

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF PUERTO RICO

IN RE:  
VEGA ALTA COMMUNITY HEALTH, INC.  
Debtor

CASE NO:16-08128 MCF

Filing Date: 10/11/2016

CHAPTER 11

ADDENDUM TO DISCLOSURE STATEMENT DATED FEBRUARY 6<sup>TH</sup>, 2017, DOCKET #54  
AND TO REORGANIZATION PLAN DATED FEBRUARY 6<sup>TH</sup>, 2017, DOCKET #55

Now comes VEGA ALTA COMMUNITY HEALTH, INC. (DEBTOR) through the undersigned attorney and VERY RESPECTFULLY states and prays:

1. On February 5<sup>th</sup>, 2017, Debtor filed its Small Business Disclosure Statement and Reorganization Plan (Dockets No. 54 and 55).
2. On February 6<sup>th</sup>, this Honorable Court conditionally approved Debtor's Disclosure Statement and scheduled a hearing for Disclosure Statement's final approval and plan confirmation. The hearing is scheduled for March 22<sup>nd</sup>, 2017 at 9:00 AM.
3. On March 8<sup>th</sup>, 2017 the United States Trustee office filed an objection to the above mentioned debtor's Disclosure Statement and Plan. In the objection the trustee pointed out some information that debtor provide "adequate information" regarding some points (Docket No. 61).
4. The purpose of this addendum to Disclosure Statement and Reorganization plan is to provide the following information:

ADDENDUM TO THE DISCLOSURE STATEMENT

- a. Debtor will clarify Article I, "Introduction, 1.5 "Debtor's History", page 7, to disclose stockholder's and insider's last year income and the expected income during the life of the plan as requested by the U.S. Trustee office.
- b. Debtor will clarify Article IV, "Liquidation Analysis", pages 12 and 13. Debtor will explain why the corporation reached to the conclusion that they have zero

liquidation value under a chapter 7 liquidation value analysis. In the Attached Exhibit A, debtor informed that the corporation has approximately \$924,151 in accounts receivables. Debtor estimated that they can only recover approximately \$284,868. Debtor will explain the basis of those estimates in the Article IV Liquidation Analysis of the Disclosure Statement.

- c. Debtor will clarify Article V, “Summary of the Plan Classification and Treatment of Claims, Class four (4)”, pages 16 and 17. In page 17 of the Disclosure Statement, debtor disclosed that the corporation will initiate aggressive actions to collect accounts receivables and that they expects to collect approximately from \$25,000.00 to \$50,000.00. With this addendum to Disclosure Statement and Reorganization Plan, debtor will provide additional information how debtor arrived at these figures.
- d. Debtor will clarify Article XIII, “Means of Execution of the Plan and Management of the Debtor”, page 24. Debtor will explain the reason why at this moment, according with debtor’s Monthly Operating Reports, debtor appears with feasibility problems;

#### ADDENDUM TO THE REORGANIZATION PLAN

- e. Debtor will clarify or update the following Exhibit tables:
  - Exhibit B – Claims Analysis
  - Exhibit F – Class 3 Amortization Table, claim 6, Puerto Rico Department of Labor
  - Exhibit H – Class 4 Amortization Table, General Unsecured Creditors
  - Exhibit I – Payments under Reorganization Plan
  - Exhibit J – Plan Payment Monthly DistributionDebtor needs to update this information after receiving proof of claims 6 and 7 filed by Puerto Rico Department of Labor and claim number 8 filed by State Insurance Fund.
- f. Debtor will include the following Exhibit tables:
  - Exhibit P – Class 3 Amortization Table, claim 7, Puerto Rico Department of Labor
  - Exhibit Q – Class 3 Amortization Table, claim 8, State Insurance Fund

Debtor needs to add or include these tables after receiving proof of claim 7 filed by Puerto Rico Department of Labor and claim number 8 filed by State Insurance Fund.

- g. Debtor will clarify Article II of Reorganization Plan, “Summary of the Plan, Classification and Treatment of Claims, class 3 and class 4, Additional payments pages 8 and 9”. Debtor will clarify the treatment to class 3 composed by Unsecured-Priority creditor and class 4 composed by general unsecured creditors. In the Reorganization plan debtor proposed to initiate accounts receivable collection efforts. Debtor previously proposed that fifty percent (50%) of the account receivable efforts net proceeds will be distributed among unsecured creditors and the other fifty percent (50%) will be retained by the corporation for hospital repairs and purchase of necessary equipment. Debtor will clarify that fifty percent (50%) of the account receivable efforts net proceeds will be distributed among unsecured creditors, but first, debtor will use any accounts receivable net proceeds to complete class three (3) non-impaired class payment. It means that before making any accounts receivables income distribution to class four (4) General Unsecured Creditors, debtor will use accounts receivable net proceeds income to complete class three (3) Unsecured Priority Creditors.

5. Now debtor proposes the following addendum to February 5<sup>th</sup>, 2017 Disclosure Statement (Docket #54) as Follows:

ADDENDUM TO DISCLOSURE STATEMENT  
DATED FEBRUARY 5<sup>TH</sup>, 2017, DOKET #54:

- a. Article I, “Introduction, 1.5 “Debtor’s History”, page 7, clarification: To disclose stockholder’s and insider’s last year income and the expected income during the life of the plan as requested by the U.S. Trustee office:

ARTICLE I  
INTRODUCTION

1.5 DEBTOR'S HISTORY

Vega Alta Community Health, Inc. (debtor) is a corporation created under the laws of the Government of Puerto Rico. The main purpose of business is to provide primary medical services to the residents of Vega Alta and nearby areas.

This corporation was created on November 15<sup>th</sup>, 2001. The corporation operates from a property that belongs to Puerto Rico Department of Health with no cost until June 30<sup>th</sup>, 2019.

The main reason for filing of voluntary petition is to make a business reorganization and avoid to file a chapter 7 case. Debtor must address the following major situations: First, debtor needs to reorganize general unsecured claims and second, with this bankruptcy petition, debtor will address collection efforts including garnishment actions made by Puerto Rico's Treasury Department (hereinafter named Hacienda). During the month of October 2016 Hacienda issued a garnishment action against debtor's assets including the Hospital's bank account. Hacienda refused to provide a plan payment to debtor and debtor had no other option than file a bankruptcy Petition to reorganize the business.

During the last three years, debtor had to address income reduction caused by medical insurance provider's payment reduction, client's reduction, increase in utilities expenses and medical materials cost increment. Also, debtor had to address, Labor law actions against debtor for failure to distribute Christmas Bonus and creditor's money collection actions<sup>1</sup>. Therefore, debtor accumulated government debts and service supplier's debt.

Debtor is trying to reorganize the business and avoid to file a chapter 7 case. Debtor proposes to pay through the plan Government debts including Hacienda, Vega Alta Municipality, Puerto Rico Department of Labor and Internal Revenue Service. Debtor will also propose to pay more than the liquidation value plus interest to unsecured non priority creditors through the plan and reorganize business finances.

Debtor anticipates that this case is a small business case. During the process of the instant bankruptcy proceeding, debtor has been able to devise a Reorganization Plan that will enable to continue to successfully maintain business operations.

The corporate Stockholder is Mr. Luis M. González-Bermudez, MD. He has 100% Stocks possession. Debtor unsuccessfully tried to maintain employees and maintain normal operations. Debtor incurred in arrears with creditors including the Internal Revenue Service and PR Treasury Department. Debtor is trying to reorganize and avoid filing a chapter 7 case.

Corporate Stockholder Mr. Luis M. González-Bermudez, MD. Has an annual gross salary of \$120,000.00. Last year debtor's salary was \$120,000.00. Debtor expects to maintain this gross salary income during the life of the plan.

Corporate Stockholder's daughter Mrs. Soryann González is an employee in the corporation Vega Alta Community Health, Inc. She works as a nurse in the corporation. Last year Mrs. González salary was \$10,142.70. The corporation expects to maintain this salary to Mrs. González.

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<sup>1</sup> Debtor informs that all pending "damages" actions had been addressed by insurance provider.

- b. Article IV, "Liquidation Analysis", pages 12 and 13 addendum

ARTICLE IV  
LIQUIDATION ANALYSIS

One requirement for the confirmation of a plan under 11 USC sections 1123 and 1126 of the U.S. Code is that with respect to each impaired class of claims, each claim holder of such class has accepted the plan or will receive or retain under the plan on account of such allowed claim, a value as of the effective date of the plan, that is not less than the amount such claim holders would receive or retain if the debtors were liquidated under Chapter 7 of the Code, on such date.

In order to provide the value as of the effective date of the plan under a Chapter 7 scenario, debtors provide a detailed liquidation analysis. For the purpose of determining a liquidation value, debtors have estimated as realizable in a Chapter 7 scenario from 0 % to 100 % of the actual or scheduled value for existing personal property. The estimated realizable values have been deducted for purposes of the liquidation analysis using the experience of liquidation of assets under Chapter 7 bankruptcy cases.

The liquidation analysis prepared for this case shows that, upon realization and after making an "stress" of fully depreciated assets (equipment) of estate assets, considering accounts receivable balance that debtor would be allowable to collect, and after the payment of expenses, unsecured creditors would receive a dividend of \$0.00 of their respective claims under a Chapter 7 proceeding. A detailed liquidation Analysis is enclosed herein as Exhibit A.

As disclosed in the attached Exhibit A, the corporation has approximately \$924,150.84 in accounts receivables. After evaluating the accounts receivable aging debtor expects to receive the following accounts receivables amounts:

Debt Recipient	Account Receivable Amount	Percentage expected to be liquidated under an hypothetical chapter 7 liquidation Procedure	Amount expected to be collected
PR Department of Health	\$274,990.76	30%	\$82,497.23
Medical Insurance Providers	\$104,987.37	100%	\$104,987.37
2014 Income Tax Returns	\$ 16,871.00	75%	\$ 12,653.25
2015 Income Tax Returns	\$ 50,000.00	75%	\$ 37,500.00
2014 Patient's Agreement	\$149,620.90	10%	\$ 14,962.09
2015 Patient's Agreement	\$108,915.05	10%	\$ 10,891.51
2016 Patient's Agreement	\$218,765.76	10%	\$ 21,876.58
<b>Total</b>	<b>\$924,150.84</b>		<b>\$285,368.03</b>

Debtor recognizes that the corporation only expects to collect approximately 30% (\$285,368.03) of the entire accounts receivable debt. This opinion is based on debtor's previous experience collecting each type of debt. As explained by Debtor's accountant CPA Julio Borges, there are some debts that they do not expect to receive the entire amount owed to the corporation. Puerto Rico Department of Health owed debtor more than \$250,000.00 since 2006. Debtor has made efforts to collect this debt from Department of Health. However, Department of Health refuses to make adequate disbursements and each year this debt is cumulative.

Regarding patient's agreement debt. Debtor will make efforts to collect this debt. However, this debt is not very easy to collect. Every day many patients visits the hospital for medical treatment. Most of the patients gain access to the hospital through emergency room and the hospital must stabilize and provide medical services to each patient no matter if the patient has the

deductible money or not. Most of the patients that visit the hospital are government assisted patient by government medical insurance “Reforma de Salud”. “Reforma” medical insurance proposes the hospital to pay them \$75.00 from each patient that enter to emergency room. However, “Reforma” insurance provides the hospital \$35.00. The other part, \$40.00 must be provided by the patient.

Debtor, accumulated this kind of debt and it is difficult to collect \$40.00 from each patient that refuses to pay this deductible amount. Debtor’s challenge is to find a way to collect this money and comply with its duty to provide medical assistance to all patient that visits the emergency room.

Debtor understand that in a conservative scenario, they would be entitled to collect 30% of accounts receivables. However, as disclosed in the treatment of class three 3 (Unsecured Priority Claims) and class 4 (General Unsecured Claims), debtor proposes that they will make additional efforts collecting accounts receivable. Debtor proposes that fifty (50%) of accounts receivables net proceeds will be disbursed to unsecured creditors; first to class 3 (unsecured priority creditors) and once debtor complied with class 3 obligation, all the accounts receivable efforts will be centered to distribute to class 4 (general unsecured creditors).

Furthermore, debtor proposes that once debtor complied with class 3 (general unsecured creditors); then, after class 3 been paid, 50% of the accounts receivables net proceeds will be distributed to class 4 (general unsecured creditors) and the other 50% will be retained by debtor for Hospital repairs and hospital equipment purchase.

- c. Article V, “Summary of the Plan Classification and Treatment of Claims, Class four (4)”, pages 16 and 17 clarification.

ARTICLE V  
SUMMARY OF THE PLAN  
CLASSIFICATION AND TREATMENT OF CLAIMS

The plan has been drafted designating FIVE (5) classes in accordance with the provisions of 11 U.S.C. § 1122 and 1123. All creditors and other parties in interest are urged to read and consider the Plan in full inasmuch as it represents a proposed legally binding agreement with the Debtors and any other party involved. The classes of creditors are as follows:

CLASS 3 GENERAL UNSECURED CLAIMS FOR TAXING AUTHORITIES

This class shall consist of all allowed unsecured priority claims pursuant to 11 USC § 507(a) (8) of the Code. Once the Bar Date has elapsed if any additional claims are filed they will be reconciled and included accordingly. The Bar Date for Governmental units is April 11<sup>th</sup>, 2017.

Debtor listed in the schedules five (5) unsecured priority claimholders: Internal Revenue Service (IRS), Puerto Rico Treasury Department (Hacienda), Puerto Rico Department of Labor (Labor), State Insurance Fund and Vega Alta Municipality. The Internal Revenue Service filed claim number three (3-1) with an unsecured priority portion of \$62,362.85. Puerto Rico Treasury Department (Hacienda) as of February 4<sup>th</sup>, 2017 does not filed a claim. Debtor scheduled this debt in the amount of \$225,960.86. Puerto Rico Department of Labor filed two claims: (i) claim number six (6-1) with an unsecured priority portion of \$36,821.60 (unemployment insurance); and (ii) claim number seven (7-1) with an unsecured priority portion of \$11,604.77 (disability insurance). Vega Alta Municipality as of February 5<sup>th</sup>, 2017 does not filed a claim. Debtor scheduled this debt in the amount of \$16,530.00. State insurance Fund filed Proof of Claim number eight (8-1) with an unsecured priority portion of \$69,907.20. The total unsecured priority amount is \$423,266.69. Debtor attaches Claims Analysis, identified as Exhibit B.

Treatment: This Class shall receive payment in full of its allowed priority claim plus interest at two percent (2%) interest, on or before the 60<sup>th</sup> month after the filing of Voluntary Petition. Puerto Rico Department of labor in claim number six (6-1) will receive its allowed priority claim plus 3.25% annual interest as requested in Proof of Claim number 6-1. This distribution will be made counting from the filing of voluntary petition or October 11<sup>th</sup>, 2016.

Additional Payments: The Debtor will initiate accounts receivable collection efforts. Debtor understand that they can collect from \$25,000.00 to \$30,000.00 as annual accounts receivables net proceeds. Debtor proposes that fifty (50%) of accounts receivables net proceeds will be disbursed to unsecured creditors in the following manner and order: First all accounts receivables net proceeds will be distributed to class 3 (unsecured priority creditors) until debtor could complete the payment of class 3 obligation. Any amount received as account receivable net



proceeds will be distributed to class 3 at pro-rata of each claim as a lump sum payment to class 3 claimholders.

Second, once debtor complied with class 3 (general unsecured creditors) payments; then, after class 3 been paid in full, debtor will continue making accounts receivables net proceeds distribution in the following manner and order: 50% of the accounts receivables net proceeds will be distributed to class 4 (general unsecured creditors) and the other 50% will be retained by debtor for Hospital repairs and hospital equipment purchase.

Please refer to the following supporting information:

- (i) Exhibit A – Liquidation Value Analysis;
- (ii) Exhibit B – Claims Analysis;
- (iii) Exhibit D - Class 3 Amortization Table – IRS;
- (iv) Exhibit E - Class 3 Amortization Table – Hacienda;
- (v) Exhibit F - Class 3 Amortization Table – Labor, claim 6;
- (vi) Exhibit G - Class 3 Amortization Table – Vega Alta Municipality;
- (vii) Exhibit I – Payments Under The Reorganization Plan;
- (viii) Exhibit J - Plan Payment Monthly Distribution;
- (ix) Exhibit P - Class 3 Amortization Table – Labor, claim 7;
- (x) Exhibit Q - Class 3 Amortization Table – State Insurance Fund

#### CLASS 4 ALL OTHER GENERAL UNSECURED CLAIMS

This class shall consist of the general unsecured claims listed in the Schedules and those who filed proof of claims. The Bar Date for general unsecured creditors is February 16<sup>th</sup>, 2017.

As of March 13<sup>th</sup>, 2017 there are sixty nine (69) general unsecured creditors. Please refer to attached Claims Analysis, identified as Exhibit B for a list of all creditors and claims as listed in the amended schedule E/F, docket no. 48. The total General Unsecured schedules and filed amount is \$603,212.03.

Treatment: The entire class shall receive more than the amount calculated as liquidation value under a Hypothetical Chapter 7 liquidation analysis. Please refer to Liquidation Value Analysis Table identified as Exhibit A. The entire class four (4)

shall receive the total amount of \$5,000.00, plus 3.25% interest during sixty (60) months counting from the Effective Date. It means that the entire class four (4) shall receive \$5,424.00 in monthly payments of \$90.40 during a sixty (60) months period counting from the effective date. Debtor will distribute this monthly payment at pro rata of each claimholders claims.

Additional Payments:

The Debtor will initiate accounts receivable collection efforts. Debtor understand that they can collect from \$25,000.00 to \$30,000.00 as annual accounts receivables net proceeds. Debtor proposes that fifty (50%) of accounts receivables net proceeds will be disbursed to unsecured creditors in the following manner and order: First all accounts receivables net proceeds will be distributed to class 3 (unsecured priority creditors) until debtor could complete the payment of class 3 obligation. Any amount received as account receivable net proceeds will be distributed to class 3 at pro-rata of each claim as a lump sum payment to class 3 claimholders.

Second, once debtor complied with class 3 (general unsecured creditors) payments; then, after class 3 been paid in full, debtor will continue making accounts receivables net proceeds distribution in the following manner and order: 50% of the accounts receivables net proceeds will be distributed to class 4 (general unsecured creditors) and the other 50% will be retained by debtor for Hospital repairs and hospital equipment purchase.

Please refer to the following supporting information:

- (i) Exhibit A – Liquidation Value Analysis;
- (ii) Exhibit B – Claims Analysis;
- (iii) Exhibit H - Class 4 Amortization Table;
- (iv) Exhibit I - Payments under the Reorganization Plan;
- (v) Exhibit J - Plan Payment Monthly Distribution;
- (vi) Exhibit K - Prime Interest Rates Evidence;
- (vii) Exhibit L – Operating Projected Inflows and Outflows.

This class is impaired

- d. Article XIII, “Means of Execution of the Plan and Management of the Debtor”, page 24 clarification:

### ARTICLE XIII

#### MEANS OF EXECUTION OF THE PLAN AND MANAGEMENT OF THE DEBTOR

On the Effective Date of the Plan, the distribution, administration and management of Debtor’s affairs including collection of moneys, and distribution to creditors, unless otherwise provided herein, will be under the control and supervision of the current officers, who will assume the same roles they have assumed during the chapter 11 bankruptcy process.

Funding the plan will be from the income collection from health insurance providers, Government agencies including Puerto Rico Department of Health, income from money collected to patients including health insurance deductibles, accounts receivables collection efforts made by debtor, and any other business that Debtor will be engaged during the life of the Plan.

Please refer to Debtor’s Monthly Operating Reports for the months of October, November and December, 2016, dockets #'s 52, 53 and 49 respectively. Also see attached Summary of Monthly Operating Reports identified as Exhibit L and Operating Projected Inflows and Outflows identified as Exhibit M.

One of the major tasks at preparing this disclosure statement, including summary of Monthly Operating Reports (Exhibit L) and Business Projections (Exhibit M) is that according with the debtor’s last three (3) Monthly Operating Reports, it seemed like this business would not be able to comply with the plan payment and continue with a healthy business Operation.

After the last Bankruptcy Committee reunion executed on January 25<sup>th</sup>, 2017 Hospital Directors has a logic explanation for the losses for October and November, 2016. Debtor’s directive explained that the months of October, November 2016 and December 2016 coincided with Puerto Rico election’s process and Government transition. During the months of October and November 2016 hospital’s Finance Department lost contact with the people engaged to distribute hospital’s monthly revenues. The directive explained that this extraordinary situation usually happens in every election process date, each four years.

This year, this situation had a new complexity “La Junta de Control Fiscal”. Debtor’s representative explained that during current year, there was a reduction in Puerto Rico Health Department distribution to all the hospitals including Vega Alta Community Health Clinic. After

meetings between corporate stockholder Mr. Luís González M.D. and Department of Health representative, they explained that the Health Department has instructions to reduce distributions to all hospitals until Puerto Rico's financial budget has been approved. Even though debtor suffered income reduction during the last three months, debtor accumulated the money to for class 3 disbursement on the effective date. Also, debtor will pay the pending balance with US Trustee Office on or before March 16<sup>th</sup>, 2017.

Debtor's directive major tasks, in order to comply with plan provisions and reorganize business finances are:

1. Improve accounts receivables collection efforts: During the last year the Governmental Health Insurance Providers reduced the emergency room patient's distribution from \$75.00 per patient to \$35.00 per patient. Now debtor will only receive \$35.00 from each emergency room patient. The other \$40.00 debtor has to collect directly from patient. It caused that several patients visits emergency room without sufficient money. Debtor has to provide those health care services even if they do not have money. Now debtor has a bigger amount of uncollectible account receivables.

Debtor needs to improve the debt collection methods. To achieve this task, debtor appointed brother counsel Alberto Fuentres-Masarovic, Esq. Counsel Alberto Fuentres and Finance Department will design a collection unit to reduce the uncollectible accounts receivable and increase debtor's business income. Debtor understands that the corporation needs to collect at least \$25,000.00 per year from those type of accounts receivables.

2. Debtor's Officers will meet with Governmental Health Insurance Providers. The Officers understands that they need to renegotiate the government insurance provider's distribution to a monthly flat rate. With this action debtor would design a more precise business budget and reorganize its finances.
3. Business Expense reduction. During all this bankruptcy reorganization process debtor realizes that there are some expenses that needs to be taken care. Debtor needs to reduce its medical supplies and office supplies expenses in a 10% reduction. Debtor will improve medical supplies and office supplies inventory controls.
4. Hospital's areas consolidation, and professional Services contracts reduction. Debtors initiated a budget and finance departments weekly reunions. The purpose is to review professional services and expenses on each hospital area. Debtor's officer found that

they would reduce 6% or more professional services expenses within three years without affect Hospital's main operations.

Please refer to Summary of Monthly Operating Reports identified as Exhibit L and Operating Projected Inflows and Outflows identified as Exhibit M in the Disclosure Statement dated February 5<sup>th</sup>, 2017, docket #55.

ADDENDUM TO THE REORGANIZATION PLAN  
DATED FEBRUARY 5<sup>TH</sup>, 2017, DOCKET #55

e. Debtor attached to this addendum the following updated Exhibit tables:

Exhibit B – Claims Analysis

Exhibit F – Class 3 Amortization Table, claim 6, Puerto Rico Department of Labor

Exhibit H – Class 4 Amortization Table, General Unsecured Creditors

Exhibit I – Payments under Reorganization Plan

Exhibit J – Plan Payment Monthly Distribution

Debtor needs to update this information after receiving proof of claims 6 and 7 filed by Puerto Rico Department of Labor and claim number 8 filed by State Insurance Fund.

f. Debtor includes the following Exhibit tables:

Exhibit P – Class 3 Amortization Table, claim 7, Puerto Rico Department of Labor

Exhibit Q – Class 3 Amortization Table, claim 8, State Insurance Fund

Debtor needs to add or include these tables after receiving proof of claim 7 filed by Puerto Rico Department of Labor and claim number 8 filed by State Insurance Fund.

g. Article II of Reorganization Plan, “Summary of the Plan, Classification and Treatment of Claims, class 3 and class 4, Additional payments clarification.

Debtor will clarify the treatment to class 3 composed by Unsecured-Priority creditor and class 4 composed by general unsecured creditors. In the Reorganization plan debtor proposed to initiate accounts receivable collection efforts. Debtor previously proposed that fifty percent (50%) of the account receivable efforts net proceeds, will be distributed among

unsecured creditors and the other fifty percent (50%) will be retained by the corporation for hospital repairs and purchase of necessary equipment. Debtor will clarify that fifty percent (50%) of the account receivable efforts net proceeds will be distributed among unsecured creditors, but first, debtor will use any accounts receivable net proceeds to complete class three (3) non-impaired class payment (unsecured priority creditors). It means that before making any accounts receivables income distribution to class four (4) General Unsecured Creditors, debtor will use accounts receivable net proceeds income to complete class three (3) Unsecured Priority Creditors.

ARTICLE II  
SUMMARY OF THE PLAN  
CLASSIFICATION AND TREATMENT OF CLAIMS

A. DESIGNATION OF CLASSES OF CLAIMS, INTERESTS AND TREATMENT TO EACH CLASSIFICATION

CLASS 3 UNSECURED-PRIORITY CLAIMS: This class shall consist of all allowed unsecured priority claims pursuant to 11 USC § 507(a) (8) of the Code. Once the Bar Date has elapsed if any additional claims are filed they will be reconciled and included accordingly. The Bar Date for Governmental units is April 11<sup>th</sup>, 2017.

Debtor listed in the schedules five (5) unsecured priority claimholders: Internal Revenue Service (IRS), Puerto Rico Treasury Department (Hacienda), Puerto Rico Department of Labor (Labor), State Insurance Fund and Vega Alta Municipality.

The Internal Revenue Service filed claim number three (3-1) with an unsecured priority portion of \$62,362.85. Puerto Rico Treasury Department (Hacienda) as of February 4<sup>th</sup>, 2017 does not filed a claim. Debtor scheduled this debt in the amount of \$225,960.86. Puerto Rico Department of Labor filed two claims: (i) claim number six (6-1) with an unsecured priority portion of \$36,821.60 (unemployment insurance); and (ii) claim number seven (7-1) with an unsecured priority portion of \$11,604.77 (disability insurance).

Vega Alta Municipality as of February 5<sup>th</sup>, 2017 does not filed a claim. Debtor scheduled this debt in the amount of \$16,530.00. State insurance Fund filed Proof of Claim number eight (8-1) with an unsecured priority portion of \$69,907.20.

The total unsecured priority amount is \$423,266.69. Debtor attaches Claims Analysis, identified as Exhibit B.

Treatment: This Class shall receive payment in full of its allowed priority claim plus interest at two percent (2%) interest, on or before the 60<sup>th</sup> month after the filing of Voluntary Petition. Puerto Rico Department of labor in claim number six (6-1) will receive its allowed priority claim plus 3.25% annual interest as requested in Proof of Claim number 6-1. This distribution will be made counting from the filing of voluntary petition or October 11<sup>th</sup>, 2016.

Additional Payments: The Debtor will initiate accounts receivable collection efforts. Debtor understand that they can collect from \$25,000.00 to \$30,000.00 as annual accounts receivables net proceeds. Debtor proposes that fifty (50%) of accounts receivables net proceeds will be disbursed to unsecured creditors in the following manner and order: First all accounts receivables net proceeds will be distributed to class 3 (unsecured priority creditors) until debtor could complete the payment of class 3 obligation. Any amount received as account receivable net proceeds will be distributed to class 3 at pro-rata of each claim as a lump sum payment to class 3 claimholders.

Second, once debtor complied with class 3 (general unsecured creditors) payments; then, after class 3 been paid in full, debtor will continue making accounts receivables net proceeds distribution in the following manner and order: 50% of the accounts receivables net proceeds will be distributed to class 4 (general unsecured creditors) and the other 50% will be retained by debtor for Hospital repairs and hospital equipment purchase.

Please refer to the following supporting information:

Exhibit A – Liquidation Value Analysis;

Exhibit B – Claims Analysis;

Exhibit D - Class 3 Amortization Table – IRS;

Exhibit E - Class 3 Amortization Table – Hacienda;

Exhibit F - Class 3 Amortization Table – Labor, claim 6;

Exhibit G - Class 3 Amortization Table – Vega Alta Municipality;

Exhibit I – Payments Under The Reorganization Plan;

Exhibit J - Plan Payment Monthly Distribution;

Exhibit P - Class 3 Amortization Table – Labor, claim 7;

Exhibit Q - Class 3 Amortization Table – State Insurance Fund

CLASS 4 GENERAL UNSECURED-NON PRIORITY CLAIMS: This class shall consist of the general unsecured claims listed in the Schedules and those who filed proof of claims. The Bar Date for general unsecured creditors is February 16<sup>th</sup>, 2017.

As of March 13<sup>th</sup>, 2017 there are sixty nine (69) general unsecured creditors. Please refer to attached Claims Analysis, identified as Exhibit B for a list of all creditors and claims as listed in the amended schedule E/F, docket no. 48. The total General Unsecured schedules and filed amount is \$603,212.03.

Treatment: The entire class shall receive more than the amount calculated as liquidation value under a Hypothetical Chapter 7 liquidation analysis. Please refer to Liquidation Value Analysis Table identified as Exhibit A. The entire class four (4) shall receive the total amount of \$5,000.00, plus 3.25% interest during sixty (60) months counting from the Effective Date. It means that the entire class four (4) shall receive \$5,424.00 in monthly payments of \$90.40 during a sixty (60) months period counting from the effective date. Debtor will distribute this monthly payment at pro rata of each claimholders claims.

Additional Payments:

The Debtor will initiate accounts receivable collection efforts. Debtor understand that they can collect from \$25,000.00 to \$30,000.00 as annual accounts receivables net proceeds. Debtor proposes that fifty (50%) of accounts receivables net proceeds will be disbursed to unsecured creditors in the following manner and order: First all accounts receivables net proceeds will be distributed to class 3 (unsecured priority creditors) until debtor could complete the payment of class 3



obligation. Any amount received as account receivable net proceeds will be distributed to class 3 at pro-rata of each claim as a lump sum payment to class 3 claimholders.

Second, once debtor complied with class 3 (general unsecured creditors) payments; then, after class 3 been paid in full, debtor will continue making accounts receivables net proceeds distribution in the following manner and order: 50% of the accounts receivables net proceeds will be distributed to class 4 (general unsecured creditors) and the other 50% will be retained by debtor for Hospital repairs and hospital equipment purchase.

Please refer to the following supporting information:

Exhibit A – Liquidation Value Analysis;  
Exhibit B – Claims Analysis;  
Exhibit H - Class 4 Amortization Table;  
Exhibit I - Payments under the Reorganization Plan;  
Exhibit J - Plan Payment Monthly Distribution;  
Exhibit K - Prime Interest Rates Evidence;  
Exhibit L – Operating Projected Inflows and Outflows.  
This class is impaired

Wherefore debtors Very Respectfully request from this Honorable Court to take notice of the proposed addendum to the Disclosure Statement dated February 5<sup>th</sup>, 2017 (Docket #54) and to the Chapter 11 Reorganization Plan dated February 5<sup>th</sup>, 2017 (Docket #55).

FOURTEEN (14) DAYS NOTICE:

Within fourteen (14) days after service as evidence 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 objection will be deemed unopposed and may be granted unless: (1) the requested relief is forbidden by law. (2) The requested relief is against public policy; or (3) in the opinion of the Court, the interest of justice requires otherwise. If you file a timely response, the court may-in its discretion-schedule a hearing.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this same date I electronically filed the foregoing with the Clerk of the Court using the CM/ECF System, which will send notification of such filing to the parties appearing in said system including the US Trustee and by the United States Postal Service to all those parties who requested a copy and are not within the electronic notification service.

RESPECTFULLY SUBMITTED,

In San Juan, Puerto Rico, this 13<sup>th</sup> day of March, 2017

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ELECTRONICALLY FILED  
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