent that the discussion contained below is a complete summary of the law on this topic.

Many requirements must be met before the Court can confirm a Plan. Some of the requirements include that the Plan must be proposed in good faith, that creditors or interest holders have accepted the Plan, that the Plan pays creditors at least as much as creditors would receive in a Chapter 7 liquidation, and that the Plan is feasible. These requirements are not the only requirements for confirmation.

A. Who May Vote or Object

1. Who May Object to Confirmation of the Plan

Any party in interest may object to the confirmation of the Plan, but as explained below not everyone is entitled to vote to accept or reject the Plan.

2. Who May Vote to Accept/Reject the Plan

A creditor or interest holder has a right to vote for or against the Plan if that creditor or interest holder has a claim that is both (1) allowed or allowed for voting purposes and (2) classified in an impaired class.

a) What Is an Allowed Claim/Interest

As noted above, a creditor or interest holder must first have an allowed claim or interest to have the right to vote. Generally, any proof of claim or interest will be allowed, unless a party in interest brings a motion objecting to the claim. When an objection to a claim or interest is filed, the creditor or interest holder holding the claim or interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or interest for voting purposes.

THE BAR DATE FOR FILING A PROOF OF CLAIM IN THIS CASE WAS APRIL 7, 2016 AND MAY 31, 2016 FOR GOVERNMENTAL UNITS.

A creditor or interest holder may have an allowed claim or interest even if a proof of claim or interest was not timely filed. A claim is deemed allowed if (1) it is scheduled on the Debtor's schedules and such claim is not scheduled as disputed, contingent, or un-liquidated, and (2) no party in interest has objected to the claim. An interest is deemed allowed if it is scheduled and no party in interest has objected to the interest.

b) What Is an Impaired Claim/Interest

As noted above, an allowed claim or interest only has the right to vote if it is in a class that is impaired under the Plan. A class is impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class. For example, a class comprised of general unsecured claims is impaired if the Plan fails to pay the members of that class 100% of their claim plus interest.

In this case, the Proponent believes that classes **I**, **II**, **III** and **IV** are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. Parties who dispute the Proponent's characterization of their claim or interest as being impaired or unimpaired may file an objection to the Plan contending that the Proponent has incorrectly characterized the class.

3. Who Is Not Entitled to Vote

The following four types of claims are not entitled to vote: (1) claims that have been disallowed; (2) claims in unimpaired classes; (3) claims entitled to priority pursuant to Code Section 507(a)(1), (a)(2), and (a)(8); and (4) claims in classes that do not receive or retain any value under the Plan. Claims in unimpaired classes are not entitled to vote because such classes are deemed to have accepted the Plan. Claims entitled to priority pursuant to Code Section 507(a)(1), (a)(2), and (a)(7) are not entitled to vote because such claims are not placed

in classes and they are required to receive certain treatment specified by the Code. Claims in classes that do not receive or retain any value under the Plan do not vote because such classes are deemed to have rejected the Plan. **EVEN IF YOUR CLAIM IS OF THE TYPE DESCRIBED ABOVE, YOU MAY STILL HAVE A RIGHT TO OBJECT TO THE CONFIRMATION OF THE PLAN.**

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 is entitled to accept or reject a Plan in both capacities by casting one ballot for the secured part of the claim and another ballot for the unsecured claim.

5. Votes Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by “cram-down” on non-accepting classes, as discussed later in Section (IV.A.8.).

6. Votes Necessary for a Class to Accept the Plan

A class of claims is considered to have accepted the Plan when more than one-half ($\frac{1}{2}$) in number and at least two-thirds $\frac{2}{3}$ in dollar amount of the allowed claims that actually voted, voted in favor of the Plan. A class of interests is considered to have accepted the Plan when at least two-thirds ($\frac{2}{3}$) in amount of the allowed interest-holders of such class which actually voted, voted to accept the Plan.

7. Treatment of Non-accepting Classes

As noted above, even if all impaired classes do not accept the proposed Plan, the Court may nonetheless confirm the Plan, if the non-accepting classes are treated in the manner required by the Code. The process by which non-accepting classes are forced to be bound by the terms of the Plan is commonly referred to as “cram-down”. The Code allows the Plan to be “crammed down” on non-accepting classes of claims or interests if it meets all consensual requirements except the voting requirements of Section 1129(a)(8) and if the Plan does not “discriminate unfairly” and is “fair and equitable” toward each impaired class that has not voted to accept the Plan as referred to in 11 U.S.C. §1129(b) and applicable case law.

8. Request for Confirmation Despite Non-acceptance by Impaired Class(es)

The party proposing this Plan asks the Court to confirm this Plan by cram-down on impaired classes if any of these classes do not vote to accept the Plan.

B. Liquidation Analysis

Another confirmation requirement is the “Best Interest Test”, which requires a liquidation analysis. Under the Best Interest Test, if a claimant or interest holder is in an impaired class and that claimant or interest holder does not vote to accept the Plan, then that claimant or interest holder must receive or retain under the Plan property of a value not less than the amount that such holder would receive or retain if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code.

In a Chapter 7 case, the Debtor’s assets are usually sold by a Chapter 7 trustee. Secured creditors are paid first from the sales proceeds of properties on which the secured creditor has a lien. Administrative claims are paid next. Next, unsecured creditors are paid from any remaining sales proceeds, according to their rights to priority. Unsecured creditors with the same priority share in proportion to the amount of their allowed claims. Finally, interest holders receive the balance that remains after all creditors are paid, if any.

In order for the Court to be able to confirm this Plan, the Court must find that all creditors and interest holders who do not accept the Plan will receive at least as much under the Plan as such holders would receive under Chapter 7 liquidation. The Plan Proponent maintains that this requirement is met here. Enclosed as Exhibit F is a demonstration of a liquidation scenario, that all creditors and interest holders will receive at least as much under the Plan as such creditor or interest holder would receive under a Chapter 7 liquidation.

C. Feasibility

Another requirement for confirmation involves the feasibility of the Plan, which means 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 under the Plan, unless such liquidation or reorganization is proposed in the Plan.

Also, we have to consider whether the Proponent will have enough cash over the life of the Plan to make the required Plan payments.

The Proponent believes that this aspect of the feasibility requirement is met because Debtor's projected income is enough to fund the proposed Plan. Debtor will have enough for making the payments of the Plan. The feasibility of the Plan is demonstrated with a financial projection that also includes the scenario of the Plan payments; See Forecast at **Exhibit G**.

Accordingly, the Plan Proponent believes, on the basis of the foregoing, that the Plan is feasible.

V. EFFECT OF CONFIRMATION OF PLAN

A. Discharge

The Plan provides that upon confirmation of the Plan, the Debtor shall be discharged of liability for payment of debts incurred before confirmation of the Plan, to the extent specified in 11 U.S.C. §1141. However, any liability imposed by the Plan will not be discharged. If

Confirmation of the Plan does not occur or if, after Confirmation occurs, the Debtor elects to terminate the Plan, the Plan shall be deemed null and void. In such event, nothing contained in the Plan shall be deemed to constitute a waiver or release of any claims against the Debtor or its estate or any other persons, or to prejudice in any manner the rights of the Debtor or its estate or any person in any further proceeding involving the Debtor or its estate. The provisions of the Plan shall be binding upon Debtor, all Creditors and all Equity Interest Holders, regardless of whether such Claims or Equity Interest holders are impaired or whether such parties accept the Plan, upon Confirmation thereof.

B. Revesting of Property in the Debtor

Except as provided in the Plan, the confirmation of the Plan revests all of the property of the estate in the Debtor.

C. Modification of Plan

The Proponent may modify the Plan at any time before confirmation. However, the Court may require a new disclosure statement and/or revoting on the Plan if Proponent modifies the plan before confirmation.

The Proponent may also seek to modify the Plan at any time after confirmation so long as (1) the Plan has not been substantially consummated and (2) the Court authorizes the proposed modification after notice and a hearing. Proponent further reserves the right to modify the treatment of any Allowed Claims at any time after the Effective Date of the Plan upon the consent of the Creditor whose Allowed Claim treatment is being modified, so long as no other Creditors are materially adversely affected.

D. Post-Confirmation Conversion/Dismissal

A creditor or party in interest may bring a motion to convert or dismiss the case under Section 1112(b), after the Plan is confirmed, if there is a default in performance of the Plan or if cause exists under Section 1112(b). If the Court orders the case converted to Chapter 7 after the Plan is confirmed, then all property that had been property of the Chapter 11 estate, and that has not been disbursed pursuant to the Plan, will revert in the Chapter 7 estate, and the automatic stay will be reimposed upon the reverted property only to the extent that relief from stay was not previously granted by the Court during this case.

Quarterly fees pursuant to 28 U.S.C. § 1930(a)(6) continue to be payable to the Office of the United States Trustee post-confirmation until such time as the case is converted, dismissed, or closed pursuant to a final decree.

In Caguas, Puerto Rico, this 24 day of April 2017.

Empresas Playa Joyuda, Inc.
Debtor

//s// Julio César Pérez Perichi

Julio César Pérez Perichi
as President of Empresas Playa Joyuda, Inc.

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