

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

-----X
In re : Chapter 11
: :
Doral Financial Corporation,¹ : Case No. 15-10573 (SCC)
: :
Debtor. :
-----X

**PERIODIC REPORT REGARDING VALUE, OPERATIONS AND PROFITABILITY
OF ENTITIES IN WHICH THE ESTATE OF DORAL FINANCIAL CORPORATION
HOLDS A SUBSTANTIAL OR CONTROLLING INTEREST**

This is the report as of Doral Financial Corporation (“DFC” or the “Debtor”) on the value, operations, and profitability of those entities in which the estate holds a substantial or controlling interest, as required by Bankruptcy Rule 2015.3. The estate of DFC holds a substantial or controlling interest in the following entities:

<u>Name of Entity</u>	<u>Interest of the Estate</u>
Doral Insurance Agency, LLC	100%
Doral Properties, Inc.	100%
Doral Recovery, Inc.	100%

This periodic report (the “Periodic Report”) contains separate reports (“Entity Reports”) on the value, operations, and profitability of each entity listed above (the “Non-Debtor Entities” and each, a “Non-Debtor Entity”).

The undersigned, having reviewed the above listing of entities in which the estate of DFC holds a substantial or controlling interest, and being familiar with the Debtor’s financial affairs, verifies under the penalty of perjury that the listing is complete, accurate and truthful to the best of his/her knowledge.

Date: 6/12/15



Signature of Authorized Individual

David F. Houston

Name of Authorized Individual

CFD

Title of Authorized Individual

¹ The last four digits of the taxpayer identification number of the Debtor are (2162).

GENERAL NOTES TO THE FORM 26 REPORT

Basis of the Financial Statement Presentation: Prior to February 27, 2015, the books and records of the Debtor and its Non-Debtor Entities were maintained by an accounting group domiciled within Doral Bank's Puerto Rico operations group in San Juan. Since this date the books and records have been maintained in a newly established general ledger using newly established accounting processes in Coral Gables, Florida. After Doral Bank was closed by the Office of the Commissioner of Financial Institutions of Puerto Rico and placed into receivership on February 27, 2015, the Debtor lost substantially all of its ability to identify and research historical financial issues as well as maintain consistent accounting records between the legacy and newly established systems. Immediately following the closure a substantial portion of Doral Bank's operations were purchased from the receiver, Federal Deposit Insurance Corporation ("FDIC"), by Banco Popular de Puerto Rico ("Popular"). The operations group of Doral Bank in San Juan, Puerto Rico remains substantially intact and is working for either Popular or the FDIC. We understand the historical records, those on and prior to February 27, 2015, of the Debtor and its Non-Debtor Entities remain substantially intact and available for research.

The financial statements and supplemental information contained herein are unaudited, preliminary, and may not comply with generally accepted accounting principles in the United States of America ("U.S. GAAP") in all material respects. The financial statements and supplemental information contained herein have largely been derived from the books and records available to the Debtor.

Various estimates, assumptions, and allocations were required to derive the financial statements and supplemental information contained herein. Additionally, due to the limited availability of information as discussed in the paragraph above, this information was not subjected to procedures that would typically be applied to financial information presented in accordance with U.S. GAAP, and upon the application of such procedures, the Debtor believes that the financial information could be subject to material changes. The information furnished in this Report includes primarily normal recurring adjustments, but again may not include all of the adjustments that would typically be made in accordance with U.S. GAAP due to the limited availability of financial information. The results of operations contained herein are not necessarily indicative of results that are expected from any other period or for the full year and may not necessarily reflect the combined results of operations and financial position of the Debtor or Non-Debtor Entities in the future.

Intercompany Transactions: Intercompany transactions between any Non-Debtor Entity and related period ending balances have not been eliminated in the financial statements contained herein. No conclusion as to the legal obligation nor the related asset valuation associated with these intercompany transactions and balances is made by the presentation herein.

Valuation Information: The valuation information provided herein is based on the net book value of the Non-Debtor Entities (book value of assets less book value of liabilities). The Debtor does not maintain fair market value or other basis of valuation for its Non-Debtor Entities.

Exhibit A
Valuation Estimate for Non-Debtor Entities

March 31, 2015
(in thousands of dollars)
(unaudited)

<u>Name of Entity</u>	<u>Interest of the Estate</u>	<u>Net Book Value</u> ⁽¹⁾
Doral Insurance Agency, LLC ⁽²⁾	100%	\$5,777
Doral Properties, Inc. ⁽³⁾	100%	\$4,899
Doral Recovery, Inc.	100%	\$1,570

Notes:

- 1) The basis for the valuation of each Non-Debtor Entity is the net book value calculated as total assets less total liabilities as of March 31, 2015. These valuation estimates are not an indication of liquidation value or fair market value of the Non-Debtor Entity.
- 2) Doral Insurance Agency, LLC's book of business was sold through a 363 auction process on May 12, 2015. A winning bid was announced for approximately \$17.25 million. The sale closed on May 29, 2015.
- 3) Doral Properties, Inc. has substantial debt obligations, as discussed in further detail in the Declaration of Carol Flaton in Support of First Day Motions, dated March 11, 2015 (Dkt. No. 8). Doral Properties, Inc.'s primary asset consists of an office building and related real estate in San Juan, Puerto Rico.

Exhibit B
Financial Statements for Non-Debtor Entities

Exhibit B-1
Balance Sheet for Non-Debtor Entities
(as of December 31, 2014 and March 31, 2015)

Non-Debtor Entities of Doral Financial Corporation

Balance Sheet as of December 31, 2014

	Doral Insurance Agency, LLC	Doral Properties, Inc.	Doral Recovery, Inc.
Assets			
Cash	\$ 794,086	\$ 1,090,629	\$ -
Restricted cash	2,026,582	-	-
Commissions receivable, net of allowance for doubtful accounts	4,969,110	-	-
Due from affiliates	-	4,795,661	1,571,414
Due from former affiliates	19	788,097	-
Property, plant and equipment, net of accumulated depreciation	1,312	34,602,451	-
Prepaid expenses and other assets	16,899	1,020,345	-
Total assets	<u>\$ 7,808,008</u>	<u>\$ 42,297,183</u>	<u>\$ 1,571,414</u>
Liabilities and Stockholder's Equity			
Liabilities			
Notes payable	\$ -	\$ 37,335,000	\$ -
Deposits held in escrow	2,028,315	-	-
Accrued interest payable	-	211,156	-
Other accrued expenses and other liabilities	111,656	447,274	936
Due to affiliates	572,150	-	-
Due to former affiliates	4,005	14,699	-
Total liabilities	<u>\$ 2,716,126</u>	<u>\$ 38,008,129</u>	<u>\$ 936</u>
Stockholder's equity			
Common stock	900	20	1,000,000
Paid-in capital	1,024,100	3,469,980	35,513,236
Retained earnings (deficit)	4,066,882	819,054	(34,942,758)
Total stockholder's equity	<u>5,091,882</u>	<u>4,289,054</u>	<u>1,570,478</u>
Total liabilities and stockholder's equity	<u>\$ 7,808,008</u>	<u>\$ 42,297,183</u>	<u>\$ 1,571,414</u>

Non-Debtor Entities of Doral Financial Corporation

Balance Sheet as of March 31, 2015

	Doral Insurance Agency, LLC	Doral Properties, Inc.	Doral Recovery, Inc.
Assets			
Cash	\$ 1,966,596	\$ 3,365,511	\$ -
Restricted cash	995,503	-	-
Commissions receivable, net of allowance for doubtful accounts	3,941,952	-	-
Due from affiliates	-	4,782,768	1,571,414
Due from former affiliates	19	-	-
Property, plant and equipment, net of accumulated depreciation	33,826	34,217,345	-
Prepaid expenses and other assets	24,465	922,819	-
Total assets	<u>\$ 6,962,360</u>	<u>\$ 43,288,443</u>	<u>\$ 1,571,414</u>
Liabilities and Stockholder's Equity			
Liabilities			
Notes payable	\$ -	\$ 37,335,000	\$ -
Deposits held in escrow	997,394	-	-
Accrued interest payable	-	422,309	-
Other accrued expenses and other liabilities	115,936	438,781	936
Due to affiliates	24,839	-	-
Due to former affiliates	47,197	192,858	-
Total liabilities	<u>1,185,365</u>	<u>38,388,948</u>	<u>936</u>
Stockholder's equity			
Common stock	900	20	1,000,000
Paid-in capital	1,024,100	3,469,980	35,513,236
Retained earnings (deficit)	4,751,995	1,429,495	(34,942,758)
Total stockholder's equity	<u>5,776,995</u>	<u>4,899,495</u>	<u>1,570,478</u>
Total liabilities and stockholder's equity	<u>\$ 6,962,360</u>	<u>\$ 43,288,443</u>	<u>\$ 1,571,414</u>

Exhibit B-2

Statement of Income (Loss) for Non-Debtor Entities

(for the full year period ended December 31, 2014, and the three month period ended March 31,
2015)

Non-Debtor Entities of Doral Financial Corporation

Statement of Income (Loss) for the full year period ended December 31, 2014

	Doral Insurance Agency, LLC	Doral Properties, Inc.	Doral Recovery, Inc.
Revenues			
Rental income from affiliates	\$ -	\$ 8,992,033	\$ -
Commissions earned	12,322,537	-	-
Interest income	-	-	1,542,647
Other rental income	-	-	-
Total revenues	<u>12,322,537</u>	<u>8,992,033</u>	<u>1,542,647</u>
Provision for loan losses	<u>-</u>	<u>-</u>	<u>10,966,947</u>
Expenses			
Management fees paid to affiliate	4,800,000	-	-
Interest	-	2,696,752	-
Depreciation and amortization	1,459	1,540,427	18,148
Occupancy expense	151,291	3,106,298	9,360
Professional services	111,916	502,004	290
Taxes, other than payroll and income taxes	1,860	470,056	15,375
Employee compensation and benefits	841,748	65,427	648,584
Corporate insurance	8,969	292,289	146
Other real estate expenses	-	-	7,471,331
Gain on sale of loans	-	-	2,108,609
Loss on early repayment of debt	-	-	(1,088,458)
Other	460,440	193,811	4,346,688
Total expenses	<u>6,377,684</u>	<u>8,867,064</u>	<u>13,530,073</u>
Income before income taxes	5,944,853	124,969	(22,954,373)
Income taxes	1,289,383	-	-
Net income	<u>\$ 4,655,470</u>	<u>\$ 124,969</u>	<u>\$ (22,954,373)</u>

Non-Debtor Entities of Doral Financial Corporation

Statement of Income (Loss) for the three month period ended March 31, 2015

	Doral Insurance Agency, LLC	Doral Properties, Inc.	Doral Recovery, Inc.
Revenues			
Rental income from affiliates	\$ -	\$ 2,286,743	\$ -
Commissions earned	1,717,509	-	-
Other rental income	-	-	-
Total revenues	1,717,509	2,286,743	-
Expenses			
Management fees paid to affiliate	800,000	-	-
Interest	-	656,174	-
Depreciation and amortization	920	385,107	-
Occupancy expense	66,863	440,058	-
Professional services	30,224	94,619	-
Taxes, other than payroll and income taxes	141	74,816	-
Employee compensation and benefits	107,226	-	-
Corporate insurance	1,494	21,483	-
Other	25,529	4,045	-
Total expenses	1,032,396	1,676,302	-
Net income	\$ 685,114	\$ 610,441	\$ -

Exhibit C
Description of Operations for Non-Debtor Entities

<u>Name of Entity</u>	<u>Interest of the Estate</u>	<u>Operating Description</u>
Doral Insurance Agency, LLC	100%	Insurance agent and broker
Doral Properties, Inc.	100%	Single asset real estate entity
Doral Recovery, Inc.	100%	Dormant operating entity