

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF MARYLAND  
(Greenbelt Division)**

<p><b>In re:</b></p> <p><b>BLUE STAR GROUP, INC.</b></p> <p><b>BARWOOD, INC.</b></p> <p><b>CHECKER TRANSPORTATION COMPANY, INC.</b></p> <p><b>CITY LEASE, INC.</b></p> <p><b>FLEET TECH, INC.</b></p> <p><b>SILVER SPRING TRANSPORTATION COMPANY,</b></p> <p style="padding-left: 40px;"><b>Debtors</b></p>	<p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p>	<p><b>Case No.: 16-26548</b></p> <p><b>Case No.: 16-26550</b></p> <p><b>Case No.: 16-26552</b></p> <p><b>Case No.: 16-26553</b></p> <p><b>Case No.: 16-26551</b></p> <p><b>Case No.: 16-26555</b></p> <p><b>Jointly Administered Under Case No.: 16- 26548-TJC (Chapter 11)</b></p>
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**DEBTORS’ JOINT AMENDED DISCLOSURE STATEMENT**

**I. Introduction**

Blue Star Group, Inc., Barwood, Inc., Checker Transportation Company, Inc., City Lease, Inc., Fleet Tech, Inc. and Silver Spring Transportation Company (the “Debtors”), Debtors and Debtors-in-Possession, by their undersigned counsel, pursuant to the provisions of Chapter 11 of Title 11 of the United States Code, file this Debtors’ Joint Amended Disclosure Statement to disclose the information believed to be material for creditors to arrive at a reasonably informed decision and to exercise the right to vote on acceptance of the Debtors’ Joint Plan of Liquidation (the “Plan”) filed by the Debtors with the United States Bankruptcy Court for the District of Maryland on August 18, 2017.

**NO REPRESENTATIONS CONCERNING THE DEBTORS (PARTICULARLY AS TO THE VALUE OF THEIR ASSETS) ARE AUTHORIZED, OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE ACCEPTANCE OF THE PLAN THAT ARE NOT CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY ANY CREDITOR AND SHOULD BE REPORTED TO UNDERSIGNED COUNSEL FOR THE DEBTORS. MUCH OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT. THE RECORDS KEPT BY THE DEBTORS ARE NOT WARRANTED OR REPRESENTED TO BE WITHOUT ANY INACCURACY, ALTHOUGH GREAT EFFORT HAS BEEN MADE TO ENSURE THAT ALL RECORDS ARE ACCURATE.**

**II. History and Background of the Debtors**

**A. History**

Barwood Inc. was founded in 1964 by Henry Woodfield and Harry Barnes, both now deceased, with 45 taxis. Over more than 50 years, the company has grown into a diversified ground transportation company located in Montgomery County, Maryland. Collectively, the Debtors and certain non-debtor affiliates have a taxi fleet of approximately 457 vehicles and constitute the largest fleet of taxicabs in Montgomery County.

The Debtors and certain non-debtor affiliates generated revenues of approximately \$7.1 Million in 2015 and \$3.3 Million for the first 7 1/2 months of 2016.

As of December 31, 2015, the Debtors and certain non-debtor driver partners had approximately \$4.5 Million in assets and approximately \$5.4 Million in liabilities. The Debtors had 57 employees on the Petition Date.

Lee Barnes is the sole shareholder of Transco, Inc., the parent holding company of the Debtors. Lee Barnes is an 80% shareholder and Christine Barnes is a 20% shareholder of Nicholson Properties, LLC, which owns the Nicholson Property.

**B. Cause of Chapter 11 Filings**

The Debtors previously filed voluntary Chapter 11 petitions on January 29, 2007 and their Joint Fourth Amended Plan of Reorganization (the “Fourth Amended Plan”) was confirmed by this Court on March 15, 2010. The Fourth Amended Plan was funded primarily through the sales of Passenger Vehicle Licenses (“PVLs”). Initially, the Debtors were able to sell PVLs for \$65,000. However, a combination of factors contributed to depress the market for PVLs, including an inability to find third party financing and, later, competition from Uber and Lyft.

Although ride sharing services such as Uber and Lyft have existed since 2012, their entry into the Montgomery County transportation marketplace did not make any substantial impact until 2014. These services began to provide a substantial number of rides to the public in Washington D.C. and quickly spread into the suburbs. Uber and Lyft entered into the local market without complying with any regulations, allowing them to offer fares that were substantially lower than the regulated prices of taxis. Uber and Lyft also had none of the overhead of a traditional taxi company as they neither owned nor insured any vehicles or employed customer service personnel. These services also refused to comply with any of the regulatory controls that applied to taxicabs.

With these conditions, they quickly built a following of technologically savvy customers and simultaneously cut into the ridership of taxis as well as the pool of available drivers that would ordinarily rent taxis. The fast growth and success of these companies also created a customer momentum that allowed these companies to oppose efforts by governmental bodies to regulate them.

In 2014, the Montgomery County taxicab industry requested that the County Legislature reform its taxicab regulatory scheme to create a level playing field for taxis and these ride sharing companies. In 2015, the Montgomery County Council reformed its taxicab code, but in so doing, failed to require any regulation of these so-called “Transportation Network Companies” (“TNCs”). While the law did make changes to loosen regulations on taxicabs, it also added new ones preserving the gross regulatory imbalance between taxis and TNCs. The TNCs now enjoy a regulatory scheme that favors them and punishes traditional taxi services.

The declining market for PVLs necessitated multiple extensions of the repayment deadline under the Fourth Amended Plan. The Fourth Amended Plan provided for 100% repayment to all unsecured creditors plus interest. The Debtors paid the creditors 80% of their allowed claims plus interest. However, the market for the sales of PVLs continued to deteriorate and the difficulty finding drivers who were willing to rent taxis had a devastating impact on the Debtors’ operations. Accordingly, the Debtors were forced to file the instant bankruptcy

### **C. Bankruptcy Filing**

The Debtors sought protection under the Bankruptcy Code by each filing voluntary petitions under Chapter 11 on December 20, 2016 (the “Petition Date”). On

December 22, 2016, this Court entered an Order Providing for Joint Administration, with Blue Star Group, Inc. to serve as the lead case.

**D. Chapter 11 Operations**

Since the filing of the Chapter 11 petitions, the Debtors have continued to operate their business as debtors-in-possession.

**1. Cash Collateral Usage**

On multiple occasions the Debtors, with the consent of their primary lenders, Capital Bank (the “Bank”), and Zvi Guttman, Collateral Agent (the “Collateral Agent”) have sought and obtained authorization to use cash collateral. First, shortly after its Chapter 11 filing, the Debtors requested and obtained authorization to pay prepetition accrued wages, payroll taxes and employee benefits, and to pay certain de minimus prepetition driver expenses incurred in the ordinary course of business (dkt. 15, 16). Second, on December 22, 2016, this Court approved a Stipulation and Consent Order between the Debtors and both the Bank and the Collateral Agent authorizing the use of cash collateral from the Petition Date through January 15, 2017 (dkt. 17). Third, on January 13, 2017, this Court approved a Stipulation and Consent Order between the Debtors and both the Bank and the Collateral Agent authorizing the continued use of cash collateral through March 19, 2017 (dkt. 38). Fourth, on March 21, 2017, this Court entered a Third Interim Consent Order authorizing the Debtors’ Interim Use of Cash Collateral through June 30, 2017 (dkt. 71). On June 28, 2017, this Court entered a Fourth Interim Consent Order authorizing the Debtors’ Interim Use of Cash Collateral through September 30, 2017 (dkt. 100). Finally, on September 22, 2017, this Court entered a Fifth Interim Consent

Order authorizing the Debtors' Interim Use of Cash Collateral through December 31, 2017 (dkt. 133).

**2. Retention of Professionals**

Since the Petition Date, the Debtors have retained, with court approval, various professionals to assist in their reorganization efforts. These include the retention of: (i) Tydings & Rosenberg LLP as their general bankruptcy counsel (dkt. 50); (ii) Simon Krowitz Meadows & Bortnick, P.A. as their accountants (dkt. 55); (iii) Mulhern, Patterson & Marshall, LLP as their special counsel for corporate, regulatory and litigation matters (dkt. 57); and (iv) Suzanne Sparrow as their financial advisor (dkt. 56). On February 22, 2017, this Court approved the Debtors' Motion for an Administrative Order Establishing Procedures for Interim Compensation and Reimbursement of Chapter 11 Professionals (the "Administrative Order")(dkt. 62). In accordance with the Administrative Order, the Debtors have been authorized to pay, without further Court order, 80% of the fees and 100% of the expenses incurred by each of the Debtors' professionals on a monthly basis.

**3. Financial Performance**

Since the Petition Date, after netting out professional fees, the Debtors have operated in a slightly profitable manner. Between the Petition Date and August 31, 2017, the Debtors have had a net positive cash flow of approximately \$120,000. As of August 31, 2017, the Debtors had roughly \$186,000 in the bank, exclusive of restricted funds.

**4. Litigation**

These cases have been largely free of litigation except for automobile tort claims that were stayed by the bankruptcy filing.

**5. Exclusivity**

Section 1121 of the Bankruptcy Code gives the Debtors 120 days within which to file a Plan and 180 days within which to obtain acceptances to that Plan, subject to an extension of these deadlines for cause shown. Since the filing of the petitions, the Debtors obtained two extensions of the exclusive periods within which to file their plan and within which to solicit acceptances (dkt. 92,105). Accordingly, the Debtors' deadline to obtain acceptances of one or more Plans of Reorganization now runs through and including October 17, 2017.

**6. Administrative Responsibilities**

The Debtors are current with the filing of their Debtor-in-Possession Monthly Operating Reports and are in the process of reconciling quarterly fees issues with the Office of the United States Trustee.

**7. Lease Issues**

The Debtors have one lease of non-residential real property—their lease with Nicholson Properties. Given that the Plan has shifted to a sale and/or an orderly liquidation, the Debtors ultimately will reject the Nicholson Properties lease.

**E. Financial Information**

The latest monthly operating report filed in this case is the report that covers the period between August 1, 2017 and August 31, 2017. As of August 31, 2017, the assets of the Debtors were as follows:

- (1) Cash in the Debtor in Possession Bank Accounts in the amount of \$186,716.40; and
- (2) Accounts receivable in the gross amount of \$237,476.28.

Based upon the Bankruptcy Schedules filed in these cases, the Debtors had, as of the Petition Date as follows:

- (1) Restricted Funds in a Bank Account at PNC Bank in the amount of \$185,000.
- (2) Vehicles with a fair market value of \$333,737.
- (3) Office Furniture with an approximate value of \$16,748.38.
- (4) Licenses, franchises and royalties having a value of \$52,852.80
- (5) Computer equipment with an approximate value of \$14,898.
- (6) Radio equipment with an approximate value of \$7,725.00.
- (7) Telephone equipment with an approximate value of \$3,117.71.
- (8) Shop equipment and inventory with an approximate value of \$12,139.61.
- (9) Computer Software of unknown value.
- (10) Passenger Vehicle Licenses of unknown value.
- (11) Taximeters having a value of \$2693.64.
- (12) Cabling having a value of \$14,365.36.
- (13) Intangibles and intellectual property having a value of \$123,873.75.

As of the Petition Date, the liabilities of the Debtor were as follows:

- (1) Secured debt in the approximate amount of \$1,050,000.
- (2) Accrued administrative priority claims in the approximate amount of \$200,000, consisting of accrued professional fees and expenses, and post-petition accounts payable.



- (3) Priority Tax Claims in the amount of \$0.
- (4) General unsecured claims in the approximate amount of \$695,000

**F. Scheduled and Filed Claims**

Because the Debtors are technically 6 separate Chapter 11 entities, the scheduled claims and filed proofs of claim vary in each case. The following is a summary of the scheduled and filed unsecured claims in each case (both priority and general unsecured) subtracting out claims that are both scheduled and filed.<sup>1</sup>

<u>CASE</u>	<u>SCHEDULED CLAIMS</u>	<u>FILED PROOFS OF CLAIM</u>
Barwood, Inc.	\$169,354.49	\$193,039.67
Blue Star Group, Inc.	\$299,116.52	\$42,371.98
Checker Transportation	\$31,079.40	\$0
City Lease, Inc.	\$0	\$114,637.36
Fleet Tech, Inc.	\$192,060.94	\$622.14
Silver Spring Transportation	\$33,755.32	\$14,562.08
TOTALS	\$725,366.67	\$365,233.23

**G. Substantive Consolidation**

On August 22, 2017, the Debtors filed a motion seeking substantive consolidation of these cases for purposes of the Joint Plan of Liquidation (the “Substantive Consolidation Motion”)(dkt. 126). As set forth in the Substantive Consolidation Motion, the business structure of the Debtors is intertwined such that one of them could not function without the others. For instance, Blue Star Group, Inc., has

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<sup>1</sup> There is still some duplication in these figures because in several instances, a claim is scheduled in one Debtor case yet a claim for the identical amount is filed in a separate case.

acted as paymaster or a management company for the other entities. Because the Debtors are proposing a Plan of Liquidation, the administrative cost of attempting to allocate creditor claim to a particular debtor would seriously erode the ultimate distribution to creditors. The Substantive Consolidation Motion is pending.

**III. The Joint Plan of Liquidation**

**SET FORTH BELOW IS A BRIEF SUMMARY OF THE JOINT PLAN. THE SUMMARY SHOULD NOT BE RELIED UPON FOR VOTING PURPOSES. CREDITORS ARE URGED TO READ THE ENTIRE PLAN AND TO CONSULT WITH COUNSEL OR EACH OTHER TO FULLY UNDERSTAND THE PLAN. A COPY OF THE PLAN HAS BEEN FILED WITH THE CLERK, UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF MARYLAND, 6500 CHERRYWOOD LAINE, 3RD FLOOR U.S. COURTHOUSE, GREENBELT, MARYLAND 20770, AND IS AVAILABLE FOR INSPECTION AND REVIEW.**

**THE PLAN IS COMPLEX AND REPRESENTS A PROPOSED LEGALLY BINDING AGREEMENT BY THE DEBTORS. AN INFORMED JUDGMENT CONCERNING THE PLAN, THEREFORE, CANNOT BE MADE WITHOUT READING AND UNDERSTANDING IT.**

The Plan is based upon the belief that a sale of a portion of the Debtors' operating assets coupled with an orderly liquidation will generate significantly more funds for repayment of creditors than if the bankruptcy case were converted to a Chapter 7 liquidation and the Debtors' assets were liquidated by a Trustee.

**A. Definitions and Classes**

The Plan, in Article 1, provides the following definitions.

1.1 “Administrative Bar Date” means 45 days after the Effective Date and is the date by which applications for allowance of Administrative Claims incurred through the Confirmation Date must be filed with the Court or be forever barred and discharged. Notice of confirmation of the Plan shall be deemed sufficient and adequate notice of the Administrative Bar Date with respect to all Professional Persons and creditors with scheduled or filed Claims.

1.2 “Administrative Claim” means any cost or expense of administration of the cases allowed under § 503(b) of the Bankruptcy Code.

1.3 “Allowed Claim” means a Claim (as defined in § 101(5) of the Bankruptcy Code):

- (i) (i) in respect of which a Proof of Claim has been filed with the Court within the applicable period of limitations fixed by Bankruptcy Rule 3003;
- (ii) (ii) which is listed in Schedules D, E or F filed by the Debtors with the Court, including any amendments thereto, and is not listed as disputed, contingent, or unliquidated as to amount; or
- (iii) (iii) for which an application has been filed pursuant to §§ 329 and 330 of the Bankruptcy Code;

and further, as to any such Claim, either no objection to the allowance thereof has been filed, or if an objection to the allowance thereof has been filed, the Court has overruled such objection or fixed the amount of such Claim by a Final Order.

1.4 “Bank” means Capital Bank, which holds a first priority lien on all of the Debtors’ vehicles and a second priority lien on all of the Debtors’ Personal Vehicle Licenses (“PVLs”) and other assets. The Bank also holds a first mortgage on the Nicholson Property.

1.5 “Bankruptcy Code” means Title 11 of the United States Code (“U.S.C.”) as amended, and such portions of Title 28 of the United States Code as are applicable to bankruptcy cases.

1.6 “Bankruptcy Rules” means (a) the Federal Rules of Bankruptcy Procedure, and (b) the Local Bankruptcy Rules for the United States Bankruptcy Court for the District of Maryland, both as now in effect or hereafter amended.

1.7 “Buyer” means the party that purchases a portion of the Debtors’ operating assets.

1.8 “Claim” means a claim against any or all of the Debtors as defined in § 101(5) of the Bankruptcy Code, including, but not limited to, all claims arising from the rejection of unexpired leases and/or executory contracts.<sup>1</sup>

1.9 “Collateral Agent” means Zvi Guttman, Esquire, who was appointed by this Court in the June 25, 2010 Order Confirming Debtors’ Joint Fourth Amended Plan of Reorganization in the prior bankruptcy case filed by the Debtors. The Collateral Agent holds the lien rights that were granted to Class 6 and Class 7 creditors under the Joint Fourth Amended Plan, pursuant to an Amended Security Agreement between the Debtors and the Collateral Agent. The Collateral Agent holds a blanket lien on the Debtors’ assets, but is subordinate to purchase money financing of replacement vehicles provided by the Bank.

1.10 “Confirmation Date” means the date on which the Court enters the Order of Confirmation.

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<sup>1</sup> The last date upon which claims can be submitted (the “Claims Bar Date”) is established in these cases as April 24, 2017 for all creditors (except governmental units), and June 19, 2017 for all governmental units. Proper notice of the Claims Bar Date was sent to all known creditors of the Debtors.

1.11 “Court” means the United States Bankruptcy Court for the District of Maryland.

1.12 “Debtors” means Blue Star Group, Inc., Barwood, Inc., Checker Transportation Company, Inc., City Lease, Inc., Fleet Tech, Inc. and Silver Spring Transportation Company. These cases have been jointly administered by Order of this Court entered on December 22, 2016.

1.13 “Disputed Claim” means (a) a Claim as to which an objection has been filed in accordance with Rule 3007 of the Bankruptcy Rules, which has not been resolved by a Final Order; or (b) a Claim listed in the Schedules as disputed, contingent or unliquidated and as to which no Proof of Claim has been filed.

1.14 “Effective Date” means the later of (a) the thirtieth (30th) day after an Order of Confirmation becomes final by expiration of the time for appeal therefrom, and (b) if an appeal is taken, the thirtieth (30th) day after an order on appeal in favor of confirmation (and all orders on appeal relating to said order) becomes unappealable.

1.15 “Estates” means the bankruptcy estates created pursuant to § 541 of the Bankruptcy Code upon filing of the Chapter 11 petitions by the Debtors.

1.16 “Final Order” means a Court order which, not having been reversed, modified or amended, and not having been stayed, and as to which the time to seek review or rehearing has expired, has become final and is in full force and effect.

1.17 “Nicholson Property” means the property located at 4900 Nicholson Court, Kensington, Maryland 20895, which is owned by a non-debtor affiliate. The Debtors collectively lease the Nicholson Property for office space and other taxicab operations.

1.18 “Order of Confirmation” means the order entered by the Court confirming the Plan.

1.19 “Petition Date” means December 20, 2016, the date on which the Debtors filed their petitions for relief under Chapter 11 of the Bankruptcy Code.

1.20 “Plan” means the Debtors’ Joint Plan of Liquidation in its present form, or as it may hereafter be further amended or modified.

1.21 “Prior Bankruptcy Case” shall mean the Voluntary Chapter 11 proceedings filed by the Debtors on January 29, 2007 that were ultimately substantively consolidated.

1.22 “Prior Confirmation Order” shall mean the Order Confirming Debtors’ Joint Fourth Amended Plan of Reorganization that was entered by this Court on June 25, 2010.

1.23 “Professional Person(s)” means an attorney, accountant, appraiser, consultant or other professional retained or to be compensated pursuant to an order of the Court entered under §§ 327, 328, 330, 503(b), or 1103 of the Bankruptcy Code.

1.24 “Proof of Claim” means a proof of claim filed pursuant to § 501 of the Bankruptcy Code and Part III of the Bankruptcy Rules.

1.25 “PVL” means Passenger Vehicle License, which is a license issued by Montgomery County, Maryland, pursuant to Montgomery County Code §§ 53-201(b) and (d), to operate a taxicab for hire in Montgomery County, Maryland.

1.26 “Restricted Funds” means those funds held at PNC Bank in the aggregate amount of \$185,000 for the benefit of tort claimants.

1.27 “Schedules” means the schedules of assets and liabilities and statements of financial affairs filed by each of the Debtors with the Bankruptcy Court in accordance with § 521(1) of the Bankruptcy Code and Rule 1007 of the Bankruptcy Rules, and any amendments thereto.

1.28 “Tort Claim” means an unsecured property damage or personal injury Claim, or both, the underlying basis of which is a vehicle collision or other taxicab accident involving a permissive user of a vehicle owned by the Debtors that arose post-confirmation with respect to the Prior Bankruptcy Cases and either prepetition or postpetition with respect to these cases. A contribution claim arising as a result of a vehicle collision or other taxicab accident is a general unsecured Claim as opposed to a Tort Claim.

1.29 “Tort Claim Bar Date” means the date by which all Tort Claims must be filed with the Court or be forever barred and discharged. Because Tort Claims that arise after the Petition Date are included within Class 6 below, but may not have knowledge of the Bankruptcy filing, the Debtors propose to send out a supplemental notice to all parties involved in accidents with the Debtors’ taxicabs post-petition, within twenty (20) days of the Confirmation Date providing post-petition tort claimants with forty five (45) days within which to file a claim.

The Plan, in Articles 2 and 3, classifies and treats claims as follows:

Class 1. Class 1, which consists of all Allowed Claims for costs and expenses of administration, shall be paid in full, in cash, on the latest of (a) the Effective Date, or (b) within 30 days after such Claim has become an Allowed Claim, or (c) as agreed by the parties. Class 1 is not a class of Claims impaired under the Plan.

Class 2. Class 2, which consists of all Allowed Claims entitled to priority under § 507 other than § 507(a)(1) Administrative Claims and § 507(a)(8) unsecured tax Claims, shall be paid in full, in cash, on the latest of (a) the Effective Date, or (b) within 30 days after such Claim has become an Allowed Claim, or (c) as agreed by the parties. Class 2 is not a class of Claims impaired under the Plan.

Class 3. Class 3, which consists solely of Allowed Claims entitled to priority under § 507(a)(8), shall be paid in full, in cash, on the latest of (a) the Effective Date, or (b) within 30 days after such Claim has become an Allowed Claim, or (c) as agreed by the parties. Class 3 is not a class of Claims impaired under the Plan.

Class 4. Class 4 consists of the Allowed Claims of the Bank. The Debtors shall continue making regular scheduled monthly interest payments to the Bank. Additionally, the Bank's Claim may be paid in full by virtue of the assumption of its debt by the Buyer. If the sale to the Buyer fails to close or the Buyer declines to assume the entire debt, the Bank shall be paid its share of the proceeds of leases and sales of the Debtors' PVLs pursuant to the Order Granting Debtors' Motion for Authority to Operate Lease-Sale Programs with Respect to Passenger Vehicle Licenses and Vehicles (dkt. 65) as set forth in Article 4 below, and all proceeds from the liquidation of the Debtors' vehicles. Additionally, once the Collateral Agent has been paid in full, the Bank shall be entitled to be paid the proceeds from the liquidation of any other assets covered by its lien. Class 4 is a class of Claims impaired under the Plan.

Class 5. Class 5 consists of the Allowed Claim of the Collateral Agent.



The Collateral Agent's claim shall be paid in full through quarterly installment payments from the proceeds of any remaining PVL sales pursuant to the Prior Confirmation Order, from the proceeds of leases and sales of the Debtors' PVLs pursuant to the Order Granting Debtors' Motion for Authority to Operate Lease-Sale Programs with Respect to Passenger Vehicle Licenses and Vehicles (dkt. 65) as set forth in Article 4 below, and from the proceeds of future sales of the Debtors' remaining PVLs. Assuming that the Buyer closes on the sale and the Bank's claim is assumed as set forth in Section 3.4 above, the Collateral Agent shall be entitled to 100% of the proceeds from the lease and sales of the Debtors' PVLs. If the sale to the Buyer fails to close or the Buyer declines to assume the entire Bank claim, the Collateral Agent shall be paid all proceeds from the liquidation of the Debtors' assets other than vehicles. Class 5 is a class of Claims impaired under the Plan.

Class 6. Class 6 consists of all Allowed Tort Claims arising post-confirmation with respect to the Prior Bankruptcy Case. With respect to all Class 6 Claims that have not been liquidated as of the Confirmation Date, the Debtors will schedule a series of settlement conferences within 45 days after the Effective Date. The Debtors will endeavor to liquidate as many claims as possible. To the extent that the Debtors are unable to reach a settlement with any claimants as to the amount of their claim, such claimants must proceed in the applicable trial court to have their Claims liquidated and then return to this Court with a liquidated Claim to share in any distributions under the Plan. Subject to reduction based upon any contribution Claims, the Class 6 Claims shall be paid a pro rata distribution from the Restricted Funds net of the administrative costs incurred by the Debtors in holding the settlement conferences

described above. To the extent that the Class 6 creditors have not been paid in full from the Restricted Funds, Class 6 creditors shall share, with Class 7 creditors, the revenues generated from the liquidation of the Debtors' assets after creditors in Classes 1 through 5 have been paid in full. Class 6 is a class of Claims impaired under the Plan.

Class 7. Class 7 consists of all general unsecured Allowed Claims, excluding any Tort Claims that arose post-confirmation with respect to the Prior Bankruptcy Case . Class 7 Claims shall be paid periodic pro rata distributions from the revenues generated from the liquidation of the Debtors' assets after creditors in Classes 1 through 5 have been paid in full. Class 7 is a class of Claims impaired under the Plan.

Class 8. Class 8 consists of all interest holders of the Debtors. The interest holders shall retain their interests during the liquidation of the Debtors' assets, but shall not receive any distributions until all creditors in Classes 1 through 7 have been paid in full.. Class 8 is a class of Claims that is unimpaired under the Plan.

**B. Plan Execution**

The Plan, in Article 4, provides the means for execution as follows:

Substantive Consolidation. As described above, the Debtors filed a motion seeking substantive consolidation of their respective bankruptcy estates.

Sale of Operating Assets. The Debtors have received a letter of intent from a party wishing to purchase a substantial portion of their operating assets. Although a binding contract is in the process of being drafted, the Debtors and this potential purchaser have a basic understanding of the primary terms of such a sale. The potential purchaser would assume the Bank's debt and collect the lease/purchase payment stream created by drivers who have signed on to the lease/purchase programs with the

Debtors, for the benefit of the Collateral Agent. The potential purchaser would acquire 60 PVLs (out of approximately 250 currently owned by the Debtors), all vehicles, the Debtors' name telephone number, dispatch system, and other intangible assets related to the Debtors' operations. The potential purchaser would not acquire the Debtors' accounts receivable. The potential purchaser would not acquire assets of Fleet Tech. The Debtors will have an executed contract on or before December 1, 2017. In the event that the Debtors do not have an executed contract on or before December 1, 2017, the Debtors will proceed with an orderly liquidation of all assets.

Funding. The funds necessary to implement the Plan shall be generated from, among other things, (i) the net proceeds from the lease and sale of the Debtors' vehicles pursuant to the Order Granting Debtors' Motion for Authority to Operate Lease-Sale Programs with Respect to Passenger Vehicle Licenses and Vehicles (dkt. 65); (ii) the net proceeds from the lease and sale of the Debtors' interests in PVLs pursuant to the Order Granting Debtors' Motion for Authority to Operate Lease-Sale Programs with Respect to Passenger Vehicle Licenses and Vehicles (dkt. 65); (iii) the net proceeds from the sales of PVLs pursuant to the Prior Confirmation Order; (iv) assuming a sale to the prospective purchaser, the proceeds from the sale; (v) the proceeds from the sale of PVLs retained by the Debtors; (vi) in the event that the Debtors are unable to consummate a sale to the Buyer, or any other party, the net proceeds from the liquidation of all assets of the Debtors; (vii) the funds held in the Debtors bank accounts; (viii) the restricted funds held in the bank account at PNC Bank which are earmarked for Tort Claims; and (ix) the Debtors' accounts receivable.

Regulatory Compliance. All transfers of PVLs and Vehicles shall comply

with all requirements of Montgomery County law pertaining to the transfer of PVLs and requirements for Vehicles to be utilized as taxicabs.. With respect to transfers of PVLs pursuant to the Lease-Sale Programs, the purchaser of a Debtor's interest in a PVL shall be responsible for paying the county-imposed fee on the transfer of the PVL subject to the contribution from the Debtors as set forth in the Motion for Authority to Operate Lease-Sale Programs with Respect to Passenger Vehicle Licenses and Vehicles (dkt. 52) which was approved by the Court on March 9, 2017. For direct sales of PVLs, the purchaser shall be responsible for the entire county-imposed fee on the transfer of the PVL.

**C. Executory Contracts and Unexpired Leases**

The Plan, in Article 5, contains the following provisions concerning the treatment of executory contracts and unexpired leases:

Rejection of Nicholson Lease. Regardless of whether the Buyer closes on the sale, the Debtors' lease of the Nicholson Property shall be rejected in the Order of Confirmation.

Assumption of Other Leases/Executory Contracts. If the sale to the prospective purchaser closes, the prospective purchaser shall be given an opportunity to determine which, if any, executory contracts and leases that it wishes to have the Debtors assume and assign to it. All other executory contracts and unexpired leases of the Debtors that are not assumed by the Buyer, shall be deemed rejected by the Debtors on the Effective Date unless (a) such executory contract or lease is rejected by Order of the Court prior to the Effective Date; (b) an application to reject has been made to the Court prior to the Effective Date; or (c) as otherwise ordered by the Court.

Claims Arising From Rejection. Any Claim arising from the rejection of an unexpired lease or executory contract shall be filed with the Court no later than 30 days after the entry of a Final Order approving such rejection. If not timely filed, such Claim shall be forever barred. Any Allowed Claim arising from the rejection of an executory contract or an unexpired lease shall be deemed a Class 7 Claim.

**D. Administrative Claims**

The Plan, in Article 7, contains the following provisions regarding Administrative Claims:

All requests for payment of previously unpaid Administrative Claims, including without limitation final applications of Professional Persons for compensation and expense reimbursement for services rendered or expenses incurred on or before the Confirmation Date, shall be filed with the Bankruptcy Court no later than 45 days after the Effective Date, failing which such unpaid Administrative Claims shall be waived, discharged and forever barred. Any payment made or to be made by the Debtors for services rendered or expenses incurred in connection with these cases through the Confirmation Date, has been approved by, or is subject to the approval of, the Bankruptcy Court as reasonable. The provisions of this paragraph are not intended to limit or expand the payment of compensation to Professional Persons for services performed after the Confirmation Date.

**E. Disputed Claims**

No Distribution Unless Allowed. Notwithstanding any other provision of this Plan, no cash or property shall be distributed under this Plan on account of any

Disputed Claim, unless and until such Claim becomes an Allowed Claim. No creditors shall be paid except as described in the Plan.

Objections to Claims. After the Confirmation Date, unless otherwise ordered by the Court after notice and a hearing, the Debtors shall have the sole and exclusive right to make and file objections to Claims and shall serve a copy of each objection upon the holder of such Claim to which the objection is made. Objections to Claims shall be filed within 180 days after the Effective Date. The Debtors shall retain the discretion to litigate such objection to a final determination in the Court or to elect to compromise, settle, or otherwise resolve any such objection subject to approval thereof by the Court.

Estimation. The Debtors may, at any time, request that the Court estimate any Disputed Claim pursuant to § 502(c) of the Bankruptcy Code regardless whether the Debtors have previously objected to such Claim, and the Court will retain jurisdiction to estimate any such Claims at any time. On or after the Confirmation Date, any Claims which have been estimated may subsequently be compromised, settled, withdrawn or otherwise resolved subject to approval by the Court.

Allowance of Disputed Claims. If, on or after the Effective Date, any Disputed Claim is allowed, the Debtors shall include the Claim in the next distribution to creditors in that particular class of claims, and any distribution thereafter until the Claim has been paid in accordance with all other claims in that class..

**F. Effect of Plan Confirmation**

The Plan, in Article 8, contains the following provisions regarding plan confirmation:

Binding Effect. On or after the Confirmation Date, the provisions of this Plan shall bind any holder of a Claim against, or an interest in, the Debtors, whether or not such Claim or interest of such holder is impaired under this Plan and whether such holder has accepted this Plan.

Claims Injunction. Except as otherwise provided in the Plan or in the Confirmation Order, confirmation of the Plan shall also constitute an injunction against any action by or on behalf of the holder of any Claim seeking to collect a Claim in any manner as against the Debtors other than as specified in the Plan. Said injunction shall have no force or effect with respect to any Claim or other rights which a holder of a Claim may have as against non-Debtors.

**G. Plan Modification**

The Plan, in Article 9, contains the following provisions regarding Plan modification:

Pre-Confirmation Modification. The Debtors reserve the right, in accordance with the Bankruptcy Code, to amend or modify the Plan or the treatment of any Claim prior to the Confirmation Date.

Post-Confirmation Modification. After the Confirmation Date, the Debtors may amend or modify the Plan, or any portion thereof applicable to the Debtors-in-Possession, in accordance with § 1127(b) of the Bankruptcy Code, or remedy any defect or omission, or reconcile any inconsistency in the Plan, in such a manner as may be necessary to carry out the purpose and intent of the Plan.

**H. Retention of Jurisdiction Provisions**

The Plan, in Article 10, contains the following provisions regarding jurisdiction.

Pre-Confirmation. Until the Effective Date, the Court shall retain jurisdiction over the Debtors and their assets.

Post-Confirmation. Notwithstanding the entry of an Order of Confirmation, the Court will retain jurisdiction as described below until a final closing of this case to ensure that the purposes and intent of the Plan are carried out. The Court's jurisdiction shall be over any and all disputes and litigation pending at the Confirmation Date, any controversies that may arise thereafter, and any controversies that may affect the Debtors' ability to effectuate the consummation of the Plan.

The Court shall retain exclusive jurisdiction in this case to hear and determine, among other things, the following:<sup>2</sup>

(a) The classification of the Claim of any creditor, the re-examination of Claims which have been allowed for purposes of voting and the determination of such objections as may be filed to the Claims of creditors. The failure by the Debtors to object, or to examine any Claim for purposes of voting, shall not be deemed to be a waiver of the Debtors' right to object to or re-examine any Claim in whole or in part.

(b) The modification of the Plan after confirmation to correct any defect, cure any omission or reconcile any inconsistency in the Plan or in the Order

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<sup>2</sup> This is a non-exclusive description and is provided for the purpose of illustration as opposed to limitation.



of Confirmation, as may be necessary or otherwise appropriate to carry out and/or clarify the intended purposes of the Plan or the Order of Confirmation.

(c) The allowance of compensation for services rendered to the Estates or the Debtors, prior to the Confirmation Date, by Professional Persons, pursuant to § 330(a) of the Bankruptcy Code, upon application for such compensation.

(d) The enforcement and interpretation of the terms and conditions of the Plan, including any agreement for satisfaction of an Allowed Claim.

(e) The determination of the existence of any liens, encumbrances, or interests of other parties in property of the Estates or the Debtors and the extent and priority thereof.

(f) The enforcement and continuation of the automatic stay and any similar equitable relief with respect to post-confirmation actions against the Debtors and/or property of the Estates of the Debtors.

(g) All matters concerning local, state and federal taxes in accordance with §§ 346, 505 and 1146 of the Bankruptcy Code.

(h) All matters relating to the implementation of the Plan including, but not limited to, sales of PVLs and corresponding issuance of shares of the Barwood Taxicab Association, Inc.

(i) Entry of an order concluding and terminating the case.

Except to the extent that the Debtors choose to invoke the jurisdiction of another court, this Court shall also retain non-exclusive jurisdiction to determine all causes of action, controversies, disputes and conflicts involving or relating to the Debtors or their assets, arising prior to or after the Confirmation Date, whether or not subject to an

action pending as of the Confirmation Date, between the Debtors and any other party or parties.

**I. General Plan Provisions**

The Plan, in Article 12, contains the following miscellaneous provisions:

General Rules of Interpretation. For purposes of this Plan, the following rules of construction and interpretation apply:

- (i) Construction of Terms. Except as otherwise provided herein, this Plan shall be construed in conformance with § 102 of the Bankruptcy Code. Whenever it is appropriate because of the form or the context, each term whether stated in the masculine, feminine or neuter gender, shall include the masculine, feminine and the neuter gender. Any term used in capitalized form in the Plan that is not defined in the Plan but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to such term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be.
- (ii) Referenced Documents. Any reference in the Plan to a contract, instrument, release, or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions. Any reference in the Plan to an existing document or exhibit filed, or to be filed, means such document or exhibit, as it may have been or may be amended, modified or supplemented
- (iii) Captions and Headings. Captions and headings in articles and sections of this Plan are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan. Unless otherwise specified, all references in the Plan to sections, articles or exhibits are references to sections, articles and exhibits of or to the Plan.
- (iv) Exhibits. All exhibits to the Disclosure Statement are incorporated into and are made a part of the Plan as if fully set forth in the Plan.

- (v) Time Computation. In computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) shall apply. Any period of time prescribed or allowed by the Plan may be enlarged or reduced by the Bankruptcy Court in accordance with the provisions of Bankruptcy Rule 9006(b) or (c).
- (vi) Payment as Release. The tender of full payment to the holder of an Allowed Claim in any class as provided for under the Plan shall be deemed to effect a settlement, release, and discharge of the Debtors by such holder on behalf of itself, successors and assigns.

Section 1129(b) Election. In order to confirm the Plan and to the extent necessary, the Debtors invoke § 1129(b) of the Bankruptcy Code, such that the Plan may be confirmed by the Court as long as the Plan does not discriminate unfairly and is fair and equitable with respect to any Class of Claims or Interests that is impaired under and has not accepted the Plan.

Statutory Fees. All fees payable to the Office of the United States Trustee pursuant to § 1930 of Title 28, United States Code, as determined by the Court on the Confirmation Date, shall be paid on the Effective Date. All statutory fees which become due after the Confirmation Date, if any, shall constitute Administrative Claims and be paid when due.

Governing Law. Except to the extent the Bankruptcy Code, Bankruptcy Rules or other federal law is applicable, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Maryland, without giving effect to the principles of conflicts of law of such jurisdiction.

Invalidity of Plan Provisions. Should any provision of the Plan be determined to be invalid, void or unenforceable, such determination shall not in any way

limit or affect the enforceability and operative effect of any or all other provisions of the Plan and the Court shall, with the consent of the Debtors, have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and in no way shall be affected, impaired or invalidated by such holding, alteration or interpretation. The Order of Confirmation shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

Post-Confirmation Management. The Debtors will continue to be managed by Lee Barnes.

Factors Bearing on the Success or Failure of the Plan. Because the primary source of funding of the Plan comes from the Lease-Sale Programs with respect to Passenger Vehicle Licenses and Vehicles coupled with a sale of certain operating assets, the primary risk factor in these cases is that neither potential buyer will elect to proceed and the Debtors will be forced into an orderly liquidation of all of their assets.

Closing Cases. When all Disputed Claims filed against the Debtors have become Allowed Claims or have been disallowed by Final Order, and all distributions required pursuant to the Plan have been completed, the Debtors may move the Court to close these cases in accordance with the Bankruptcy Code and the Bankruptcy Rules.

Post-Confirmation Reporting. All reports, financial or otherwise, that are provided to the Bank and the Collateral Agent by the Debtors shall also be provided to the Washington Metropolitan Transit Authority (“WMATA”) subject to normal confidentiality conditions.

#### **IV. Voting On The Plan And Confirmation**

Voting on acceptance or rejection of the Plan will be governed by the provisions of the Bankruptcy Code. Each voting creditor will be supplied with an official ballot, in a form prescribed by the Court. Creditors may vote to accept or reject the Plan by returning a completed ballot to the undersigned counsel for the Debtors as instructed on the ballot. A class of creditors will be considered to have accepted the Plan (a) if it is accepted by creditors holding at least two-thirds (2/3) in amount, and more than one-half (1/2) in number of the allowed claims of each class that has voted, or (b) if the class is unimpaired within the meaning of the Bankruptcy Code.

After the time for voting on the Plan passes, the Court will hold a hearing and rule on confirmation of the Plan in accordance with the Bankruptcy Code. If all requirements for confirmation of the Plan under the Bankruptcy Code are satisfied, except that the Plan is not accepted by one or more classes of creditors, the Court may confirm the Plan without the acceptance of creditors if the Court finds that the Plan does not discriminate unfairly, and is fair and equitable (within the meaning of the Bankruptcy Code) with respect to any class of creditors that does not accept the Plan.

**V. Alternatives To The Plan Of Reorganization**

Creditors will receive a greater distribution under the Plan than in a Chapter 7 liquidation. Attached hereto as Exhibit A is the Debtors' liquidation analysis on a debtor by debtor basis and on an asset category by asset category basis. In the event that the Plan is not confirmed and this case is converted to Chapter 7, there would be additional administrative expenses consisting of Trustee commissions, the fees and expenses incurred by the Trustee's professionals, and a potential administrative rent claim.

Either the Bank or the Collateral Agent holds a lien on all of the Debtors' assets except the cash held in restricted accounts which is earmarked for Tort Claimants. Because the Collateral Agent and the Bank are collectively owed slightly in excess of \$1 Million, even after receipt of all of the liquidation proceeds excluding the restricted cash, it is anticipated that both the Collateral Agent and the Bank could have a significant shortfall. The Debtors are assuming that PVLs are worth \$2000 each. However, anyone purchasing a PVL must pay a transfer fee of \$3,995 to Montgomery County. This has further depressed the PVL sale market. When PVLs were selling for \$65,000, the transfer fee was a relatively small percentage of the purchase price. Now it exceeds the cost of the PVL. Since the restricted cash represents earmarked funds and is only payable to tort claimants, then there would be a modest dividend to a portion of the unsecured creditors whose claims arose from tort actions. In a straight liquidation, it is doubtful that any funds would be available for any unsecured creditors.

Conversely, the Plan will likely provide general unsecured creditors with the possibility of a payment on their respective claims. Therefore, it is anticipated that all creditors will fare considerably better if this case remains in Chapter 11 and the Debtor's Plan is confirmed.

**DEBTORS**

**Barwood, Inc.**

Dated: October 19, 2017

By: /s/ Lee Barnes  
Lee Barnes, President

**Blue Star Group, Inc.**

By: /s/ Lee Barnes  
Lee Barnes, President

**Checker Transportation Company, Inc.**

By: /s/ Lee Barnes  
Lee Barnes, President

**City Lease, Inc.**

By: /s/ Lee Barnes  
Lee Barnes, President

**Fleet Tech, Inc.**

By: /s/ Lee Barnes  
Lee Barnes, President

**Silver Spring Transportation Company**

By: /s/ Lee Barnes  
Lee Barnes, President

/s/ Alan M. Grochal  
Alan M. Grochal, Bar No. 01447  
Tydings & Rosenberg LLP  
100 East Pratt Street, 26<sup>th</sup> Floor  
Baltimore, Maryland 21202  
Telephone: (410) 752-9700  
[Agrochal@tydingslaw.com](mailto:Agrochal@tydingslaw.com)  
*Attorneys for the Debtors*



**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on this 19<sup>th</sup> day of October 2017, the foregoing Debtors' Joint Proposed Amended Disclosure Statement was served electronically or mailed, first class, postage prepaid, on all parties on the attached matrix.

/s/ Alan M. Grochal  
Alan M. Grochal

Barwood limited matrix  
12/22/16

Sheehy Ford  
901 N. Frederick Avenue  
Gaithersburg, MD 20879

Shulman, Rogers  
12505 Park Potomac Avenue  
6<sup>th</sup> Floor  
Potomac, MD 20854

Area Auto Parts, Inc,  
3 Dakota Drive, Suite 110  
Lake Success, NY 11042

Chesapeake Petroleum Supply  
PO Box 7610  
Gaithersburg, MD 20898

Claims Resource Management  
PO Box 20099  
Towson, MD 21284

Lucy Han  
c/o Kenneth Braunstein, Esq.  
200-A Montrose Street  
Suite 100  
Rockville, MD 20850

USAA Insurance  
Subrogee of Stephen Sulzer  
1100 Superior Ave., Suite 1850  
Cleveland, OH 44114

Mulhern Patterson & Marshall  
451 Hungerford Drive  
Suite 200  
Rockville, MD 20850

Erie Insurance  
Subrogee of Gwenn Marley  
Wilber & Assoc. PC  
201 Landmark Dr.  
Normal, IL 61761

Georgian Health  
c/o Kevin Goldberg, Esquire  
Goldberg & Finnegan  
8401 Colesville Road, Suite 630  
Silver Spring, MD 20910

Lidia De-Vargas  
c/o Timothy J. Capurso, Esquire  
233 East Redwood St.  
Baltimore, MD 21202

Tandem Technologies  
1725 N. Burling Street  
Chicago, IL 60614

Iron Mountain  
PO Box 27128  
New York, NY 10087

Irma Orellano  
c/o Robert Garbo  
2730 University Blvd.  
Suite 604  
Silver Spring, MD 20902

The Best Battery Co., Inc.  
4015 Fleet Street  
Baltimore, MD 21224

Tire World  
5702 Industry Lane  
Frederick, MD 21704

Meghan Hughes  
c/o Larry Burch  
7829 Belle Point Drive  
Greenbelt, MD 20770

Willys Lovince  
c/o Jeffrey Schmieier, Esq.  
5405 Twin Knolls Road, Suite 5  
Columbia, MD 21045

Washington Employment Guide  
PO Box 4832  
Trenton, NJ 08650

Photo Communications, Inc.  
11730 Parklawn Drive  
Rockville, MD 20852

Verizon Cabs  
PO Box 4832  
Trenton, NJ 08650

Jordan Spivok, Esquire  
Protas, Spivok & Collins, LLC  
4330 East West Highway  
Suite 900  
Bethesda, MD 20814-4454

Zvi Guttman, Esquire  
The Law Office of Zvi Guttman  
P.O. Box 32308  
Baltimore, MD 21282

Lynn A. Kohen, Esquire  
Office of the U.S. Trustee  
6305 Ivy Lane, Suite 600  
Greenbelt, MD 20770

Richard L. Wasserman, Esquire  
Frederick W. H. Carter, Esquire  
Venable LLP  
750 East Pratt Street, Suite 900  
Baltimore, MD 21202

Stephen B. Gerald, Esquire  
Whiteford, Taylor & Preston LLP  
7 Saint Paul Street, Suite 1900  
Baltimore, Maryland 21202

Joseph Corrigan, Esquire  
Iron Mountain Information  
Management, LLC  
One Federal Street  
Boston, MA 02110