UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

In re:	Chapter 11
Geralex, Inc.,	Bankruptcy No. 16-06479
Debtor.	Honorable Pamela S. Hollis

DISCLOSURE STATEMENT FOR THE DEBTOR'S PLAN OF REORGANIZATION DATED DECEMBER 5, 2016

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ARTICLE 1. INTRODUCTION

1.1. **Introductory Statement**.[1]

This is the disclosure statement for the Plan of Reorganization dated December 5, 2016 (the "***Plan***") filed by Geralex, Inc. (the "***Debtor***"), the debtor and debtor in possession in the captioned bankruptcy case. A copy of the Plan is attached hereto as **Exhibit A**.

On _______________, 2016, the Bankruptcy Court for the Northern District of Illinois entered an Order conditionally approving this Disclosure Statement. As a result, the Debtor is authorized to send this Disclosure Statement, along with the Plan, to creditors and to solicit votes in favor of the Plan.

This Disclosure Statement describes:

- Why the Debtor sought bankruptcy protection and what it hopes to accomplish through such relief.
- How the Plan proposes to treat claims of the type you hold (*i.e.*, what you will receive on your claim if the Plan is confirmed).
- How the treatment of creditors' claims under the Plan compares to what creditors would receive on their claims in liquidation.
- Who can vote on or object to the Plan.
- The feasibility of the Plan and why the Debtor believes the Plan is in the best interests of creditors.
- The effect of confirmation of the Plan.
- The parties that are to receive releases under the Plan.

If there are inconsistencies between the terms of the Plan and the information set forth in this Disclosure Statement, the terms of the Plan shall control. **Your rights may be affected by the Plan. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney if you have any questions or concerns. If you do not have an**

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[1] Capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in Article 2 of the Plan.

attorney, you may wish to consult one.

1.2. **Purpose of a Disclosure Statement**.

In order to emerge from Chapter 11 protection, the entity in bankruptcy – which is called the “debtor” – must prepare a document that sets forth the emergence strategy, which is called a reorganization plan. Creditors are entitled to vote for or against a proposed reorganization plan. In addition to the reorganization plan, a debtor is required to send creditors an explanatory document that has been approved by the Bankruptcy Court and that describes how the reorganization plan works and the proposed treatment of creditors under the plan, among other things. That document is called a “disclosure statement.”

The purpose of this Disclosure Statement is to provide Creditors with adequate information about the Plan and the Debtor so that Creditors can make an informed decision about whether to vote to accept or reject the Debtor’s Plan. Creditors have an opportunity to vote on the Debtor’s Plan by returning the Ballot that is included with this Disclosure Statement.

THIS DISCLOSURE STATEMENT CONTAINS ONLY A SUMMARY OF THE PLAN AND IS NOT INTENDED TO REPLACE A CAREFUL AND DETAILED ANALYSIS OF THE PLAN. THE DISCLOSURE STATEMENT IS INTENDED TO AID AND SUPPLEMENT SUCH REVIEW. IN THE EVENT OF A CONFLICT BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, THE PROVISIONS OF THE PLAN WILL GOVERN. ALL HOLDERS OF CLAIMS AND INTERESTS ARE ENCOURAGED TO REVIEW THE FULL TEXT OF THE PLAN AND TO READ CAREFULLY THIS ENTIRE DISCLOSURE STATEMENT BEFORE DECIDING WHETHER TO VOTE TO ACCEPT THE PLAN.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF DECEMBER 5, 2016, AND ARE BASED ON FACTS KNOWN TO THE DEBTOR AT THAT TIME. THE DEBTOR BELIEVES THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT IS ACCURATE AS OF THAT DATE.

NO PERSON SHOULD CONSTRUE THE CONTENTS OF THIS DISCLOSURE STATEMENT AS PROVIDING LEGAL, BUSINESS, FINANCIAL OR TAX ADVICE. EACH PERSON SHOULD CONSULT WITH HIS OWN LEGAL, BUSINESS, FINANCIAL OR TAX ADVISORS AS TO ANY SUCH MATTERS CONCERNING THE SOLICITATION AND THE PLAN. THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN DETERMINING WHETHER TO ACCEPT OR REJECT THE PLAN.

1.3. **Narrative Summary of the Plan**.

1.3.1 Overview of the Plan.

Rule 3016-1 of the Local Rules of Bankruptcy Procedure for the United States Bankruptcy Court for the Northern District of Illinois requires a Chapter 11 disclosure statement to contain an initial narrative describing the plan of reorganization, as well as certain other information. The following is a narrative summary of the Plan. Among other things, the Plan contemplates that:

- Geralex will continue operating its business as a certified women-owned and minority-owned business providing janitorial services for commercial and governmental premises.

- All creditors will be paid in full over time.

- Geralex will retain all of its assets and the owners of Geralex will retain their ownership interests in Geralex.

- Geralex will obtain discharges from all Claims and obligations arising prior to the Effective Date upon completion of the Plan.

- The owners of Geralex will receive a limited release from wage and hour related claims arising before the bankruptcy filing, including claims under the Fair Labor Standards Act, the Illinois Minimum Wage Law, and the Illinois Wage Payment and Collection Act, except to the extent to which such claims are on account of bad faith, dishonesty or willful misconduct by the owners of Geralex. In exchange for such release, the owners of Geralex will each contribute $5,000 to the Debtor.

1.3.2 Anticipated Creditor Recoveries.

The following chart sets forth the amounts that the Debtor anticipates it will be able to pay to Creditors under the Plan. This chart is merely a summary of the expected distributions and Creditors are encouraged to read the entire Disclosure Statement to obtain a more detailed understanding of how the Plan will impact them.

CHART 1 – SUMMARY OF DISTRIBUTIONS		
Class	**Description**	**Treatment**
Unclassified: Administrative Expense Claims	Claims for goods or services provided to the Debtor after the bankruptcy filing, including professional services. The Debtor has been paying their ordinary course business expenses on an ongoing basis and estimates that, at the time of the Confirmation Hearing, there will be minimal unpaid Administrative Expense Claims other than Professional Fee Claims. The Debtor estimates it will owe approximately $67,000 in professional fees to its attorneys and accountants, and that these will be the only significant Administrative Expense Claims.	Allowed Administrative Expense Claims incurred by Debtor in the ordinary course will be paid in the ordinary course. All other Allowed Administrative Expense Claims, including Professional Fee Claims, will be paid in full within 30 days after the Plan's Effective Date, when allowed by the Bankruptcy Court, or in accordance with any other agreement between the Holder of an Administrative Expense Claim and the Debtor.
Unclassified Priority Tax Claims	Claims of governmental units of the kind specified in § 507(a)(8) of the Bankruptcy Code.	Allowed Priority Tax Claims will be paid with interest at the Allowable Rate in 48 equal monthly installments commencing on the Effective Date of the Plan, provided, however, that the Debtor shall have the right to pre-pay any Allowed Priority Tax Claim or to enter into a compromise with any Holder of a Priority Tax Claim

CHART 1 – SUMMARY OF DISTRIBUTIONS		
Class	**Description**	**Treatment**
Class 1 – Ally Financial Secured Claim	Secured Claim of Ally Financial in the approximate amount of $19,181.68. ***This Class is unimpaired under the Plan and thus not entitled to vote on the Plan.***	Ally Financial shall retain any and all rights and remedies it has against the Debtor and the Debtor's 2012 Mercedes-Benz Sprinter under any prepetition contracts and applicable law, and shall be paid in full through monthly payments of principal and interest in the amount of $899.99.
Class 2 – Unliquidated Tort Claims	Unsecured and unliquidated tort Claims of Nicole Caliendo and Barbara Pfneisl in unknown amounts. ***This Class is unimpaired under the Plan and thus not entitled to vote on the Plan.***	There are two members of this Class – Nicole Caliendo and Barbara Pfneisl (the "Tort Claimants"). The Tort Claimants shall retain any and all rights and remedies they have against the Debtor and under applicable law. Upon the Tort Claimants' liquidation of their claims through either litigation or settlement, it is anticipated that the claims will be fully covered under its insurance policies.
Class 3 – Unsecured Claims	General unsecured claims. There are approximately $257,374.28 in unsecured claims. ***This Class is impaired under the Plan and thus entitled to vote on the Plan.***	Holders of Allowed Class 3 Claims will be paid in full over time. The Debtor anticipates paying all such claims within 52 months, but the amount of time it takes for the Debtor to pay Class 3 Claims in full will ultimately depend upon its financial performance and operating income.

CHART 1 – SUMMARY OF DISTRIBUTIONS		
Class	**Description**	**Treatment**
Class 4 – Equity Interests	The equity of the Debtor is made up of Alejandra Alvarado's and Gerardo Alvarado's shares of stock. ***This Class is unimpaired under the Plan and thus not entitled to vote on the Plan.***	The Holders of Class 4 equity interests shall retain their ownership interests in the Debtor.

1.4. **Purpose for the Bankruptcy Filing**.

The Debtor is an Illinois corporation with its principal place of business in Chicago, Illinois. The Debtor provides janitorial services to commercial and government facilities, such as airports and schools. It has been in business since 2003. The Debtor is differentiated in the janitorial services business by being woman- and minority-owned business and by also engaging in environmentally sustainable practices with a deep commitment to the community. The Debtor is owned by Alejandra Alvarado (60%) and Gerardo Alvarado (40%) (the "***Alvarados***").

On February 23, 2015, several individuals filed a lawsuit against the Debtor and the Alvarados alleging violations of the Fair Labor Standards Act, the Illinois Minimum Wage Law, and the Illinois Wage Payment and Collection Act in the U.S. District Court for the Northern District of Illinois. The complaint filed in the lawsuit alleges that the Debtor systematically shorted hourly workers' pay by rounding time at the beginning and end of each shift, requiring work-related activities before the beginning and after the end of each shift, and requiring work during unpaid break periods. After unsuccessful attempts to settle the litigation, the Debtor sought protection under Chapter 11 of the Bankruptcy Code in order to preserve its resources and continue operating. After the bankruptcy case was filed, the Debtor continued to engage in settlement discussions with the plaintiffs and eventually reached a settlement that the Bankruptcy Court approved. That settlement has been consummated.

The Debtor has also been undergoing an operational reorganization while in Chapter 11. While the Debtor previously operated under several large contracts and subcontracts serving clients such as the Chicago Public Schools and Aramark, the Debtor determined such contracts were burdensome from an insurance point of view, and were not profitable. Therefore, the Debtor has pivoted to focus on more profitable, albeit smaller, contracts.

Since filing for bankruptcy, the Debtor also has reduced its overhead by replacing much of its own administrative staff with a professional employment organization. It has invested in marketing and business development talent, such as a hiring consultant specializing in obtaining contracts in the federal sector, and it has balanced its portfolio of offered services to diversify and mitigate risk. For example, the Debtor has added a line of business as a value added reseller for products that complement its role as a supplier of janitorial services.

In sum, the Debtor needed the protections afforded by chapter 11 in order to weather a temporary crisis, and has been working to overcome business problems and to make other improvements to its business.

1.5. **Liquidation Analysis**.

The proponent of a reorganization plan must set forth an analysis of the value that would be realized by creditors in the event the debtor's assets are liquidated so that creditors and the Court can evaluate whether the reorganization plan provides creditors with a benefit. This is known as a "liquidation analysis." The Debtor's liquidation analysis is as follows:

Chart 2 – Liquidation Analysis

Personal Property

Asset	Value	Secured Claim	Costs of Sale	Equity
Bank Accounts	$146,937.28			$146,937.28
2012 Mercedes Benz Sprinter	$21,181.68	-$19,181.68		$2,000
Office Equipment	$0			
Uniforms	$2,500		-$2,500.00	$0
Janitorial Inventory	$0		$0	
Accounts Receivable	$148,074.38		-$74,037.19[2]	$74,037.19
			Total:	$222,976.47

[2] Once a case is converted to Chapter 7, the Debtor expects that customers will no longer

Calculation of Hypothetical Chapter 7 Distribution	
Value of Non-exempt Property:	$222,976.47
Less: Est. Ch. 7 Administrative Expenses:	-$14,298.82[3]
Less: Priority Claims[4]:	-($67,000+$2,501.40)
Total Available to General Unsecured:	$139,176.25
Total dollar amount of Unsecured Claims:	$257,374.28
Percent Distribution:	54.08 %

1.6. **Best Interests of Creditors Test**.

1.6.1 In order to be confirmed by a bankruptcy court over the objection of a dissenting creditor, a reorganization plan must meet the "best interests of creditors test." To meet this test, the plan proponent must show that creditors will receive under the applicable plan at least as much as they would receive if the debtor were liquidated in a hypothetical proceeding under Chapter 7 of the Bankruptcy Code. If the plan proponent can make that type of showing, the plan is deemed to be in the best interests of creditors because it is better than the alternative (i.e., liquidation).

The Debtor believes the Plan meets the "best interests test" because creditors are likely to recover more under the Plan, and sooner, than they would recover if the Debtor's assets were liquidated under chapter 7. As set forth above in the Liquidation Analysis above, if the Debtor's assets were liquidated, the Holders of

pay voluntarily on accounts receivable and thus a 50% discount to account for the costs of collection and the uncertainty of litigation is reasonable in the circumstance.

[3] A chapter 7 trustee would receive a statutory commission equal to 25% of the first $5,000 disbursed and 10% of the next $45,000, 5% of the next $950,000. Where, as here for the Sprinter and the janitorial uniforms, the value of property and the cost of liquidating such property are similar, a Trustee would likely abandon the collateral to the secured lender, and such amount will not be included in the compensation of a trustee. In this Reorganization Case that equates to $1,250 from the first $5,000, $4,500 from the next $45,000.00, and $8,548.82 from the next $170,976.47* for a total estimated trustee compensation of $16,561.95.

[4] IRS and ILDOR have filed priority tax claims totaling $2,501.40. Further, Professionals employed on behalf of the Debtor in this Reorganization Case would have a priority claim for their allowed professional fees (estimated at $67,000) if this case were converted to a Chapter 7 at this time.

Allowed Unsecured Claims could potentially receive up to 54.08% on account of such Claims. Conversely, the Debtor projects that Holders of Allowed Unsecured Claims will receive 100% of what they are owed if the Plan is confirmed.

1.7. **Feasibility and Risk Factors**.

1.7.1 Feasibility. Attached as **Exhibit B** are projections for years 2017-2019 for the Debtor's business on a cash flow basis. The Debtor believes that will be able to achieve the projected revenue and costs based on what it has been able to achieve in past years, and based on the cost savings realized from the operational reorganization described above.

1.7.2 Risk Factors. As with any small business, there are risk factors that may prevent the Debtor's success. There is a lot of competition for janitorial services in the Chicago-land area, and Geralex's early success illustrates the ease of entry into the janitorial subcontractor space. One pervasive risk is that the level of competition means that contracts may prove not to be as profitable as anticipated. Further, the move into being a value added supplier instead of a service provider may turn out to be risky, as it is a new line of business for Geralex. In addition, another new line of business for Geralex—working with the federal government—can be complex and time consuming. Finally, Geralex no longer has access to a line of credit, and it may be difficult to obtain one immediately after emerging from bankruptcy. Thus, any unexpected cash crunch could be more pressing than for a company that has not filed bankruptcy.

1.8. **Deadlines for voting on the Plan and objecting to the Plan, and 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 and identifies certain dates for voting on the Plan and objecting to the Plan.

1.8.1 Time and place of hearing to confirm the Plan.

The hearing at which the Court will determine whether to confirm the Plan will take place on _______, 2017, at _____ a.m., in Courtroom 615 at the Everett McKinley Dirksen Federal Courthouse, 219 S. Dearborn Street, Chicago, IL 60604.

1.8.2 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 to the Clerk of the United States Bankruptcy Court, 219 South Dearborn Street, 7th Floor – Ballot Desk, Chicago, Illinois 60604. Article 4 below contains a discussion of voting eligibility requirements.

Your ballot must be received by _______, 2017, or it will not be counted.

1.8.3 Deadline for objecting to confirmation of the Plan.

Objections to the confirmation of the Plan must be filed with the Court and served upon the Debtor by ______, 2017.

1.8.4 Identify of person to contact for more information.

If you want additional information about the Plan, you should contact counsel for the Debtor:

James Liu
FactorLaw
105 W. Madison, Suite 1500
Chicago, IL 60602
E-mail: jliu@wfactorlaw.com
Tel: 312-470-1284

ARTICLE 2. SUMMARY OF TREATMENT OF CLAIMS AND EQUITY INTERESTS.

2.1. **The purpose of the Plan**.

As required by the Bankruptcy Code, the Plan places claims and equity interests in various classes and describes the treatment each class will receive (that is, how each claim will be paid under the Plan). 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. This Disclosure Statement contains a chart in Section I describing the distributions to each class of claims. The following describes how each class of claims fares under the Plan.

2.2. **Unclassified claims**.

Certain types of claims are automatically entitled to specific treatment under the Bankruptcy Code, and a debtor generally lacks any meaningful discretion in how to pay those claims. The holders of those claims do not vote on the Plan. The holders, however, may object if in their view their treatment under the Plan does not comply with that required by the Bankruptcy Code. As such, the Debtor has not placed administrative expenses or priority tax claims in any class, and instead these are handled separately, as described below.

2.2.1 Administrative Expense Claims.

Administrative expenses are costs or expenses of administering the Debtor's chapter 11 case that are allowed under § 507(a)(2) of the Bankruptcy Code as actual and necessary costs of administration. 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 Bankruptcy Code requires that all administrative expenses be paid on the effective date of the plan or when allowed, unless a particular claimant agrees to a different treatment.

In this case, the primary administrative expenses relate to the fees and expenses of the Debtor's professionals, including The Law Office of William J. Factor, Ltd. and the International Business Law Group LLC. The Debtor estimates that the professional fees through the effective date of the Plan will be approximately $67,000. This amount is an estimate only and may increase or decrease based upon variables that remain uncertain.

Under the Plan, ordinary course administrative expenses are being paid in full as and when due. Other administrative expenses, including those owed to the Debtor's professionals, will either be paid in full following the Plan's effective date, the date the claim is allowed, if later, or according to any agreement between the Debtor and the claimant.

2.2.2 Priority Tax Claims.

Priority tax claims are unsecured income, employment, and other taxes described by § 507(a)(8) of the Bankruptcy Code. Unless the holder of a priority tax claim agrees otherwise, the holder must receive the present value of its claim, in regular installments paid over a period not exceeding five years from the petition date.

The IRS and Illinois Department of Revenue have filed priority tax claims totaling $2,501.40, and these claims will be paid in full in 48 equal monthly payments, plus interest at 3% per annum.

2.3. **Classes of claims and equity interests**.

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

2.3.1 Class 1: Secured Claim of Ally Financial.

Under the Bankruptcy Code, a secured claim arises when a creditor has a lien upon the Debtor's property to secure the debtor's repayment obligations, but only to the extent of the creditor's interest in the property.

In this case, Class 1 contains the secured claim of Alley Financial in the approximate amount of $19,181.68. Under the Plan, Ally Financial will retain any and all rights and remedies it has against the Debtor and the Debtor's 2012 Mercedes-Benz Sprinter under any prepetition contracts and applicable law, and shall be paid in full through monthly payments of principal and interest in the amount of $899.99.

2.3.2 Class 2: Unliquidated Tort Claims.

Class 2 consists of the Tort Claimants unliquidated tort claims. The Tort Claimants will retain any and all rights and remedies they have against the Debtor under applicable law. The Tort Claimants shall retain any and all rights and remedies they have against the Debtor and under applicable law. Upon the Tort Claimants' liquidation of their claims through either litigation or settlement, it is anticipated that the claims will be fully covered under its insurance policies.

2.3.3 Class 3: Equity Interests.

Equity interests are the ownerships interest of the Debtor. In this case, the Debtor is owned by the Alvarados. The Alvarados will retain their ownership interests in the Debtor under the Plan.

2.4. **Tax consequences of the Plan**.

Creditors and equity interest holders concerned with how the Plan may affect their tax liability should consult with their own accountants, attorneys, or advisors.

ARTICLE 3. Means of implementing the Plan.

3.1. **Vesting of assets**.

The Plan provides that all the Debtor's assets will vest in the Reorganized Debtor, free and clear of all liens, claims, interests, and encumbrances, except as otherwise provided in the Plan or confirmation order.

3.2. **Authorization**.

From and after the Plan's effective date, the Reorganized Debtor will take steps and execute all documents necessary to effectuate and implement the Plan.

3.3. **Sources for payments required under the Plan**.

The payments required under the Plan will be made from the Debtor's operating income and the contribution made by the Debtor's owners, and to the extent necessary and required by the Plan, from the Debtor's cash reserves.

3.4. **Executory contracts and unexpired leases**.

Unless otherwise provided, any executory contract or lease that has been previously assumed in the bankruptcy case and that is not listed on Exhibit F shall still be deemed to have been assumed by the Debtor. Assumption means that the Debtor has elected to continue to perform the obligations under the contract or unexpired lease, and to cure defaults of the type that must be cured under the Bankruptcy Code, if any.

If a party objects to the assumption of an unexpired lease or executory contract, the proposed cure of any defaults, or the adequacy of assurance of performance, it must file and serve its objection to the Plan within the deadline for objecting to the confirmation of the Plan, unless the Court has set an earlier time.

Except for executory contracts and unexpired leases that have previously been assumed, all executory contracts and unexpired leases that are not listed on Exhibit F at the time of confirmation will be rejected under the Plan.

The deadline for file a proof of claim based on a claim arising from the rejection of a lease or contract is 30 days after the date of rejection, or 30 days after the Plan's effective date, whichever is later. 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.

In addition, to the extend the loan modification agreement between Deutsche Bank and the Debtor is an executory contract, the agreement will be assumed under the plan.

ARTICLE 4. CONFIRMATION REQUIREMENTS AND PROCEDURES.

To be confirmed, the Plan must, among other things, meet the requirements listed in §§ 1129(a) and (b) of the Bankruptcy Code. Thus: (i) the Plan must be proposed in good faith; (ii) at least one impaired class of claims must accept the Plan, without counting votes of insiders; (iii) the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and (iv) the Plan must be feasible. These requirements are not the only requirements listed in § 1129, and they are not the only requirements for confirmation of the Plan.

4.1. **Who may vote on or object to the Plan**.

Any party in interest may object to the confirmation of the Plan. Not all parties in interest, however, are 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 (i) allowed generally or for voting purposes only, and (ii) impaired. If an objection has been filed to the claim of a creditor or to the interest of an equity interest holder, that creditor or equity interest holder is not entitled to vote on the Plan until the objection has been resolved, or until the Bankruptcy Court enters an order temporarily allowing the claim or interest for voting purposes.

In this case, the Debtor believes that only Class 3 is impaired and that holders of allowed claims in each of this class is therefore entitled to vote to accept or reject the Plan unless their claims are subject to an objection.

In sum, holders of the following six 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 or that are subject to a pending objection;
- Holders of other claims or equity interest that are not "allowed" as discussed below, 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 Bankruptcy Code;
- Holders of claims or equity interests in classes that do not receive or retain any value under the Plan;
- Holders of administrative expenses.

4.2. **Allowed claims or allowed equity interests**.

As noted above, only a creditor with an "allowed" claim has the right to vote on the Plan. Generally, a claim is allowed if either (i) the Debtor scheduled the claim on its bankruptcy schedules, unless the claim was scheduled as disputed, contingent, or unliquidated, or (ii) the creditor has filed a proof of claim, unless an objection has been filed to that proof of claim.

The Debtor reserves the right to object to any claim prior to the confirmation hearing and the deadline for submitting ballots. When a claim is not allowed or is subject to an objection, the creditor cannot vote unless the Court, after notice and a hearing, either overrules the objection or allows the claim for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

The deadline for filing a proof of claim in this case was June 15, 2016. The Debtor is in the process of evaluating the proofs of claim that were filed, as well as determining the claims that will be subject to objection.

4.3. **Impaired claims or impaired equity interests**.

As noted elsewhere, the holder of an allowed claim or equity interest has the right to vote for or against the Debtor's Plan only if it in a class that is "impaired." As provided in § 1124 of the Bankruptcy Code, a class is impaired if the plan alters the legal, equitable, or contractual rights of the members of that class. In this case, only Class 3 Claims are impaired under the Plan.

4.4. **Votes necessary to confirm the Plan**.

The Court cannot confirm the Plan unless (i) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within the class and (ii) 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.

4.5. **Votes necessary for a class to accept the Plan**.

A class of claims accepts the Plan if (i) the holders of more than one-half of the allowed claims in the class, who vote, cast their votes to accept the Plan and (ii) the holders of at least two-thirds in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

4.6. **Treatment of nonaccepting classes**.

Even if one or more impaired classes rejects the Plan or does not accept it, the Court may nonetheless confirm the Plan if the non-accepting classes are treated in the manner prescribed by § 1129(b) of the Bankruptcy Code. A plan that binds non-accepting classes is commonly referred to as a "cram down" plan.

The Bankruptcy Code allows a plan to bind non-accepting classes of claims or equity interests if the plan: (i) meets all the requirements for consensual confirmation except the voting requirements of § 1129(a)(8); (ii) does not "discriminate unfairly," and (iii) is "fair and equitable" toward each impaired class that has not voted to accept the plan.

To the extent one or more classes of claims does not accept the Debtor's Plan, the Debtor reserves the right to confirm the Plan over the objection of the class. The Debtor believes that a cramdown is possible because the Plan is fair and equitable and does not discriminate unfairly.

You should consult your own attorney if a cramdown confirmation will affect your claim, as the variations on this general rule are numerous and complex.

4.7. **Liquidation analysis and best-interests test**.

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 they would receive in a hypothetical chapter 7 liquidation of the Debtor. Once again, this is known as the best-interests test.

As set forth above in the narrative section of this Disclosure Statement, the Debtor believes that unsecured creditors will receive 100% of their claims over time under the Plan and that this is more than they would receive if the Debtor was liquidated in a case under chapter 7 of the Bankruptcy Code.

4.8. Feasibility analysis.

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. The Debtor believes that the Plan is feasible for the following reasons.

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 its projected cash flow for years 2017, 2018 and 2019 (attached as exhibit A). Over the next few years, the Debtor expects to generate sufficient revenue to pay the Ally Financial secured claim and unsecured creditors and to otherwise perform its other obligations under the Plan.

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

ARTICLE 5. DISCHARGES AND RELEASES.

Consistent with the Bankruptcy Code, the Plan contains certain releases and discharges in favor of the Debtor and those assisting the Debtor in its efforts to reorganize. Thus, as specified in § 1125(e) of the Bankruptcy Code, the Plan provides that Persons that solicit acceptances or rejections of the Plan are not liable, on account of such solicitation or participation, for violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan.

Furthermore, upon the Effective Date of the Plan, the provisions of the Plan shall bind all persons to the fullest extent permitted under applicable law, expressly including, without limitation, all holders of Allowed Claims, whether or not they accept the Plan or have filed a claim.

The Plan also contains a broad release and discharge in favor of the Debtor/Reorganized Debtor, which generally provides that all Persons, including the Holders of Claims, are deemed to unconditionally and irrevocably release and discharge the Debtor/Reorganized Debtor from any and all Claims, obligations, guarantees, suits, judgments, damages, rights, causes of action or liabilities whatsoever, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity or otherwise, based in whole or in part upon any act or omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Claim of such Person against the Debtor or any other matter in any way related to, or arising from, the Debtor or the operation of the Debtor, the administration of the Reorganization Case, or the negotiation, preparation, formulation, solicitation, dissemination, implementation, confirmation and consummation of the Plan upon completion of this Plan.

Finally, the Plan includes a limited third-party release in favor of Alejandra Alvarado and Gerardo Alvarado for pre-petition employee wage and hour claims as follows:

> Except as expressly provided in the Confirmation Order, on the Effective Date, the Debtor's past and present employees (as well as their respective successors and assigns), and any trustee subsequently appointed for the Debtor in a proceeding under chapter 7 or chapter 11 of the Bankruptcy Code, shall be permanently enjoined, restrained and precluded from asserting, commencing, or continuing in any manner any Claims, obligations, guarantees, suits, damages, rights, causes of action or liabilities, existing or hereinafter arising, in law, equity or otherwise, against Alejandra Alvarado and Gerardo Alvarado, or any property of the foregoing, based upon any act or omission, transaction, event, or other occurrence taken on or before the Petition Date relating to employee wages and hours, including, but not limited to, claims under the Fair Labor Standards Act, the Illinois Minimum Wage Law, and the Illinois Wage Payment and Collection Act (the "Third-Party Claims"), provided, however, nothing herein shall enjoin, restrain or preclude any Third-Party Claim arising from the bad faith, dishonesty or willful misconduct of Alejandra Alvarado or Gerardo Alvarado.

This limited third-party release is provided in exchange for payment by Alejandra Alvarado and Gerardo Alvarado of $5,000.00 each to the Debtor as a contribution to the Plan and the Debtor's reorganization.

ARTICLE 6. EXPLANATION OF OTHER PLAN PROVISIONS.

The Plan also contains certain other provisions that bear upon the rights and obligations of the Debtor and creditors under the Plan. The following is a list of the provisions that the Debtor believes might be relevant to a Creditor's decision to vote for or against the Plan:

6.1. Conditions to confirmation and of the Plan and its effective date.

Unless the conditions precedent are waived by the Debtor, the Plan will not be confirmed unless the confirmation order (i) is in a form and substance reasonably acceptable to the Debtor and (ii) provides for the transfer of assets to the Reorganized Debtor free and clear from any claims, except as provided in the Plan.

Once confirmed, unless the conditions precedent are waived by the Debtor, the Plan's effective date will not occur unless (i) the confirmation order becomes a final order and (ii) all actions, documents, and agreements necessary to implement the provisions of the Plan are reasonably satisfactory to the Debtor and have been effectuated or executed and delivered.

6.2. **The Effective Date**. The date that a plan is confirmed is not necessarily the date that the plan becomes effective. In this case, the Effective Date of the Plan shall not occur unless and until the Confirmation Order approves the Plan, is signed by the Bankruptcy Court and entered upon the docket in the Reorganization Case and becomes a Final Order in that it is no longer subject to appeal.

6.3. **Payment of Statutory Fees**. The Plan provides that all fees payable pursuant to 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the hearing pursuant to § 1128 of the Bankruptcy Code, shall be paid on or before the Effective Date.

6.4. **Final decree**.

As promptly as appropriate, the Reorganized Debtor will file a motion with the Court to obtain a final decree to close the bankruptcy case.

6.5. **Post-Confirmation Jurisdiction**. The Plan provides that the Bankruptcy Court shall retain post-confirmation jurisdiction to hear and determine a variety of matters, including matters related to the implementation and construction of the Plan, the treatment of Claims under the Plan, and the resolution of objections to Claims. The effect of these provisions is that most, if not all, disputes related to Claims or involving the Debtor and Creditors or the Debtor's Assets will be heard in the Bankruptcy Court, but only to the extent that the Bankruptcy Court has proper jurisdiction under applicable law to hear such matters.

6.6. **Plan Modifications**. The Bankruptcy Code allows a debtor to amend a plan under certain conditions, including after a plan has been confirmed. In this case, the

Plan reserves the Reorganized Debtor's rights to modify the Plan. In addition, the Plan also provides that subsequent to the Effective Date and substantial consummation of the Plan, the Reorganized Debtor may modify the treatment provided under the Plan to any Class of Claims, provided that the Holders of Claims in such Class approve the modification in a writing sent to all Holders of Claims in such Class which sets forth the proposed modification. The Reorganized Debtor shall have obtained consent to a proposed Plan modification if a majority of Holders of the Claims in each affected Class approve the modification in writing and such majority accounts for more than 66% of the value of the Claims in the affected Class or Classes.

Dated: December 5, 2016

Respectfully submitted,

Geralex, Inc.

By: */s/ Sara E. Lorber*
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