

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

IN RE:

**THE VILLAGE DEVELOPMENT
CORPORATION**

Debtor

CASE NO. 16-02021- (EAG)

CHAPTER 11

AMENDED DISCLOSURE STATEMENT

OF

THE VILLAGE DEVELOPMENT CORPORATION

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The Village Development Corporation
Amended Disclosure Statement

Case No. 16-02021 (EAG)
Page 2

INDEX

I. INTRODUCTION	4
II. SUMMARY OF THE PLAN.....	5
III. INFORMATION ABOUT THE REORGANIZATION PROCESS	8
3.1 Purpose of a Disclosure Statement	8
3.2 Voting Procedure.....	8
3.3 Ballots.....	9
3.4 The Confirmation Hearing	9
3.5 Acceptances Necessary to Confirm the Plan	10
3.6 Confirmation of the Plan Without the Necessary Acceptances.....	10
IV. GENERAL INFORMATION	11
4.1 Description and Historical View of the Debtor.	11
4.2 Events Preceding Debtor's Chapter 11 Filing	12
4.3 Debtor's Post-Petition Endeavors.	12
V. CLAIMS AGAINST DEBTOR.....	13
5.1 Claims Against Debtor	13
5.2 Objections to Claims.....	13
VI. DESCRIPTION OF THE PLAN	14
6.1 Unclassified Claims	14
6.2 Administrative Expense Claims	15
6.3 Professional Fee Claims.....	15
6.4 Priority Tax Claims and Other Priority Claims	16
6.5 Classes of Claims and Equity Interests.....	16
6.6 Treatment of Claims.	16
6.7 Means for Implementation of the Plan.....	18
6.8 Debtor's Post Confirmation Management.....	18
6.9 Cancellation of Existing Agreements.....	18
6.10 Effectuating Documents and Further Transactions.....	19
6.11 Authority to Act.....	19
6.12 Executory Contracts and Unexpired Leases	19
6.13 Exculpation.....	20
VII. LIQUIDATION AND FINANCIAL ANALYSIS	20
7.1 Best Interest of Creditors and Comparison with Chapter 7 Liquidation.....	20
7.2 Feasibility of the Plan.....	21
A) Financial Projections	21
a) Real Property.....	22
b) Personal Property	22
c) Liquidation Analysis	23
7.3 Pending Litigation and Other Liabilities	23
7.4 Leases and Executory Contracts.....	23
VIII. BAR DATE AND DETERMINATION OF CLAIMS	23
8.1 Bar Date	23
8.2 Determination of Claims.....	23
IX. ALTERNATIVES TO THE PLAN.....	24
A. Liquidation under Chapter 7.....	24

The Village Development Corporation
Amended Disclosure Statement

Case No. 16-02021 (EAG)
Page 3

B.	Dismissal of the Case	25
C.	Alternative Plan of Reorganization	25
X.	TAX EFFECTS	25

LIST OF EXHIBITS

Exhibit A-1 (Ballots).....	8
Exhibit B - Order Approving Disclosure Statement.....	10
Exhibit C- Summary of Claims and Plan Payments.....	13
Exhibit D- Summary of Priority Tax Claims	15
Exhibit E- Liquidation Analysis	20
Exhibit F –Funds Distribution.....	21
Exhibit G – Summary of MOR’s.....	21
Exhibit H – Operating Reports August 31, 2017.....	21
Exhibit I – Unaudited Financial Statements as of December 31, 2016.....	21
Exhibit J – Appraisal Report as of June 3, 2016.....	18

I. INTRODUCTION

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

The Debtor recommends that you vote to accept the Plan. Each creditor must, however, review the Plan and the 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 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 Disclosure Statement has been provided by Debtor based upon Debtor's knowledge of its records, business, and affairs. Except as otherwise expressly indicated herein, the information provided in the Disclosure Statement has not been subject to an audit or independent review. Although great efforts have been made to be accurate, the Debtor

and its Counsel, and other professional advisors do not warrant the accuracy of the information contained herein.

The 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 amounts of claims which may be allowed, are authorized other than as set forth in the 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 Disclosure Statement should not be relied upon in voting on the Plan.

The Debtor believes that the Plan provides the quickest recovery and will maximize the return to creditors on their Claims.

ACCORDINGLY, THE DEBTOR URGES ALL CREDITORS TO VOTE IN FAVOR OF THE AMENDED PLAN.

II. SUMMARY OF THE PLAN

The Plan specifies the manner in which the Claims and the Interests in 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 for all other classes of claims, as well as Debtor's shareholders' interests in Debtor. To the extent that the terms of the Disclosure Statement vary from those of the Plan, the terms of the Plan will control.

The Village Development Corporation
Amended Disclosure Statement

Case No. 16-02021 (EAG)
Page 6

DESCRIPTION OF CLAIM	CLASS	ESTIMATED AMOUNT OF ALLOWED CLAIM	TREATMENT AND ESTIMATED RECOVERY UNDER THE PLAN
<p>Holders of Allowed Administrative Expense Claims (Estimated)</p>	N/A	<u>\$44,300.00</u>	<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 in cash on the Effective Date of the Plan, from the proceeds of the sale of Debtor's assets, as described below, and from Debtor's other available funds resulting from Debtor's Shareholders' contributions.</p> <p>Payments to Professionals will be made as approved by the Bankruptcy Court during the pendency of the Chapter 11 Case. US Trustee's Quarterly fees will be paid when due, with any pending balance to be paid on or before the Effective Date of the Plan.</p>
<p>Holders of Allowed Priority Tax Claims</p>	N/A	<u>\$16,175.96</u>	<p>Unimpaired.</p> <p>Estimated Recovery: 100%</p> <p>The Holders of Allowed Priority Tax Claims <u>(consisting of the Claim of the Treasury Department of Puerto Rico)</u>, secured and unsecured, shall be paid in full on the Effective Date of the Plan, from the proceeds of the sale of Debtor's assets, as described below, and from other available funds resulting from Debtor's Shareholders' contributions, if any.</p>
<p><u>Holders of Allowed General Unsecured Claims under \$10,000 – Convenience Class</u></p>	<u>Class 1</u>	<u>\$19,602.28</u>	<p><u>Impaired.</u></p> <p><u>Estimated Recovery: 90%</u></p> <p><u>Holders of Allowed General Unsecured Claims of \$10,000 or less (the "Convenience Class") shall be paid in 90% of their claims on or before the Effective Date from a cash contribution from Debtor's Shareholders of approximately \$15,000.</u></p>
<p>Holders of Allowed General Unsecured Claims more than \$10,000</p>	<u>Class 2</u>	<u>\$1,659,664.89</u>	<p>Impaired</p> <p>Estimated Recovery: 5%</p> <p>Debtor's Plan contemplates the sale of its three (3) vacant parcels of land (remnants) owned by Debtor, known as "Lot A, Lot B, and Lot C", in the Project known as The Village, Machos Ward, Ceiba, Puerto</p>

The Village Development Corporation
Amended Disclosure Statement

Case No. 16-02021 (EAG)
Page 7

			<p>Rico, with an appraised value of \$140,000, as per the appraisal report dated June 3, 2016, prepared by JE Nogueras/GE Picon & Associates.</p> <p>The sale price for the aforementioned assets is approximately \$150,000.00.</p> <p>From the proceeds of the sale, Debtor will pay in cash 100% of the Allowed Administrative Expense Claims, 100% of Allowed Priority Tax Claims (Secured and Unsecured), and will reserve a carve out for \$83,000.00, to pay the Allowed General Unsecured Claims in excess of \$10,000, Class 2, on a pro-rata basis.</p>
<p>Holders of Allowed General Unsecured Claims of Debtor's Insiders</p>	<p><u>Class 3</u></p>	<p>\$147,543.42</p>	<p>Impaired.</p> <p>Estimated Recovery: 0%</p> <p><u>Holders of Allowed General Unsecured Claims of Debtor's Insiders resulting from cash advances made to Debtor shall subordinate their claims to all other creditors in the case and will not receive any dividends.</u></p> <p><u>It should be mentioned that Debtor's Insiders are subordinating the collection of their allowed claims to the payment of all other classes of claims, pursuant to the provisions of the Plan, solely if the Plan is confirmed. If the case is converted or dismissed, this subordination will not be available for the benefit of all other creditors in the case.</u></p>
<p>Holders of Interests in Debtor</p>	<p><u>Class 4</u></p>	<p>N/A</p>	<p>Unimpaired.</p> <p>Estimated Recovery: N/A</p> <p>The shares of the Equity Interest Holders in Debtor will be cancelled on the Effective Date.</p>

For a more detailed description of the treatment of the foregoing Claims and Interests, see "Treatment of Claims and Interests under the Plan".

The 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 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 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 Disclosure Statement includes background information about Debtor and identifies how creditors have been placed in the Plan. The Disclosure Statement describes the proposed treatment of Debtor's creditors 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 Disclosure Statement and the Exhibits thereto 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 Disclosure Statement, however, does not constitute a recommendation by the Bankruptcy Court either for or against the Plan.

3.2 Voting Procedure

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 Disclosure Statement as **Exhibit A** to be returned to the following address:

The Village Development Corporation
c/o William Vidal Carvajal, P.S.C.
225 Ponce de León Avenue
MCS Plaza, Suite 801
San Juan, PR 00918

The Ballots must be received **on or before 4:00 P.M. (Eastern Standard Time) on _____, 2017**, to be counted in the voting. Ballots received after this time will not be counted in the voting unless the Bankruptcy Court so orders. The 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 equity interests which are "impaired" under the terms and provisions of a plan are entitled to vote to accept or reject such plan, except as provided in Section 1126(g) of the Bankruptcy Code as to any Class which is deemed not to have accepted the Plan because the Plan provides that the claims or interests of such class do not entitle the holders of such claims or interests to receive or retain any property under the Plan on account of such claims or interests.

Members of Class **1, 2 and 3** are impaired under the Plan and entitled to vote. They will be asked to vote for acceptance or rejection of the Plan. Class **4** is unimpaired under the Plan, and is deemed to have accepted the Plan and not entitled to vote to accept or reject the Plan.

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 _____, 2017 at _____ .M. or as soon thereafter as the Debtor can be heard. The Confirmation Hearing will be held before the Honorable Edward A. Godoy, United States Bankruptcy Judge, in the United States Bankruptcy Court, 300 Recinto Sur Street, San Juan, Puerto Rico, 00901. 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 Debtor 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 the impaired 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 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 the impaired Class is important since at the Confirmation Hearing and as a condition to the confirmation of the Plan, the Bankruptcy Court must determine, among other things, whether the impaired Class has accepted the Plan. Under Section 1126 of the Bankruptcy Code, the impaired Class will be deemed to have accepted the Plan if at least 2/3 in amount and more than 1/2 in number of the Allowed Claims of the impaired Class members who actually cast ballots to accept or reject the Plan, accept the Plan. Further, unless there is acceptance of the Plan by all members of the impaired Class, the Bankruptcy Court must also determine that under the Plan, such Class members will receive property of a value, as of the Effective Date, that is not less than the amount that such Class members would receive or retain if Debtor were 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 Description and Historical View of the Debtor.

Debtor is a corporation and was organized under the laws of the Commonwealth of Puerto Rico on August 6, 1999. Debtor is engaged in the development, construction, and sale of residential units at the project known as “The Village”. Debtor is a single asset entity. However, after the completion of the project known as The Village, at Machos Ward, Ceiba, Puerto Rico, and a corporate restructuring, Debtor has not had any business activity.

Debtor’s offices are located at 8 Ganges Street, El Paraíso, San Juan, Puerto Rico 00926. Debtor is owned by two (2) Shareholders, each one of the shareholders owning 50% of Debtor’s voting common stock.

4.2 Events Preceding Debtor's Chapter 11 Filing

During the last several years, Debtor has been involved in an adversary proceeding, in the case styled M.C. Construction, Inc. vs. the Village Development Corporation (Case No. KDC-2004-0372 (901), under which the plaintiff claims over \$800,000, in unpaid services, legal fees, interests, and others. Debtor believes this amount is not owed and was aggressively defending itself. Notwithstanding the above, on March 4, 2016, the Supreme Court of PR denied Debtor's reconsideration of the Judgment issued in favor of the plaintiff, motion leaving no alternatives to Debtor than filing a Chapter 11 Case, to protect its assets and implement an orderly Liquidation Plan.

Consequently, for the purpose of reorganizing its business and financial affairs, obtain the benefits of the automatic stay provisions of Section 362(a) of the Bankruptcy Code and execute an orderly liquidating plan, on March 15, 2016, Debtor filed a voluntary petition for relief pursuant to 11 U.S.C. Chapter 11 with the Bankruptcy Court. Debtor is a small business as defined in 11 U.S.C. 101(51C).

4.3 Debtor's Post-Petition Endeavors.

As a result of the filing by Debtor of its Chapter 11 petition, Debtor received the benefits of 11 U.S.C. § 362(a), which stays all collection actions and judicial proceedings against Debtor, thus preventing a run to the court house by creditors and the possible execution of its assets, providing Debtor the opportunity to file a Liquidation Plan and a Disclosure Statement, without the pressures that drove Debtor into Chapter 11, as envisioned by the Bankruptcy Code.

During the course of its case, 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 William Vidal Carvajal, Law Office, P.S.C., as its bankruptcy counsel (Docket No. 13).

Debtor also sought the Bankruptcy Court's approval to retain Luis R. Carrasquillo, CPA, CIRA ("Carrasquillo") as its financial advisor on all matters pertaining to Debtor's Chapter 11 case (Docket No. 12).

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 through 7 hereof.

The Plan provides that only 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, based upon Debtor's Schedules or Debtor's belief as to the amounts due thereto. Debtor is including as **Exhibit C** hereto an Updated Summary of Claims and Plan Payments.

Any objections to Claims must be filed and served on their holders by the Claims Objection Bar Date, which as set forth in the Plan is 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.

As of the date of this Disclosure Statement, Debtor has not filed any objections to claims.

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. In the event and to the extent that the description of the Plan contained in the 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.

Debtor's Plan contemplates the sale of three (3) vacant parcels of land (remnants) owned by Debtor, known as "Lot A, Lot B, and Lot C", in the Project known as The Village, Machos Ward, Ceiba, Puerto Rico, with an appraised value of \$140,000, as per the appraisal report dated June 3, 2016, prepared by JE Noguera/GE Picon & Associates. The sale will be consummated and is contingent to the Confirmation of Debtor's Plan and the entry of the Confirmation Order. The sale price for the aforementioned assets is approximately \$150,000.00. **Moreover, in order to assist in Debtor's Liquidating Plan, its Shareholders are contributing approximately \$15,000, for the payment of the convenience Class described below.**

From the proceeds of the sale and **Shareholders' contributions**, Debtor will pay in cash 100% of the Allowed Administrative Expense Claims, 100% of Allowed Priority Tax Claims (Secured and Unsecured), **90% of the Claims classified in Class 2 (Convenience Class)** and will reserve a carve out of approximately \$83,000, to pay the Allowed General Unsecured Claims in excess of \$10,000, **in Class 3**, on a pro-rata basis, for an estimated dividend of 5% of the Allowed General Unsecured Claims.

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

as well as the estimated principal amounts thereof, as of the Effective Date, and their treatment, are set forth in the Plan and summarized in pages 6 through 7 hereof.

Administrative Expense Claims are generally the ordinary and necessary costs of administering and operating during a Chapter 11 case. These claims are listed in Exhibit C hereto.

6.2 Administrative Expense Claims

Except as otherwise agreed to by Debtor and the holder of a pending Allowed Administrative Expense Claim, each such holder shall be paid in full on or before the Effective Date, from the proceeds of the sale of the assets described above. US Trustee Fees will be paid when due, during the pendency of the case.

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. Debtor will reserve the necessary funds to meet these payments.

6.3 Professional Fee Claims

The professionals retained by Debtor in its 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. **However, during the pendency of the case, the approved fee applications for Debtor's professionals have been paid by Debtor's principals, (as capital contributions).** Debtor estimates that additional Allowed Professionals Fee Claims will aggregate from \$40,000 to \$45,000 for services rendered and expenses incurred up to the Confirmation of the Plan, for all professionals retained by Debtor. All amounts 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. Payments to Professionals will be made as approved by the Bankruptcy Court during the pendency of the Chapter 11 Case.

6.4 Priority Tax Claims and Other Priority Claims

Priority Tax Claims composed of Claims entitled to priority pursuant to Section 507(a)(8) of the Bankruptcy Code. Such claims are listed in the **Exhibit D** hereto.

The Allowed Priority Tax Claims will be paid in full in cash, on or before the Effective Date of the Plan, **from** the proceeds of Debtor's Assets Sale, described above.

6.5 Classes of Claims and Equity Interests

As of the Petition Date, Debtor had priority unsecured and non-priority unsecured debts, as more particularly described below and in pages 6-7 hereof. The Plan classifies the Claims and the Holders of Interests in Debtor, and their treatment are set forth below, as follows:

Class 1 – **Holders of Allowed General Unsecured Claims under \$10,000 – Convenience Class.**

Class 2 – Holders of Allowed General Unsecured Claims in excess of \$10,000

Class 3 – Holders of Allowed General Unsecured Claims of Debtor's Insiders.

Class 4 – Holders of Interests in Debtor.

6.6 Treatment of Claims.

Class 1 – Holders of Allowed General Unsecured Claims under \$10,000 – Convenience Class.

(a) **Impairment and Voting - Class 1 is impaired under the Plan, therefore entitled to vote to accept or reject the Plan.**

(b) **Distribution – Class 1 shall be paid a dividend of 90% of their claims on or before the**

Effective Date from a cash contribution from Debtor's Shareholder of approximately \$15,000.00.

Estimated recovery: 90%

Class 2 – Holders of Allowed General Unsecured Claims in Excess of \$10,000

(a) **Impairment and Voting – Class 2 is impaired under the Plan and therefore entitled to vote to accept or reject the Amended Plan.**

(b) **Distribution** – Debtor's Plan contemplates the sale of three (3) vacant parcels of land (remnants) owned by Debtor, known as "Lot A, Lot B, and Lot C", in the Project known as The Village, Machos Ward, Ceiba, Puerto Rico, with an appraised value of \$140,000, as per the appraisal report dated June 3, 2016, prepared by JE Nogueras/GE Picon & Associates. The sale will be consummated and is contingent to the Confirmation of Debtor's Plan and the entry of the Confirmation Order. The sale price for the aforementioned assets is approximately \$150,000.

From the proceeds of the sale, Debtor will pay in cash 100% of the Allowed Administrative Expense Claims, 100% of Allowed Priority Tax Claims and will reserve a carve out for **approximately \$83,000**, to pay the Allowed General Unsecured Claims in excess of \$10,000, Class 2, on a pro-rata basis, for an estimated dividend of 5% of their claims.

Estimated recovery: 5%

Class 3 – Holders of Allowed General Unsecured Claims of Debtor's Insiders

(a) **Impairment and Voting** - Class **3** is impaired under the Plan **and** entitled to vote to accept or reject the Plan.

(b) **Distribution** – **Holders of Allowed General Unsecured Claims of Debtor's Insiders resulting from cash advances made to Debtor shall subordinate their claims to all other**

creditors in the case and will not receive any dividends. It should be mentioned that Debtor's Insiders are subordinating the collection of their allowed claims to the payment of all other classes of claims, pursuant to the provisions of the Plan, solely if the Plan is confirmed. If the case is converted or dismissed, this subordination will not be available for the benefit of all other creditors in the case.

Class 4 – Interests Holders in Debtor

- (a) Impairment and Voting - Class 4 is unimpaired under the Plan. Interests Holders in Debtor are deemed to have accepted the Plan and are not entitled to vote to accept or reject the Plan.
- (b) Distribution – The share of the Equity Interests Holders in Debtor will be cancelled on the Effective Date.

6.7 Means for Implementation of the Plan

Except as otherwise provided in the Plan, Debtor will effect payment of all Allowed Administrative Expense Claims, Priority Tax Claims, **General Unsecured Claims in Classes 1 and 2**, with the available funds originating from the sale of substantially all of Debtor's assets described above and **the capital contributions from Debtor's shareholders**.

6.8 Debtor's Post Confirmation Management

Debtor's operations will cease after the consummation of its Plan, as a result of the sale of substantially all of its assets, thus, no post confirmation management will be necessary.

6.9 Cancellation of Existing Agreements

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

6.10 Effectuating Documents and Further Transactions

Upon entry of the Confirmation Order, the Debtor shall be authorized and is instructed to execute, deliver, file or record such contracts, instruments, releases, consents, certificates, resolutions, programs 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 this Plan, including, without limitation, implementing all settlements and compromises as set forth in or contemplated by this Plan, and performing all obligations under the Plan.

6.11 Authority to Act

Prior to, on or after the Effective Date (as appropriate), all matters expressly provided for under this Plan that would otherwise require approval of the stockholders, security holders, officers, directors, partners, managers, members or other owners of the Debtor shall be deemed to have occurred and shall be in effect prior to, on or after the Effective Date (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 or other owners of such entities or notice to, order of or hearing before the Bankruptcy Court.

6.12 Executory Contracts and Unexpired Leases

All executory contracts and unexpired leases which have not expired by their own terms or have been rejected on or prior to the Confirmation Date shall be deemed rejected on the Effective Date 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 such executory contracts or unexpired leases results in a claim for damages by the other party or Debtor to such contracts or leases, any claim for such damages, if

not evidenced by a filed proof of claim, shall be forever barred and will not be enforceable against the Estate, or its properties, its 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, financial consultants, attorneys and agents acting in such capacity shall have no liability to any Holder of any Claim or Shareholder 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 Disclosure Statement, the solicitation of votes for confirmation of the Plan, the administration of the Plan or property of the Debtor's estate distributed under the Plan, or any transaction contemplated by the Plan or the 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

In the event Debtor's Chapter 11 case is converted to Chapter 7 of the Bankruptcy Code, Debtor would be required to cease all of its reduced activities and a Chapter 7 Trustee would be

appointed for Debtor's Estate to liquidate the Estate's assets pursuant to the provisions of the Bankruptcy Code, after attending to the immediate issues of securing Debtor's assets and the resolution of any issues involving Debtor's executory contracts.

An **Updated** Liquidation Analysis with respect to Debtor's assets as of **August 31, 2017**, is attached as **Exhibit E** hereto (the "Liquidation Analysis").

The Liquidation Analysis reveals that in the event of a liquidation of Debtor's assets by a Chapter 7 Trustee, there would be a substantial loss to Debtor's Estate, taking into account the Chapter 7 costs of administration, the decrease in the recovery from the liquidation of Debtor's assets and the expected value of the Estate's assets in a Chapter 7 scenario. It also 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. Pursuant to such analysis, under a Chapter 7 scenario, the General Unsecured Creditors (all) **would not receive any dividends (0%) on their claims.**

Confirmation of the Plan will ensure that holders of Administrative Expense Claims, Allowed Priority Claims, and Allowed General Unsecured Claims (except for those claims of Debtor's insiders) 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

The feasibility of the Plan rests on the sale of substantially all of Debtor's assets under Section 363(b) of the Bankruptcy Code, as set forth above in the amount of approximately \$150,000 **and Shareholders' contributions of \$15,000.**

Debtor, with the assistance of its Court appointed financial consultant, has prepared a report of assets sale proceeds distributions (the “Funds Distribution”) based on the confirmation and implementation of the Plan. The Fund Distribution Exhibit is attached as **Exhibit F** to this Disclosure Statement.

As **Exhibit G** hereto, Debtor is including a summary of its monthly operating reports for the period ended August 31, 2017. **Exhibit H** hereto presents the last Operating Report filed at Court, as of August 31, 2017. Moreover, as **Exhibit I**, Debtor is presenting its unaudited financial statements as of the filing date.

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 March 15, 2016. Debtor’s Schedules and Statement of Financial Affairs are available for public inspection at the office of the Clerk of the Bankruptcy Court during regular business hours.

a) Real Property

As of the Petition Date, Debtor was the owner in fee simple of three (3) remnants of parcel of lands, as listed and more fully described in its Schedule A filed at Court on March 15, 2016 (Docket No. 1), with an aggregate estimated appraised value of \$140,000 as per appraisal dated June 3, 2016, attached hereto.

Full descriptions of Debtor’s real properties are included in Debtor’s Schedule A, available for public inspection at the office of the Clerk of the Bankruptcy Court during regular business hours.

b) Personal Property

As of the Petition Date, Debtor’s Schedules listed Debtor’s personal property consisting of cash, bank accounts, and deposits, with an aggregate value of \$695. 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.

c) Liquidation Analysis

In order to analyze realistic liquidation scenarios and considering the updated value of Debtor's assets as of August 31, 2017, Debtor has included the Liquidation Analysis as **Exhibit E** hereto.

7.3 Pending Litigation and Other Liabilities

At the time of the filing of the Chapter 11 petition, the following case was pending and stayed by the provisions of Section 362(a) of the Bankruptcy Code:

Case/ Name	Nature	Forum	Status
MR Construction, Inc. vs. The Village Development Corporation Civil No. K CD2004-0372(901)	Collection of Money	Court of Appeals San Juan Section Panel II	Stayed

7.4 Leases and Executory Contracts

As of the Petition Date, Debtor was not a party to any unexpired leases and/or executory contracts.

VIII. BAR DATE AND DETERMINATION OF CLAIMS

8.1 Bar Date

On March 16, 2016 (Docket No. 3), in the "Notice of Chapter 11 Bankruptcy Case, Meeting of Creditors and Deadlines" issued in Debtor's case, the Bankruptcy Court fixed July 14, 2016, as the bar date for the filing of proofs of claims and interests (except for Governmental Units), and September 12, 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 an Allowed Claim 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 the Plan cannot be confirmed, the Case may be converted to Chapter 7 of the Bankruptcy Code. In such an event, 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 would result in a limited distribution to creditors, due to the decreased value of Debtor's assets, the unfamiliarity of a trustee with Debtor's business and assets and with the manner of most effectively disposing of Debtor's assets,

the carrying costs of certain assets such as insurance, property taxes, etc., and the delay in distribution on account of such conversion.

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 Debtor and 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 will provide the greatest and most expeditious return to creditors.

X. TAX EFFECTS

Based on Debtor's net operating carry loss forwards, 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 interest of the Estate and Creditors and offers the best possible recovery for Creditors under the circumstances. The Debtor therefore urges creditors to vote in favor of the Plan.

In San Juan, Puerto Rico this ____ day of _____, 2017.

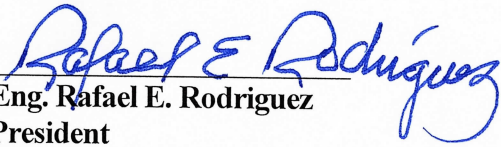
The Village Development Corporation
Amended Disclosure Statement

Case No. 16-02021 (EAG)
Page 26

**THE VILLAGE DEVELOPMENT
CORPORATION**

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Eng. Rafael E. Rodriguez
President