

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

In Re:)	
)	
Rebuiltcars Corporation,)	NO. 17-11811
Debtor)	
)	Chapter 11
)	
)	Honorable Judge Timothy A. Barnes

DISCLOSURE STATEMENT

REBUILTCARS CORPORATION, Debtor and Debtor in Possession herein, by and through its Attorneys, Paul M. Bach and Penelope N. Bach of Bach Law Offices, file this Disclosure Statement (“Disclosure Statement”) pursuant to Section 1125 of the Bankruptcy Code in conjunction with its Plan of Reorganization (“Plan”). A copy of Debtor’s Plan of Reorganization is attached to this Disclosure Statement as Exhibit A.

INTRODUCTION

This bankruptcy case was commenced by the filing of a voluntary petition under Chapter 11 of the Bankruptcy on April 14, 2017. The Debtor is operating and managing its financial affairs as Debtor-in-Possession. No trustee examiner or committee of unsecured creditors have been appointed to serve in this Chapter 11 case.

The Debtor is the proponent of the Plan. The Plan provides for distributions to the holders of Allowed Claims by the Debtor from the operations of the Debtor’s business.

Attached as Exhibit B is an inclusive list of the Debtor’s creditors. Exhibit B states the class and the amount of any allowed claim(s) for each creditor. Utilizing the data from Exhibit B, the chart below shows the total dollar amount and timing of payments to be made to each

class under the Plan. This chart identifies each class of claims, the total amount of each class of claims, and the amount (dollar and percentages) to be paid to each class. Exhibit B and the descriptions in the attached chart show the composition of each class.

In Summary, there is one administrative, three priority unclassified classes and two classes of claims (Class One has five sub classes) which are to be treated as follows:

	TOTAL \$ AMOUNT TO BE PAID	TIMING OF PAYMENTS	NUMBER OF CLAIMS AND AMOUNT TO BE PAID IN PLAN
Administrative Claims Unclassified	\$50,000.00 (estimated)	Effective date of Plan	Debtors' attorney United States Trustee (100%)
Dept of the Treasury IRS-Unclassified	\$4,290.07 plus plus4%	\$100.00 per month plus 4%	One claim to be paid 4,290.07 plus 4%
Illinois Department of Revenue-Unclassified	\$515.19	\$50.00 per month	One claim to be paid \$515.19
Class 1A-Secured First Home Bank	\$274,551.23	\$1,735.01/month	One claim to be paid 1,735.01 per month
Class 1B-Secured Swift Capital	\$56,405.35	\$264.81/month	One claim to be paid \$264.81 per month
Class 1C-Secured Automobile Finance Corporation	\$40,000.00	\$202.07/Month	One claim to be paid \$202.07 per month
Class 1D-Secured 1 st Global Capital	\$37,493.80	\$189.60/month	One claim to be paid \$189.60 per month
Class 1E-Secured Capital Merchant Services, LLC	\$27,096.00	\$137.02/Month	One claim to be paid \$137.02 per month
Class Two-Unsecured See Exhibit B for Class Composition	\$73,748.85	245.83/month	\$245.83 per Month Pro Rata

SUMMARY OF TREATMENT OF CLAIMS AND INTERESTS UNDER PLAN

The Debtor’s Plan of Reorganization (the “Plan”) provides that on its Effective Date, the Debtor will retain all of its assets and will thereafter be responsible for paying the Claims of its

creditors, as provided below.

In general, the Debtor will pay Administrative Claims, Two Unclassified Classes and Two classes of Creditors Claims (Class One has five sub classes).

- a. **ADMINISTRATIVE CLAIMS:** This Claim will be paid on or within thirty days of the Effective Date of the Plan or in accordance with agreements between the Debtor and each holder of an Administrative Claim. United States Trustee's fees and other bankruptcy fees shall be paid in full on or before the Effective Date or as they come due thereafter. The source of payment for these claims will be the Debtor's income.
- b. **CREDITOR CLAIMS:**
 1. The following parties have filed secured claims and are now being treated as secured under the Plan except as stated.: (Class 1A) – First Home Bank; (Class 1B) – Swift Capital; (Class 1C) – Automobile Finance Corporation; (Class 1D) – 1st Global Capital; and, (Class 1E) – Capital Merchant Services, LLC.
 2. For taxes to the Department of the Treasury-Internal Revenue Service for \$4,290.07 priority unsecured (Unclassified) and Illinois Department of Revenue for \$515.19 (Unclassified).
 3. One class of unsecured claims totaling \$73,748.85 which does not include Disallowed Claims or Claims that are currently Objected to: The unsecured class (Class 2) contains all of the Allowed and not Objected to unsecured non priority claims against the debtor which includes general unsecured claims as listed on Schedule B attached to this Disclosure Statement.
 4. Secured Claims will be paid interest on payments subsequent to April 14, 2017 at the rate of interest if one is stated in the Plan except for the secured claim of the

Internal Revenue Service (4.0%).

5. Any uncashed checks or returned distributions shall be the property of the Debtor.

The Debtor advises all Creditors and other parties in interest that under Section 1127(a) of the Bankruptcy Code, the Debtor may, within certain limits, modify the Plan at any time before confirmation. Further negotiations between the Debtor and one or more of their creditors may result in such modifications. The Debtor does not expect or intend to agree to modifications that would materially and adversely influence the feasibility of the Plan as now constituted. The Debtor will bring all such proposed modifications to the attention of the Bankruptcy Court by appropriate pleading before they become effective.

- c. Plan Funding: The Debtor will make all payments out of its future income from operation of its Business. The Debtor expects to receive net income sufficient to pay all Claims. Creditors can review a detailed projection of the Debtor's Income and Expenses, which is attached.

ANALYSIS OF THE DEBTOR'S INCOME, CURRENT ASSETS AND LIABILITIES

- a. The Debtor bases its projections on historical income and a consideration of the fact that operations business is variable at times. The regular income of the Debtor will allow the Debtor to fund the Plan. Creditors can review complete projections of the Debtor's income, expenses and a valuation of the Debtor's assets (see attached).
- b. The Debtor's income does not follow a normal distribution. Debtor sometimes receives substantial net income in one month followed by one or more months of net loss. The situation also works the other way. The Debtor's projected income is sufficient on average to make all required payments under the Plan.

CLASSIFICATION OF CLAIMS AND INTERESTS

The Bankruptcy Code requires that a Plan of reorganization place each classified creditor's Claim in a class with other Claims or Interests that are "substantially similar." The dollar amount of a claim is usually not a basis upon which to distinguish it from other Claims.

As stated above, the Plan establishes Administrative Claims, Two Unclassified Classes and Two classes of Creditors Claims (Class One has five sub classes). The Bankruptcy Court must independently conclude that the Plan's classification scheme is authorized, but any Creditor who believes that the Plan has improperly classified any group of Claims or Interest may object to Confirmation of the Plan. The Debtor believes that the Plan's classification of Claims fully complies with the requirements of the Bankruptcy Code and applicable case law.

General Terms: All Claims submitted by creditors shall be fixed and determined in accordance with the proof of claim filed the Clerk of the United States Bankruptcy Court subject to any Objections filed by the Debtor or other Parties in Interest. Unless otherwise specifically provided in this Disclosure Statement following the Petition Date:

- a. No creditor shall accrue interest on its Claim after the Petition Date;
- b. If the agreement between the parties so provides, a Creditor may accrue interest on its Claim (at the rate provided in the agreement). With the exception of the Secured Claims as to current payments if so provided in the Plan Internal Revenue Service (4.0%), Illinois Department of Revenue the Debtor does not believe that it is required to pay any interest on any Claim.
- c. After the Petition Date, each Creditor not referred to in paragraph b waives:
 1. default interest;

2. penalties; the right to accelerate payment; and
3. Contractual attorney's fees.

Effect of Filing and Not Filing Claims - Each Creditor, who has filed a proof of claim, is not bound by the Debtor's estimates of Claims against it. Any creditor, who did not file a proof of claim, is bound by the Debtor's calculation of the amount owed to that creditor. If the debtor disputed a debt on his schedules and the Creditor in question did not file a proof of claim, the debt shall be deemed disallowed. Claims for expenses of administration may be allowed in the discretion of the Bankruptcy Court and for amounts over which the Debtor has no control. The results of the Objections to the Proof of Claim may increase or decrease the Expenses of the Debtor.

TREATMENT OF UNIMPAIRED AND UNCLASSIFIED CLAIMS

The following class(s) are unimpaired by the Plan in accordance with Section 1124 of the Bankruptcy Code or are not required to be classified in this Plan of Reorganization under provisions of the Bankruptcy Code

a. **Administrative Expenses** - These claimants represent claims arising post-petition. Any Administrative Expense that is an Allowed Claim shall be paid by the Reorganized Debtor, in full, in cash or as otherwise agreed. Payment of Professional Fees shall be subject to the provisions of Section 330(a) and 331 of the Bankruptcy Code or as otherwise provided by the Plan. The Debtor's Attorney, the United States Trustee and other bankruptcy fees shall be paid in full on or before the Effective Date, as Agreed or as they come due thereafter. The source of payment for these amounts will be the Debtor's income from operations and from employment. The Debtor

expects Administrative Claims will be approximately \$50,000.00 as of the Effective date.

b. Tax Claim of the Department of the Treasury-Internal Revenue Service (hereinafter called "the IRS"): The priority and unsecured tax claim (\$4,290.07) of the IRS shall be paid as follows, unless the Internal Revenue Service agrees to a different treatment. The IRS will receive, on account of its claim, payment in full of the claim (\$4,290.07) plus interest at the rate of 4% which shall be paid by payments of \$100.00 per month on the 15th of each month beginning the month after the effective date (which should be sufficient to pay this claim in full in approximately sixty (60) months or five years after the date of commencement of payments.

c. Tax Claim of the Illinois Department of Revenue (hereinafter called "IDOR") in the total amount of \$515.19 will be paid as follows, unless IDOR agrees to a different treatment: (1) The priority tax claim (\$515.19) of IDOR shall be paid by payments of \$50.00 per month on the 15th of each month beginning the month after the effective date (which should be sufficient to pay this claim in full in approximately sixty (60) months or five years after the date of commencement of payments.

3.2 TREATMENT OF IMPAIRED CLAIMS

The claims in the Classes listed below are impaired by the Plan:

A. Class One-ALLOWED SECURED CLAIMS THAT ARE IMPAIRED

Claimants together include each Allowed Secured Claim held by a Creditor that the debtor was not current and in default with on the Petition date (Subject to Objections to the Relevant Proof of Claims) relating to real estate that is secured by one or more of

the Debtor's Assets and is not disputed, contingent or unliquidated and allowed as of the effective date. Each creditor shall be paid as stated in the detail under each claim subject to the Objections to the Relevant Proof of Claim.

a) **CLASS 1A - Secured Claim of First Home Bank** holds a perfected security interest on assets of the Debtor in the amount of \$274,551.23 which is a secured claim. The Debtor shall be given credit for all adequate protection payments pursuant to the Cash Collateral Order. First Home Bank also holds an unsecured non priority claim in the amount of \$61,000.00. Commencing thirty days after the effective date, the Debtor shall make monthly payments on the fifteenth day of each month to First Home Bank directly in the amount of \$1,735.01 per month until the secured claim is paid in full.

b) **CLASS 1B - Secured Claim of Swift Capital** holds a perfected security interest on assets of the Debtor in the amount of \$56,405.35 which is a secured claim. The Debtor shall be given credit for all adequate protection payments pursuant to the Cash Collateral Order. Commencing thirty days after the effective date, the Debtor shall make monthly payments on the fifteenth day of each month to First Home Bank directly in the amount of \$264.81 per month until the secured claim is paid in full.

c) **CLASS 1C - Secured Claim of Automobile Finance Corporation** holds a perfected security interest on assets of the Debtor in the amount of \$40,000.00 which is a secured claim. The Debtor shall be given credit for all adequate protection payments pursuant to the Cash Collateral Order. Commencing thirty days after the effective date, the Debtor shall make monthly payments on the fifteenth day of each month to Automobile Financing Corporation directly in the amount of

\$202.07 per month until the secured claim is paid in full.

d) **CLASS 1D - Secured Claim of 1st Global Capital** holds a perfected security interest on assets of the Debtor in the amount of \$37,493.80 which is a secured claim. The Debtor shall be given credit for all adequate protection payments pursuant to the Cash Collateral Order. Commencing thirty days after the effective date, the Debtor shall make monthly payments on the fifteenth day of each month to 1st Global Capital directly in the amount of \$189.60 per month until the secured claim is paid in full.

e) **CLASS 1E - Secured Claim of Capital Merchant Services, LLC** holds a perfected security interest on assets of the Debtor in the amount of \$27,096.00 which is a secured claim. The Debtor shall be given credit for all adequate protection payments pursuant to the Cash Collateral Order. Commencing thirty days after the effective date, the Debtor shall make monthly payments on the fifteenth day of each month to Capital Merchant Services, LLC directly in the amount of \$137.02 per month until the secured claim is paid in full.

B. CLASS TWO - ALLOWED NON PRIORITY UNSECURED

CLAIMS-Each Holder of Allowed Class 2 Claims totaling \$73,748.85 shall be paid twenty percent without interest of all Claims held by such Holders with a payment each month of \$245.83 pro rata.

CLAIMS OBJECTIONS

To the extent that the Debtor objects to any Claim, it is expected that these objections may be filed either before or after Confirmation of the Plan, but will not be fully resolved until after Confirmation of the Plan. Debtor may file objections because 1) a creditor filed duplicate claims, 2) because a creditor has filed a claim designating it to be in the wrong class, or 3) because the amount of the claim as filed is an unliquidated amount due which will need to be liquidated. Any claim objection, which is sustained, shall modify this Plan and the amount provided for that creditor.

PURPOSE OF DISCLOSURE STATEMENT

This Disclosure Statement is provided to all of the known holders of Claims against the Debtor. The purpose of this Disclosure Statement is to provide sufficient information to enable a hypothetical, reasonable investor, typical of the holder of Claims, which are impaired under the Plan, to make an informed judgment about the Plan.

Unless specifically stated to be from other sources, the information contained in this Disclosure Statement has been submitted by the Debtor. 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.

CONFIRMATION OF PLAN

The Debtor is providing a copy of this Disclosure Statement to each Creditor whose Claim has been scheduled by the Debtor or who has filed a proof of claim in the

Debtor's case. The Debtor intends that this Disclosure Statement will assist creditors whose Claims are impaired in evaluating the Plan and in determining whether to accept or reject the Plan. Under the Bankruptcy Code, an interested party may not solicit acceptance of the Plan unless (a) that interested party furnishes a copy of a disclosure statement before or concurrently with solicitation or (b) the Bankruptcy Court has authorized the interested party to solicit votes.

A quick overview of the process for the confirmation of a reorganization Plan may be useful. For a bankruptcy court to approve a proposed reorganization Plan, the Plan's proponent must show that the Plan satisfies the 13 requirements of Section 1129 of the Bankruptcy Code, if they are applicable. They are: (1) the Plan's compliance with Title 11, (2) the proponent's (in this case the Debtors') compliance with Title 11, (3) the good faith proposal of the Plan, (4) the disclosure of payment, (5) the identification of management, (6) the regulatory approval of rate changes, if applicable, (7) the "best interest" test, (8) the unanimous acceptance by impaired classes, (9) the treatment of administrative and Priority Claims, (10) the acceptance by at least one impaired class of Claims, (11) the feasibility of the Plan, (12) the bankruptcy fees, and (13) retiree benefits. See Section 1129(a)(1)-(13) of the Bankruptcy Code. If, however, a Plan is not approved by all of the impaired classes, as required by Section 1129(a)(8) of the Bankruptcy Code, it is still possible for a Plan to be confirmed. If at least one the non-insider, impaired class of Claims approves the Plan, then a Plan may be confirmed if two additional requirements are met. See 1129(a)(8) of the Bankruptcy Code. If the Bankruptcy Court finds that all of the applicable requirements of Section 1129(a) of the Bankruptcy Code are met except for Section 1129(a)(8) of the Bankruptcy Code and

also that the Plan does not discriminate unfairly between impaired classes and is fair and equitable to the rejecting classes, then the Bankruptcy Court may confirm the Plan. See Section 1129(b)(1)-(2) of the Bankruptcy Code.

EFFECT OF CONFIRMATION

Upon the Effective Date, the provisions of the Plan shall be binding upon the Debtor and any creditor, whether or not such creditor has accepted the Plan and regardless of whether the Claims of such creditor are impaired under the Plan. All Creditors are enjoined prohibited and barred from collecting or attempting to collect any pre petition debt or default. Upon the Effective Date, all Property of the Estate shall vest in the Debtor. Except as otherwise provided in the Plan, all property dealt with by the Plan shall be free and clear of all Claims and Interest of creditors.

PERSONS ENTITLED TO VOTE ON PLAN

The Bankruptcy Court in connection with confirmation of the Plan will only count the votes of classes of creditors whose Claims are allowed and whom the Debtor seeks to impair under the Plan. Generally, and subject to the specific provisions of Section 1124 of the Bankruptcy Code, this includes creditors who, under the Plan, will receive less than payment in full in cash of the allowed amounts of their respective Claims on the "Effective Date." The Debtor's Plan seeks to impair the Claims of Classes 1A, 1B, 1C, 1D, 1E and 2.

Any ballot that accompanies this Disclosure Statement does not constitute a proof of claim. If you are uncertain whether your claim has been correctly scheduled, you may examine the Debtor's schedules which are on file with, and may be inspected at the Office of the Clerk of the Bankruptcy Court, 219 S. Dearborn, Chicago, Illinois.

The Bankruptcy Court at the confirmation hearing must determine, among other things, whether each class of creditors who's Claims are impaired by the Plan has accepted the Plan. Under Section 1126 of the Bankruptcy Code, an impaired 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. Further, unless there is unanimous acceptance of the Plan by an impaired class, the Bankruptcy Court must also determine whether under the Plan class members will receive property of a value, as of the effective date of the Plan, that is not less than the amount that such class members would receive or retain, if a Chapter 7 trustee liquidated the Debtors' property under Chapter 7 of the Bankruptcy Code on the Effective Date of the Plan.

SOURCES OF INFORMATION

In preparing this Disclosure Statement, counsel for the Debtor relied upon the utilized the following:

- (1) Income and Expense records;
- (2) Financial records; and Estimation of the Debtor's future income and financial information; and
- (3) Discussions with the Debtor.

POST-PETITION ACTIVITIES

On April 14, 2017, Debtor filed its voluntary petition for relief under Chapter 11 of

the Bankruptcy Code. During the course of this reorganization case, the Debtor continued and will continue with the business operations of its business. The operating reports filed by the Debtor, shown by the Summary of Operating Reports, reflect what will be produced by operations.

All of the above events have enabled the Debtor to prepare the Plan.

OTHER ASPECTS OF THE PLAN

The Debtor shall be disbursing agent under the Plan.

All executory contracts not previously assumed, assigned or rejected which exist between the Debtor and any another party, whether oral or in writing, shall be deemed assumed as of Confirmation of the Plan. Further, all of the Debtor's assets shall vest in the Debtor upon Confirmation of the Plan, subject only to the terms and conditions of the Plan. The Debtor shall be entitled to manage their affairs and operate its business after Confirmation without further Order of the Bankruptcy Court.

The Plan is self-executing. The Debtor shall not be required to execute any newly created documents to effectuate the terms of the Plan. The Bankruptcy Court shall retain jurisdiction after Confirmation of the Plan of Reorganization to: (i) consider applications for fees and allowances for professional persons; (ii) supervise the implementation of this Plan; (iii) consider objections to claims against the estate of the debtor; (iv) hear and conclude all adversary proceedings or contested matters; (v) resolve disputes regarding interpretation of this Plan; (vi) fix expenses of administration; (vii) enter Orders to further consummation of the Plan; (viii) approve modifications of the Plan upon motions brought before the Bankruptcy Court; (ix) consider all applications and matters pending before the Bankruptcy Court on the date of Confirmation; (x) hear and conclude any adversary proceedings and other matters relating or

giving rise to litigation recoveries; (xi) enter any order, including injunctions, necessary to enforce title, rights and powers of the debtor, and to impose as the Bankruptcy Court may deem necessary; and (xii) enter an Order concluding and terminating this Chapter 11 case.

The provisions of the Plan shall bind all creditors and parties in interest. Except as expressly provided in the Plan, no interest or penalties shall accrue or be paid to any creditor.

LIQUIDATION ANALYSIS

Failure of the Debtor to obtain Confirmation of its Plan could result in a forced liquidation or a conversion to a case under Chapter 7 of the Bankruptcy Code. The attached analysis indicates the likely results of a forced liquidation and shows that under the Plan creditors are getting more than such creditors would receive in liquidation.

Each lender will make more money over the course of the secured creditor's life of loan if the debtor would be allowed to pay over the time as proposed by this Chapter 11 Plan. Additionally, confirmation of this Plan will allow the Tax Claim to be paid in full.

Therefore, such liquidation would leave nothing available to creditors (especially the one second mortgage holder). Should this matter convert to a Chapter 7, it would cause another layer of administrative costs to be added, such as; (i) costs of sale; (ii) Trustee's fees; and (iii) fees to trustee's counsel.

All creditors will receive more funds than any creditor would receive in a liquidation of the Debtors' assets.

MEANS FOR IMPLEMENTING THE PLAN

The Debtor intends to continue the operations of its business which, based upon historical data, should generate a profit sufficient to pay the monies required under this Plan. All distributions under the Plan will be made from the Debtor.

FEASIBILITY AND FAIRNESS OF PLAN

Attached to this Disclosure Statement, as an Exhibit, is a Summary of Operation Reports Subsequent to Filing of the Case. The summary of Operations Reports also contains a Projection of Future Income. The purpose of the Summary of Operations Reports, Projection of Future Income is to show the anticipated cash flow. The Debtor represents that the figures shown in the operating reports are historical figures and the debtor anticipates that the income and expenses as shown will continue. The purpose of these Operating Reports is also to provide creditors with projected financial information concerning the Debtor's ability to make the payments under the Plan. These projections were prepared by the Debtor and are based upon past history as demonstrated by the Operating Reports filed with the court. Consolidated Financial Statements are also not attached but the Operating Reports and the Projections are intended to provide the same information. It is believed and represented that financial history has been steady and this income and expenses are expected to continue.

The Plan is feasible given the reasonable projections of the Debtor. These projections clearly reflect the Debtor's ability to perform under the proposed Plan. This fact makes this Plan feasible.

The Debtor believes that this Plan represents an opportunity for the holders of Allowed Claims to receive substantially more than such claimants would receive in a forced liquidation. Given the conservative financial projections and the Debtor's performance, the Plan is also fair.

RECOMMENDATION

The Debtor strongly recommends that those persons entitled to vote, vote to accept the Plan.

Rebuiltcars Corporation

By: /s/Paul M. Bach

Paul M. Bach, one of their attorneys

DEBTOR' S COUNSEL:

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