Freeborn

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January 6, 2016

Via U.S. First Class Mail

Xsys, Inc.
Melissa Sarkisian, Registered Agent
250 N Bridlewood
Valparaiso, IN 46385

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

To Whom It May Concern:

Please be advised that this firm represents Joseph E. Myers (the "*Creditor Trustee*"), not individually but solely as the Creditor Trustee of the Gulf Packaging, Inc. Creditor Trust (the "*Trust*") in the above-referenced bankruptcy case. The purpose of this letter is to inform you of claims which the Creditor Trustee has identified against you as a result of certain payments made by the Debtor to your company and to demand that you return such payments to the Creditor Trustee.

By way of background, the Debtor filed a voluntary petition for relief under chapter 11 of the United States Bankruptcy Code (the "*Bankruptcy Code*") on April 29, 2015 (the "*Petition Date*"). Pursuant to the *Debtor's First Amended Chapter 11 Plan* dated November 4, 2015, (the "*Plan*") and the *Gulf Packaging, Inc. Creditor Trust Agreement* attached to the Plan as Exhibit B, the Creditor Trustee has been granted standing to investigate and prosecute certain claims of the Debtor's estate that could be brought under sections 547 and 550 of the Bankruptcy Code to avoid and recover transfers by the Debtor to insiders of the Debtor within one year preceding the Petition Date (the "*Preferential Transfers*") on behalf of the estate.

The Creditor Trustee's review of this matter indicates that you are an insider of the Debtor, and that you received one or more Preferential Transfers in the aggregate amount of $367,682.78 (the "*Preference Amount*") within one year preceding the Petition Date. The Preference Amount, unless you have any valid defenses, must be returned to the Creditor Trustee for the benefit of the Debtor's estate and creditors. A schedule detailing the Preferential Transfers to your company is attached hereto as **Exhibit A**.

The Creditor Trustee desires to resolve this matter expeditiously and fairly. This letter is the first step toward such a resolution. As a second step, the Creditor Trustee requests that you review your records to determine if you agree with the information set forth on the attachment. If you agree with the Creditor Trustee's assessment of the claims identified in this letter, and if you believe you would have no defenses to an action to recover the Preferential Transfers made to your company, the Creditor Trustee requests that you voluntarily repay the Preference Amount.

In an effort to avoid the substantial cost of litigation, the Creditor Trustee is offering a limited time reduction to the demand amount set forth in this letter. The Creditor Trustee is willing to resolve this matter for ninety percent (90%) of the total Preference Amount indicated above, which equals $330,914.50. If we receive this payment by no later than February 1, 2016, the Creditor Trustee will consider this matter paid in full and will release you from any and all obligations with respect to the Preferential Transfers received by you. After the expiration of this time period, this settlement offer shall be deemed withdrawn and shall be null, void and of no further force or effect.

Payments may be made by check payable to "Gulf Packaging, Inc. Creditor Trust" and should be delivered to the following address:

Freeborn & Peters LLP
c/o Elizabeth L. Janczak, Esq.
311 South Wacker Drive
Suite 3000
Chicago, Illinois 60606

Should you wish to make a payment by wire transfer, please contact the undersigned to obtain wire instructions.

If you disagree with the information set forth on **Exhibit A** and/or you believe you have defenses to an action to recover the Preferential Transfers, the Creditor Trustee asks that you inform him of the basis of your disagreement and/or the details of any defenses you believe apply. Send all of your supporting documentation, along with a copy of any proof of claim you have filed against the Debtor, to the address set forth above by no later than February 1, 2016. Please feel free to consult with counsel of your choice in the event you have any questions regarding this letter or your obligation to make payment to the Creditor Trustee on account of the Preferential Transfers.

Please be advised that if we are unable to reach a resolution, the Creditor Trustee will have no choice but to commence an action against your company seeking to avoid and recover the Preference Amount in its full amount, plus applicable costs and interest. Additionally, if you hold an unsecured claim against the Debtor's estate, disbursements may be withheld until this matter is resolved, and the Debtor or the Creditor Trustee may seek disallowance of any such claim, pursuant to section 502(d) of the Bankruptcy Code, on account of your failure to pay the amount hereby demanded.

This letter is being provided to you in furtherance of settlement discussions and, as such, the contents herein are protected from evidentiary disclosure under Rule 408 of the Federal Rules of Evidence. Nothing herein shall be deemed to limit, restrict or constitute a waiver of any of the Creditor Trustee's rights and remedies, or applicable law or otherwise, all of such rights and remedies being expressly reserved. **THIS IS AN ATTEMPT TO COLLECT A DEBT. ANY INFORMATION OBTAINED WILL BE USED FOR THAT PURPOSE.**

Please contact me at 312-360-6722, or at ejanczak@freeborn.com, with any questions.

Very truly yours,

Elizabeth Janczak

Enclosure

EXHIBIT A

In re Gulf Packaging, Inc.

Schedule of Transfers to Xsys, Inc.

Vendor Name	Check or Wire Date	Check or Wire No.	Amount
Xsys, Inc.	7/31/2014	81	$2,488.25
	9/19/2014	440	$851.50
	9/19/2014	441	$200.00
	9/19/2014	444	$3,070.50
	9/25/2014	513	$15,388.97
	10/3/2014	851	$26,728.00
	10/3/2014	860	$32,101.46
	10/3/2014	861	$6,754.88
	10/10/2014	1079	$14,700.00
	11/7/2014	1918	$3,750.93
	11/7/2014	1922	$6,865.38
	12/5/2014	2781	$3,854.40
	1/19/2015	3473	$13,881.15
	1/22/2015	3569	$1,067.86
	2/3/2015	3682	$58,287.00
	2/24/2015	3818	$53,044.00
	3/5/2015	4538	$9,414.00
	3/24/2015	4953	$9,739.00
	3/26/2015	5032	$20,981.75
	4/3/2015	5071	$27,837.00
	4/9/2015	ACH	$20,826.00
	4/13/2015	W00049	$7,431.50
	4/15/2015	W00054	$16,960.50
	4/23/2015	W00070	$5,673.75
	4/28/2015	5115	$5,785.00
		Total:	$367,682.78