

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

In re:

**ISLAND FESTIVAL RENTALS AND  
RECYCLING CORP.**  
*Debtor*

Case No. **17-01377 EAG**  
Chapter 11  
SMALL BUSINESS

**AMENDED DISCLOSURE STATEMENT DATED OCTOBER 24, 2018**

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## I. INTRODUCTION.

This is the Amended Disclosure Statement (the "Disclosure Statement") in the Chapter 11 case of **ISLAND FESTIVAL RENTALS AND RECYCLING CORP.** (the "Debtor"). This Amended Disclosure Statement contains information about the Debtor and describes "DEBTOR'S AMENDED PLAN OF REORGANIZATION DATED OCTOBER 24, 2018 (the "Plan"). A full copy of the Plan is attached to this Amended Disclosure Statement as Exhibit A. ***Your rights may be affected. You should read the Amended Plan and this Amended Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.***

Attached as appendixes and/or exhibits to this Disclosure Statement are copies of the following documents:

- (a) The Amended Chapter 11 Plan of Reorganization (the "Plan") ***Exhibit A.***
- (b) The Liquidation Analysis, which sets forth estimated recoveries in a Chapter 7 liquidation as compared to a Chapter 11 Reorganization. ***Exhibit B.***
- (c) The Projected Cash Flows for the five years comprising the plan. ***Exhibit C.***
- (d) The Claims Reconciliation and Plan Payments. ***Exhibit D.***
- (e) Summary of the Monthly Operating Reports. ***Exhibit E.***
- (f) Debtor's most recent Monthly Operating Report. ***Exhibit F.***
- (g) Appraisal report for real commercial property located at Carr. 181 Ramal 8860 KM 5.9 Lores Bo Las Cuevas Trujillo Alto, PR. ***Exhibit G.***
- (h) Appraisal report for 2013 Mack 800 GU White Vin No ending in 0501 ***Exhibit H.***
- (i) Appraisal report for 2010 Caterpillar 320- DL Hydraulic Excavator (Serial No. PHX02634) ***Exhibit H.***
- (j) Appraisal report for 2008 Caterpillar 930 H Wheel Loader (Serial No. DHC00623) ***Exhibit H.***
- (k) Appraisal report for 2008 Caterpillar 930 H Wheel Loader (Serial No. DHC01121) ***Exhibit H.***
- (l) Appraisal report for 2008 Caterpillar 320 Excavator (Serial No. 9F00155) ***Exhibit H.***
- (m) Ballots for the acceptance or rejection of the Plan of Reorganization. ***Exhibit I.***

No representations concerning the debtor, including the Debtor's future operations or the value of property, are authorized other than as set forth in this statement. Any representation, warranty, agreement or inducement other than as contained in this statement, made to secure

acceptance or rejection of the Amended Plan by Debtor's creditors should not be relied upon in voting on the Plan.

The information contained herein has not been subject to certified audit for the foregoing reason: the Debtor is unable to warrant or represent that the information contained herein is without any inaccuracy, although great efforts have been made to be accurate.

The proposed distributions under the Amended Plan are discussed at pages 10-18 of this Amended Disclosure Statement.

**A. Purpose of This Document.**

This Amended Disclosure Statement describes:

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

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

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

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

**1. *Time and Place of the Hearing to finally approve this Amended Disclosure Statement and Confirm the Amended Plan.***

The hearing at which the Court will determine whether to finally approve this Amended Disclosure Statement and confirm the Amended Plan will take place at Hon. Edward A. Godoy's Courtroom, at 300 Recinto Sur Street, Second Floor Courtroom No. 2, San Juan, Puerto Rico 00901 at the date and time to be set by the Court.

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

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot if by regular mail to Almeida & Dávila, PSC at PO BOX 191757, San Juan, PR 00919-1757; by phone to (787) 722-2500; if by fax to (787) 777-1376, or if by email in PDF format to [info@almeidadavila.com](mailto:info@almeidadavila.com). See Section IV.A below for a discussion of voting eligibility requirements. Your ballot must be received by 5 days before the confirmation hearing or any other time fixed by the Court, or it will not be counted, unless the Bankruptcy Court so orders. Debtor recommends a vote for "ACCEPTANCE" of the Plan.

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

Objections to this Amended Disclosure Statement or to the confirmation of the Amended Plan must be filed with the Court and served upon the US Trustee, the Debtor and any other party in interest by the time fixed by the Court.

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

If you want additional information about the Amended Plan, you should contact Almeida & Dávila, PSC, attorney for the Debtor by mail at PO BOX 191757, San Juan, PR 00919-1757, or if by email to [info@almeidadavila.com](mailto:info@almeidadavila.com).

**C. Disclaimer.**

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

**II. BACKGROUND**

**A. Description and History of the Debtor and its Business.**

Debtor is a Corporation organized and incorporated on January 12, 1999, pursuant to the laws of the Commonwealth of Puerto Rico. It was established by Wilfredo Medina Ramirez, which has been and still is the corporation's president. Debtor is dedicated to operate a business engaged in the recycling and sale of metals. The debtor is also engaged in the rental of party

equipment for events. Debtor’s main place of business is located at Carr. 181 Ramal 8860 KM 5.9 Bo. Las Cuevas Trujillo Ato, PR 00976. In addition to this property, debtor has a verbal non-written lease in a commercial property located at Parque Industrial Los Frailes, Sector Cubita, Guaynabo PR, in which the rental party equipment is kept and from where such part of the business operates. The Debtor filed the Bankruptcy Petition on February 28, 2017. Debtor’s case is a “Small Business Case” as defined in 11 USC § 101 (51C) since Debtor is “small business Debtor” pursuant to the definition in 11 USC § 101 (51D).

Prior to the filing of the instant case, Debtor’s main business suffered a serious economic turmoil provoked by the changes in the international scrap and metal buying market. This situation affected debtor’s ability to generate income, since it was forced to reduce the amounts of employees and to cut in some expenses in order to try to increase its profits. However, the financial situation was not improving even with the reduction of the expenses. Consequently, debtor began to default in its payments to secured creditors. Specifically, its payments regarding the equipment and motor vehicle loans which are essential for debtor to operate its business.

Debtor filed the instant petition in order to provide a feasible plan of reorganization to pay creditors pursuant to the Bankruptcy Code. Debtor recently engaged in new contracts for the sale of recyclable metals which will result in a positive financial outcome for debtor to be able to comply with the terms proposed in the reorganization plan.

**B. Property of the Debtor.**

**a. Real Property of the Debtor**

Debtor owns one commercial real property located at the interior paved road of State Road #8860 Kilometer 0.4 on Matienzo Sector of the Las Cuevas Ward in Trujillo Alto Puerto Rico, consisting of three industrial parcels of land with a gross living area of 23,330.8557 square meters. The real property was purchased by debtor on June 3, 2010 for \$1,856,825.60. Such property is used as debtor’s principal pace of business for the metal recycling operations.

**b. Personal Property of the Debtor**

Debtor owns personal properties in the aggregate estimated amount of **\$640,530.73**. The same were listed by debtor in Schedule A/B of the bankruptcy voluntary petition and are categorized as follows:

Property Description	Item No. in Schedule A/B	Value
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Checking Account held at First Bank/ Account No Ending in 3794	3	\$299.46
Checking Account held at First Bank/ Account No Ending in 0627	3	\$15,374.85
Checking Account held at Oriental Bank/ Account No Ending in 7664	3	\$2,391.42
108 Tons of scrap metals	19	\$12,096.00
2 Desks	39	\$160.00
5 Chairs	39	\$100.00
2 Computers	39	\$900.00
1 Printer	39	\$100.00
1 Telephone Box	39	\$100.00
4 Files	39	\$120.00
1 Microwave	39	\$50.00
1 Paper Crusher	39	\$40.00
1 Air Conditioner Unit	39	\$600.00
2012 Toyota Prius	47	\$8,352.00
2010 Ford Transit Connect XL	47	\$5,670.00
2009 Ford E350	47	\$8,816.00
2014 Mack CXU613 Vin No. 1M2AW07Y9EM037204	47	\$52,950.00
2014 Mack CXU613 Vin No. 1M2AW07Y4EM041211	47	\$52,950.00
2012 Jeep Wrangler Unlimited	47	\$0.00
2009 Toyota Venza	47	\$8,741.00
Fairbanks Scales Talon HV Series Heavy Duty 4	47	\$37,970.00
FAIRBANKS SCALES, TALON, HV Series, Steel Deck, Heavy Duty 4 section	47	\$38,774.00
2010 CATERPILLAR 320DL HYDRAULIC EXCAVATOR- SERIAL NO. PHX02634	49	\$70,000.00
2008 CATERPILLAR 930H WHEEL LOADER- SERIAL NO. DHC00623	49	\$65,000.00
2008 CATERPILLAR 930H WHEEL LOADER 3 IN 1 UTILITIY- SERIAL NO. DHC01121	49	\$65,000.00
2013 MACK GU813 W/HYDRAULIC CLUTCH - SERIAL NO. 1M2AX18C1DM020501	49	\$100,000.00
2008 CARTERPILLAR 320DL EXCAVATOR- SERIAL NO. 9F00155	49	\$60,000.00
5 RECTANGULAR TABLES 6'	50	\$350.00
5 RECTANGULAR TABLES 8'	50	\$400.00
5 ROUND TABLES 30"	50	\$300.00
5 ROUND TABLES 48"	50	\$380.00
5 ROUND TABLES 60"	50	\$450.00
1 HALF MOON TABLE	50	\$79.00
10 RECTANGULAR TABLECLOTHS	50	\$300.00
10 ROUND TABLECLOTHS	50	\$400.00
50 FOLDING CHAIRS	50	\$750.0
50 VIENA CHAIRS	50	\$1,250.00

50 TIFFANY CHAIRS	50	\$3,500.00
50 GARDEN CHAIRS	50	\$1,000.00
3 TENT 10X10	50	\$2,400.00
1 TENT 15X15	50	\$1,082.00
2 TENT 20X20	50	\$3,680.00
1 TENT 20X40	50	\$2,825.00
1 TENT 30X30	50	\$3,101.00
1 TENT 30X60	50	\$6,180.00
1 TENT 40X40	50	\$5,549.00
Debtor's interest over commercial real estate lease for property located at Rio Abajo Ward, Vega Baja PR.	55	\$0
Debtor's interest over commercial real estate lease for property located at Parque Industrial Los Frailes, Sector Cubita, Guaynabo PR.	55	\$0
<b>TOTAL</b>		<b>\$640,530.73</b>

For a more detailed description of the personal property of the Debtor refer to Schedule A/B of the Voluntary Petition.

**C. Pending Litigation.**

Debtor does not have pending litigation.

**D. Insiders of the Debtor.**

Debtor does not have insider claims.

**E. Events Leading to Chapter 11 Filing.**

Debtor filed the bankruptcy voluntary petition under Chapter 11 seeking protection from the Court in order to reorganize its finances. Debtor was threatened by the filing of complaints at the state local court by its secured creditors. This situation put debtor in danger of losing its vehicles and equipment, which are necessary to operate. In order to protect its assets and be able to propose its creditors a feasible reorganization debtor decided that the relief of bankruptcy was necessary for the Corporation to rehabilitate its present financial situation. Debtor felt its only possibility to resolve the situation was the filing of the instant bankruptcy in order to protect its business.

**F. Significant Events during the Bankruptcy Case**

***Professionals Approved by the Court***

Since February 2017, and as approved by the Court on March 31, 2017, Debtor's attorney has been and continues to be Almeida & Dávila P.S.C.

In addition, on March 28, 2017 this Honorable Court approved the application for employment of the C.P.A. Albert Tamarez to assist the Debtor in the financial aspects of this

case. Mr. Tamarez is currently preparing Debtor's monthly operating reports and has prepared the Analysis and Financial Projections enclosed herein.

Debtor has been filing Monthly Operating Reports with the Bankruptcy Court reflecting Debtor's income and disbursements, as well as other items during the period of February 2017 to August 2018. The Monthly Operating Reports can be inspected by parties in interest at the Office of the Clerk of the Bankruptcy Court, and through the Court's CM/ECF system. Also a Forecast of Cash Flows and Disbursements is attached in **Exhibit C**.

**Adversary Proceedings**

At present, there are no adversary proceedings pending before the Bankruptcy Court.

**I. Claims Objections**

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves its 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.

**J. Current and Historical Financial Conditions**

The identity and fair market value of the estate's assets are evidenced in **Exhibits B and C**. The Debtor's Projected Cash Flow is set forth in **Exhibit C**.

The most recent post-petition operating report filed since the commencement of the Debtor' bankruptcy case is set forth in **Exhibit F**.

Since the filing of the instant bankruptcy, Debtor's income and expenses for the last six months have been as follows:

<b>Date</b>	<b>Beginning Cash Balance</b>	<b>Income</b>	<b>Expenses</b>	<b>Ending Cash Balance</b>	<b>Docket No.</b>
April 2018	\$31,706.00	\$192,384.00	\$189,322.00	\$54,767.00	<b>237</b>
May 2018	\$54,767.00	\$225,108.00	\$237,298.00	\$42,577.00	<b>261</b>
June 2018	\$42,577.00	\$273,486.00	\$201,059.00	\$115,004	<b>266</b>
July 2018	\$115,004.00	\$322,418.00	\$273,068.00	\$164,355.00	<b>270</b>
August 2018	\$164,354.76	\$324,995.59	\$329,460.07	\$159,890.00	<b>271</b>

Debtor expects its monthly disposable income to be approximately **\$205,000.00** monthly through the life of the plan; this plus funds accumulated by the Debtor as available income will allow Debtor to comply with the proposed payments of \$2,077,920.00 for the first, second, third and fourth years, and \$2,111,520.00 for the fifth year. ***See Exhibit C for the details of these payments.*** In addition, Debtor will pay on the effective day of the plan, a lump sum payment of \$15,000.00 that will come from debtor's business income. **Also, within 18 months from the effective say of the plan, Debtor will be making a balloon payment to secured creditor Banco Popular in Class 1 through the refinancing of the outstanding balance and/or a loan from a third party.** The funds accumulated by the Debtor as available income in its most recent operating report will be used by the Debtor to provide for the payment of administrative expenses and other expenses of the Debtor, in addition to fund the proposed payment plan.

### **III. SUMMARY OF THE PLAN OF REORGANIZATION**

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

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

#### **B. Effective Date of the Plan.**

The effective date of this Plan shall be the thirtieth (30th) day following the date of the entry of the order of confirmation. But if a stay of the confirmation order is in effect on that date, the effective date will be the first business day after that date on which no stay of the confirmation order is in effect provided that the confirmation order has not been vacated. The effective date shall be the date on which there shall be made all initial payments under the plan.

#### **C. Unclassified Claims.**

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

### **1. Administrative Expenses.**

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

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

a) Additional professional fees of approximately **\$10,000.00 for attorneys and \$3,744.00** for accountants, will be paid on the first year or as approved by this Honorable Court, or according to separate written agreement, or according to court order if such fees have not been approved by the Court on the effective date of the Plan;

b) Office of the U.S. Trustee Fees will be paid quarterly fees when due or on the effective date of the Plan in the amount of **\$1,950.00**.

A total approximate amount of **\$15,694.00** in administrative expenses, or costs of administering the Debtor's chapter 11 case which are allowed under § 507(a) (2) of the Code, are to be paid on the first year. Administrative claims in this Plan are not impaired. The main source for the payments of the claims included in this class is Debtor's income.

Creditors with allowed administrative claims are not impaired therefore, do not have the right to vote.

### **2. Priority Tax Claims.**

Priority tax claims are unsecured income, employment, and other taxes described by § 507(a) (8) of the Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period of 60 months from the order of relief. Debtor has a § 507(a) (8) priority tax claims in the instant case.

The Debtor has Priority Tax Claims which consist of nine (9) claims; Puerto Rico Treasury Department (PR Treasury) with claims no. 23 & 24 for the amounts of \$16,324. and \$1,924.00 respectively. State Insurance Fund Corp. with claim no. 17 in the amount of \$27,317.30, Internal Revenue Services with claim no. 10 in the amount of \$36,894, PR Department of Labor with claims no. 6 & 7 in the amounts of \$6,940 and \$1,110 respectively, Municipal Revenue Collection Center (CRIM) with claim no. 20, in the amount of \$5,020, **Carlos Morales in the amount of**

**\$5,369.00**; Vega Baja Municipality as scheduled in the amount of \$52,460 and Creditor San Juan Municipality with claim no. 25 in the amount of \$1,305.89.

The Debtor has Priority Tax Claims which consist of nine claims as follows:

PR Treasury (claim no. 23) will be paid in **36 monthly installment of \$483.77** from the effective date of the Plan, including principal and interest of 4.25% annually for a total amount of \$16,324, unless the holder of such claim agrees with the debtor to a different treatment. PR Treasury (claim no. 24) will be paid in **36 monthly installment of \$57.02** from the effective date of the Plan, including principal and interest of 4.25% annually for a total amount of \$1,924, unless the holder of such claim agrees with the debtor to a different treatment.

State Insurance Fund (claim no. 17) will be paid in **36 monthly installment of \$809.56** from the effective date of the Plan, including principal and interest of 4.25% annually for a total amount of \$27,317, unless the holder of such claim agrees with the debtor to a different treatment.

IRS (claim no. 10) will be paid in **36 monthly installment of \$1,093.36** from the effective date of the Plan, including principal and interest of 4.25% annually for a total amount of \$36,894, unless the holder of such claim agrees with the debtor to a different treatment.

PR Dept. Labor (claim no. 6) will be paid in **36 monthly installment of \$205.67** from the effective date of the Plan, including principal and interest of 4.25% annually for a total amount of \$6,940.00, unless the holder of such claim agrees with the debtor to a different treatment. PR Dept. Labor (claim no. 7) will be paid in **36 monthly installment of \$32.89** from the effective date of the Plan, including principal and interest of 4.25% annually for a total amount of \$1,110.00, unless the holder of such claim agrees with the debtor to a different treatment.

CRIM (claim no. 20) will be paid in **36 monthly installment of \$148.76** from the effective date of the Plan, including principal and interest of 4.25% annually for a total amount of \$5,020.00, unless the holder of such claim agrees with the debtor to a different treatment.

Vega Baja Municipality (as scheduled) will be paid in **36 monthly installment of \$1,554.65** from the effective date of the Plan, including principal and interest rate of 4.25% annually for a total amount of \$52,460, unless the holder of such claim agrees with the debtor to a different treatment.

Creditor Carlos Morales d/b/a Absolute Vigilance (no. 12) for \$5,369.00, which will be paid in **36 monthly installments of \$159.11** from the effective date of Plan, including principal and

annual interest rate of 4.25%, unless the holder if such claim agrees with the debtor to a different treatment.

**Creditor San Juan Municipality (claim no. 25) for \$1,306.00 which will be paid in 36 monthly installments of \$38.70 from the effective date of Plan, including principal and annual interest rate of 4.25%, unless the holder if such claim agrees with the debtor to a different treatment.**

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

The following are the classes set forth in the Plan, and the proposed treatment that they will receive under the Plan. A reconciliation of all claims and the proposed plan payments is included as ***Exhibit D***.

**1. Classes of Secured Claims**

Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under § 506 of the Code. Following are all classes containing Debtor's secured prepetition claims and their proposed treatment under the Plan:

**Class 1- Secured Claim: Banco Popular of Puerto Rico (Claim No. 11)**

Secured creditor included in this class, Banco Popular, has a claim (no. 11) for \$1,085,658.05 secured over debtor's 100% ownership interest in the commercial property located at Carr. 181 Ramal 8860 KM 5.9 Las Cuevas Ward Trujillo Alto PR. The actual estimated value of the property is \$920,000.00 as stipulated with creditor.

**This claim will be paid as follows: \$920,000.00 as principal with a 6.25% annual interest rate, will be treated as a secured claim to be paid in seventeen (17) monthly payments of \$6,724.54 commencing on the effective date of plan and a lump sum payment in the amount of \$883,624.40 to be paid within 18 months from the effective date of the plan. Creditor Banco Popular will retain its lien over the secured portion of its claim. The remaining balance of \$165,658.00 of the claim shall be treated as an unsecured claim. See Class 7.**

Debtor is and will continue making adequate protection monthly payments to creditor in the amount of \$4,500.00 upon confirmation of the plan pursuant to the terms of the stipulation filed between Debtor and creditor at Docket #159 and approved at Docket

#176. After the plan is confirmed, creditor will be paid according to the terms hereby established.

Class 1 creditor is impaired under the provision of this Plan, therefore it has a right to vote.

**Class 2- Secured Claim: Commercial Equipment Finance Inc. (Claim No. 8)**

Secured creditor included in this class, Commercial Equipment Finance Inc., has a claim (no.8) for \$312,307.00 secured over the following equipments:

1. 2013 Mack 800 GU Vin no. ending in 0501 with an actual estimated value of \$100,000.00 per appraisal report dated May 24, 2017.
2. 2010 Caterpillar 320 DL Hydraulic Excavator (Serial No. PHX02634) with an actual estimated value of \$70,000.00 per appraisal report dated May 24, 2017.
3. 2008 Caterpillar 930H Wheel Loader (Serial No. DHC00623) with an actual estimated value of \$65,000.00 per appraisal report dated May 24, 2017.
4. 2008 Caterpillar 930H Wheel Loader (Serial No. DHC01121) with an actual estimated value of \$65,000.00 per appraisal report dated May 24, 2017.
5. 2008 Caterpillar 320 Excavator (Serial No. 9F00155) with an actual estimated value of \$60,000.00 per appraisal report dated May 24, 2017.

**This claim will be treated pursuant to the terms included on stipulation filed at Docket #269. Debtor will pay the claim as follows: \$312,306.61 as principal with a 9.5% annual interest rate will be treated as a secured claim, to be paid in 48 monthly payments of \$7,846.12 commencing on the effective date of the plan.**

**All other terms and conditions of the original loan obligation will remain unchanged. The Debtor will remain obligated to maintain the collateral insured at all times. In the event, that Debtor breaches toward the creditor at any future time, the stay will be automatically lifted in favor of Commercial Equipment or its successor, without the need of further order, notice or hearing.**

Debtor is and will continue making adequate protection monthly payments to creditor in the amount of \$4,000.00 upon confirmation of the plan pursuant to the terms of the stipulation filed between Debtor and creditor at Docket #66 and approved at

Docket #91. After the plan is confirmed, creditor will be paid according to the terms hereby established.

Class 2 creditor is impaired under the provision of this Plan, therefore it has a right to vote.

**Class 3- Secured Creditor Mack Financial Services (Claims No. 18 & 19)**

**3.1** Secured creditor included in this class, Mack Financial Services, has a claim (no.18) for \$75,393.89 secured over debtor's vehicle 2014 Mack CXU613 with Vin No. 1M2AW07Y9EM037204 with an actual estimated value of \$52,950.00. This claim will be paid as follows: \$52,950 with a 7.49% interest rate, will be treated as a secured claim, to be paid in sixty (60) monthly payments of \$1,060.76, commencing on the effective date of plan. The remaining \$22,444 of the claim shall be treated as an unsecured claim. See Class 7. Creditor Mack Financial Services will retain its lien over the secured portion of its claim.

**3.2** Secured creditor included in this class, Mack Financial Services, also has a claim (no.19) for \$75,443.87 secured over debtor's vehicle 2014 Mack CXU613 with Vin No. 1M2AW07Y4EM041211, with an actual estimated value of \$52,950.00. This claim will be paid as follow: \$52,950 with a 7.49% annual interest rate, will be treated as a secured claim, to be paid in sixty (60) of \$1,060.76, commencing on the effective date of plan. The remaining \$22,494 of the claim shall be treated as an unsecured claim. See Class 7. Creditor Mack Financial Services will retain its lien over the secured portion of its claim.

Debtor is and will continue making adequate protection monthly payments to creditor in the amount of \$1,174.25 upon confirmation of the plan pursuant to the terms of the stipulation filed between Debtor and creditor at Docket #70 and approved at Docket #105. After the plan is confirmed, creditor will be paid according to the terms hereby established.

Class 3 creditor is impaired under the provision of this Plan, therefore it has a right to vote.

**Class 4- Secured Creditor Reliable Financial Services (Claims No. 1, 2 &3)**

**4.1** Secured creditor included in this class, Reliable Financial Services, has a claim (no. 1) For \$16,324.00 secured over debtor's vehicle 2010 Ford Transit Commercial Connect XL with Vin No. NMOLS7AN1AT036447, with an actual estimated value of \$5,670.00. This claim shall be paid in full with a 7.49% annual interest rate with monthly payments in the amount of \$325.22 for sixty (60) months, commencing on the effective date of plan. **In the event that debtor incurs in 2 months in arrears with the payment plan, the stay will be lifted automatically for creditor to exercise his "in rem" remedies against the collateral.**

4.2 Secured creditor included in this class, Reliable Financial Services, also has a claim (no. 2) for \$13,610.00 secured over debtor's vehicle 2009 Ford E350 with Vin No. 1FDSE35P69DA30851, with an actual estimated value of \$8,816. This claim shall be paid in full with a 7.49% annual interest rate, with monthly payments in the amount of \$272.65 for sixty (60) months, commencing on the effective date of plan. **In the event that debtor incurs in 2 months in arrears with the payment plan, the stay will be lifted automatically for creditor to exercise his "in rem" remedies against the collateral.**

4.3 Secured creditor included in this class, Reliable Financial Services, also has a claim (no. 3) for \$14,236 secured over debtor's vehicle 2012 Toyota Prius with Vin No. JTDKDTB34C1520707, with an actual estimated value of \$8,352.00. This claim shall be paid in full with a 7.49% annual interest rate, with monthly payments in the amount of \$285.19 for sixty (60) months, commencing on the effective date of plan. **In the event that debtor incurs in 2 months in arrears with the payment plan, the stay will be lifted automatically for creditor to exercise his "in rem" remedies against the collateral.**

Debtor is and will continue making adequate protection monthly payments to creditor in the amount of \$600.00 (\$200.00 per vehicle) upon confirmation of the plan pursuant to the terms of the stipulation filed between Debtor and creditor at Docket #70 and approved at Docket #105. After the plan is confirmed, creditor will be paid according to the terms hereby established.

Class 4 creditor is impaired under the provision of this Plan, therefore it has a right to vote.

**Class 5- Secured Creditor Toyota Credit of PR (Claim No. 14)**

Secured creditor included in this class, Toyota Credit of PR, has a claim (no. 14) for \$782.00 secured over debtor's vehicle 2009 Toyota Venza with Vin. No. 4T3ZE11A49U007029, with an actual estimated value of \$8,471.00. The amount claimed was already paid to creditor before the filing of the instant case.

**There will be no payment to this claim under the plan since it was already paid.**

Class 5 creditor is impaired under the provision of this Plan, therefore it has a right to vote.

**Class 6- Secured Creditor CRIM (Claim No. 21)**

Secured creditor included in this class, CRIM has a claim (no. 21) of \$27,919 in property taxes over debtor's commercial property located at Carr. 181 Ramal 8860 KM 5.9 Las Cuevas Ward Trujillo Alto PR. This claim will be paid in full in monthly payments of \$517.32 for sixty (60) months at an interest rate of 4.25%.

Class 6 creditor is impaired under the provision of this Plan, therefore it has a right to vote.

## 2. Classes of Priority Unsecured Claims

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

As proposed in the Plan of Reorganization, in this case each holder of a priority tax claim will be paid monthly cash payments over a term not to exceed 60 months from the date of the effective date of the plan with interest at 4.25%.

**Debtor has nine priority claims in the instant case.** All of them, will be paid within the first 48 months of the plan to the extent allowed as priority claims under § 507 of the Code.

Priority tax claims shall be paid in an amount equal to the allowed amount of such Claim, plus 4.25% interest, unless the holder of such Claim agrees with the Debtor to a different treatment. Debtor's priority tax claims as allowed and ordered paid by the Court are not impaired under the Plan.

The Debtor has Priority Tax Claims which consist of nine claims; The Debtor has Priority Tax Claims which consist of 9 claims as follows:

PR Treasury (claim no. 23) will be paid in **36 monthly installment of \$483.77** from the effective date of the Plan, including principal and interest of 4.25% annually for a total amount of \$16,324, unless the holder of such claim agrees with the debtor to a different treatment. PR Treasury (claim no. 24) will be paid in **36 monthly installment of \$57.02** from the effective date of the Plan, including principal and interest of 4.25% annually for a total amount of \$1,924, unless the holder of such claim agrees with the debtor to a different treatment.

State Insurance Fund (claim no. 17) will be paid in **36 monthly installment of \$809.56** from the effective date of the Plan, including principal and interest of 4.25% annually for a total amount of \$27,317, unless the holder of such claim agrees with the debtor to a different treatment.

IRS (claim no. 10) will be paid in **36 monthly installment of \$1,093.36** from the effective date of the Plan, including principal and interest of 4.25% annually for a total amount of \$36,894, unless the holder of such claim agrees with the debtor to a different treatment.

PR Dept. Labor (claim no. 6) will be paid in **36 monthly installment of \$205.67** from the effective date of the Plan, including principal and interest of 4.25% annually for a total amount of \$6,940.00, unless the holder of such claim agrees with the debtor to a different treatment. PR Dept. Labor (claim no. 7) will be paid in **36 monthly installment of \$32.89** from the effective date of the Plan, including principal and interest of 4.25% annually for a total amount of \$1,110.00, unless the holder of such claim agrees with the debtor to a different treatment.

CRIM (claim no. 20) will be paid in **36 monthly installment of \$148.76** from the effective date of the Plan, including principal and interest of 4.25% annually for a total amount of \$5,020.00, unless the holder of such claim agrees with the debtor to a different treatment.

Vega Baja Municipality (as scheduled) will be paid in **36 monthly installment of \$1,554.65** from the effective date of the Plan, including principal and interest rate of 4.25% annually for a total amount of \$52,460, unless the holder of such claim agrees with the debtor to a different treatment.

Creditor Carlos Morales d/b/a Absolute Vigilance (no. 12) for \$5,369.00, which will be paid in **36 monthly installments of \$159.11** from the effective date of Plan, including principal and annual interest rate of 4.25%, unless the holder if such claim agrees with the debtor to a different treatment.

**Creditor San Juan Municipality (claim no. 25) for \$1,306.00 which will be paid in 36 monthly installments of \$38.70 from the effective date of Plan, including principal and annual interest rate of 4.25%, unless the holder if such claim agrees with the debtor to a different treatment.**

### **3. Classes of Nonpriority Unsecured Claims.**

General unsecured claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code. There is no §1122(b) convenience class in Debtor' Plan.

Following are all classes containing Debtor's unsecured pre-petition claims and their proposed treatment under the Plan:

#### **Class 7 – General Unsecured Nonpriority Claims.**

Class 7 includes the Claims of General Unsecured Creditors not classified in this Plan, as allowed, approved and ordered paid by the Court, under §502 of the Code, currently estimated by

Debtor in **\$343,862.00** Creditors included in this class will be paid **4.36%** of its claim or \$15,000.00 of allowed unsecured claims.

Creditors in this class will be paid in one payment of \$15,000.00, on the effective date of the plan, unless the holder of such claims agree with the Debtor to a different treatment.

See **Exhibit B, Exhibit C and Exhibit D** to this Disclosure Statement.

Creditors with disputed, contingent and/or unliquidated claims, at the effective date, will receive distribution, if any, if their claim is filed no later than ninety days after the effective date of the Plan and the same is allowed by the Court. Creditors with disputed, contingent and/or unliquidated claims were notified of their status by the Debtor.

Class 7 are impaired under the Plan, and therefore they have a right to vote.

#### **4. Disputed Claims.**

A disputed claim is a claim that has not been allowed or disallowed, by a final non-appealable order, and as to which either: (i) a proof of claim has been filed or deemed filed, and the Debtor or another party in interest has filed an objection; or (ii) no proof of claim has been filed, and the Debtor has scheduled such claim as disputed, contingent, or unliquidated.

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

The Debtor will have the power and authority to settle and compromise a disputed claim with court approval and compliance with Rule 9019 of the Federal Rules of Bankruptcy Procedure.

The following Scheduled Claims are listed as Disputed, Contingent, and Unliquidated in this case:

1. There are no Disputed, Contingent, and Unliquidated claims in this case.

THE FOREGOING IS A BRIEF SUMMARY OF IMPORTANT DISPOSITIONS OF THE PLAN. CREDITORS ARE URGED TO READ THE PLAN IN FULL. THEY ARE FURTHER URGED TO CONSULT WITH COUNSEL, OR WITH EACH OTHER IN ORDER TO FULLY UNDERSTAND THE PLAN. THE PLAN IS COMPLEX INASMUCH AS IT REPRESENTS A PROPOSED LEGALLY BINDING AGREEMENT BY DEBTOR AND AN INTELLIGENT

JUDGEMENT CONCERNING SUCH PLAN CANNOT BE MADE WIHTOUT UNDERSTANDING IT.

**D. Means of Implementing the Plan.**

**1. Source of Payments.**

The Debtor will be able to execute this plan through the Debtor's income for the 60 months beginning on the effective date of the plan, which includes business income in the amount of \$105,000.00. The plan proponent has provided projected financial information. Those projections are listed in **Exhibit C**.

**2. Post-confirmation Management.**

After Confirmation the Debtor will continue to manage its own affairs.

**E. Risk Factors.**

The proposed Plan has a low risk because Debtor has business income. Attached as **Exhibit C** are the Financial Projections of the Plan under the assumptions detailed herein. These include projected statement of operations and payment plans for all claims. While it cannot be foreseen with absolute certainty that the cash flow projections which accompany this Disclosure Statement will be met, Debtor has no reason to believe that the contrary will be the case. Debtor understands that the Plan is confirmable for the benefit of its creditors.

The Projected Cash Flows for 60 months take into account the following assumptions:

- 1.** Debtor will continue receiving business income projected at an average monthly amount \$105,000.00 **See Exhibit C.**
- 2.** Debtor will pay an approximate monthly payment amount of **\$24,065.61** for the first five years of the plan to pay creditors including the priority claims and one lump sum payment of \$15,000.00 on the effective date of the plan regarding the unsecured claims. **See Exhibit C.**
- 3.** The projections also reflect the assumption that Debtor's expenses will continue the same during the sixty months of the life of the plan. **See Exhibit C.**

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

**F. Executory Contracts and Unexpired Leases**

The Plan lists all executory contracts and unexpired leases that the Debtor will assume and/or reject under the Plan. Assumption means that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the

type that must be cured under the Code, if any. The Plan also lists how the Debtor will cure and compensate the other party to such contract or lease for any such defaults.

If you object to the assumption of your unexpired lease or executory contract, the proposed cure of any defaults, or the adequacy of assurance of performance, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan, unless the Court has set an earlier time.

Consult your adviser or attorney for more specific information about particular contracts or leases.

If you object to the rejection of your contract or lease, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan.

**G. Tax Consequences of Plan.**

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

The following are the anticipated tax consequences of the Plan:

The tax consequences of the Plan to the Debtor would be to have to recognize income for any debt that is discharged by the plan inasmuch as the expenses related to such debt were taken as a tax deduction in prior years.

The general tax consequences for creditors would be that they in turn would get a tax deduction for any amounts they are not able to collect to the extent they reported such amounts as income in prior years, and if they take this deduction and later recover any amounts, such amounts would have to be reported as income.

In any event, 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.**

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

**A. Who May Vote or Object.**

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

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

In this case, the Plan Proponent believes that classes 1, 2, 3, 4, 6, and 7 are impaired and that holders of claims in these classes are therefore entitled to vote to accept or reject the Plan.

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

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

***The deadline for filing a proof of claim in this case was June 6, 2017 for all creditors, except governmental units, and August 30, 2017 for all governmental units. For the amended Schedule F with the purpose of disputing certain creditors, the deadline for filing a proof of claim is 90 days after the entry of the order of confirmation of Debtor's Plan of Reorganization.***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **2. Treatment of Nonaccepting Classes.**

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

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

### **C. Liquidation Analysis.**

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

### **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.

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

The Plan Proponent's financial projections show that the Debtor will have an aggregate annual average cash flow in the first year, after paying operating expenses and plan payments, of **\$541,970.**

The assumptions taken into account for the financial projections of the Debtor are that:

1. Debtor will continue receiving monthly business income at an average of **\$205,000.00.**
2. Debtor's expenses (about \$173,160 before plan payments) will remain the same during the sixty months of the life of the plan.

***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 and Release of Debtor.**

The Debtor is a corporation and § 1141(a) and § 1141(d) are applicable, except as provided in subsections 1141(d)(2) and 1141(d)(3) the provisions of a confirmed plan bind the debtor, any entity issuing securities under the plan, any entity acquiring property under the plan, and any creditor, equity security holder, or general partner in the debtor, whether or not the claim or interest of such creditor, equity security holder, or general partner is impaired under the plan and whether or not such creditor, equity security holder, or general partner has accepted the plan. The Debtor will not be discharged from any debt excepted from discharge under § 523 of the Code, except as provided in Rule 4007(c) of the Federal Rules of Bankruptcy Procedure.

Discharge of Claims. Except as otherwise expressly provided herein, by the Bankruptcy Code or in the Confirmation Order, the rights granted by this Plan and the payments and distributions made hereunder shall be in complete exchange for and in full and final satisfaction, settlement, release and discharge of all existing debts and Claims of any kind, nature or description whatsoever against the Debtor or the Debtor in Possession, or the Reorganized Debtor, or any of their assets or properties; and on the Consummation Date, all existing Claims against the Debtor or Debtor in Possession shall be, and shall be deemed to be, exchanged, satisfied, discharged and released in full; and all holders of Claims shall be precluded from asserting against the Debtor and the Reorganized Debtor, or their assets or properties any other or further 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; whether or not such Claim is allowed, and whether or not the holder of such Claim has accepted the Plan.

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

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

Upon request of the Debtor, the United States trustee, or the holder of an allowed unsecured claim, the Plan may be modified at any time after confirmation of the Plan but before the completion of payments under the Plan, to (1) increase or reduce the amount of payments under the Plan on claims of a particular class, (2) extend or reduce the time period for such payments, or (3) alter the amount of distribution to a creditor whose claim is provided for by the Plan to the extent necessary to take account of any payment of the claim made other than under the Plan.

**C. Final Decree.**

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

In San Juan, Puerto Rico, this 24<sup>th</sup> day of October, 2018.

/S Wilfredo Medina Ramírez  
**Wilfredo Medina Ramírez- President**  
**ISLAND FESTIVAL RENTALS AND**  
**RECYCLING CORPORATION**

**I HEREBY CERTIFY** that on this 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 all CM/ECF participants including the U.S. Trustee.

**RESPECTFULLY SUBMITTED.**

In San Juan, Puerto Rico, this 25<sup>th</sup> day of October, 2018.

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