

UNITED STATES BANKRUPTCY COURT
DISTRICT OF PUERTO RICO

IN THE MATTER OF
DORADO COMMUNITY HEALTH, INC.
Debtor

CASE NO: 17-01565 (MCF)

CHAPTER 11

DISCLOSURE STATEMENT
AND SUMMARY OF PROPOSED PLAN OF REORGANIZATION
DATED AUGUST 26, 2017

TABLE OF CONTENTS

I.	INTRODUCTION	2
A.	Purpose of This Document.....	3
B.	Deadlines for Voting and Objecting; Date for the Plan Confirmation Hearing.....	3
C.	Disclaimer	4
II.	BACKGROUND.....	5
A.	Description and History of the Debtor’s Business	5
B.	Insiders of the Debtor	6
C.	Management of the Debtor before and During the Bankruptcy	6
D.	Events Leading to Chapter 11 Filing	6
E.	Significant Events during the Bankruptcy Case.....	7
F.	Projected Recovery of Avoidable Transfers	9
G.	Claims Objections	9
H.	Current and Historical Financial Conditions.....	9
III.	ASSETS	10
A.	Real Property	10
B.	Personal Property	10
IV.	LIQUIDATION VALUE ANALYSIS	10
V.	SUMMARY OF THE PLAN OF REORGANIZATION, CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS	13
A.	CLASS 1 – Administrative Claims	13
B.	CLASS 2 - Secured Interest Claimholder	15
C.	CLASS 3 - Unsecured-Priority Claims	15
D.	CLASS 4 - GENERAL UNSECURED CREDITORS:	18
E.	CLASS 5 - EQUITY SECURITY AND/OR OTHER INTEREST HOLDERS	20
F.	Means of Implementing the Plan	21

G. Risk Factors	21
H. Executory Contracts and Unexpired Leases	21
I. Tax Consequences of the Plan	23
VI. CONFIRMATION REQUIREMENTS AND PROCEDURES	24
A. Who May Vote or Object	24
B. Votes Necessary to Confirm the Plan	26
C. Liquidation Analysis	28
D. Feasibility	28
VII. EFFECTS OF CONFIRMATION OF PLAN.....	31
A. Post-Petition Agreements Unaffected by the Plan	31
B. Proof of Claims Not Filed	31
C. Objections to Claims	31
D. Provisions for the Modification of the Plan	32
E. Final Decree	32
F. Discharge.....	33
G. Setoffs.....	34
H. Transfer of Properties under the Plan.....	34
I. Retention of Jurisdiction	34

I. INTRODUCTION

This is the disclosure statement (“The Disclosure Statement”) in THE SMALL BUSINESS Chapter 11 case of Dorado Community Health, Inc. (Hereinafter “The Debtor”). This Disclosure Statement contains information about the Debtor and describes the Reorganization Plan filed by Dorado Community Health, Inc. on August 20th, 2017. A full copy of the Plan is attached to this Disclosure Statement as Exhibit K.

Your RIGHTS MAY BE AFFECTED. You should read the Plan and This Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.

The proposed distribution under the Plan are specified in the Exhibits included with this Disclosure Statement and discussed in PART V of this Disclosure Statement. The plan will be divided in five classes; Class 1 will be composed by Administrative expenses; Class 2 shall consist of secured interest creditors; Class 3 belongs to unsecured priority claimholders; Class 4 shall consists of general unsecured creditors, and Class 5 will be composed of Equity security and interest holders. This last class will not receive any cash dividend through this plan.

This Disclosure Statement is being distributed by the Debtor to all creditors who are entitled to vote under Chapter 11, and is intended to provide adequate information so that creditors may make a reasonable informed judgment to accept or reject the Plan.

Purpose of This Document

Section 1125 of the Bankruptcy Code requires that a debtor make post-petition disclosure in the form of a disclosure statement which provides "adequate information" to its creditors before debtors or a party acting on its behalf may solicit acceptances of a Chapter 11 plan of reorganization. This Disclosure Statement describes: the Debtor and significant events during the Bankruptcy Case; how the plan proposes to treat claims of the type you hold (what will you receive on your claim if the plan is confirmed); who can vote on or object to the Plan; what factors the Bankruptcy Court will consider when deciding whether to confirm the plan; why Debtor believes the plan is feasible; and how the treatment of your claim under the Plan compares to what you would receive on your claims in liquidation; and the effect of confirmation of the Plan.

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

Deadlines for Voting and Objecting; Date for the Plan Confirmation Hearing

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

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

The hearing at which the Court will determine whether to finally approve this Disclosure Statement and confirm the plan is pending to be scheduled by the Court. This hearing will be conducted at the United States Bankruptcy Court for the District of Puerto Rico, which is located at 300 Recinto Sur Street, Room 109, San Juan PR, 00901. The hearing on final approval of the Disclosure Statement and to consider the confirmation of this plan will be scheduled by the

Case no. 17-01565 (MCF)
Dorado Community Health, Inc.
Disclosure Statement dated August 26, 2017 (Cont.)
Page 4 of 34

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 attached ballot and return the ballot to the following address: Jaime Rodríguez Pérez, Esq., at PO Box 678 Hatillo, PR 00659 or to the following electronic address: hatillolawoffice@yahoo.com. The time within the holders of claims and interest may accept or reject the Plan will be fixed by the Court.

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

Objections to this Disclosure Statement or to the confirmation of the Plan must be filed with the Court and served upon all creditors on or before the confirmation hearing.

4. Identity of Person to Contact for More Information

If you want additional information about the Plan, you should contact Jaime Rodríguez Pérez, Esq. at PO Box 678 Hatillo PR 00659. Tel. 787.262.4848, fax 787.730.5454 or by electronic email at hatillolawoffice@yahoo.com.

Disclaimer

Creditors are advised that the financial information contained in this Disclosure Statement has not been the object of an audit and is not certified by independent public accountants, except where expressly stated otherwise. The Debtor does not warrant or intends to represent that the information contained herein is without inaccuracy notwithstanding its efforts to disclose all matters with careful attention to accuracy and completeness.

No representation concerning the Disclosure or the Plan is authorized by debtor other than as set forth in this Disclosure Statement. Any representations made by any person to secure your vote other than those contained in this disclosure statement should not be relied upon. Any person

Case no. 17-01565 (MCF)
Dorado Community Health, Inc.
Disclosure Statement dated August 26, 2017 (Cont.)
Page 5 of 34

making representations or inducements concerning acceptance or rejection of the Plan should be reported to the Court.

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

BACKGROUND

A. Description and History of the Debtor's Business

Dorado Community Health, Inc. (debtor) is a profit organized 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 Dorado and nearby areas.

The corporation is regulated under the provisions of 11 USC § 101 (27) (A) (i) and 11 USC § 101 (27) (B) (i) (II). Debtor is a Health Care Business. The corporation is a private entity (without regard to whether that entity is organized for profit or not for profit) that is, primarily engaged in offering service to general public, for the diagnosis or treatment of injury, deformity, or disease; and small surgical procedures and drug treatment and care. Also, the corporation is an ancillary ambulatory, emergency, or surgical treatment facility.

This corporation was created on November 21st, 2003. The corporation operates from a property that belongs to Puerto Rico Department of Health and is located at Road PR-698 number 400, Barrio El Mameyal at Dorado Puerto Rico. This is an emergency services facility that operates 24-hours a day, seven days a week.

B. Insiders of the Debtor

Mr. Luís González-Bermudez, M.D. is the principal shareholder and President of the corporate Debtor.

C. Management of the Debtor before and During the Bankruptcy

Mr. Luís González-Bermudez, M.D. has acted as administrator of the business since the inception of the operations. He receives a monthly gross salary of \$4,000.00. However, from March 2017 he does not receives salary income.

Mr. Julio Borges, C.P.A. is in charge of accounting and financial functions. Mr. Borges is an independent contractor that renders monthly services per fixed fee to comply with these duties.

Debtor's plan of reorganization provides that after the effective date of the order confirming the Plan, key management of the business will remain unchanged.

On the consummation date of the Plan, the Operation of the Business and all of the estate assets retained shall become the general responsibility of the reorganized Debtor who shall thereafter has the responsibility for the management, control and administration thereof.

D. Events Leading to Chapter 11 Filing

The principal reason that triggered the filing of this bankruptcy petition is related to the unwarranted delay in payments due by insurance providers on services rendered to patients. Changes in insurance provider's regular payment and deductible distributions, accompanied with patient's census reduction, and, unexplained delays in payment by insurance providers and by Department of Health's Emergency health care unit incentive limited the company's ability to comply with ongoing operating expenses including employer taxes.

This entire situation caused that the Debtor were unable to pay Puerto Rico Treasury Department payments. At the same time, Treasury Department refused to provide debtor with a reasonable plan payment. Another real fact that prompt debtor to consider the filing of the

Bankruptcy petition was the outstanding debts with the Internal Revenue Service (IRS).

Debtor believes and is compromised in doing all it takes to continue rendering services to patients of Dorado community that depends of the only 24-hours, 7 days a week's open medical facility in this area. Debtor will do all de possible efforts to reorganize the business and avoid filing a chapter 7 case. Debtor proposes to pay through the plan government debts including Puerto Rico Treasury Department, Dorado Municipality, Puerto Rico Department of Labor, State Insurance Fund and Internal Revenue Service.

Debtor anticipates that this case is a small business case. During the process of the instant bankruptcy proceeding, debtor has been able to prepare a feasible plan to pay the outstanding debts with the above-mentioned government agencies and other creditors, allowing it to successfully maintain business operations.

E. Significant Events during the Bankruptcy Case

1. Schedules, Statement of Financial Affairs and Creditor's Meeting

On March 7th, 2017, Debtor filed its Voluntary Petition under the Chapter 11. With the Voluntary Petition, debtor filed the Schedules, Statement of Financial Affairs, the List of Creditors Holding the 20 Largest Unsecured Claims, and Corporate Resolution.

On March 28th, 2017 debtor filed amended Statement of Financial Affairs. The purpose of the amendment was to clarify line 11 of the statement and debtor's counsel's retained fees (docket No. 14);

On April 17th, 2017 at 11:00 AM, the 341 meeting of creditors was held and closed. The minutes of the meeting were entered on the same date (Docket No. 18).

On May 2nd, 2017 debtor filed amended voluntary petition to clarify Debtor's business physical address (Docket No. 20).

On May 3rd, 2017 debtor filed amended Schedule A/B to clarify debtor's personal property including accounts receivables and inventory (Docket No. 21).

On May 10th, 2017 debtor filed second amended Statement of Financial Affairs. The purpose of this new amendment was (a) to clarify in line 7, to inform that debtor does not has any pending legal action; (b) to clarify line 16 and line 28 (docket No. 23).

2. Employment of Professionals

There are four (4) professionals who will have the task to collaborate in debtor's business reorganization.

i. Counsel Jaime Rodríguez-Pérez, Esq. for Hatillo Law Office, PSC. On April 4th, 2017 debtor filed an application to employ Jaime Rodríguez Law Office, PSC and its attorney, Jaime Rodríguez-Pérez. It was approved by the Court on June 1st, 2017. The undersigned attorney Jaime Rodríguez Pérez will represent debtor in all bankruptcy procedures. (Dockets No. 15 and 30).

ii. Mr. Julio E. Borges-Alvarado, CPA. In order to organize debtors' accounting books, on April 4th, 2017 debtor filed an application to employ Debtor's current accountant, CPA Julio Borges. The accountant will work with debtor's accounting books and records in order to establish an appropriate accounting system, assisting in the preparation of the debtors' monthly operating reports, assisting them in the development of the reorganization plan and preparing cash flow projections. It was approved by the Court on June 1st, 2017. (Dockets No. 17 and 31).

iii. Counsel Alberto R. Fuertes-Masarovic, Esq. Debtor needs to initiate accounts receivables collection efforts. Debtor is considering to initiate aggressive efforts to collect unpaid medical services deductibles. To achieve this task, on May 3rd, 2017 debtor appointed and filed an application to employ Mr. Alberto R. Fuertes-Masarovic, Esq. (docket No. 22). This request is still pending for Court approval.

iv. Patient Care Ombudsman Mrs. Edna Díaz De Jesús. On June 6th, 2017 this Honorable Court issued an Order instructing the United States Trustee to appoint an ombudsman, pursuant to 11 USC §333(a) (2) and Fed. R. Bankr. P. 2007.2(c) (Docket No. 36). On January 19th, 2017 the United States Trustee through the assistant U.S. Trustee, sister Counsel Mrs. Monsita Lecaroz-Arribas filed a motion to appoint Patient Care Ombudsman Mrs. Edna Díaz De Jesús (Docket No. 50). Since debtor is a corporation that provides health care services to a community and has a contract with Puerto Rico Health Department, the appointment of Ombudsman will be at no cost for Debtor.

Upon filing of this bankruptcy petition, Debtor has taken or will take all necessary measures to reorganize business affairs. Debtor is in compliance or will be in compliance on or before the effective date with the US Trustee Office Operating Guidelines including monthly operating reports counting from the month of March to July 2017. Debtor seeks to establish a feasible plan to pay outstanding debts with governmental agencies and other creditors, allowing the corporation to maintain the business.

F. Projected Recovery of Avoidable Transfers

To this date Debtor has not identified any preference, fraudulent conveyance, or avoidance action that may be pursued.

G. Claims Objections

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, Debtors reserves the right to object to claims. As of today, the only pending objection would be claim number two (2-1) filed by Puerto Rico Labor Department "Disability". Debtor understands there is an error or incongruity with the information contained in the claim form and the supporting documentation contained in the same claim. Since this is a controversy that may be addressed without filing an objection, on August 17th, 2017 debtor communicated with the claimholder to correct the claim. If the claim is not amended on or before August 23rd, 2017, debtor will object to it.

H. Current and Historical Financial Conditions

The Debtor has complied with all of its duties as Debtor in Possession, including but not limited to providing Debtor's information in the Bankruptcy Schedules and Statement of Financial Affairs filed with the Court; the appearance at the meeting of creditors, to provide supporting and required documents to the U.S. Trustee. Also, Debtor provided to the U.S. Trustee office all the required business documentation including Debtor's most recent tax returns for years ended as of

December 2013, 2014, 2015 and 2016. These documents were available for disclosure at the meeting of creditors that took place on April 17th, 2017 and are available upon request to all interested parties. Please refer to Debtor's Monthly Operating Reports for the months counting from March to July 2017, dockets 19, 26, 49, 51 and 52. Also see attached Summary of Monthly Operating Reports identified as Exhibit I.

III. ASSETS

A. Real Property

The debtor does not have real property. The corporation operates from a property that belongs to Puerto Rico Department of Health with no cost until February 2022. The building is located at 400, road number 698, Bo. Mameyal, Dorado, Puerto Rico.

B. Personal Property

Personal property is detailed in debtor's schedules as disclosed in the last amended schedule A/B filed on May 3rd, 2017 (docket no 21), and are also provided in the Liquidation Analysis Section of this Statement. Refer to Liquidation Value Analysis identified as Exhibit A for details of personal assets and its value. Debtor's personal property primarily consists of accounts receivables, fully depreciated equipment, and cash receipts and disbursements from patients and insurance providers which are deposited and corporation's bank accounts. Debtor wishes to inform that most of the high cost machines including x-rays machine and laboratory equipment belongs to Puerto Rico's Department of Health and it were provided by this Government agency as part of nominal building's lease agreement.

Debtor understands that the corporation has a \$0.00 liquidation value under a chapter 7 hypothetical liquidation analysis as disclosed in the attached Exhibit A.

IV. LIQUIDATION VALUE ANALYSIS

Case no. 17-01565 (MCF)
Dorado Community Health, Inc.
Disclosure Statement dated August 26, 2017 (Cont.)
Page 11 of 34

One requirement for the confirmation of a plan under 11 USC § 1123 and § 1126 of the 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.

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 \$300,835.00 in accounts receivables. After evaluating the accounts receivable aging debtor expects to receive the following accounts receivables amounts:

Debt Recipient	Account Receivables 90 Days Old or Less, (see docket no. 21)	Account Receivables 90 Days Old or More, (see docket no. 21)	Percentage expected to be liquidated under an hypothetical chapter 7 liquidation Procedure	Amount expected to be collected
PR Dept. Health (2008 – 2014)		\$159,298.09	5%	\$ 7,964.90
Medical Insurance	\$38,739.35		90%	\$ 34,865.42
2014 I/T Returns		\$ 30,592.00	5%	\$ 1,529.60
2015 I/T Returns		\$ 43,910.00	5%	\$ 2,195.50

Case no. 17-01565 (MCF)
Dorado Community Health, Inc.
Disclosure Statement dated August 26, 2017 (Cont.)
Page 12 of 34

2014 Patient's Agreement	\$ 4,746.43	5%	\$ 237.32
2015 Patient's Agreement	\$21,294.84	25%	\$ 5,323.71
2016 Patient's Agreement	\$40,994.06	25%	\$ 10,248.52
Total	\$ 38,739.35	\$300,835.42	\$ 62,364.97

Debtor recognizes that the corporation only expects to collect approximately 18% (\$62,364.97) 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 \$150,000.00 since 2008. Debtor has made efforts to collect this debt from Department of Health. Even though debtor recognizes that Puerto Rico Department of Health is current with the last two years and current year's debt, they refuse to disburse the 2008 to 2014 debt.

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 providers propose 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 25% 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 obligations, 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); after class 3 been paid, then, 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.

V. SUMMARY OF THE PLAN OF REORGANIZATION, CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

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 are impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

The Plan dated August 20th, 2017 was drafted designating FIVE (5) classes in accordance with 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 since it represents a proposed legally binding agreement with the Debtor and any other party involved. The classes of creditors are as follows:

A. CLASS 1 – Administrative Claims

This class shall consist of all allowed administrative expenses or costs of administering the Debtor's chapter 11 case which are allowed pursuant to § 507 (A)(2) of the Code. Administrative expenses includes the value of goods sold to the Debtor in the ordinary course of business and received within 20 days after the filing of the bankruptcy petition; Court costs accrued since the petition date, fees to the United States Trustee quarterly fees, fees and expenses of Debtor's counsel, accountant and any other professional retained by the

Case no. 17-01565 (MCF)
Dorado Community Health, Inc.
Disclosure Statement dated August 26, 2017 (Cont.)
Page 14 of 34

Debtor, as may be allowed by the Bankruptcy Court upon application thereafter, and after notice and a hearing, in accordance with the Bankruptcy Code and Rules, as well as any unpaid taxes or fees accrued since petition date. Debt under this class is estimated to be approximately \$17,000.00 in addition to the retainer received by Debtor's attorney. 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 expense and their proposed treatment under the Plan:

Type	Amount Owed <i>Estimated</i>	Proposed Treatment
Expenses Arising in the Ordinary Course of Business After the Petition Date	\$0.00	Paid in full on the effective date of the Plan, or according to the terms of obligation if later.
Expenses Arising in the Ordinary Course of Business After the Petition Date	\$ 0.00	Paid in full on the effective date of the Plan, or according to the terms of obligation if later.
The Value of Goods Received in the Ordinary Course of Business Within 20 Days Before the Petition Date	\$ 0.00	Paid in full on the effective date of the Plan, or according to the terms of obligation if later.
Professional Fees as may be approved by the Court	\$ 8,000.00	Paid in full on the effective date of the Plan, or according a separate written agreement, or according to the court order, if such fees have not been approved by the Court on the effective date of the Plan.
Accountant Fees as may be approved by the Court	\$ 2,000.00	Paid in full on the effective date of the Plan, or according a separate written agreement, or according to the court order, if such fees have not been approved by the Court on the effective date of the Plan.
Office of the U.S. Trustee Fees	\$ 7,000.00	Paid in full on the effective date of the Plan.
Total	\$17,000.00	

Source: See Exhibit G - Payments under the Reorganization Plan, and Exhibit H - Plan Payment Monthly Distribution

Case no. 17-01565 (MCF)
Dorado Community Health, Inc.
Disclosure Statement dated August 26, 2017 (Cont.)
Page 15 of 34

B. CLASS 2 - Secured Interest Claimholder

This class shall consist of the secured portion of claim number three (3) filed by the Internal Revenue Service (IRS). Internal Revenue Service filed a secured interest claim portion for \$12,559.76. Debtor attaches Claims Analysis, identified as Exhibit B.

The following chart identifies the Plan's proposed treatment of Class 2, which contains secured interest claim(s) against the debtor:

CLASS 2 TREATMENT

Description (Name, type of tax and claim no.)	Claim	Amount Owed	Impairment	Treatment	
Internal Revenue Service (Secured Portion) (Claim 3)	3-1	\$12,559.76	Not Impaired	Payment Interval [Monthly] Payment	= each month = \$231.31
				Begin date	= <u>Oct. 31st, 2017</u>
				End Date	= <u>Sept. 30th, 2022</u>
				Interest Rate %	= <u>4.00%</u>
				Total Interest Payment	= \$ 1,318.67
				Total Payment Amount	= \$13,878.43
				Payment Period	= <u>60 months period counting from the Effective Date</u>

Debtor attaches the following supporting information and/or documents:

- (i) Exhibit B – Claims Analysis;
- (ii) Exhibit C - Class 2 Amortization Table;
- (iii) Exhibit G - Payments under the Reorganization Plan;
- (iv) Exhibit H - Plan Payment Monthly Distribution

C. 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 September 5th, 2017. Unless the holder of such a § 507(a) (8) priority tax claim agrees otherwise, it must receive

Case no. 17-01565 (MCF)
Dorado Community Health, Inc.
Disclosure Statement dated August 26, 2017 (Cont.)
Page 16 of 34

the present value of such claim, in regular installments paid over period not exceeding five (5) years from the order of relief.

Each holder of a priority tax claim will be paid consistently with 11 USC § 1129 (a) (9) (C) of the Code, in monthly cash installments, equal to the allowed amount of its claim, plus the interest requested by each creditor on its respective claims, over a period ending before the statutory five-year period from the date of the filing of the captioned petition. The following chart lists the Debtor's estimated § 507(a) (8) priority tax claims and their proposed treatment under the plan:

Description (Name, type of tax and claim no.)	Amount Owed	Proposed Treatment	
Internal Revenue Service (Claim 3-1) Priority Portion	\$16,679.38	Payment Interval [Monthly] Payment Begin date End Date Interest Rate % Total Interest Payment Total Payment Amount Payment Period	= each month = \$341.31 = <u>October 31st, 2017</u> = <u>March 6th, 2022</u> = <u>4.00%</u> = \$ 1,318.67 = \$18,430.57 = 60 months period counting from the petition date, <u>54 months</u>
Puerto Rico Treasury Department (Hacienda) (Claim 5-1) Priority Portion	\$129,113.78	Payment Interval [Monthly] Payment Begin date End Date Interest Rate % Total Interest Payment Total Payment Amount Payment Period	= each month = \$2,390.99 = <u>October 31st, 2017</u> = <u>March 6th, 2022</u> = <u>No interest</u> = \$ 0.00 = \$129,113.78 = 60 months period counting from the petition date, <u>54 months</u>
Puerto Rico Labor Department (Claim 1-1) Priority Portion	\$21,541.50	Payment Interval [Monthly] Payment Begin date End Date Interest Rate % Total Interest Payment Total Payment Amount Payment Period	= each month = \$432.74 = <u>October 31st, 2017</u> = <u>March 6th, 2022</u> = 3.25% = \$ 1,826.72 = \$23,368.22 = 60 months period counting from the petition date, <u>54 months</u>
Puerto Rico Labor Department (Claim 2-1) Priority Portion	\$2,290.43	Payment Interval [Monthly] Payment Begin date End Date	= each month = \$432.74 = <u>October 31st, 2017</u> = <u>March 6th, 2022</u>

Case no. 17-01565 (MCF)
Dorado Community Health, Inc.
Disclosure Statement dated August 26, 2017 (Cont.)
Page 17 of 34

		Interest Rate %	= .60%
		Total Interest Payment	= \$ 35.10
		Total Payment Amount	= \$2,235.53
		Payment Period	= 60 months period counting from the petition date, <u>54 months</u>
State Insurance Fund (Claim 6-1) Priority Portion	\$57,413.66	Payment Interval [Monthly] Payment Begin date End Date Interest Rate % Total Interest Payment Total Payment Amount Payment Period	= each month = \$432.74 = <u>October 31st, 2017</u> = <u>March 6th, 2022</u> = <u>No interest</u> = \$ 0.00 = \$57,413.66 = 60 months period counting from the petition date, <u>54 months</u>
Dorado Municipality (no claim) Priority Portion	\$8,981.88 <u>As Scheduled</u>	Payment Interval [Monthly] Payment Begin date End Date Interest Rate % Total Interest Payment Total Payment Amount Payment Period	= each month = \$341.31 = <u>October 31st, 2017</u> = <u>March 6th, 2022</u> = 4.00% = \$ 1,318.67 = \$18,430.57 = 60 months period counting from the petition date, <u>54 months</u>

Source: See Exhibit G - Payments under the Reorganization Plan, and Exhibit H - Plan Payment Monthly Distribution

This distribution will be made counting from the filing of voluntary petition or March 7th, 2017.

Additional Payments: The Debtor will initiate accounts receivable collection efforts. Debtor understand that they can collect approximately \$8,000.00 as annual accounts receivables net proceeds. Debtor proposes that the 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 (unsecured priority 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

Case no. 17-01565 (MCF)
Dorado Community Health, Inc.
Disclosure Statement dated August 26, 2017 (Cont.)
Page 18 of 34

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.

Other provisions:

i. Pursuant to 11 USC § 1123 (a) 5 (g): “If the reorganized debtor substantially defaults on the plan payments due to the IRS, the outstanding balance is immediately due and payable. Payment shall be for the entire amount owed to the IRS under the plan. The IRS may collect these unpaid tax liabilities through the administrative collection provisions of the Internal Revenue Code.”

ii. 11 USC § 1141 (d) (2) (5). “Confirmation of this Plan does not discharge any debt provided for in this Plan until the court grants a discharge on completion of all payments under this Plan, or as otherwise provided in § 1141(d)(5) of the Code. 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.”

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 – Labor, claim 6;

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

Exhibit G – Payments under the Reorganization Plan;

Exhibit H - Plan Payment Monthly Distribution

D. CLASS 4 - GENERAL UNSECURED CREDITORS:

General unsecured claims are not secured by property of the estate and are not entitled to priority under § 507 (a) of the Code. After review of the proof of claims filed to date, those listed by the Debtor, the total of claims relating to this class are \$98,925.55. The Bar Date for general unsecured creditors is July 17th, 2017.

Case no. 17-01565 (MCF)
Dorado Community Health, Inc.
Disclosure Statement dated August 26, 2017 (Cont.)
Page 19 of 34

There are fifteen (15) general unsecured creditors included in this Class. Please refer to attached Claims Analysis, identified as Exhibit B for a list of all creditors and claims included in this classification as listed in the schedule E/F, docket no. 1.

The following chart identifies the Plan's proposed treatment of Class 4, which contain general unsecured claims against the debtor:

Class #	Description	Impairment	Treatment
4	General unsecured Creditors	Impaired	<p>The entire allowed claims for this 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 <u>Exhibit A</u>.</p> <p>On the consummation date, the entire Class 3 claimant shall receive from the Debtor a non-negotiable, non-interest bearing promissory note, dated as of the Effective Date, providing for a total amount of \$10,000.00 which shall be payable in consecutive monthly installments of \$166.67 during a period of five (5) years, starting on the Effective Date; with a monthly pro-rata distribution among all members of this Class 3.</p>
			<p><u>Additional Payments:</u> The Debtor will initiate accounts receivable collection efforts. Debtor understand that they can collect approximately \$8,000.00 as annual accounts receivables net proceeds. Debtor proposes that the 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.</p> <p>Second, once debtor complied with Class 3 (unsecured priority creditors) payments; then, after Class 3 has been paid in full, then, 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.</p>

Please refer to the following supporting information:

Case no. 17-01565 (MCF)
Dorado Community Health, Inc.
Disclosure Statement dated August 26, 2017 (Cont.)
Page 20 of 34

Exhibit A – Liquidation Value Analysis;

Exhibit B – Claims Analysis;

Exhibit G - Payments under the Reorganization Plan;

Exhibit H - Plan Payment Monthly Distribution;

Exhibit J – Operating Projected Inflows and Outflows.

This class is impaired

E. CLASS 5 - EQUITY SECURITY AND/OR OTHER INTEREST HOLDERS

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

The following chart sets forth the Plan’s proposed treatment of the class of equity interest holders: There may be more one class of equity interest in, for example, a partnership case, or a case where the prepetition debtor has issued multiple cases of stock. In the Debtor’s case, in this corporation, Mr. Luís González-Bermudez, M.D. possesses 100% interest of the stocks.

Class #	Description	Impairment	Treatment
5	Equity interest holders	Impaired, but will not receive any cash dividend.	Equity Security Interest Holders will not receive any cash dividend throughout this plan. Moreover, any payment on their behalf is subordinated to full payment of the allowed claims as detailed in this plan. Nonetheless, the equity security holder will retain his interest in the reorganized Debtor by receiving a distribution of common stock from the Reorganized Company equivalent to their current participation in the Debtor. This class is ineligible to vote on the Plan.

Please refer to the following supporting information:

(i) Exhibit A – Liquidation Value Analysis;

(ii) Exhibit B – Claims Analysis;

This class is not impaired

F. Means of Implementing the Plan

1. Source of Payments

The Plan will be implemented as required under § 1123 (a) (5) of the Code with the daily operations of the business and its resulting operating cash flows. Debtor will retain property of the estate to operate its business and produce cash flow for the execution of the Plan.

2. Post-confirmation Management

The Post-Confirmation Manager of the Debtor will continue to be Mr. Luís González-Bermudez, M.D. He is the principal shareholder and President of the Debtor's Corporation. Mr. Plan will be implemented as required under § 1123 (a) (5) of the Code with the daily operations of the business and its resulting operating cash flows. Debtor will retain property of the estate to operate its business and produce cash flow for the execution of the Plan.

G. Risk Factors

As of today, the Debtor does not identified risks that might affect his ability to make payments and other distributions required under the Plan. If the Debtor in some moment would be unable to make payments, then, the Debtor would consider convert the case into a chapter (7) case.

H. Executory Contracts and Unexpired Leases

Contracts to which Debtor is a party are listed in the Schedule G. It was filed on March 7th, 2017 (Docket No. 1).

Debtor has a rent agreement with Puerto Rico Department of Health. With this rent agreement, debtor has to pay \$7,711.20. However, Debtor were granted with a grant to operate

24 hours emergency room. It causes that the same Puerto Rico Health Department reimburse this money to the Debtor and for this reason the corporation does not have to pay rent. Puerto Rico Health Department is current with this grant. The rent agreement maturity date is November, 2016. The rent agreement contract is automatically renewable as long debtor does not have government debts or is engaged in a plan payments (such as a Bankruptcy Reorganization Plan).

On August 26th, 2017 debtor filed a motion to assume this lease agreement with Puerto Rico Department of Health (docket #54). This motion is pending to Court Approval.

1. *Assumption of Designated Executory Contracts and Unexpired Leases*

Pursuant to sections 11 U.S.C. § 1123 (b) (2) and 365 (a), the entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of the assumption, as of the Effective Date, of each executory contract or unexpired lease to which Debtor is a party including but not limited to those for which a motion to assume is pending at a time of the Confirmation Date.

Unless otherwise provided in a pending motion to assume, on the Effective Date or as promptly as possible thereafter, the Debtor shall cure any defaults under such assumed executory contracts or unexpired leases to the extent required by Section 365 of the Bankruptcy Code. In addition, to the extent the Debtor has rights of setoff against any of the parties to these leases and contracts, the Debtor reserves the right to cure any defaults under such leases and contracts by exercising this right to setoff.

2. *Rejection of Executory Contracts and Unexpired Leases*

Pursuant to sections 11 U.S.C. § 1123 (b) (2) and 365 (a), the entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of the rejection, as of the Effective Date, of each executory contract or unexpired lease to which Debtor has not filed motion to assume.

3. Executory Contracts and Unexpired Leases Which Were Assumed or Rejected to Date

Any executory contract or unexpired lease (other than insurance policies) which (i) has not expired by its own terms on or prior the Confirmation Date, (ii) has not been assumed or rejected with the approval of the Bankruptcy Court on or prior the Confirmation Date, (iii) is not subject of a motion to assume or reject which is pending at the time of the Confirmation Date, or (iv) is not designated in the Disclosure Statement, listing an executory contract or unexpired lease to be assumed at the time of the Confirmation Order by the Bankruptcy Court shall constitute approval of such rejection pursuant to section 11 U.S.C. § 365 (a) and 1123 (b) (2).

4. Rejection of Damage Claims

If the rejection of an executory contract or unexpired lease by the Debtor results in a claim for damages to the other party or parties to such contract or lease, any claim for such damages, if not hereto evidenced by a filed proof of claim, shall be forever barred and shall not be enforceable against the Debtor's Estate, or its respective properties or agents, successors, or assigns, unless a proof of claim is filed with the Bankruptcy Court and served upon counsel for the Debtor on or before the earlier of, 30 days after the entry of the Order approving the rejection of the contract or unexpired lease, if such rejection is granted before the Confirmation Date, or 30 days after the Confirmation Date if the Confirmation Order constitutes approval of the rejection. Unless otherwise ordered by the Court or provided in the Plan, all such Allowed Claims for which proof of claims are timely filed will be treated as Class 4 subject to the provisions of the Plan and Section 11 USC § 502 (b) (6), to the extent applicable. The Debtor shall have the right to object to any such rejection damage claims filed in accordance with this Section.

I. Tax Consequences of the 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.

VI. CONFIRMATION REQUIREMENTS AND PROCEDURES

To be confirmable, the Plan must meet the requirements listed on 11 USC § 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 holders at least as much as the creditor or the 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. Although these are the most pertinent requirements, 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 accept or reject the Plan. A creditor or equity interest holder has a right to vote for against the Plan only if the creditor or the equity interest holder has a claim or equity interest that is both (a) allowed for voting purposes and (2) impaired.

In this case, the Plan Proponent believes that Class 4 (general unsecured creditors) is impaired and that holders of claims in this Class are therefore entitled to vote to accept or reject the Plan. The Plan Proponent believes that Class 1 (administrative expenses), Class 2 (Secured interest creditors), Class 3 (priority interest creditors and Class 5 (equity interest holders) re unimpaired and that holders of claims in each of these classes, therefore, do not have the right to vote to accept or reject the Plan. Although the claim in Class 5 may be considered impaired, this class will not vote because this class will not receive dividends through the Plan.

1. What Is 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 FRBP.

The deadline for filing a proof of claim in this case is July 17, 2017 for general unsecured creditors and September 5, 2017 for governmental entities.

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 11 USC § 1124 of the Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of the 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 or equity interest 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 interest in unimpaired classes;

- holders of claims entitled to priority pursuant to 11 USC § 507 (a) (2), (a) (3), and (a) (8) of the Code; and
- holders of claims or equity interest in classes that do not receive or retain any value under the Plan;
- Administrative expenses.

Even if you are not entitled to Vote on the Plan, you have a right to object to the Confirmation of the Plan and to the Adequacy of the Disclosure Statement.

4. Who can vote in more than one class?

A creditor whose claim has been allowed in part as 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 an impaired class 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 the class; and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by a cram down of non-accepting classes.

In order for the Plan to be confirmed by the Bankruptcy Court, the Bankruptcy Code requires that the Plan be approved by all classes of creditors and interest holders or that the Court find that the Plan is "fair and equitable" as to any dissenting class.

As provided by 11 U.S.C. § 1124, a class of claims or interests is impaired under a plan unless, with respect to each claim or interest of such a class, if the Plan, (1) leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder of such claim or interest; or (2) notwithstanding any contractual provision or applicable law that entitles

the holder of such claim or interest to demand or receive accelerated payment of such claim or interest after the occurrence of a default.

- i. cures any such default that occurred before or after the commencement of the case under this title, other than a default of a kind specified in section 365(b)(2) of this title;
- ii. reinstates the maturity of such claim or interest as such maturity existed before such default;
- iii. compensates the holder of such claim or interest for any damages incurred as a result of any reasonable reliance by such holder on such contractual provision or such applicable law; and
- iv. Does not otherwise alter the legal, equitable, or contractual rights to which such claim or interest entitles the holder of such claim or interest.

Ordinarily, but not in all circumstances, a plan may not be confirmed unless at least one impaired class, assuming there is at least one impaired class, accepts the plan.

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 holder 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 interest accepts the Plan if the holders of at least two-thirds (2/3) in the 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 11 USC § 1129 (b) of the Code. A plan that binds non-accepting classes is commonly referred

to as a cram-down 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 11 USC § 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.

No representation concerning debtors, or as to the actual or realizable value of its property is authorized by the debtors other than as set forth in this disclosure statement. Any amendments or clarifications to this Disclosure Statement or the plan shall be in writing and filed with the Court. Debtor proposes that the proposed plan effective date and repayment of the plan will be thirty (30) days after confirmation of the plan.

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. Please refer to Part IV of this Disclosure Statement and a Liquidation value Analysis that is attached to this Disclosure Statement and identified as Exhibit A.

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 Fund the Plan and to Make Future Payments and Operate Without Further Reorganization

The Plan Proponent believes that the Debtor will have enough cash on hand on the effective date of the Plan to pay all the claims and expenses that are entitled to be paid on that date.

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. Also see attached Summary of Monthly Operating Reports identified as Exhibit I and Operating Projected Inflows and Outflows identified as Exhibit J.

The most important challenge drafting this Disclosure Statement is to prove to creditors and to this Honorable Court that nonetheless the first three corporate monthly operating reports reflects losses, debtor is making all the possible arrangements and adjustments to properly fund the plan.

During the last months the corporation were addressing problems with the invoicing company that works preparing the invoices to medical insurance providers on behalf of the Debtor. Even though the Debtor is struggling with income reduction, debtor has been in a favorable position to pay post-petition debts including US Trustee Payments. Any post-petition pending debt will be paid on or before the effective date.

Debtor's corporate officers, in the last reunion that took place on August 11th, 2017 drafted, approved and initiated a reorganization strategy that will allow debtor to increase income capacity and reduce corporate expenses without affecting the regular Hospital services including 24 hours emergency room. With these actions, the Debtor's

administration expecting to properly fund the plan and ensure that the current Plan would be confirmable and realizable. Debtor already commenced the following actions:

- i. Closing or subcontracting vaccination clinic: Debtor will initiate efforts during the following months to subcontract vaccination clinic located inside corporate premises. Subletting this office will save debtor approximately \$2,000.00 per month. If debtor cannot achieve this task after the October 15, 2017, the vaccination clinic will be closed after the “influenza season” (December, 2017), then, debtor will close the vaccination clinic.
- ii. Obtain rent income from First Medical, Inc. During the last years, the corporation titled “First Medical, In.” a medical outpatient office operated in corporate premises at no cost. From August 2017 the Debtor commenced receiving rent income for \$1,500.00 per month.
- iii. Eliminate professional services contracts: Debtor’s directives identified at least two professional services contracts that can be immediately eliminated without affecting corporate regular operations. It would save Debtor at least \$2,000.00 per month.
- iv. Eliminate Medical Sub-director incentive: Debtor determined that eliminate this incentive, the corporate would save \$500.00 per month.
- v. 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 Fuertes-Masarovic, Esq. Counsel Alberto Fuertes 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 \$8,000.00 per year from those type of accounts receivables. With this money debtor will pay in full Class 3 claimholder (unsecured priority claimholders) and then, after this class has been paid in full including proposed interest, debtor will use 50% this money to pay to Class 4 (General Unsecured interest creditors) and the other 50% for hospital repairs.

Please refer to Summary of Monthly Operating Reports identified as Exhibit I and Operating Projected Inflows and Outflows identified as Exhibit J.

VII. EFFECTS OF CONFIRMATION OF PLAN

A. Post-Petition Agreements Unaffected by the Plan

Except as otherwise provided herein, nothing contained in the Plan shall alter, amend or supersede any agreement or contracts entered into by Debtor after the Petition Date that were otherwise valid, effective and enforceable against the Debtor as of the Confirmation Date.

B. Proof of Claims Not Filed

The plan provides that 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 has notified such creditors and such creditors have timely filed a proof of claim. To the extent that no debt was listed in Debtor's schedules and the creditor was listed for notice purposes only and such creditor did not file a proof of claim, no payment will be provided.

C. Objections to Claims

The Debtor, at the option of the Debtor or upon order of the Bankruptcy Court, if requested, may file an objection to any claim as to its validity or amount within 30 days prior or after the Confirmation Hearing. If an objection is made, payment of such claimants will be made only after the entry of a final order by the Court allowing such claim and in accordance with the provisions of the Plan governing the class to which such claim belongs.

Since the bar date for this case has not expired, the Debtor hereby reserves the right to object any proof of claim filed before the expiration of said date.

D. Provisions for the Modification of the Plan

The Debtor may propose amendments or modifications of this Plan at any time prior to its confirmation pursuant to 11 USC § 1127, upon notice to creditors and interested parties. However, the Court may require a new disclosure statement and/or a repetition of the voting process on the Plan.

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

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 claim 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.

E. 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 an Application for Final Decree showing that

the case has been fully administered and the Plan has been substantially consummated. The Court shall conduct a hearing upon application thereon and after notice to all creditors and parties in interest. Thereafter, an order approving the Debtor's report and closing of the case shall be entered.

F. Discharge

Except as otherwise expressly provided in the Plan or in Section 11 USC § 1141 (d), the distributions made pursuant to and in accordance with applicable terms and conditions of the Plan of Reorganization are in full and final satisfaction, settlement, release and discharge as against the Debtor of any debt of the Debtor that arose before the Effective Date, and any debt of the Debtor of a kind specified in Sections 11 USC § 502 (g), 502 (h), or 502 (i), and all claims against the Debtor or its Estate of any nature, including, without limitation, any interest accrued thereon from and after the Petition Date, other than the interest proposed in Debtor's Plan, whether or not (1) a proof of claim based on such debt, obligation or equity interest is filed or deemed filed under Section 11 USC § 501, (ii) such Claim is allowed under Section 11 USC § 502, or (3) the holder of such Claim has accepted the Plan.

As of the Effective Date, all persons are hereby permanently enjoined from the commencing or continuing, in any matter or in any place, any action or the proceeding, whether directly, indirectly, derivatively or otherwise against the Debtor and its Estate while payments under the Plan are pending, on account of, or respecting any Claims, debtors, rights, Causes of Action or liabilities discharges pursuant to the Plan, except to the extent expressly permitted under the Plan or under any specific order entered by the Bankruptcy Court.

"Confirmation of this Plan does not discharge any debt provided for in this Plan until the court grants a discharge on completion of all payments under this Plan, or as otherwise provided in 11 USC § 1141(d)(5) of the Code. 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".

Case no. 17-01565 (MCF)
Dorado Community Health, Inc.
Disclosure Statement dated August 26, 2017 (Cont.)
Page 34 of 34

G. Setoffs

Except as otherwise provided in the Plan, nothing contained in this except as otherwise provided in the Plan, nothing contained in this Plan shall constitute a waiver or release by the Estate of any rights of setoff the Estate may have against any person.

H. Transfer of Properties under the Plan

The transfer of any property (real or personal) to be make under the Plan of Reorganization may not be taxed under any law imposing a stamp tax or similar tax, under the provisions of 11 USC § 1146.

I. Retention of Jurisdiction

The Bankruptcy Court shall retain jurisdiction over this case as is conferred upon it by law, rule or statute, or by the Plan, to enable the Debtor to substantially consummate any and all proceedings which it may bring or after the entry of the Order of Confirmation, in order to carry out the provisions of the Plan and or any relate matter.

RESPECTFULLY SUBMITTED,

In San Juan, Puerto Rico, this 26th day of August, 2017

HATILLO LAW OFFICE, PSC
Attorney for Debtor
Po Box 678
Hatillo, PR 00659
TEL. / FAX (787) 262-4848
hatillolawoffice@yahoo.com

ELECTRONICAFILED
/S/ Jaime Rodríguez-Pérez
USDC PR 221011