

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

IN RE: SC CONCRETE, CORP. Debtor	CASE NO. 16-01313(MCF) Small Business Case under CHAPTER 11
IN RE: SOUTH CARIBBEAN BLOCK, INC. Debtor	CASE NO. 16-05121(MCF) Chapter 11

**CONSOLIDATED DISCLOSURE STATEMENT
OF
SC CONCRETE, CORP.**

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I. INTRODUCTION

This is the disclosure statement (the “Disclosure Statement”) in the small business chapter 11 case of SC Concrete, Corp., consolidated with the small business chapter 11 case of South Caribbean Block, Inc. (hereinafter referenced jointly as the “Debtor”). This Disclosure Statement contains information about Debtor and describes Debtor’s Plan of Reorganization (the “Plan”) filed by Debtor on December 19, 2016. 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 7-11 of this Disclosure Statement. Unsecured Convenience class of creditors for claims that are less than \$15,000.00 are classified in Class 4, and will receive a distribution of 3.01% of their allowed claims, to be distributed in lump sum distribution of \$1,000.00, to be made on the effective date of the plan, Unsecured Convenience class of creditors for claims that are more than \$15,001.00 are classified in Class 5, and will receive a distribution of 3.48% of their allowed claims, to be distributed as follows: \$3,500.00 on the effective date on the plan, and four subsequent equal yearly installments of \$3,500.00.

A. Purpose of This Document

This Disclosure Statement describes:

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

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

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

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

1. *Time and Place of the Hearing to Finally Approve This Disclosure Statement and Confirm the Plan*

The hearing at which the Court will determine whether to approve this Disclosure Statement and confirm the Plan will take place on a date to be scheduled by the Bankruptcy Court, which will be subject of a separate order, and will be held in Courtroom 3, at the Jose V. Toledo Federal Building & US Courthouse, 300 Recinto Sur, 2nd Floor, Old San Juan, PR 00901.

2. Deadline For Voting to Accept or Reject the Plan

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot in the enclosed envelope to MRO Attorneys at Law, LLC, PO Box 367819, San Juan, PR 00936-7819. See section IV.A. below for a discussion of voting eligibility requirements.

Your ballot must be received by the deadline to be established by the Bankruptcy Court through the order scheduling the hearing on confirmation of the Plan or it will not be counted.

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

Objections to this Disclosure Statement or to the confirmation of the Plan must be filed with the Court and served upon Debtor by the deadline to be established by the Bankruptcy Court through the order scheduling the hearing on confirmation of the Plan.

4. Identity of Person to Contact for More Information

If you want additional information about the Plan, you should contact MRO Attorneys at Law, LLC, PO Box 367819, San Juan, PR 00936-7819.

C. Disclaimer

The Court has conditionally approved this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms. The Court has not yet determined whether the Plan meets the legal requirements for confirmation, and the fact that the Court has approved this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted. The Court's approval of this Disclosure Statement is subject to final approval at the hearing on confirmation of the Plan. Objections to the adequacy of this Disclosure Statement may be filed until the deadline to be established by the Bankruptcy Court through the order scheduling the hearing on confirmation of the Plan.

II. BACKGROUND

A. Description and History of the Debtor's Business

The Debtor is a corporation. The Debtor is engaged in the business of production and distribution of concrete to residential, commercial, and industrial sites.

B. Insiders of the Debtor

1. Eddie Alberto Ortiz Zayas is the president and holds 100% of ownership of debtor
2. Yamil Ortiz Mateo is the Vice President and holds 0% of ownership of debtor
3. Aida Mateo Ortiz is the secretary and holds 0% of ownership of debtor
4. Marcos Ortiz Mateo is the Treasurer and holds 0% of ownership of debtor
5. Gabriel Ortiz Mateo is the Vocal and holds 0% of ownership of debtor

C. Management of the Debtor Before and During the Bankruptcy

The President of the Debtor before and during the Debtor's chapter 11 case has been Eddie Alberto Ortiz Zayas.

D. Events Leading to Chapter 11 Filing

The reason for filing bankruptcy under Chapter 11 was due to Debtor's need to revamp the way business was administered, as sales had decreased substantially and Debtors was not able to satisfy its immediate liabilities with various creditors due to its high overhead and inability to maintain cash flow to pay for short term debts.

E. Significant Events During the Bankruptcy Case

This case was consolidated with Member Case No.16-05121 on September 26, 2016 [Dkt. No. 57].

Debtor has identified means to reduce operational costs and work with the inventory to maximize profit.

F. Projected Recovery of Avoidable Transfers

The Debtor has not yet completed its investigation with regard to prepetition transactions. If you received a payment or other transfer within 90 days of the bankruptcy, or other transfer avoidable under the Code, the Debtor may seek to avoid such transfer.

G. Claims Objections

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

H. Current and Historical Financial Conditions

The Debtor’s most recent financial statements issued before bankruptcy, each of which was filed with the Court, are set forth in **Exhibit B**.

A summary of the Debtor’s periodic operating reports filed since the commencement of the Debtor’s bankruptcy case is set forth in **Exhibit C**.

III. SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

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

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

B. Unclassified Claims

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

1. *Administrative Expenses*

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

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

<u>Type</u>	<u>Estimated Amount Owed</u>	<u>Proposed Treatment</u>
Expenses Arising in the Ordinary Course of Business After the Petition Date	\$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
	\$50,000.00	

Professional Fees, as approved by the Court.		Paid in full on the effective date of the Plan, or according to separate written agreement, or according to court order if such fees have not been approved by the Court on the effective date of the Plan
Clerk's Office Fees	Unknown	Paid in full on the effective date of the Plan
Other administrative expenses	Unknown	Paid in full on the effective date of the Plan or according to separate written agreement
Office of the U.S. Trustee Fees	0	Paid in full on the effective date of the Plan
TOTAL	At least \$50,000.00	

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. 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:

Claimant	Claim Amount	Estimated Amount Owed	Treatment
State Insurance Fund Corporation - As identified in Consolidated Member Case No.16-05121	\$2,888.59	\$2,888.59	Each holder of a priority tax claim will be paid as per §1129(a)(9)(C) of the Code commencing on the Effective Date of the Plan.
Department of Treasury	\$787,000.14	\$333,319.00	

Department of Treasury	\$803,412.00	\$0	
Department of Treasury - As identified in Consolidated Member Case No.16-05121	\$16,686.00	\$16,686.00	
IRS – As identified in Consolidated Member Case No.16-05121	\$104.80	\$104.80	

2. *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.

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

<u>Class #</u>	<u>Description</u>	<u>Insider? (Yes or No)</u>	<u>Impairment</u>	<u>Treatment</u>
2	<i>Secured claim of: IRS</i>	No	Impaired	Payment of this class will be made pursuant to Section 1129(a)(9)(D) of the Code which provides that a secured tax claim which would otherwise meet the description of a priority tax claim under §507(a)(8) of the Code is to be paid in the same manner and over the same period as prescribed in §507(a)(8).
3	<i>Secured claim of: Coop A/C</i>	No	Impaired	Coop A/C shall be paid pursuant to post-petition financing, which calls for a monthly payment equivalent to \$2,232.43 at 5.50% yearly interest rate, throughout a period of 30 years.

3. *Classes of Priority Unsecured Claims*

Certain priority claims that are referred to in §§ 507(a)(1), (4), (5), (6), and (7) of the Code are required to be placed in classes. The Code requires that each holder of such a claim receive cash on the effective date of the Plan equal to the allowed amount of such claim. However, a class of holders of such claims may vote to accept different treatment.

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

4. *Classes of Unsecured Convenience 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 Classes 4 & 5, which contain unsecured convenience class of creditors pursuant to 11 U.S.C. §1122 against the Debtor:

Class #	Description	Impairment	Treatment
4	Unsecured convenience class of creditors pursuant to 11 U.S.C. §1122 for claims that are under or equal to \$15,000	Impaired	This class will receive a distribution of 3.01% of their allowed claims, to be distributed in lump sum distribution of \$1,000.00, to be made on the effective date of the plan.
5	Unsecured convenience class of creditors pursuant to 11 U.S.C. §1122 for claims that are over \$15,001	Impaired	This class will receive a distribution of 3.48% of their allowed claims, to be distributed as follows: \$3,500.00 on the effective date on the plan, and four subsequent equal yearly installments of \$3,500.00.

5. *Class of Equity Interest Holders*

Equity interest holders are parties who hold an ownership interest (i.e., equity interest) in the Debtor. In a corporation, entities holding preferred or common stock are equity interest holders. In a partnership, equity interest holders include both general and limited partners. In a limited liability company (“LLC”), the equity interest holders are the members. Finally, with respect to an individual who is a debtor, the Debtor is the equity interest holder.

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

Class #	Description	Impairment	Treatment
6	Equity interest holders	Impaired	The shares of the holders of the Equity Interests in Debtor will be cancelled

			on the Effective Date, thus, the equity security Holders will receive no distribution.
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6. *Payments Under the Plan*

All creditors are requested to review **Exhibit D**, which provides for the payments under the Plan with the corresponding assumptions.

D. Means of Implementing the Plan.

1. *Source of Payments*

Payments and distributions under the Plan will be funded by the on-going operations of the Debtor.

2. *Post-confirmation Management*

The Post-Confirmation Managers of the Debtor, and their compensation, shall be adjusted and modified as the managements' goals are achieved.

E. Risk Factors

The proposed Plan has the following risks:

The usual risk associated with a business.

F. Executory Contracts and Unexpired Leases

Debtor has no executory contracts or unexpired leases.

The Deadline for Filing a Proof of Claim Based on a Claim Arising from the Rejection of a Lease or Contract Is To Be Fixed by the Bankruptcy Court. Any claim based on the rejection of a contract or lease will be barred if the proof of claim is not timely filed, unless the Court orders otherwise.

G. Tax Consequences of Plan

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

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

IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

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

A. Who May Vote or Object

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

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

In this case, the Plan Proponent believes that classes 1-6 are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. The Plan Proponent believes that no classes are unimpaired.

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 November 3, 2016.

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

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

3. *Who is Not Entitled to Vote*

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

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

Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan and to the Adequacy of the Disclosure Statement.

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

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

B. Votes Necessary to Confirm the Plan

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

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

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

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

2. *Treatment of Nonaccepting Classes*

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

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

C. **Liquidation Analysis**

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

D. **Feasibility**

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

1. *Ability to Initially Fund Plan*

The Plan Proponent believes that the Debtor will have enough cash on hand on the effective date of the Plan to pay all the claims and expenses that are entitled to be paid on that date. A summary of the Debtor’s periodic operating reports filed since the commencement of the Debtor’s bankruptcy case is set forth in **Exhibit C**.

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

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

The Plan Proponent has provided projected financial information. Those projections are listed in **Exhibit F**.

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

V. EFFECT OF CONFIRMATION OF PLAN

A. DISCHARGE OF DEBTOR

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

B. Modification of Plan

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

The Plan Proponent may also seek to modify the Plan at any time after confirmation only if (1) the Plan has not been substantially consummated and (2) the Court authorizes the proposed modifications after notice and a hearing.

C. Final Decree

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Plan Proponent, or such other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case. Alternatively, the Court may enter such a final decree on its own motion.

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