

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

IN RE:

DAVAMADA, INC.

Debtor

Bankruptcy No.: 15-10223 (BKT)

Chapter 11

SMALL BUSINESS DISCLOSURE STATEMENT

DATED OCTOBER 14, 2016

/s/ Javier Vilariño

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I. INTRODUCTION

This is the Disclosure Statement of the small business Chapter 11 case of Davamada, Inc. (hereinafter “Davamada, Inc. /Debtor”). Davamada, Inc. is a local corporation created under the laws of the Commonwealth of Puerto Rico. It is directed by its President, Mr. Héctor L. Andújar Aguiar. Davamada, Inc. operates a restaurant business that specializes in authentic Puerto Rican food, located in the vicinity of Old San Juan, which is a vivid and highly busy area visited by many tourists and locals alike. Davamada, Inc. operates with a work force of approximately 30 employees.

This Disclosure Statement contains information about Debtor and describes the Reorganization Plan dated October 14, 2016.

Administrative expenses shall be paid in cash and in full as soon as practicable or agreed with the creditor on (a) the Effective Date of the plan or (b) the date any such claim becomes an allowed Administrative Claim.

Class 1 – The Secured Claim of the Internal Revenue Service (“IRS”): Class 1 consists of the Allowed Secured Claim of the IRS of \$90,255.61, arising from a Lien filed in accordance with Internal Revenue Regulation 301.6323(f)-1, secured with Debtor’s funds, as specified in Claim #3-7.

Class 2 – Unsecured convenience class pursuant to 11 U.S.C. §1122 for claims that are under or equal to \$10,000: Class 2 will receive a lump-sum distribution of \$1,000.00 on the effective date of the plan. Each claim holder under this class will receive pro-rata distributions, as per the allowed amounts. Based on the current allowed amounts, each claim holder in this class will receive approximately 1.58% of the allowed amount. Any change in the allowed amounts may change the actual distribution percentage, but will be nevertheless the same to all of them.

Class 3 – Unsecured convenience class pursuant to 11 U.S.C. §1122 for claims that are over \$10,001: Class 3 will receive a lump-sum distribution of \$3,000.00 on the effective date of the plan, a second lump-sum distribution of \$3,500.00 at the 13 month of the Plan and third and final lump-sum distribution of \$3,500.00 on month 30 of the Plan. Each claim holder under this class will receive pro-rata distributions, as per the allowed amounts. Based on the current allowed amounts, each claim holder in this class will receive approximately 1.72% of the allowed amount. Any change in the allowed amounts may change the actual distribution percentage, but will be nevertheless the same to all of them.

Class 4 - Equity Interest Holders: Mr. Héctor L. Andújar Aguiar is the equity interest holder and will receive no distribution under the reorganization plan.

Priority tax claims shall be paid in cash and in full, plus statutory interest, through monthly payments each year over a period not exceeding five (5) years from the date of the filing of the petition.

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 of the type you hold (what you will receive on your claim if the plan is confirmed); who can vote on or object to the Plan; what factors the Bankruptcy Court will consider when deciding whether to confirm the Plan; why Debtor believes the Plan is feasible; and how the treatment of your claim under the Plan compares to what you would receive on your claim in liquidation; and the effect of the Confirmation of the Plan.

Debtor urges all parties-in-interest to read and review the Plan, and, 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 under which the Plan will or will not be confirmed.

i. 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 be scheduled by the Bankruptcy Court and will be conducted at the U.S. Bankruptcy Court, District of Puerto Rico, 300 Recinto Sur Street, Third Floor, San Juan PR 00901. **You will receive a Notice for this hearing from the Debtor.**

ii. 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 completed ballot to the following address:

Javier Vilariño Santiago, Esq.
P.O. Box 9022515
San Juan, PR 00902-2515
E-mail: jvilarino@vilarinolaw.com

Please review Section IV of this document for a discussion of the voting eligibility requirements.

iii. Deadline for Objecting to the Adequacy of the Disclosure Statement 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 all creditors 7 days before the confirmation hearing.

iv. Identity of Person to Contact for More Information

If you need additional information about the Plan, contact Debtor's attorney: *Javier Vilariño Santiago, at telephone number (787) 565-9894.*

C. Disclaimer

The Court may conditionally approve 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 conditionally 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 conditional approval of this Disclosure Statement is subject to the final approval at the hearing on confirmation of the Plan. Objections to the adequacy of this Disclosure Statement may be filed until the date of the confirmation hearing.

II. BACKGROUND

A. Description and History of the Debtor's Business

Davamada, Inc. is a local corporation created under the laws of the Commonwealth of Puerto Rico. It is directed by its President, Mr. Héctor L. Andújar Aguiar. Davamada, Inc. operates a restaurant business that specializes in authentic Puerto Rican food, located in the vicinity of Old San Juan, which is a vivid and highly busy area visited by many tourists and locals alike. Davamada, Inc. operates with a work force of approximately 30 employees.

B. Insiders of the Debtor

The President of this corporation is Mr. Héctor L. Andújar Aguiar, a local businessman. As of the Petition Date, there are no other officers on the Board of Directors, or shareholders.

C. Management of the Debtor before and during the Bankruptcy

Debtor's business was managed by its President, Mr. Héctor L. Andújar Aguiar, before and after the filing of the bankruptcy.

D. Events Leading to Chapter 11 Filing

The petition was filed because there was sudden drop on sales when the new tax of 11.5% was imposed earlier in 2015, which caused cash flow deficiencies in Debtor's operations. In addition, prior to the Petition Date, Debtor's accountant defalcated the earnings of the corporation in an amount of approximately \$120,000.00. These events led to an outstanding debt with the Puerto Rico Treasury Department (hereinafter "PR Treasury"). The debtor's business was closed by the PR treasury on December 23, 2015 due to the outstanding sales tax debt. During December 2015, Debtor engaged in several communications with PR Treasury to propose a repayment plan, to no avail.

During this period, Creditor PR Treasury refused to negotiate a repayment plan for the sales tax debt and instead attempted to revoke Debtor's alcoholic beverages license and to close the

business. In light of these events, the bankruptcy petition was filed on an urgent basis to save Debtor's jobs and operations and to avoid irreparable harm to Debtor's business.

E. Significant Events during the Bankruptcy Case

Upon filing of the instant bankruptcy petition, Debtor has executed various measures and adjustments to its operations to properly reorganize its business affairs, including the elaboration of new dishes for lunch specials, the reduction of overhead costs and the reinstatement of its alcoholic beverages license.

Debtor is in compliance with the U.S. Trustee's Office Operating Guidelines:

- a) Monthly Operating Reports have been completed and filed up to August 2016.
- b) Quarterly fees required by the U.S. Trustee are up to date.
- c) Post-petition operating expenses are paid in the ordinary course of business.
- d) Post-petition taxes are being paid as these become due.

Since the date of filing, Debtor has focused all its efforts in developing all available means to fund its Reorganization Plan to provide for payments to PR Treasury, IRS and all other creditors in the plan.

Pending courses of action over which Debtor has interest

Debtor intends to prosecute an adversary proceeding against its prior accountant, Mr. José Luis López for turnover of property. Any proceeds shall be devoted to fund the plan as an additional lump sum for the benefit of all impaired creditors in additional pro rata distribution.

In addition, Debtor is evaluating whether to file an adversary proceeding against another creditor, for willful violation of Davamada's automatic stay, and to seek actual damages from such creditor for the losses associated to Creditor's violation of the automatic stay. Accordingly, any proceeds shall be devoted to fund the plan as an additional lump sum for the benefit of all creditors in additional pro rata distribution.

F. Objection to Claims

Except if a claim is already allowed under a final non-appealable order, the Debtor reserves the right to object to claims.

Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. The procedures for resolving disputed claims are described in Article V of the Plan.

G. Current and Historical Financial Conditions

Debtor's financial condition is detailed in the summary of Debtor's monthly operating reports filed since the commencement of the Debtor's bankruptcy case.

III. SUMMARY OF THE PLAN OF REORGANIZATION

A. 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. A copy of Debtor's reorganization plan is included herein as **Exhibit A**.

B. Treatment of Claims and Equity Interests

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. The Plan Proponent has *not* placed the following claims in any class:

C. Unclassified Claims

i. Administrative Expenses

Administrative expenses are costs or expenses of administering the Debtors' Chapter 11 case allowed under 11 U.S.C. § 507. Administrative expenses also include the value of any goods sold to the Debtors in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires that all administrative expenses be paid on the effective date of the Plan, unless a claimant agrees to a different treatment.

ii. Priority Tax Claims

Priority tax claims are unsecured tax liabilities as described by 11 U.S.C. § 507(a)(8). 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. Each holder of a priority tax claim will be paid consistent with § 1129(a)(9)(C) of the Code, in monthly cash installments, equal to the allowed amount of its claim, plus yearly interest of 3.25% over a period ending before the statutory five-year period from the filing of the captioned petition.

The following list describes the Debtor's 11 U.S.C. §507(a)(8) priority tax claims and their proposed treatment under the plan:

- a) ***Internal Revenue Service***: This priority claimant filed claim #3 and will be paid the claimed priority portion amount of \$20,943.05 in monthly installments of \$465.88 within 48 months.

b) ***Municipality of San Juan***: This priority claimant filed Claim #5 and will be paid the claimed priority portion amount of \$7,323.04 in monthly installments of \$162.90 within 48 months.

c) ***Puerto Rico Treasury Department (Sales Tax/IVU)***: This priority claimant filed claim number #8, which was objected by Debtor on October 14, 2016. This claimant will be paid the recognized (preliminary) priority portion amount of \$469,126.04 as follows:

- a. Twelve consecutive monthly payments of \$2,500.00 each one.
- b. Twelve consecutive monthly payments of \$4,000.00 each one, which are for the monthly periods 13th to 24th of the plan.
- c. Lump-sum payment of \$50,000.00 at the 24th period of the plan, independently to the monthly payments
- d. Twelve consecutive monthly payments of \$6,000.00 each one, which are for the monthly periods 25th to 36th of the plan.
- e. Lump-sum payment of \$70,000.00 at the 36th period of the plan, independently to the monthly payments.
- f. Eleven consecutive monthly payments of \$8,000.00 each one, which are for the monthly periods 37th to 47th of the plan.
- g. Final payment of \$142,913.83 at the 48th period of the plan.

d) ***Puerto Rico Treasury Department (Income and Employer Taxes)***: This priority claimant filed claim number #7, which was objected by Debtor on October 14, 2016. This claimant will be paid the recognized (preliminary) priority portion amount of \$70,667.26 in monthly installments of \$1,571.99 within a period of 48 months.

e) ***State Insurance Fund Corporation***: This claim will be paid the priority portion amount of \$19,293.06 in monthly installments of \$429.17 within 48 months.

D. Classes of Claims and Equity Interests

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

Class 1 – The Secured Claim of the Internal Revenue Service (“IRS”): Class 1 consists of the Allowed Secured Claim of the IRS of \$90,255.61, arising from a Lien filed in accordance with Internal Revenue Regulation 301.6323(f)-1, secured with Debtor’s funds, as specified in Claim #3-7.

Class 2 – Unsecured convenience class pursuant to 11 U.S.C. §1122 for claims that are under or equal to \$10,000: Class 2 will receive a lump-sum distribution of \$1,000.00 on the effective date of the plan. Each claim holder under this class will receive pro-rata distributions, as per the allowed amounts. Based on the current allowed amounts, each claim holder in this class will receive approximately 1.58% of the allowed amount. Any change in the allowed amounts may change the actual distribution percentage, but will be nevertheless the same to all of them.

Class 3 – Unsecured convenience class pursuant to 11 U.S.C. §1122 for claims that are over \$10,001: Class 3 will receive a lump-sum distribution of \$3,000.00 on the effective date of the plan, a second lump-sum distribution of \$3,500.00 on month 13 of the Plan and third and final lump-sum distribution of \$3,500.00 on month 30 of the Plan. Each claim holder under this class will receive pro-rata distributions, as per the allowed amounts. Based on the current allowed amounts, each claim holder in this class will receive approximately 1.72% of the allowed amount. Any change in the allowed amounts may change the actual distribution percentage, but will be nevertheless the same to all of them.

Class 4 - Equity Interest Holders: Mr. Héctor L. Andújar Aguiar is the equity interest holder and will receive no distribution under the reorganization plan.

Priority tax claims shall be paid in cash and in full, plus statutory interest, through monthly payments each year over a period not exceeding five (5) years from the date of the filing of the petition.

The following chart identifies the Plan’s proposed treatment of the Administrative Expenses, Class 1 Secured Claim of IRS, Class 2 Unsecured Convenience for Claims equal to or under \$10,000, Class 3 Unsecured Convenience for Claims over \$10,001 and Class 4 Equity Interest Holders.

<u>Class</u>	<u>Impairment</u>	<u>Treatment</u>
<p>ADMINISTRATIVE EXPENSE CLAIMS: Estimated Professional Attorney Fees, as approved by the Court.</p>	No	To be paid in full on the effective date of the Plan, or according to a separate agreement, or according to court order if such fees have not been approved by the Court on the effective date of the Plan.
<p>Other Administrative Expenses</p>	No	If any arises, to be paid in full on the effective date of the Plan or according to separate written agreement.
<p>Office of the U.S. Trustee Fees.</p>	No	Debtor proffers payments are current. If any outstanding amount is due it will be paid in full on the effective date of the Plan.
<p>Class 1 Secured creditor Internal Revenue Service</p>	No	The secured amount of \$90,255.61, as claimed by the IRS, will be paid in monthly installments of \$2,007.74 for a period of 48 months.

<p>Class 2 – Convenience class for general unsecured claims under or equal to \$10,000</p>	<p>Yes</p>	<p>This class will receive one lump-sum distribution of \$1,000.00 on the effective date of the plan. Each claim holder under this class will receive pro-rata distributions, as per the allowed amounts. Based on the current allowed amounts, each claim holder in this class will receive approximately 1.58% of the allowed amount. Any change in the allowed amounts may change the actual distribution percentage, but it will be nevertheless the same to all of them.</p>
<p>Class 3 – Convenience class for general unsecured claims over \$10,001</p>	<p>Yes</p>	<p>This class will receive a lump-sum distribution of \$3,000.00 on the effective date of the plan, a second lump-sum distribution of \$3,500.00 at the month 13th of the plan and third and final lump-sum distribution of \$3,500.00 at the month 30th of the Plan. Each claim holder under this class will receive pro-rata distributions, as per the allowed amounts. Based on the current allowed amounts, each claim holder in this class will receive approximately 1.72% of the allowed amount. Any change in the allowed amounts may change the actual distribution percentage, but it will be nevertheless the same to all of them.</p>
<p>Class 4 Equity Interest Holders</p>		<p>This class will receive no distribution or payments in this plan.</p>

E. Means of Implementing the Plan

i. Source of Payments

The Plan will be implemented as required under 11 U.S.C. §1123(a)(5) with the continued operation of Debtor’s business endeavors and any lump sum ordered as damages from the adversary proceeding against its former accountant José Luis López, and any other complaints to be filed, if any.

F. 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 advisors.

IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

To be confirmable, the Plan must meet the requirements listed in sections 1129(a) or (b) of the Code. These require 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 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 2 and 3 are impaired and that holders of claims in each of these classes may therefore vote to accept or reject the Plan. The class of the Equity Security Holders is not entitled to vote.

i. 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.

ii. What is an Impaired Claim or Impaired Equity Interest?

As noted above, the holder of an allowed claim or equity interest may vote only if it is in a class that is *impaired* under the Plan. As provided in 11 U.S.C. §1124, a class is impaired if, the Plan alters the legal, equitable, or contractual rights of the members of the class.

iii. Who is not entitled to vote?

The holders of the following five 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 interest 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 under 11 U.S.C. §507(a)(2), (a)(3) and (a)(8).
- Holders of claims or equity interests in classes that do not receive or retain any value under the Plan; and
- 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.

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 a cram down of non-accepting classes.

i. 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.

ii. Treatment of Non-Accepting Classes

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the non-accepting classes are treated in the manner prescribed by 11 U.S.C. § 1129(b). A plan that binds non-accepting classes is commonly referred to as a cram down plan. The Code allows the Plan to bind non-accepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of 11 U.S.C. §1129(a) (8), does not discriminate unfairly, and is fair and equitable toward each impaired class that has not voted to accept the Plan.

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

C. Liquidation Analysis

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in Chapter 7 liquidation. A liquidation analysis is attached to this Disclosure Statement as **Exhibit B**.

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 a successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan.

i. 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. A copy of the Payment Schedule as of the effective date of the is attached herein as **Exhibit C**.

ii. Feasibility to make future plan payments and operate without further reorganization

The Plan Proponent must also show 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. Those projections are also included in **Exhibit D**. The Plan's Proponent financial projections show that Debtor will have an aggregate annual average cash flow, after paying operating expenses.

A summary of Debtor's Monthly Operating Reports is also included herein as **Exhibit E**.

V. OBJECTIONS TO CLAIMS

Debtor will file a lawsuit may file an objection to any claim as to its validity or amount prior to the confirmation date. 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.

VI. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Debtor will assume or reject unexpired leases and executory contracts, which have not been expressly rejected or assumed in this Reorganization Plan in accordance and subject to their terms and conditions. The lease agreement with Agüero Realty is assumed under this Plan.

VII. EFFECT OF CONFIRMATION OF PLAN

A. Discharge of Debtor

The order under 1141(d) of the Bankruptcy Code, 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 Debtor. 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 pursuing any claim or 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 U.S.C. 501; whether or not such claim is allowed under 11 U.S.C. 502 or whether the holder of such claim has accepted this Plan in the manner set forth herein. The US Bankruptcy Court will retain jurisdiction for implementing the plan and consummation and the post-confirmation injunction under section 524 of the Bankruptcy Code.

B. Modification of Plan

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

C. Final Decree

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the case shall be closed upon the Debtor's compliance with the statutory requirements of 11 U.S.C. §1101(2). Debtor will apply for final decree evidencing the Plan has been substantially consummated.

/s/ Hector Andujar Aguiar
Signing as President of Davamada, Inc.
October 14, 2016

UNITED STATES BANKRUPTCY COURT
DISTRICT OF PUERTO RICO

IN RE:

Bankruptcy No.: 15-10223 (BKT)

DAVAMADA, INC.

Chapter 11

Debtor

**DEBTOR'S SMALL BUSINESS REORGANIZATION PLAN
DATED OCTOBER 14, 2016**

ARTICLE I: DEFINITIONS

For purposes of this Plan, the following terms shall have the meaning specified in this Article I. A term used but not defined herein, which is also used in the Bankruptcy Code, shall have the meaning ascribed to that term in the Bankruptcy Code. Wherever from the context it appears appropriate, each term stated shall include both the singular and the plural, and pronouns shall include the masculine, feminine and neuter, regardless of how stated. The words "herein," "hereof," "hereto," "hereunder" and other words of similar import refer to the Plan as a whole and not to any particular Section, sub-Section or clause contained in the Plan. The rules of construction contained in Section 102 of the Bankruptcy Code shall apply to the terms of the Plan. The headings in the Plan are for convenience of reference only and shall not limit or otherwise affect the provisions hereof.

"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 expense of administration of the Chapter 11 proceeding allowed under 11 U.S.C. 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 April 28, 2016 for all creditors except governmental units and June 27, 2016 for a governmental unit, or if no proof of claim has been so filed, any claim which has been or hereafter is listed by the Debtor in its Schedules (as they may be amended or supplemented from time to time in accordance with the Bankruptcy Rules) and is not listed as disputed, contingent or unliquidated 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 as to which any objection has been determined by a Final Order. Unless otherwise provided for in this 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 this 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 provision of Title 11 of the United States Code, 11 U.S.C. Sections 1101 et seq., as amended from time to time.

“Bankruptcy Court” or “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 Procedure, as amended from time to time, as promulgated under 28 U.S.C. §2075, and any local rules of the Bankruptcy Court.

“Bar Date” shall mean the deadline of April 28, 2016 for all creditors to file their Proof of Claims, except for governmental units and June 27, 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 in distributions under this Plan or to vote on the Plan.

“Cash” shall mean lawful currency of the United States of America (including wire transfers, cashier’s checks drawn on a bank insured by the Federal Deposit Insurance Corporation, certified checks and money orders).

“Claim” shall mean any right to payment whether or not such right is 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 rise to a right of payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, continent, matured, unmatured, disputed, undisputed, secured or unsecured.

“Class” shall mean a category of holders of Claims or Interests as those classes are designated in Article III of this Plan.

“Collateral” shall mean any property or interest in property of the Estate subject to a lien to secure the payment or performance of a Claim, which lien is not subject to avoidance under the Bankruptcy Code or otherwise invalid under the Bankruptcy Code or applicable law.

“Confirmation Date” shall mean the date the Confirmation Order in this Chapter 11 proceeding made in accordance with the provisions of 11 U.S.C. Section 1129 becomes a Final Order.

“Confirmation Order” Shall mean the order of the Bankruptcy Court confirming the Plan pursuant to the provisions of the Bankruptcy Code.

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

“Cramdown” shall mean the confirmation of the Plan under 11 U.S.C. §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 U.S.C. Sections 502(g), 503(h) or 502(I).

“Debtor” shall mean “Davamada, Inc.”.

“Disclosure Statement” shall mean the Disclosure Statement filed by the Debtor with the Bankruptcy Court in this Chapter 11 Proceeding pursuant to 11 U.S.C. Section 1125, including, without limitation, all exhibits and schedules thereto, as approved by the Bankruptcy Court and notified to all Creditors and parties in interest, in accordance with the provisions of the Bankruptcy Code and Rules.

“Effective Date” shall mean thirty (30) days after the Order entered by the Court

confirming Debtor's Plan of Reorganization, is final. This shall be the date in which all initial cash payments under the plan will commence, specifically administrative expenses and Class 1 secured creditor and commence distribution under Classes 2 and 3.

"Estate" shall mean the Property owned by the Debtor which comprises the Chapter 11 estate of the Debtor in the above-captioned Chapter 11 proceeding pursuant to Section 541 of the Bankruptcy Code.

"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 the time to appeal from or to seek review or rehearing of such order shall have expired, and as to which no appeal or petition for review or rehearing or certiorari proceeding is pending, as a result of which such Order shall have become final in accordance with Rule 8002 of the Rules of Bankruptcy Procedure, as such Rule may be amended from time to time; provided, however, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be filed with respect to such order shall not cause such order not to be a Final Order.

"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 analysis of the assets and liabilities of the Debtor, in order to determine the Liquidation Value of the Debtor's Property.

"Liquidation Value" shall mean the value which any item of the Debtor's property could be expected to bring at liquidation.

"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 December 23, 2015, the date on which the instant Chapter 11 proceeding was commenced by the Debtor's filing of its Voluntary Petition.

"Plan" shall mean this Plan of Reorganization under Chapter 11 of the Bankruptcy Code, dated October 14, 2016, including, without limitation, all exhibits, supplements, appendices and schedules hereto and thereto, either in their present form or as the same

may be altered, amended or modified from time to time.

“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 U.S.C. Section 507(a).

“Priority Creditor” shall mean any Creditor which 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 U.S.C. Section 507(a)(8).

“Priority Wage Claim” shall mean any Allowed Claim of any Person who is entitled to a priority in payment under 11 U.S.C. Section 507(a)(4).

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

“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 Claim until allowed or disallowed) or the aggregate number of all Interests in such Class.

“Schedules” shall mean the schedules of assets and liabilities, the list of holders of interests and the statement of financial affairs filed by the Debtor under Section 521 of the Bankruptcy Code and Bankruptcy Rule 1007, as such schedules, lists and statements have been or may be supplemented or amended from time to time.

“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 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 Debtor’s interest in such Property, as determined in accordance with 11 U.S.C. Section 506.

“Secured Creditor” shall mean a Creditor who has a Secured Claim.

“Substantial Consummation” of this Plan shall mean the commencement of any of the events provided for in 11 U.S.C. Sec. 1101.

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

“Voluntary Petition” shall mean the voluntary petition for relief filed by each Debtor on the Petition Date.

ARTICLE II: SUMMARY OF REORGANIZATION PLAN

This Plan of Reorganization (“the Plan”) under Chapter 11 of the Bankruptcy Code proposes to pay creditors of the small business Chapter 11 case of Davamada, Inc. (hereinafter “Davamada, Inc. / Debtor”). Debtor is a local corporation created under the laws of the Commonwealth of Puerto Rico. It is directed by its President, Mr. Héctor L. Andújar Aguiar. Davamada, Inc. operates a restaurant business that specializes in authentic Puerto Rican food, located in the vicinity of Old San Juan, which is a vivid and highly busy area visited by many tourists and locals alike. Davamada, Inc. operates with a work force of approximately 30 employees.

The Plan provides payments to Class 1 - Secured Claim of the Internal Revenue Service (“IRS”), Class 2 – Convenience Unsecured class for claims under or equal to \$10,000.00, Class 3 – Convenience Unsecured class for claims over \$10,001.00. The equity security holder is classified in Class 4 and will not receive payments. The plan also provides for payments to administrative claimants that will be paid on the effective date or as agreed upon by the parties. Priority tax claims and any other priority claims will be paid in cash and in full, plus statutory interest, through monthly payments each year over a period not exceeding five (5) years from the filing of the petition.

ALL CREDITORS AND EQUITY SECURITY HOLDERS SHOULD REFER TO ARTICLES III THROUGH VI OF THIS PLAN FOR INFORMATION REGARDING THE PRECISE TREATMENT OF THEIR CLAIM. A DISCLOSURE STATEMENT THAT PROVIDES MORE DETAILED INFORMATION REGARDING THIS PLAN AND THE RIGHTS OF CREDITORS AND EQUITY SECURITY HOLDERS HAS BEEN CIRCULATED WITH THIS PLAN. YOUR RIGHTS MAY BE AFFECTED. YOU SHOULD READ THESE PAPERS CAREFULLY AND DISCUSS THEM WITH YOUR ATTORNEY, IF YOU HAVE ONE. (IF YOU DO NOT HAVE AN ATTORNEY, YOU MAY WISH TO CONSULT ONE.)

ARTICLE III: CLASSIFICATION OF CLAIMS AND INTERESTS

Pursuant to the provisions of 11 U.S.C. §§ 1122 and 1123, the Debtor proposes the classification and treatment of claims as stated herein.

Administrative Expense Claims: shall be paid in cash and in full as soon as practicable or agreed with the creditor on (a) the Effective Date of the plan or (b) the date any such claim becomes and allowed Administrative Claims.

Class 1 – The Secured Claim of the Internal Revenue Service (“IRS”): Class 1 consists of the Allowed Secured Claim of the IRS of \$90,255.61, arising from a Lien filed in accordance with Internal Revenue Regulation 301.6323(f)-1, secured with Debtor’s funds, as specified in Claim #3-7.

Class 2 – Unsecured convenience class pursuant to 11 U.S.C. §1122 for claims that are under or equal to \$10,000: Class 2 will receive a lump-sum distribution of \$1,000.00 on the effective date of the plan. Each claim holder under this class will receive pro-rata distributions, as per the allowed amounts. Based on the current allowed amounts, each claim holder in this class will receive approximately 1.58% of the allowed amount. Any change in the allowed amounts may change the actual distribution percentage, but will be nevertheless the same to all of them.

Class 3 – Unsecured convenience class pursuant to 11 U.S.C. §1122 for claims that are over \$10,001: Class 3 will receive a lump-sum distribution of \$3,000.00 on the effective date of the plan, a second lump-sum distribution of \$3,500.00 on month 13 of the Plan and third and final lump-sum distribution of \$3,500.00 on month 30 of the Plan. Each claim holder under this class will receive pro-rata distributions, as per the allowed amounts. Based on the current allowed amounts, each claim holder in this class will receive approximately 1.72% of the allowed amount.

Any change in the allowed amounts may change the actual distribution percentage, but will be nevertheless the same to all of them.

Class 4 - Equity Interest Holders: Mr. Héctor L. Andújar Aguiar is the equity interest holder and will receive no distribution under the reorganization plan.

Priority tax claims shall be paid in cash and in full, plus statutory interest, through monthly payments each year over a period not exceeding five (5) years from the date of the filing of the petition.

**ARTICLE IV: TREATMENT OF ADMINISTRATIVE EXPENSE CLAIMS, U.S.
TRUSTEE FEES, AND PRIORITY CLAIMS**

1. **Administrative Expense Claims.** Each holder of an administrative expense claim allowed under 11 U.S.C. §503, will be paid in full on the effective date of this Plan, in cash, or upon such other terms as agreed upon by the holder of the claim and the Debtor.
2. **Priority Claims.** Priority tax claims are unsecured tax liabilities as described by 11 U.S.C. §507(a)(8). Unless the holder of such 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.

Each holder of a priority tax claim will be paid consistent with 11 U.S.C. §1129(a)(9)(C), in monthly cash installments, equal to the allowed amount of its claim, plus yearly interest over a period ending before the statutory five-year period from the filing of the captioned petition.

The following list describes the Debtor's 11 U.S.C. §507(a)(8) priority tax claims and their proposed treatment under the plan:

- a) **Internal Revenue Service:** This priority claimant filed claim #3 and will be paid the claimed priority portion amount of \$20,943.05 in monthly installments of \$465.88 within 48 months.

- b) ***Municipality of San Juan***: This priority claimant filed Claim #5 and will be paid the claimed priority portion amount of \$7,323.04 in monthly installments of \$162.90 within 48 months.
- c) ***Puerto Rico Treasury Department (Sales Tax/IVU)***: This priority claimant filed claim number #8, which was objected by Debtor on October 14, 2016. This claimant will be paid the recognized (preliminary) priority portion amount of \$469,126.04 as follows:
 - a. Twelve consecutive monthly payments of \$2,500.00 each one.
 - b. Twelve consecutive monthly payments of \$4,000.00 each one, which are for the monthly periods 13th to 24th of the plan.
 - c. Lump-sum payment of \$50,000.00 at the 24th period of the plan, independently to the monthly payments
 - d. Twelve consecutive monthly payments of \$6,000.00 each one, which are for the monthly periods 25th to 36th of the plan.
 - e. Lump-sum payment of \$70,000.00 at the 36th period of the plan, independently to the monthly payments.
 - f. Eleven consecutive monthly payments of \$8,000.00 each one, which are for the monthly periods 37th to 47th of the plan.
 - g. Final payment of \$142,913.83 at the 48th period of the plan.
- d) ***Puerto Rico Treasury Department (Income and Employer Taxes)***: This priority claimant filed claim number #7, which was objected by Debtor on October 14, 2016. This claimant will be paid the recognized (preliminary) priority portion amount of \$70,667.26 in monthly installments of \$1,571.99 within a period of 48 months.
- e) ***State Insurance Fund Corporation***: This claim will be paid the priority portion amount of \$19,293.06 in monthly installments of \$429.17 within 48 months.

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

ARTICLE V: TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN

Claims and interests shall be treated as follows under this Plan:

CLASS IMPAIRMENT TREATMENT

Class 1 – The Secured Claim of the Internal Revenue Service (“IRS”): Class 1 consists of the Allowed Secured Claim of the IRS of \$90,255.61, arising from a Lien filed in accordance with Internal Revenue Regulation 301.6323(f)-1, secured with Debtor’s funds, as specified in Claim #3-7.

Class 2 – Unsecured convenience class pursuant to 11 U.S.C. §1122 for claims that are under or equal to \$10,000: Class 2 will receive a lump-sum distribution of \$1,000.00 on the effective date of the plan. Each claim holder under this class will receive pro-rata distributions, as per the allowed amounts. Based on the current allowed amounts, each claim holder in this class will receive approximately 1.58% of the allowed amount. Any change in the allowed amounts may change the actual distribution percentage, but will be nevertheless the same to all of them.

Class 3 – Unsecured convenience class pursuant to 11 U.S.C. §1122 for claims that are over \$10,001: Class 3 will receive a lump-sum distribution of \$3,000.00 on the effective date of the plan, a second lump-sum distribution of \$3,500.00 on month 13 of the Plan and third and final lump-sum distribution of \$3,500.00 on month 30 of the Plan. Each claim holder under this class will receive pro-rata distributions, as per the allowed amounts. Based on the current allowed amounts, each claim holder in this class will receive approximately 1.72% of the allowed amount. Any change in the allowed amounts may change the actual distribution percentage, but will be nevertheless the same to all of them.

Class 4 - Equity Interest Holders: Mr. Héctor L. Andújar Aguiar is the equity interest holder and will receive no distribution under the reorganization plan.

The following chart identifies the Plan’s proposed treatment of the Administrative Expenses, Class 1 Secured Claim of IRS, Class 2 Unsecured Convenience for Claims equal to or under \$10,000, Class 3 Unsecured Convenience for Claims over \$10,001 and Class 4 Equity Interest Holders.

<u>Class</u>	<u>Impairment</u>	<u>Treatment</u>
<p>ADMINISTRATIVE EXPENSE CLAIMS: Estimated Professional Attorney Fees, as approved by the Court.</p> <p>Other Administrative Expenses</p> <p>Office of the U.S. Trustee Fees.</p>	<p>No</p> <p>No</p> <p>No</p>	<p>To be paid in full on the effective date of the Plan, or according to a separate agreement, or according to court order if such fees have not been approved by the Court on the effective date of the Plan.</p> <p>If any arises, to be paid in full on the effective date of the Plan or according to separate written agreement.</p> <p>Debtor proffers payments are current. If any outstanding amount is due it will be paid in full on the effective date of the Plan.</p>
<p>Class 1 Secured creditor Internal Revenue Service</p>	<p>No</p>	<p>The secured amount of \$90,255.61, as claimed by the IRS, will be paid in monthly installments of \$2,007.74 for a period of 48 months.</p>
<p>Class 2 – Convenience class for general unsecured claims under or equal to \$10,000</p>	<p>Yes</p>	<p>This class will receive one lump-sum distribution of \$1,000.00 on the effective date of the plan. Each claim holder under this class will receive pro-rata distributions, as per the allowed amounts. Based on the current allowed amounts, each claim holder in this class will receive approximately 1.58% of the allowed amount. Any change in the allowed amounts may change the actual distribution percentage, but it will be nevertheless the same to all of them.</p>
<p>Class 3 – Convenience class for general unsecured claims over \$10,001</p>	<p>Yes</p>	<p>This class will receive a lump-sum distribution of \$3,000.00 on the effective date of the plan, a second lump-sum distribution of \$3,500.00 at the month 13th of the plan and third and final lump-sum distribution of \$3,500.00 at the month 30th</p>

		of the Plan. Each claim holder under this class will receive pro-rata distributions, as per the allowed amounts. Based on the current allowed amounts, each claim holder in this class will receive approximately 1.72% of the allowed amount. Any change in the allowed amounts may change the actual distribution percentage, but it will be nevertheless the same to all of them.
Class 4 Equity Interest Holders		This class will receive no distribution or payments in this plan.

ARTICLE VI: ALLOWANCE AND DISSALLOWANCE OF CLAIMS

Disputed Claim.

A disputed claim is a claim not allowed or disallowed by a final non-appealable order, and which either: (i) a proof of claim has been filed or deemed filed, and the Debtor or another party in interest has filed an objection; or (ii) no proof of claim has been filed, and the Debtor has scheduled such claim as disputed, contingent or unliquidated.

Delay of Distribution on a Disputed Claim.

No distribution will be made for a disputed claim unless such claim is allowed by a final non-appealable order.

Settlement of Disputed Claims.

The Debtor will have the power and authority to settle and compromise a disputed claim with court approval and compliance with Rule 9010 of the Federal Rules of Bankruptcy Procedure.

ARTICLE VII: PROVISIONS FOR EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Assumed Executory Contracts and Unexpired Leases.

Debtor will assume or reject unexpired leases and executory contracts, which have not been expressly rejected or assumed in this Reorganization Plan in accordance and subject to their terms and conditions. Debtor has a lease agreement with Aguerro Realty for the rental of a commercial lot which results in the benefit of the estate and all parties-in-interest.

ARTICLE VIII: MEANS FOR IMPLEMENTATION OF THE PLAN

The Plan will be implemented as required under 11 U.S.C. §1123(a)(5) of the Code with the continued operation of the business endeavors. In addition, prior to the Petition Date, Debtor's accountant defalcated the earnings of the corporation in an amount of approximately \$120,000.00. This Plan will be implemented as required under 11 U.S.C. §1123(a)(5) with the continued operation of Debtor's business endeavors and any lump sum ordered as damages from the adversary proceeding against its former accountant José Luis López and any other complaints to be filed, if any.

ARTICLE IX: GENERAL PROVISIONS

Definitions and Rules of Construction.

The definitions and rules of construction in Sections 101 and 102 of the Code shall apply when terms defined or construed in the Code are used in this Plan.

Effective Date of Plan.

The effective date of this Plan is thirty days after the entry of the order confirming the Plan. If, however, a stay of the confirmation order is in effect on that date, the effective date will be the first business day after the date on which the stay of the confirmation order expires or is otherwise terminated.

Severability.

If any provision in this Plan is determined to be unenforceable, the determination will in no way limit or affect the enforceability and operative effect of any other provision of this Plan.

Binding Effect.

The rights and obligations of any entity named or referred to in this Plan will bind upon, and will inure to the benefit of the successors or assigns of such entity.

Captions.

The headings in this Plan are for convenience of reference only and do not affect the meaning or interpretation of this Plan.

Controlling Effect.

Unless a rule of law or procedure is supplied by federal law (including the Code or the Federal Rules of Bankruptcy Procedure), the laws of the Commonwealth of Puerto Rico govern this Plan and any agreements, documents, and instruments executed in connection with this Plan, except as otherwise provided in this Plan.

ARTICLE X: DISCHARGE OF DEBTOR

Discharge.

The order under 1141(d) of the Bankruptcy Code, 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 Debtor. 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 pursuing any claim or 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 U.S.C. 501; whether or not such claim is allowed under 11 U.S.C. 502 or whether the holder of such claim has accepted this Plan in the manner set forth herein. The US Bankruptcy Court will retain jurisdiction for implementing the plan and consummation and the post-confirmation injunction under section 524 of the Bankruptcy Code.

ARTICLE XI: OTHER PROVISIONS

There are no additional provisions.

/s/ Hector Andujar Aguiar
Mr. Héctor L. Andújar Aguiar
Signing as President of Davamada, Inc.
October 14, 2016

/s/ Javier Vilariño
JAVIER VILARIÑO
USDC NUM. 223503
E-mail: jvilarino@vilarinolaw.com

VILARIÑO & ASSOCIATES, LLC
PO BOX 9022515
San Juan, PR 00902-2515
Tel. (787) 565-9894

DAVAMADA, INC.**Exhibit B**

Case no. 15-10223 (BKT)

LIQUIDATION ANALYSIS

Estate Property Description	Fee Simple Market or Scheduled Value	Estimated Liquidation Factor	Fee Simple Liq. or Realizable Value	Mortgage, Secured Tax & Liens	Real Property Taxes	Liquidation Value
Personal Properties:						
Cash on Hand and checking accounts	\$ 200	100%	\$ 200	-	-	\$ 200
Inventories	15,142	50%	7,571	-	-	7,571
Funitures, Fixtures and Equipment	75,426	50%	37,713	-	-	37,713
Total for Personal Properties	\$ 90,768		\$ 45,484	\$ -	\$ -	\$ 45,484

Summary of Liquidation Analysis

	Estimated Liquidation Value	\$ 45,484
Less:	Administrative Expenses Chapter 11	(61,001)
Less:	Administrative Expenses Chapter 7 (Stamps, Notarial, Realtor & Trustee Fees)	(8,187)
Less:	Priority Taxes	<u>(1,193,065)</u>
	Net Assets for Unsecured Claims	\$ -

Estimated Dividend for Unsecured
in a Chapter 7 Scenario

	Claimed Amount	
General Unsecured \$10,000 of less - Class 2	63,330	
General Unsecured over \$10,001 of less - Class 3	<u>551,523</u>	
Total General Unsecured Classes		\$ 614,854

Estimated Dividend for Unsecured Claims - Chapter 7 **0%**

Cash Dividend through Plan of Reorganization **\$ 11,000**

**Based on the cash dividend proposed, the estimated % to unsecured
creditor Class 2 as per the amount allowed by plan is** **1.58%**

**Based on the cash dividend proposed, the estimated % to unsecured
creditor Class 3 as per the amount allowed by plan is** **1.72%**

DAVAMADA, INC.

**Debtor in Possession
Case No. 15-10223 (BKT)**

**ASSUMPTIONS AND BASIS FOR PREPARATION OF THE
LIQUIDATION ANALYSIS**

One requirement for the confirmation of a plan under Chapter 11 of the U.S. Code is that with respect to each impaired class of claims, each claim holder of such class has accepted the plan or will receive or retain under the plan on account of such allowed claim, a value as of the effective date of the plan, that is not less than the amount such claim holder would receive or retain if the debtor is liquidated under Chapter 7 of the Code. In order to provide the value as of the effective date of the plan under a Chapter 7 scenario, debtor provides a detailed liquidation analysis.

The first step in determining whether the liquidation component of this test has been satisfied is to determine the dollar amount that would be generated from the liquidation of a debtor's assets and properties in the context of a Chapter 7 liquidation case. The gross amount of cash that would be available for satisfaction of claims would be the sum consisting of the proceeds resulting from the disposition of the unencumbered assets and properties of the debtor and any preference recoveries augmented by the unencumbered cash held by the debtor at the time of the commencement of the liquidation case.

The next step is to reduce the gross amount by the costs and expenses of liquidation and by such additional administrative and priority claims that might result from the termination of the debtor's business and the use of a Chapter 7 for the purposes of liquidation. Any remaining net cash would be allocated to creditors in strict priority in accordance with section 726 of the U.S. Bankruptcy Code. Finally, the value of such allocations (not taking into account the time necessary to accomplish the liquidation) is compared to the value of the property that is proposed to be distributed under the Plan on the Effective Date.

A debtor's costs of liquidation under a Chapter 7 would include the fees payable to a bankruptcy trustee, as well as those fees that might be payable to attorneys and other professionals which such a trustee might engage. Other liquidation costs include the expenses incurred during the Chapter 11 cases allowed in a Chapter 7 case, such as compensation for attorneys, financial advisors, appraisers, accountants, and other professionals for the debtor appointed in the Chapter 11 cases, as well as other compensation claims.

Davamada, Inc.
Case no. 15-10223 (BKT)
Basis and Assumptions for the Preparation
of the Liquidation Analysis

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NOTES TO LIQUIDATION ANALYSIS

In the best interest of creditors and given the current financial information to this date, Debtor presents its liquidation analysis. In this analysis debtor incorporate the estimated result of possible outcome and effect of negotiations with secured creditors, as this related to the plan of reorganization, and final outcome should be available in preparation for the hearing on confirmation to be scheduled in this case.

Personal Properties:

A. Cash on Bank Accounts

For the purpose of determining a liquidation value on the cash on bank for the individual, debtor considered as realizable in a chapter 7 scenario 100% of the amounts presented as filed detailed in the schedules.

B. Inventories

For the purpose of determining a liquidation value on the account receivable for the individual, debtor considered as realizable in a chapter 7 scenario 50% of the amounts presented as filed detailed in the schedules.

C. Furniture, Fixtures and Equipment

For the purpose of determining a liquidation value on the furniture, fixtures and equipment, Debtor considered as realizable in a chapter 7 scenario 50% of the amounts presented as filed detailed in the schedules.

Administrative Claims:

Administrative Claims are claims constituting the costs and expenses of administering the Debtor's Chapter 11 cases, as provided by sections 503(b), 507(b), and 1114(e)(2) of the U.S. Bankruptcy Code. Administrative Claims generally include the actual and necessary costs and expenses incurred after the applicable Commencement Date of preserving the Debtor's estates and operating the business of the Debtor. Administrative Claims also consist of the fees and expenses of various legal, financial, and other professionals incurred during the Chapter 11 cases, and also all the fees due to the United States Trustee pursuant to 28 U.S.C. § 1930(a)(6) and allowed reimbursable expenses of the members of the Committee.

Davamada, Inc.

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Case no. 15-10223 (BKT)

Basis and Assumptions for the Preparation
of the Liquidation Analysis

Under a Chapter 7 scenario, the Trustee would need to incur in expenses during the liquidation process and would also charge his own fees as allowed by the U.S. Bankruptcy Code. These payments would be paid from the Estate's funds and prior to all Chapter 11 administrative claims, priority claims and general unsecured claims.

Administrative Expenses under a Chapter 7 scenario:

Based on the estimated disbursement in liquidation would be around \$45,484, the stamps, notarial, realtor and trustee's fees are estimated on overall average of 18% which approximate to a total fees within this category of expenses of \$8,187.

Administrative Expenses under a Chapter 11 scenario:

Legal and Accounting Fees: These fees are the estimated amount that the Debtor has to pay for legal and accounting work to complete the Chapter 11 Case upon confirmation.

U.S. Trustee Quarterly Fees: Amount estimated to be paid to the United States Trustee, for the next three months of operation upon confirmation.

The Liquidation Analysis prepared for this case shows that the estimated dividend for the general unsecured creditors under a Chapter 7 is **0%**. The proposed Plan of Reorganization provides:

Class 2 – One time lump-sum pro-rata distribution of \$1,000 on the effective date, equivalent to 1.58% of the allowed amount to each claim holder in this class.

Class 3 – A lump-sum pro-rata distribution of \$3,000 on the effective date, a second lump-sum pro-rata distribution of \$3,500 at the thirteen month from effective date of the plan and third and final lump-sum pro rata distribution of \$3,500 at the thirty month from the effective date of the plan. These three lump-sum distribution sums \$10,000 and are equivalent to 1.72% of the allowed amount to each claim holder in this class.

DAVAMADA, INC.
Case no. 15-10223 (BKT)

Exhibit C

PAYMENTS UNDER THE PLAN OF REORGANIZATION

Dated: October 14, 2016

Last POC: 10

CREDITOR	CLAIM NUMBER	CLAIM CLASS	PLAN CLASS	CLAIM AMOUNT	EXPECTED ALLOWED AMOUNT	ALLOWED PLAN	Pro-Rata %	Monthly Payment	Year 1	Year 2	Year 3	Year 4
Secured Claim Class												
Internal Revenue Services	3	Secured	1	90,256	90,256	90,256		\$2,007.74	24,093	24,093	24,093	24,093
General Unsecured \$10,000 or less												
Almacen Mi Casita, Inc.	Scheduled	U	2	3,970	3,970	3,970	6.27%	-	62.69	-	-	-
ASCAP	Scheduled	U	2	329	329	329	0.52%	-	5.20	-	-	-
B. Fernandez & Hnos, Inc.	Scheduled	U	2	3,935	3,935	3,935	6.21%	-	62.14	-	-	-
Coca Cola Co	Scheduled	U	2	914	914	914	1.44%	-	14.43	-	-	-
Destileria Serrales, Inc.	Scheduled	U	2	5,967	5,967	5,967	9.42%	-	94.22	-	-	-
Eco-Lab Manufacturing	Scheduled	U	2	885	885	885	1.40%	-	13.97	-	-	-
International Beef & Veal	Scheduled	U	2	7,329	7,329	7,329	11.57%	-	115.73	-	-	-
John Napoli & Associates, Inc.	Scheduled	U	2	704	704	704	1.11%	-	11.12	-	-	-
Medalla Distributors	Scheduled	U	2	982	982	982	1.55%	-	15.51	-	-	-
Mendez & Co.	6	U	2	3,358	3,358	3,358	5.30%	-	53.02	-	-	-
Municipio de San Juan - IVU	5	U	2	1,127	1,127	1,127	1.78%	-	17.79	-	-	-
Northwestern Selecta, Inc.	2	U	2	5,721	5,721	5,721	9.03%	-	90.33	-	-	-
Oracle Caribbean	Scheduled	U	2	105	105	105	0.17%	-	1.66	-	-	-
Parckers Food Service	1	U	2	7,160	7,160	7,160	11.31%	-	113.06	-	-	-
Plaza Cellars	Scheduled	U	2	360	360	360	0.57%	-	5.69	-	-	-
PR Department of Labor	Scheduled	U	2	9,900	9,900	9,900	15.63%	-	156.32	-	-	-
Professional Steam Cleaning, Inc.	Scheduled	U	2	265	265	265	0.42%	-	4.18	-	-	-
Quirch Foods	Scheduled	U	2	1,403	1,403	1,403	2.22%	-	22.16	-	-	-
Save Logistics, Inc.	Scheduled	U	2	1,311	1,311	1,311	2.07%	-	20.70	-	-	-
Sea World, Inc.	4	U	2	6,438	6,438	6,438	10.17%	-	101.67	-	-	-
The Paperhouse Corporation	Scheduled	U	2	912	912	912	1.44%	-	14.41	-	-	-
V. Suarez & Co. Inc.	Scheduled	U	2	131	131	131	0.21%	-	2.07	-	-	-
Warco Group Corp.	Scheduled	U	2	123	123	123	0.19%	-	1.94	-	-	-
				63,330	63,330	63,330	100.00%	-	1,000.00	-	-	-
General Unsecured over \$10,001												
Aguero Realty	Scheduled	U	3	10,900	10,900	10,900	1.88%	-	56.25	65.63	65.63	-
Autoridad de Energia Electrica	Scheduled	U	3	143,613	143,613	143,613	24.70%	-	741.13	864.65	864.65	-
Ballester & Hermanos	Scheduled	U	3	14,471	14,471	14,471	2.49%	-	74.68	87.13	87.13	-
Concepcion Produce, Inc.	9	U	3	106,632	63,384	63,384	10.90%	-	327.10	381.61	381.61	-
Internal Revenue Services	3	U	3	14,804	14,804	14,804	2.55%	-	76.40	89.13	89.13	-
PR Department of Treasury - IVU	8	U	3	166,357	290,493	290,493	49.97%	-	1,499.11	1,748.97	1,748.97	-
PR Department of Treasury - Taxes	7	U	3	94,747	43,665	43,665	7.51%	-	225.33	262.89	262.89	-
Total for this Class				551,523	581,329	581,329	100.00%	-	3,000.00	3,500.00	3,500.00	-
Equity Security Holders												
Hector A. Andujar Aguiar	Estimated	U	4	-	-	-		-	-	-	-	-
TOTAL FOR PLAN CLASSES				\$ 641,779	\$ 671,585	\$ 671,585		\$ 2,007.74	\$ 27,093	\$ 27,593	\$ 27,593	\$ 24,093

DAVAMADA, INC.
Case no. 15-10223 (BKT)

PAYMENTS UNDER THE PLAN OF REORGANIZATION

Dated: October 14, 2016

Last POC: 10

CREDITOR	CLAIM NUMBER	CLAIM CLASS	PLAN CLASS	CLAIM AMOUNT	EXPECTED ALLOWED AMOUNT	ALLOWED PLAN	Pro-Rata %	Monthly Payment	Year 1	Year 2	Year 3	Year 4
Administrative Expenses												
J. Vilarino, Esq.	Estimated	Adm.	Adm.	20,000	20,000	20,000		-	9,000	11,000	-	-
A. Tamarez, CPA	Estimated	Adm.	Adm.	10,000	10,000	10,000		-	4,000	6,000	-	-
Internal Revenue Services	10	Adm.	Adm.	26,126	26,126	26,126		-	26,126	-	-	-
US Quarterly Fees	Estimated	Adm.	Adm.	4,875	4,875	4,875		-	4,875	-	-	-
Total				61,001	61,001	61,001		-	44,001	17,000	-	-
Unsecured Priority Claim												
Internal Revenue Services	3	Taxes	P	20,943	20,943	20,943		465.88	5,591	5,591	5,591	5,591
Municipio de San Juan - IVU	5	Taxes	P	7,323	7,323	7,323		162.90	1,955	1,955	1,955	1,955
PR Department of Treasury - IVU	8	Taxes	P	780,829	469,126	469,126		2,500.00	30,000	98,000	142,000	230,914
PR Department of Treasury - Taxes	7	Taxes	P	371,057	70,667	70,667.26		1,571.99	18,864	18,864	18,864	18,864
State Insurance Fund	Scheduled	Taxes	P	12,914	19,293	19,293.06		429.17	5,150	5,150	5,150	5,150
Total Unsecured Priority				1,193,065	587,352	587,352		5,129.95	61,559	129,559	173,559	262,473
OVERALL TOTAL				\$ 1,895,845	\$ 1,319,939	\$ 1,319,939		\$ 7,137.68	\$ 132,653	\$ 174,152	\$ 201,152	\$ 286,566

DAVAMADA, INC.
Case no. 15-10223 (BKT)

Payment Proposal for Claim no. 8 filed by PR Department of Treasury on August 9, 2016

<u>Claim as filed</u>			<u>Preliminary amount accepted by Debtor</u>		
<u>Unsecured Priority</u>	<u>General Unsecured</u>	<u>Total Claim</u>	<u>Unsecured Priority</u>	<u>General Unsecured</u>	<u>Total Claim</u>
\$ 780,828.67	\$ 166,356.62	\$ 947,185.29	\$ 469,126.04	\$ 131.39	\$ 469,257.43

Proposed payment schedule based on preliminary amount accepted by Debtor

	<u># of Payments</u>	<u>Monthly Payment</u>	<u>Total Yearly</u>
Year 1	12	2,500.00	\$ 30,000.00
Year 2	12	4,000.00	48,000.00
Lump-sum payment end of year 2			50,000.00
Year 3	12	6,000.00	72,000.00
Lump-sum payment end of year 3			70,000.00
Year 4	11	8,000.00	88,000.00
Final payment end of year 4	1		142,913.83
			<u>\$ 500,913.83</u>

1/ On June 30, 2015 the PR Department of Treasury concluded at tax investigation of sales taxes for years 2009, 2010, 2011, 2012, 2013 and 2014. The result of investigation concluded with an assessment of \$352,542.14 in principal, \$99,584.60 of interests up to 07/15/2015 and \$210,542.96 in penalties for a total of \$662,669.70. In the proof of claim filed, Treasury erroneously included the amount of \$662,669.70 as the principal plus additional interest and penalties computed. The is part of Debtor unacceptance of the amount claimed.

2/ The sum of monthly payments to unsecured priority amount of \$469,126.04 (principal) amortized during four years and annual interest of 3.25% is equal to \$500,913.83.

DAVAMADA, INC.
Case no. 15-10223 (BKT)
 PROJECTED CASH INFLOWS AND OUTFLOWS FOR
 YEARS FROM 1 TO 4 OF THE PLAN

	Monthly	YEAR 1	YEAR 2	YEAR 3	YEAR 4
Inflows from operations					
Sales Income	\$ 100,000	\$ 1,200,000	\$ 1,260,000	\$ 1,323,000	\$ 1,402,380
Total Cash Inflows	\$ 100,000	\$ 1,200,000	\$ 1,260,000	\$ 1,323,000	\$ 1,402,380
Cash outflows for operations					
Cost of Good Sold	39,000	468,000	477,360	491,681	494,139
Wages and Salaries	21,000	252,000	259,560	267,347	268,684
Payroll taxes	2,940	35,280	36,338	37,429	37,616
Insurance & Health Insurances	1,050	12,600	12,600	12,600	12,600
Rent Expenses	3,800	45,600	45,600	45,600	45,600
Patent, Licenses, Permits & Other	800	9,600	9,600	9,600	9,600
Professional Fees	6,000	72,000	72,000	72,000	72,000
Repairs and Maintenance	1,300	15,600	15,600	15,600	15,600
Utilities	6,500	78,000	78,000	78,000	78,000
Merchant & Bank Charges	2,000	24,000	24,000	24,000	24,000
Advertising and Promotions	1,000	12,000	12,000	12,000	12,000
Office Supplies	500	6,000	6,000	6,000	6,000
Other Operating Expenses	3,000	36,000	36,000	36,000	36,000
Total cash outflows for operations	88,890	1,066,680	1,084,658	1,107,856	1,111,838
Net Cash from Operations	\$ 11,110	\$ 133,320	\$ 175,342	\$ 215,144	\$ 290,542
Cash at Beginning of Period		\$ -	\$ 667	\$ 1,856	\$ 15,848
Cash Available for Plan	\$ 11,110	\$ 133,320	\$ 176,008	\$ 217,000	\$ 306,389
PLAN PAYMENTS					
Class 1	2,007.74	24,093	24,093	24,093	24,093
Class 2	-	3,000	3,500	3,500	-
Class 3	-	-	-	-	-
Administrative	-	44,001	17,000	-	-
Priority	5,129.95	61,559	129,559	173,559	262,473
Total Plan Payments	7,137.68	132,653	174,152	201,152	286,566
Cash available after plan payments	\$ 3,972.32	\$ 667	\$ 1,856	\$ 15,848	\$ 19,823

SUMMARY OF MONTHLY PAYMENT THROUGH THE PLAN OF REORGANIZATION BY YEAR

PLAN PAYMENTS	YEAR 1	YEAR 2	YEAR 3	YEAR 4
Class 1	2,007.74	2,007.74	2,007.74	2,007.74
Class 2	-	-	-	-
Class 3	-	-	-	-
Administrative	-	-	-	-
Priority	5,129.95	6,629.95	8,629.95	10,629.95
Total Plan Payments	7,137.68	8,637.68	10,637.68	12,637.68

DAVAMADA, INC.

Debtor in Possession Case No. 15-10223 (BKT)

ASSUMPTIONS AND BASIS FOR PREPARATION OF PROJECTED CASH INFLOWS AND OUTFLOWS OF THE PLAN

General:

The reorganization plan has been proposed considering Debtor's income from the operation of a full service restaurant business located in the vicinity of Old San Juan, which is a vivid and highly busy area visited by many tourists and locals alike. It operates with a work force of approximately 30 employees.

The accompanying schedule of cash inflows and outflows presents to the best of debtor's knowledge and belief, the expected income from operation of the full services restaurant if obtain the approval of the plan of reorganization under Chapter 11. Accordingly, these projections reflect debtors' judgment as of this date, of the expected conditions and their expected course of action if debtor were to obtain this approval.

Debtor believes that its current sale income is the best starting point for the preparation of the projections. The base level for cash receipts for the year is estimated to \$1,200,000 from sale income.

The repayment schedule information has been determined considering the actual payments that will be made to creditors classified, upon the effective date of the reorganization plan.

Major assumptions and bases thereof for the source income and expenses as projected are as follows:

Income Sources:

For the purpose of determining the expected amount of cash flows for the year, debtor have considered the actual cash receipts generated from the operation of the full service restaurant, plus those sales to be generated from new business strategies and serving alcoholic drinks.

Expenses:

The basis for operating expenses was set considering the current expenditures and excluding the unusual and non-recurring events. The determination of expenses had been based on current decrease and controlling expense strategies being implemented.

DAVAMADA, INC.
Case no. 15-10223 (BKT)
 SUMMARY OF MONTHLY OPERATING REPORTS
 FROM DECEMBER 23 2015 TO AUGUST 31, 2016

	MONTHS									TOTAL
	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	
FUNDS AT BEGINNING OF PERIOD	\$ (38,092)	\$ (16,669)	\$ (12,576)	\$ 8,239	\$ 5,386	\$ (5,050)	\$ 897	\$ 5,461	\$ 2,360	\$ (38,092)
CASH RECEIPTS:	35,830	110,035	105,873	106,071	89,392	80,901	80,009	61,760	68,802	738,675
CASH DISBURSEMENTS										
Operating Disbursements	11,408	105,942	80,934	105,123	96,029	73,004	67,845	64,861	88,229	693,375
US Trustee	-	-	325	-	-	1,950	-	-	1,951	4,226
Rent	-	-	3,800	3,800	3,800	-	7,600	-	-	19,000
Leases	-	-	-	-	-	-	-	-	-	-
Professional Fees (Bankruptcy)	3,000	-	-	-	-	-	-	-	-	3,000
TOTAL CASH DISBURSEMENT	\$ 14,408	\$ 105,942	\$ 85,059	\$ 108,923	\$ 99,829	\$ 74,954	\$ 75,445	\$ 64,861	\$ 90,180	\$ 719,602
ENDING BALANCE	\$ (16,669)	\$ (12,576)	\$ 8,239	\$ 5,386	\$ (5,050)	\$ 897	\$ 5,461	\$ 2,360	\$ (19,018)	\$ (19,018)

During these periods, Debtor was only serving food and non-alcoholic drinks.

DAVAMADA, INC.

**Debtor in Possession
Case No. 15-10223 (BKT)**

**ASSUMPTIONS AND BASIS FOR PREPARATION
SUMMARY OF MONTHLY OPERATING REPORTS**

In order to properly describe debtor operations the schedule attached herein summarizes all business transactions as previously reported in the Monthly Operating Reports from December 23, 2015 to August 31, 2016 filed with the Bankruptcy Court. All amounts of debtor's receipts and disbursements during the pendency of this bankruptcy case can be traced directly to the Monthly Operating Reports that have been filed.

Debtor operates a full service restaurant business located in the vicinity of Old San Juan, which is a vivid and highly busy area visited by many tourists and locals alike. Its operates with a work force of approximately 30 employees. During these reported period, Debtor was only serving food and non-alcoholic drinks.

As to the basis for presentation of Operating Reports, debtor followed the format established by the United States Trustee Operating Guidelines, implemented in this Judicial District by the Regional Office. Although debtor maintains its accounting records in the accrual method of accounting, actual receipts and disbursements have been ascertained and included in this prescribed format.