

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

**IN RE:**

**DESARROLLADORA LCP, CORP.**

**DEBTOR**

**CASE NO. 15-10349 (BKT)**

**CHAPTER 11**

**AMENDED DISCLOSURE STATEMENT**

**OF**

**DESARROLLADORA LCP, CORP.**

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## I. INTRODUCTION

Pursuant to Section 1125 of the United States Bankruptcy Code, 11 U.S.C. § 101, *et seq.* (the "Bankruptcy Code"), Desarrolladora LCP, Corp., debtor and debtor-in-possession in the above captioned case ("Debtor"), submits its Amended Disclosure Statement (the "Amended Disclosure Statement") to all of its known creditors and parties in interest in the captioned case. The purpose of the Amended Disclosure Statement is to provide such information as Debtor believes may be deemed necessary for Debtor's creditors to make an informed decision in exercising their rights to vote on Debtor's Plan (the "Plan"), dated as of the date of the Amended Disclosure Statement. The Plan is being filed with the United States Bankruptcy Court for the District of Puerto Rico ("Bankruptcy Court")<sup>1</sup> simultaneously herewith.

Debtor recommends that you vote to accept the Plan. Each creditor must, however, review the Plan and the Amended Disclosure Statement carefully, including all Exhibits in their entirety, and determine whether or not to accept or reject the Plan based upon that creditor's independent judgment and evaluation. The description of the Plan in the Amended Disclosure Statement is in summary form and is qualified by reference to the actual terms and conditions of the Plan, which should be reviewed carefully before making a decision to accept or reject the Plan. Capitalized terms not otherwise defined herein have the same meaning as set forth in the Plan, other terms shall have the meaning ascribed to them in the Bankruptcy Code.

The information contained in the Amended Disclosure Statement has been provided by Debtor based upon Debtor's knowledge of its records, business, and affairs.

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<sup>1</sup> Capitalized terms shall have the meaning as defined in the Plan.

Except as otherwise expressly indicated, the information provided by Debtor in the Amended Disclosure Statement has not been subject to an audit or independent review. Although great efforts have been made to be accurate, Debtor, its counsel and other professional advisors do not warrant the accuracy of the information contained herein.

The Amended Disclosure Statement has not yet been approved by the Bankruptcy Court as providing information deemed adequate to permit Debtor's creditors to make an informed judgment in exercising their right to vote for or against the Plan.

No representations concerning Debtor, including the value of its assets, or the aggregate dollar amount of claims which may be allowed are authorized other than as set forth in the Amended Disclosure Statement. Any representations, warranties or agreements made to secure acceptance or rejection of the Plan by Debtor's creditors that differ from those contained in the Amended Disclosure Statement should not be relied upon in voting on the Plan.

Debtor believes that the Plan provides the quickest recovery and will maximize the return to creditors on their Claims. **ACCORDINGLY, DEBTOR URGES ALL CREDITORS TO VOTE IN FAVOR OF THE PLAN.**

## **II. SUMMARY OF THE PLAN**

The Plan specifies the manner in which the Claims and Interest in the Debtor are to be treated. Allowed Administrative Expense Claims and Allowed Priority Tax Claims are not classified for purposes of voting under the Plan, but the Plan does provide for the treatment of such Claims. The table below provides a summary of the treatment of those claims and of the various Classes of Claims against Debtor, as well as that of Debtor's shareholder's interest in Debtor. To the extent that the terms of the Amended

Disclosure Statement vary from those of the Plan, the terms of the Plan will control.

DESCRIPTION OF CLAIM	CLASS	ESTIMATED AMOUNT OF ALLOWED CLAIM	TREATMENT AND ESTIMATED RECOVERY UNDER THE PLAN
<p><b>Holders of Allowed Administrative Expense Claims (Estimated)</b></p>	<p>N/A</p>	<p>\$121,400.00</p>	<p>Unimpaired.</p> <p>Estimated Recovery: 100%</p> <p>Except as otherwise agreed to by Debtor and the Holder of an Allowed Administrative Expense Claim, each such Holder shall be paid in full by Debtor in the regular course of Debtor’s business or as authorized by the Court, on or before the Effective Date of the Plan.</p> <p>Payments to Professionals will be made as approved by the Bankruptcy Court. US Trustee Quarterly Fees will continue to be paid when due, with any outstanding balance to be paid on or before the Effective Date of the Plan.</p>
<p><b>Holders of Allowed Priority Tax Claims (Secured and Unsecured)</b></p>	<p>N/A</p>	<p>\$86,656.63</p>	<p>Unimpaired.</p> <p>Estimated Recovery: 100%</p> <p>Holders of Allowed Priority Tax Claims, Secured and Unsecured, in excess of \$5,000, shall be paid by Debtor either: (i) upon such terms as may be agreed to with such Holders, (ii) on the later of the Effective Date of the Plan or the date that such Allowed Priority Tax Claims would have been due if the Bankruptcy Case had not been commenced, or (iii) in forty-eight (48) deferred consecutive monthly installments, commencing on the Effective Date of the Plan and continuing on the 30<sup>th</sup> day of each month thereafter over a 47-month period after the Effective Date of the Plan, equal to the amount of such Allowed Priority Tax Claims, plus the statutory rate of interest prevailing during the month the Plan is confirmed, estimated at 4.25% per annum, provided that the payment to the holders of Allowed Priority Tax Claims is effected in a manner not less favorable than the most favored non-priority unsecured claims provided for in the Plan. Monthly payments were estimated in \$1,813.13.</p> <p>Holders of Allowed Priority Tax Claims, Secured</p>

DESCRIPTION OF CLAIM	CLASS	ESTIMATED AMOUNT OF ALLOWED CLAIM	TREATMENT AND ESTIMATED RECOVERY UNDER THE PLAN
<p><b>Allowed Secured Claim of the Economic Development Bank of P.R. (“EDB”)</b></p>	<p>Class 1</p>	<p>\$233,000.00</p>	<p>Impaired</p> <p>Estimated Recovery: 100%</p> <p>EDB’s Secured Claim arising from a loan for the acquisition of certain machinery and equipment used by Debtor in its Entertainment Center, shall be paid over a 360-month period, with equal monthly installments of \$1,287.00, including principal and interest at 5.25% per annum, commencing on the Effective Date of the Plan and continuing on the thirtieth (30<sup>th</sup>) of the subsequent three hundred and fifty-nine (359) months.</p> <p>EDB will retain unaltered its security interest over the collateral securing its claim, until its full payment of the same.</p>
<p><b>Holders of Allowed Cure Claims from Assumed Unexpired Leases and Executory Contracts</b></p>	<p>Class 2</p>	<p>\$1,052,262.03</p>	<p>Impaired.</p> <p>Estimated Recovery: 100%</p> <p>Holders of Allowed Unsecured Claims arising from the assumed unexpired leases and executory contracts, except for the claim arising from the assumption of the non-residential lease agreement with the Municipality of Caguas; shall be paid in full satisfaction of their claims 100% thereof through twenty-four (24) consecutive monthly installments commencing on the Effective Date of the Plan and continuing on the thirtieth (30<sup>th</sup>) day of the subsequent twenty-three (23) months.</p> <p>The Cure Claim resulting from the assumption of the non-residential lease agreement with the Municipality of Caguas shall be paid in full in cash, through one hundred and ninety-two (192) equal consecutive monthly installments of \$6,071.41, including principal and interest at 2% per annum, commencing on the Effective</p>

DESCRIPTION OF CLAIM	CLASS	ESTIMATED AMOUNT OF ALLOWED CLAIM	TREATMENT AND ESTIMATED RECOVERY UNDER THE PLAN
<p><b>Holders of Allowed General Unsecured Claims</b></p>	<p>Class 3</p>	<p>\$1,723,373.30</p>	<p>Impaired.</p> <p>Estimated Recovery: 10%</p> <p>Holders of Allowed General Unsecured Claims in excess of \$20,000, excluding those from the Equity Holder, Debtor’s affiliates and Oriental Bank, will be paid in full satisfaction of their claims 10% thereof through sixty (60) equal consecutive monthly installments of \$1,940.14, commencing on the Effective Date of the Plan and continuing on the thirtieth (30<sup>th</sup>) day of the subsequent fifty-nine (59) months.</p> <p>Holders of Allowed General Unsecured Claims of \$20,000 or less, will receive in full satisfaction of their claims 10% thereof, on the Effective Date of the Plan.</p> <p>Oriental Bank’s proof of claim number 20 resulting from Debtor’s guarantee of Debtor’s Shareholder’s loan, will continue to be paid by Debtor’s Shareholder, without any payments under the Plan.</p>
<p><b>The Equity Interests</b></p>	<p>Class 4</p>	<p>N/A</p>	<p>Unimpaired.</p> <p>Estimated Recovery: N/A</p> <p>The Equity Holder will not receive any distribution under the Plan, but will retain his shares in Debtor, unaltered.</p>

For a more detailed description of the treatment of the foregoing Classes of Claims and Interest, see “Treatment of Claims and Interest under the Plan”.

The Amended Disclosure Statement has been prepared by Debtor to provide



creditors with adequate information so that they can make an informed judgment about the Plan. Each creditor should read the Amended Disclosure Statement and the Plan in their entirety before voting on the Plan. No solicitation of votes on the Plan may be made except pursuant to the Amended Disclosure Statement and no person has been authorized to utilize any information concerning Debtor's assets other than the information contained herein for purposes of solicitation.

### **III. INFORMATION ABOUT THE REORGANIZATION PROCESS**

#### **3.1 Purpose of a Disclosure Statement**

The Amended Disclosure Statement includes background information about Debtor and identifies the classes into which creditors and the equity holder have been placed by the Plan. It describes the proposed treatment of each of those Classes if the Plan is confirmed and contains information concerning the prospects in the event of confirmation or, in the alternative, the prospects if confirmation is denied or the proposed Plan does not become effective.

Upon its approval by the Bankruptcy Court, the Amended Disclosure Statement and its Exhibits will have been found to contain, in accordance with the provisions of the Bankruptcy Code, adequate information of a kind and in sufficient detail to enable a reasonable, hypothetical investor, typical of a holder of an impaired claim or an interest to make an informed judgment about the Plan. Approval of the Amended Disclosure Statement, however, does not constitute a recommendation by the Bankruptcy Court either for or against the Plan.

#### **3.2 Voting Procedure**

All creditors entitled to vote on the Plan may cast their votes for or against the Plan by completing, dating, signing and causing the Ballot Form accompanying this

Amended Disclosure Statement as **Exhibits A1 through A3**, to be returned to the following address:

**DESARROLLADORA LCP, CORP.  
c/o CHARLES A. CUPRILL, P.S.C., LAW OFFICES  
356 Fortaleza Street – Second Floor  
San Juan, PR 00901**

The Ballots must be received **on or before 4:00 P.M. (Eastern Standard Time) on \_\_\_\_\_, 2016**, to be counted in the voting. Ballots received after this time will not be counted in the voting unless the Bankruptcy Court so orders. Debtor recommends a vote for "ACCEPTANCE" of the Plan.

### **3.3 Ballots**

Pursuant to the provisions of the Bankruptcy Code, only classes of claims or interests which are "impaired" under the terms and provisions of a plan are entitled to vote to accept or reject such plan. A Class is deemed not to have accepted a plan if such plan provides that the claims or interests of such Class don't entitle the holders of such claims or interests to receive or retain any property under the Plan on account of such claims or interests.

Classes 1, 2, and 3 are impaired under the Plan and entitled to vote for acceptance or rejection of the Plan. Class 4 is unimpaired under the Plan and thus, is deemed to have accepted the Plan and not entitled to vote to accept or reject the Plan.

A party who holds claims in more than one impaired Class should complete a Ballot for each Class with respect to the applicable portion of the claim included in each Class.

### **3.4 The Confirmation Hearing**

Pursuant to Section 1128 of the Bankruptcy Code, the Bankruptcy Court has

scheduled a hearing on confirmation of the Plan to commence on \_\_\_\_\_  
**2016 at \_\_\_\_M.**, or as soon thereafter as the parties can be heard. The Confirmation Hearing will be held before the Honorable Brian K. Tester, United States Bankruptcy Judge, 300 Recinto Sur Street, San Juan, Puerto Rico 00901, or before such other Bankruptcy Judge and at such other place as may be indicated in the future.

At the Confirmation Hearing, the Bankruptcy Court will consider whether the Plan satisfies the various requirements of the Bankruptcy Code, including whether it is feasible and in the best interests of holders of claims and interests. The Bankruptcy Court will also receive and consider a Report of Plan Voting prepared by Debtor, summarizing the votes for acceptance or rejection of the Plan by parties entitled to vote.

The Confirmation Hearing may be adjourned from time to time without further notice except for the announcement of the adjourned date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

At the Confirmation Hearing with respect to the Plan, the Bankruptcy Court will (i) determine whether the requisite votes have been obtained for each Class, (ii) hear and determine objections, if any, to the Plan and to the confirmation of the Plan, that have not been previously disposed of, (iii) determine whether the Plan meets the confirmation requirements of the Bankruptcy Code, and (iv) determine whether to confirm the Plan.

Any objection to confirmation of the Plan must be in writing, filed and served as required by the Bankruptcy Court pursuant to the order approving the Amended Disclosure Statement, a copy of which is attached as **Exhibit B** hereto.

### **3.5 Acceptances Necessary to Confirm the Plan**

The vote of each holder of an impaired claim entitled to vote is important since at the Confirmation Hearing and as condition to the confirmation of the Plan on a consensual basis, the Bankruptcy Court must determine, among other things, whether each impaired Class of creditors and interest holders entitled to vote has accepted a plan. Under Section 1126 of the Bankruptcy Code, an impaired Class of creditors is deemed to have accepted a plan if at least 2/3 in amount and more than 1/2 in number of the Allowed Claims of the Class members who actually cast ballots to accept or reject the plan, accept the plan. A class of interest holders is deemed to have accepted a plan if at least 2/3 in amount of the allowed interests of such Class held by holders of such interests who actually cast ballots to accept or reject the plan. Further, unless there is acceptance of the Plan by all members of an impaired Class, the Bankruptcy Court must also determine that under the Plan, Class members will receive property of a value, as of the Effective Date of the Plan, that is not less than the amount that such Class members would receive or retain if the debtor were to be liquidated under Chapter 7 of the Bankruptcy Code on the Effective Date of the Plan.

### **3.6 Confirmation of the Plan without the Necessary Acceptances**

If a Class or Classes of impaired Claims do not accept the Plan, Debtor will request confirmation of the Plan under the "cram down" provisions of Section 1129(b) of the Bankruptcy Code, which permits confirmation, notwithstanding non-acceptance by one or more impaired Classes, if the Bankruptcy Court finds that the Plan does not discriminate unfairly against and is fair and equitable as to each non-accepting Class entitled to vote on the Plan, as long as at least one class of impaired creditors votes to accept the Plan. Section 1129(b) of the Bankruptcy Code requires among other things,

that claimants must either receive the full value of their claims and if they receive less, that no Class with junior liquidation priority may receive anything. **THESE CALCULATIONS ARE BASED ONLY ON THE CLAIMS AMOUNTS AND NUMBER OF CREDITORS WHO ACTUALLY VOTE. ANY BALLOT THAT IS VALIDLY EXECUTED THAT DOES NOT CLEARLY INDICATE REJECTION OF THE PLAN SHALL BE DEEMED TO CONSTITUTE A VOTE FOR ACCEPTANCE OF THE PLAN. THE VOTE OF EACH CREDITOR IS IMPORTANT.**

#### **IV. GENERAL INFORMATION**

##### **4.1 Debtor's Description and Historical View.**

Debtor is a corporation organized under the laws of the Commonwealth of Puerto Rico in August, 2004. Since that date, and up to December 31, 2007, Debtor was in its development stage, primarily engaged in obtaining financing, constructing a building at Goyco Street, corners of Muñoz Rivera Avenue and Baldorioty Street, Caguas, Puerto Rico, marketing and entering into lease agreements for office spaces thereat, and in other administrative functions. Parking facilities at the building were opened to the public in December 2006. In 2007 construction of the building was completed, and the development of a family entertainment center at the top level of the building was commenced. The entertainment center was opened to the public during the last week of April 2008 under the name of "Bowlera", which includes 17 bowling lanes, restaurants, an ample selection of electronic games, meeting rooms, and various other features and amenities. During 2013, a new entertainment facility named *Laser Zone* was opened at the ground floor of the building. The building has been named Lincoln Center Plaza. It also includes an underground level and a six-story structure with offices, commercial spaces, and approximately 500 parking spaces.

For the reasons set forth below, on December 14, 2011, the Lincoln Center Plaza was sold by Debtor to the Municipality of Caguas (the "Municipality") under an agreement for its lease and management with a payment to the Municipality of approximately \$480,000.00 per year (the "Lease Back").

#### **4.2 Events Preceding Debtor's Chapter 11 Filing.**

The economic downturn and recession experienced by Puerto Rico during the last years adversely impacted numerous sectors and entities, including Debtor's principal industry. Although, Debtor had a construction loan in place with Scotiabank, due to various change orders for the building, as per the request of the Municipality, Debtor's shareholder and certain of its affiliates, entered into various separate additional bank loans to finance the additional construction costs of the building.

As a result, Debtor was unable to pay on a timely basis the construction loan with Scotiabank, who agreed to a discounted pay off with Debtor whereby; Debtor sold the building to the Municipality for \$10 Million, using the funds for the full payment and release of Scotiabank secured claim and entered into the Lease Back.

After various years of controversy as to the obligations of each party regarding the compensation needed for the proper administration of the building, the losses experienced in the operation of the parking operations, and the inability to timely pay the rent under the Lease Back, on December 4, 2015, the Municipality rejected all the restructuring proposals made thereto by Debtor and sent a letter to Debtor requesting the prompt payment of the rent in arrears, stating that failure to

do so would result in the cancellation of the Lease Back within 30 days from the receipt of the letter.

As a result, and in order to protect its assets and operations, on December 30, 2015, Debtor filed a Voluntary Petition for relief under the provisions of Section 362 of Chapter 11 of the United States Bankruptcy Code on the United States Bankruptcy Court, District of Puerto Rico.

#### **4.3 Debtor's Post-Petition Endeavors.**

As a result of the filing by the Chapter 11 petition, Debtor received the benefits of 11 U.S.C. § 362(a), which stayed all collection actions and judicial proceedings against Debtor, providing it with the opportunity to file a Plan and Amended Disclosure Statement, as envisioned by the Bankruptcy Code, without the pressures that drove Debtor into Chapter 11. The United States Trustee held the first meeting of creditors pursuant to Section 341 of the Bankruptcy Code in Debtor case on February 5 and 22, 2016, which was closed.

Debtor has undertaken the following efforts for the benefit of its Estate and its creditors:

Debtor sought and obtained the Bankruptcy Court's approval to retain Charles A. Cuprill, PSC Law Offices, as its bankruptcy counsel.

Debtor also sought and obtained the Bankruptcy Court's approval to retain Luis R. Carrasquillo, CPA ("Carrasquillo") as its financial consultant on all matters pertaining to Debtor's reorganization.

## **V. CLAIMS AGAINST DEBTOR**

### **5.1 Claims Against Debtor**

Claims against Debtor that are Allowed Claims, as defined in the Plan, will be entitled to distribution pursuant thereto, as indicated in pages 6-8 hereof.

The Plan provides that only the holders of Allowed Claims, that is, holders of Claims not in dispute, not contingent, liquidated in amount and not subject to objection or estimation are entitled to receive distribution thereunder. Until a claim becomes an Allowed Claim, distribution will not be made to the holder of such claim.

## **5.2 Objections to Claims**

The amounts set forth as due to holders of unclassified and classified claims are estimates only, based upon Debtor's Schedules or Debtor's belief as to amounts due thereto. Debtor is including as **Exhibit C** hereto an Updated Summary of Claims and Plan Payments as of July 26, 2016, including reconciliation of claims against Debtor, indicating those objected, to be objected, and those pending for review.

Any objections to Claims must be filed and served on the holders thereof by the Claims Objection Bar Date, which as set forth in the Plan is the later of the date that such claims become due and payable in accordance with their terms, or thirty (30) days before the first date fixed by the Bankruptcy Court for the hearing on the confirmation of Debtor's Plan. If an objection has not been filed to a Claim by the Claims Objection Bar Date, the Claim will be treated as an Allowed Claim.

Objections to Claims filed in Debtor's Chapter 11 case are to be prosecuted by Debtor, including any application to estimate or disallow Claims for voting purposes.

## **VI. DESCRIPTION OF THE PLAN**

The following is a summary of the significant provisions of the Plan and is qualified in its entirety by said provisions. A copy of the Plan is being filed simultaneously herewith. In the event and to the extent that the description of the Plan



contained in the Amended Disclosure Statement is inconsistent with any provisions of the Plan, the provisions of the Plan shall control and take precedence. All creditors are urged to carefully read the Plan.

Except as otherwise agreed to by Debtor and the Holder of an Allowed Administrative Expense Claim, each such Holder shall be paid in full by Debtor on or before the Effective Date of the Plan.

### **6.1 Unclassified Claims**

In accordance with Section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Claims are not classified in the Plan. A description of the unclassified claims and the Claims and Interest in each class, as well as the estimated principal amount thereof as of the Effective Date of the Plan and their treatment, are set forth in the Plan. Administrative Expense Claims are generally the ordinary and necessary costs of administering and operating during a Chapter 11 case.

### **6.2 Administrative Expense Claims**

Except as otherwise agreed to by Debtor and the holder of an Allowed Administrative Expense Claim, each such holder shall be paid in full in the regular course of business or as authorized by the Court on or before the Effective Date of the Plan.

If Debtor disputes any portion of an Administrative Expense Claim, Debtor shall pay such Claim within thirty (30) days after the entry of a Final Order with respect to the allowance of such disputed Administrative Expense Claim.

### **6.3 Professional Fee Claims**

The professionals retained by Debtor in Debtor's Chapter 11 case have and will incur fees and expenses from the date of their retention through the Effective Date of

the Plan. It is impossible to predict the amount of professional administrative expense fees that will be incurred through the confirmation of the Plan. As of the filing of this Amended Disclosure Statement, Debtor has paid its Chapter 11 counsel and financial consultant \$59,155.00, in professional fees.

Debtor estimates that additional Allowed Professionals Fee Claims, to all professionals, retained by Debtor will add to approximately \$85,000, for unpaid services to be rendered and expenses incurred up to the Confirmation of the Plan.

All amounts paid and to be paid to professionals through the Confirmation Date, including interim fees and expenses are subject to final Bankruptcy Court approval. Debtor reserves the right to contest the allowance of any professional fees.

#### **6.4 Priority Tax Claims**

Priority Tax Claims are claims entitled to priority pursuant to Section 507(a)(8) of the Bankruptcy Code. Such Priority Tax Claims consist of taxes accrued prior to the Petition Date, due to Centro de Recaudación de Ingresos Municipales ("CRIM"), Department of the Treasury of Puerto Rico, the Department of Labor and Human Resources of Puerto Rico, the Internal Revenue Service, the Municipality and Puerto Rico's State Insurance Fund Corporation.

Holders of Allowed Priority Tax Claims, Secured and Unsecured, in excess of \$5,000.00 shall be paid by Debtor either: (i) upon such terms as may be agreed to with such Holders, (ii) on the later of the Effective Date of the Plan or the date that such Allowed Priority Tax Claims would have been due if the Bankruptcy Case had not been commenced, or (iii) in forty-eight (48) deferred consecutive monthly installments, commencing on the Effective Date of the Plan and continuing on the 30<sup>th</sup> day of each month thereafter over a 47-month period after the Effective Date

of the Plan, equal to the amount of such Allowed Priority Tax Claims, plus the statutory rate of interest prevailing during the month the Plan is confirmed, estimated at 4.25% per annum, provided that the payment to the holders of Allowed Priority Tax Claims is effected in a manner not less favorable than the most favored non-priority unsecured claims provided for in the Plan.

Holders of Allowed Priority Tax Claims, Secured and Unsecured for \$5,000.00 or less, will be paid in full, in cash, on the Effective Date of the Plan. The estimated Priority Tax Claims are listed on **Exhibit D** hereto.

## **6.5 Classes of Claims and Equity Interest**

As of the Petition Date, Debtor had secured claims due to the Economic Development Bank of Puerto Rico, Cure Claims from Assumed Executory Contracts, and General Unsecured Claims as more particularly described below. The Plan classifies the various claims against Debtor. A description of all classes of Claims and the Equity Interest, the estimated principal amount due to each Class as of the Effective Date of the Plan and its treatment are set forth below. The Classes of Claims and the Interest in Debtor set forth in the Plan are as follows:

Class 1 – EDB's Allowed Secured Claim for \$233,000.00, arising from a loan for the acquisition of certain machinery and equipment used by Debtor in its entertainment center.

Class 2 - Allowed Cure Claims from assumed unexpired leases and executory contracts in the aggregate amount of \$1,052,262.03..

Class 3 – Holders of Allowed General Unsecured Claims in the aggregate amount of \$1,723,373.30.

Class 4 –The Equity Interest – The Equity Holder.

## **6.6 Treatment of Claims.**

Class 1 – EDB's Allowed Secured Claim

- (a) Impairment and Voting – Class 1 is impaired under the Plan and is entitled to vote to accept or reject the Plan.
- (b) Distribution – This Claim shall be paid over a 360-month period, with equal monthly installments of \$1,287.00, including principal and interest at 5.25% per annum, commencing on the Effective Date of the Plan and continuing on the thirtieth (30<sup>th</sup>) day of the subsequent three hundred and fifty-nine months (359) months. EDB will retain unaltered its security interests over the collateral securing its claim until its full payment.

Class 2 – Allowed Cure Claims arising from assumed unexpired leases and executory contracts

- (a) Impairment and Voting - Class 2 is impaired under the Plan and is entitled to vote to accept or reject the Plan.
- (b) Distribution – Holders of these claims, except for those claims arising from the assumption of the non-residential lease agreement with the Municipality, shall be paid in full satisfaction of their claims 100% thereof through twenty-four (24) consecutive monthly installments commencing on the Effective Date of the Plan and continuing on the thirtieth (30<sup>th</sup>) day of the subsequent twenty-three (23) months.

The Cure Claim resulting from the assumption of the non-residential lease agreement with the Municipality of Caguas shall be paid in full in cash,

through one hundred and ninety-two (192) equal consecutive monthly installments of \$6,071.41, including principal and interest at 2% per annum, commencing on the Effective Date of the Plan and continuing on the thirtieth (30th) day of the subsequent 191 months, until the full payment of this claim, pursuant to the joint motion for the assumption of this non-residential lease agreement filed at Docket No. \_\_\_\_.

Class 3 -  Holders of Allowed General Unsecured Claims

- (a)  Impairment and Voting  - Class 3 is impaired under the Plan and is entitled to vote to accept or reject the Plan.
- (b)  Treatment  - Holders of these claims in excess of \$20,000.00, excluding those from the Equity Holder and Debtor's affiliates and the claim from Oriental Bank, will be paid in full satisfaction of their claims 10% thereof through sixty (60) equal consecutive monthly installments of \$1,940.14, commencing on the Effective Date of the Plan and continuing on the thirtieth (30<sup>th</sup>) day of the subsequent fifty-nine (59) months. The Holders of Allowed General Unsecured Claims of \$20,000 or less, will receive in full satisfaction of their claims 10% thereof, on the Effective Date of the Plan. Oriental Bank's proof of claim number 20, resulting from Debtor's guarantee of Debtor's Shareholder of a personal loan, will continue to be paid by Debtor's Shareholder, without any payments under the Plan.

Class 4 -  The Interest of Debtor's Shareholder

- (a)  Impairment and Voting  - Class 4 is unimpaired under the Plan, is not entitled to vote to accept or reject the Plan, as it is deemed to have rejected the

Plan pursuant to 11USC § 1126 (g).

- (b) Distribution – The Equity Holder will not receive any distribution under the Plan, but will retain his shares in Debtor, unaltered.

### **6.7 Means for Implementation of the Plan**

Claims will be paid with available funds arising from Debtor's operations, available cash balance as of the Effective Date of the Plan, the collections of Debtor's accounts receivable, and Debtor's continued operations.

Debtor's Cash Flows Projections, showing the feasibility of the Plan are included hereto as **Exhibit E** hereto. The projections present Debtor's projected results of operations and Plan payments during the five-year period ending on December 31, 2020, and consider the implementation of the Plan.

### **6.8 Cancellation of Existing Agreements**

Except to the extent reinstated or unimpaired under this Plan, or for purposes of evidencing a right to distribution under the Plan or as otherwise provided herein, on the Effective Date of the Plan, all agreements and other documents evidencing any Claim or rights of any holder of a Claim against Debtor, including all indentures and notes evidencing such Claims, shall be cancelled.

### **6.9 Effectuating Documents and Further Transactions**

Upon entry of the Confirmation Order, Debtor shall be authorized and instructed to execute, deliver, file or record such contracts, instruments, releases, consents, certificates, resolutions and other agreements and documents and take such actions as may be reasonably necessary or appropriate to effectuate, implement, consummate and further evidence the terms and conditions of the Plan,

including, without limitation, implementing all settlements and compromises as set forth in or contemplated by the Plan and performing all obligations under the Plan.

### **6.10 Authority to Act**

Prior to, on or after the Effective Date of the Plan (as appropriate), all matters expressly provided for under the Plan that would otherwise require approval of the stockholder, security holders, officers, directors, partners, managers, members of Debtor shall be deemed to have occurred and shall be in effect prior to, on or after the Effective Date of the Plan (as appropriate) pursuant to the applicable law of Puerto Rico, without any requirement of further vote, consent, approval, authorization or other action by such stockholders, security holders, officers, directors, partners, managers, members of Debtor or notice to, order of or hearing before the Bankruptcy Court.

### **6.11 Debtor's Post Confirmation Management**

After confirmation of the Plan, Debtor will continue with its current management, consisting of its President, Mr. Manuel Morales López ("Morales"), and others members of its management team in fundamental positions for Debtor's operations. Mr. Morales annual salary is estimated in \$240,000.00.

### **6.12 Executory Contracts and Unexpired Leases**

As of the Petition Date, Debtor was a party to various executory contracts and unexpired leases as set forth in Schedule G to its Schedules, and in **Exhibit K** hereto. Any executory contract or unexpired leases (other than insurance policies) which (i) has not expired by its own terms on or prior to the Confirmation Date, (ii) has not been assumed and assigned or rejected with the approval of the Bankruptcy Court on or prior to the Confirmation Date, (iii) is not the subject of a

motion to assume or reject which is pending on the Confirmation Date, except for those listed below in Section 7.4 which shall be assumed by Debtor, unless otherwise prior to the Confirmation Date, shall be deemed rejected on the Effective Date of the Plan, and the entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such rejection pursuant to Sections 365(a) and 1123(b)(2) of the Bankruptcy Code. If the rejection of any executory contract or unexpired lease, other than those indicated above, results in a claim for damages by the other party or parties to such contract or lease, any claim for such damages, if not evidenced already by a filed proof of claim, shall be forever barred and shall not be enforceable against the Estates, or their properties or agents, successors, or assigns, unless a proof of claim is filed with the Bankruptcy Court and served upon counsel for Debtor on or before forty-five (45) days following the Confirmation Date. Debtor retains the right to further object to any rejection damages claims filed in accordance with this Section.

### **6.13 Exculpation**

Debtor, and its present and former members, officers, directors, representatives, shareholders, employees, advisors, attorneys and agents acting in such capacity shall have no liability to any Holder of any Claim or the Equity Interest or any other Person for any act taken or omission made after the Petition Date in connection with, or arising out of the captioned case, the Plan, the Amended Disclosure Statement, the solicitation of votes for confirmation of the Plan, the administration of the Plan or Debtor's property distributed under the Plan, or any transaction contemplated by the Plan or the Amended Disclosure Statement in furtherance thereof, except for willful misconduct or gross negligence, as determined by a Final Order of the Court and, in all respects, shall be



entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. Nothing in the Plan shall release, discharge or exculpate any non-Debtor party from any Claim owed to the United States Government or its agencies, including any liability arising under the Internal Revenue Code or criminal laws of the United States.

## **VII. LIQUIDATION AND FINANCIAL ANALYSIS**

### **7.1 Best Interest of Creditors and Comparison with Chapter 7 Liquidation**

The Liquidation Analysis, **Exhibit F** hereto, reveals that in the event of a liquidation of Debtor's assets under Chapter 7, considering the costs and expenses of such a proceeding, there would be a substantial loss to Debtor's Estate. It reflects that in a liquidation scenario, the Secured Claim, Chapter 7 Administrative Claims and Chapter 11 Administrative Claims, would receive 100% thereof, leaving less than **\$45,000.00** in the Estate, thus Priority Claims would only receive a dividend of **51%** of their allowed claims. Moreover, under this scenario, Holders of Allowed General Unsecured Claims will not receive any dividends.

Confirmation of the Plan will assure that holders of Administrative Expense Claims, Allowed Priority Tax Claims, and General Unsecured Claims will receive prompt dividends on their claims, as set forth above.

The Liquidation Analysis contains estimates and assumptions that, although developed and considered reasonable by Debtor, are inherently subject to significant economic uncertainties and contingencies beyond Debtor's control.

### **7.2 Feasibility of the Plan**

#### **A) Financial Projections**

Debtor, with the assistance of its Court appointed financial consultant, has prepared updated financial projections (the "Projections") based on the confirmation and implementation of the Plan. They are premised on estimates and assumptions that, although developed and considered reasonable by Debtor are inherently subject to significant economic uncertainties and contingencies beyond Debtor's control, as well as on certain assumptions with regard to the value of assets that are subject to change. Accordingly, there can be no assurance that the projected performance reflected in the Projections will be realized.

The Projections are attached as **Exhibit E** hereto. As **Exhibit G** hereto, Debtor is including copy of its interim financial statements as of December 31, 2015. **Exhibit H** hereto reflects Debtor's audited financial statements for the year ended December 31, 2014. **Exhibit I** hereto consists of Debtor's Monthly Operating Report as of June 30, 2016. **Exhibit J** hereto consists of Debtor's Summary of Monthly Operating Report as of June 30, 2016.

**B) Funds and Assets Sufficient for Payments Required under the Plan**

As of the Petition Date, Debtor owned assets and had liabilities, as more particularly described in its Schedules and Statement of Financial Affairs, filed with the Bankruptcy Court on December 30, 2015, and as Amended on January 29, 2016 and March 11, 2016. Debtor has prepared and filed with the Bankruptcy Court monthly operating reports summarizing its post-petition financial performance (see Exhibits I and J). These monthly operating reports and Debtor's Schedules, Statement of Financial Affairs, and schedules of executory contracts are available for public inspection at the office of the Clerk of the Bankruptcy Court during regular business hours.

**i) Real Property**

Debtor doesn't currently own any real property.

**ii) Personal Property**

As of the Petition Date, Debtor's Schedules listed Debtor's personal property consisting of checking accounts, utility bonds (deposits), accounts receivable, furniture, fixtures, equipment, vehicles, leasehold improvements, prepaid insurance, prepaid expenses, and inventory. A detail of Debtor's personal property is included in its Schedule B, available for public inspection at the office of the Clerk of the Bankruptcy Court during regular business hours.

**iii) Accounts Receivable and Liquidated Debts**

As of the filing of its Chapter 11 petition, Debtor's listed in its Schedule B, accounts receivable with an estimated balance of \$474,173.00. A review of said receivables was made by Debtor in the updated recoverability analysis part of the Liquidation Analysis, **Exhibit F** hereto.

**7.3 Pending Litigation and Other Liabilities**

At the time of the filing of the Chapter 11 petition, Debtor has no cases pending or stayed by the provisions of Section 362(a) of the Bankruptcy Code.

**7.4 Leases and Executory Contracts**

As of the Petition Date, Debtor was a party to the following unexpired leases and executory contracts, as set forth in its Amended Schedule G, as indicated below.

Name and Mailing Address, including Zip Code, of other Parties to Lease or Contract	Description of Contract of Lease and Nature of Debtor's Interest.
ALARM AND CONTROL SYSTEM CO INC	Contract Type: SERVICE CONTRACT Term: ONE (1) YEAR, WITH AUTOMATIC ANNUAL RENEWAL

**Desarrolladora LCP, Corp.**  
*Amended Disclosure Statement*

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<p>PO BOX 11857  SAN JUAN, PR 00922-1857</p>	<p>Description: FIRE DETECTION SYSTEM TECHNICAL SUPPORT   ACTION TAKEN BY DEBTOR: ASSUMED THE CONTRACT</p>
<p>AUTORIDAD DE ENERGIA  ELECTRICA DE PR  PO BOX 364267  SAN JUAN, PR 00936-4267</p>	<p>Contract Type: LEASE AGREEMENT  Term: MONTH TO MONTH  Description: COMMERCIAL SPACE LEASE CONTRACT (SUB-LEASE)   ACTION TAKEN BY DEBTOR: ASSUMED THE CONTRACT</p>
<p>BIO SYSTEMS INTERNATIONAL  INC  PO BOX 416  MERCEDITA, PR 00715-0416</p>	<p>Contract Type: SERVICE CONTRACT  Term: ONE (1) YEAR, WITH AUTOMATIC EXTENSIONS  Description: KITCHEN EQUIPMENT REPAIR AND MAINTENANCE   ACTION TAKEN BY DEBTOR: ASSUMED THE CONTRACT</p>
<p>CADILLAC UNIFORMS AND  LINEN SUPPLY  PO BOX 1893  BAYAMON, PR 00960</p>	<p>Contract Type: SERVICE CONTRACT  Term: ONE (1) YEAR, WITH AUTOMATIC EXTENSIONS  Description: CLEANING AND LAUNDRY SERVICE AGREEMENT   ACTION TAKEN BY DEBTOR: ASSUMED THE CONTRACT</p>
<p>CASTILLO EXTERMINATING  2D8 CALLE ANTONIO JIMENEZ  URB BAIROA PARK  CAGUAS, PR 00725</p>	<p>Contract Type: SERVICE CONTRACT  Term: ONE (1) YEAR, WITH AUTOMATIC EXTENSIONS  Description: PEST EXTERMINATING CONTROL SERVICES   ACTION TAKEN BY DEBTOR: ASSUMED THE CONTRACT</p>
<p>COLON AIR SYSTEM  RR 01 BOX 12062  TOA ALTA, PR 00953</p>	<p>Contract Type: SERVICE CONTRACT  Term: ONE (1) YEAR, WITH AUTOMATIC EXTENSIONS  Description: AIR CONDITIONING EQUIPMENT MAINTENANCE   ACTION TAKEN BY DEBTOR: ASSUMED THE CONTRACT</p>
<p>CROWN CASTLE PR LLC  MONTEHIEDRA OFFICE CENTER  9615 LOS ROMERO AVENUE  SUITE 812  SAN JUAN, PR 00926</p>	<p>Contract Type: RENT SHARING AGREEMENT  Term: FIFTY (50) YEARS  Description: ROOF TOP AND PARTIAL ASSIGNMENT AGREEMENT   ACTION TAKEN BY DEBTOR: ASSUMED THE CONTRACT</p>
<p>ECOLAB MANUFACTURING INC  PO BOX 1354  DORADO, PR 00646</p>	<p>Contract Type: SERVICE CONTRACT  Term: ONE (1) YEAR, WITH AUTOMATIC EXTENSIONS  Description: PEST CONTROL AND EXTERMINATING SERVICES   ACTION TAKEN BY DEBTOR: ASSUMED THE CONTRACT</p>
<p>ELECTRIC SERVICE CORP  PO BOX 191921  SAN JUAN, PR 00919-1921</p>	<p>Contract Type: SERVICE CONTRACT  Term: ONE (1) YEAR, WITH AUTOMATIC EXTENSIONS  Description: WATER PUMPS MAINTENANCE AGREEMENT   ACTION TAKEN BY DEBTOR: ASSUMED THE CONTRACT</p>

G AND R GENERATOR SERVICES PO BOX 161 JUAN SANCHEZ BAYAMON, PR 00959	Contract Type: SERVICE CONTRACT Term: ONE (1) YEAR, WITH AUTOMATIC EXTENSIONS Description: ELECTRIC GENERATOR MAINTENANCE AGREEMENT  ACTION TAKEN BY DEBTOR: ASSUMED THE CONTRACT
GARIOR GARDEN DESIGN PMB 562 PO BOX 4952 CAGUAS, PR 00726	Contract Type: SERVICE CONTRACT Term: ONE (1) YEAR, WITH AUTOMATIC EXTENSIONS Description: LANDSCAPING AND MAINTENANCE SERVICES  ACTION TAKEN BY DEBTOR: ASSUMED THE CONTRACT
GATETRONIK INC PO BOX 37795 SAN JUAN, PR 00937	Contract Type: SERVICE CONTRACT Term: ONE (1) YEAR, WITH AUTOMATIC EXTENSIONS Description: PARKING SYSTEMS MAINTENANCE  ACTION TAKEN BY DEBTOR: ASSUMED THE CONTRACT
MUNICIPIO AUTONOMO DE CAGUAS APARTADO 907 CAGUAS, PR 00726	Contract Type: LEASE AGREEMENT Term: TWENTY (20) YEARS Description: BUILDING KNOWN AS LINCOLN PLAZA BUILDING  ACTION TAKEN BY DEBTOR: ASSUMED THE CONTRACT
UNITED STATES POSTAL SERVICE FSO NEW YORK FACILITIES SERVICE OFFICE 2, HUDSON PLACE 6 <sup>TH</sup> FL HOBOKEN, NJ 07030-5502	Contract Type: LEASE AGREEMENT Term: TEN (10) YEARS Description: COMMERCIAL SPACE LEASE CONTRACT (SUB-LEASE)  ACTION TAKEN BY DEBTOR: ASSUMED THE CONTRACT
WORLD FINANCIAL CORPORATION PO BOX 364027 SAN JUAN, PR 00936-4027	Contract Type: INSURANCE POLICIES FINANCING AGREEMENT Term: NINE (9) MONTHS Description: INSURANCE POLICIES FINANCING AGREEMENT  ACTION TAKEN BY DEBTOR: ASSUMED THE CONTRACT

All of the above executory contracts will be deemed as Assumed, upon entry of the Confirmation Order with any arrears to be paid under Class 2 above.

### VIII. BAR DATE AND DETERMINATION OF CLAIMS

#### 8.1 Bar Date

On January 7, 2016, in the "Notice of Chapter 11 Bankruptcy Case, Meeting of Creditors and Deadlines" issued in Debtor's case the Bankruptcy Court fixed May 5,

2016, as the bar date for the filing of proofs of claims and interests (except for Governmental Units), and July 5, 2016, for such filings by Governmental Units.

## **8.2 Determination of Claims**

The Plan specifies procedures for objecting to claims. Debtor may object to Claims within thirty (30) days before the first date fixed by the Bankruptcy Court for the hearing on the confirmation of the Plan. No payments will be made under the Plan on account of Disputed Claims until their allowance by the Bankruptcy Court. The Plan provides that Distributions on Disputed Claims will be held in reserve until the Disputed Claims are allowed (at which time the reserves will be distributed and the Claims will be treated according to the terms of the Plan), or disallowed (at which time the reserves will be distributed on account of Allowed Claims pursuant to the terms of the Plan).

Any Claims which (a) are not listed as Allowed Claims on Debtor's Schedules, as amended; (b) are not evidenced by a valid, timely filed Proof of Claim; or (c) are not listed in the Plan or exhibits to the Plan as Allowed Claims, shall not receive any distribution of cash or property under the Plan until the same become Allowed Claims, and shall be disallowed and discharged if they are not Allowed by Order of the Bankruptcy Court.

## **IX. ALTERNATIVES TO THE PLAN**

If the Plan is not confirmed and consummated, the alternatives include (a) Debtor's liquidation under Chapter 7 of the Bankruptcy Code, (b) dismissal of Debtor's Chapter 11 Case, or (c) the proposal of an alternative plan.

### **A. Liquidation Under Chapter 7**

If a plan cannot be confirmed, the Case may be converted to Chapter 7 of the Bankruptcy Code, and a trustee would be elected or appointed to liquidate Debtor's

assets for distribution to creditors in accordance with the priorities established by the Bankruptcy Code.

As set forth in the Liquidation Analysis attached as **Exhibit E** hereto, Debtor believes that conversion of the Case to Chapter 7 of the Bankruptcy Code, considering the costs and expenses of such a proceeding, would result in a substantial loss to Debtor's Estate. The Liquidation Analysis reflects what in Chapter 11 the respective creditors are expected to receive under the Plan versus what is projected they would receive in Chapter 7, underscoring the benefits of the confirmation of the Plan and its effectiveness.

Thus, Debtor believes that the interest of creditors and the goals of Chapter 11 are better served by the confirmation of the Plan.

#### **B. Dismissal of the Case**

Dismissal of the Case would likely create substantial problems for all parties involved, including a run to the courthouse, which would result, in an abandonment of the orderly and structured equitable payments provided by the Plan. Therefore, dismissal of the Case is not a viable alternative for creditors.

#### **C. Alternative Plan of Reorganization**

If the Plan is not confirmed, at present, Debtor does not foresee a different plan. Debtor believes that the Plan described herein will provide the greatest and most expeditious return to creditors.

### **X. TAX EFFECTS**

Based on the provisions of the Puerto Rico Internal Revenue Code of 2011, as amended, and the tax provisions of the Bankruptcy Code, Debtor expects that the implementation of the Plan will not have any tax effects.

**XI. CONCLUSION**

Debtor submits that the Plan is fair and reasonable and in the best interests of the Estate and Creditors and offers the best possible recovery for Creditors under the circumstances. Debtor therefore, urges Creditors to vote in favor of the Plan.

San Juan, Puerto Rico, this 22<sup>nd</sup> day of August, 2016.

**DESARROLLADORA LCP, CORP.**

By:   
\_\_\_\_\_  
**MANUEL MORALES LÓPEZ**  
**PRESIDENT**