

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

IN THE MATTER OF:

JOSE L. RUIZ RAMIREZ
MIRIAM I. TORRES GONZALEZ

Debtor

CASE NO. 16-03552-BKT

CHAPTER 11

**DISCLOSURE STATEMENT FOF THE CHAPTER 11 PLAN OF
REORGANIZATION DATED OCTOBER 28, 2016**

TO THE HONORABLE COURT
TO CREDITORS
TO OTHER PARTIES IN INTEREST

The Debtors herein, as debtors-in-possession, through the undersigned attorney, submit this Disclosure Statement dated October 28, 2016, together with the proposed Plan of Reorganization of even date.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, on this 31st of October of 2016.

EMG Despacho Legal, C.R.L.

Edificio La Electrónica
Suite 201-A, Calle Bori 1608
San Juan, Puerto Rico 00927
Tel: (787) 753-0055
e-mail: lcdomangual@gmail.com

By: /s/Edgardo Mangual González
EDGARDO MANGUAL GONZÁLEZ
USDC No. 223113

By: /s/José L. Jiménez Quiñones
JOSE L. JIMENEZ QUINONES
USDC No. 203808
e-mail: lcdojosejimenez@gmail.com

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IN THE UNITED STATES BANKRUPTCY COURT
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Debtor

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CHAPTER 11

I. INTRODUCTION

Pursuant to Section 1125 of the United States Bankruptcy Code, 11 U.S.C. sec. 101, *et seq.* (the “Bankruptcy Code”), José L. Ruiz Ramirez and Miriam I. Torres Gonzalez, individually and collectively named Debtor-In-Possession (“Debtors”), in the above captioned case provides this Disclosure Statement to all of their known creditors. This Disclosure Statement contains information about the Debtors and describes the Debtor’s Plan of Reorganization (“Plan”), dated October 28, 2016. A full copy of the Plan is attached to this Disclosure Statement as Exhibit A. A table of the proposed distribution to be made under the Plan is also attached as Exhibit B, and also discussed in this Disclosure Statement.

A. Purpose of This Document

The purpose of the Disclosure Statement is to provide such information as Debtors believe may be deemed necessary for the Debtors’ creditors to make an informed decision in exercising their rights to vote on Debtors’ Plan. Particularly, this Disclosure Statement describes:

- The Debtors and the significant events during the bankruptcy case,
- The Plan’s proposal on how to treat claims or equity interests depending on the type of claim the creditor hold (*i.e.*, what you will receive on your claim or equity interest if the plan is confirmed),

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- The prospects if confirmation is denied or the proposed Plan does not become effective,
- Who can vote on or object to the Plan,
- What factors the Bankruptcy Court (the “Court”) will consider when deciding whether or not to confirm the Plan,
- Why Debtors believe 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 during a liquidation of the assets, and
- The effect of the Plan’s confirmation.

Each creditor must, however, review the Plan and this 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 it 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; while other terms shall have the meaning ascribed to them in the Bankruptcy Code.

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 information contained in the Disclosure Statement has been provided by Debtors, based upon her knowledge of their records and affairs. Except as otherwise expressly indicated,

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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 Debtors' counsel, the Debtors themselves and other professional advisors do not warrant the total accuracy of the information contained herein.

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

The Disclosure Statement has not been approved yet by the Bankruptcy Court as providing information deemed adequate to enable Debtor's creditors to make an informed judgment in exercising their right to vote for or against the Plan. The Court has not yet determined whether the Plan meets the legal requirements for confirmation, and the fact that the Court approves this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it has been accepted.

The hearing at which the Court will determine whether to finally approve this Disclosure Statement and thus confirm the Plan will be scheduled by the Bankruptcy Court and will be conducted at the U.S. Bankruptcy Court, District of Puerto Rico, 300 Recinto Sur Street, Courtroom 1, Second Floor, San Juan, PR. *You will receive a Notice for this hearing from the Debtor.*

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II. GENERAL INFORMATION

A. Description and History of the Debtors

The Debtors hold regular employments as their principal source of income. Mr. Jose L. Ruiz-Ramirez (“Mr. Ruiz”) is an engineer with the company AIREKO SERVICES AND INSTALLATION, a company engaged commercial and industrial air conditioning maintenance programs and repairs, earning a fixed bi-weekly salary averaging \$7,083.40 per month and Mrs. Miriam L. Torres-Gonzalez (“Mrs. Torres”) as a special education teacher under contract with the Department of Education of Puerto Rico, earning a compensation of \$1,820.00 per month. Their combined average monthly income adds up to \$8,903.40. In addition to their regular employment income Mr. Ruiz receives (a) car allowance and (b) a year-end bonus based on the company’s profits, while Mrs. Torres receives (c) rental income from the lease of certain farmland she inherited, which is nominal given the land is used for agriculture.

Before filing for bankruptcy, Mr. Ruiz worked for 23 years with Universal Protection & Maintenance Co. (“Universal”) and helped to develop a profitable local enterprise within the commercial and industrial air conditioning industry. During those years the owner transferred stock of the business to Mr. Ruiz for his years of service and performance.

In 2010 Universal was sold to an investment group, with whom he remained, retaining 13% of the company stock and a three-year employment contact with a salary of \$180,000 per year. As the demand for the goods and services of the Universal declined, as did the general economy trend in Puerto Rico, the business continued down spiraling until October 31, 2013, when my employment contract was canceled. Due to the one-year non-compete clause of Mr. Ruiz’s contractual agreement with Universal, Debtors relocated to Philadelphia, Pennsylvania, for work, then returned to Puerto Rico.

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Whereas Debtors' income for the ten-year period of 2000 to 2010 averaged \$236,000 per year, it has reduced by 51% where it has actually settled.

B. Insiders of the Debtor

Pursuant to 11 U.S.C. §101(31)(A) of the United States Bankruptcy Code, an insider, if the Debtor is an individual, includes (i) relative of the debtor or a general partner of the debtor; (ii) partnership in which the debtor is a general partner; (iii) general partner of the debtor; or (iv) corporation which the debtor is a director, officer, or person in control. In the instant case, the Debtors have no any insider with interest and/or claims against the estate.

C. Events Leading to Chapter 11 Filing

The Debtors' professional and personal financial affairs were significantly affected due to the loss of Mr. Ruiz's employment at the company he worked for 23 years, as well as the total loss of value of the stock he held in that company. In addition, the reduction of 51% in household income has a substantial adverse in Debtors' finances and lifestyle, leaving them vulnerably facing their creditors without the recourse to comply with their obligations. These circumstances led the Debtors to explore their possibility of bankruptcy relief under the Chapter 13 of Bankruptcy Code. However, the Debtors' general unsecured debts substantially accrued, including the deficiency of surrendering a yacht and significant indebtedness from "student loans" obtained to cover part of their two son's college education, surpassing the jurisdictional set forth by 11 U.S.C. § 109(e) for a Chapter 13 reorganization, hence, they petitioned relief under Chapter 11, notwithstanding this is not a business case or that of a corporation.

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D. Significant Events During the Bankruptcy Case

The Debtors retained legal professional services Edgardo Mangual Gonzalez, Esq., and his law firm EMG Despacho Legal, CRL, and accounting professional services from Albert Tamarez-Vasquez, CPA. The employment of these professionals was approved by the Court.

The Debtors have executed measures and adjustments to reorganize their financial by submission of their disposable income to fund the 5-year plan, including the sale of a parcel of farmland with a concrete structure located at SR 109 Km. 26.5 Interior Culebrinas Ward, San Sebastian, Puerto Rico, measuring approximately 45.13 “cuerdas” [approximately 43.83 acres], currently under an unexpired lease agreement with an option to purchase due on May 9, 2019. The non exempt proceeds from that sale are being used to fund the Plan.

E. Projected Recovery of Avoidable Transfers

The Debtors do not intend to pursue preference, fraudulent conveyance, or any kind of avoidance actions because none have been identified.

F. Objections to Claims

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtors reserve 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.

G. Current and Historical Conditions

The Debtors’ financial condition is detailed in a Summary of the Monthly Operating Reports filed with the Court, which is hereby attached as Exhibit C.

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III. SUMMARY OF DEBTOR'S PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

A. Purpose of the Plan of Reorganization

As required by the Code, the Plan places claims and equity interests in various classes and describes the treatment each class will receive in the Plan. 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 object, however, if in their view their treatment under the Plan does not comply with that required by the Code. As such, the Plan's proponents have not placed the following claims in any class:

1. **Unsecured Priority Tax Claims**

Priority tax claims are unsecured income taxes, employment taxes, and/or other taxes described by sec. 507(a)(8) of the Code. Unless the holder of such priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding five (5) years from the Order of Relief. Each holder of a priority tax claim will be paid consistent with sec. 1129(a)(9)(C) of the Code, in monthly cash installments, equal to the allowed amount of its claim, plus yearly interest over a 5-year period.

In the instant case, the payment of unsecured priority government tax claims pursuant sec. 507(a)(8) is provided for under Article V of the Plan as follows:

“All allowed unsecured priority claims pursuant to Section 507(a)(8) of the Code, as the same are allowed, approved and ordered to be paid by the Court, shall

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be paid by Debtor, as required by law within a period not exceeding five years after the order for relief. Each claim is to be evidenced by a promissory note for the full amount thereof, bearing interest at a 3.25% rate amortized over a period of 54 months, dated as of the Effective Date of the plan, the value of the future payments to be equal to its allowed amount and in equal monthly installments. These claims total \$33,423.74, of which Puerto Rico Treasury Department ("Treasury") is owed \$17,219.59 and Internal Revenue Service ("IRS") is owed \$16,204.15.

Treasury is owed a priority claim (#17) amounting to \$17,219.59 which will be paid in-full, plus 3.25% interest amortized at 54 months, over a period of 31 months by installments of \$343.20 each month for 30 months and one lump payment of \$7,964.34 on the 31st month, for a grand total of \$18,260.34; commencing thirty (30) days after the Effective Date of the Plan, unless the holder of such claims agree with the Debtors to a different treatment.

IRS is a owed a priority claim (#11) amounting to \$16,204.15 which shall be paid in-full, plus 3.25% interest amortized at 54 months, over a period of thirty 31 months by installments of \$322.96 each month for 30 months and one lump payment of \$7,494.69 on the 31st month, for a grand total of \$17,183.49; commencing thirty (30) days after the Effective Date of the Plan, unless the holder of such claims agree with the Debtors to a different treatment.

Refer to the Schedule Payments under the Plan of Reorganization [Exhibit 3 of the Plan], and its attached Exhibit to Amortization of Priority Claims.

Holders of these claims are not impaired."

C. Classes of Claims and Equity Interests- Treatment

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

1. Class 1: Administrative Expenses

"This class is includes the Office of the United States Trustee, and the Debtors' counsel and other Professionals with applications dully authorized and approved by the Bankruptcy Court; also, any unpaid taxes or fees accrued since petition date and court cost accrued since the petition date. Debtors state that payments to the Office of the United States Trustee are current.

This class shall be paid in full as soon as practicable on the later of:

(a) the Effective Date of the Plan,

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- (b) the date any such claim becomes an allowed Administrative Claim, or
- (c) upon such other terms as may be agreed upon by the holder of the claim and the Debtors.

This class is not impaired.”

2. Classes 2 through 5: Secured Claims

Allowed Secured Claims (classes 2, 3, 4, and 5) are claims secured by property of the Debtors’ bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims pursuant sec. 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 list contains Debtors’ secured prepetition claims and their proposed treatment as quoted from the Plan:

- Class 2 – Secured Claim: Mortgage Note of Scotiabank de Puerto Rico

“Creditor Scotiabank de Puerto Rico’s (Claim #13) will retain the lien securing its claim—a first rank promissory with a face value of \$423,450.00 and due on January 1, 2034—over Debtor’s residential property located at URB. BOSQUE DEL LAGO, BJ-5 VIA TANGAÑICA, TRUJILLO ALTO, PUERTO RICO 00976.

Debtors will surrender the property to Scotiabank as payment of its claim or in lieu of foreclosure, as agreed with the creditor, without prejudice of creditor filing an unsecured claim (or amending its present one) for any deficiency resulting from such transfer; otherwise, Debtors will voluntarily lift the stay in favor of creditor upon the terms so stipulated.

Debtors shall remain occupying the property and continue paying the post petition homeowners association’s fees and assessments, as well as the real property taxes accrued post petition, until Scotiabank causes the title to be transferred upon itself as creditor or to a third party by private or public sale.

This class is impaired.

Refer to the title search [Exhibit 1 of the Plan].”

- Class 3 – Secured Claim: Real Property Taxes Due on Interior Culebrinas Ward Property owed to CRIM

“Upon the sale of the agricultural farmland with a residential structure located at SR109, Km. 26.5, INTERIOR CULEBRINAS WARD, SAN SEBASTIAN, PR 00685, site area

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of 45.13 “cuerdas,” creditor Centro de Recaudación de Ingresos Municipales’ (“CRIM”) Claim #12 will receive full-payment of its secured portion of \$25,195.87 at the time of sale plus accrual payments and interest thereof. The projected time of sale is May 9, 2019, the termination date of the current unexpired lease with a purchase-sale option agreement and the estimated pay-off at that date is \$31,196.00.

Refer to the title search Exhibit 2 of the Plan].”

The secured portion of this class is not impaired, however, its unsecured portion is.”

- Class 4 – Secured Claim: Department of Treasury, Special Real Property Tax - Law 7

“Upon the sale of the agricultural farmland with a residential structure located at SR109, Km. 26.5, INTERIOR CULEBRINAS WARD, SAN SEBASTIAN, PR 00685, site area of 43.15 “cuerdas”, Treasury’s Claim #17 will receive full-payment of its secured portion of \$1,613.93, plus 3.25% interest amortized at 54 months. The projected time of sale is May 2019, the termination date of the current unexpired lease with a purchase-sale option agreement, and the estimated pay-off of Claim #17’s secured portion, with interest as of that date is \$1,700.00.

Refer to the title search Exhibit 2 of the Plan].

The secured portion of this class is not impaired, however, its unsecured portion is.”

- Class 5 – Secured Claim : First Bank Puerto Rico

“On May 13, 2016, creditor First Bank Puerto Rico (“FBPR”) filed its POC No. 2 in the total amount of \$963.47 as fully secured. Said claim encumbered a 2011 Ford Explorer sport utility vehicle, which was totally paid-off on May 24, 2016 (post petition) pursuant to the terms of the conditional retail sales contract, at the updated pay-off amount of \$966.38. Debtor will not provide for disbursements to this class and will object to claim #2 if not withdrawn by creditor on or before the Effective Date of the Plan.

This class is not impaired.

3. Class 6: General Unsecured Claims

- Class 6 – General Unsecured Claims

“On the Effective Date of the Plan, Class 6 claimants shall receive from the Debtors a nonnegotiable, non-interest bearing promissory note, dated as of the Effective Date, providing for a total amount of \$211,000 to be paid pro-rata to all allowed claimants under this class, which shall be payable in (a) 30 monthly installments of \$500, followed by 30 monthly installments of 1,000, and (b) 1 lump payment of \$166,000 from the proceeds of the sale of the Interior Culebrinas Ward property projected for May 9, 2019—upon termination of the lease with purchase-sale option agreement of the agricultural farmland. The proposed dividend payable to this class through the plan exceeds the Liquidation Value determined in the amount of \$142,195.

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“The Liquidation Analysis prepared for this case shows that the estimated dividend for the general unsecured creditors under a Chapter 7 is 11.77%. The proposed Plan of Reorganization provides monthly payments and lump-sum distribution totaling \$211,000.00 to the general unsecured creditors (Class 6) within the 5-year period of the plan. Each claim holder under this class will receive pro-rata distributions, as per the allowed amounts. Based on the current allowed amounts, each claim holder in this class will receive approximately 36.78% of the allowed amount.

The detail of monthly payments and lump-sum distribution are as follows:

- Beginning on effective date, thirty (30) consecutive monthly payments of \$500.00 each one to Class 6 payable in a pro-rata basis as per the allowed amount within this class. Any change in the allowed amounts may change the actual distribution percentage, but it will remain on the same pro-rata basis for all of them. The sum total of these monthly payments is \$15,000.00.
- One time lump-sum distribution estimated in \$166,000.00 from the proceeds of the sale of the joint debtor’s inherited real property located at Interior Culebrinas Ward, San Sebastian. Please refer to the Exhibit of Expected Proceeds from Sale of Real Property [Exhibit 5 of the Plan]. This lump-sum distribution will be in a pro-rata basis as per the allowed amount within this class. The detailed distribution is in the second page of the exhibit of “Payments under the Plan of Reorganization.” This lump-sum distribution is expected to occur during the 31st payment of the plan.
- Upon the completion of the sale of the Interior Culebrinas Ward inherited property, the one time lump-sum distribution, and the paid-off the priority tax claimants, the monthly payment to Class 6 will increase from \$500.00 to \$1,000.00 payable in a pro-rata basis as per the allowed amount within this class. Any change in the allowed amounts may change the actual distribution percentage, but it will be nevertheless the same to all of them. This increase in monthly payments is expected to begin on the 31st month of the plan and continue to the 60th month of the plan. The sum total of these monthly payments is \$30,000.

Refer to the Schedule Payments under the Plan of Reorganization [Exhibit 3 of the Plan]; refer also to the Liquidation Analysis [Exhibit 4 of the Plan] and the Exhibit of Expected Proceeds from Sale of Real Property [Exhibit 5 of the Plan].

This class is impaired.”

4. 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

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limited liability company ("LLC"), the equity interest holders are the members. Finally, with respect to an individual who is a debtor such debtor is the equity interest holder and is not classified and won't receive any distribution.

D. 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.

IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

The Court has not yet confirmed the Plan described in this Disclosure Statement. To be confirmable, the Plan must meet the requirements listed in secs. 1129(a) or (b) of the Code. These include the following requirements: (a) the Plan must be proposed in good faith; (b) at least one impaired class of claims must accept the plan, (c) without counting the votes of insiders; (d) 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 (e) the Plan must be feasible. These requirements are not the only requirements listed in sec. 1129 and they are not the only requirements for the Plan's confirmation.

Pursuant to sec. 1128 of the Bankruptcy Code, the Bankruptcy Court will schedule a hearing on confirmation of the Plan. *The Confirmation Hearing will be held before the Honorable Brain K. Tester, United States Bankruptcy Judge, in the José V. Toledo Federal Building and United States Courthouse, 300 Recinto Sur, Courtroom 1, Second Floor, San Juan, Puerto Rico, 00901*, or before any other Bankruptcy Judge that may be designated to hold the same at such place as may be indicated in the future.

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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 the holders of claims and interests. The Bankruptcy Court will also receive and consider a Report of Plan Voting prepared by the Debtor, summarizing the votes for acceptance or rejection of the Plan by the parties entitled to vote.

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

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

Any objection to confirmation of the Plan must be in writing, filed, and served on the Debtor, the United States Trustee, and all parties having appeared in the case and requested to be served with pleadings filed in the case, as required by the Bankruptcy Court pursuant to the order approving this Disclosure Statement.

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

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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 Debtors believe Class 2, Class 3 (unsecured portion) Class 4 (unsecured portion), and Class 6 are impaired classes and thus only their members holding claims in these classes are entitled to vote to accept or reject the Plan. The Debtors believe that Class 1, Class 3 (secured portion), Class 4 (secured portion), and Class 5, and the unclassified Unsecured Priorities are unimpaired and that holders of claims in these classes, therefore, do not have the right to vote to accept or reject the Plan. Any member of Class 6 listed as contingent are not entitled to vote because they do not hold and allowed claim because their claims are both disputed and contingent.

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 September 8, 2016 for all creditors, except for governmental units whose deadline is October 31, 2016 as the Notice of Chapter 11 Bankruptcy Case at Docket No.43.

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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 sec. 1124 of the Code, a class is considered impaired if the Plan alters the legal rights, equitable rights, and/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); also the holders of contingent and/or disputed claims, 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 secs. 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.

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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, except when the Plan is eligible to be confirmed by a “cramdown” on the 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 sec. 1129(b) of the Code. 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 sec.

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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 Chapter 7 liquidation. A Liquidation Analysis is attached to this Disclosure Statement as Exhibit D [same as Exhibit 4 of the Plan].

The Liquidation Analysis prepared for this case shows that the estimated dividend for the general unsecured creditors under a Chapter 7 is 11.77%. The proposed Plan of Reorganization provides monthly payments and lump-sum distribution totaling \$211,000.00 to the general unsecured creditors (Class 6) within the 5-year period of the plan. Each claim holder under this class will receive pro-rata distributions, as per the allowed amounts. Based on the current allowed amounts, each claim holder in this class will receive approximately 36.78% of the allowed amount.

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.

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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. For that matter, the Debtor has provided projected financial information. Those financial projections are listed in Exhibit E.

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

The order under sec. 1141(d) of the Bankruptcy Code, except as otherwise provided for in the Plan or in the Order of Confirmation, the rights granted by the Plan and the payments and distributions to be made hereunder shall be in complete exchange for, and in full satisfaction, discharge and release of all existing debts and claims of any kind, nature or description whatsoever against the Debtor. On the Consummation Date, all existing claims shall be deemed to be exchanged, satisfied, discharged and released in full; and all holders of claims shall be precluded from asserting any other or future claim based upon any act or omission, transaction or other activity of any kind or nature that occurred prior to the Consummation Date, whether or not such holder filed a proof of claim.

The Order of Confirmation of the Plan shall constitute an injunction against pursuing any claim or interest, whether or not a proof of claim or proof of interest based on any such debt, liability, or interest is filed or deemed filed, under 11 U.S.C. sec. 501; whether or not such claim is allowed under 11 U.S.C. sec. 502 or whether the holder of such claim has accepted this Plan in the manner set forth herein. Confirmation of the Plan does not discharge any debt provided for in the Plan until the Court grants a discharge on completion of all payments under the Plan, or as

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otherwise provided in sec. 1141(d)(5) of the Code. Debtor will not be discharged from any debt excepted from discharge under sec. 523 of the Code, except as provided in Rule 4007(c) of the Federal Rules of Bankruptcy Procedure.

b. Modification of Plan

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

c. Final Decree

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the case shall be closed upon the Debtor's compliance with the statutory requirements of section 1101(2) of the Bankruptcy Code. The Debtor will apply for a Final Decree evidencing that the Plan has been substantially consummated.

VI. ALTERNATIVES TO THE PLAN

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

a. Liquidation under Chapter 7

If no plan can be confirmed, the case may be converted to Chapter 7 of the Bankruptcy Code, and as indicated above, a Trustee would be elected or appointed to liquidate the Debtors' assets for distribution to Creditors in accordance with the priorities established by the Bankruptcy Code.

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Debtors believe that conversion of the Case to Chapter 7 of the Bankruptcy Code would not be in the best interest of creditors due to additional costs of administration under Chapter 7, and a certain delay in distribution on account of such conversion. As it was discussed in tSection IV(c) above, based on the current claims allowed the estimated dividend for unsecured claims under a Chapter 7 proceeding would be 11.77% but through this Plan of Reorganization the dividend is 30.78%.

Thus, Debtors believe that the interest of Creditors and the goals of the reorganization in a Chapter 11 are better served by the continuation of the proceedings through this Chapter 11 case.

b. Dismissal of the Case

The dismissal of the case would likely create substantial problems for all parties involved, which would result in an abandonment of the orderly and structured equitable payments provided for the Plan under the provisions of the Bankruptcy Code. Therefore, dismissal of the case is not a convenient alternative for creditors.

c. Alternative Plan of Reorganization

If the Plan is not confirmed, the Debtors could attempt to formulate a different plan. However, Debtors believe that the Plan described herein will provide the greatest and most expeditious return to all the Creditors.

VII. OTHER PROVISIONS

All claims against Debtors of whatever nature, including any claim arising from the rejection of any executory contract, or any other action, shall be bound by the provisions of this Plan.

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Any holder of a claim or interest who fails to object, in writing, to the provisions of this Plan, filed with the Court and served upon counsel for the Debtors, not later than the date set for the confirmation of the plan, shall be deemed to have accepted such classification and to be bound by the proposed Plan.

All actions held by the Debtors against any person shall not be construed to release, waive, discharge, compromise or in any other way satisfy any claim, except those subject to any agreement between the parties.

Upon completion of the requirements of the Plan and the order of confirmation, the Debtors and/or the claimant shall execute all corresponding documents and cooperate fully to show release and/or reaffirm all the obligations herein provided.

This Plan shall become effective upon the Effective Date of the Plan, which is thirty (30) days after the order confirming the plan, becomes a final order.

V. CONCLUSION

The Debtors submit this Plan in *Good Faith* and state that the Plan is fair and reasonable. The Plan offers the best possible recoveries for creditors under the circumstances thus it takes in account the best interest of the estate and creditors.

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[Signatures appear on the following page]

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RESPECTFULLY SUBMITTED,

In San Juan, Puerto Rico, this 28th day of October, 2016.

/s/ José L.

Ruíz Ramírez

JOSE L. RUIZ-RAMIREZ

Debtor

/s/ Miriam I. Torres González

MIRIAM I. TORRES-GONZALEZ

Joint Debtor

NOTICE: Within twenty eight (28) days after service as evidenced by the certification, and an additional three (3) days pursuant to Fed. R. Bank. P. 9006(f) if you were served by mail, any party against whom this paper has been served, or any other party to the action who objects to the relief sought herein, shall serve and file an objection or other appropriate response to this paper with the Clerk's office of the U.S. Bankruptcy Court for the District of Puerto Rico. If no objection or other response is filed within the time allowed herein, the paper will be deemed unopposed and may be granted unless: (i) the requested relief is forbidden by law; (ii) the requested relief is against public policy; or (iii) in the opinion of the Court, the interest of justice requires otherwise.

CERTIFICATE OF SERVICE: I hereby certify that on this same date the foregoing Chapter 11 Plan of Reorganization was filed with the Clerk of the Court using the CM/ECF system, which will send notification of such filing to all CM/ECF participants. Furthermore, I certify that all non CM/ECF participants of record are being notified by first class, postage prepaid, United States Postal Service mail, as well as have the parties who filed written requests of said document and so ordered by the Court.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 28th day of October, 2016.

EMG Despacho Legal, C.R.L.

Edificio La Electrónica

Suite 201-A, Calle Bori 1608

San Juan, Puerto Rico 00927

Tel: (787) 753-0055

e-mail: lcdomangual@gmail.com

By: /s/Edgardo Mangual González

EDGARDO MANGUAL GONZÁLEZ

USDC No. 223113

By: /s/José L. Jiménez Quiñones

JOSE L. JIMENEZ QUINONES

USDC No. 203808

e-mail: lcdojosejimenez@gmail.com