

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION**

In re:	)	Chapter:	11
	)		
	)	Case No.	16 B 14993
T&C Gymnastics, LLC,	)		
	)	Judge:	Hon. Timothy A. Barnes
	)		
Debtor.	)		

**Small Business Case under Chapter 11**  
**DEBTOR'S DISCLOSURE STATEMENT**

## Table of Contents

I.	INTRODUCTION.....	2
A.	Purpose of This Document.....	2
B.	Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing.....	2
C.	Disclaimer.....	3
II.	BACKGROUND.....	4
A.	Description and History of the Debtor's Business.....	4
B.	Insiders of the Debtor.....	4
C.	Management of the Debtor Before and During the Bankruptcy.....	5
D.	Events Leading to Chapter 11 Filing.....	5
E.	Significant Events During the Bankruptcy Case.....	5
F.	Recovery of Avoidable Transactions.....	6
G.	Claims Objections.....	6
H.	Current and Historical Financial Conditions.....	6
III.	SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS.....	6
A.	Purpose of the Plan of Reorganization.....	6
B.	Unclassified Claims.....	6
C.	Classes of Claims and Equity Interests.....	8
D.	Summary of Plan Payments.....	10
E.	Equity Interest Holders.....	10
F.	Means of Implementing the Plan.....	13
G.	Risk Factors.....	14
H.	Executory Contracts and Unexpired Leases.....	14
I.	Tax Consequences of Plan.....	14
IV.	CONFIRMATION REQUIREMENTS AND PROCEDURES.....	14
A.	Who May Vote or Object.....	15
B.	Votes Necessary to Confirm the Plan.....	16
C.	Liquidation Analysis.....	17
D.	Feasibility.....	17
V.	EFFECT OF CONFIRMATION OF PLAN.....	18
A.	Discharge of Debtor.....	18
B.	Modification of Plan.....	18
C.	Final Decree.....	18

## **I. INTRODUCTION**

This is the disclosure statement (the "Disclosure Statement") in the small business chapter 11 case of T&C Gymnastics, LLC (the "Debtor"). This Disclosure Statement contains information about the Debtor and describes the Plan of Reorganization Dated June 10, 2016 (the "Plan") filed by the Debtor. 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 discussed at pages 8-10 of this Disclosure Statement. General unsecured creditors are classified in Classes 5-6, and will receive a distribution of 100% of their allowed claims. Creditors with contingent, unliquidated and disputed claims are classified in Class 7 and will receive a distribution of 10% of their alleged claims.

### **A. Purpose of This Document**

This Disclosure Statement describes:

- (1) The Debtor and significant events during the bankruptcy case,
- (2) How the Plan proposes to treat claims or equity interests of the type you hold (i.e., what you will receive on your claim or equity interest if the plan is confirmed),
- (3) Who can vote on or object to the Plan,
- (4) What factors the Bankruptcy Court (the "Court") will consider when deciding whether to confirm the Plan,
- (5) Why the Debtor 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 in liquidation, and
- (6) 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 Approve This Disclosure Statement and Confirm the Plan**

The hearing at which the Court will determine whether to approve this Disclosure Statement and confirm the Plan will take place on \_\_\_\_\_, 2016 at \_\_\_\_\_ a.m., in Courtroom 744, at the United States Bankruptcy Court, 219 S. Dearborn St., Chicago, Illinois, 60604.

**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 envelope with the Clerk of the United States Bankruptcy Court, 219 South Dearborn Street, Room 713, Chicago, Illinois 60604, with copies served on the Debtor's counsel, Joshua D. Greene, 300 South County Farm Rd., Suite I, Wheaton, Illinois 60187, the United States Trustee, 219 South Dearborn Street., Room 873, Chicago, IL 60604, and the official service list of this case. See section IV.A. below for a discussion of voting eligibility requirements. Your ballot must be received by \_\_\_\_\_, 2016 or it will not be counted.

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

Objections to this Disclosure Statement or to the confirmation of the Plan must be filed with the Court on or before \_\_\_\_\_, 2016 and served upon the Clerk of the United States Bankruptcy Court, 219 South Dearborn Street, Room 713, Chicago, Illinois 60604, with copies served on the Debtor's counsel, Joshua D. Greene, 300 South County Farm Rd., Suite I, Wheaton, Illinois 60187, the United States Trustee, 219 South Dearborn Street., Room 873, Chicago, IL 60604, and the official service list of this case.

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

If you want additional information about the Plan, you should contact Chapter 11 Debtor's counsel, Joshua D. Greene, Springer Brown, LLC, 300 South County Farm Rd., Suite I, Wheaton, Illinois 60187.

**C. Disclaimer**

The Court will approve this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms at a hearing scheduled for \_\_\_\_\_, 2016. The Court has not yet determined whether the Plan meets the legal requirements for

confirmation, and the fact that the Court may approve 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 must be filed on or before \_\_\_\_\_, 2016.

## **II. BACKGROUND**

### **A. Description and History of the Debtor's Business**

Debtor is an Illinois limited liability corporation in the business of providing gymnastics instruction and lessons to children of all ages. The services are provided in the Debtor's "club" location in Itasca and in outside locations such as day cares and park districts. Debtor is located in Itasca and primarily services Itasca and the surrounding communities. It was formed on March 13, 2015 and began operating the "club" location in Itasca shortly thereafter. Debtor purchased substantially all of the assets of Aerial Gym Stars Enterprises, Inc. ("Aerial") an entity that operated a gymnastics school in Addison, Illinois, which assets consisted primarily of used gym equipment, intangibles and service contracts. From March 2015-December 2015 Debtor earned gross revenues of approximately \$602,000 with net income of approximately \$40,000. From January 2016 through the Petition Date, the Debtor earned net income of approximately \$33,000.

Debtor was named as a defendant in a lawsuit in the Circuit Court of Dupage County, Illinois by the former landlord of Aerial alleging that the Debtor is a successor entity to Aerial. Due to the substantial legal fees incurred in the litigation and fees continuing to accrue, Debtor was unable to pay all of its debts as they came due. In addition, while Debtor attempted to settle the dispute with Aerial's former landlord through settlement discussions, it was unable to do so. Based on the posture of Aerial's former landlord in the settlement discussions, and in the course of dealing with Aerial's former landlord, the Debtor believes that the primary goal of Aerial's former landlord was to force the Debtor out of business. Therefore, Debtor filed the present bankruptcy case so that it can continue to operate and reorganize its affairs.

### **B. Insiders of the Debtor**

Tony Whitaker, Carole Whitaker, Rafael Watkins and Joshua Whitaker are insiders of the Debtor as defined in § 101(31) of the United States Bankruptcy Code (the "Code"). Tony Whitaker is a Manager and

45% Member of the Debtor. Carole Whitaker is a Manager and 45% Member of the Debtor. Rafael Watkins and Joshua Whitaker are each 5% Member of the Debtor. Tony and Carole Whitaker will be paid \$60,000.00 per year for the first year of the Plan by the Debtor, with salary increasing at the rate of 2% per year for each year thereafter for the life of the Plan. During the year prior to the commencement of the Debtor's bankruptcy case, the Debtor's insiders Tony and Carole Whitaker received \$18,000.00 in salary and \$23,206 in distributions from the Debtor, Rafael Watkins received \$41,695.00 in salary from the Debtor and Cade Whitaker received \$32,774.00 in salary from the Debtor.

### **C. Management of the Debtor Before and During the Bankruptcy**

During the year prior to the date on which the bankruptcy petition was filed, the managers in control of the Debtor (collectively the "Managers") were Tony and Carole Whitaker. Since the filing of the Chapter 11 case, Tony and Carole Whitaker have remained as managers of the Debtor. After the effective date of the order confirming the Plan, the Managers (collectively the "Post Confirmation Manager") will be Tony and Carole Whitaker. The compensation of these Post Confirmation Managers is set forth in section II-B of this Disclosure Statement.

### **D. Events Leading to Chapter 11 Filing**

Debtor was named as a defendant in a lawsuit in the Circuit Court of Dupage County, Illinois by the former landlord of Aerial, 880 South Rohlwing Road, LLC ("Rohlwing") alleging that the Debtor is a successor entity to Aerial. Due to the substantial legal fees incurred in the litigation, Debtor was unable to pay all of its debts as they came due. In addition, while Debtor attempted to settle the dispute with Aerial's former landlord, it was unable to do so and due to the settlement posture taken by Rohlwing, the Debtor believed that the sole purpose of Aerial's former landlord was to force the Debtor out of business rather than resolve the matter. Therefore, Debtor filed the present bankruptcy case to reorganize its affairs.

### **E. Significant Events During the Bankruptcy Case**

The debtor has continued to operate its business at a profit, and can pay its creditors in full where appropriate, and far more than the liquidation value of the estate which would result from the case being converted to Chapter 7. The Debtor believes that its profitability will continue to increase after it exits

**F. Projected Recovery of Avoidable Transfers**

The Debtor has conducted an investigation of any potential avoidance actions and does not intend to pursue preference, fraudulent conveyance, or other avoidance actions.

**G. Claims Objections**

The court established a claims bar date of proofs of claim pursuant to which all claims except government proofs of claim were due by July 2, 2016 and government proofs of claim are due by November 4, 2016. The Debtor has conducted a review of the claims filed to date and has determined not to object to any proofs of claim that have been filed. However, Debtor reserves the right to object to any claims subsequently filed or any claims filed in the event additional information is discovered. 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 fair market value of the estate's assets are listed in Exhibit B, consisting of the filed copies of Schedule B-Personal Property filed in the bankruptcy case. The Debtor's most recent financial statements reflecting its performance before bankruptcy and during bankruptcy are set forth in Exhibit C.

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

**A. 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:

### **Administrative Expenses**

Administrative expenses are costs or expenses of administering the Debtor's 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:

<b>Type</b>	<b>Estimated Amount Owed</b>	<b>Proposed Treatment</b>
Expenses Arising in the Ordinary Course of Business after Petition Date_	None	Paid in full on the effective date of the Plan.
Value of Goods Rec'd in ordinary Course of Business within 20 days of the Petition Date: Prairie Farms	None	N/A
Professional Fees, as approved by the Court	Est. \$15,000	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	None	Paid in full on the effective date of the Plan
Other administrative expenses	None	Paid in full on the effective date of the Plan
Office of the U.S. Trustee Fees	Est. \$0	Paid in full on the effective date of the Plan

<b>Total</b>	\$15,000	
--------------	----------	--

### **C. Classes of Claims and Equity Interests**

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

#### Secured claims

##### Class 1. William Whitaker:

William Whitaker holds a security interest in substantially all of the assets of the Debtor pursuant to a filed UCC Financing Statement and was owed \$71,094.15 as of the Petition Date. Debtor will pay William Whitaker \$500 per month for a period of 20 months under the Plan, and payments of \$1,478 per month for a period of 40 months thereafter. William Whitaker shall retain his security interest until paid in full. Class 1 is impaired.

##### Class 2. Direct Capital Corporation:

Direct Capital Corporation holds a security interest in substantially all of the assets of the Debtor pursuant to a filed UCC Financing Statement and was owed \$17,514.27 as of the Petition Date. Debtor will pay Direct Capital Corporation \$941.00 per month for a period of 20 months under the Plan, at 6.5% interest. Direct Capital Corporation shall retain its security interest until paid in full. Class 2 is impaired.

##### Class 3. Mercedes Benz Financial Services

Mercedes Benz Financial Services holds a lien on the Debtor's 2011 Mercedes Sprinter Van which it uses in its business operations. The amount due and owing as of the Petition Date was approximately \$5,989.58. Debtor will continue to make payments to Mercedes Benz Financial in the amount of \$757 per month until the loan is paid in full.

#### The Claims of Unsecured Priority Claimants

##### Class 4. Internal Revenue Service

The Internal Revenue Service filed a claim for \$4,852.01 based on estimated taxes due and owing for second quarter 2016. The Debtor has paid the necessary taxes but has not yet filed the quarterly return as



of the date of this Plan. Debtor will not make payments to the Internal Revenue Service under the Plan as no amounts are owed.

The Claims of Unsecured Non-priority Claimants

Class 5: Aerial Gym Stars Enterprises, Inc

Debtor owes Aerial Gym Stars Enterprises, Inc. the amount of \$29,481.85 pursuant to the terms of a promissory note executed on or around March 13, 2015. Debtor proposes to make payments in the amount of \$491.35 per month for a period of 60 months with no interest beginning on the effective date for a total distribution of 100% of the allowed claim. Class 4 is impaired.

Class 6: Attorney's Fees

Debtor owes attorney's fees totaling \$10,204.29. Debtor proposes to make payments in the amount of \$170.07 per month for a period of 60 months beginning on the effective date for a total distribution of 100% of the allowed claims. Class 5 is impaired.

The Claims of Unsecured Non-Priority Claimants that are Contingent, Unliquidated and Disputed

Class 7: 880 South Rohlwing Road, LLC.

880 South Rohlwing Road, LLC ("Rohlwing") is owed approximately \$259,590.41 based on a judgment entered against Aerial Gym Stars Enterprises, Inc. Rohlwing has alleged that the Debtor is a successor entity to Aerial Gym Stars Enterprises, Inc. Rohlwing does not have a judgment against the Debtor and the Debtor disputes the claim. Debtor will pay Rohlwing monthly payments of \$432.65 for a period of 60 months for a total distribution of 10% of its alleged claim. Class 6 is impaired.

The foregoing is a summary only, and creditors are urged to read the Plan and the more detailed discussions below for a more complete description and explanation.

**D. Summary of Plan Payments**

<u>Creditors</u>	<u>Amounts Due</u>	<u>When Paid</u>
Professional fees	Est. \$15,000.	Effective Date or when Approved
Secured Claim of William Whitaker	\$71,094.15	Paid at the rate of \$500.00 per month for a period of 20 months, with

payments increasing to \$1478.00 per month for a period of 40 months.

Secured Claim of Direct Capital Corp.	\$17,514.27	Paid at the rate of \$941.00 per month with 6.5% interest for a period of 20 months
Secured Claim of Mercedes Benz Fin.	\$5,989.58	Paid at the rate of \$757 per month until paid in full.
Priority claims	\$0	None
Aerial Gym Stars Enterprises, Inc.	\$29,481.85	Paid at the rate of \$491.35 per month for a period of 60 months
Attorney's Fees	\$10,204.29	Paid at the rate of \$170.07 per month for a period of 60 months
880 South Rohlwing Road, LLC	\$25,959.04	Paid at the rate of \$432.65 per month for a period of 60 months

#### **E. Equity Interest Holders**

Equity interest holders are parties who hold an ownership interest (i.e., equity interest) in 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 Debtor proposes to hold an auction of the membership interest (the "Interest") in the reorganized entity on the following terms:

A. Any competitive bidding for the Interests shall be conducted at an auction (the "Auction") at the law offices of Debtor's counsel, Springer Brown, LLC, on \_\_\_\_\_, 2016 at \_\_\_\_ a.m. after which the court, after notice and a hearing, shall enter an order, authorizing the sale of the Interest. The Debtor shall conduct the sale by open bidding except that nothing contained herein shall prohibit the Debtor, at the auction, from conducting separate or joint discussions with the purchaser, any qualified bidder, or any creditor or their representatives in provide and not on the record of such proceeding. A court reporter shall make a record of the open bidding as it occurs. The Debtor shall publish notice of the sale and the terms of the sale in a newspaper of general circulation at least fourteen days prior to the deadline to file ballots

accepting or rejecting the plan.

B. Unless otherwise ordered by the court for cause shown, for any person to participate in the auction (“Potential Bidder”), such person or entity must deliver to the Debtor within at least five business days prior to the Auction: (I) such information as the Debtor shall request establishing a Potential Bidder’s ability to close the Sale of Interest in a timely manner; (II) a cashier’s or certified check made payable to the Debtor in an amount equal to the purchaser’s earnest money deposit of \$5,000.00. Any Potential Bidder meeting all of the above requirements that wishes to participate in the Auction must attend the Auction and acknowledge in writing that it is familiar with, understands and accepts the procedures specified herein. Any person qualifying under all of the above standards shall be entitled to bid to purchase the Interest and will be hereinafter referred to as a “Qualified Bidder.” Any bid made by a Qualified Bidder shall be referred to as a “Qualified Bid.”

C. The opening bid at the auction shall be \$5,000.00, with bidding to increase in increments of \$1,000.00 until the highest bid is determined (the “Winning Bid”).

D. At the conclusion of the Auction, the Debtor shall ask the court to enter an order authorizing the Debtor to consummate the transaction in accordance with the Winning Bid with the winning bidder and to execute such additional documentation as is reasonably necessary to close such sale.

E. The offers of all Qualified Bidders shall be irrevocable until the closing of the sale of the Interests.

F. In the event that a Winning Bidder defaults in the performance of its obligation to purchase the Stock pursuant to a Winning Bid, the Winning Bidder’s Earnest Money Deposit shall be forfeited and shall immediately be transferred to the Debtor. Notwithstanding the foregoing, such forfeiture shall not be in full satisfaction of any damages caused to any person by Winning Bidder’s default as described herein. Any person making an Earnest Money Deposit who does not become the Purchaser (as the Winning Bidder as specified in the Sale Order as entered by the Court) shall have its Earnest Money Deposit returned to it within two (2) business days after the conclusion of the hearing at which time the Winning Bid is confirmed.

G. In the event that a Winning Bidder defaults in the performance of its obligations to purchase the Interest pursuant to a Winning Bid, then the next highest bidder for the Stock shall be required to proceed as the Winning Bidder. Consequently, that person's bid (the "Back-up Bid") will be treated as the Winning Bid without further notice, hearing or entry of additional order by the Court.

H. The sale of the Interest shall be on an "As Is, Where Is" Basis and without representations or warranties of any kind, nature or description by the Debtor, the bankruptcy estate or its respective agents. By submitting a bid, each Qualified Bidder shall be deemed to have acknowledged and represented that: (I) it has had an opportunity to conduct any and all due diligence regarding the Interest prior to making its bid; (II) it has relied solely upon its independent review, investigation and/or inspection of any documents in making its bid; (III) it did not rely upon any written or oral statements, representations, promises, warranties, or guaranties whatsoever, whether express or implied, by operation of law or otherwise, regarding the Interest by any person whatsoever, or the completeness of any information provided in connection therewith or the auction.

I. Notwithstanding anything to the contrary in this Motion, a Winning Bid shall have been accepted by the Debtor only upon entry of an order approving the sale (the "Sale Order") and the Debtor will not be obligated to take any action related to the sale of the Interest unless and until the Court enters the Sale Order and the Court enters an Order approving a Plan of Reorganization. The Debtor's presentation to the Court for the approval of a Winning Bid does not constitute the Debtor's acceptance thereof.

J. Upon the Court's entry of the Sale Order, a Winning Bidder(s) (which may be the Purchaser) shall become the "Purchaser."

K. Within two (2) business days of entry of the Sale Order by the Court, the Purchaser shall tender any and all amounts remaining due and owing above its Earnest Money Deposit.

L. In the event that the Debtor fails to obtain an order confirming a Plan of Reorganization, the purchase of the Interest shall be voided and the Purchaser shall be refunded all money paid to the Debtor within five (5) business days of entry of an order either dismissing the bankruptcy case due to the Debtor's failure to confirm a plan of reorganization or conversion of the case to a chapter 7.

The following chart sets forth the Plan's proposed treatment of the class[es] of equity interest holders:

Equity Interest Holders Tony and Carole Whitaker	Impaired	To be determined based upon an auction of the stock in the reorganized entity.
--	----------	--

## **F. Means of Implementing the Plan**

### **1. Source of Payments**

Payments and distributions under the Plan will be funded by the continuing Operations of the Debtor. Debtor shall act as disbursing agent under the Plan.

### **2. Post-confirmation Management**

Tony and Carole Whitaker shall be the Managers of the Debtor after confirmation of the Plan. They will be paid an annual salary of \$60,000.00 for the first year post-confirmation, with salary increasing at the rate of two percent each year thereafter.

### **3. Post-confirmation Ownership**

The Post-Confirmation ownership of the Debtor will be dependent upon the successful purchaser of the stock in the reorganized Debtor at an auction to be conducted on the terms and conditions set forth above. Any purchaser of the Debtor's stock shall adhere to all terms and conditions of the confirmed Plan of Reorganization and shall cooperate to ensure that all payments are made under the confirmed Plan of Reorganization.

## **G. Risk Factors**

The proposed Plan has the following risks:

1. The Debtor is a small business whose sales and marketing effort resides primarily in the knowledge and skills unique to Tony and Carole Whitaker as each has substantial experience in the area of gymnastics training. In the event anything should happen to either Tony or Carole Whitaker, the Plan payments are unlikely to be able to be made.

#### **H. Executory Contracts and Unexpired Leases**

Debtor shall assume the lease with its landlord, West Suburban Industrial SDCO, Inc. No additional executory contracts are to be assumed under the Plan. Consult your adviser or attorney for more specific information about particular contracts or leases. If you object to the rejection of your contract or lease, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan. The Deadline for Filing a Proof of Claim Based on a Claim Arising from the Rejection of a Lease or Contract Will be set on Confirmation of the Plan. Any claim based on the rejection of a contract or lease will be barred if the proof of claim is not timely filed, unless the Court orders otherwise.

#### **I. 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. The following are the anticipated tax consequences of the Plan:

- (1) There may be tax consequences to the Debtor of the Plan;
- (2) There may be general tax consequences on creditors of any discharge, and the general tax consequences of receipt of plan consideration after confirmation.

#### **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 all classes are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. The Plan Proponent believes that classes no classes 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.

### **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.

### **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 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;

*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 "cram down" on non-accepting classes, as discussed later in Section [B.2.].

##### **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 'cramdown' 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 D*. William Whitaker and Direct Capital Corporation hold a security interest in substantially all of the Debtor's assets. In addition, approximately one-third of the Debtor's assets, in the amount of \$25,000, consist of a security deposit with its landlord. If the case was filed as a chapter 7, the landlord would apply the security deposit to rents due and owing and creditors would receive none of these funds. Thus, if the Debtor's assets were liquidated in a chapter 7 proceeding, William Whitaker and Direct Capital Corporation would receive virtually all of the proceeds. After Trustee's fees and other administrative expenses are paid, unsecured creditors would receive no distribution. The proposed payout to unsecured creditors through the Debtors business operations is much more than would be received in a hypothetical chapter 7 liquidation.

### **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 as *Exhibit E*.

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

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 are listed in Exhibit F. The Plan Proponent's financial projections show that the Debtor will have an annual average net cash flow sufficient to make all required payments under the Plan. The final Plan payment is expected to be paid 60 months from the effective date of the confirmation of the Debtor's Plan. 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. Discharge of Debtor**

Discharge. On the effective date of the Plan, the Debtor shall be discharged from any debt that arose before confirmation of the Plan, subject to the occurrence of the effective date, to the extent specified in § 1141(d)(1)(A) of the Code, except that the Debtor shall not be discharged of any debt (i) imposed by the Plan, (ii) of a kind specified in § 1141(d)(6)(A) if a timely complaint was filed in accordance with Rule 4007(c) of the Federal Rules of Bankruptcy Procedure, or (iii) of a kind specified in § 1141(d)(6)(B). After the effective date of the Plan your claims against the Debtor will be limited to the debts described in clauses (i) through (iii) of the preceding sentence.

**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 revoting 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.

Respectfully submitted  
T&C Gymnastics, LLC,

By: Tony Whitaker, Manager  
The Plan Proponent

By. /s/ Joshua D. Greene /s/  
Attorney for the Plan Proponent