
United States Bankruptcy Court
Eastern District of Pennsylvania

In re: **Irene's Bakery & Gourmet Kitchen, Inc.**

Case No. **16-17425**
Chapter **11**

Debtor

DEBTOR'S DISCLOSURE STATEMENT

This Disclosure Statement has been prepared by Irene's Bakery & Gourmet, Kitchen, Inc. as proponent of the Plan of Reorganization. The Debtor provides this Disclosure Statement to the scheduled creditors of the Debtors in order to disclose that information which the Debtor believes to be necessary for the creditors of the Debtor to arrive at a reasonably informed decision in exercising the right to vote on the Plan of Reorganization filed by the Debtor in this Chapter 11 case (the "Plan"). A copy of the Plan is being provided with this Disclosure Statement.

- THE DEBTOR RECOMMENDS THAT YOU VOTE TO APPROVE THE PLAN -

In addition to this Disclosure Statement and a copy of the Plan, you will find enclosed a ballot by which you can reflect your acceptance or rejection of the Plan. The ballot should be completed and returned to the Debtor's counsel prior to the hearing for confirmation of the Plan. The time and date of hearing on the confirmation of the Plan is set forth in a notice enclosed herewith.

Any representations or inducements made to secure your vote, which are other than as contained in this statement should not be relied upon by you in arriving at your decision, and such additional representations and inducements should be reported to the bankruptcy court for such action as may be deemed appropriate.

Background

Irene's Bakery & Gourmet Kitchen, Inc. is a wholesaler of baked goods. It began operations in 1989. The current owner acquired the business in 2003. When one of the company's largest customers,

Whole Foods, changed its buying structure as well as the placement of the Debtor's product, sales slumped. This resulted in the Debtor falling behind on its payments to vendors, among which were the produce suppliers (PACA), who forced the Debtor to accelerate payments to those creditors to the exclusion of others. The company sought the protection of the Bankruptcy Laws in order to get some breathing room to reorganize.

The Debtor instituted a series of cost savings measures, including reducing salaries, and staffing, as well as its dependence upon Whole Foods.

Since the filing of the Chapter 11, the Debtor has been on C.O.D. with all of its suppliers and has generally been meeting its obligations.

Assets

The Debtor's Assets consist of equipment, raw and finished goods, accounts receivable all of which were valued at \$338,619.00 at the inception of the case. In addition, there was \$5,000.00 in a safe deposit box.

Creditors

As of the filing of the case, the Debtor listed \$38,487.60 in secured claims, \$402.00 in priority tax claims and \$102,259.53 in unsecured claims. The secured PACA claims have been reduced. There were no priority tax Proofs of Claims filed by the governmental claims deadline.

The Plan

The Plan filed with the Court on August 17, 2017 proposes to satisfy the creditors in full through ongoing revenues in monthly installments over thirty-six (36) months. The Debtor believes it will be in a position to service the payments based upon the projections attached as Exhibit "A."

Liquidation Analysis

The Debtor believes that the value of the assets, some of which include perishables, would be adversely impacted if this case was converted to a liquidation under a Chapter 7 proceeding.

Voting and Its Significance

The Court may confirm the Plan if it has been accepted by the affirmative vote of claimants holding at least two-thirds in amount and more than one-half in number of the allowed claims of claimants in each class who actually cast votes to accept or reject the Plan.

A claimant who does not cast a vote to accept or reject the Plan will have no bearing on the outcome. Claimants who actually vote may bind those claimants who do not vote. Accordingly, the vote of each claimant is important.

In its disclosure statement order, the court has fixed the date for the mailing of ballots accepting or rejecting the Plan. Claimants are urged to read that order closely and to comply with its voting deadline. Claimants may vote on the Plan by completing the enclosed ballot and mailing it to counsel for the Debtors at the following address:

CREDITORS ARE URGED TO READ THE PLAN IN FULL. CREDITORS ARE FURTHER URGED TO CONSULT WITH COUNSEL OR EACH OTHER IN ORDER TO FULLY UNDERSTAND THE PLAN. THE PLAN, ALTHOUGH RELATIVELY SIMPLE IN FORM, IS BASED ON COMPLEX FINANCIAL CONSIDERATIONS AND AN INTELLIGENT JUDGMENT CONCERNING SUCH PLAN CANNOT BE MADE WITHOUT UNDERSTANDING THESE CONSIDERATIONS.

Date: August 17, 2017

Irene's Bakery & Gourmet Kitchen, Inc.

BY: *Daniel Zelekovich*
Daniel Zelekovich
President

Profit & Loss
 January through June 2017

	Jan - Jun 17	July-Dec 17	Jan - Jun 18
Ordinary Income/Expense			
Income			
Shipping and Delivery Income	594.03		
4010 · Sales			
Total Income (Projected 7% increase YoY)	812,618.77	\$869,502.08	\$930,367.23
Cost of Goods Sold			
Total COGS (Expecetd Savings of 2% YoY relative to sales In Raw Materials purchasing)	409,515.88	\$ 429,991.67	\$ 451,491.26
Gross Profit	403,102.89	\$439,510.41	\$478,875.97
Expense			
Total Expense(Expected Fixed expenses to be reduced by 1% YoY)	491,385.78	\$ 486,471.92	\$ 481,607.20
Net Ordinary Income	-88,282.89	\$ (46,961.51)	\$ (2,731.23)
Other Income/Expense			
Other Expense			
8000 · Salary Officer - DZ(Inflation increase of 2% YoY)	18,461.52	\$ 18,646.14	\$ 19,019.06
Total Other Expense	18,461.52		
Net Other Income	-18,461.52		
Net Income	-106,744.41	\$ (65,607.65)	\$ (21,750.29)

EXHIBIT "A"

Profit & Loss

January through June 2017

	July-Dec 18	Jan - Jun 19	July-Dec 19
Ordinary Income/Expense			
Income			
Shipping and Delivery Income			
4010 · Sales			
Total Income (Projected 7% increase YoY)	\$995,492.94	\$1,065,177.44	\$1,139,739.86
Cost of Goods Sold			
Total COGS (Expecetd Savings of 2% YoY relative to sales In Raw Materials purchasing)	\$ 474,065.82	\$ 497,769.11	\$ 522,657.57
Gross Profit	\$521,427.12	\$567,408.33	\$617,082.30
Expense			
Total Expense(Expected Fixed expences to be reduced by 1% YoY)	\$ 476,791.13	\$ 472,023.22	\$ 467,302.99
Net Ordinary Income	\$ 44,635.98	\$ 95,385.11	\$ 149,779.31
Other Income/Expense			
Other Expense			
8000 · Salary Officer - DZ(Inflation increase of 2% YoY)	\$ 19,399.44	\$ 19,787.43	\$ 20,183.18
Total Other Expense			
Net Other Income			
Net Income	\$ 25,236.55	\$ 75,597.68	\$ 129,596.13

Profit & Loss
January through June 2017

Jan - Jun 20

Ordinary Income/Expense	
Income	
Shipping and Delivery Income	
4010 · Sales	
Total Income (Projected 7% increase YoY)	\$1,219,521.65
Cost of Goods Sold	
Total COGS (Expecetd Savings of 2% YoY relative to sales In Raw Materials purchasing)	\$ 548,790.45
Gross Profit	\$670,731.21
Expense	
Total Expense(Expected Fixed expences to be reduced by 1% YoY)	\$ 462,629.96
Net Ordinary Income	\$ 208,101.25
Other Income/Expense	
Other Expense	
8000 · Salary Officer - DZ(Inflation increase of 2% YoY)	\$ 20,586.84
Total Other Expense	
Net Other Income	
Net Income	\$ 187,514.41