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February 2, 2016

VIA ELECTRONIC MAIL (ejanczak@freeborn.com)

Elizabeth L. Janczak, Esq.
Freeborn & Peters LLP
311 South Wacker Drive, Suite 3000
Chicago, IL 60606

Re: *In re Gulf Packaging, Inc.* (the “Debtor”)
Case No. 15-15249 (Bankr. N.D. Ill.)
FRE 408 Protected Settlement Communication

Dear Liz:

This letter follows-up on our conversation from yesterday, February 1, 2016, related to Xsys, Inc.’s notice of termination of services and the potential resolution of all outstanding issues between Xsys, Inc. (“Xsys”) and Joseph E. Myers, not individually, but solely as trustee of the Gulf Packaging Inc. Creditor Trust (the “Creditor Trustee”). Based our discussions, and as set forth below, Xsys believes that a mutually beneficial resolution of this matter can be reached and, in the event a consensual resolution is not possible, Xsys believes it has defenses to the allegations in the Creditor Trustee’s January 7, 2016 demand letter.

As noted by the various information technology specialists on yesterday’s call, there is no simple means to “transfer” the nearly three terabytes of data and software to the Creditor Trustee. As such, Xsys proposes the following terms to globally resolve all outstanding issues between Xsys and the Creditor Trustee:

- i. Xsys will continue to host, store, and troubleshoot all of the Debtor’s data, storage, accounting and e-mail services (the “Base Services”) for a six (6) month period, through and including July 31, 2016 at no additional cost or fee to the Creditor Trustee (the “Grace Period”). Any services beyond the Base Services, including, but not limited to, preparation of weekly reports or data exports, will be done at an additional agreed-upon cost (the “Additional Services”);
- ii. The Creditor Trustee, at his option, can extend the use of Xsys’ services for an additional six (6) month period (the “Additional Period”) at the discounted

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monthly hosting cost of \$650.00 per month, plus any and all additional costs related to troubleshooting, month-end utilities, system checks, and Outside Services;

- iii. Xsys shall not turnover or make accessible to the Creditor Trustee any information belonging to a non-Debtor, third party without the express written consent of such third party or court order.
- iv. At the end of either the Grace Period or Additional Period, Xsys shall terminate all services to the Creditor Trustee and expunge all of the Debtor's remaining data and information in a reasonable manner, as determined by Xsys, and at Xsys' own cost. For the avoidance of doubt, this will include the permanent and irreversible deletion of the Debtor's remaining data and information. In the event the Creditor Trustee requests the turnover of the Debtor's remaining data and information, the Creditor Trustee will bear all the costs and risks associated with such turnover of data, including, but not limited to, the total shutdown of the system during the turnover process.
- v. The Creditor Trustee shall release Xsys and its agents, officers, directors, employees from any and all claims and causes of actions, including, but not limited to, the preference demand asserted in your January 6, 2016 letter;
- vi. Xsys shall release the Creditor Trustee and its agents, officers, directors, employees from any and all prepetition claims and causes of actions, including, but not limited to, the withdraw of Xsys' \$264,918.00 prepetition general unsecured claim asserted and filed against the Debtor's bankruptcy estate;
- vii. The Creditor Trustee shall file an appropriate motion in the bankruptcy case, whether pursuant to 11 U.S.C. § 363 and/or Federal Rule of Bankruptcy Procedure 9019, to approve any agreement between Xsys and the Creditor Trustee; and
- viii. Xsys shall file its request for payment of post-petition administrative claim in the amount of \$57,666.00 with the bankruptcy court and the Creditor Trustee shall pay Xsys' administrative claim at such time as the Creditor Trustee has funds to make payments to administrative claimants.

Xsys believes that the above-outlined proposal is fair and reasonable given the monthly costs incurred in the storage, maintenance and hosting of the Debtor's data and the necessity of the information for the Creditor Trustee's on-going liquidation of assets. The outlined proposal is further fair and reasonable after a proper analysis of the Creditor Trustee's purported claims against Xsys. Xsys was prepaid on at least half of the payments alleged in the January 6, 2016 letter and another quarter of the payments came from non-Debtor affiliates. Any remaining claims against Xsys are also subject to the contemporaneous exchange of value defense (given

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the COD nature of payments), ordinary course of business defense (given the long history between the parties), and the new value defense.

A resolution that permits the parties to work together over the next six (6) months to a year is beneficial to Xsys and the Creditor Trustee. The above-outlined proposal would permit the Creditor Trustee to continue to liquidate the Debtor's estate at no additional cost without the threat of litigation against Xsys to cloud the relationship.

Please contact me at the information above to discuss this matter. Thank you and I look forward to working with you to resolve this matter.

Respectfully yours,

A handwritten signature in black ink, appearing to read 'Kevin H. Morse', with a horizontal line extending to the right.

Kevin H. Morse

cc: Konstantinos Armiros