

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

IN RE:	*	
	*	
MAGUMO CORP.	*	CASE NO. 17-01642 MCF
	*	
DEBTOR	*	CHAPTER 11

DISCLOSURE STATEMENT DATED DECEMBER 2, 2017

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I. INTRODUCTION

This is the disclosure statement (the “Disclosure Statement”) in the small business Chapter 11 case of Magumo Corp. (hereinafter “The Debtor”). This Disclosure Statement contains information about the Debtor and describes the Plan of Reorganization (the “Plan”) filed by Magumo Corp. on December 2, 2017. A full copy of the Plan is attached to this Disclosure Statement as **Exhibit A. *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 distributions under the Plan are specified in the Exhibits included with this Disclosure Statement and discussed at pages 8 to 13 of this Disclosure Statement.

Administrative expenses are classified in **Class 1** and shall be paid in cash and in full as soon as practicable or agreed with the creditor on the later of (a) the Effective Date or (b) the date any such claim becomes an allowed Administrative Claim.

Secured claim is classified in **Class 2**, comprised by Banco Santander de PR (“BSPR”). This bank filed the claim number 2 in the amount of \$1,412,342, this classified as a secured claim. BSPR’s claim is secured with three mortgage notes encumbering Debtor’s commercial property known as Motel La Montaña, which is located at PR #1 Km 47.6, Beatriz Ward in Caguas PR. This property is identified in the Puerto Rico Property registry as Finca #21487 with 4.64 cuerdas equivalent to 18,237.4 square meters with access from PR State Road 1, Km 47.6 at Caguas Municipality and cadastral number 276-000-003-16-901.

The **Class 3** consist of all allowed priority claims pursuant to Section 507(a)(4), namely for employee benefits, specifically **vacations**, up to a maximum of \$11,725 for each individual, earned within 180 days before the date of the filing of the petition. Employee **vacations** accrued or owed within 180 days prior to filing Debtor’s petition were scheduled at the time of filing of the instant bankruptcy petition in the amount of \$725. All allowed amounts that may be owed under this class will be paid in the ordinary course of business of the debtor. In the alternative, members of this class which may no longer be employed by the debtor will receive full payment on account of their allowed claims on the effective date of the plan.

In relation with general unsecured creditors classified in **Class 4** the aggregate dividend to this class would be fixed in the amount of \$5,000 with payments to be distributed pro-rata in a single lump sum payment rata among the outstanding and allowed claims of each creditor. On the consummation date, **Class 4** claimant shall receive from the Debtor a single dividend check providing on the proportional distribution share of each claim over an aggregate dividend amount for this class of \$5,000. Upon this single dividend, no further payment is provided in the Plan of Reorganization to Class 4 claimants.

Equity security and interest holders are classified in **Class 5** and this class will not receive any cash dividend throughout this plan.

Finally, unsecured priority tax claims shall be paid in full, in cash, and will receive monthly payments with interest computed at statutory rates over a period not exceeding five (5) years after the date of the filing of the petition.

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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 to reject the Plan.

A. Purpose of This Document

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 you will 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 claim in liquidation; and the effect of confirmation of the Plan.

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

B. Deadlines for Voting and Objecting; Date of 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 will not be confirmed.

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

1. The hearing at which the Court will determine whether to finally approve this Disclosure Statement and confirm the Plan will be conducted at the United States Bankruptcy Court for the District of Puerto Rico which is located at 300 Recinto Sur Street, Courtroom 3, Third Floor, San Juan PR 00901. The date for the confirmation hearing will be fixed by the Court and notified together with this Disclosure Statement.

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 in the enclosed to the following address: Wigberto Lugo Mender, Esq., at Centro Internacional de Mercadeo 100 Carr. 165 Torre I Suite 501 Guaynabo, PR 00968-8052.

See section IV.A. below for a discussion of voting eligibility requirements.

Your ballot must be received by before the confirmation hearing or at other date as it may be fixed by the Court, or it will not be counted.

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

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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 or at a prior date as it may be fixed by the Court. If the Court fixes a specific date, it shall be notified together with this Disclosure Statement.

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

If you want additional information about the Plan, you should contact Wigberto Lugo-Mender, Esq. at 100 Carr. 165, Suite 501, Guaynabo, PR 00968-8052. Tel. 787.707.0404, fax 787.707.0412 or by electronic email at wlugo@lugomender.com.

C. Disclaimer

The Court has conditionally approved this 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 constitute 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 or a prior date as it may be fixed by the Court.

II. BACKGROUND

A. Description and History of the Debtor's Business

Debtor is a corporation organized pursuant the laws of the Commonwealth of Puerto Rico and chartered as a for profit entity on March 15, 1990. Debtor's principal asset is a parcel of land improved with several structures which conform the business known as Motel La Montaña. This property and business is located at PR #1 Km 47.6, Beatriz Ward in Caguas PR.

As detailed in the Property Registry, the commercial site is of 4.64 cuerdas equivalent to 18,237.4 square meters with access from PR State Road 1, Km 47.6 at Caguas Municipality, with cadastral number 276-000-003-16-901, and identified as Land no. 21487. The property contains different concrete structures arranged to operate a 19 room motel business.

The property is encumbered with three mortgage notes due to Banco Santander de Puerto Rico (hereinafter "BSPR").

The sole stockholder of the Debtor is Ms. María Francisca Rivera-Rivera, Esq., who also works as administrator of the business.

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B. Insiders of the Debtor

The Debtor is a corporation. The president and sole stockholder of this corporation is Ms. María Francisca Rivera-Rivera.

C. Management of the Debtor before and During the Bankruptcy

Magumo Corp. is the Debtor in possession in charge of administration and operation of the commercial business and property before and during this reorganization Chapter 11 case. On the consummation date of the Plan, the operation of the commercial business and all of the estate assets shall become the general responsibility of the reorganized Debtor, which through Magumo Corp., shall thereafter have the responsibility for the management, control and administration thereof. Ms. María Francisca Rivera-Rivera has been the Debtor's official prior and during this bankruptcy proceeding.

D. Events Leading to Chapter 11 Filing

The immediate reason that triggered the filing of this bankruptcy petition was the imminent foreclosure of a judgment against Debtor's commercial property which was obtained through a collection of money and foreclosure proceeding brought by the principal creditor in the above-captioned case, BSPR, on May 19, 2015, at the Puerto Rico First Instance Court, Subsection of Caguas.

Although up to the date of filing Debtor was trying to enter into some agreement for the refinancing of this secured debt, settlement efforts were to no avail. Upon filing of its case Debtor has continued its settlement negotiations which are about to culminate in a new debt restructuring agreement with the main interest of resuming payments to its principal creditor.

Accordingly, Debtor filed its voluntary petition in a good faith effort to comply with all obligations, while implementing its reorganization strategies within a cohesive and structured proceeding which may maximize these efforts and entail a benefit for the Debtor, the Estate, creditors and parties in interest.

E. Significant Events During the Bankruptcy Case

On March 14, 2017, Debtor filed the application to employ attorney Wigberto Lugo-Mender of Lugo Mender Group, LLC as debtor's counselor and this application was approved by the Court on April 17, 2017. (Docket No. 4 & 10)

Upon filing of this bankruptcy petition, Debtor has taken all possible measures necessary to reorganize business affairs. Debtor is in compliance with the U.S. Trustee Office Operating Guidelines as follows:

- a) Monthly Operating Reports, in both cases, have been completed and filed with the Court up to October 2017.
- b) Property and public liability insurance has been maintained.
- c) Quarterly fees required by the U.S. Trustee are up to date.
- d) Post-petition expenses are being paid in the ordinary course of business.

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- e) Post-petition taxes are being paid as these become due.

HURRICANES IRMA & MARIA

On September 6, 2017 the Island of Puerto Rico suffered the impact of the Hurricane Irma. Upon this first event, the Motel had to be closed for 10 days. Furthermore, on September 20, 2017 the Island then suffered the impact of Hurricane Maria. This event caused damages to the structures and common areas of the property. Most importantly, still to this date there is no electricity at the property and the business is operating with an electrical generator, which has increased operating costs with diesel, gasoline, oil, among others. Only during the months of September, October and November 2017, the diesel costs has been over \$6,000. Currently, Debtor is working with its insurance agent in quantifying the costs to repair the facilities, in order to then complete an insurance claim.

Notwithstanding all misfortune caused by these natural events, debtor's management continues to work hard in the reconstruction of the business and towards this reorganization process. Since the date of filing, Debtor has concentrated all efforts in identifying and developing means to funds a Reorganization Plan to provide for payments of obligations to all creditors.

Debtor anticipates that the best feasible alternative for funding the plan of reorganization would be through continue the operations of Motel located in Debtor's commercial property above mentioned. Settlement negotiations with the principal creditor are substantially completed and a stipulation agreement should be filed prior to the hearing on confirmation of the Plan of Reorganization.

F. Projected Recovery of Avoidable Transfers

The Debtor does not intend to pursue preference, fraudulent conveyance, or other avoidance actions.

G. Claims Objections

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. The procedures for resolving disputed claims are set forth in Article V of the Plan.

H. Current and Historical Financial Conditions

The identity and title search of real property is enclose here as **Exhibit B**. The Debtor's most recent tax returns for years ended as of December 31, 2014, 2015 & 2016, issued before bankruptcy, each of which was filed with the Court, are set forth in **Exhibit C**. A summary of the Debtors' monthly operating reports filed since the commencement of the Debtor's bankruptcy case is set forth in **Exhibit D**.

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III. SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

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. 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 Debtors' 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:

<u>Type</u>	<u>Estimated Amount Owed</u>	<u>Proposed Treatment</u>
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 terms of obligation if later

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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 terms of obligation if later
Professional Fees, as approved by the Court.	\$5,000	Paid in full on the effective date of the Plan, 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
Clerk’s Office Fees	\$0.00	Paid in full on the effective date of the Plan
Office of the U.S. Trustee Fees	\$325.00	Paid in full on the effective date of the Plan
TOTAL	\$5,650	

See details in *Exhibit E* “Payment under the Plan of Reorganization”

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 not exceeding 5 years from the order of relief.

Each holder of a priority tax claim will be paid consistent with § 1129(a)(9)(C) of the Code, in monthly cash installments, equal to the allowed amount of its claim, plus 3.25% yearly interest 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 Debtors’ estimated § 507 (a)(8) priority tax claims and their proposed treatment under the plan:

Description (name and type of tax)	Estimated Amount Owed	Date of Assessment	Treatment
CRIM Claim no. 1 (Amount Disputed)	\$4,843.97 per Claim (Disputed) \$375.09	2012-13	Pmt interval [Monthly] payment = each month = \$7.25 or 1 single payment of total amount Begin date = <u>1-Jan-18</u> End date = <u>31-Dec-22</u>

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Description (name and type of tax)	Estimated Amount Owed	Date of Assessment	Treatment
			Interest Rate % = 6.00% Total Payout Amount = \$435.09
Internal Revenue Services Priority Portion Claim no. 3-2	\$56.33	2017	Pmt interval = each month [Monthly] payment = \$1.09 or 1 single payment of total amount Begin date = <u>1-Jan-18</u> End date = <u>31-Dec-22</u> Interest Rate % = 6.00% Total Payout Amount = \$65.34
State Insurance Fund Corp. Claim no 6	\$748.45	2012	Pmt interval = each month [Monthly] payment = \$14.47 Begin date = <u>1-Jan-18</u> End date = <u>31-Dec-22</u> Interest Rate % = 6.00% Total Payout Amount = \$868.18

See details in *Exhibit E* "Payment under the Plan of Reorganization"

C. Classes of Claims and Equity Interests

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

1. Classes of Secured Claims

Allowed Secured Claims are claims secured by property of the Debtors’ bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under § 506 of the Code. If the value of the collateral or setoffs securing the creditor’s claim is less than the amount of the creditor’s allowed claim, the deficiency will be classified as a general unsecured claim.

The following chart lists all classes containing Debtors’ secured prepetition claims and their proposed treatment under the Plan:

<u>Class #</u>	<u>Description</u>	<u>Insider? (Yes or No)</u>	<u>Impairment</u>	<u>Treatment</u>
Class 2	<p><i>Secured claim of:</i> Banco Santander de PR</p> <p>Collateral description = Finca #21487 with 4.64 cds at Beatriz Ward, Caguas Puerto Rico Claim No. 2</p> <p>Allowed Secured Amount =TBD</p> <p>Priority of lien = Mortgage Loan</p> <p>Pre-pet. arrearage = \$0.00</p> <p>Total claim = \$1,412,347</p>	NO	Impaired	Debtor and creditor Banco Santander continue in negotiation and before the confirmation hearing will be file a Stipulation between parties, with the specific terms and treatment of this class.

See details in *Exhibit E* “Payment under the Plan of Reorganization”

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2. Classes of Priority Unsecured Claims

Certain priority claims that are referred to in §§ 507(a) (1), (4), (5), (6), and (7) 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.

The following chart lists all classes containing claims under §§ 507(a) (1), (4), (5), (6), and (a) (7) of the Code and their proposed treatment under the Plan:

Class #	Description	Impairment	Treatment
Class 3	Employee Priority Claims 507 (a) (4)	Unimpaired	Class 3 is unimpaired by this Plan and all allowed vacations amounts owed under this class will be paid in the ordinary course of business of the debtor. In the alternative, members of this class which are no longer employed by the debtor will receive full payment on account of their claim on the effective date of the plan.

See details in *Exhibit E* “Payments under the Plan of Reorganization”

3. Classes of General 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.

The following chart identifies the Plan’s proposed treatment of Class 5, which contain general unsecured claims against the Debtor:

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Class #	Description	Impairment	Treatment
Class 4	General Unsecured Creditors	Impaired	In relation with general unsecured creditors classified in Class 4 the aggregate dividend to this class would be fixed in the amount of \$5,000 with payments to be distributed pro-rata in a single lump sum payment rata among the outstanding and allowed claims of each creditor. On the consummation date, Class 4 claimant shall receive from the Debtor a single dividend check providing on the proportional distribution share of each claim over an aggregate dividend amount for this class of \$5,000. Upon this single dividend, no further payment is provided in the Plan of Reorganization to Class 4 claimants

See details in **Exhibit E** “Payment under the Plan of Reorganization”

5. Class of Equity 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 than one class of equity interests in, for example, a partnership case, or a case where the prepetition debtor had issued multiple classes of stock.

Class #	Description	Impairment	Treatment
Class 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 her interest in the reorganized Debtor, by receiving an interest from the Reorganized Debtor equivalent to the current participation.

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D. 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 in order 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 Ms. María Francisca Rivera-Rivera, the president of the corporation presently. Compensation of this official shall remain unchanged after confirmation.

E. Risk Factors

No risks that might affect the Debtor's ability to make payments and other distributions required under the Plan have been identified at this time.

F. Executory Contracts and Unexpired Leases

The Plan, lists the unexpired leases that the Debtors will assume 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.

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.

The Debtor assumes all executory contracts and unexpired leases that have not been expressly rejected.

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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.

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 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 class 2 and 4 are impaired and that holders of claims in these classes are therefore entitled to vote to accept or reject the Plan. The Plan Proponent believes that classes 1 and 3 are 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 claims in Class 5 may be considered impaired, these will not vote although these classes will not be receive any dividend through 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 for all creditors in this case was July 20, 2017, and September 11, 2017, for governmental entities.

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

As noted above, the holder of an allowed claim or equity interest has the right to vote only if it is in a class that is *impaired* under the Plan. As provided in § 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 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 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 a cram down of non-accepting classes.

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1. Votes Necessary for a Class to Accept the Plan

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

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

2. Treatment of Non-accepting Classes

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the non-accepting classes are treated in the manner prescribed by § 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 § 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 F***.

D. Feasibility

The Court must find that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan.

1. Ability to Initially Fund Plan

The 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. Tables showing the amount of cash on hand on the effective date of the Plan, and the sources of that cash are attached to this disclosure statement.

2. Ability to Make Future Plan Payments and Operate Without Further Reorganization

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The Plan Proponent must also show that it will have enough cash over the life of the Plan to make the required Plan payments.

The Plan Proponent has provided projected financial information. Those projections will be supplied and notified prior the confirmation hearing.

The Plan Proponent's financial projections will show that the Debtor will have an aggregate annual average cash flow, after paying operating expenses and post-confirmation taxes. The final Plan payment is expected to be paid in 2022.

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. No Discharge of Debtor

In accordance with § 1141(d)(3) of the Code, the Debtor will not receive any discharge of debt in this bankruptcy case.

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 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 has not been substantially consummated and (2) the Court authorizes the proposed modifications after notice and a hearing.

C. Final Decree

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the 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.

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