UNITED STATES BANKRUPTCY COURT
DISTRICT OF PUERTO RICO

IN RE	
POLICLINICA FAMILIAR SHALOM INC	Case No 17-2544 MCF
Debtor	Ch 11

DISCLOSURE STATEMENT

Dated: AUGUST 21, 2018

TO ALL PARTIES IN INTEREST:

Comes Now the Debtor in the above referenced Chapter 11 proceeding, POLICLINICA FAMILIAR SHALOM INC, through counsel, and respectfully presents this Disclosure Statement pursuant to 11 USC 1123 and 1125(f), as follows:

I
SUMMARY OF THE PLAN

Debtor's Ch 11 Plan proposes to pay creditors pursuant to a schedule of deferred cash payments, under a 7 year term, beginning on its effective date, with cash to be received from the continuing operation of its business and/or additional cash contributions from its shareholders and/or DIP financing if necessary.

The Plan classifies all Debtor claims in 7 classes, providing for 1 class of priority claims; 3 classes of secured claims; 2 classes of general unsecured claims; and 1 class of equity security holders.

General unsecured creditors holding allowed claims will receive cash distributions which the proponent of this Plan has valued at 10% and 5% of the allowed amount of the claim or scheduled amount, depending on whether or not a claim was timely filed.

All creditors should refer to Articles II, III & IV of the Plan for information regarding the precise treatment of their claim.

II
DISCLOSURE STATEMENT

The purpose of this Disclosure Statement is to provide all parties in interest adequate financial information about the Debtor, as is reasonably practicable in light of its nature & history, and the condition of its books and records, to enable such parties in interest to make an informed judgment in connection with their acceptance or rejection of the Plan.

A. Description and History of the Debtor's Business

POLICLINICA FAMILIAR SHALOM INC is a privately held corporation organized and operating in good standing under the laws of Puerto Rico, engaged in the health care services, incorporated on August 4, 1999. Debtor's business premises are located at Carr 2, Km 101.6, Barrio Terranova, Quebradillas, Puerto Rico.

The Debtor successfully operated its business for years until 2008, when its former principal shareholder was forced out of the business due to legal problems. The Debtor managed to operate and pay its creditors until the first quarter of 2016, when the payment plan is place with Scotiabank became due. In addition thereto, during the year 2016, the IRS levied all Debtor income sources, forcing the temporary shut-down of operations and the eventual filing of this bankruptcy case.

Prior to the filing of the petition in this case, Debtor's former shareholders sold their shares in the corporation to a new investor, Eduardo Rodríguez Vazquez MD and NERO Corp, who have injected cash into Debtor's business in order to stabilize it, renew operations, and maintain its diminished going concern value.

While the business is not yet generating sufficient cash to repay all creditors under the terms proposed in this Ch 11 Plan, it is Debtor's plan to achieve income levels similar to those achieved during the years 2013-15, within 1 to 2 years after confirmation, which will be sufficient to cover operating expenses and provide a profit.

In the meanwhile, operating deficiencies have been and will continue to be covered through additional cash contributions, as necessary, and through DIP financing to payoff Scotiabank's claim.

B. Management of the Debtor

Since the filing of the bankruptcy petition, the only person in control of Debtor financial affairs and business operations has been its President and Shareholder, EDUARDO RODRIGUEZ MD, with the assistance of his support staff, CPA Elizabeth Negrón, and counsel.

EDUARDO RODRIGUEZ MD will also personally manage the affairs of the Debtor during the pendency of this Chapter 11 case, and after the effective date of the order confirming the Plan.

C. Significant Events During the Bankruptcy Case

The Debtor does not contemplate any asset sales outside the ordinary course of business; any cash collateral orders; or any additional significant litigation. The Debtor will be securing DIP financing to payoff Scotiabank's claim in lump sum within 90 days after confirmation.

The Debtor does not intend at this time, nor does it foresee, to pursue preference actions, fraudulent conveyance actions, or other avoidance actions, except for some contested claim disallowance proceedings and an Adversary Proceeding filed against Scotiabank to determine the value of the collateral under 11 USC 506.

Counsel for the Debtor in these bankruptcy and related proceedings is José R Cintrón LLM, Esq, as per Application for Employment of Professional approved by Order of the Court.

D. Financial Condition

Debtor's gross income from operation of its business during the 4 years previous to the filing of the petition is as follows:

2016	$ 227,000
2015	$1,689,791
2014	$1,612,763
2013	$1,019,709

Evidence of these sums is included in Debtor's Income Tax Returns, copy of which are included as **Exhibit A.** The numbers for 2016 are substantially less than prior years due to the temporary (6 month) shut-down of operations, and the IRS levy on income as detailed above.

Debtor's most recent financial statements issued as of December 31, 2017, prepared by CPA Elizabeth Negrón, are included as **Exhibit B.**

All post-petition monthly operating reports (MORS) filed in Debtor's bankruptcy case are available for inspection at the Office of the Clerk of the Court. A summary of the six (6) most recent MORS is as follows:

June 2018		**Mar 2018**	
Sales	$47,831	Sales	$ 4,041
Add Paid-In Cont	$ 6,300	Add Paid-In Cont	$63.180
G&A Expenses	($46,665)	G&A Expenses	($74,411)
Net	$ 7,466	Net	($ 7,190)
May 2018		**Feb 2018**	
Sales	$ 4,349	Sales	$36,920
Add Paid-In Cont	$50,671	Add Paid-In Cont	$33,000
G&A Expenses	($59,640)	G&A Expenses	($49,818)
Net	($ 4,620)	Net	$20,102
Apr **2018**		**Jan 2018**	
Sales	$14,502	Sales	$24,831
Add Paid-In Cont	$56,581	Add Paid-In Cont	$ 8,100
G&A Expenses	($58,249)	G&A Expenses	($48,331)
Net	$12,834	Net	($15,401)

Based on these results of operations, Debtor’s post petition operating expenses are estimated at $56,200 per month. The Debtor understands that within 1 year, it can stabilize its operations (invoicing & collections) and begin turning monthly profits sufficient to finance the provisions of its proposed Ch 11 Plan.

As of the date of this Disclosure Statement, Debtor’s account receivables from the operation of its business is approximately $10,000 estimated to be 95% collectible. This sum represents amounts billed to the various medical plans as of July 31, 2018. The AR Report is included herein as **Exhibit C.**

E. Liquidation Analysis

To confirm the Plan, the Court must find that unsecured creditors who do not accept the Plan will receive at least as much under the Plan as they would receive in a Chapter 7 liquidation. In compliance therewith the Debtor submits as follows:

	Scheduled Amount	Net Realizable Value (current)
Real Estate	$500,000	$ 00
Cash & Bank Accts	$ 00	$ 00
Computer Systems	$ 3,000	$ 3,000
Office F&F	$ 5,000	$ 5,000
Medical M&E	$ 25,000	$ 25,000
Trade AR	$ 00	$ 10,000
Totals	**$533,000**	**$ 43,000**

Real Estate

The value of Debtor’s Real Estate has been appraised by Efraín Tirado Mártir, pursuant to report issued on May 2017, in the sum of $575,000. Copy of the Appraisal Report and the CRIM debt balances are included as **Exhibit D.** This value is excluded from the liquidation analysis since Scotiabank’s lien over the realty exceeds $2,000,000, not including real property taxes due which exceed $56,000.

Vehicles

Debtor’s vehicle reported in Sch A/B, a 2012 Ford Transit, has been surrendered to lien creditor Popular Auto and is therefore not considered as part of this liquidation analysis.

LIQUIDATION ANALYSIS

Based on the above reported values, the Debtor submits that no cash would be available for unsecured creditors in a Ch 7 scenario, detailed as follows:

ESTIMATED REALIZABLE VALUE	$ 43,000
CH 7 ADMIN EXPENSES & FEES	($ 10,000)
IRS LIEN	($ 18,000)
PRIORITIES	($ 21,000)
AVAILABLE TO UNSECURED CREDITORS	**$ 00**

Given the value of the assets and the amounts of liens and encumbrances thereon, as well as other administrative costs and the payment of priorities, the liquidation of Debtor's assets will provide a dividend to unsecured creditors in the sum of $00.

F. 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. Therefore, the Debtor must show that it will have enough cash over the life of the Plan to make the required Plan payments.

The Debtor believes that it will have enough cash on hand on the effective date of the Plan to pay all the claims and expenses that are entitled to be paid on that date. Thereafter, he will generate enough cash to cover all current obligations and the sums needed to finance this Plan.

The Debtor's projected income to finance this Plan will come from the continuing operation of its business, as disclosed in Part D above, or from the additional cash contributions by Debtor's shareholders. A Schedule of Debtor's projected Plan Payments is included as **Exhibit E.**

These financial projections show that the Debtor will have enough cash flow, after paying operating expenses and post-confirmation taxes, to finance the Plan. The final Plan payment is expected to be paid on the 84^{th} month following the effective date of the Plan.

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

G. Tax Consequences of the Plan

The Debtor submits that the filing, confirmation and consummation of this Plan will have the following tax consequences:

The Reorganized Debtor will continue to report and pay current income taxes and municipal taxes on the income to be derived from the operation of its business, as it becomes due, under applicable Tax Law, and pursuant to its Tax Exemption Grant.

The Reorganized Debtor will continue to withhold and pay all state and federal payroll taxes as they become due, under applicable Tax Law.

The Reorganized Debtor will continue to file all applicable tax returns and pay all state, federal and municipal taxes as they become due, under applicable Tax Law.

The discharge of claims under the Plan will have no tax consequences on the Debtor since "discharge of indebtedness income" is exempt from taxation under Article 1022(a)(13)(B) of the Income Tax Regulations, when effected pursuant to a bankruptcy proceeding.

Creditors concerned with how the Plan may affect their own tax liability should consult with their own Accountants, Attorneys and/or Advisors.

UNSWORN STATEMENT

I, EDUARDO RODRIGUEZ MD, President of the Debtor, do hereby state under the pains and penalties of perjury that the information included in the foregoing Disclosure Statement, is true and accurate to the best of my knowledge and belief, and that the same has proposed in good faith and in compliance with all applicable provisions of the Bankruptcy Code.

Dated: Aug 21, 2018

S/Eduardo Rodríguez MD
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