

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF PUERTO RICO**

IN RE:

CINEVIA CORPORATION

DEBTOR

CASE NO. 18-00135 MCF

CHAPTER 11

**DISCLOSURE STATEMENT FOR
CINEVIA CORPORATION
DATED: May 29, 2018**

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I. INTRODUCTION

Pursuant to Section 1125 of the United States Bankruptcy Code, 11 U.S.C. § 101, *et seq.* (the "Bankruptcy Code"), Cinevia Corporation, Debtor-in-possession ("Debtor") in the above captioned case, provides this disclosure statement (the "Disclosure Statement") to all its known creditors. The purpose of the Disclosure Statement is to provide such information as Debtor believes may be deemed necessary for its creditors to make an informed decision in exercising their rights to vote on Debtor's Plan of Reorganization (the "Plan") dated as of the date of the Disclosure Statement. The Plan is being filed with the Bankruptcy Court simultaneously herewith and a copy has been attached to this Disclosure Statement identified as **Exhibit A**.

Debtor recommends that you vote to accept the Plan. Each creditor must, however, review the Plan and the Disclosure Statement carefully and determine whether or not to accept or reject the Plan based upon that creditor's independent judgment and evaluation. The description of the Plan in the Disclosure Statement is in summary form and is qualified by reference to the actual terms and conditions of the Plan, which should be reviewed carefully before making a decision to accept or reject the Plan. Capitalized terms not otherwise defined herein have the same meaning as set forth in the Plan. Other terms shall have the meaning ascribed to them in the Bankruptcy Code.

The information contained in the Disclosure Statement has been provided by the principals and officials of the Debtor based upon their knowledge, business records and opinions of value. Except as otherwise expressly indicated, the

information provided in the Disclosure Statement, has not been subject to audit or independent review.

Although great efforts have been made to be accurate, Debtor, its counsel and other professional advisors do not warrant the accuracy of the information contained herein.

The Disclosure Statement has not yet been approved by the Bankruptcy Court as providing information deemed adequate to permit Debtor's creditors to make an informed judgment in exercising their right to vote for or against the Plan.

No representations concerning Debtor, including the value of its assets, or the aggregate dollar amount of claims which may be allowed are authorized other than as set forth in the Disclosure Statement. Any representations, warranties or agreements made to secure acceptance or rejection of the Plan by Debtor's creditors that differ from those contained in the Disclosure Statement should not be relied upon in voting on the Plan.

Debtor believes that the Plan provides the quickest recovery and will maximize the return to creditors on their Claims. **ACCORDINGLY, DEBTOR URGES ALL CREDITORS TO VOTE IN FAVOR OF THEIR PLAN.**

II. SUMMARY OF THE PLAN

The Plan specifies the way the Claims and Interests are to be treated. Allowed Administrative Expense Claims are not classified for purposes of voting under the Plan, but the Plan does provide for the treatment of such Claims. The

Debtor holds no Allowed Priority Tax Claims. The table below provides a summary of the treatment of the various Classes of Claims against Debtor. To the extent that the terms of the Disclosure Statement vary from those of the Plan, the terms of the Plan will control.

Description of Claim	Class Number(s)	Estimated Amount of Allowed Claims	Treatment and Estimated Recovery Under Plan
Holders of Allowed Administrative Expense Claims		\$25,000	Unimpaired. Estimated Recovery:100% Except as otherwise agreed to by Debtor and the Holder of an Allowed Administrative Expense Claim, each such Holder shall be paid in full. Debtor's attorney's fees shall be paid by third party principal and sole stockholder of Cinevia Corporation. Trustee's fees which are estimated at \$325.00 per quarter will be paid in the regular course of Debtor's business or as authorized by the Court, on or before the Effective Date.
Secured Claim POC 1 by Scotiabank de Puerto Rico	Class 1	\$525,000	Impaired. Estimated Recovery: 100% Secured claim by the Scotiabank de Puerto Rico has been valued at \$525,000 as per appraisal by lienholder. Said amount shall be paid in two payments of \$262,500 the first to be made on the effective date of the plan and the second 12 months thereafter.
Holders of Allowed General Unsecured Claims	Class 2	\$612,529.91	Impaired. Estimated Recovery: 0.73% Will receive payment 0.73% of their Allowed Claims within the 30 days after the Effective Date of the Plan, without interest.

For a more detailed description of the treatment of the foregoing Classes of Claims and Interests see Section VI of this Disclosure Statement.

III. INFORMATION ABOUT THE REORGANIZATION PROCESS

3.1 Purpose of a Disclosure Statement

This Disclosure Statement includes background information about Debtor and the significant events during the bankruptcy case. Why the Debtor, Cinevia Corporation, believes the Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in a Chapter 7 liquidation.

The Disclosure Statement identifies the classes into which creditors have been placed by the Plan and the proposed treatment of each of those classes if the Plan is confirmed. It also includes who can vote on or object to the Plan. Upon its approval by the Bankruptcy Court, the Disclosure Statement and the Exhibits thereto will have been found to contain, in accordance with the provisions of the Bankruptcy Code, adequate information of a kind and in sufficient detail to enable an informed judgment about the Plan. What factors the Bankruptcy Court (the "Court") will consider when deciding whether to confirm the Plan and 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.

3.2 Voting Procedures and Objections

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.

A) Pursuant to Section 1128 of the Bankruptcy Code, the Time and Place of the Hearing to finally approve this Disclosure Statement and Confirm the Plan will be fixed by the Court and shall be notified to all creditors and parties in interest. Creditors and parties in interest will be allowed a term to file any objections to the approval of this Disclosure Statement and to the confirmation of the Plan. It is of paramount importance to take notice of deadlines fixed by the Court to be included in the order granting a preliminary approval of the Disclosure Statement that will be notified to all creditors and parties in interest.

B) All creditors entitled to vote on the Plan may cast their votes for or against the Plan by completing, dating, signing and causing the Ballot Form accompanying this Disclosure Statement as **Exhibit B** to be returned in the enclosed envelope to the following address:

Cinevia Corporation
c/o Landrau Rivera & Assoc.
PO Box 270219
San Juan, PR 00928

The Ballots must be received by the date fixed by the Court; otherwise it will not be counted. Debtor recommends a vote for "ACCEPTANCE" of the Plan. The Court will fix a deadline for objecting to the adequacy of the Disclosure Statement and to the 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 Debtor's attorney, at the mailing address previously disclosed, by the date fixed by the Court.

The identity of the person to contact for more information is the Debtor's

attorney whose name, telephone number and contact information is hereby disclosed and whose mailing address has been previously provided as follows:

Noemí Landrau Rivera, Esq.
Landrau Rivera & Assoc.
PO Box 270219
San Juan, PR 00928
Tel. (787) 774-0224
Email: nlandrau@landraulaw.com

3.3 Ballots

Pursuant to the provisions of the Bankruptcy Code, only classes of claims or equity interests which are "impaired" under the terms and provisions of a plan are entitled to vote to accept or reject such plan.

Members of Class 1 and 2 are impaired under the Plan and entitled to vote. Members of impaired Classes will be asked to vote for acceptance or rejection of the Plan. A party who holds claims in more than one impaired Class should complete a Ballot (see **Exhibit B**) for each Class with respect to the applicable portion of the claim included in each Class.

3.4 Confirmation Requirements and Procedures

The Confirmation Hearing will be held before the Honorable Mildred Caban Flores, United States Bankruptcy Judge, at the U.S. Bankruptcy Court, José V. Toledo Building & US Courthouse 300 Recinto Sur St., San Juan, PR 00901.

To be confirmable, the Plan must meet the requirements listed in §1129(a) or (b) of the US Bankruptcy Code. These include the requirements that: the Plan must be proposed in good faith and is feasible; 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. The Bankruptcy Court will also receive and consider a Report of Plan Voting prepared by Debtor, summarizing the votes for acceptance or rejection of the Plan by parties entitled to vote.

At the Confirmation Hearing, with respect to the Plan, the Bankruptcy Court will (i) determine whether the requisite votes have been obtained for each Class, (ii) hear and determine objections, if any, to the Plan and to the confirmation of the Plan, that have not been previously disposed of, (iii) determine whether the Plan meets the confirmation requirements of the Bankruptcy Code, and (iv) whether to confirm the Plan.

Any objection to confirmation of the Plan must be in writing, filed and served as required by the Bankruptcy Court.

A) Who May Vote or Object

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

In this case, the Plan Proponent believes that classes that are impaired are

therefore entitled to vote to accept or reject the Plan.

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

- Holders of claims and equity interest 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.

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

B) 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 to file proofs of claim elapsed on May 24, 2018 and deadline for governmental proofs of claim elapsed on July 16, 2018. All governmental and non-governmental proofs of claims have been filed.

3.5 Acceptances Necessary to Confirm the Plan

The vote of each holder of an impaired claim is important, since at the Confirmation Hearing and as condition to the confirmation of the Plan on a consensual basis, the Bankruptcy Court must determine, among other things, whether each impaired Class has accepted the Plan. Under Section 1126 of the Bankruptcy Code, an impaired Class is deemed to have accepted the Plan if at least 2/3 in amount and more than 1/2 in number of the Allowed Claims of the Class members who actually cast ballots to accept or reject the Plan, accept the Plan. Further, unless there is acceptance of the Plan by all members of an impaired Class, the Bankruptcy Court must also determine that under the Plan,

Class members will receive property of a value, as of the Effective Date, that is not less than the amount that such Class members would receive or retain if Debtor were liquidated under Chapter 7 of the Bankruptcy Code on the Effective Date of the Plan.

3.6 Confirmation of the Plan without the Necessary Acceptances

If a Class or Classes of impaired Claims do not accept the Plan, Debtor will request confirmation of the Plan under the “cram down” provisions of Section 1129 (b) of the Bankruptcy Code, which permits confirmation, notwithstanding non-acceptance by one or more impaired classes if the Bankruptcy Court finds that the Plan does not discriminate unfairly against and is fair and equitable as to each non-accepting Class, as long as at least one class of impaired creditors votes to accept the Plan. Section 1129 (b) of the Bankruptcy Code requires among other things, that claimants must either receive the full value of their claims and if they receive less, that no Class with junior liquidation priority may receive anything.

THESE CALCULATIONS ARE BASED ONLY ON THE CLAIMS AMOUNTS AND NUMBER OF CREDITORS WHO ACTUALLY VOTE. ANY BALLOT THAT IS VALIDLY EXECUTED THAT DOES NOT CLEARLY INDICATE REJECTION OF THE PLAN SHALL BE DEEMED TO CONSTITUTE A VOTE FOR ACCEPTANCE OF THE PLAN. THE VOTE OF EACH CREDITOR IS IMPORTANT.

IV. DESCRIPTION OF THE DEBTOR, EVENTS PRECEDING THE FILING OF DEBTOR’S CHAPTER 11 PETITION & POSTPETITION EFFORTS AT REORGANIZATION

Debtor, Cinevia Corporation, is a corporation authorized to do business within the Commonwealth of Puerto Rico, incorporated in 2010. Prior from 2010 to

2013 the core business of the Debtor was the production of commercial movies. On 2013 Debtor acquired a mixed use (commercial and residential) building at 103 Calle Cristo, Old San Juan, Puerto Rico. Since then Debtor's only line of business is the leasing of the units and the management of the real estate. Debtor holds no other assets. The Debtor's sole stockholder and president is Miguel A. Pagán Rivera, who is also an attorney and has more than 30 years' experience as a business person.

The real property located at 103 Calle Cristo, Old San Juan, Puerto Rico is encumbered by a first mortgage lien in favor of Scotiabank de Puerto Rico ("Scotiabank"), who is holder in due course of a Mortgage Note for the principal sum of \$1,400,000.00 plus interest at 12% annually, secured by a first rank mortgage as appears from Deed Number 16 executed on July 22, 2004 before public notary Bianca Alexandra Landron Baralt. Rents generated from the lease of the commercial and residential units are also encumbered in favor of Scotiabank de Puerto Rico. Scotiabank de Puerto Rico filed secured claim number 1 for \$1,085,564.34 of Bankruptcy Court's claims docket. The extent of Scotiabank's secured claim over the collateral is contested by the Debtor. Adequate protection in favor of Scotiabank has been agreed by the parties pursuant to "Amended Stipulation for Use of Cash Collateral, Adequate Protection and Request for its Approval" filed on March 28, 2018 at docket no. 28 and approved by this Court on April 26, 2018 at docket no. 40. Debtor has been complying with the \$5,500.00 monthly payment of adequate protection as agreed.

The mortgage loan in favor of Scotiabank Puerto Rico was originally incurred by Allied Development Corporation, who paid up to the year 2011, the amount of \$924,192.00 in favor of Scotiabank. A first petition for relief was filed by Allied Development Corporation on March 2, 2011, due to the expiration of the loan and the maturity of a lump sum amount due in full payment of the loan. Parties incurred in good faith negotiations and entered into an agreement which provided for 23 monthly payments of \$4,102.23 and a balloon payment of \$890,183.22 due on month 24. From October 14, 2011 to September 13, 2013 the Debtor made 29 payments to Scotiabank totaling \$158,922.19. Detail of payments has been included herein as **Exhibit C**.

Upon Debtor's acquisition of the real property, Cinevia Corporation has been the entity responsible for the payment of the mortgage loan. Upon the expiration of the monthly payments, the Debtor sought to enter good faith extrajudicial negotiations with Scotiabank. The failure of such negotiations led to Scotiabank's filing for foreclosure in the Superior State Court under case number KCD 2014-0423. To avoid foreclosure, Cinevia filed its first petition for relief under case number 15-03407. Despite Debtor's best intentions to enter into another settlement agreement, the same was not reached, fees were disgorged from prior attorney, and the case was dismissed after the entry of order lifting stay in favor of Scotiabank. On December 27, 2016 Scotiabank sought the reopening of the foreclosure proceedings in state court and on January 9, 2017 obtained an order for enforcement of its lien against the rents paid by tenants.

Upon information and belief, tenants failed to pay Scotiabank any rent except for a \$500.00 payment from tenant Dialma López. Creditor refused to enter into any agreement with Debtor in state court, which led to the filing of the instant petition for relief. No judgment for foreclosure has been entered in favor of Scotiabank by the Superior State Court.

Seeking to reorganize the corporation, reinstate lease agreements and enter into good faith negotiations with Scotiabank, on January 12, 2018 the Debtor filed the instant petition for relief. On January 15, 2018 Debtor filed an Application for Employment of Counsel for Debtor, Landrau Rivera & Assoc. and counsel Noemí Landrau Rivera, Esq. at docket no. 4. Application for employment of counsel was approved on February 15, 2018 at docket no. 13.

The following postpetition actions have been taken by Debtor, thru its counsel for record, to provide adequate protection and seek good faith negotiations before the filing of any litigation:

1. Adequate protection in favor of Scotiabank was been agreed by the parties pursuant to "Amended Stipulation for Use of Cash Collateral, Adequate Protection and Request for its Approval" filed on March 28, 2018 at docket no. 28 and approved by this Court on April 26, 2018 at docket no. 40. The Debtor has been complying with monthly adequate protection payments of \$5,500.00 (note that payment is higher than amount agreed in 2011 stipulation). See **Exhibit D**.
2. Parties agreed that rent would be collected by the Debtor. On March 9,

2018 letters were sent to all tenants seeking payment of owed rent and directing all tenants to pay rent to Debtor as agreed in stipulation approved by this Court. See **Exhibit E**.

3. Parties agreed to cooperate and allow Scotiabank to complete an inspection of the real property to responsibly assess the value of the real collateral. Letters were personally delivered to tenants on March 26, 2018 informing of the inspection to be done by Scotiabank's appraiser. See **Exhibit F**. Such an inspection was completed by appraiser, Mr. José Pacheco on April 7, 2018. Despite completing the inspection, Scotiabank states that the appraiser is not able to produce an appraisal. Mr. Martin Castro representative of Debtor was present with Mr. Pacheco to grant access to the property on the stipulated date of April 7, 2018. Declaration under penalty of perjury by Mr. Martin Castro, dated May 22, 2018 clearly states everything that occurred that day, including the fact that appraiser had access to the building and completed the inspection of the real property which commenced on 11:00 am and ended at approximately 3:00 pm. See **Exhibit G**. Moreover, counsel for Debtor gave her personal mobile phone number to appraiser Jose Pacheco and stated that should he have any impediment to complete the inspection, he was to call counsel immediately so that he could complete the same. Mr. Pacheco never called undersigned counsel, who later learned from counsel for Scotiabank that an appraisal would not be made as decided by the bank.

4. On May 14, 2018 an offer for settlement was directed to Scotiabank thru its counsel for record. It proposed to pay the value of the collateral at \$525,000.00 as per Scotiabank's appraisal of 2016. The same was received by counsel for Scotiabank and no answer has been received to date. See **Exhibit H**.

To date the Debtor has taken the necessary steps to obtain funding to pay Scotiabank. It has made extrajudicial and judicial efforts to obtain payment of rent, including the filing of two eviction proceedings against tenants that obstinately refuse to comply with payments or vacate premises. See adversary proceedings 18-00061 and 18-00062 filed by the Debtor on May 25, 2018. Moreover, the principal stockholder of the Debtor, Mr. Miguel Pagán, will be providing a capital investment of \$525,000.00 to Debtor for the payment of Scotiabank's secured claim. Mr. Pagán is further aiding the Debtor with the payment of Debtor's attorney's fees to ensure that the financial reorganization of the Debtor is successful.

Debtor and its stockholder remain committed to the payment of secured claim in favor of Scotiabank as recognized at page 6 of the Stipulation for Adequate Protection approved by this Court which reads as follows:

"Scotiabank and Cinevia are negotiating for full payment of Scotiabank's secured claim over the real property at #103 de Cristo Street, Old San Juan. Pending these negotiations Cinevia will begin adequate protection payments equivalent to the total amounts of the rents produce by the property that secures the loan (103 del Cristo Street, Old San Juan) less the amount needed for the maintenance and preservation stipulated in the sum of \$900.00 monthly. It is also stipulated that the amount of adequate protection to be paid will never be less than \$5,500.00 monthly, amount that will be applied to the loan".

To date Cinevia has fully complied with all payments of adequate protection and it intends to comply with such payments.

Debtor has not made any sale outside the ordinary course of business. The debtor has not applied for any post-petition financing nor does it have any encumbrances that will affect payments to creditors or property of the estate, other than the lien with Scotiabank.

Litigation is pending with adversary proceeding to determine the extent of Scotiabank's security interest over the real property and adversary proceedings filed for the collection of rents and eviction of two tenants, Gianni Tomassini and Dialma López. There are no projected recoveries of avoidable transfers, fraudulent conveyance, or other avoidance related actions.

At the time of the filing of the petition for relief Debtor's main source of income is derived from the rents received from tenants. Capital investment of \$525,000.00 will be made by principal of the corporation to assist the Debtor and ensure its reorganization.

The monthly operating reports filed in the case show that the Debtor has commenced receiving payments of rents. Debtor further expects its cash flow to improve to comply with adequate protection payment until full payment of Scotiabank's secured claim.

The Debtor has submitted all the required schedules. The information provided in the schedules, as amended, and the statement of financial affairs

shows Debtor's financial position as of the date of the filing of the petition. The monthly operating reports available in the Bankruptcy Court's docket show Debtor's finances and results of operations for the period reported therein.

V. CLAIMS AGAINST DEBTOR AND ITS ASSETS

5.1 Claims Against Debtor

Timely filed Claims against Debtor that are Allowed Claims, as defined in the Plan, will be entitled to Distribution pursuant thereto.

The Plan provides that only the holders of Allowed Claims, that is; holders of Claims not in dispute, not contingent, not unliquidated in amount and not subject to objection or estimation, are entitled to receive distribution thereunder. Until a claim becomes an Allowed Claim, distribution will not be made to the holder of such claim.

5.2 Objections to Claims

The amounts set forth as due to Holders of unclassified and classified claims are estimates only, based upon Debtor's Schedules and/or its belief as to amounts due to Holders of the various Claims. Debtor is including as **Exhibit I** hereto a Summary of Claims and Plan Payments as of May 29, 2018.

Any Claims which (a) are not listed as Allowed Claims on Debtor's Schedules; (b) are not evidenced by a valid, a timely filed Proof of Claim; or (c) are not listed in the Plan or exhibits to the Plan as an Allowed Claim, shall not receive any distribution of cash or property under the Plan until they become Allowed Claims, and shall be disallowed and discharged if the Claims are not

Allowed by Order of the Bankruptcy Court.

All objections to Claims must be filed and served on the Holders of such Claims by the Claims Objection Bar Date. If an objection has not been filed to a proof of Claim or a scheduled Claim by the Claims Objection Bar Date, the Claim to which the proof of Claim or scheduled Claim relates will be treated as an Allowed Claim.

The Debtor, at his option or upon Order of the Court, if requested, may file an objection to any claim as to its validity or amount within thirty (30) days before the confirmation date. If an objection is made, payment to such claimant 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 such class to which such claim belongs. Up to this date the Debtor does not predict that it will file any other objection to a claim other than the ones that have been previously made to this date.

Notice is hereby given that, except to the extent that the claim is already allowed pursuant to a final not 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.

VI. DESCRIPTION OF THE PLAN AND TREATMENT OF CLAIMS

The following is a summary of the significant provisions of the Plan and is qualified in its entirety by said provisions. The Plan is being filed with the Bankruptcy Court simultaneously herewith. In the event and to the extent that the

description of the Plan contained in the Disclosure Statement is inconsistent with any provisions of the Plan, the provisions of the Plan shall control and take precedence. All creditors are urged to carefully read the Plan. If the plan is confirmed, your recovery will be limited to the amount provided by the Plan.

6.1 Unclassified Claims

In accordance with Section 1123 (a) (1) of the Bankruptcy Code, Administrative Expense Claims are not classified in the Plan. Debtor holds no priority claims. A description of the unclassified claims and the claims in each class, as well as the estimated principal amounts of each as of the Effective Date and their treatment, are set forth in the Plan and summarized in **Exhibit I**. Administrative Expense Claims are generally the ordinary and necessary costs of administering and operating during a Chapter 11 case.

The Plan classifies the various claims against Debtor. A description of all classes of Claims and the Equity Interests, the estimated principal amount of each Class as of the Effective Date and its treatment are set forth below.

6.2 Administrative Expense Claims - Unclassified

Except as otherwise agreed to by Debtor and the Holder of an Allowed Administrative Expense Claim, each such Holder shall be paid in full in the regular course of business or as authorized by the Court, on or before the Effective Date. Total attorney's fees of counsel for Debtor in the instant case are estimated at \$25,000.00 and Trustee's quarterly fees have been estimated at \$325.00 per quarter. Funds for payment of attorney's fees of counsel for Debtor shall be made

by third party, Miguel Pagán, and will not come from funds of the bankruptcy estate.

A) Professional Fee Claims

The professionals retained in Debtor's Chapter 11 cases have and will incur in fees and expenses from the date of their retention through the Effective Date of the Plan. It is impossible to predict the exact amount of the professional administrative expense fees that will be incurred through the Effective Date of the Plan. As of the filing of this Disclosure Statement, appointed counsel for Debtor has received \$10,000 in retainer fees, paid by the principal of the corporation, Miguel A. Pagán. At present, Debtor estimates that additional Allowed Professionals Fee Claims will amount to around to \$20,000.00 to \$25,000.00 for unpaid services rendered and expenses incurred up to the Confirmation of the Plan to Debtor's Court appointed professionals. All amounts paid to professionals through the Confirmation Date, including interim fees and expenses already paid are subject to final Bankruptcy Court approval. Debtor reserves the right to contest the allowance of any professional fees.

6.3 Class 1: Scotiabank de Puerto Rico ("Scotiabank") – Secured claim:

This class is Impaired – CLASS 1

Secured creditor, Scotiabank de Puerto Rico ("Scotiabank") filed secured claims number 1 in the amount of \$1,085,564.34. Claim by Scotiabank are secured by real property listed in Schedule A/B as "Commercial and Residential Building on 480.00 sq. meters at Cristo St. No. 103, Old San Juan, PR 00901".

Treatment: Adequate protection in favor of Scotiabank has been agreed by the parties pursuant to "Amended Stipulation for Use of Cash Collateral, Adequate Protection and Request for its Approval" filed on March 28, 2018 at docket no. 28 and approved by this Court on April 26, 2018 at docket no. 40.

Value of real property encumbered in favor of Scotiabank was has been object of several appraisals made by competent appraisers who have inspected real property. Appraisals are as follows:

- a) Appraisal dated January 15, 2018 by Raul Rodríguez Lugo. Value of Real Property "as is" market value conclusion is \$200,000.00. See **Exhibit A**.
- b) Appraisal dated March 31, 2016 by Juan José Jiménez. Appraisal made at the request of Scotiabank Puerto Rico and presented before this Court at docket no. 117 of case number 15-03407 MCF. Liquidation value of Real Property "as is" market value conclusion is \$525,000.00. See **Exhibit B**.

Considering the value of Scotiabank's collateral, the value of the secured claim has been accepted by Debtor to be \$525,000.00. Thus, secured claim number 1 by Scotiabank is to be considered a secured claim up to the amount of \$525,000.00 which amount shall be paid by the Debtor as per offer letter directed to Scotiabank thru its counsel of record on May 11, 2018. See **Exhibit C**. Payment of \$525,000.00 to be made in two payments as follows: a) \$262,500.00 to be paid to Scotiabank on the effective date of the plan; and b) \$262,500.00 to be paid to Scotiabank 12 months after the effective date of the plan. Payment of \$525,000.00 to Scotiabank shall constitute full payment of Scotiabank's secured claim over the real property and Scotiabank shall deliver to Debtor all promissory notes and security instruments in its possession upon full payment of the \$525,000.00 pursuant to the terms set forth herein. Funds for payment of lump sum in

the amount of \$525,000.00 will come from capital investment to be made by stockholder and president of the corporation, Miguel A. Pagán.

6.4 Priority Tax Claims - Unclassified

There are no Priority Tax Claims pursuant to Section 507 (a) (8) of the Bankruptcy Code.

6.5 Class 2: General Unsecured Claims - This class is Impaired

This class consists of general unsecured creditors. General Unsecured Creditors includes those listed by the Debtor and those who file proof of claims up to bar date on May 24, 2018 for non-governmental claims and general unsecured claims by governmental. Unsecured creditors are as follows:

<u>CREDITOR:</u>	<u>CLAIM NO.</u>	<u>AMOUNT OWED</u>
Scotiabank Puerto Rico	1-1	560,564.34
PR Department of Treasury	2-1	51,965.57

Treatment: Within thirty (30) days after the Effective Date of the Plan Class 2 claimants shall receive a total repayment of 0.73% of their claimed or listed debt which equals a total of \$4,500.00 with no interest to be paid prorata to all allowed claimants under this class. See prorata distribution to each creditor in **Exhibit I**.

6.6 Means for Execution of the Plan and Future Management of Debtor

Except as otherwise provided in the Plan, Administrative Expense Claims will be paid on the Effective Date of the Plan. Holders of General Unsecured

Claims and Allowed Priority Tax Claims will commence receiving payment on the Effective Date of the Plan.

The source of payments under the proposed Plan shall come from the rents received by the Debtor except for the \$525,000.00 payment to Scotiabank which will be paid as follows: Payment of \$525,000.00 to be made in two payments as follows: a) \$262,500.00 to be paid to Scotiabank on the effective date of the plan; and b) \$262,500.00 to be paid to Scotiabank 12 months after the effective date of the plan. Payment of \$525,000.00 to Scotiabank shall constitute full payment of Scotiabank's secured claim over the real property and Scotiabank shall deliver to Debtor all promissory notes and security instruments in its possession upon full payment of the \$525,000.00 pursuant to the terms set forth herein. Funds for payment of lump sum in the amount of \$525,000.00 will come from capital investment to be made by stockholder and president of the corporation, Miguel Pagán.

On the effective date of the Plan, the distribution, administration, management of Debtor's affairs, collection of money, sale of property and distribution to creditors, unless otherwise provided herein, will be under the control of the Debtor, Cinevia Corporation, and its official, Miguel A. Pagán. The funding of the Plan is contingent to the continued Debtor's operation of his business.

6.7 Executory Contracts and Unexpired Leases

As of the date of the filing for relief the Debtor holds lease agreements for the rent of the real property which continued to be paid to the Debtor as agreed. Executory contracts and leases which (i) have not expired by their own terms on

or prior to the Confirmation Date, (ii) have not been assumed or rejected with the approval of the Bankruptcy Court on or prior to the Confirmation Date, (iii) are not the subject of a motion to reject which is pending on the Confirmation Date, shall be deemed assumed on the Effective Date, and the entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such assumption pursuant to Sections 365 (a) and 1123 (b) (2) of the Bankruptcy Code.

VII. LIQUIDATION AND FINANCIAL ANALYSIS

7.1 Best Interest of Creditors and Comparison with Chapter 7 Liquidation

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 J**.

In the event Debtor's Chapter 11 case is converted to Chapter 7 of the Bankruptcy Code, a Chapter 7 Trustee will be appointed and the Trustee would liquidate Debtor's non-exempt assets pursuant to the provisions of the Bankruptcy Code. Debtor's Liquidation Analysis as of the filing date, is attached as **Exhibit J** hereto. The Liquidation Analysis reveals that in the event of a liquidation of Debtor's assets there would be a substantial loss to the Bankruptcy Estate, taking into account Chapter 7 costs of administration and the expected value of the Estate's assets in a liquidation scenario. The Liquidation Analysis reflects that in the event of liquidation, there would be no funds for payments to creditors after payment of administrative fees, leaving no funds for any other priority or unsecured creditor.

7.2 Feasibility & Ability to Make Future Plan Payments

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, unless such liquidation or reorganization is proposed in the Plan.

The plan proponent believes that the Debtor will have enough cash on hand on the Effective Date of the Plan to pay for the claims and expenses that are entitled to be paid on that date, as Debtor will receive a capital investment funding from its President in the amount of \$525,000.00.

The Plan provides for the full payment of Chapter 11 Administrative Expense Claims, including professional fees and US Trustee's quarterly fees, on the Effective Date. Under the Plan, the Holders of General Unsecured Claims will receive **0.73%** of their claims to come from the rents received.

Confirmation of the Plan will not only assure that Holders of Allowed Administrative Claims, Allowed Priority Tax Claims and Allowed General Unsecured Claims, will receive a prompt and more significant dividends on their claims, but also that they will avoid the risks, costs and uncertainties related to a liquidation process, the lack of familiarity by a Trustee with Debtor's affairs and operations, and the removal of the persons who can best maximize Debtor's assets.

VIII. EFFECTS OF CONFIRMATION OF THE PLAN

8.1 Discharge of Claims

Upon completion of plan payments discharge may be entered of all of debtor's debts proposed in the plan, unless otherwise ordered by the Court. Confirmation of this Plan does not discharge any debt provided for in the Plan until the Court grants a discharge on completion of plan payments or as otherwise provided in section 1141(d)(5) of the Code. The Debtor will not be discharged from any debt excepted from discharge under section 523 of the Code, except as provided in Rule 4007(c) of the Federal Rules of Bankruptcy Procedure.

8.2 Modification of Plan

The Debtor may propose amendments or modification of this plan at any time prior to the confirmation of the Plan pursuant to 11 U.S.C. §1127. After the confirmation of the Plan, the Debtor may, with the approval of the Court if they do not adversely affect the interest of the creditors, remedy any defect or omission, in such manner as may be necessary to carry out the purposes and effects of the same.

8.3 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 within ninety (90) days after the order confirming the plan becomes final, pursuant to L.B.R. 3022-1. Alternatively, the Court may enter such a final decree on its own motion.

IX. ALTERNATIVES TO THE PLAN

If the Plan is not confirmed and consummated, the alternatives include (a) Debtor's liquidation under Chapter 7 of the Bankruptcy Code (b) dismissal of the Case, and the possible foreclosure of Debtor's assets by Debtor's secured creditors, or (c) the proposal of an alternative plan.

A. Liquidation Under Chapter 7

If no plan can be confirmed, the Case may be converted to Chapter 7 of the Bankruptcy Code, and as indicated above, a Trustee would be elected or appointed to liquidate Debtor's assets for distribution to creditors in accordance with the priorities established by the Bankruptcy Code. As set forth in the Liquidation Analysis attached as **Exhibit J** hereto, no distribution for general unsecured creditors is foreseen in a Chapter 7. Thus, Debtor believes that Priority and General Unsecured Creditors would receive higher and prompt dividend under the Chapter 11 Plan.

B. Dismissal of the Case

Dismissal of the Case would likely create substantial problems for all parties involved including, a run to the courthouse, which most likely would result, in the disregard of the orderly and structured equitable payments provided by the Plan under the provisions of the Bankruptcy Code. Therefore, dismissal of the Case is not a viable alternative for creditors.

C. Alternative Plan of Reorganization

If the Plan is not confirmed, Debtor could attempt to formulate a different

plan. Debtor believes, however, that the Plan described herein will provide the greatest and most expeditious return to creditors.

X. CONCLUSION:

Debtor believes that the Plan is fair and reasonable and in the best interest of its Estate and Creditors and offers the best possible recoveries for Creditors. Debtor therefore urges Creditors to vote in favor of the Plan.

In San Juan, Puerto Rico this 31st day of May 2018.

Cinevia Corporation
Debtor-In Possession

/s/ Miguel A. Pagán
Authorized representative of Debtor
President of Debtor

CERTIFICATE OF SERVICE

I hereby certify that on this same date I electronically filed this Disclosure Statement with all of its Exhibits with the Clerk of the Court using the CM/ECF System which sends a notification of such filing to all parties in this case registered for receipt of notice by electronic mail including the US Trustee at ustregion21.hr.ecf@usdoj.gov and counsel for Scotiabank Puerto Rico, Carlos R. Sosa Padro at csosalaw@gmail.com and csosalaw@csosalaw.com; and to all attorneys for all creditors and parties in interest that have filed a Notice of Appearance as listed. I further certify that I have served this disclosure statement by depositing a true and correct copy thereof in the United States Mail to all non-user creditors and parties in interest as per attached Master Address List.

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