

United States Bankruptcy Court  
For the District of Puerto Rico

In re: **GLOBAL FITNESS SOLUTION, INC.**

Case No. 16-01721(ESL)

Debtor

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Chapter 11

**DISCLOSURE STATEMENT FOR THE SMALL BUSINESS CHAPTER 11 PLAN  
OF REORGANIZATION OF GLOBAL FITNESS SOLUTION, INC**

PLEASE NOTE THAT THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL, AND HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT. THIS IS NOT A SOLICITATION OF VOTES WITH RESPECT TO THE DEBTOR'S PLAN OF REORGANIZATION PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE OR AN OFFER WITH RESPECT TO ANY SECURITIES. ANY SUCH SOLICITATION OF OFFER WILL COMPLY WITH ALL APPLICABLE SECURITIES LAWS AND PROVISIONS OF THE BANKRUPTCY CODE. ACCEPTANCES OR REJECTIONS OF THE DEBTOR'S PLAN MAY NOT, AND WILL NOT, BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. ACCORDINGLY, THE INFORMATION CONTAINED HEREIN IS SUBJECT TO CHANGE.

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## **ARTICLE I INTRODUCTION**

This is the disclosure statement (the "Disclosure Statement") in the Small Business Chapter 11 case of GLOBAL FITNESS SOLUTION, INC. (the Debtor). This Disclosure Statement contains information about the Debtor and describes the Plan of Reorganization (the "Plan") filed by the Debtor on August 22, 2016. A full copy of the Plan is submitted with this Disclosure Statement as a separate document. ***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 9-12 of this Disclosure Statement. [General unsecured creditors are classified in Class 1, and will receive a distribution of 5% of their allowed claims.]

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

This Disclosure Statement includes, without limitation, information about:

- the Debtor's corporate history and significant events during the bankruptcy case;
- events leading to the Chapter 11 case;
- the classification and treatment of claims and interests under the Plan, including who is entitled to vote on the Plan;
- significant aspects of the Plan, including how distributions under the Plan will be made;
- the statutory requirements for confirming the Plan;
- certain risk factors creditors should consider before voting and information regarding alternatives to confirmation of the Plan; and
- certain income tax consequences of the Plan.

In light of the foregoing, the Debtor believes that the Disclosure Statement contains "adequate information" to enable a hypothetical reasonable investor to make an informed judgment about the Plan and complies with all aspects of section 1125 of the Bankruptcy Code.

The Debtor believes the Plan is in the best interest of its estate and its creditors and strongly recommends that you vote to accept the Plan if you are entitled to vote. Assuming the requisite acceptances to the Plan are obtained, the Debtor will seek the Bankruptcy Court's approval of the Plan at the Confirmation Hearing.

The Plan and all documents to be executed, delivered, assured, and/or performed in connection with the Consummation of the Plan, are subject to revision and modification from time to time prior to the Effective Date.

### ***B. Overview of Chapter 11***

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. In addition to permitting debtor rehabilitation, Chapter 11 promotes equality of treatment for similarly situated creditors and similarly situated equity interest holders, subject to the priority of distributions prescribed by the Bankruptcy Code.

The commencement of Chapter 11 Case creates an estate that comprises all of the legal and equitable interests of the debtor as of the bankruptcy commencement date (the "Petition Date"). The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession".

Consummating a plan is the principal objective of a Chapter 11 Case. The Bankruptcy Court's confirmation of a plan binds the debtor, any person acquiring property under the plan, any creditor or equity interest holder of a debtor and any person or entity as maybe ordered by the Bankruptcy Court, in accordance with the applicable provisions of the Bankruptcy Code. Subject to certain limited exceptions, the order issued by the Bankruptcy Court confirming a plan provides for the treatment of the debtor's debt in accordance with the terms of the confirmed plan.

### ***C. 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 finally approve the Disclosure Statement and Confirm the Plan.*

This Honorable Court will schedule hearing at which the Court will determine whether to finally approve this Disclosure Statement. Hereinafter, the Court will schedule hearing on confirmation of the Plan. Hearing will be held at **JOSE V TOLEDO FED BLDG & US COURTHOUSE, 300 RECINTO SUR, 2<sup>ND</sup> FLOOR COURT ROOM 1** at the Bankruptcy Court for the District of 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 enclosed ballot and return the ballot in the enclosed envelope to **EMILY D.DAVILA, ESQ., 420 PONCE DE LEON, MIDTOWN #311, SAN JUAN, PR 00918.**

- 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 14 days prior to hearings scheduled on approval of Disclosure Statement and confirmation of the Plan.

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

If you want additional information about the Plan, you should contact Attorney Emily D. Dávila.

**ARTICLE II  
BACKGROUND**

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

The Debtor is a small business as defined in 11 USC § 101 (51D). The corporation organized under the laws of the Commonwealth of Puerto Rico in 2010, engaged in the operation of a gym located at Plaza Caparra Shopping Mall.

In order to use the Debtors' modern facilities, customers are required to sign a membership contract for a term of 12 or 18 months. Monthly fee is charged electronically to the customer's bank account.

Debtor has experienced cash flows problems during the last couple of years, and because of this, it has accumulated significant debts, mainly to governmental agencies.

***B. Management of the Debtor Before and During the Bankruptcy***

Since the beginning of operations and thru the date on which the bankruptcy petition was filed, the President and sole stockholder of the Debtor has been Daivelyne Rivera, who will also be in charge of the general supervision of Debtor's operations after the effective date of the order confirming the Plan. Mrs. Daivelyne Rivera works on a full time basis in a non related institution and devotes some hours per week to the general supervision and administration of Debtor's operation for a monthly compensation of \$600.

***C. Events Leading to the Commencement of the Chapter 11 Case***

- 1) Several years ago, Debtor began operating a gym located in Plaza Caparra Shopping Mall.
- 2) For many years, Debtor kept the same monthly membership fee despite of a continuous increase in operating costs.
- 3) During the last year, many customers have not honored the monthly fee as provided in the membership contract, even it is legally enforceable.
- 4) Flow of new gym customers has been reduced because of factors such as the deterioration of the Puerto Rico economy and lack of an aggressive and effective marketing plan.
- 5) Debtor's inability to properly enforce the collection of its membership fees and to improve its base of new customers during the last couple of years, have seriously

affected the Debtor's liquidity and cash flows, making it impossible to comply with its obligations and payment schedules with creditors.

- 6) Debtor has accumulated a high level of debt to governmental agencies, specially with the PR Department of the Treasury.
- 7) Debtor began efforts to negotiate a payment plan with the PR Treasury Department but at that time such plans were not being granted by the governmental agency.
- 8) As part of its aggressive collection plan, some officers of the PR Treasury Department visited the Debtor's premises in March 2016, closed the business and imposed a lien on Debtor's assets.
- 9) On March 3, 2016, Debtor filed the present Bankruptcy case under Chapter 11 of the US Bankruptcy Code.

#### ***D. Significant Events During Debtor's Chapter 11 Case***

While operating as debtor in possession under Chapter 11 Case, the Debtor's management has been trying to stabilize the business operation and improve the cash flows

During Debtor's bankruptcy case, there have not been any assets sales outside the ordinary course of business.

During Debtor's bankruptcy case, there have not been any financing or cash collateral orders.

During Debtor's bankruptcy case, there have not been any professionals approved by the Court, other than Debtor's attorney and other special counsels

During Debtor's bankruptcy case, there have not been any adversary proceedings filed or significant litigation, including contested claim disallowance proceedings. There are no significant legal proceedings that are pending during the case in a forum other than the Court.

During Debtor's bankruptcy case, management has implemented or is to implement certain actions to improve revenues, reduce overhead and to become the Debtor's operations to be more cost efficient and effective. Among actions taken are the following:

- a. More direct supervision by stockholder.
- b. Revision of price structure. Proposed increase of monthly membership fee from \$19.95 to \$24.95.
- c. Reduction of operating costs and elimination of unnecessary expenses, mainly contracted services.
- d. More aggressive collection efforts through an external collection agency.
- e. Advertising strategy that includes regional newspaper, social media, corporate plans, and others.

#### ***E. Avoidance Actions***

The Debtor does 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 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 XI of the Plan.

### ***G. Current and Historical Financial Conditions***

The identity and fair market value of the estate's assets are listed in **Exhibit B**. Debtor does not use to prepare financial statements because there have been no requirements in the past; thus, there are no formal financial statements issued before bankruptcy. The assets and liabilities of Debtor at the filing date are shown in **Exhibit C**. A summary of the Debtor's periodic operating reports filed since the commencement of the Debtor's bankruptcy case is set forth in **Exhibit D**.

## **ARTICLE III**

### **SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS**

#### ***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 Plan Proponent 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:

<b><u>Type</u></b>	<b><u>Estimated Amount Owed</u></b>	<b><u>Proposed Treatment</u></b>
Expenses Arising in the Ordinary Course of Business After the Petition Date	-0-	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 by the Court.	-0-	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.	-0-	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	-0-	Paid in full on the effective date of the Plan
Other administrative expenses	-0-	Paid in full on the effective date of the Plan or according to separate written agreement
Office of the U.S. Trustee Fees	-0-	Paid in full on the effective date of the Plan
<b>TOTAL</b>	<b>\$ -0-</b>	

2. *Priority Tax Claims*

3. 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 five (5) years from the order of relief. It is expected that the Reorganization Plan is to be approved in September 2016 and the Effective Date of the Plan will be some 30 days following the confirmation order. As a result, Debtor will have no more than 53 months following confirmation of the Plan to complete the payment of such priority tax claims that amount to \$283,808.



The following chart lists the Debtor's estimated § 507(a)(8) priority tax claims and their proposed treatment under the Plan. See also related **Exhibit G** and **Exhibit G1**.

Description	Estimated Amount Owed	Date of Assessment	Treatment
<i>Internal Revenue Service</i> Payroll taxes.	\$35,768.44	2014-2016	Pmt interval = Monthly Payment = \$753.53 Payments begin - Upon confirmation of plan Payments end - On the 53 <sup>th</sup> installment Interest Rate % =5.0 Total Payout = \$39,937.09
<i>CRIM</i> Personal property tax.	\$950.73	2015	Pmt interval = Monthly Payment = \$20.03 Payments begin - Upon confirmation of plan Payments end - On the 53 <sup>th</sup> installment Interest Rate % =5.0 Total Payout = \$1,061.59
<i>Corp. Fondo del Seguro del Estado</i> Workmen compensation.	\$8,735.01	2015	Pmt interval = Monthly Payment = \$184.02 Payments begin - Upon confirmation of plan Payments end - On the 53 <sup>th</sup> installment Interest Rate % =5.0 Total Payout = \$9,753.06
<i>PR Department of the Treasury</i> Payroll taxes.	\$94,850.54	2013-2016	Pmt interval = Monthly Payment = \$1,998.22 Payments begin - Upon confirmation of plan Payments end - On the 53 <sup>th</sup> installment Interest Rate % =5.0 Total Payout = \$105,905.66

<i>PR Department of the Treasury</i>			Pmt interval = Monthly
Payroll taxes.	\$143,503.10	2012-2016	Payment = \$3,023.18
			Payments begin - Upon confirmation of plan
			Payments end - On the 53 <sup>th</sup> installment
			Interest Rate % =5.0
			Total Payout =\$160,228.54

**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:

1. *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 § 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.

The following chart lists all classes of Debtor’s secured prepetition claims and their proposed treatment under the Plan:

<b>Class #</b>	<b>Description</b>	<b>Impairment</b>	<b>Treatment</b>
N/A	Allowed secured claims Total claims= \$-0-	N/A	N/A

2. *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 holders of such 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.

The following chart lists all classes containing under §§ 507(a)(1), (4), (5), (6), and (a)(7) of the Code and their proposed treatment under the Plan:

<b>Class #</b>	<b>Description</b>	<b>Impairment</b>	<b>Treatment</b>
N/A	Priority unsecured claims pursuant to Section 507(a)(1),(4),(5),(6) and (7)  Total claims= \$-0-	N/A	N/A

*3. Classes 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 1 that includes general unsecured claims against the Debtor. See also related **Exhibit G** and **Exhibit G1**.

<b>Class #</b>	<b>Description</b>	<b>Impairment</b>	<b>Treatment</b>
1	General Unsecured Claims  Total claims=\$183,323	Impaired	Monthly Pmt = \$152.77  Payments begin – Upon confirmation of Plan  Payments end – On the 60 <sup>th</sup> installment  Balloon pmt = -0-  Interest rate % = -0-  Total payout = \$9,166  Estimated percent of claim to be paid = 5.0%

*4. Class 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 are the members. Finally, with respect to an individual who is a debtor, the Debtor is the equity interest holder.

The following chart sets forth the Plan’s proposed treatment of the class of equity interest holders:

<b>Class #</b>	<b>Description</b>	<b>Impairment</b>	<b>Treatment</b>
2	Equity interest holders	Unimpaired	Retains their rights

***D. Means of Implementing the Plan***

*1. Source of Payments*

Total monthly payment proposed under the Plan is \$6,132, including \$5,979 through a 53 months term in the case of priority tax debts and \$153 through a 60 months term in the case of general unsecured debt, beginning upon confirmation of plan.

Source of funds for payments under the Plan are to be the following:

- a.) Collection of membership fees on a monthly basis.
- b.) Collection of pre-petition accounts receivable.

*2. Post-confirmation Management*

The post-Confirmation Manager of the Debtor, and his compensation, shall be as follows:

Name: Daivelyne Rivera

Position: President, Chief Executive Officer and Operations Manager

Compensation: Monthly compensation \$600

***E. Risk Factors***

The proposed Plan faces the following risks:

- 1. Pre petition accounts receivable not to be collected (customers who left Puerto Rico, filed bankruptcy, etc.).
- 2. Competition from near gyms.
- 3. Slowdown of local economy.

***F. Executory Contracts and Unexpired Leases***

The Plan, in **Exhibit A**, lists all executory contracts and unexpired leases that the Debtor will assume under the Plan. 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.

If you object to the assumption of your unexpired leases or executory contract, the proposed cure of any defaults, or the adequacy of assurance of performance, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan, unless the Court has set an earlier time.

All executory contracts and unexpired leases that are not listed in Exhibit A 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.

***The Deadline for Filing a Proof of Claim Based on a Claim Arising from the Rejection of a Lease or Contract Is July 7, 2016.*** 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.

#### **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.**

The following are the anticipated tax consequences of the Plan:

(1) Tax consequences to the Debtor of the Plan

Section 1031.01(a)(10) of the PR Internal Revenue Code of 2011 states that the income resulting for a Debtor on a debt discharge under a bankruptcy proceeding will be exempt from PR income taxes.

(2) General tax consequences on creditors of any discharge.

Creditors will take a deduction for the loss arising from the write off of accounts receivable that are not to be collected, in the year the write off is recognized for tax purposes.

### **ARTICLE 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 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 for voting purposes and (2) impaired.

In this case, the Plan Proponent believes that Class 1 is impaired and that holders of claims in each of that class are therefore entitled to vote to accept or reject the Plan. The Plan Proponent believes that classes 1, 2 and 3 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 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 and September 6, 2016 for governmental claims.**

#### *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 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
- 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 A cram down’s 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 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’s 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 § 1129(a)(8) of the Code, does not discriminate unfairly, and is a 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 F**. It shows that upon a liquidation of the Debtor in the Bankruptcy Court or otherwise, there would be no additional funds for distribution to the General Creditors.

### **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 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 F.

#### *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 E**.

The Plan Proponent's financial projections show that the Debtor will have an aggregate annual average cash flow, after paying operating expenses and post-confirmation taxes, that will be enough to cover proposed payments under the Plan.

**You Should Consult with Your Accountant or other Financial Advisor If you Have Any Questions Pertaining to These Projections.**

## **ARTICLE V**

### **EFFECT OF CONFIRMATION OF PLAN**

#### **A. DISCHARGE OF DEBTOR**

##### **Debtor is a corporation and § 1141 (d)(3) is not applicable**

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 re voting 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.

**ARTICLE VI  
OTHER PLAN PROVISIONS**

None.

/s/ DAIVELYNE RIVERA

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United States Bankruptcy Court  
For the District of Puerto Rico

In re: **GLOBAL FITNESS SOLUTION, INC.**

Case No. 16-01721(ESL)

Debtor

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Chapter 11

**DISCLOSURE STATEMENT FOR THE SMALL BUSINESS CHAPTER 11  
PLAN OF REORGANIZATION OF GLOBAL FITNESS SOLUTION, INC**

PLEASE NOTE THAT THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL, AND HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT. THIS IS NOT A SOLICITATION OF VOTES WITH RESPECT TO THE DEBTOR'S PLAN OF REORGANIZATION PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE OR AN OFFER WITH RESPECT TO ANY SECURITIES. ANY SUCH SOLICITATION OF OFFER WILL COMPLY WITH ALL APPLICABLE SECURITIES LAWS AND PROVISIONS OF THE BANKRUPTCY CODE. ACCEPTANCES OR REJECTIONS OF THE DEBTOR'S PLAN MAY NOT, AND WILL NOT, BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. ACCORDINGLY, THE INFORMATION CONTAINED HEREIN IS SUBJECT TO CHANGE.