

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

)	
In re:	)	Case No. 16-05072
	)	( Jointly Administered)
)	
JOHN M. SCALI, SR.,	)	Chapter 11
)	
Debtor.	)	Hon. Deborah L. Thorne
)	

)	
In re:	)	Case No. 16-05081
)	
GRAND & PULASKI CITGO, INC.,	)	Chapter 11
)	
Debtor.	)	Hon. Deborah L. Thorne

**DISCLOSURE STATEMENT
OF GRAND & PULASKI CITGO, INC.**

DEBTOR'S COUNSEL:

Joel H. Shapiro
(Atty. No. 2566168)
Kamenear Kadison Shapiro & Craig
20 North Clark Street
Suite 2200
Chicago, IL 60602
(312) 332-0490
jshapiro@kksclaw.com

**DISCLOSURE STATEMENT
OF GRAND & PULASKI CITGO, INC.**

Table of Contents

1.	INTRODUCTION	1
2.	SUMMARY OF TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN	4
	a. Administrative Claims	4
	b. Tax Claims	5
	c. Secured Claims	5
	d. Unsecured Claims	7
	e. Claims Objections	9
	f. PURPOSE OF DISCLOSURE STATEMENT	10
3.	HISTORY AND BACKGROUND	11
4.	POST-PETITION ACTIVITIES	12
5.	OTHER ASPECTS OF THE PLAN	13
6.	LIQUIDATION ANALYSIS	15
7.	IMPLEMENTATION OF PLAN	18
8.	FEASIBILITY AND FAIRNESS OF PLAN	18
9.	RECOMMENDATION	20

List of Exhibits

EXHIBIT "A"	Plan of Reorganization
EXHIBIT "B"	List of Class 5 Claimants and Treatment of Claims
EXHIBIT "C"	Summary of Classification and Treatment of Claims
EXHIBIT "D"	Summary of Monthly Income and Expense
GROUP EXHIBIT "E"	Financial Statements
EXHIBIT "F"	Projected Cash Flow and Budget (24 Months)

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

In re:	)	Case No. 16-05072
	)	( Jointly Administered)
JOHN M. SCALI, SR.,	)	Chapter 11
Debtor.	)	Hon. Deborah L. Thorne
<hr/>		
In re:	)	Case No. 16-05081
GRAND & PULASKI CITGO, INC.,	)	Chapter 11
Debtor.	)	Hon. Deborah L. Thorne

DISCLOSURE STATEMENT

GRAND & PULASKI CITGO, INC., Debtor/Debtor-in-Possession herein (“Debtor”), by and through its attorneys, submits this Disclosure Statement pursuant to Section 1125 of the Bankruptcy Code and in conjunction with its Plan of Reorganization (“Plan”). A copy of the Plan is attached to this Disclosure Statement as **Exhibit A**.¹

INTRODUCTION

On February 17, 2016, the Debtor filed its voluntary petition for relief under Chapter 11 of the Bankruptcy Code (the “Petition Date”). The Debtor’s Chapter 11 case is jointly administered with the Chapter 11 case of John M. Scali, Sr. (“Scali”). The Debtor is the owner and operator of Grand & Pulaski Citgo, Inc., which occupies commercial property owned by Scali through a land trust of which he is the sole beneficiary (the “Trust”), located at 3949-51, 3953-55 and 3965 West Grand Avenue a/k/a 3959 W. Grand Ave, Chicago (the “G&P Property”). In addition to the G&P Property from which the Debtor operates its business (the “G&P Service Station”), the Debtor also manages the adjacent residential

¹ Capitalized terms not defined in this Disclosure Statement shall have the meanings ascribed to them in the Plan.

rental property located at 1331 N. Pulaski Rd., Chicago (the "Two Flat"), title to which is also held by the Trust.

The adjacent Two Flat is fully rented. The Two Flat is currently listed with a broker for sale. It is anticipated that Scali will sell the Two Flat, thereby reducing secured debt owed to the holder of a first mortgage on the Two Flat, Michael Bartholomew ("Bartholomew"). On or about September 15, 2016, Bartholomew acquired the secured claim of Lakeside Bank, which claim is secured, in part, by the G&P Property and the Two Flat. The Debtor and Scali are jointly liable on the secured debt owed to Bartholomew. The Debtor and Scali have proposed that upon sale of the Two Flat, Bartholomew will receive \$140,000 from the sale of the Two Flat and that the remaining proceeds, less costs of sale, be used to fund the payment of administrative expenses in the Debtor's and Scali's Chapter 11 cases.

The Debtor is an Illinois corporation in good standing. The G&P Service Station is comprised of a gas station, convenience store, car wash and Dunkin Donuts franchise. The Debtor leases space in the convenience store to Dunkin Donuts but has no ownership interest in the franchise. Scali, the owner of the G&P Property from which the G&P Service Station operates its business, leases the property to the Debtor. Scali is the sole shareholder of the shares of the Debtor corporation. Scali is also a Chapter 11 debtor in this jointly administered case, represented by separate counsel. The Debtor pays rent to Scali on a monthly basis, including an amount approximating the monthly accrual of real estate taxes on the G&P Service Station and the Two Flat. Rent payments are used to service the mortgage debt previously paid to Lakeside Bank and now to Bartholomew. The Debtor also pays property insurance and utilities used in connection with the operation of the G&P Service Station and Two Flat.

The Debtor and Scali filed their Chapter 11 cases in order to restructure the secured debt previously held by Lakeside Bank and subsequently acquired by Bartholomew and

a potential unsecured debt arising in connection with a private lawsuit filed against the Debtor and Scali by Roberto Villalva under the Fair Labor Standards Act (the "FLSA Litigation"). Although the Debtor and Scali vigorously dispute the allegation in the FLSA Litigation, they have, during the course of their pending Chapter 11 cases, resolved the FLSA Litigation by settlement agreement approved by the Bankruptcy Court, pending confirmation of Plans of Reorganization in both the Chapter 11 cases.

During the pendency of Debtor's chapter 11 case, the Debtor has been making rent and taxes escrow payments to Scali on a monthly basis, from which Scali has made provisional adequate protection payments to the Bank and later to Bartholomew in amounts ranging from \$10,000 to \$12,000 per month, all pursuant to cash collateral orders entered by the Bankruptcy Court in Debtor's Chapter 11 case. The Debtor, Scali and Bartholomew have reached a consensus as to the treatment of Bartholomew's secured and unsecured claims, which is reflected in the Plan.

Pursuant to Sections 1101, 1107 and 1108 of the Bankruptcy Code, the Debtor has been managing its financial affairs as debtor-in-possession since the Petition Date. No trustee, examiner or committee of unsecured creditors has been appointed to serve in the Debtor's Chapter 11 case. The Debtor's Plan of Reorganization is being filed within the exclusive periods established under Sections 1121(b) and 1121(d) of the Bankruptcy Code, and the prior orders of the Bankruptcy Court extending those periods. The Debtor is the proponent of the Plan of Reorganization attached hereto as Exhibit "A".

The Plan provides for distributions to the holders of Allowed Claims from (a) funds realized from either the Debtor's available cash or future income; and, (b) in the case of the claims of Roberto Villalva and his attorneys, the Nolan Law Offices (the "Villalva/Nolan Claims"), from a loan made to the Debtor and Scali by Scali's wife, Stella Nanos, in the amount of \$60,000 (the "Nanos Loan"). The Nanos Loan is secured by a second mortgage attaching to Scali's residence located at 5111 N. Mulligan Avenue, Chicago, Illinois.

Payment of administrative claims will be funded in whole or part from proceeds derived from the sale of the Two Flat.

Other general unsecured creditors of the Debtor will be paid as provided in Article III of the Plan. The Plan pays creditors as much or more than creditors would receive upon liquidation of the Debtor's assets in a Chapter 7 Bankruptcy.

SUMMARY OF TREATMENT OF CLAIMS AND INTEREST UNDER THE PLAN

The Plan has one (1) category of Administrative Claims, no Tax Claims and nine (9) classes of creditors, classes 1 through 9. Claims and interests and the treatment thereof under the Plan consist of the following:

Administrative Claims²

Administrative Claims are provided for in Article IV, Section 4.1 of the Plan and are unimpaired under the Plan. Administrative Claims, at present, consist of the Allowed Claims for fees and expenses of the law firm of Kamenear Kadison Shapiro & Craig ("KKSC"), and Blayer & Associates CPA, PC ("Blayer"). Both KKSC and Blayer have been employed pursuant to Orders entered by the Bankruptcy Court. The fees and expenses of KKSC are projected to be approximately \$40,000 in excess of the pre-petition retainer of \$15,000 paid to KKSC. Blayer has not filed an application for interim compensation in the Debtor's Chapter 11 case, but the Debtor's liability to Blayer is estimated to be approximately \$9,000. Neither KKSC nor Blayer shall be paid unless and until the Bankruptcy Court has entered appropriate orders allowing the compensation and reimbursements of expenses pursuant to notice and application duly filed.

Also included in this category of Administrative Claims are likely to be the post-petition ordinary expenses of the Debtor. Ordinary expenses of the Debtor will be paid in

²Since the Debtor's Chapter 11 case was commenced as a voluntary proceeding, no claims under Sections 507(a)(3) and 502(f) of the Bankruptcy Code exist.

the ordinary course of business pursuant to the terms of any such obligations. The Debtor is likely to have post-petition claims by utility companies for ongoing utility services and vendors of petroleum products and convenience store inventory . Administrative Claims, to the extent allowed, will be paid in cash, in full, on the Effective Date, or as soon as practicable thereafter, or as agreed to by the holder of such Allowed Administrative Claim.³ The source of funds for payment of such Administrative Claims will be the revenues derived from the operation of the Debtor's business and portion of the proceeds derived from the sale of the Two-Flat.

Tax Claims

The Plan has a specific provision for the payment of taxes which are of the type entitled to priority under Section 507(a)(8) of the Bankruptcy Code.⁴

Secured Claims

Class 1 Claim of Parent Petroleum, Inc.

The Secured Claim of Parent Petroleum, Inc. ("Parent Petroleum") in the amount of \$104,838.53, which is secured by a purchase money security interest in gasoline and petroleum products sold and delivered to the Debtor and the proceeds thereof, shall be paid as follows: (a) the prepetition arrearage in the amount of approximately \$23,020.82 shall be paid in installments of \$1,000.00 per month until paid in full, and (b) the balance of the claim shall be paid and/or discharged according to the terms of the original Retail Dealer Fuel Purchase Contract dated February 28, 2015, executed by and between Debtor and Parent Petroleum. The Class 1 Claim is impaired under the Plan.

Class 2 Claim of Bartholomew

³ The amounts projected for KKSC and Blayer are merely the Debtor's estimates and are, therefore, subject to change.

⁴ The Debtor does not anticipate any tax claims from either the Internal Revenue Service or Illinois Department of Revenue.

Class 2 consists of the Secured Claim of Bartholomew, assignee of Lakeside Bank, in the approximate amount of \$1.6 million.⁵ The Class 2 Claim shall be repaid by the Debtor at the rate of \$10,000 per month in lieu of rent payments to Scali on the G&P Service Station. The Debtor will escrow an additional \$3,300.00 per month for payment of real estate taxes on the G&P Service Station. Interest shall accrue on a principal balance of \$1,450,000, less amounts paid to Bartholomew after September 15, 2016 (the "Initial Amount"), at the rate of 5% *per annum* over the initial twelve (12) month period following the Effective Date or until paid in full. If the Secured Claim of Bartholomew in the Initial Amount is not paid in full on or before the end of the initial twelve (12) month period following the Effective Date, on the first day of the thirteenth (13th) month following the Effective Date, the outstanding balance due Bartholomew shall increase to \$1,550,000, less amounts paid to Bartholomew after September 15, 2016 (the "Increased Amount"), and interest shall accrue on the principal balance at the rate of 6% *per annum* during the subsequent twelve month period, with a balloon payment of the then outstanding balance due and payable on the at the end of the 24th month following the Effective Date. Payments to this Class 2 claimant will be made by the Debtor out of the G&P Service Station revenues. There shall be no penalty for pre-payment of the full outstanding balance. In the event that neither the Initial Amount nor the Increased Amount is paid in full prior to the end of the applicable periods, the Debtor and Scali shall be in default and Bartholomew shall be entitled to pursue all remedies provided in the loan documents relative to the Class 2 Secured Claim executed by and between the Debtor, Scali and Lakeside Bank, and subsequently assigned to Bartholomew. All amounts to be paid to this Class 2 claimant as provided herein and in the Plan of Reorganization filed in the Scali chapter 11 case are the joint and several obligation of the Debtor and Scali, and with

⁵ The \$1.6 million figure is derived from a recent appraisal furnished by Lakeside Bank.

regard to which amounts, Bartholomew is entitled to a single satisfaction. The Class 2 Claim is impaired under the Plan.

Class 3 Claim of Commonwealth Edison

The secured Class 3 Claim of Commonwealth Edison in the amount of \$818.79 is secured by a possessory security interest in a security deposit posted by the Debtor in the amount of \$5,530.00. The Class 3 Claim shall be paid in full on the Effective date. The Class 3 Claim is not impaired under the Plan.

Class 4 Claim of the Cook County Collector

The Class 4 claim of the Cook County Collector for the real estate taxes for the G&P Property shall be paid when due.⁶ The Class 4 Claim is not impaired under the Plan.

Unsecured Claims

Class 5 Unsecured Claims

Class 5 comprises holders of general unsecured claims other than the Villalva/Nolan Claim and any unsecured deficiency claim of Bartholomew. Class 5 Claimants consist of the holders of the unsecured claims set forth in Exhibit "B" attached hereto and by reference made a part hereof. Holders of Class 5 Allowed Claims will be paid 20% of the amount of the claimant's Allowed Claim with payments to be made by the Debtor within ninety (90) days following the Effective Date. Class 5 consists of thirteen (13) prepetition unsecured creditors of the Debtor holding Allowed Claims in the aggregate

⁶ Prior to the assignment of its claim to Bartholomew, Lakeside Bank took funds, in violation of the automatic stay provision of Section 362 of the Bankruptcy Code from Scali's debtor-in-possession account to pay real estate taxes attaching to the G&P Property. Lakeside Bank then paid the second installment of real estate taxes due and owing for 2015, a pre-petition debt owed by Scali. In order to resolve the Bank's violation of the automatic stay provisions of Section 362 of the Bankruptcy Code, the Bankruptcy Court entered an Agreed Order dated August 25, 2016, whereby the Debtor did not have to remit an adequate protection payment to the Bank in September, 2016, and the amount of the payment due in October 2016 was reduced. As a result, the real estate taxes on the G&P Property are current, and future real estate taxes will be paid when due. The Debtor has made payments of \$3,300 per month to Scali on account of accruing real estate taxes on the G&P Property and the Two Flat, which amounts have been deposited in Scali's DIP account at Lakeside Bank for the purpose of paying real estate taxes when due.

amount of \$16,479.95, which unsecured creditors shall receive a total pro-rata dividend on account of their unsecured claims in the amount of \$3,295.99, constituting 20% of said Class 5 Claims. Payments to this Class of general unsecured claimants will be made by the Debtor from revenue derived from the operation of the G&P Service Station. In addition, Schedule E/F: Creditors Having Unsecured Claims filed by the Debtor in this case lists an additional twenty-five (25) individuals or entities which have or may have asserted claims against the Debtor, which claims are designated as unliquidated or disputed and which creditors have failed to timely file their Proofs of Claim. These individuals or entities will receive no dividend or distribution on account of any Claims which they may assert against the Debtor. Class 5 Claims are impaired under the Plan.

Class 6 Claim of Villalva/Nolan

The Class 6 Villalva/Nolan Claim will be paid in the amount of \$60,000, constituting a 20% dividend and distribution, out of the Nanos Loan Proceeds, but not unless and until Final Orders confirming Plans of Reorganization in the Chapter 11 cases of both the Debtor and Scali and have been entered by the Bankruptcy Court. The payment on account of the Villalva/Nolan Claims is in full and complete settlement and satisfaction of any claims Villalva or Nolan may have had or may have against either Scali or the Debtor. All amounts to be paid to this Class 6 claimants as provided herein and in the Plans of Reorganization filed in the Debtor and Scali's Chapter 11 cases are the joint and several obligation of the Debtor and Scali, and with regard to which amounts, holders of the Class 6 Villalva/Nolan Claim are entitled to a single satisfaction. The Class 6 Claim is impaired under the Plan.

Class 7 Deficiency Claim of Bartholomew

The Class 7 Deficiency Claim of Bartholomew in the approximate amount of \$1.32 million shall be paid 20% over a period of sixty (60) months following the Effective Date, **except:**

- a. Provided that the Debtor is not in default of the payments to be made on account of the secured portion of Bartholomew's Class 2 claim, no payment shall be made to Bartholomew on account of his Class 7 Deficiency Claim;
- b. Upon timely payment in full of the secured portion of Bartholomew's Class 2 claim, as provided in paragraph 2, above, Bartholomew shall waive and release the Debtor and Scali from any and all further liability they may have to Bartholomew, including liability for payment of the Class 7 Deficiency Claim.

The Class 7 Claim is impaired under the Plan.

Class 8 Claim of Stella Nanos

The Class 8 Claim of Stella Nanos, Scali's spouse, in the amount of \$60,000, the Nanos Loan, arose subsequent to the Petition Date pursuant to Order of the Bankruptcy Court approving said loan. Nanos is an insider and her Class 8 Claim will not be repaid under the Plan.

Class 9 Interests of John M. Scali, Sr.

John M. Scali, Sr., an insider and the sole equity security holder of the Debtor, shall retain his equity security interest in and to Grand & Pulaski Citgo, Inc., the Debtor herein.

Attached hereto as Exhibit "C" is chart which sets forth a concise statement of the classification and treatment of claims and the source of payment under the Plan.

Claims Objections

Except as otherwise ordered by the Bankruptcy Court or as otherwise provided in the Plan, the Debtor shall file any and all objections to the allowance of Claims or Interests on or within one hundred and twenty (120) days of Confirmation of this Plan, unless said

period is extended by Order of the Bankruptcy Court. Cause shall not be a requirement for an extension of this deadline.⁷

PURPOSE OF DISCLOSURE STATEMENT

This Disclosure Statement is provided to all of the known holders of Claims against and Interests in the Debtor who are entitled to vote their acceptance or rejection of the Plan. This Disclosure Statement is disseminated in connection with the solicitation of acceptances of the Plan filed by the Debtor. The purpose of this Disclosure Statement is to provide such information as would enable a hypothetical, reasonable investor, typical of the holder of Claims and Interests which are impaired under the Plan, to make an informed judgment about the Plan.

The information contained in this Disclosure Statement has been submitted by the Debtor unless specifically stated to be from other sources. No representations concerning the Debtor or this Plan, other than those set forth in this Disclosure Statement, have been authorized by the Debtor. The Debtor believes that all of the information contained in this Disclosure Statement is accurate. However, the Debtor is unable to warrant that there are no inaccuracies.

Under the Bankruptcy Code, a Class of Claims is considered to have accepted the Plan if both a majority in number and two-thirds (2/3) of the dollar amount of those actually voting vote to accept the Plan. The Claims of those who do not vote are not counted in determining whether the requisite statutory majority in number and dollar amount have voted for acceptance. Acceptance by the statutory majority will bind the minority who dissent and those who fail to vote.

The Plan requires that the holders of Allowed Claims in Classes 1, 2, 5, 6 and 7 vote on Confirmation of the Plan.

⁷ The Debtor does not anticipate the filing of any claims objections.

HISTORY AND BACKGROUND

Grand & Pulaski Citgo, Inc., the Debtor herein, is an Illinois corporation in good standing incorporated on June 25, 2003. The Debtor is the operator of the G&P Service Station, which occupies commercial property owned by John M. Scali, Sr., the debtor in the jointly administered chapter 11 case number 16-05072, through a land trust of which he is the sole beneficiary (the "Trust"), located at 3949-51, 3953-55 and 3965 West Grand Avenue a/k/a 3959 W. Grand Ave, Chicago. The Trust also hold legal title to the residential rental property located at 1331 N. Pulaski Rd., Chicago (the "Two Flat"). The Two Flat is adjacent to the G&P Service station and is fully rented. The Two Flat generates rental income of \$1,905.00 per month.

It is anticipated that Scali will sell the Two Flat, thereby reducing the secured debt owed by the Debtor and Scali to the secured lender, Michael Bartholomew ("Bartholomew").⁸ The Debtor and Scali have proposed that Bartholomew receive \$140,000 from the sale of the Two Flat and that the remaining proceeds, less costs of sale, be used to fund the payment of administrative expenses in the Debtor's and Scali's Chapter 11 cases. Pending the sale of the Two Flat, the Debtor shall continue to collect the rents and manage the Two Flat.⁹

Much of the history and background of the Debtor's Chapter 11 case and the facts which necessitated the commencement of its Chapter 11 case is related previously in this Disclosure Statement. The Debtor has remained current with all of its financial obligations during his Chapter 11 case. As stated previously, the Debtor and Scali were involved in litigation in the District Court for the Northern District of Illinois with Roberto Villalva, as

⁸ Bartholomew purchased the secured and unsecured positions of Lakeside Bank on September 15, 2016 by way of a General Assignment.

⁹ The Debtor was close to selling the Two Flat, but the purchaser decided not to purchase the Two Flat due to the Lakeside Bank's inaction. Bartholomew is in agreement with the above proposal regarding distribution and use of sale proceeds of the Two Flat.

represented by the Nolan Law Office. The combination of attorneys' fees incurred in connection with the District Court Litigation and uncertainty with respect to Lakeside Bank's claim led to the filing of the Chapter 11 case.

POST-PETITION ACTIVITIES

From February 17, 2016 (the "Petition Date") through the date hereof, the Debtor has been operating the G&P Service Station and managing its financial affairs as debtor-in-possession.

Since the Petition Date, the Debtor, Scali and the Bank have entered into eight (8) agreed Orders authorizing the interim use cash collateral by the Debtor, and on October 21, 2016, pursuant to the express agreement by and between the Debtor, Scali and Bartholomew, and without objection of Parent Petroleum, Debtor's other creditor having an interest in cash collateral, the Bankruptcy Court entered the Ninth Order Authorizing Interim Use of Cash Collateral which, in the absence of any specified default by the Debtor, authorizes the limited use of cash collateral by the Debtor through December 31, 2016. Notwithstanding the efforts of the Debtor throughout its Chapter 11 case, the Debtor was unable to negotiate an agreement with Lakeside Bank regarding the treatment of its claim in the context of a Plan of Reorganization. In this regard, Lakeside Bank was largely unresponsive to the Debtor's proposals. However, the assignment by Lakeside Bank of its claim, both the secured and unsecured portions, to Bartholomew has enabled the Debtor and Scali to negotiate an agreement with respect to the payment of Bartholomew's Claim, both the secured and unsecured portions, in the context of Debtor's Plan. As a result of the assignment of Lakeside Bank's Claim to Bartholomew, any claim held by Lakeside Bank against the Debtor was extinguished.

The Debtor has paid all post-petition obligations on a timely basis, **except**, during the Post-Petition period, certain costs of administration, including fees of Debtor's

attorneys and accountants, which have accrued and remain unpaid pending a hearing on applications duly filed by administrative claimants and an Order of the Bankruptcy Court allowing payment of said claims in whole or part. In addition, during the Post-Petition period, the Debtor has paid Trustee's Quarterly Fees in the amount of \$14,625, which amount is not an ordinary cost of Debtor's business.

As stated herein above, the Debtor and Scali filed their Chapter 11 cases in order to achieve restructuring of the secured debt owed to Lakeside Bank and subsequently acquired by Bartholomew and the potential unsecured debt arising in connection with a private lawsuit filed against the Debtor and Scali under the Fair Labor Standards Act (the "FLSA Litigation"). During the Post-Petition period, the FLSA Litigation has been resolved by settlement agreement approved by the Bankruptcy Court, pending confirmation of Plans of Reorganization in both the Chapter 11 cases. The Debtor has also reached an agreement with Bartholomew relative to treatment of his claim under Debtor's Plan. The agreement with Bartholomew is feasible based on Debtor's pre- and post-petition payments to Lakeside Bank and Batholomew, following the sale and assignment of its claim to Bartholomew. The restructuring of the Villalva/Nolan claim and the Bartholomew claim upon the terms reflected in Debtor's Plan will facilitate the continued operation of Debtor's business.

The Plan is consensual with respect to its major constituents, Bartholomew and Villalva/Nolan.

OTHER ASPECTS OF THE PLAN

The Debtor will be the disbursing agent charged with making the payments required under the Plan to the holders of Allowed Claims.

Upon Confirmation of the Plan, the Debtor shall be revested with its assets, subject only to the terms and conditions of the Plan. The Debtor shall be entitled to continue to maintain its financial affairs without further Order of the Bankruptcy Court, except as

hereinafter set forth. Payments to holders of unsecured claims other than Villalva/Nolan, to the extent those payments are to be made, will be paid by the Debtor out of its post-petition revenues.

Upon Confirmation, an injunction under Section 524 of the Bankruptcy Code shall arise to prevent any party from foreclosing its lien or security interests or otherwise enforcing its claims against the Debtor and its assets in this bankruptcy case except as authorized in the Plan. Such injunction shall not affect any secured creditor's right to foreclose upon any security interest provided in the Plan in the event of any Post-Confirmation default under the Plan. This injunction will remain in effect until all distributions under the Plan have been made.

The Plan is self-executing. The Debtor shall not be required to execute any newly created documents to effectuate the terms of the Plan. Upon payment as required by the Plan, any liens supporting such Claims shall be deemed released and discharged.

All executory contracts and unexpired leases which exist between the Debtor and any other party, whether such executory contract be in writing or oral, which have not been previously assumed, assigned, rejected or otherwise terminated by the Debtor shall be assumed upon Confirmation of the Plan pursuant to Sections 365 and 1123(b)(2) of the Bankruptcy Code. Any and all Claims asserted by any party arising from the rejection of executory contracts and unexpired leases pursuant to the Plan must be filed on or within thirty (30) days following the rejection. Further, with respect to Claims for default relating to any unexpired lease or executory contract that is assumed pursuant to the Plan, any and all such Claims must also be filed on or within thirty (30) days following Confirmation. Allowed Claims emanating from the rejection of unexpired leases and executory contracts will be treated as Class 5 Claims. Any person failing to file such a Claim within the time provided in the Plan shall be forever barred from asserting such Claim and shall not receive any distribution under the Plan. The provisions for assumption, assignment and

rejection shall be equally applicable to executory contracts and unexpired leases of real and personal property.

The Bankruptcy Court shall retain jurisdiction for certain specified purposes, as detailed in the Plan. Any distribution under the Plan that remains unclaimed sixty (60) days after the distribution is made will become property of the Debtor, and will not and may not be recouped in subsequent distributions. The Debtor will have the right to make any distribution to creditors earlier than required by the Plan.

The provisions of the Plan shall bind all creditors, interest holders and parties in interest. Except as expressly provided in the Plan or the Bankruptcy Code, no interest or penalties accruing on or after February 17, 2016, shall be paid on any Claim nor shall any creditor claiming any such interest or penalty be entitled to have its Claim for interest or penalty allowed for payment. To the extent necessary, pursuant to Section 1129(b) of the Bankruptcy Code, the Debtor intends to request that the Bankruptcy Court confirm the Plan if all applicable requirements of Section 1129(a) of the Bankruptcy Code, other than Section 1129(a)(8), are met.

LIQUIDATION ANALYSIS

Failure of the Debtor to obtain Confirmation of his Plan could result in a forced liquidation or a conversion to a case under Chapter 7 of the Bankruptcy Code. Such an occurrence may damage the value of the Debtor's assets, including the going concern value of its business, the Debtor's interest in the G&P Property, and various other items of personal property in which the Debtor has an interest. It is manifestly clear that under the Plan, creditors will be paid more than they would receive in the event of a liquidation of the Debtor's assets. The Debtor's assets, having an estimated, total present value of approximately \$193,000.00, are subject to the secured claims of three creditors who have filed Proofs of Claim in the aggregate amount of approximately \$2.98 million. Consequently, there are no unencumbered assets of the Debtor available to fund any

dividend to unsecured creditors. As previously stated, the sources of payments to Debtor's creditors are the proceeds from the Nanos Loan, a portion of the proceeds derived from the sale of the Two Flat, and the Debtor's post-confirmation revenues, sources unavailable to Debtor's creditors except in the context of Debtor's confirmed Plan.

On June 3, 2016, Lakeside Bank filed its Proof of Claim in the amount of \$2,872,819.42, which claim was, on September 15, 2016, assigned to Michael Bartholomew (the "Bartholomew Claim"). The Bartholomew Claim is secured, in part, by a valid and perfected security interest in essentially all of the Debtor's personal property, including machinery, equipment, inventory, accounts and the proceeds thereof, excluding, however, gasoline and petroleum products purchased from Parent Petroleum and the proceeds thereof, with regard to which Parent Petroleum asserts a priority purchase money security interest. The Bartholomew Claim is also secured by mortgages on the commercial real property commonly known as 3949-51, 3953-55 and 3965 West Grand Avenue a/k/a 3959 W. Grand Ave, Chicago, Illinois and the Two Flat, in which the Debtor has no interest. The commercial property and the Two Flat have an aggregate value of approximately \$1.55 million. Based on the total value of the Debtor's personal property, at market value, and the value of the commercial property and the Two Flat, and without deduction of either costs of sale or the interest of Parent Petroleum in and to the personal property, upon liquidation of all real and personal property which secures the Bartholomew Claim, Bartholomew would have a deficiency claim in the approximate amount of \$1.22 million.

On June 2, 2016, Parent Petroleum filed its Proof of Claim in the amount of \$104,838.53. The claim of Parent Petroleum is secured by a purchase money security interest in gasoline and petroleum products purchased by the Debtor from Parent Petroleum and the proceeds thereof. It is estimated that the value of this personal property, constituting inventory of the Debtor having a constantly fluctuating value, is, on average, \$25,000.00. As of the Petition Date, Parent Petroleum was owed approximately

\$23,000.00 for gasoline and petroleum products purchased by the Debtor in the ordinary course of its business prior to the commencement of Debtor's Chapter 11 case.

Pursuant to the Retail Dealer Fuel Purchase Contract ("Dealer Contract") dated February 28, 2015 executed by and between Parent Petroleum and the Debtor, the balance of Parent Petroleum's claim, in the approximate amount of \$81,000.00, is based on costs expended on behalf of the Debtor for signage and other "Branding Expenses."

However, pursuant to the terms of the Dealer Contract, which has a term of seven (7) years, in the absence of a default by Debtor or termination or cancellation for whatever reason, commencing on March 1, 2018 and each year thereafter the Branding Expenses advanced by Parent Petroleum are reduced by 20%. Consequently, at the end of the seven (7) year term of the Dealer Contract, the Debtor shall owe nothing further to Parent Petroleum on account of the Branding Expenses previously advanced by Parent Petroleum.

The Claims of Bartholomew and Parent Petroleum far exceed the value of the personal property of the Debtor which secure their respective Claims. A liquidation analysis of the Debtor's assets as described herein above is attached hereto as Exhibit "D". In the event of a conversion of the Debtor's Chapter 11 case to a case under chapter 7 of the Bankruptcy Code and the appointment of a Trustee in Bankruptcy, there are no unencumbered assets to be administered by a Trustee in order to fund a dividend or distribution, in any amount, to creditors holding general unsecured Claims.

The 20% dividend to general unsecured creditors, as provided in the Plan, represents as much or more than the creditors would receive in the context of a liquidation pursuant to Chapter 7 of the Bankruptcy Code. Accordingly, the Plan offers all creditors as much or more than the creditors would receive in a liquidation.

IMPLEMENTATION OF THE PLAN

Distribution under the Plan will be made from the Debtor's revenue derived from the Debtor's operation of the G&P Service Station, the proceeds of the Stella Nanos Loan and, pursuant to agreement with Bartholomew, a portion of the net proceeds derived from the sale of the Two Flat in an amount estimated to be in the range of \$50,000 to \$60,000.

FEASIBILITY AND FAIRNESS OF PLAN

The Debtor believes that the Plan represents an opportunity for the holders of Allowed Claims to receive substantially more than such claimants would receive in a liquidation under Chapter 7 of the Bankruptcy Code. The Liquidation Analysis attached as Exhibit "E" reflects that, due to the Bartholomew deficiency claim and the \$81,000 Claim of Parent Petroleum which would arise in the event of Debtor's default, including the cessation of Debtor's business operations, in the context of a liquidation there are no unencumbered assets to fund a dividend or distribution to unsecured creditors.

The feasibility of the Debtor's Plan is based in significant part on the experience and abilities of present management. John Scali, Sr., who operates the G&P Service Station, has 24 years of experience in operating service stations, including car washes and convenience stores.

Scali's employment background and training is as a machinist, and Scali was employed by the City of Chicago as a machinist for 30 years. In 1991, Scali and his two brothers, Michael and Rick, formed Elite Car Wash, Inc., an Illinois corporation, which entered into a lease of a gasoline service station, car wash and convenience store at 823 N. Western Avenue in Chicago, Illinois. The lease had an option to purchase, which Scali and his brothers exercised in 1995. Lakeside Bank financed the purchase.

In June of 2003, Scali and his two brothers formed Grand & Pulaski Citgo, Inc., an Illinois corporation. Scali and his two brothers each owned one-third of the outstanding shares of stock in the corporation. In 2004, Scali and his two brothers purchased the G&P

Property and, acting as general contractors, built the G&P Service Station. Scali was the operator of the G&P Station. Once again, Lakeside Bank provided the financing.

In or about 2007, Scali purchased his brothers' interests in the G&P Station, and since that date he has been the sole shareholder of the Debtor corporation and the operator of the G&P Service Station.

The Debtor's Plan is feasible in that performance relies on cash presently available from the Nanos Loan, the proceeds of which are now held in escrow for distribution to the Villalva/Nolan claimants, pending confirmation of the Debtor's and Scali's's Plans, and revenues generated from the operation of the G&P Service Station.

The G&P Service Station has been in operation since 2007. For calendar year 2015, which is prior to the Petition Date, and the first ten (10) months of 2016, the Debtor has operated profitably, as reflected in the Debtor's financial statements covering those periods which are attached hereto as Group Exhibit "E".¹⁰

Other than payroll and cost of goods sold, the Debtor's single largest monthly operating expense under the Plan is the \$10,000.00 payment to Bartholomew on account of his secured claim coupled with the monthly real estate tax escrow expense of \$3,300.00. As stated above, during the pendency of Debtor's Chapter 11 case, the Debtor has been making rent and real estate taxes escrow payments to Scali on a monthly basis, from which Scali has made provisional adequate protection payments to Lakeside Bank and

¹⁰ The Financial Statements attached hereto are Compilation Reports prepared in accordance with Statements on Standards for Accounting and Review Services. In accordance therewith, the attached Financial Statements do not reflect Debtor's \$2.87 million liability to Lakeside Bank, subsequently assigned to Bartholomew, in that the proceeds of the loans giving rise to this liability were not disbursed to the Debtor, but rather to Scali to facilitate the acquisition of the G&P Property and the construction of the G&P Service Station. However, this liability is a present, non-contingent, joint and several liability of the Debtor and Scali, and when considered in the context of the attached Financial Statements, the Debtor's liabilities are increased by approximately \$2.87 million and the Shareholder's Equity is reduced by a corresponding amount, resulting in a Shareholder's Equity in the Debtor corporation of less than zero.

later to Bartholomew in amounts ranging from \$10,000 to \$12,000 per month, all pursuant to cash collateral orders entered by the Bankruptcy Court in Debtor's Chapter 11 case. Under the Plan the Debtor will remit payments directly to Bartholomew on account of his secured claim and the real estate tax escrow in lieu of adequate protection payments made to Lakeside Bank and later Bartholomew. All adequate protection payments made by the Debtor during the course of its Chapter 11 case were timely made along with all other monthly obligations of the Debtor.

Also, attached as Exhibit "F" is a statement of the Debtor's Projected Cash Flow and Budget for the 24 month period following the anticipated Effective Date of a confirmed Plan. Debtor's Projected Cash Flow and Budget is based on the Debtor's experience in prior years, including the periods covered by the Financial Statements attached hereto as Group Exhibit "E". Debtor's Projected Cash Flow and Budget has been adjusted to reflect payments to be made pursuant to its Plan as well as the elimination of those expenses associated with the FSLA Litigation and its pending Chapter 11 case which will terminate upon confirmation of its Plan.

Group Exhibit "E" and Exhibit "F" are provided in accordance with Rule 3016-1, subsections (2)(a) and (c) of the Local Rules of Bankruptcy Procedure for the Bankruptcy Court for the Northern District of Illinois.

Based on the Debtor's projected cash flow and budget for the 24 month period following the anticipated Effective Date of a confirmed Plan, it is reasonable to expect that the Debtor will operate profitably during that period so as to facilitate payment of current obligations, including payments under the Plan, to be made in a timely manner.

RECOMMENDATION

Based on the information included herein and for the foregoing stated reasons, the Debtor recommends that those persons entitled to vote, vote to accept the Plan.

Dated: November 15, 2016

Respectfully submitted:

Grand & Pulaski Citgo, Inc.,
Debtor and Debtor-in-Possession

By: /s/Joel H. Shapiro
One of Its Attorneys

DEBTOR'S COUNSEL:

Joel H. Shapiro
(Atty. No. 2566168)
Kamenear Kadison Shapiro & Craig
20 North Clark Street
Suite 2200
Chicago, IL 60602
(312) 332-0490
jshapiro@kksclaw.com