

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

**IN RE:**

**SAN MIGUEL LABEL MFG. INC.**

Debtor In Possession

CASE NO. 16-00820 MCF

CHAPTER 11

**DISCLOSURE STATEMENT DATED JANUARY 17, 2018**

**TO THE HONORABLE COURT**

**TO CREDITORS**

**TO OTHER PARTIES IN INTEREST**

The Debtor herein, as debtor in possession, through the undersigned attorneys, submit its Disclosure Statement as of January 17, 2018, together with the proposed plan of reorganization.

**RESPECTFULLY SUBMITTED**

In Guaynabo, Puerto Rico, this 17<sup>th</sup> day of January, 2017.

*s/ Nilda M. González-Cordero* \_\_\_\_\_

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## I. INTRODUCTION

This is the Disclosure Statement (the “Disclosure Statement”) Chapter 11 case of San Miguel Label MFG. Inc., hereinafter referred to as San Miguel, (the “Debtor”). This Disclosure Statement contains information about the Debtor and describes the Plan of Reorganization, (the “Plan”) filed by San Miguel on January 17, 2018. A full copy of the Plan is attached to this Disclosure Statement as **Exhibit A**. ***Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.***

The proposed distributions under the Plan are discussed at pages 7 to 11 of this Disclosure Statement.

### A. Purpose of This Document

This Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case;
- How the Plan proposes to treat claims or equity interests of the type you hold (i.e., what you will receive on your claim or equity interest if the plan is confirmed);
- Who can vote on or object to the Plan;
- What factors the Bankruptcy Court (the “Court”) will consider when deciding whether to confirm the Plan;
- Why San Miguel believes the Plans is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in liquidation; and
- The effect of confirmation of the Plan.

**Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement describes the Plan, but it is the Plan itself what will, if confirmed, establish your rights.**

### B. Deadlines for Voting and Objecting; Date of Plan Confirming Hearing

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed.

#### 1. *Time and Place of the Hearing to Confirm the Plan*

The hearings at which the Court will determine whether to approve this Disclosure Statement and confirm the Plan will be scheduled and notified by the Court and will take place at the United States District Court for the District of Puerto Rico, José V. Toledo Federal Building, 300 Recinto Sur Street, Old San Juan, Puerto Rico.

2. *Deadline For Voting to Accept or Reject the Plan*

If you are entitled to vote to accept or reject the plan, vote on the ballot you will receive and you must return it to: **Atty. Nilda M. González-Cordero, PO Box 3389, Guaynabo, Puerto Rico 00970**. See **Section V.A.** below for a discussion of voting eligibility requirements.

You will be notified of the date the ballot must be received. If your ballot is not received on the specified date it will not be counted.

3. *Deadline For Objecting to the Adequacy of Disclosure and Confirmation of the Plan*

Objections to this Disclosure Statement or to the confirmation of the Plan must be filed with the Court and served upon by the date given by the Court of which you will be notified.

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

If you want additional information about the Plan, you should contact the undersigned attorney Nilda M. González-Cordero to the phone and address below.

**C. Disclaimer**

Creditors are advised that the financial information contained in this Disclosure Statement has not been the object of an audit and is not certified by independent public accountants, except where expressly stated otherwise. The Debtor does not warrant or represent that the information contained herein is without inaccuracy notwithstanding its efforts to disclose all matters with careful attention to accuracy and completeness.

Any representation concerning the Debtor, and/or any other statement relative to it, different from, or not included in this Disclosure Statement, is not authorized by the Debtor. Any representation or inducement not contained in this Disclosure Statement, which might be made to secure acceptance of the Plan, should not be relied upon by a creditor in deciding how to vote on the Plan.

The Court's approval of this Disclosure Statement is subject to the hearing on the confirmation of the Plan. You will be notified of the date for objections to the adequacy of this Disclosure Statement.

**II. BACKGROUND**

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

Debtor, San Miguel, is a corporation dedicated to manufacture and distribution of plastic bags and labels. Debtor's clients are supermarkets and other business which, in turn, sell and or distribute goods. The corporation has been duly registered at the Commonwealth of Puerto Rico's State Department since March 31, 1976. San Miguel operates its business in Ciales, Puerto Rico.

## **B. Insiders of the Debtor**

Debtor's insider is:

1. Moisés San Miguel Lorenzana – Shareholder and President of the corporation. He works in the corporation and is in charge of the administration and operation of the business and receives compensation from the corporation in the amount of \$900.00 gross plus mobile phone and vehicle expenses.

## **C. Events Leading to Chapter 11 Filing**

After being solidly established in the industry, Debtor began to confront problems with late payments by its clients. As the economic situation in the island began to become unstable, more clients began to pay late and other closed business. Debtor tried to keep up with the reduction in income, however, it led the corporation to incur in arrears with payment to creditors and to governmental agencies. On February 2016 the Puerto Rico Department of Treasury closed Debtor's business due to accumulation of debts related to sales taxes (IVU) and, allegedly, excise taxes. That was the situation that finally triggered the filing of the present Chapter 11 Bankruptcy Petition.

## **D. Significant Events During the Bankruptcy Case**

- The professionals that have been approved by the court are the following:
  - Nilda M. González Cordero, Esq., Attorney for debtor during all bankruptcy proceedings. Approved as counsel for debtor by the court on March 11, 2016.
  - Luis Cruz, CPA, Accountant for debtor for all matters related to the bankruptcy and some other financial situations. Approved as accountant for debtor by the court on March 11, 2016.
  - Hector R. Collazo Cheverez, CPA. Auditor for debtor, approved by the court on December 28, 2016.
- The 341 Meeting of Creditors was held and closed and the Status Conference before this Honorable Court was also held.
- There are no pending matters or controversies.

## **E. Projected Recovery of Avoidable Transfers**

Debtor do not intend to pursue preference, fraudulent conveyance, or other avoidance actions.

## **F. Claims Objections**

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims. 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 disputing claims are set forth in Article V of the Plan.

The Department of Treasury filed proof of claim no. 16 in the amount of \$7,382,081.25 and proof of claim no. 17 in the amount of \$2,436,634.12. On November 23, 2016, Debtor filed an "Objection to Proof of Claims No. 16 and No. 17 filed by the Department of Treasury", docket #84. After a long time of work done by auditors, Treasury filed an Amended Proof of Claim #16-3 on May 15, 2017 in the amount of \$323,634.12 and an Amended Proof of Claim # 17-2 on December 28, 2017 in the amount of \$990,909.26. As a result of the amended claims and, based on the information contained herein, Debtor withdraw its objections to proof of claims no. 16 and no. 17. (See Dockets #152 & 153)

At this moment there are no objections to claim pending. Debtor reserves the right of filing objections to proof of claim prior to the confirmation of the Chapter 11 Plan.

**The deadline for filing objections to claims is 30 days before the Confirmation Hearing, or 30 days after the filing of the proof of claim, whichever is later.**

#### **G. Current and Historical Financial Conditions**

Debtor's post petition Monthly Operating Reports have been filed. The most recent operating report filed since the commencement of the Debtor's bankruptcy case was for the period ending on November 30, 2017.

The Schedules, as amended, the Statement of Financial Affairs, as amended, and the operating reports reflect Debtor's financial information as of the date of the filing of the Bankruptcy Petition and thereafter.

Monthly Operating Reports are available in the Bankruptcy Court's legal docket. Creditors and parties in interest may review the Court's docket in order to make a fully informed decision when voting for the proposed plan herein provided by Debtor. A **Summary of Post-Petition Operating Reports** filed up to November 30, 2017 is attached to this Disclosure Statement as **Exhibit B**.

### **III. ASSETS AND LIABILITIES**

#### **A. Assets as of the Petition date, as amended**

As of the Petition date, Debtor's assets were listed in Schedule A/B, as amended. Debtor's assets consist of the following in their estimated market value as of the date of the filing:

Asset	Value
Accounts Receivable Aging	\$197,066.65
Utility Deposits (AAA & AEE)	\$3,750.00
Bank accounts	\$4,471.69
Mitsubishi Fork Lift MF-BRW-12 S/N 12140581	\$4,000.00
2005 Isuzu NPR	\$7,875.45

2007 Ford Econoline E350SUPER	\$5,225.00
Raw Material	\$78,900.00
Finished Goods	\$36,000.00
Office Equipment	\$14,610.00
Machinery Inventory	\$235,800.00
Total	\$587,698.79

**B. Liabilities as of the Petition date, as amended**

As of the filing of the Petition liabilities were listed in the Schedules. Schedule E/F was amended. The information that follows is based on the Schedules, as amended:

Type	Schedule	Amount due
Secured liabilities	Schedule D	\$0
Unsecured priority liabilities	Schedule E	\$712,137.16
General unsecured liabilities <sup>1</sup>	Schedule F	\$3,646,682.47

**IV. SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS**

**A. What is the Purpose of the Plan of Reorganization?**

As required by the Code, the Plan places claims and equity interests in various classes and describes the treatment each class will receive. The Plan also states whether each class of claims or equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

**B. Unclassified Claims**

Certain types of claims are automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code. As such, the Debtor has *not* placed the following claims in any class:

1. *Administrative Expenses*

Administrative expenses are costs or expenses of administering the Debtor’s chapter 11 case which are allowed under §507(a)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires that all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different treatment.

The following chart lists the Debtor’s estimated administrative expenses and their proposed treatment under the Plan:

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<sup>1</sup> Amount includes amounts in dispute.

Type	Estimated Amount Owed	Proposed Treatment
Expenses Arising in the Ordinary Course of Business After the Petition Date	\$0.00	Paid in full on the effective date of the Plan, or according to terms of obligation if later.
The Value of Goods Received in the Ordinary Course of Business Within 20 Days Before the Petition Date	\$0.00	Paid in full on the effective date of the Plan, or according to terms of obligation if later.
Executory Contracts and Unexpired Leases	\$0.00	Paid in full on the effective date of the Plan, or according to terms of obligation if later.
Professional fees, as approved by the Court	\$22,230.00	Paid in full on the effective date of the Plan, or according to separate written agreement, or according to court order if such fees have not been approved by the Court on the effective date of the Plan
Clerks Office Fees	\$0.00	Paid in full on the effective date of the Plan
Other administrative expenses	\$0.00	Paid in full on the effective date of the Plan or according to separate written agreement
Office of the U.S. Trustee Fees	\$4,875.00	Paid in full on the effective date of the Plan
<b>TOTAL</b>	<b>\$27,105.00</b>	

2. *Priority Tax Claims*

Priority tax claims are unsecured income, employment, and other taxes described by §507(a)(8) of the Code. Unless the holder of such a §507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 5 years from the order of relief.

The following chart lists the Debtor's estimated §507(a)(8) priority tax claims and their proposed treatment under the Plan:



<b>Creditor- §507 (a)(8) Description</b> (name and type of tax)	<b>Claim No.</b>	<b>Estimated Amount Owed</b>	<b>Date of Assessment</b>	<b>Treatment</b>
<b>Internal Revenue Services</b> Employee withholdings	13	\$54,287.04	2015-2016	36 monthly payments of \$1,578.73 each until year 2020  Interest Rate 3% Total Payout Amount: \$56,834.00
<b>PR Department of Treasury</b> Employee withholding	16	\$202,491.88	05/01/2017?	36 monthly payments of \$1,819.26 each until year 2020 and 24 monthly payments of \$6,367.40 each until year 2022  Interest Rate 3% Total Payout Amount: \$218,311.00
<b>PR Department of Treasury</b> Sales Tax (IVU)	17	\$690,928.28	12/28/2017	36 monthly payments of \$6,207.54 each until year 2020 and 24 monthly payments of \$21,726.38 each until year 2022  Interest Rate 3% Total Payout Amount: \$744,905.00
<b>Departamento del Trabajo y Recursos Humanos</b> Unemployment	20	\$4,694.38	2012-2015	36 monthly payments of \$136.52 each until year 2020  Interest Rate 3% Total Payout Amount: \$4,915.00
<b>Municipality of Ciales</b> Municipal License	N/A	\$20,787.00	2015	36 monthly payments of \$604.51 each until year 2020  Interest Rate 3% Total Payout Amount: \$21,762.00

The Internal Revenue Service (hereinafter IRS) filed Proof of Claim No. 18 on August 17, 2016 claiming \$794.65 allegedly owed by Debtor for a FICA withholding on the second semester on the year 2016 (WT-FICA 06/30/2016). On September 8, 2016, the IRS filed Proof of Claim No. 19 indicating that Debtor owes \$0.00 for the WT-FICA 06/30/2016. Even though claim number 19 was not filed as an Amended Proof of Claim No. 18, it did amend it. Based on this analysis, the

Chapter 11 Plan will make no provision for payment of proof of claim no. 18 as the amounts claimed there are not owed as demonstrated by claim no. 19.

A Schedule of Payments to Creditors is attached as **Exhibit C**.

**C. Classes of Claims and Equity Interests**

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

*1. Classes of Secured Claims*

Allowed Secured Claims are claims secured by property of the Debtor’s bankruptcy estate, or that are subject to setoff, to the extent allowed as secured claims under §506 of the Code. If the value of the collateral or setoffs securing the creditor’s claim is less than the amount of the creditor’s allowed claim, the deficiency will be classified as a general unsecured claim. **There are no secured creditors in this case.**

*2. Classes of Priority Unsecured Claims*

Certain priority claims that are referred to in §§507(a)(1),(4),(5),(6) and (7) of the Code are required to be placed in classes. The Code requires that each holder of such a claim receive cash on the effective date of the Plan equal to the allowed amount of such claim. However, a class of holders of such claims may vote to accept different treatment. **There are no claims that fall into this class.**

*3. Class of General Unsecured Claims*

General unsecured claims are not secured by property of the estate and are not entitled to priority under §507(a) of the Code.

The following chart identifies the Plan’s proposed treatment of Class which contains general unsecured claims against the Debtor:

Class #	Description	Insider? (yes or no)	Impairment	Treatment
1	<b>Popular Auto POC 1 &amp; 2</b>	No	This class is not impaired	No payment will be made to this class under the plan. Both financial auto leases expired by its own terms and were already paid off by Debtor.
2	<b>General Unsecured Creditors</b>	No	This class is impaired	60 monthly payments of \$2,073.69 each until year 2020

				Total Payout Amount: \$124,421.00
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A Schedule of Payments to Creditors is attached as **Exhibit C**.

4. *Disputed Unsecured Claims*

A disputed claim is a claim that has not been allowed or disallowed, by a final non-appealable order, and as to 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.

Where a proof of claim has not been filed, the Allowed Claim shall be in the amount appearing in the Schedules filed by the Debtors, provided however, that the scheduled amount is not shown as unliquidated, contingent or disputed, in which case no amount will be allowed unless the Debtors have notified such creditors and such creditors has filed a timely proof of claim.

The Debtor will have the power and authority to settle and compromise a disputed claim with court approval and compliance with Rule 9019 of the Federal Rules of Bankruptcy Procedure. **There are no claims that fall into this class.**

5. *Class[es] of Equity Interest Holders*

Equity interest holders are parties who hold an ownership interest (*i.e.*, equity interest) in the Debtor. In a corporation, entities holding preferred or common stock are equity interest holders. In a partnership, equity interest holders include both general and limited partners. In a limited liability company (“LLC”), the equity interest holders are the members. Finally, with respect to an individual who is a debtor, the Debtor is the equity interest holder. There are no claims that falls into this class, holders of the equity interests in Debtor will retain their shares in Debtor, unaltered.

**D. Means of Implementing the Plan**

1. *Source of Payments*

Payments and distributions under the Plan will be funded by the regular course of business operations through the monthly income. San Miguel has long proved, consistent operation which generates sufficient income to operate its business and comply with the payment plan.

2. *Post Confirmation Management*

Name	Position	Insider (yes or no)?	Responsibilities	Compensation
Moisés San Miguel Lorenzana	President	Yes	As administrator: directs and supervises Debtor’s daily operations and is in charge of supervising the financial, operational and manufacture	\$900.00 weekly; mobile phone expenses and transportation expenses.

			aspects of the corporation. He also negotiates contract terms and agreements with suppliers and clients.	
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**E. Risk Factors**

The industry in which San Miguel operates undergoes constant changes, as is happening with all industries in these days. The long time experience manufacturing of labels and bags have allowed Debtor to maintain its operations during these difficult years. Certainly, Debtor depends of other industries, mainly supermarkets, the stability of those other industries will have a direct effect on Debtor's. Additionally, the economic situation that the island is undergoing including the increase in the cost of living and higher unemployment are other risk factors for Debtor's business. Nevertheless, Debtor is positive that it will be able to comply with the proposed plan.

**F. Executory Contracts and Unexpired Leases**

The Plan, in Article VI, lists all executory contracts and unexpired leases that the Debtor will assume under the Plan. Debtor assumes all unexpired leases and executory contracts to which they are a party and which have not been expressly rejected pursuant to 11 U.S.C. §365(a). Assumption means that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Code, if any.

All executory contracts and unexpired leases that are not listed in Section 6.1 will be rejected under the Plan. **At this time Debtor has no executory contracts or unexpired leases that need to be assumed or rejected.** All executory contracts listed in Schedule G expired under its own terms. Consult your adviser or attorney for more specific information about particular contracts or leases. If you object to the rejection of your contract or lease, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan.

**G. Tax Consequences of Plan**

Creditors and Equity Interest Holders Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys, And/Or Advisors.

**V. CONFIRMATION REQUIREMENTS AND PROCEDURES**

To be confirmable, the Plan must meet the requirements listed in §§1129(a) or (b) of the Code, 11 U.S.C §1129 (a) or (b). These include the requirements that: the Plan must be proposed in good faith; at least one impaired class of claims must accept the plan, without counting votes of insiders; the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in §1129, and they are not the only requirements for confirmation.

## A. Who May Vote or Object

Any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met.

Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A creditor or equity interest holder has a right to vote for or against the Plan only if that creditor or equity interest holder has a claim or equity interest that is both (1) allowed or allowed for voting purposes and (2) impaired.

In this case there are two (2) classes of claims and one (1) is impaired. The holders of claims in this class are therefore entitled to vote to accept or reject the Plan. The holders of claims that are unimpaired do not have the right to vote to accept or reject the Plan.

### 1. *What Is an Allowed Claim or an Allowed Equity Interest?*

Only a creditor or equity interest holder with an allowed claim or an allowed equity interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if either (1) the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of claim or equity interest, unless an objection has been filed to such proof of claim or equity interest. When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

**The deadline for filing a proof of claim in this case was June 6, 2016 for non-governmental creditors and August 31, 2016 for governmental units.**

### 2. *What Is an Impaired Claim or Impaired Equity Interest?*

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

### 3. *Who is **Not** Entitled to Vote*

The holders of the following five types of claims and equity interests are *not* entitled to vote:

- holders of claims and equity interests that have been disallowed by an order of the Court;
- holders of other claims or equity interests that are not “allowed claims” or “allowed equity interests” (as discussed above), unless they have been “allowed” for voting purposes;
- holders of claims or equity interests in unimpaired classes;
- holders of claims entitled to priority pursuant to §§507(a)(2), (a)(3), and (a)(8) of the Code; and

- holders of claims or equity interests in classes that do not receive or retain any value under the Plan; 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.**

4. *Who Can Vote in More Than One Class*

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise hold claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and should cast one ballot for each claim.

**B. Votes Necessary to Confirm the Plan**

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

1. *Votes Necessary for a Class to Accept the Plan*

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept the Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

A class of equity interests accepts the Plan if the holders of at least two-thirds (2/3) in amount of the allowed equity interests in the class, who vote, cast their votes to accept the Plan.

2. *Treatment of 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 §1129(b) of the Code, 11 U.S.C. §1129(b). A plan that binds non-accepting classes is commonly referred to as a “cramdown” 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 § 1129(a)(8) of the Code, does not “discriminate unfairly”, and is “fair and equitable” toward each impaired class that has not voted to accept the Plan.

**You should consult your own attorney if a “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 a Chapter 7 liquidation. A liquidation analysis has been prepared and

attached to this Disclosure Statement as **Exhibit D**, it is Debtor's position that the proposed plan complies with the liquidation analysis as to all its creditors.

#### **D. Feasibility**

The Court must find that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan.

##### *1. Ability to Initially Fund Plan*

The Debtor believes that it 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. Tables showing the amount of cash on hand on the effective date of the Plan, and the sources of that cash are attached to this disclosure statement as **Exhibit E**.

##### *2. Ability to Make Future Plan Payments And Operate Without Further Reorganization*

The Debtor must also show that it will have enough cash over the life of the Plan to make the required Plan payments.

The Debtor has provided projected financial information. Those projections are listed in **Exhibit E**.

The Debtor's financial projections show that the Debtor will have an aggregate annual average cash flow, after paying operating expenses and post-confirmation taxes, of \$43,134.00. The final Plan payment is expected to be paid on 2022.

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

#### **VI. EFFECT OF CONFIRMATION OF PLAN**

After the plan is confirmed, the debtor is required to make plan payments and is bound by the provisions of the plan of reorganization. The confirmed plan creates new contractual rights, replacing or superseding pre-bankruptcy contracts.

**You should consult your own attorney if the binding effect of the confirmed plan will affect your claim or equity interest.**

#### **A. Discharge of Debtor**

On the effective date of the Plan, the Debtor shall be discharged from any debt that arose before confirmation of the Plan, subject to the occurrence of the effective date, to the extent specified in §1141(d)(1)(A) of the Code, except that the Debtor shall not be discharged of any debt (i) imposed by the Plan, (ii) of a kind specified in §1141(d)(6)(A) if a timely complaint was filed in accordance with Rule 4007(c) of the Federal Rules of Bankruptcy Procedure, or (iii) of a kind



specified in §1141(d)(6)(B). After the effective date of the Plan your claims against the Debtor will be limited to the debts described in clauses (i) through (iii) of the preceding sentence.

#### **B. Modification of Plan**

The Debtor may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new disclosure statement and/or revoking on the Plan.

The Debtor 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 Debtor, or such other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case. Alternatively, the Court may enter such a final decree on its own motion.

#### **D. Consequences of Default**

If Debtor is unable to perform the terms and conditions of this Plan, then it will be in default. The security interests and liens that survive the Plan are enforceable obligations that provide remedies in case of default; in particular, secured creditors could hold trustee's sales of their deeds of trust and the Reorganized Debtor would lose its Property. Secured creditors have recourse only to the collateral securing their claims, and unsecured claimants have recourse only to the Reorganized Debtor.

#### **E. Retention of Jurisdiction**

The Bankruptcy Court shall retain jurisdiction over this case to enable Debtor to consummate such proceedings that may arise in order to carry out the provisions of the proposed Plan before or after the entry of the order of confirmation and up to the date of the closing of the case. Specifically, upon the entry of the order of confirmation, this Court will retain jurisdiction to rule and dispose of any objection to the allowance of proof of claims filed within the terms detailed herein.

**This is the Disclosure Statement hereby proposed to creditors and parties in interest, filed with the Honorable Bankruptcy Court on this same date. Parties are encouraged to review this document in order to formulate an informed decision on Debtor's whereabouts and conditions.**



San Miguel Label MFG. Inc.  
Chapter 11 Disclosure Statement dated January 17, 2018

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**RESPECTFULLY SUBMITTED**

In Guaynabo, Puerto Rico, this 17<sup>th</sup> day of January, 2018.

*/s/ Moisés San Miguel Lorenzana*

**Mr. Moisés San Miguel Lorenzana, President  
San Miguel Label MFG. Inc.  
Debtor In Possession**

*s/ Nilda M. González-Cordero*

**NILDA M. GONZALEZ-CORDERO**

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