

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF PUERTO RICO**

IN RE:

AIR SUB CORP.

Debtor In Possession

CASE NO. 16-01709 MCF

CHAPTER 11

**SMALL BUSINESS DISCLOSURE STATEMENT
DATED OCTOBER 25, 2016**

TO THE HONORABLE COURT

TO CREDITORS

TO OTHER PARTIES IN INTEREST

The Debtor herein, as debtor in possession, through the undersigned attorneys, submit its Disclosure Statement as of October 25, 2016, together with the proposed plan of reorganization.

RESPECTFULLY SUBMITTED

In Guaynabo, Puerto Rico, this 25th day of October, 2016.

s/Nilda M. González-Cordero

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I. INTRODUCTION

This is the Small Business Disclosure Statement (the “Disclosure Statement”) Chapter 11 case of Air Sub Corp., hereinafter referred to as Air Sub, (the “Debtor”). This Disclosure Statement contains information about the Debtor and describes the Plan of Reorganization, (the “Plan”) filed by Air Sub on the same date, October 25, 2016. 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 to 11 of this Disclosure Statement.

A. Purpose of This Document

This Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case,
- 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),
- 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 Air Sub believes the Plans 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 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 Plan itself what will, if confirmed, establish your rights.

B. Deadlines for Voting and Objecting; Date of Plan Confirming 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 Confirm the Plan*

The hearing at which the Court will determine whether to approve this Disclosure Statement and confirm the Plan will be scheduled and notified by the Court and will take place at the United States District Court for the District of Puerto Rico, José V. Toledo Federal Building, 300 Recinto Sur Street, Courtroom No. 3, Floor 3, Old San Juan, Puerto Rico.

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 ballot you will receive and you must return it to: **Nilda M. González-Cordero, Gonzalez Cordero Law Offices, P.O. Box 3389, Guaynabo, Puerto Rico 00970**. See **Section V. A.** below for a discussion of voting eligibility requirements.

You will be notified of the date the ballot must be received. If your ballot is not received on the specified date 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 and served upon by the date given by the Court of which you will be notified.

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

If you want additional information about the Plan, you should contact the undersigned attorney, Nilda M. González-Cordero, to the phone and addresses below.

C. Disclaimer

Creditors are advised that the financial information contained in this Disclosure Statement has not been the object of an audit and is not certified by independent public accountants, except where expressly stated otherwise. The Debtor does not warrant or represent that the information contained herein is without inaccuracy notwithstanding its efforts to disclose all matters with careful attention to accuracy and completeness.

Any representation concerning the Debtor, and/or any other statement relative to it, different from, or not included in this Disclosure Statement, is not authorized by the Debtor. Any representation or inducement not contained in this Disclosure Statement, which might be made to secure acceptance of the Plan, should not be relied upon by a creditor in deciding how to vote on the Plan.

The Court's approval of this Disclosure Statement is subject to the hearing on the confirmation of the Plan. You will be notified of the date for objections to the adequacy of this Disclosure Statement.

II. BACKGROUND

A. Description and History of the Debtor's Business

Debtor, Air Sub, is a corporation duly registered at the Puerto Rico State Department since December 7, 2000. Debtor operates a business of two Subway Restaurants with locations within the Luis Muñoz Marín International Airport.

There are four (4) corporations related to Air Sub: N&N Sub Corp., Subway Señorial Paraná Corp. (Subway Señorial), YA Y NS Sub Corp and EANS Corp. Of those corporations, three (3)

filed voluntary petitions under Chapter 11 of the Bankruptcy Code on April 1st, 2016: 16-02596 (N & N), 16-02597 (Señorial) and 16-02598 (YA Y NS).

N&N Sub Corp. is a corporation duly registered at the Puerto Rico State Department since February 11, 1998 and operates a business of a Subway Restaurants with location at La Quinta Shopping Center, Luna Street 175 Space 4b, San German, PR 00683. Subway Señorial Paraná is a corporation duly registered at the Puerto Rico State Department since January 31, 2006 and operates a business of a Subway Restaurants with location at Urb. El Paraiso 1320, Calle Parana, San Juan, PR 00926. Finally, YA Y NS Sub, Corp. is a corporation duly registered at the Puerto Rico State Department since February 9, 2006 and operates a business of a Subway Restaurants with location at Centro Comercial Municipal, Lajas, PR 00667.

On April 11, 2016 all four (4) corporations that filed for bankruptcy presented a Request for Substantive Consolidation under Air Sub Corp as the lead case which was granted by this Honorable Court on June 24, 2016. (Dockets #19 & 55)

B. Insiders of the Debtor

Debtor's insiders are:

1. Norman Sierra Sorrentini – Shareholder and President of Air Sub Corp and all other related corporations. He receives income from Debtor corporation pursuant professional services agreement in the amount of \$10,000.00 monthly. Beginning on October 15, 2016, Mr. Sierra commenced to receive \$1,000.00 as car allowance compensation.
2. Yahiza S. Acevedo Sierra – 50% shareholder and Vice-President of YA Y NS Sub, Corp. She receives no income or any type of compensation from Debtor.
3. EANS Corp. – related corporation which operates a Subway Restaurant located at Yauco Plaza1-137, Yauco, Puerto Rico. This corporation did not filed for bankruptcy.

C. Events Leading to Chapter 11 Filing

A combination of circumstances lead Debtor to bankruptcy including lower sales and the accumulation of arrears with the Department of Treasury and the Internal Revenue Service. Other important factor that triggered the need of the Chapter 11 were problems with the administration of the restaurants due to serious health situation suffered by its President which forced him to take a leave from the management. As he came back he discovered the mismanagement and arrears; by that time the corporations' revenues were insufficient to cover all outstanding debts to creditors.

D. Significant Events During the Bankruptcy Case

- The professionals that have been approved by the court are the following:
 - Nilda M. González Cordero, Esq., Attorney for debtor during all bankruptcy proceedings. Approved as counsel for debtor by the court on April 14, 2016.

- Luis Cruz, CPA. Accountant for debtor for all matters related to the bankruptcy and all other financial situations. Approved as accountant for debtor by the court on June 9, 2016.
- The 341 Meeting of Creditors was held and closed and the Status Conference before this Honorable Court was also held.
- Debtor recently filed an objection to proof of claim #17 filed by the Department of Treasury. There are no other pending litigations or adversary proceedings at the Bankruptcy Court.

E. Projected Recovery of Avoidable Transfers

Debtor do not intend to pursue preference, fraudulent conveyance, or other avoidance actions.

F. 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 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 disputing claims are set forth in Article V of the Plan.

At this moment there is an objections to claim pending. Debtor objected proof of claim #17 filed by the Department of Treasury due to a mathematical error in the amount of \$9,660.06. (Docket #94) The objection period for creditor has not expired yet. Air Sub reserves the right of filing objections to additional proof of claims prior to the confirmation of the Chapter 11 Plan.

The deadline for filing objections to claims is 45 days before the Confirmation Hearing, or 30 days after the filing of the proof of claim, whichever is later.

G. Current and Historical Financial Conditions

Debtor's post petition Monthly Operating Reports have been filed. The most recent operating report filed since the commencement of the Debtor's bankruptcy case was for the period ending on September 30, 2016.

The Schedules, as amended, the Statement of Financial Affairs and the operating reports reflect Debtor's financial information as of the date of the filing of the Bankruptcy Petition and thereafter.

Monthly Operating Reports are available in the Bankruptcy Court's legal docket. Creditors and parties in interest may review the Court's docket in order to make a fully informed decision when voting for the proposed plan herein provided by Debtor.

A Summary of Post-Petition Operating Reports filed up to September 30, 2016 is attached to this Disclosure Statement as **Exhibit B**.

III. ASSETS AND LIABILITIES

A. Assets as of the Petition date, as amended

As of the Petition date, Debtor's assets were listed in Schedule B, the corporation is not owner of any real estate property. Debtor's assets consist of the following in their estimated market value as of the date of the filing:

Asset	Value
Account Receivables	\$13,000.00
Air Sub Corp. Ingredient Inventory	10,336.60
N & N Sub Corporation Ingredient Inventory	5,864.72
Subway Señorial Ingredient Inventory	3,957.04
YA Y NS Sub, Corp. Ingredient Inventory	3,858.40
Air Sub Corp. Office Equipment	35,000.00
N & N Sub Corporation Office Equipment	15,000.00
Subway Señorial Paraná Corp. Office Equipment	15,000.00
YA Y NS Sub, Corp. Office Equipment	15,000.00
Total	\$117,016.76

B. Liabilities as of the Petition date, as amended

As of the filing of the Petition liabilities were listed in the Schedules as follows:

Type	Schedule	Amount due
Secured liabilities	Schedule D	\$182,840.28
Unsecured priority liabilities	Schedule E	\$1,090,783.11
General unsecured liabilities	Schedule F	\$837,105.55

IV. SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

A. What is the 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 Debtor has *not* placed the following claims in any class:

1. *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:

Type	Estimated Amount Owed	Proposed Treatment
Expenses Arising in the Ordinary Course of Business After the Petition Date	\$0.00	Paid in full on the effective date of the Plan, or according to terms of obligation if later.
The Value of Goods Received in the Ordinary Course of Business Within 20 Days Before the Petition Date	\$0.00	Paid in full on the effective date of the Plan, or according to terms of obligation if later.
Professional fees, as approved by the Court	\$28,000.00	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
Clerks Office Fees	\$0.00	Paid in full on the effective date of the Plan
Other administrative expenses	\$0.00	Paid in full on the effective date of the Plan or according to separate written agreement
Office of the U.S. Trustee Fees	\$6,500.00	Paid in full on the effective date of the Plan
TOTAL	\$34,500.00	

2. *Priority Tax Claims*

Priority tax claims are unsecured income, employment, and other taxes described by §507(a)(8) of the Code. Unless the holder of such a §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.

The following chart lists the Debtor's estimated §507(a)(8) priority tax claims and their proposed treatment under the Plan:

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Description (name and type of tax)	Estimated Amount Owed	Date of Assessment	Treatment
Internal Revenue Services Employee withholdings	\$2,507.01	2010 & 2012	60 monthly payments of \$45.05 each until year 2021. Interest Rate 3% Total Payout Amount: \$2,703.00.
PR Department of Treasury Employee withholding	\$121,573.02	2004-2015	60 monthly payments of \$2,184.51 each until year 2021. Interest Rate 3% Total Payout Amount: \$131,070.00.
PR Department of Treasury IVU taxes	\$780,501.50	2010-2015	60 monthly payments of \$14,024.59 each until year 2021. Interest Rate 3% Total Payout Amount: \$841,475.00.
Municipality – Autonomus- of San Juan Municipal IVU taxes	\$4,172.63	2010-2015	60 monthly payments of \$74.98 each until year 2021. Interest Rate 3% Total Payout Amount: \$4,499.00.
Municipality – Autonomus- of San Juan Municipal Taxes (“patentes”)	\$1,430.55	Unknown	60 monthly payments of \$25.71 each until year 2021. Interest Rate 3% Total Payout Amount: \$1,542.00.
Municipality – Autonomus- of Carolina Municipal IVU taxes	\$47,446.02	2012-2015	60 monthly payments of \$852.54 each until year 2021. Interest Rate 3% Total Payout Amount: \$51,153.00.
Municipality – Autonomus- of Carolina Municipal Taxes (“patentes”)	\$13,078.13	2009-2015	60 monthly payments of \$235.00 each until year 2021. Interest Rate 3% Total Payout Amount: \$14,100.00.

Municipality – Autonomus- of San German Returned Checks	\$1,742.90	Unknown	60 monthly payments of \$31.32 each until year 2021. Interest Rate 3% Total Payout Amount: \$1,879.00.
PR Department of Labor and Human Resources Vacation benefits to Nitza Santiago Díaz	\$598.40	2014-2015	1 payments of \$598.40 at the effective date of the plan.
PR Department of Labor and Human Resources Vacation benefits to Susan Lebrón Cardona	\$640.00	2014-2015	1 payments of \$640.00 at the effective date of the plan.
PR Department of Labor and Human Resources Vacation benefits to Iaritza Rodríguez Rodríguez	\$560.00	2014-2015	1 payments of \$560.00 at the effective date of the plan.

A Schedule of Payments to Creditors is attached as **Exhibit C**.

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:

a. Classes of Secured Claims

Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate, or that are subject to setoff, to the extent allowed as secured claims under §506 of the Code. 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.

There are two secured creditors in this case; each will be classified separately. The following chart lists all classes containing Debtor's secured prepetition claims and their proposed treatment under the Plan:

Class #	Description	Insider? (yes or no)	Impairment	Treatment
1	Banco Popular de Puerto Rico Commercial loan with lien over business equipment. Allowed Secured Amount: \$325,889.38 (POC #11)	No	This class is impaired	48 monthly payments of \$7,431.41 each until year 2020. Interest Rate 4.5% Total Payout Amount: \$356,708.00.

Consolidated Schedules included creditor, **Madison Capital**, as a secured creditor on Schedule D. Said creditor provided financing over equipment and the debt was paid off as per its own terms on June 2016; therefore the Chapter 11 Plan does not contemplate payment to said creditor. If it were to be classified within the plan, **Madison Capital** would be an unimpaired class and, therefore, would have no right to vote.

A Schedule of Payments to Creditors is attached as **Exhibit C**.

b. Classes of Priority Unsecured Claims

Certain priority claims that are referred to in §§507(a)(1),(4),(5),(6) and (7) of the Code are required to be placed in classes. The Code requires that each holder of such a claim receive cash on the effective date of the Plan equal to the allowed amount of such claim. However, a class of holders of such claims may vote to accept different treatment. There are no claims that falls into this class.

c. Class of General Unsecured Claims

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

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

Class	Description	Impairment	Treatment
2	General Unsecured Class	This class is impaired	60 monthly payments of \$807.12 each until year 2021. Total Payout Amount: \$48,427.00.

Consolidated Schedules included creditors, **Aerostar Airport Holdings, LLC** and **Matosantos Commercial Corp.**, as a general unsecured creditors on Schedule E/F. **Aerostar** is the lease holder of the commercial lease agreement at the airport facilities and **Matosantos** was the exclusive food supplier for all Subway restaurants. Being, unexpired lease and executory contract, respectively, Debtor assumed both contracts and reach agreements for the prompt cure of pre-petition arrears pursuant 11 U.S.C. §365 (a) and (b). Both debts were paid off prior to the preparation and filing of the Disclosure Statement and Chapter 11 Plan, therefore the Plan does not contemplate payment to said creditors. If the plan would contemplate **Aerostar** and/or **Matosantos** as creditors they would be classified as unimpaired and would have no right to vote.

A Schedule of Payments to Creditors is attached as **Exhibit C**.

d. Class[es] of 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. There are no claims that falls into this class.

D. Means of Implementing the Plan

1. Source of Payments

Payments and distributions under the Plan will be funded by the regular course of business operations through the monthly income.

2. Post Confirmation Management

Name	Position	Insider (yes or no)?	Responsibilities	Compensation
Norman Sierra Sorrentini	President	Yes	Supervise and coordinate management corporation duties. Visit restaurants to supervise its operation upon need. Oversight compliance of franchise’s standards and represents the corporation in negotiations of lease and/or executory contracts when needed; among other.	\$10,000.00 monthly plus car allowance in the amount of \$1,000.00.
Yahiza S. Acevedo Sierra	Vice- President of YA Y NS	Yes	Currently, Ms. Acevedo Sierra has no duties on the corporation.	Receives no compensation.

E. Risk Factors

The industry in which Air Sub operates undergoes constant changes, as is happening with all industries in these days. Nevertheless, Debtor has the advantage of being backed-up by a franchise that is solid on its national operations and has a solid market in Puerto Rico. On the other hand, the lease agreement with Aerostar Airport Holdings, LLC will expire by the end of January 2017. Debtor’s President and the management corporation have been handling negotiations with the corporations in charge of re-negotiating contracts at the airport facilities. Certainly the economic situation that the island is undergoing is a risk factor on itself for all businesses, however Debtor is positive that it will be able to comply with the proposed plan.

F. Executory Contracts and Unexpired Leases

The Plan, in Section 6.01, lists all executory contracts and unexpired leases that the Debtor will assume under the Plan. Debtors is party to four (4) unexpired commercial lease agreements for the operation of the restaurants as follows: Aerostar Airport Holdings, LLC, Five Development Company, Municipio de Lajas, and Roberto Méndez Fernández. Monthly rents add up to \$46,800.00, approximately due to the fact that the lease agreement with Aerostar includes a payment of \$5,322.43 or 15% of the monthly gross sales, whichever is greater. The estimated amount for a total annual rent expense is \$560,000.00.

Debtor is also party of an executory contract, a Management Agreement, with Buena Comida de Puerto Rico Inc. In addition, during the Chapter 11 case a supplier agreement was assumed by Debtor with Matosantos Commercial Corp. (Dockets #59 & 73) Nevertheless, afterwards, Subway Headquarters decided that Matosantos will no longer be the exclusive food supplier to Subway Restaurants in Puerto Rico. Currently, Plaza Food Systems and Ballester Hermanos, Inc. have the exclusivity of the food supplies to all Subway Restaurants in Puerto Rico by virtue of agreements signed by Subway Head Quarters. Air Sub has no direct agreement with none of those corporations, the agreement is reached and sign by the suppliers and headquarters directly and franchisees are bound by it.

Debtor assumes all unexpired leases and executory contracts to which they are a party and which have not been expressly rejected pursuant to 11 U.S.C. §365(a). Assumption means that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Code, if any.

All executory contracts and unexpired leases that are not listed in Section 6.01 will be rejected 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.

G. 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.

V. CONFIRMATION REQUIREMENTS AND PROCEDURES

To be confirmable, the Plan must meet the requirements listed in §1129(a) or (b) of the Code, 11 U.S.C §1129 (a) or (b). 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 there are two (2) classes of claims and both of them are impaired. The holders of claims in this class are therefore entitled to vote to accept or reject the Plan. The Debtor believes that there are no unimpaired creditors, the holders of such claims, if any, 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.

The deadline for filing a proof of claim in this case was July 7, 2016 for non-governmental creditors and August 30, 2016 for governmental units.

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, 11 U.S.C. §1124, 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 five 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; 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.

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, 11 U.S.C. §1129(b). A plan that binds non-accepting classes is commonly referred to as a “cramdown” 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 “cram down” 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**.

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 Debtor believes that it will have enough cash on hand on the effective date of the Plan to pay all the claims and expenses that are entitled to be paid on that date. 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 Debtor must also show that it will have enough cash over the life of the Plan to make the required Plan payments.

The Debtor has provided projected financial information. Those projections are listed in **Exhibit E**.

The Debtor's financial projections show that the Debtor will have an aggregate annual average cash flow, after paying operating expenses and post-confirmation taxes, of \$27,100.00. The final Plan payment is expected to be paid on 2021.

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

VI. EFFECT OF CONFIRMATION OF PLAN

After the plan is confirmed, the debtor is required to make plan payments and is bound by the provisions of the plan of reorganization. The confirmed plan creates new contractual rights, replacing or superseding pre-bankruptcy contracts.

You should consult your own attorney if the binding effect of the confirmed plan will affect your claim or equity interest.

A. Discharge of Debtor

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 Debtor may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new disclosure statement and/or revoking on the Plan.

The Debtor 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 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.

D. Consequences of Default

If Debtor is unable to perform the terms and conditions of this Plan, then it will be in default. Pursuant to §1141, once a plan under Chapter 11 is confirmed, a creditor can no longer enforce its pre- Chapter 11 claims, but is limited to the rights granted in the plan. The creditor may sue the Debtor for the remaining unpaid balance as provided in the plan. The creditor should consult with its attorney regarding bankruptcy and non- bankruptcy remedies available.

E. Retention of Jurisdiction

The Bankruptcy Court shall retain jurisdiction over this case to enable Debtor to consummate such proceedings that may arise in order to carry out the provisions of the proposed Plan before or after the entry of the order of confirmation and up to the date of the closing of the case. Specifically, upon the entry of the order of confirmation, this Court will retain jurisdiction to rule and dispose of any objection to the allowance of proof of claims filed within the terms detailed herein.

This is the Disclosure Statement hereby proposed to creditors and parties in interest, filed with the Honorable Bankruptcy Court on this same date. Parties are encouraged to review this document in order to formulate an informed decision on Debtor's whereabouts and conditions.

RESPECTFULLY SUBMITTED

Air Sub Corp.
Small Business Disclosure Statement dated October 25, 2016

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In Guaynabo, Puerto Rico, this 25th day of October, 2016.

s/Norman Sierra Sorrentini
NORMAN SIERRA SORRENTINI
President
AIR SUB CORP.

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