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**UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF NEVADA**

In re: ) Case No. 16-14940-BTB  
)  
VAUGHAN FITNESS ) Small Business  
) Chapter 11  
)  
Debtor in Possession. ) Hearing Date:  
) Hearing Time:

**DISCLOSURE STATEMENT  
FOR THE PLAN OF REORGANIZATION  
OF VAUGHAN FITNESS**

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**I. INTRODUCTION**

This document is the Disclosure Statement (the “Disclosure Statement”) in the Small Business Chapter 11 case of Vaughan Fitness (“Vaughan,” or “Debtor” or “Debtor in Possession”). This Disclosure Statement contains information about the Debtor and describes its Plan of Reorganization (the “Plan”). A full copy of the Plan of Reorganization is attached to this Disclosure Statement as “**Exhibit A.**”

**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. YOUR RIGHTS MAY BE AFFECTED.**

The proposed distributions under the Plan are discussed in pages 5-8 of this Disclosure Statement. Secured creditors are classified into three (3) classes; General Unsecured creditors are classified into a separate class, comprised of Class 4 (Unsecured). If a Distribution Agent is utilized, that individual will be authorized to collect a reasonable fee (no more than 2 percent of monies actually distributed) from monies that might otherwise be distributed to administrative expenses, for administering the Debtor's post confirmation estate.

#### PURPOSE OF THIS DOCUMENT

This Disclosure Statement describes:

- The Debtor and the significant events during the bankruptcy case;
- How the Plan proposes to treat claims of the type you hold (i.e., what monetary satisfaction you will receive, based on your claim, if the plan is confirmed);
- Who can vote on, or object to, the Plan;
- What factors the Bankruptcy Court (the "Court") will consider when deciding whether to confirm the Plan;
- Why the Debtor believes the Plan is feasible, and how the treatment of your claim under the Plan compares to what you would receive on your claim in liquidation; and
- The effect of confirmation of the Plan.

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

#### 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 Debtor seeks to have the Plan confirmed. In addition, included with this Disclosure Statement is the Notice of Confirmation, which sets forth objection deadlines, as well as other important dates, deadlines and time periods.

If you want additional information about the Plan, you should contact Debtor's counsel, Riggi Law Office, 5550 Painted Mirage Rd. Suite 120, Las Vegas, Nevada, 89149, Attn: David A. Riggi, Esq., at 702.463.7777.

#### DISCLAIMER

THE COURT APPROVED THIS DISCLOSURE STATEMENT AS CONTAINING ADEQUATE INFORMATION TO ENABLE PARTIES AFFECTED BY THE PLAN TO MAKE AN INFORMED DECISION ABOUT ITS TERMS. THE COURT HAS NOT YET DETERMINED WHETHER THE PLAN MEETS THE LEGAL REQUIREMENTS FOR CONFIRMATION, AND THE FACT THAT THE COURT APPROVED THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT OF THE PLAN BY THE COURT, OR A RECOMMENDATION THAT IT BE ACCEPTED.

## II. BACKGROUND

### The Debtor's Sources of Income

Debtor is a one location fitness center with professional personal training as well as on-site personal training and fitness programs. The Debtor averages over \$20,000 a month in gross income and has expenses of rent (\$7800), taxes (\$3000), salaries (\$4000), car payment (\$973), insurance (\$300), cable (\$300), office expenses (\$500) and cleaning (\$300).

### Significant Events During the Bankruptcy Case

The stipulation with Marlin Business Bank is the most significant event that has occurred in the case.

To date, the Debtor only petitioned the Court to retain one professional in the case, which is David A. Riggi, Esq., as Debtor's counsel.

### Projected Recovery of Avoidable Transfers

The Debtor does not intend to pursue preference, fraudulent conveyance, or other avoidance actions at this time. The Debtor does not believe any significant transfers occurred during the 2 year period leading up to the filing of this case.

The Debtor reserves his right, however, to perform and complete an investigation with regard to prepetition transactions. Although he does not believe significant transfers occurred, creditors should be aware that if you received a payment or other transfer within 90 days of the

bankruptcy, or other transfer avoidable under the Bankruptcy Code, the Debtor may seek to avoid such transfer.

### Claims Objections

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

The Bar Date is the date after which creditors cannot file a proof of claim in this case. Importantly, if your claim is listed in the Debtor's Schedules of Liabilities, and you agree with the claim amount listed there, you do not need to file a proof of claim in the case. If the Debtor amends his Schedules of Liabilities and your claim is affected, you will have an opportunity to file an objection to any such change.

### Current and Projected Financial Conditions

The Debtor averages over \$20,000 a month in gross income and has expenses of rent (\$7800), taxes (\$3000), salaries (\$4000), car payment (\$973), insurance (\$300), cable (\$300), office expenses (\$500) and cleaning (\$300).

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

### What is the Purpose of the Plan of Reorganization?

As required by the Bankruptcy Code, the Plan places claims in separate classes and describes the treatment each class will receive. The Plan also states whether each class of claims is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

### 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 such creditor's view, its treatment under the Plan does not comply with that required by the Code. As such, the Debtor did *not* place the following claims in any class:

- Administrative Expenses

Administrative expenses are costs or expenses of administering the Debtor's Small Business Chapter 11 case which are allowed under section 507(a)(2) of the Bankruptcy Code. Administrative expenses also include the value of any goods or services sold to the Debtor in the ordinary course of business. The Bankruptcy Code requires that all administrative expenses be paid on the Effective Date of the Plan, unless a particular claimant agrees to a different treatment.

Priority Tax Claims

Priority tax claims are unsecured income, employment, and other taxes described by Section 507(a)(8) of the Bankruptcy Code. Unless the holder of such a Section 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 5 years from the order of relief. This claim in the total amount of \$862.87 shall be paid \$18.72 a month for 48 months, based on an amortizing interest rate of 2 percent.

Classes of Claims

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

Classes of Secured Claims

Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate (or that are subject to set off) to the extent allowed as secured claims under Section 506 of the Bankruptcy Code. Except for the Debtor's primary residence, if the value of the collateral or setoffs securing the creditor's claim is less than the amount of the creditor's allowed claim, the deficiency will be classified as a general unsecured claim in Class 6. The Debtor's first mortgage lien holder's claim on the investment property, which is impaired, will be valued and bifurcated in accordance with Section 506 of the Bankruptcy Code. The second mortgage lien holder's claim will be converted to a general unsecured claim.

The following chart lists the Debtor's proposed treatment of secured claims under the Plan:

Class	Description	Impairment	Treatment
1	<b>MARLIN BUSINESS BANK secured creditor (POC No. 6) against certain personal property</b>	impaired	Pursuant to a stipulation approved by the Court, this creditor shall receive \$44.00 a month for 60 months.
2	<b>US BANK (POC No. 3) against certain personal property</b>	Impaired	This creditor shall be paid \$113.73 a month for 60 months, based on a value of the collateral of \$5990.00 amortized over 5 years at 5.25 interest rate.
3	<b>STEARNS BANK (POC No. 2) against certain personal property</b>	impaired	This creditor shall be paid \$170.87 a month for 60 months, based on a value of the collateral of \$5990.00 amortized over 5 years at 5.25 interest rate.

Although it is not anticipated, if you are a secured creditor, your secured claim may be reduced in accordance with Section 506(a) of the Bankruptcy Code, as of the Effective Date of the Plan. If you believe you will disagree with the proposed sale amount, you should object to the proposed sale as well as the Plan.

#### Classes of General Unsecured Claims

General unsecured claims are not secured by property of the estate and are not entitled to priority under Section 507(a) of the Bankruptcy Code.

The following chart identifies the Plan's proposed treatment of Class Number 6, which contains the general unsecured claims against the Debtor:

Class	Description	Impairment	Treatment
6	Unsecured Class	Impaired	All unsecured creditors might be paid from <b>\$250.00</b> a month commencing on the Effective Date of the Plan, and continuing for 60 months or complete satisfaction of all valid claims, whichever is earlier. These monies are subject to administrative expenses being paid first.

#### Equity Interest of the Debtor

Equity interest holders are parties who hold an ownership interest (i.e., equity interest). 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, the equity interest holders are the members. Finally, with respect to an individual who is a debtor, the Debtor is the equity interest holder. In this case, because the Debtor is an individual, its equity interest will be unimpaired by the Plan.

#### **IV. MEANS OF IMPLEMENTING THE PLAN**

##### Sources of Payments

The Debtor averages over \$20,000 a month in gross income and has expenses of rent (\$7800), taxes (\$3000), salaries (\$4000), car payment (\$973), insurance (\$300), cable (\$300), office expenses (\$500) and cleaning (\$300).

##### Method of Plan Payments

Before the Effective Date of the Plan, the Debtor may retain a distribution agent (the "Distribution Agent"). Except as otherwise provided in the Plan, upon confirmation, the Debtor shall begin making monthly distributions to the Distribution Agent, if one is utilized, under the Plan. If a Distribution Agent is utilized, that individual shall begin, as soon as practical, making pro rata payments to appropriate distributees.

##### Distributions on Account of Claims Allowed After the Effective Date

Except as otherwise provided in the Plan, or upon the entry of a final, non-appealable order of the Bankruptcy Court, or as agreed to by the relevant parties, distributions under the Plan on account of a disputed claim that becomes an allowed claim after the Effective Date of the Plan shall be begin on the regular quarterly payment date, as established by the Distribution Agent if one is utilized, which is at least thirty (30) days after such claim becomes an allowed claim. Notwithstanding anything in the Plan to the contrary, and except as otherwise agreed to by the relevant parties, no partial payments and no partial distributions shall be made with respect to a disputed claim until all such disputes in connection with such disputed claim have been resolved by settlement among the parties or a final order of the Court. In the event that there are disputed claims requiring adjudication and resolution, the Distribution Agent, if utilized, shall establish appropriate reserves for potential payment of such Claims.

In no event, however, shall a Distribution Agent be held liable for any failures of the Debtor to make any of its payments required under the Plan.

#### Post-confirmation Management

The Debtor will manage its properties post-petition in the ordinary course. It will be authorized to enter into, terminate and renew lease agreements as it sees fit. Such activities may include retaining management companies to aid in the renting of the property, drafting and serving eviction notices, negotiating loan modifications or refinancing, and repairing the properties in a manner consistent with preserving the value.

#### Risk Factors

The significant risk related to the Debtor's Plan is the continued deterioration of both the housing and rental markets. Should the rental market deteriorate in a manner which causes the Debtor's property to become unmarketable or unaffordable, and the related mortgages could not be modified or refinanced to reflect the changed circumstances, the Debtor may become unable to make Plan payments.

#### Executory Contracts and Unexpired Leases

If you believe that you may have or had an executory contract or unexpired lease with the Debtor, you should assert any attendant rights or obligations as soon as practicable. In any event, leases, whether or not within the legal definition of an executory contract or unexpired lease, shall continue to be honored. If you have any concerns, it is suggested that you retain experienced bankruptcy counsel to assure that your rights are protected.

#### Tax Consequences of Plan

Creditors Concerned with How the Plan May Affect Their Tax Liability Should Consult with their own Accountants, Attorneys, and/or Advisors.

The Debtor does not anticipate any adverse tax consequences to its estate from the Plan. To the extent the Debtor receives any debt forgiveness income related to this Chapter 11 case, such income would not be taxable under Section 108(a)(1) of the Internal Revenue Code, 26 U.S.C. §§ 1, *et seq.* This cancellation of debt income will become final upon discharge, which may not occur until 60 months after the Effective Date of the Plan. Pursuant to Internal Revenue Code section 108(b), the cancellation and forgiveness of debt will, in fact, reduce the tax basis of each of the



Debtor's properties to the extent a debt cancellation relates to a particular property. As a result, the depreciation deduction for a property, which is based on that property's basis, may be affected. In addition, the Debtor may file a separate income tax return to report the income of the bankruptcy estate. The Debtor may have rights to deduct the interest paid on mortgages, whether such payments were tendered before or after the Effective Date of the Plan.

## **V. CONFIRMATION REQUIREMENTS AND PROCEDURES**

To be confirmable, the Plan must meet the requirements listed in Section 1129(a) or (b) of the Bankruptcy Code. These include the requirements that: (i) the Plan must be proposed in good faith; (ii) at least one impaired class of claims must accept the plan, without counting votes of insiders; (iii) 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 (iv) the Plan must be feasible. These requirements are not the only requirements listed in Section 1129, and they are not the only requirements for confirmation.

### 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 (and allowed for voting purposes) and (2) impaired.

In this case, the Debtor believes that Classes 1 through 4 are impaired, and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan.

### What Is an Allowed Claim?

Only a creditor with an allowed claim has the right to vote on the Plan. Generally, a claim is allowed if either (A) the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as disputed, contingent, or un-liquidated, or (B) the creditor has filed a proof of claim, unless an objection has been filed to such proof of claim by the Debtor, in which case, such creditor cannot vote unless the Court, after notice and hearing, either overrules the

objection or allows the claim for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

The deadline for filing a proof of claim in this case was January 11, 2017, for general creditors and March 7, 2017, for governmental entities.

#### What Is an Impaired Claim?

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 Section 1124 of the Bankruptcy Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

#### Who is NOT Entitled to Vote?

The holders of the following six types of claims are *not* entitled to vote:

- Holders of claims that have been disallowed by an order of the Court;
- Holders of other claims that are not “allowed claims” (as discussed above), unless they have been “allowed” for voting purposes;
- Holders of claims in unimpaired classes;
- Holders of claims entitled to priority pursuant to Sections 507(a)(2), or (a)(8) of the Bankruptcy Code;
- Holders of claims in classes that do not receive or retain any value under the plan; and
- 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.

#### 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.

#### Votes Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plan unless (A) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, or

(B) 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 below.

#### Votes necessary for a Class to Accept the Plan

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

#### Fair Treatment of Non-Accepting Classes

The Court may still confirm the Plan, even if one or more creditors or classes vote against the Plan, if the non-accepting classes are treated in the manner prescribed by Section 1129(b) of the Bankruptcy 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 Section 1129(a)(8) of the Bankruptcy Code, does not “discriminate unfairly,” and is “fair and equitable” toward each impaired class that has not voted to accept the Plan. For an individual, like the Debtor, “fair and equitable” would mean that the Debtor must devote its “disposable income” to the Plan, as that term is used in Chapter 11. Even though the “disposable income” analysis might not be applicable unless an unsecured creditor votes against the Plan, the Debtor believes that the treatment proposed in the Plan is adequate to meet any “disposable income” analysis.

Nevertheless, you should consult your own attorney regarding whether “disposable income” is being disbursed.

#### Rights of an Undersecured Creditor to “Elect” to Be Treated as Fully Secured

The Bankruptcy Code allows an undersecured creditor (A creditor who has collateral securing its debt, but the value of collateral still being less than the debt amount) to elect to have its debt treated as fully secured. Without this election, the debt might be treated as partially secured and partially unsecured. The benefits and costs of this can only be explained by competent and experienced legal counsel. It is suggested that should you want to consider this election – through Bankruptcy Code section 1111(b) – that you obtain such counsel.

### Liquidation Analysis

To confirm the Plan, the Court must find that all creditors who do not accept the Plan will receive at least as much under the Plan as such claim holders would receive in a Chapter 7 liquidation.

### 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.

### Ability to Initially Fund the Plan

The success of the initial funding of the Plan will be assured. The Nevada Property was sold with a profit. Therefore, there should be sufficient funds for the Plan. Tables, showing the amount of cashflow to be available on the Effective Date of the Plan

### Ability to Make Future Plan Payments and Operate Without Further Reorganization

The Debtor must also show that it will have enough cash over the life of the Plan to make the required Plan Payments. The Debtor will have an aggregate surplus cash flow, after paying operating expenses. An analysis, to accompany this disclosure statement, will indicate that there will be sufficient cash flow to pay \$250.00 a month to unsecured creditors. The final Plan payments of these distributions are expected to occur about July, 2022.

You should consult with your accountant or other financial advisor if you have any questions pertaining to these projections.

## **VI. EFFECT OF CONFIRMATION OF THE PLAN**

### Discharge of the Debtor

Confirmation of the Plan does not discharge any debt provided for in the Plan until the Court grants a discharge on completion of all payments under the Plan, or as otherwise provided in Section 1141(d)(5) of the Bankruptcy Code. The Debtor will not be discharged from any debt excepted from discharge under Section 523 of the Bankruptcy Code, except as provided in Rule 4007(c) of the Federal Rules of Bankruptcy Procedure.

### Modification of Plan

The Debtor may modify the Plan at any time before confirmation of the Plan. The Court, however, may require a new Disclosure Statement and/or re-voting on the Plan.

The Debtor, the United States Trustee or the holder of any allowed or unsecured claim may also seek to modify the Plan at any time after confirmation only if (A) the Plan has not been substantially consummated and (B) the Court authorizes the proposed modifications after notice and a hearing.

Upon request of the Debtor, the United States Trustee or the holder of any allowed or unsecured claim, the Plan may be modified at any time after confirmation of the Plan, but before the completion of payments under the Plan, to (1) increase or reduce the amount of payments under the Plan on claims of a particular class, (2) extend or reduce the time period for such payments, or (3) alter the amount of distribution to a creditor whose claim is provided for by the Plan to the extent necessary to take on accounting of any payment of a claim made other than under the Plan.

Effective as of the date hereof and subject to the limitations and rights contained in the Plan: (a) the Debtor reserves the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify the Plan prior to the entry of the confirmation order; and (b) after the entry of the confirmation order, the Debtor or the reorganized Debtor, as applicable, may, upon order of the Bankruptcy Court, amend or modify the Plan, in accordance with section 1127(b) of the Bankruptcy Code or remedy any defect or omission or reconcile an inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan; provided, however, that any modification to the Plan shall not affect the rights or treatment of holders of General Unsecured Claims.

### Final Decree

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

## **VII. OTHER PLAN PROVISIONS**

### Vesting of Assets in the Debtor

After confirmation of the Plan, all property of the Debtor shall vest in it, free and clear of all liens, claims, charges or other encumbrances, except the Debtor's first lien holder on its residence, and except for those other liens affected by the order approving the plan. The Debtor may operate its business and may use, acquire or dispose of property and compromise or settle any claims without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan and the confirmation order. Without limiting the foregoing, the Debtor shall pay the charges that it incurs after confirmation for professionals' fees, disbursements, expenses or related support services (including reasonable fees relating to the preparation of professional fee applications) without application to the Bankruptcy Court.

### Release of Liens, Claims and Equity Interests

Except as otherwise provided herein or in any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, upon confirmation, all liens, claims, mortgages, deeds of trust, or other security interests against the property of the Debtor's estate shall be fully released and discharged.

### Effectuating Documents; Further Transactions; Exemption from Certain Transfer Taxes

The Debtor may take all actions to execute, deliver, file or record such contracts, instruments, releases and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and implement the provisions of the Plan. Pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property pursuant to the Plan shall not be subject to any stamp tax or other similar tax or governmental assessment in the United States, and the confirmation order shall direct the appropriate state or local governmental officials or agents to forgo the collection of any such tax or governmental assessment and to accept for filing and recordation instruments or other documents pursuant to such transfers of property without the payment of any such tax or governmental assessment. The Plan, however, does not propose or envision any such transfers.

### Revocation of Plan

The Debtor reserves the right to revoke or withdraw the Plan prior to the confirmation hearing and to file subsequent Chapter 11 plans. If the Debtor revokes or withdraws the Plan, or if confirmation does not occur, then: (1) the Plan shall be null and void in all respects; (2) any settlement or compromise embodied in the Plan, assumption or rejection of Executory Contracts or Unexpired Leases effected by the Plan and any document or agreement executed pursuant hereto shall be deemed null and void except as may be set forth in a separate order entered by the Court; and (3) nothing contained in the Plan shall: (a) constitute a waiver or release of any Claims by or against, the Debtor or any other entity; (b) prejudice in any manner the rights of the Debtor or any other entity; or (c) constitute an admission, acknowledgement, offer or undertaking of any sort by the Debtor or any other entity.

### Successors and Assigns

The rights, benefits and obligations of any entity named or referred to herein shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor or assign of such entity.

### Reservation of Rights

Except as expressly set forth in the Plan, the Plan shall have no force or effect until the Court enters the confirmation order. Neither the filing of the Plan, any statement or provision contained in the Disclosure Statement, nor the taking of any action by the Debtor or any other entity with respect to the Plan shall be or shall be deemed to be an admission or waiver of any rights of: (1) any Debtor with respect to the holders of claims or other entity; or (2) any holder of a Claim or other entity prior to the Effective Date of the Plan.

### Further Assurances

The Debtor or the reorganized Debtor, as applicable, all holders of Claims receiving distributions under the Plan and all other entities shall, from time to time, prepare, execute and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan or the confirmation order.

### Severability

If, prior to confirmation of the Plan, any term or provision of the Plan is held by the Court to be invalid, void or unenforceable, the Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the

original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision then will be applicable as altered or interpreted, *provided* that any such alteration or interpretation must be in form and substance reasonably acceptable to the Debtor, and, to the extent such alteration or interpretation affects the rights or treatment of holders of general unsecured claims, such claim holder.

Filing of Additional Documents

On or before the Effective Date, the Debtor may file with the Court all agreements and other documents that may be necessary or appropriate to effectuate and further evidence the terms and conditions hereof.

DATED: July 5, 2017.

/s/ David Vaughan  
Vaughan Fitness  
Debtor in Possession

/s/ David A. Riggi  
David A. Riggi, Esq.  
Attorney for the Debtor in Possession



## **EXHIBITS**

**Exhibit A** - Copy of Proposed Plan of Reorganization