

UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF INDIANA  
SOUTH BEND DIVISION

IN RE: ) Chapter 11  
 ) Case No. 12-32940-hcd  
CONSOLIDATED TRANSPORT SYSTEMS, ) (Jointly Administered)  
INC., et al.<sup>1</sup> )  
 )  
Debtors. )  
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**DEBTORS' DISCLOSURE STATEMENT WITH REGARD TO  
JOINT PLAN OF REORGANIZATION DATED MAY 17, 2013**

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**THIS PROPOSED DISCLOSURE STATEMENT HAS NOT YET BEEN  
APPROVED BY THE BANKRUPTCY COURT. ACCORDINGLY, THE FILING AND  
DISSEMINATION OF THIS PROPOSED DISCLOSURE STATEMENT SHOULD NOT  
BE CONSTRUED AS AN AUTHORIZED SOLICITATION OF VOTES ON THE JOINT  
PLAN OF REORGANIZATION DATED MAY 17, 2013 UNDER 11 U.S.C. § 1125.**

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<sup>1</sup> The Debtors are: Consolidated Transport Systems, Inc. (12-32940-hcd); Tandem Transport Corp (12-33135-hcd); Transport Investment Corporation (12-33136-hcd); and Tandem Eastern, Inc. (12-33137-hcd).

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## I. INTRODUCTION

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under this chapter, a debtor is authorized to reorganize its business for the benefits of itself, its creditors, and its equity interest holders. In addition to permitting the rehabilitation of a debtor, another goal of chapter 11 is to promote equality of treatment for similarly situated creditors and similar situated equity interest holders with respect to the distribution of a debtor's assets.

The commencement of a case under chapter 11 of the Bankruptcy Code creates an estate that is comprised of all of the legal and equitable interests of a debtor as of the commencement date. The Bankruptcy Code provides that a debtor may continue to operate its business and remain in possession of its assets as a debtor-in-possession.

The consummation of a plan of reorganization is the principal objective of a chapter 11 case. A plan of reorganization sets forth the means for satisfying claims and equity interests in a debtor. Confirmation of a plan of reorganization by a bankruptcy court binds the debtor, any issuer of securities under a plan, any person acquiring property under a plan, any creditor or equity interest holder of a debtor and any other person or entity as may be ordered by a bankruptcy court in accordance with the applicable provisions of the Bankruptcy Code.

Certain holders of claims against, and interests in, a debtor are permitted to vote to accept or reject a chapter 11 plan. Prior to soliciting acceptances of the proposed plan, § 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding the plan.

Chapter 11 does not require that each holder of a claim or interest in a debtor vote in favor of a plan of reorganization for such plan to be confirmed. At a minimum, however, a plan must be accepted by at least one class of claims impaired under the plan, such acceptance being made by the holders of a majority in number and two-thirds in amount of the claims actually voting in such class.

Consolidated Transport Systems, Inc., Tandem Transport Corp, Transport Investment Corporation and Tandem Eastern, Inc., as debtors and debtors-in-possession (collectively, the "Debtors")<sup>2</sup>, hereby submit this Disclosure Statement with regard to the Debtor's Joint Plan of Reorganization Dated May 17, 2013 (the "Plan") pursuant to § 1125 of title 11 of the United States Code (the "Bankruptcy Code"). This Disclosure Statement is being provided to all Holders of Claims against, and Interests in, the Debtors. The Debtors believe that this Disclosure Statement contains "adequate information," as that term is defined in § 1125(a)(1) of the Bankruptcy Code,<sup>3</sup> to allow Holders of Claims and Equity Interests to make an informed judgment about the Plan and to cast a vote accepting or rejecting the Plan.

**THE UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF INDIANA, SOUTH BEND DIVISION (THE "BANKRUPTCY COURT") [HAS APPROVED] THIS DISCLOSURE STATEMENT. THIS APPROVAL DOES NOT CONSTITUTE A DETERMINATION OF THE MERITS OF THE ACCOMPANYING PLAN. RATHER, THE APPROVAL HEREOF MEANS THAT THE BANKRUPTCY**

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<sup>2</sup> Capitalized terms not defined herein shall have the meanings ascribed to them in the Debtors' Joint Plan of Reorganization Dated May 17, 2013 and reference should be made thereto.

<sup>3</sup> Section 1125(a)(1) of the Bankruptcy Code defines "adequate information" as information of a kind, and in sufficient detail, as far as reasonably practicable in light of the nature and history of the Debtors and the condition of the Debtors' books and records, that would enable a typical Holder of a Claim or Interest classified under the Plan to make an informed judgment about the Plan and to vote whether to accept or reject the Plan.

COURT HAS FOUND THAT THIS DISCLOSURE STATEMENT CONTAINS ADEQUATE INFORMATION TO PERMIT YOU TO MAKE A REASONABLY INFORMED DECISION IN EXERCISING YOUR RIGHTS TO VOTE UPON THE PLAN.

THIS DISCLOSURE STATEMENT IS THE ONLY DOCUMENT AUTHORIZED BY THE BANKRUPTCY COURT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES FOR THE ACCEPTANCE OR REJECTION OF THE PLAN. NO REPRESENTATION CONCERNING THE DEBTORS, THEIR BUSINESS OPERATIONS, OR THE VALUES OF THEIR ASSETS IS AUTHORIZED BY THE BANKRUPTCY COURT, EXCEPT AS EXPLICITLY SET FORTH HEREIN OR IN ANY OTHER DOCUMENT APPROVED FOR DISTRIBUTION BY THE BANKRUPTCY COURT. YOU SHOULD NOT RELY ON ANY OTHER DOCUMENT(S) PURPORTING TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES FOR THE PLAN, AND ANY SUCH UNAUTHORIZED DOCUMENTS SHOULD BE REPORTED TO DEBTORS' COUNSEL, WHO IN TURN SHALL DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTION AS IT MAY DEEM APPROPRIATE.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSIONER OF THE STATE OF INDIANA OR ANY OTHER STATE OR COMMONWEALTH. THERE HAS BEEN NO INDEPENDENT AUDIT OF THE FINANCIAL INFORMATION CONTAINED HEREIN EXCEPT AS EXPRESSLY INDICATED HEREIN. THIS DISCLOSURE STATEMENT WAS COMPLIED FROM INFORMATION OBTAINED BY THE DEBTORS FROM NUMEROUS SOURCES BELIEVED TO BE ACCURATE TO THE BEST OF THE DEBTORS' KNOWLEDGE, INFORMATION, AND BELIEF. THE RECORDS KEPT BY THE DEBTORS AND INFORMATION PROVIDED HEREIN ARE NOT WARRANTED OR REPRESENTED TO BE WITHOUT INACCURACY, ALTHOUGH GREAT EFFORT HAS BEEN MADE TO BE ACCURATE.

THIS DISCLOSURE STATEMENT CONTAINS ONLY A SUMMARY OF THE PLAN. YOU ARE ENCOURAGED TO READ AND REVIEW THE FULL TEXT OF THE PLAN AND TO READ AND REVIEW CAREFULLY THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING ALL EXHIBITS, SCHEDULES OR OTHER ATTACHMENTS THERETO, BEFORE DECIDING TO VOTE EITHER TO ACCEPT OR REJECT THE PLAN. THIS DISCLOSURE STATEMENT AND THE PLAN ARE AN INTEGRAL PACKAGE AND YOU MUST CONSIDER BOTH SO YOU CAN BE ADEQUATELY INFORMED.

EXCEPT AS OTHERWISE INDICATED, THE STATEMENTS IN THIS DISCLOSURE STATEMENT ARE MADE AS OF MAY 17, 2013 AND THE DELIVERY OF THIS DISCLOSURE STATEMENT WILL NOT, UNDER ANY CIRCUMSTANCES, IMPLY THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT

**IS CORRECT AT ANY TIME AFTER MAY 17, 2013. ANY ESTIMATE OF CLAIMS OR INTERESTS IN THIS DISCLOSURE STATEMENT MAY VARY FROM THE FINAL AMOUNTS OF CLAIMS OR INTERESTS ALLOWED BY THE BANKRUPTCY COURT.**

**THE PRESENCE OR ABSENCE OF A: (A) CLAIM OBJECTION; (B) OBJECTION TO AN INTEREST; (C) CAUSE OF ACTION; OR (D) BANKRUPTCY CAUSE OF ACTION SHALL NOT SERVE AS A WAIVER OF THE DEBTORS' RIGHTS TO DO BEGIN OR TERMINATE THE FOREGOING IN THE FUTURE EXCEPT AS PROVIDED IN THE PLAN.**

**THIS DISCLOSURE STATEMENT IS BOUND BY THE DEFINITIONS OF THE ACCOMPANYING PLAN UNLESS CONTEXT DICTATES OTHERWISE.**

## **II. BACKGROUND OF THE DEBTORS**

The Debtors and their predecessors have provided for-hire freight services throughout the United States since 1945. The Debtors' customer list is highly diversified, with the largest customer comprising only 15% of the Debtors' revenue. The largest portion (approximately 75%) of the Debtors' business consists of hauling building materials, with the balance consisting of transporting steel (approximately 20%) and other miscellaneous freight, including but not limited to stone, salt and machinery (approximately 5%). These operations generated over \$50,000,000 in revenue for the Debtors' fiscal year ending 2011.

The Debtors' corporate headquarters is in Michigan City, Indiana, and their executive office is in St. Louis, Michigan. The bulk of the Debtors' loads are received and delivered east of the Mississippi River, although the Debtors have general commodities authority for the entire 48 contiguous states. The Debtors have intrastate authority for the states of Georgia, Illinois, Indiana, Kentucky, Michigan, Missouri, North Carolina, Ohio, Tennessee and Texas. To effectively manage their wide base of

operations, the Debtors utilize terminals in Chattanooga, Tennessee (prior to 2013), Gaylord, Michigan, Vanlue, Ohio and Savanna, Georgia.

The Debtors operate as a combined, consolidated enterprise. Consolidated owns the Debtors' fleet of approximately 275 tractors and 330 trailers. It also employs the Debtors' office staff of 66 employees. Tandem is the operating company which provides logistics to customers and brokers freight. Eastern employs the Debtors' 246 drivers, while Investment employs the Debtors' 10 mechanics.

Given the Debtors' industry and customer base, it was inevitable that they would be adversely affected by the housing bubble and economic recession which followed. Even so, the Debtors operated with a net income through fiscal year 2008, but succumbed to the economic malaise and experienced negative cash flow in 2009. Through proactive management, the Debtors narrowed their losses in 2010 and in 2011 continued to cut expenses and maximize revenue. Despite these largely successful steps, the depletion of the Debtors' cash reserves due to 2009 and 2010 has strained the Debtors' cash flow. As a result of this strained cash flow, the Debtors began to fall out of terms with their equipment lenders.

Although the Debtors attempted to negotiate financial accommodations from their equipment lenders which would have alleviated the Debtors' short term cash flow issues, those negotiations were unsuccessful. Consolidated initiated its chapter 11 case to prevent any actions by equipment lenders to repossess any tractors and trailers as any such actions would severely impact the Debtors' operations and threaten the Debtors' viability while they restructured their operations. Tandem, Investment and Eastern filed their chapter 11 cases to give the Debtors the breathing room provided by

the Bankruptcy Code and to create a single forum in which they could effectively restructure their operations.

### III. THE DEBTORS DURING THE CHAPTER 11 CASES

After the commencement of the Chapter 11 Cases, the Debtors received authority to use their “cash collateral”, as that term is defined in § 363(a) of the Bankruptcy Code, as well as authority to enter into the DIP Financing with Marquette, the Debtors’ prepetition receivables lender. The Debtors also received authority to pay prepetition wages and related expenses. These orders allowed the Debtors to continue their operations after the filing of the Chapter 11 Cases.

Since the Affiliate Petition Date, the Debtors have been focused on maximizing the efficiency and profitability of their businesses. They have assumed crucial contracts with Comdata, Pilot, Tandem Logistics and Great West to assure that the Debtors have been able to continue their operation and service their customers without interruption postpetition. The Debtors have negotiated adequate protection payments with any secured creditor who has requested such relief, or if such negotiations were unsuccessful, obtained judicial determinations of what adequate protection was required. Recently, the Debtors closed their Chattanooga terminal and have downsized their Savannah operations. All of these actions have allowed the Debtors to pay for operating expenses, budgeted professional fees and Trustee Fees during the course of these Chapter 11 Cases. The Debtors expect continued profitable performance through the balance of these Chapter 11 Cases and after Confirmation.

The Debtors' future operations are further strengthened by the Exit Financing proposed by Marquette, which will give the Debtors the ability to continue operations once the DIP Financing expires. The Exit Financing, in conjunction with: (a) the equity in the Debtors' fleet that will be unlocked by the scheduled disposition of the Debtors' current tractor fleet, and (b) the operation of their businesses, will allow the Debtors to fund their exit from the Chapter 11 Cases under the Plan.

#### IV. THE PLAN

A copy of the Plan is attached as **Exhibit A**. The summary of the Plan contained herein is qualified in its entirety by reference to the full text of the Plan. Should there be any discrepancy between the summary contained in this Disclosure Statement and the express provisions of the Plan, the Plan shall control.

##### A. Parties authorized to file a plan

The Debtors had the exclusive right to file a plan or plans in these Chapter 11 Cases through and including April 1, 2013. The Debtors filed their *Second Motion To Extend Exclusive Periods In Which The Debtors May File A Plan Or Plans And Solicit Votes In Acceptance Thereof* on March 27, 2013 seeking to extend their exclusive period through and including May 30, 2013. That motion is contested and no ruling has been made as of the date of this Disclosure Statement.

##### B. Purpose of the Plan

The purpose of the Plan is to restructure the Debtors' obligations so that they can be satisfied in full over time by the Debtors' cash flow from operations, the disposition of the Debtors' tractor fleet, and the Exit Financing. The Debtors believe that the

reorganization contemplated by the Plan is in your best interests and the best interests of all the Debtors' creditors. If the Plan is not confirmed, the Debtors believe that they will be forced to liquidate under chapter 7 of the Bankruptcy Code. In that event, the Debtors believe that any creditor that is not oversecured would realize a less favorable distribution of value, or in certain cases no value at all, for their Claims and/or Equity Interests.

C. Substantive consolidation of the Debtors for Plan distributions

The Plan proposes, and its terms embody, that the liabilities and assets of the Debtors should be substantively consolidated for the purposes of distributions under the Plan. The doctrine of substantive consolidation refers to the equitable power of a bankruptcy court to consolidated assets of separate but related entities. When a bankruptcy court orders substantive consolidation, it treats the combined assets and liabilities of the consolidated entities as though they were held and incurred by a single entity.

Although substantive consolidation is not specifically addressed in the Bankruptcy Code or the Bankruptcy Rules, courts have found equitable authority for substantive consolidation under §§ 105(a), 302(b) and 1123(a)(5)(C) of the Bankruptcy Code. There is no universally accepted standard for substantive consolidation, and the Seventh Circuit Court of Appeals, whose decisions are binding on the Bankruptcy Court, has not adopted or delineated a standard for substantive consolidation. But the issue of substantive consolidation has been addressed by other courts, and those courts

generally analyze whether substantive consolidation is appropriate through one of three prominent frameworks.

The first substantive consolidation framework was developed in *In re Vecco Constr. Indus., Inc.*, 4 B.R. 407 (Bankr. E.D. Va. 1980) (hereinafter, "Vecco"). There, the bankruptcy court listed seven factors as significant when considering a request for substantive consolidation: (1) the degree of difficulty in segregating assets and liabilities; (2) the presence of consolidated financial statements; (3) increased profitability due to consolidation at a single physical location; (4) the commingling of assets and business functions; (5) the unity of interests and ownership; (6) the existence of intercompany guaranties on loans; and (7) the transfer of assets without observance of corporate formalities. *Id.* at 410. Each of the Vecco factors is present in these Chapter 11 Cases. It is difficult to determine the assets and liabilities of each Debtor as only Tandem generates income from third parties yet that income funds the operations and the purchase of assets of each Debtor. The Debtors file consolidated financial statements and consolidated tax returns. The Debtors all share the same physical headquarters and executive offices, and the employees one Debtor effectively perform services for all the Debtors.<sup>4</sup> All of this reduces the overhead of each Debtor. Although Walter and Carolyn Bay own a majority of the Equity Interests of Consolidated, Consolidated owns all or nearly all of the Equity Interests of Tandem, Investment and Eastern. All of Consolidated's secured obligations are guaranteed by Tandem,

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<sup>4</sup> By way of example, the employees of Investment service and maintain the equipment of Consolidated, which is driven by employees of Eastern and is used generate revenue through the contracts and services provided by Tandem. All of this is overseen and administered by the office employees of Consolidated.

Investment and Eastern. Similarly, Tandem's secured obligations to Marquette are guaranteed by Consolidated, Investment and Eastern. Finally, Tandem's revenue is used to pay all expenses incurred by the Debtors regardless of which Debtor incurred the debt. Accordingly, the Debtors believe substantive consolidation is warranted under the *Vecco* test.

The second common analytical framework for substantive consolidation was crafted by the Second Circuit Court of Appeals in *In re Augie/Restivo Baking Co.*, 860 F.2d 515 (2d Cir. 1988) (hereinafter "Augie/Restivo"). Unlike the multiple factor test utilized in *Vecco*, the Second Circuit refined the analysis down to two questions: (1) did creditors of the debtors deal with the companies as a single economic unit rather than relying on their separate identities in extending credit; or (2) are the businesses of the debtors so entangled that consolidation will benefit all creditors. *Augie/Restivo*, 860 F.2d at 518. Both questions yield affirmative answers in these Chapter 11 Cases. Marquette, MBFS, VFS, Navistar, Wells Fargo, Peoples and GECC all relied on the credit of each Debtor, as principal obligor or as guarantor, when extending credit. As such, substantive consolidation of the Debtors is proper under *Augie/Restivo*'s first test. Furthermore, the pooled assets of the Debtors have always been used to pay the individual obligations of each Debtor regardless of which Debtor incurred the obligations. *Augie/Restivo*'s second analysis also supports substantive consolidation of the Debtors.

The third framework used by courts analyzing substantive consolidation involves a balancing test crafted by *In re Auto-Train Corp.*, 810 F.2d 270 (D.C. Cir. 1987) (hereinafter "Auto-Train") and *In re Eastgroup Props.*, 935 F.2d 245 (11<sup>th</sup> Cir. 1991).

Under the *Auto-Train* balancing test, courts consider two factors: (1) is there substantial identity between the entities to be consolidated; and (2) is consolidation necessary to avoid some harm or to realize some benefit. *Auto-Train*, 810 F.2d at 276 and *In re Eastgroup Props.*, 935 F.2d at 249. As noted under the Vecco analysis, there is substantial identity among the Debtors. Substantive consolidation here prevents a harm whereby creditors of Eastern and Investment may share in a distribution whereas otherwise they would not as neither Eastern nor Investment have more than *de minimus* assets. Substantive consolidation also provides several benefits in these Chapter 11 Cases: (1) intercompany debts are eliminated, thereby increasing the funds available to nonpriority, unsecured creditors; (2) the revenue of all Debtors can be used to allow nonpriority, unsecured creditors to be paid in full, over time; and (3) intercompany guaranties are eliminated, thereby significantly reducing nonpriority, unsecured Claims as duplicate guaranty claims will be eliminated. The Debtors meet both factors necessary for substantive consolidation under the *Auto-Train* analysis.

Based on the foregoing, the Debtors believe that substantive consolidation is necessary, appropriate and justified in these Chapter 11 Cases. The chief concern regarding substantive consolidation — that it may affect creditor recovery because it combines the assets and liabilities of entities that may have different debt-to-asset ratios — if applicable at all to the Debtors, is far outweighed by the benefits of substantive consolidation. This is why the Debtors seek substantive consolidation as to distributions under the Plan.

D. Treatment of Unclassified Claims

1. ADMINISTRATIVE CLAIMS

Holders of Allowed Administrative Claims shall be paid in full through one of the following methods, in the sole discretion of the Reorganized Debtors: (a) if not already paid, on the later of the Effective Date or 30 Business Days after the date the Administrative Claim becomes allowed or as soon as practical thereafter; (b) if not yet due and payable, in the ordinary course of business; (c) in the case of Trustee Fees, payment in accordance with the applicable schedule for payment of Trustee fees; or (d) upon such terms and conditions as the Holder of the Allowed Administrative Claim and the Debtors agree. The Debtors believe that the only Allowed Administrative Claims will be Trustee Fees and professional fees above escrowed amounts and retainers, if any.

2. ADMINISTRATIVE CLAIM BAR DATE

The Holder of an Administrative Claim must file a motion for approval of such Administrative Claim on the later of: (a) sixty (60) days from the Effective Date; or (b) such other date as may be fixed by the Bankruptcy Court. Notwithstanding the foregoing: (y) the Trustee does not need to file an Administrative Claim for Trustee fees; and (z) AmeriQuest does not need to file an Administrative Claim for the AmeriQuest 503(b)(9) Claim.

3. AMERIQUEST 503(b)(9) CLAIM

The AmeriQuest 503(b)(9) Claim will be paid in full in twenty-four (24) equal installments of Cash in the amount of \$1,921.32. Payments will begin on the 21<sup>st</sup> day of

the month following the Confirmation Date and shall continue on the same day of each succeeding month until paid in full.

4. ALLOWED ADMINISTRATIVE CLAIM OF TAXING AUTHORITIES

The Allowed Administrative Claims of the Taxing Authorities shall be approximately \$1,535,074.23 and amortized over a period of forty-nine (49) months and paid by the Debtor in equal installments of principal and interest at the rate of 4% per annum with the first installment to begin on the Distribution Date and each subsequent installment being due on the first day of each succeeding month until paid in full. The Allowed Administrative Claim of the Taxing Authorities is based on the Debtors estimated state and federal income tax for fiscal year 2012. The Allowed Administrative Claim of the Taxing Authorities will also include the Reorganized Debtors' federal and state income taxes for fiscal year 2013. The Reorganized Debtors anticipate that they will generate net operating losses following the Effective Date due to their purchase of new tractors and their subsequent ability to utilize the accelerated depreciation available on such new tractors. Accordingly, the Reorganized Debtors believe that the amount of the Allowed Administrative Claim of the Taxing Authorities will be significantly reduced after the Effective Date and that payment in full will occur prior to the forty-nine month payment term set forth in the Plan.

5. PRIORITY CLAIMS

Holders of allowed Priority Claims shall be paid in full in Cash. Payments shall begin one of the following, in the sole discretion of the Reorganized Debtors: (a) if not already paid, on the later of the Distribution Date or 30 Business Days after the date the

Priority Claim becomes allowed or as soon as practical thereafter; or (b) upon such terms and conditions as the Holder of the allowed Priority Claim and the Debtors agree. The Debtors do not believe there are any Priority Claims.

## 6. PRIORITY TAX CLAIMS

Holders of allowed Priority Tax Claims shall be paid in full in cash in sixty (60) equal monthly installments of principal, together with interest at the rate of 3% per annum. Payments to allowed Priority Tax Claims shall begin on the later of: (a) the Distribution Date; (b) thirty (30) days after the Priority Tax Claim becomes allowed; or (c) upon such other terms and conditions as the Holder of the allowed Priority Tax Claim and the Debtors agree. The Debtors estimate that allowed Priority Tax Claims will be \$283,877.51; however, the amount of Priority Tax Claims is still being reviewed by the Debtors and may be adjusted based upon the conclusions of that review.

## E. Treatment of Classified Claims and Equity Interests

The following summarizes the treatment of Claims and Equity Interests that are Classified under the Plan.

Class/Type of Claim or Equity Interest	Projected Amount of Claims/Equity Interests	Class Treatment	Projected Recovery	Impaired/Unimpaired
Class 1: Allowed Secured Claim of Marquette as to Tandem	Approximately \$2,622,842.00, representing the amount owed under the DIP Financing as of 4/30/13	Paid in full by the Exit Financing	100%	Unimpaired
Class 2: Allowed Secured Claim of VFS	\$441,778.00 (as of 4/30/13, less any payments by the Debtors, plus reasonable attorneys fees and other costs)	Paid in full upon the disposition of the VFS Collateral as set forth in Schedule 4.2 to the Plan. Accrues interest of 4% per annum.	100%	Impaired

Class 3: Allowed Secured Claim of Peoples	\$628,022.00 (as of 4/30/13, less any payments by the Debtors, plus reasonable attorneys fees and other costs)	Paid in full upon the disposition of the Peoples Collateral as set forth in Schedule 4.3 of the Plan. Accrues interest of 4% per annum.	100%	Impaired
Class 4: Allowed Secured Claim of Wells Fargo	\$672,043.00 (as of 4/30/13, less any payments by the Debtors, plus reasonable attorneys fees and other costs)	Paid in full over sixty (60) months pursuant to the payments set forth in Schedule 4.4 of the Plan. Interest will accrue at the rate of 4% per annum through the Effective Date. After the Effective Date, interest will accrue at 6.25% per annum.	100%	Impaired
Class 5: Allowed Secured Claim of MBFS	\$2,576,910.00 (as of 4/30/13, less any payments by the Debtors, plus reasonable attorneys fees and other costs)	Paid in full over sixty (60) months pursuant to the payments and collateral proceeds set forth in Schedule 4.5 of the Plan. Interest will accrue at the rate of 4% per annum through the Effective Date. After the Effective Date, interest will accrue at 6.25% per annum.	100%	Impaired
Class 6: Allowed Secured Claim of Navistar	\$2,783,953.00 (as of 4/30/13 less any payments made by the Debtors)	Paid in full over sixty (60) months pursuant to the payments and collateral proceeds set forth in Schedule 4.6 of the Plan. Interest will accrue at 6.25% per annum after the Effective Date.	100%	Impaired
Class 7: Allowed Secured Claim of GECC	\$3,148,694.00 (as of 4/30/13 less any payments made by the Debtors)	Paid in full over sixty (60) months pursuant to the payment and collateral proceeds set forth in Schedule 4.7 of the Plan. To the extent GECC becomes an oversecured creditor, interest shall accrue at the rate of 4% per annum through the Effective Date. After the Effective Date, interest will accrue at 6.25% per annum.	100%	Impaired
Class 8: Allowed Secured Claim of Tim Bills Trucking	\$78,750.00 (as of 4/30/13, less any payments by the Debtors, plus reasonable attorney fees and other costs)	Paid in full over twenty-four (24) months pursuant to the payments and collateral proceeds set forth in Schedule 4.8 of the Plan. Interest will accrue at the rate of 4% per annum through the Effective Date. After the Effective Date, interest will accrue at 6.25% per annum.	100%	Impaired
Class 9: Allowed secured Claim of Tom McLeod Software	\$4,680.90	Paid in full over six (6) months, with interest accruing at 6% per annum	100%	Impaired
Class 10: Allowed Secured Claim of Key Equipment Finance	\$106,241.44	Paid in full over sixty (60) months with interest at 6% per annum	100%	Impaired
Class 11: Deficiency Claim of Navistar	\$23,594.00 (estimated)	Paid in full over time by Pro Rata distributions from the Unsecured Creditor Fund. Distributions from the Unsecured Creditor Fund shall take place: (a) on an annual basis, within thirty (30) days of the Reorganized Debtors' receipt of their reviewed annual financial statement provided the Unsecured Creditor Fund has at least \$100,000 and (b) the Reorganized Debtors have sufficient liquidity to fund the Unsecured Creditor Fund. Interest on unpaid balance shall accrue at 3% per annum	100%	Impaired

Class 12: Deficiency Claim of GECC	\$0.00 (estimated)	Paid in full over time by Pro Rata distributions from the Unsecured Creditor Fund. Distributions from the Unsecured Creditor Fund shall take place: (a) on an annual basis, within thirty (30) days of the Reorganized Debtors' receipt of their reviewed annual financial statement provided the Unsecured Creditor Fund has at least \$100,000 and (b) the Reorganized Debtors have sufficient liquidity to fund the Unsecured Creditor Fund. Interest on unpaid balance shall accrue at 3% per annum	100%	Impaired
Class 13: Non-priority, unsecured Claims	\$1,770,465.72 (based on the Schedules)	Paid in full over time by Pro Rata distributions from the Unsecured Creditor Fund. Distributions from the Unsecured Creditor Fund shall take place: (a) on an annual basis, within thirty (30) days of the Reorganized Debtors' receipt of their reviewed annual financial statement provided the Unsecured Creditor Fund has at least \$100,000 and (b) the Reorganized Debtors have sufficient liquidity to fund the Unsecured Creditor Fund. Interest on unpaid balance shall accrue at 3% per annum	100%	Impaired
Class 14(a): Equity Interests of CTS	N/A	Each Holder of an Equity Interest in CTS will maintain its Equity Interest in CTS. However, no Holder of an Equity Interest in CTS shall receive a distribution on account of such Equity Interest until the Allowed Claims and Deficiency Claims in Classes 11, 12 and 13 have been paid in full	100%	Impaired
Class 14(b): Equity Interests of Tandem	N/A	Each Holder of an Equity Interest in Tandem will maintain its Equity Interest in Tandem. However, no Holder of an Equity Interest in Tandem other than Reorganized CTS shall receive a distribution on account of such Equity Interest until the Allowed Claims and Deficiency Claims in Classes 11, 12 and 13 have been paid in full	100%	Impaired
Class 14(c): Equity Interests of Investment	N/A	Each Holder of an Equity Interest in Investment will maintain its Equity Interest	100%	Unimpaired
Class 14(d): Equity Interests of Eastern	N/A	Each Holder of an Equity Interest in Eastern will maintain its Equity Interest	100%	Unimpaired

## F. Funding of the Plan

The Plan will be funded by the Reorganized Debtors': (a) assumption of the DIP Financing; (b) entering into the Exit Financing with Marquette; (c) disposition of certain Collateral as set forth in Schedules 4.2, 4.3, 4.5, 4.6, 4.7 and 4.8 pursuant to the Fleet Disposition Method; and (d) the operation of the Reorganized Debtors' businesses,

which will include the assumption of certain Executory Contracts by the Debtors and their subsequent assignment to the Reorganized Debtors.

**G. Authorization to Effectuate the Plan**

The Plan authorizes the Debtors and Reorganized Debtors to take or cause to take all corporate action necessary and appropriate to consummate the Plan prior to and after the Effective Date as well as to execute and deliver all documents and instruments contemplated by the Plan.

**H. Vesting of Assets in the Reorganized Debtors**

All of the assets, properties and rights of each respective Debtor owned by such Debtor of every type and description, tangible and intangible, wherever located, shall be transferred and automatically vested in the corresponding Reorganized Debtor free and clear of all Liens, Claims, rights of setoff, security interests, pledges, encumbrances, adverse rights of interest, covenants, charges, debts and contractually imposed restrictions, except as otherwise provided in the Plan or by a separate Final Order.

**I. Causes of Action and Bankruptcy Causes of Action**

All Causes of Action shall be transferred at Confirmation to the Reorganized Debtors, who shall then have the right to commence and pursue all Causes of Action. Neither the Debtors nor the Reorganized Debtors believe it is in the best interests of the Estates to pursue the Bankruptcy Causes of Action; accordingly, if the Plan is Confirmed the Debtors and Reorganized Debtors will waive and release any and all Bankruptcy Causes of Action as of the Effective Date. The preliminary investigation of possible Bankruptcy Causes of Action does not show any possible claims. Any

transfers to insiders other than salary occurred more than four years prior to the CTS Petition Date and therefore are not recoverable.

**J. Executory Contracts**

**1. TREATMENT OF EXECUTORY CONTRACTS**

Except for those Executory Contracts listed on Schedule 6.1 of the Plan, as may be amended from time to time, and as otherwise provide in the Plan, the Debtors will assume all of their Executory Contracts and assign them to the Reorganized Debtors as of the Effective Date. The Confirmation Order shall constitute approval under §§ 365 and 1123(b)(2) of the Bankruptcy Code of the assumption and assignment of the Executory Contracts pursuant to the Plan. Similarly, the Confirmation Order shall constitute rejection of the Executory Contracts listed on Schedule 6.1 of the Plan, as may be amended.

**2. CURE OF DEFAULTS FOR ASSUMED AND ASSIGNED EXECUTORY CONTRACTS**

The cure payments for Executory Contracts assumed pursuant to the Plan are listed in Schedule 6.2 of the Plan. All cure payments will be paid over 12 equal monthly installments of principal and interest at the rate of 3% per annum unless otherwise agreed by the parties. Any disputes over the proper cure payment that are not resolved among the parties will be determined by the Bankruptcy Court after notice and a hearing.

**3. RESOLUTION OF OBJECTIONS TO ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS OR CURE PAYMENT**

Any objection to the assumption and assignment of Executory Contracts pursuant to the Plan or to the proposed cure payment must be filed, in writing, on or before the date set by the Bankruptcy Court for filing objections to the Plan. Any such objection not relating to the proposed cure payment will be heard in conjunction with the hearing on Confirmation of the Plan. Any objection relating to the proposed cure payment shall be heard at such time and date as scheduled by the Bankruptcy Court. The Debtors reserve the right to reject an Executory Contract should a cure payment be determined in an amount such that its payment is not in the best interests of the Debtors.

**4. INDEMNIFICATION OBLIGATIONS**

Any indemnification obligations of the Debtors shall be discharged as of the Effective Date pursuant to § 1141 of the Bankruptcy Code except for any such obligations: (a) to their current and former officers and directors; (b) arising under any Executory Contract assumed pursuant to the Plan or by other order of the Bankruptcy Court; or (c) any local, state or federal law or regulation applicable to the Reorganized Debtors after the Effective Date.

**K. Provisions Governing Distributions**

**1. DISTRIBUTIONS**

The Reorganized Debtors shall make distributions to Holders of Claims which are allowed under the Plan in the manner, timing and method set forth in the Plan. Distributions will be made to the address of the Holder as set forth in the Debtors'

Schedules, unless such address has been superseded by a different address contained in a proof of Claim or by written correspondence by the Holder to the Debtors. Should any distribution be returned as undeliverable, and the Reorganized Debtors, after reasonable inquiry, cannot locate a proper address, no further deliveries will be made and: (a) in the case the distribution is to a Holder of a Claim in Classes 1-10 of the Plan, such distributions will become property of the Reorganized Debtor; or (b) in the case the distribution is to a Holder of a Claim in Classes 11, 12 and 13, such distributions will be redeposited into the Unsecured Creditors Fund.

Any distribution that is not negotiated within 120 days of issuance will be null and void. Any interim distribution of less than \$25 will be held by the Reorganized Debtors until the next distribution date. A final distribution of less than \$25 shall be waived and all Claims relating to such final distribution shall be released by the Holder of such Claim.

The Reorganized Debtors must file any objections to Disputed Claim on or before December 31, 2013 or such other time as may be designated by the Bankruptcy Court. Objections to Disputed Claims will be litigated to a Final Order except to the extent the Reorganized Debtors withdraw the objection or the Reorganized Debtors and the Holder of the Disputed Claim compromise such Disputed Claim. Any compromise of a Disputed Claim that results in an allowed Claim greater than or equal to \$35,000 more than was listed as the amount owing such Holder in the Debtors' Schedules shall require the approval of the Bankruptcy Court. Once a Disputed Claim becomes an Allowed Claim, Allowed Secured Claim or Allowed Deficiency Claim, distributions on account of such Claim shall be made as soon as practicable provided that the Holder of

the now- Allowed Claim, Allowed Secured Claim or Allowed Deficiency Claim shall not be allowed to receive more than it would have received had it would have had such Claim been an Allowed Claim, Allowed Secured Claim or Allowed Deficiency Claim at the time of any prior distributions under the Plan.

The Debtors may request that the Bankruptcy Court estimate a Disputed Claim for voting purposes pursuant to § 502(c) of the Bankruptcy Code.

Professionals employed pursuant to §§ 327 and/or 328 of the Bankruptcy Code shall file final applications for compensation and reimbursement of expenses for fees and expenses incurred prior to the Effective Date pursuant to §§ 330 or 503(b) of the Bankruptcy Code within 60 days of the Effective Date.

**L. Releases, Injunctions, Stays and Exculpations**

**1. RELEASES OF RELEASED PARTIES**

The Debtors and their Estates as well as Holders of Claims or Equity Interests release all Causes of Action and Bankruptcy Causes of Action against Marquette, Taft Stettinius & Hollister LLP and O'Keefe & Associates Consulting, LLC and their following: current members, officers, directors, shareholders, agents, subsidiaries, Affiliates, general and limited partners, financial advisors, independent accountants, attorneys, employees, representatives, contractors, successors and assigns with respect to Causes of Action or Bankruptcy Causes of Action relating to the Debtors, the Chapter 11 Cases or the Plan.

## 2. EXCULPATION

Other than those obligations contained in the Plan, neither the Debtors, Marquette, Taft Stettinius & Hollister LLP or O'Keefe & Associates Consulting, LLC nor their current members, officers, directors, shareholders, agents, subsidiaries, Affiliates, general and limited partners, financial advisors, independent accountants, attorneys, employees, representatives, contractors, successors and assigns shall have or incur any Claim or other liability for any act taken in connection with or arising out of the Chapter 11 Cases or the Plan. Notwithstanding the foregoing, the exculpation of an officer, director or shareholder of the Debtor shall not extend to such Entity's guaranty of, or co-obligation with, a Debtor except as provided below.

## 3. STAY OF CAUSES OF ACTION AGAINST GUARANTORS AND CO-OBLIGORS

**Except as otherwise provided in the Plan, to induce the services of the Debtors' and Reorganized Debtors' officers and directors and to facilitate the expeditious and successful reorganization of the Debtors and the implementation of the restructuring contemplated by the Plan as well as a waiver of any prepetition Claim held by such Entities against the Debtors arising prior to the Petition Date, each Holder of a Claim shall be stayed from attempting or continuing to collect any and all: (a) derivative Claims asserted on behalf of the Debtor; or (b) any Claim arising from a third party guaranty, co-obligation or co-signing of an obligation of the Debtors arising prior to Confirmation (but specifically excluding any such Claim against such Entities arising from the DIP Financing or the Exit Financing) until the earlier of: (y) an order of the**

**Bankruptcy Court finding a material, uncured default by the Reorganized Debtors of their obligations under the Plan; or (b) all payments required under the Plan have been made by the Reorganized Debtors, at which time all Claims against such Entities shall be deemed satisfied in full and the stay imposed by Article IX, § 4 of the Plan automatically dissolved.**

**4. RETENTION OF CAUSES OF ACTION AND RESERVATION OF RIGHTS**

The Debtors and Reorganized Debtors shall retain the exclusive right and authority to bring, litigate and and/or settle any and all Causes of Action pursuant to § 1123 of the Bankruptcy Code except for any Causes of Action that are waived pursuant to the Plan or separate order of the Bankruptcy Court. The Debtors and Reorganized Debtors waive and release all Bankruptcy Causes of Action as of the Effective Date.

The Causes of Action retained by the Debtors and Reorganized Debtors include, but are not limited to, the following:

- Claims against vendors, customers or suppliers for warranty, indemnity, back-charge, setoff, overpayment or duplicate payment, and collection/accounts receivable matters;
- Failure of any Entity to fully perform under contracts with the Debtors prior to assumption or rejection of such contract;
- Claims for deposits or other amounts owed by any creditor, lessor, utility, supplier, vendor or Entity;
- Claims for damages or other relief against any party arising out of employee, management or operational matters;
- Claims for damages or other relief against any party arising out of environmental or product liability matters;

- Actions against insurance carriers relating to coverage, indemnity or other matters;
- Counterclaims and defenses relating to notes or other obligations;
- Claims against local, state and federal taxing authorities (including, without limitation, any Claims for refunds of overpayments);
- Claims against attorneys, accountants or other professionals relating to services rendered to the Debtors;
- Claims arising in contract, tort, or equity which may exist or subsequently arise;
- Claims arising under § 362 of the Bankruptcy Code;
- Claims for equitable subordination under § 510 of the Bankruptcy Code or other applicable law; and
- Claims for turnover under §§ 542 and 543 of the Bankruptcy Code.

Any Entity: to whom the Debtors have incurred an obligation; who has received services from the Debtors; who has received a transfer of property from the Debtors; who has transacted business with the Debtors; or who has been a counter party to an Executory Contract with the Debtors should be aware that the Debtors and Reorganized Debtors retained Causes of Action may include a Cause of Action described above against you and that the Reorganized Debtors could commence such a Cause of Action against you under the Plan.

## 5. DISCHARGE OF CLAIMS

Except as otherwise provided in the Plan, the treatment of Claims and Equity Interests in the Plan shall be in exchange for and in complete satisfaction, discharge and release of all Claims against the Debtors. Similarly, as of the Effective Date all Entities shall be precluded from asserting any Claims arising prior to the Effective Date

against the Reorganized Debtors. The sole remedy of such Entities will be to bring an action against the Reorganized Debtors for a breach of their obligations under the Plan.

**M. Management of the Reorganized Debtors**

The directors and officers of the Debtors serving in such capacity as of the Confirmation Date will continue to serve in such capacities as directors and officers of the Reorganized Debtors, subject to any future action taken by the Reorganized Debtors' board(s) of directors or shareholders (as applicable) in accordance with applicable non-bankruptcy law.

**N. Effects of Confirmation**

As of the Effective Date, all of the assets and rights of the Debtors will be transferred to the Reorganized Debtors. The Reorganized Debtors shall be able to use, acquire, sell or otherwise dispose of these assets without any restrictions from the Bankruptcy Code except for those restrictions required by the Plan.

Except as provided in § 1141(d)(3) of the Bankruptcy Code, as of the Effective Date the provisions of the Plan shall be binding upon any Holder of a Claim against the Debtors. All injunctions and stays provided for in the Chapter 11 Cases in existence as of the Confirmation Date shall remain in full force and effect until all distributions are made under the Plan unless provided otherwise in the Plan or an order of the Bankruptcy Court. As of the Effective Date all Entities are permanently enjoined from bringing or continuing any action or proceeding on any Claim or Cause of Action or Bankruptcy Cause of Action.

O. Retention of Bankruptcy Court jurisdiction

The Bankruptcy Court will retain jurisdiction to hear all matters arising under, arising out of, or related to the Chapter 11 Cases and the Plan. A non-exhaustive list of such matters is provided in Article XIII of the Plan.

P. Modification of the Plan

The Debtors reserve the right to amend or modify the Plan at any time prior to the entry of the Confirmation Order. The Debtors also reserve the right to amend or modify the Plan after the Confirmation Order is entered after notice and a hearing and in compliance with § 1127(b) of the Bankruptcy Code. If the Debtors seek such a modification or amendment, a Holder of a Claim or Equity Interest who voted to accept the Plan shall be deemed to have voted to accept the Plan as modified or amended if such modification or amendment does not materially and adversely alter the treatment of such Holder's Claim or Equity Interest.

Q. Discharge of Debtors pursuant to the Plan

Except as otherwise provided in § 1141(d) of the Bankruptcy Code, the Plan, or the Confirmation Order, Confirmation of the Plan shall discharge the Debtors from any debt that arose before the Confirmation Date and any debt of the kind specified in §§ 502(g), (h) or (i) of the Bankruptcy Code, whether or not: (1) a proof of Claim based upon such debt is filed pursuant to § 501 of the Bankruptcy Code; (2) a Claim based upon such debt is allowed under § 502 of the Bankruptcy Code; or (3) the Holder of a Claim based upon such debt has accepted the Plan.

R. Tax consequences of the Plan

The income tax consequences of the Plan, both state and federal, are complex and subject to significant uncertainties. The Debtors have sought to anticipate the federal and state/commonwealth tax consequences on the Reorganized Debtors in their projections and business model. However, the Debtors have not requested a ruling from the IRS or state taxing authority or an opinion of counsel for the same. The Debtors also have not sought to determine the state/commonwealth or federal income tax consequences the Plan may have on Holders of Claims or Equity Interests.

**ACCORDINGLY, ANY ENTITIES WHO MAY BE AFFECTED BY THE IMPLEMENTATION OF THE PLAN, INCLUDING HOLDERS OF CLAIMS AND EQUITY INTERESTS IN THE DEBTORS, SHOULD CONSULT THEIR OWN TAX ADVISORS RESPECTING THE TAX CONSEQUENCES THE PLAN MAY HAVE ON SUCH HOLDERS OF CLAIMS AND EQUITY INTERESTS UNDER FEDERAL, STATE/COMMONWEALTH, LOCAL OR FOREIGN LAW.**

V. CONFIRMATION OF THE PLAN

A. Acceptance or rejection of the Plan

In accordance with §§ 1126 and 1129 of the Bankruptcy Code, Holders of allowed Claims (either Allowed Secured Claims, Deficiency Claims or Allowed Claims, as the case may be) in Classes 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12 and 13 are Impaired and are entitled to vote to accept or reject the Plan. Holders of Allowed Secured Claims in Class 1 are Unimpaired and are presumed to accept the Plan pursuant to § 1126(f) of the Bankruptcy Code. Holders of allowed Equity Interests in Classes 14(a) and 14(b) are Impaired and are entitled to vote to accept or reject the Plan. Holders of allowed Equity Interests in Classes 14(c) and 14(d) are Unimpaired and are presumed to accept the Plan pursuant to § 1126(f) of the Bankruptcy Code.

The Bankruptcy Code provides that a Class will accept the Plan if: (1) at least one-half of Holders of allowed Claims or Equity Interests in a Class; and (2) at least two-thirds in dollar amount of Holders of allowed Claims or Equity Interests in a Class have voted in favor of the Plan. A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that such vote was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code. Holders of Claims or Equity Interests that do not vote on the Plan will not be counted as either accepting or rejecting the Plan. Holders of Disputed Claims are not entitled to vote on the Plan absent further Order of the Court.

Any Holder of a Claim in an Impaired Class: (1)(a) whose Claim has been listed by the Debtors' Schedules and is not marked contingent, disputed, or unliquidated; or (b) who filed a proof of Claim; and (2) whose Claim is not the subject of an objection or request for estimation, is entitled to vote on the Plan.

In the event one or more Impaired Classes vote to reject the plan, the Debtors shall seek Confirmation of the Plan pursuant to the "cramdown" provisions contained in § 1129(b) of the Bankruptcy Code.

**B. Unfair discrimination and fair and equitable tests**

Should any Impaired Class reject the plan, the Bankruptcy Court may still confirm the Plan at the request of the Debtors if the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to each Impaired Class which has not accepted the Plan. Both tests must be met before the Plan can be confirmed.

The Bankruptcy Code provides that a plan “does not discriminate unfairly” if the legal rights of a rejecting Class are treated in a manner consistent with the treatment of other Classes whose legal rights are substantially similar to those of the rejecting Class and if no Class of Claims or Equity Interests receives more than it is legally entitled to receive for its Claims or Equity Interests. This test is the same whether the Claim is secured or unsecured.

This differs from the Bankruptcy Code’s test for “fair and equitable” as that test differs depending on whether the rejecting Class is comprised of a secured Claims, unsecured Claims or Equity Interest. With respect for a secured claim, “fair and equitable” means: (1) the Impaired secured creditor retains its Liens to the extent of its Allowed Secured Claim and receives deferred Cash payments at least equal in value to the allowed amount of its Claim with a present value as of the Effective Date at least equal in value to such creditor’s interest in the property securing such Claim; (2) if the Collateral subject to the Lien of the Impaired secured creditor is sold free and clear of Liens, claims, interests and encumbrances, such Lien, claim, interest and encumbrance attaches to the proceeds of the sale and the attached Lien, claim, interest and encumbrance is treated in accordance with subsection (1) or (3) of this paragraph; or (3) the Impaired secured creditor realizes the “indubitable equivalent” of its Claim under the Plan. With respect to an unsecured claim, “fair and equitable” means either: (a) each Impaired unsecured creditor receives or retains property of a value, as of the Effective Date, equal to the amount of its Allowed Claim; or (b) the Holders of Claims or Equity Interests that are junior to the rejection Class will not receive or retain any property under the Plan. Lastly, with respect to Equity Interests, “fair and equitable” means that

each Holder of an Equity Interest: (i) will receive or retain property of a value, as of the Effective Date, equal to the greatest of (A) the allowed amount of any fixed liquidation preference to which such Holder is entitled; (B) any fixed redemption price to which the Holder is entitled, or (C) the value of such Equity Interest; or (ii) the Holder of any Equity Interest that is junior to the rejecting Class will not receive or retain any property under the Plan on account of such junior interest.

This Plan “does not discriminate unfairly” because all similar Classes are treated consistently and no Class receives more under the Plan than to which it is legally entitled. The Plan is also “fair and equitable” as to all Impaired Classes as they will receive the full value of their Allowed Claims, Allowed Secured Claims, Deficiency Claims or Equity Interests over time, with interest.

#### C. Best interests test

The Bankruptcy Code also provides that the Plan will not be confirmed, regardless of whether an Entity objects to the Plan, unless the Bankruptcy Court finds that the Plan is in the “best interests” of all Impaired Classes. A Plan will be deemed in the “best interests” of all Impaired Classes if either: (1) all Holders of Impaired Claims and Equity Interests have accepted the Plan; or (2) the Plan will provide Holders of Impaired Claims and Equity Interests who have rejected the Plan with a recovery at least equal in value to the recovery such Holder would receive if the Debtor liquidated its assets under chapter 7 of the Bankruptcy Code.

The starting point then under this test is a determination of the amount of proceeds that would be generated from the liquidation of the Debtors’ assets in the

context of a chapter 7 liquidation. That amount then must be reduced by the costs of such liquidation, including the costs incurred during the Chapter 11 Cases and allowed under chapter 7 of the Bankruptcy Code (such as professionals' fees and expenses), the chapter 7 trustee fee, and the fees and expenses of professionals retained by the chapter 7 trustee. This new subtotal must then be further reduced by the costs imposed by the delay caused by conversion of the Chapter 11 Cases to liquidation cases under chapter 7. This net present value of a hypothetical chapter 7 liquidation distribution with respect to an Impaired Class is then compared to the recovery such Impaired Class receives under the Plan. A comparison between the liquidation analysis attached hereto as **Exhibit B** and the distributions proposed under the Plan show that the Plan provides for distributions which are far greater than the anticipated distributions under a hypothetical chapter 7 liquidation. The estimates for values and recoveries listed in the liquidation analysis are based upon the customary results of sales and collections and the experience of the Debtors' professionals in liquidating property in a chapter 7 liquidation. Claim amounts are as of April 30, 2013.

#### D. Feasibility

The Bankruptcy Code also provides that the Plan can only be confirmed if it is feasible. The Plan will be considered feasible if it will not lead to a further liquidation or reorganization of the Debtors. The Debtors believe that the projections attached hereto as **Exhibit C** demonstrate that the Reorganized Debtors can make the distributions required under the Plan and operate as going concerns.

When preparing these projections, the Debtors considered the impact of recent trends and competition on sales, gross margin and operating profits. The projections are on a Cash basis. All disbursements to Classes 1-10, along with estimated cure payments, have been listed as separate line items. Although the Reorganized Debtors' projected Cash balance varies throughout the projections, the Reorganized Debtors have sufficient availability under the Exit Financing to cover all projected distributions. The Reorganized Debtors will make an initial contribution of \$100,000.00 to the Unsecured Creditors Fund as of the Effective Date. This will enable the Reorganized Debtors to make a distribution to Holders of allowed Claims in Classes 11, 12 and 13 in the first year of the Plan that would exceed the amount such Holders would receive in a liquidation. Future distributions are included in the projections and show these Holders will be paid in full in approximately 2-8 years. Based upon these projections, the Reorganized Debtors will be able to make the distributions required under the Plan.

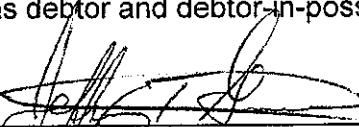
## VI. CONCLUSION

The Debtors explored various restructuring scenarios with their professionals. Based upon that review, the Debtors believe that the Plan represents the best alternative for the Debtors, the Estates, and Holders of Claims and Equity Interests. The Debtors therefore urge all Holders of Claims and Equity Interests entitled to vote to cast their ballots in favor of the Plan.

Dated: May 17, 2013

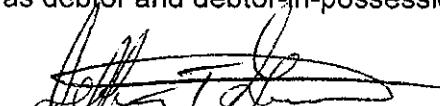
CONSOLIDATED TRANSPORT SYSTEMS, INC.,  
as debtor and debtor-in-possession,

By:

  
Jeffrey T. Gross, President

-and-

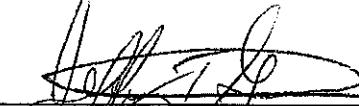
TANDEM TRANSPORT CORP,  
as debtor and debtor-in-possession,

By: 

Jeffrey T. Gross, President

-and-

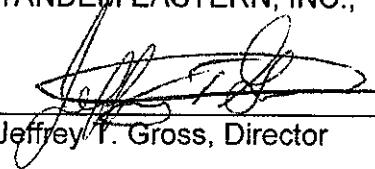
TRANSPORT INVESTMENT CORPORATION,

By: 

Jeffrey T. Gross, Director

-and-

TANDEM EASTERN, INC.,

By: 

Jeffrey T. Gross, Director