**THE UNITED STATES BANKRUPTCY COURT**
**FOR THE NORTHERN DISTRICT OF OHIO**
**WESTERN DIVISION**

| | | |
|---|---|---|
| In re : | * | Chapter 11 |
| | | Case No. 16-32270 |
| | * | Judge: John Gustafson |
| Sidney Transportation Services LLC, *et al.*,[1] | * | (Jointly Administered) |
| Debtors. | * | |

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**JOINT AMENDED CHAPTER 11 DISCLOSURE STATEMENT**

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[1]The Debtors are Sidney Transportation Services, LLC, Case Number 16-32270 and Equipment Leasing of Sidney, LLC., Case Number 16-32670.

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CLASS SUMMARY

| Classes | Estimated Allowed Claims and Equity Interest | Treatment/Voting Status | Estimated Recovery to Holders of Allowed Claims and Equity Interests |
|---|---|---|---|
| Class 1 -- Secured Claim of PNC Bank | $94,708.27 | Impaired/Entitled to Vote | 100% |
| Class 2 -- Secured Claim of Bemus | $553,441.81 | Impaired/Entitled to Vote | 100% |
| Class 3 -- Secured Claim of General Transport | $25,380.00 | Impaired/Entitled to Vote | 100% |
| Class 4 -- Secured Claim of Mercedes | $317,621.68 | Impaired/Entitled to Vote | 100% |
| Class 5 -- Secured Claim of Toyota | $9,059.92 | Impaired/Entitled to Vote | 100% |
| Class 6 -- Administrative Convenience Claims | $0.00 | Impaired/Entitled to Vote | 100% |
| Class 7 -- Executory Contracts and Leases of Real Property | $108,600.00 | Unimpaired/Not Entitled to Vote | 100% |
| Class 8 -- Executory Contract and Leases of Personal Property | $55,767.35 | Unimpaired/Not Entitled to Vote | 100% |
| Class 9 -- General Unsecured Claims | $4,933.936.86. | Impaired/Entitled to Vote | 2.67% |
| Class 10 -- Equity Interest | $0.00 | Impaired/Entitled to Vote | 0.00% |

## I. INTRODUCTION

On July 18, 2016, the Debtor, Sidney Transportation Services, LLC (hereinafter referred to as "STS"), filed a petition in this Court for relief under Chapter 11 of the United States Bankruptcy Code. Thereafter, on August 24, 2016, a business entity related to STS, named Equipment Leasing of Sidney, LLC (hereinafter "ELS"), also filed a petition in this Court for relief under Chapter 11 of the United States Bankruptcy Code. The case of ELS was assigned Case Number 16-32670. After the respective cases were filed, both STS and ELS began to operate and continue to operate as Debtors-in-Possession pursuant to 11 U.S.C. §§ 1107 and 1108.

As it concerns the bankruptcy cases of STS and ELS, the Court entered an order, procedurally consolidating and providing for the joint administration of these cases pursuant to Bankruptcy Rule 1015(b). (Doc. No. 61). As such, when STS and ELS are referred to collectively, they will be referred to as the Debtor. For this purpose, the Debtor has prepared this joint amended disclosure statement ("Disclosure Statement") for submission to the holders of claims or those who might have an interest with respect to the Debtor. Additionally, this Disclosure Statement may be used by any party who may be interested in purchasing the equity interest in the Debtor as provided for in Class Nine (9).

In its proposed Plan, it is the Debtor's intent to reorganize as a going concern, and use that income generated from its business, including anticipated future profits, to pay creditor's holding allowed claims against the estate. The Debtor's Plan proposes that, upon confirmation, ELS will be merged into the STS, with STS thereafter operating as the "Reorganized Debtor."

## II. PURPOSE AND REPRESENTATION AND WARRANTIES

### A. Purpose

The purpose of this Disclosure Statement is to provide such information as would enable a hypothetical, reasonable investor, typical of such claims, to make an informed judgment exercising his or her right to vote to either accept or reject the Plan. After hearing on notice, on _____, 2017, the Court approved this Disclosure Statement, as amended, as containing information of a kind, and in sufficient detail as adequate in order to make an informed judgment about the proposed Plan. However, approval by the Court of this Disclosure Statement should not be deemed a determination of the merits of the plan. A copy of the "Plan" is attached as Exhibit A.

You are urged to carefully read this Disclosure Statement before making a decision to accept or reject the Plan affecting or impairing your rights as they presently exist.

B. Representations and Warranties

The information in this statement has been submitted by the Debtor and obtained from the public records. No representation other than those set forth herein (particularly as to future business operations or value of property) is authorized by it. Any representations or inducements made to secure your acceptance of the Plan should not be relied upon by you in arriving at your decision. In addition, unless as specifically set forth herein, the opinion as to the values of the assets set forth in this disclosure statement are solely those of the Debtor. A failure to object to such values could result in such values being accepted for purposes of consideration of the plan.

None of the financial information contained herein has been subject to a certified audit. The financial information utilized in this Disclosure Statement has been obtained from records kept by the Debtor and which are dependent upon in-house accounting performed by the Debtor. The Debtor believes the contents of this Disclosure Statement to be accurate and complete. Neither the Court nor any party in interest to the Chapter 11 Case other than the Debtor has passed upon the accuracy of the information contained herein. While the Debtor has taken all due care to insure that the information contained within this Disclosure Statement is correct, it is unable to warrant or represent the information contained herein is without any inaccuracy, although great effort has been made to be accurate.

C. Certain Federal Income Tax Consequences of the Plan

The Plan and the resulting tax consequences may be complex, and the tax consequences of the Plan will depend upon certain factual determinations. No ruling has been or will, prior to the Effective Date, be requested from the Internal Revenue Service regarding the tax consequences of the Plan. No assets of the Debtor have been sold or transferred since the filing of this case and as a result, no tax consequences as to such assets have arisen since the filing of this case. However,

**BECAUSE THE TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND MAY VARY BASED ON INDIVIDUAL CIRCUMSTANCES THIS DISCLOSURE STATEMENT RENDERS NO TAX ADVICE ON THE TAX CONSEQUENCES OF THE IMPLEMENTATION OF THE PLAN TO ANY PARTICULAR CREDITOR, TO THE DEBTOR, OR TO INTEREST HOLDERS. EACH PARTY IS URGED TO CONSULT HIS OR HER TAX ADVISOR AS TO THE TAX CONSEQUENCES OF THE PLAN TO HIM OR HER INCLUDING ANY CONSEQUENCES UNDER STATE OR LOCAL TAX LAWS**.

The following constitutes a summary of the potential tax consequences which may arise upon confirmation of the Plan.

1. Tax Consequences to the Debtor.

Under the Tax Code, a U.S. taxpayer generally must include in gross income the amount of any cancellation of indebtedness income ("COD Income") realized during the taxable year, which generally includes the amount of principal debt discharged and any interest that has been previously accrued and deducted for tax purposes but remains unpaid at the time the indebtedness is discharged. The Tax Code permits a debtor in bankruptcy to exclude its COD Income from gross income, but requires the debtor to reduce certain tax attributes by the amount of the excluded COD Income. It is likely that the Debtor will realize a significant amount of COD Income upon the consummation of the Plan. The Debtor will not be required to include COD Income in gross income because the indebtedness will be discharged while the Debtor is under the jurisdiction of a court in a Title 11 case.

2. Certain U.S. Federal Income Tax Consequences to Holders of Claims and Equity Interests

The U.S. Federal Income Tax consequences to holders of allowed claims arising from the distributions to be made in satisfaction of their claims pursuant to a bankruptcy plan of reorganization may vary, depending upon, among other things: (a) the type of consideration received by the holder of a claim in exchange for the indebtedness it holds; (b) the nature of the indebtedness owed to it; (c) whether the holder has previously claimed a bad debt or worthless security deduction in respect of its claim against the corporation; (d) whether such claim constitutes a security; (e) whether the holder of a claim is a citizen or resident of the United States for tax purposes, or otherwise subject to U.S. federal income tax on a net income basis; (f) whether the holder of a claim reports income on the accrual or cash basis; and (g) whether the holder of a claim receives distributions under the bankruptcy plan in more than one taxable year. For tax purposes, the modification of a claim may represent an exchange of the claim for a new claim, even though no actual transfer takes place. In addition, where a gain or loss is recognized by the holder, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the holder, whether the claim constitutes a capital asset in the hands of the holder and how long it has been held or is treated as having been held, whether the claim was acquired at a market discount, and whether and to what extent the holder previously claimed a bad debt deduction with respect to the underlying claim.

Internal Revenue Service Circular 230 Notice: To ensure compliance with Internal Revenue Service Circular 230, holders of Claims and Equity Interests are hereby notified that: (A) any discussion of federal tax issues contained or referred to in this Disclosure Statement is not intended or written to be used, and cannot be used, by holders of Claims or Equity Interests for the purpose of avoiding penalties

that may be imposed on them under the Internal Revenue Code; (B) such discussion is written in connection with the promotion or marketing by the Debtor of the transactions or matters addressed herein; and (C) holders of Claims and Equity Interests should seek advice based on their particular circumstances from an independent tax advisor.

D. Risk in Connection with the Plan

The holders of Claims against the Debtor should read and consider carefully the factors set forth below, as well as the other information set forth in the Disclosure Statement, prior to voting to accept or to reject the Plan. These risk factors should not, however, be regarded as constituting the only risks involved in connection with the Plan and its implementation.

1. Risk of Non-Confirmation of the Plan.

If the Plan is not confirmed and consummated, there can be no assurance that the Chapter 11 Case will continue to remain pending under Chapter 11. In such event, it is possible that the Chapter 11 Case could be dismissed entirely or it could be converted to a liquidation case under Chapter 7 of the Bankruptcy Code. It is the Debtor's opinion that all Creditors are likely to receive less under Chapter 7 liquidation than they would under the Plan. If the Plan is not confirmed and the Chapter 11 Case continues to pend under Chapter 11, it is possible that other parties could propose their own Chapter 11 plan.

2. Subsequent Default by the Debtor.

Payments to creditors under the Debtor's proposed plan are dependent upon the profitability and continued operation of the Debtor's business. In the event that the Debtor becomes unprofitable and/or the Debtor ceases to operate its business, payments under the plan could be placed in jeopardy.

3. Gaining Confirmation.

The Debtor's proposed Plan is predicated on it being able to reorganize its obligations to a level that will enable it to pay its claims from its operating revenue. In the absence of such a composition under a confirmed plan, the Debtor does not anticipate that it can generate sufficient operating revenue to continue operating as a going concern. To satisfy the claims under the terms of its proposed Plan, the Debtor will utilize income generated from the operation of its business. As well, Steven Woodruff, the managing member for both STS and ELS and a 60% equity member of STS, ("Mr. Woodruff"), will, to assist in implementing the Plan, be making a nonrecourse contribution of capital to the Reorganized Debtor.

## III. THE REORGANIZATION CASE

### A. History of Events Leading to Filing

The Debtor is a provider of cartage services. The Debtor's business operations first began in 1992. At this time, the Debtor operated under three separate, but related business entities: (1) Sidney Truck & Storage, Inc., (2) Motor Cartage, Inc., and (3) Sidney Leasing, Inc. All these entities were owned and controlled by a Mr. Karl Bemus and his relatives ("Bemus").

While in the ownership and control of Bemus, Sidney Truck & Storage, Inc. was subject to a collective bargaining agreement with Teamsters Local No. 908. Under this collective bargaining agreement, Sidney Truck & Storage, Inc. was required to make contributions to a pension plan on behalf of certain of its employees. ("Pension Plan"). Central States, Southeast and Southwest Areas Pension Fund administered the Pension Fund. ("Central States").

In late 2006, Mr. Woodruff initiated negotiations to purchase the above specified business entities from Bemus. At this time, and since 2002, Mr. Woodruff had worked for Sidney Truck & Storage, Inc. as a sales manager. To effectuate the anticipated purchases of the Bemus businesses, Mr. Woodruff formed three companies: (1) STS; (2) ELS and (3) Sidney Transport, LLC.

Thereafter, on January 1, 2007, Mr. Woodruff completed the purchase transactions with Bemus, with the following then occurring:

(1) Sidney Transport, LLC purchased all of the stock of Sidney Truck and Storage, Inc.;

(2) STS purchased all the assets of Motor Cartage Inc; and

(3) ELS purchased approximately 90 semi-trucks and trailers from Sidney Leasing Inc.

The above transactions were financed by the seller, Bemus, with Sidney Transport, LLC, STS and ELS executing promissory notes in favor of Bemus and providing to Bemus security interests in substantially all of their property, both tangible and intangible. The original amount financed was in the principal amount of $1,044,034.50. Later, on September 15, 2009, after a default under the notes, the obligations of the businesses were consolidated into a single obligation in the principal sum of $848,467.29. Mr. Woodruff, and his now ex-wife, Katherine, together with Mr. Timothy Sell and his wife, Rhonda, personally guaranteed this new obligation to Bemus. Presently, there is due and owing on this obligation the approximate amount of $600,000.00.

At the commencement of this case, ownership in STS and ELS was as follows:

(1) STS is owned by Mr. Woodruff and a Mr. Timothy Sell, with Mr. Woodruff maintaining a 60% equity interest in STS, and Mr. Sell maintaining a 40% interest in STS; and

(2) ELS is owned by Rhonda Zirkle, who is the former spouse of Mr. Woodruff, and Katherine Sell, who is the wife of Mr. Sell, with Ms. Zirkle maintaining a 60% equity interest in ELS and Mrs. Sell maintaining a 40% equity interest in ELS.

In 2009, Sidney Transport, LLC ceased operations. Thereafter, based upon the cessation of business activity, Sidney Transport, LLC, as the purchaser of Sidney Truck & Storage, Inc., who had originally been under the obligation to make contributions to the Pension Plan, ceased to make any further contribution to the Pension Plan as administered by Central States.

Since 2009, and the reformation of the notes owed to Bemus, the Debtor's business operation has generally been profitable, and it has been able to pay its obligations as they become due. This, however, changed when, on June 23, 2016, a judgment was entered against the Debtor, and in favor of Central States. ("Judgement"). This Judgment was entered by the United States District Court for the Northern District of Illinois, and totaled $4,891,700.02.[2] Not long thereafter, the existence of the Judgment affected the Debtors' ability to operate when the Debtor's bank accounts were frozen based upon Central States seeking to garnish their accounts. It was this event which precipitated STS and then ELS seeking bankruptcy relief.

The Judgment obtained by Central States is predicated on "withdraw liability" under the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended by the Multiemployer Pension Plan Amendments Act of 1980 ("MPPAA").[3] Under these statutory schemes, businesses which withdraw from a covered pension fund are subject to liability based upon their withdrawal from the pension. In this matter, the Judgment entered by the district court was predicate on the determination, as alleged by Central States, that the Debtor ceased to have an obligation to contribute to the Pension Plan and/or permanently ceased all covered operations, thereby effecting a "complete withdrawal" from the Pension Plan for purposes of ERISA and MPPAA.

[2]Case Number 1:14-cv-03663, commenced on May 19, 2014.

[3]Specifically, withdrawal liability is imposed pursuant to the Multiemployer Pension Plan Amendments Act of 1980, 29 U.S.C. §§ 1381-1461.

In this case, Central States filed a proof of claim against the estate of STS in the amount of $4,910,467.00. (Cl. No. 5). In addition, Central filed a proof of claim against the estate of ELS in the amount of $4,937,456.70. (Cl. No. 2).

B. Description of Income and Assets

1. Nature of Income and Business Operation.

The Debtor's income is generated from the operation of its business which, as stated, involves providing cartage services. The Debtor annually generates approximately six million dollars in revenue.

Its present business model involves providing point-to-point delivery services for its customers, with the Debtor generally delivering an item within one or two days from the time the item is picked up. The Debtor offers its services and operates in the states of Ohio, Michigan, Indiana and Kentucky.

The Debtor's principal place of business and primary location for the operation of its business is located in Sidney, Ohio, having a physical address of 777 W. Russell Rd. This Property covers nine acres and includes structures which serve as terminals, offices and a service center. The Debtor also operates from branches it maintains in Toledo, Mansfield and Akron, Ohio.

For purposes of the generation of income, STS is the operating company, with ELS being, for all practicable purposes, a holding company whereby it leases those vehicles it owns to STS. ELS does not itself generate any revenue.

As it concerns this arrangement, no formal lease agreement exists between STS and ELS. Instead, it has been the practice for STS to simply use those vehicles which are owned by ELS and then pay for those costs associated with the use of the vehicles. This arrangement is a remnant of the corporate organization employed prior to the purchase of the predecessors of STS and ELS from Bemus. Under the Plan, the Debtor has proposed, this arrangement will be eliminated and ELS will be merged into STS.

Although the numbers can slightly fluctuate, in its business operations, the Debtor employs 50 drivers and 12 office staff. In addition, the Debtor contracts with six owner-operators who own their own vehicles. At any given time, there are approximately 35 drivers on the road.

The Debtor's employees are paid weekly, on Friday. Weekly payroll for the Debtor is approximately $55,000.00. For its payroll, the Debtor utilizes GMS, which is a Professional Employer Organization.

Prior to filing for bankruptcy relief, the Debtor maintained a line of credit with PNC Bank. At the commencement of the case, the Debtor owned $102,644.64 on this line of credit. This line of credit was secured against substantially all of the Debtor's assets. Pursuant to a final order entered by the Court regarding the use of cash collateral, the Debtor is paying on this line of credit the sum of $1,975.00 per month. (Doc. No. 78).

2. Description of Assets

The Debtor does not own any real property. Instead, all of the properties from which the Debtor operates are leased. These leases are with the following parties:

| Lessor | Location |
|---|---|
| 1st Express Inc. | 227 Matzinger Road., Toledo, Ohio |
| Joseph M. Ostrowske Properties, LLC | 1100 Jenkins Blvd., Akron, Ohio |
| Smith Avenue Realty Company Inc. | 115-119 Smith Avenue, Mansfield, Ohio |
| B&B Warehouses, Inc.[4] | 777 W. Russell Rd., Sidney, Ohio |

Pursuant to Motions filed by the Debtor prior to the submission of this Disclosure Statement, the Bankruptcy Court entered orders, providing for the assumption of these leases under 11 U.S.C. § 365. (Doc. Nos. 85, 86, 87, and 88).

In addition to the above leases of real property, the Debtor also leases three tow units and a copy machine. The Debtor intends to assume these leases under its proposed Plan.

In its operations, the Debtor mainly utilizes uses semi-trucks and trailers, but also utilizes smaller vehicles when required. Overall, the Debtor, at the commencement of the respective cases, maintained the following vehicles:

| Vehicle Type | STS | ELS |
|---|---|---|
| Tractor Trucks | 24 | 9 |
| Trailers | 6 | 44 |
| Straight Trucks | 0 | 2 |

[4] Upon information and belief, B&B Warehouses is owned by Bemus.

| | | |
|---|---|---|
| Cargo Vans | 1 | 1 |
| Service Units/ Passenger Cars | 4 | 0 |

At the time it sought relief, the Debtor placed a cumulative fair market value on the vehicles owned by STS of $479,000.00. As it concerns ELS, the Debtor placed a cumulative fair market value on its vehicles of $326,000.00. As these vehicles are used extensively in the Debtor's operation, their value is depreciating.

Also, prior to the filing of this Disclosure Statement three vehicles were rendered a total loss on account of a fire – a tractor truck owned by STS and two trailers owned by ELS. For the tractor trailer owned by STS, the Debtor had valued this vehicle at $12,000.00. For the trailers owned by ELS, the Debtor had valued the trailers at $4,500.00 and $5,500.00. At the time of the filing of this Disclosure Statement, the Debtor is awaiting word from its insurance company, Acuity Insurance, as to whether the loss will be covered and, if so, the amount that will be received from the loss.

All of the vehicles owned by STS are encumbered. First, twelve of the Tractor Trucks owned by STS are subject to a purchase money security interest of Mercedes-Benz Finance who, at the commencement of the case, was owed $317,621.68. At the time of the filing of this Disclosure Statement, the Debtor, based upon a consultation with a representative of Mercedes-Benz Finance, estimate the fair-market value of these vehicles to be $227,000.00.

Second, two of the Tractor Trucks owned by STS are subject to a purchase money security interest of General Transport of Akron, Ohio, who, at the commencement of the case, was owed $25,380.00. The Debtor estimate the fair-market value of these vehicles to be $16,000.00.

Finally, the remaining vehicles owned by STS are pledged as security for the Debtor's obligation to Bemus. The same is true for all of the vehicles owned by ELS. The three vehicles which were destroyed due to the fire were also all pledged to Bemus as security. Based upon its security interest, it is believe that Bemus would also maintain a security interest in any insurance proceeds received by the Debtor for the loss.

The Debtor has attached hereto as Exhibits B and C, a detailed itemization its vehicles, listing, inter alia, their value, model, make and the party holding the secured interest in the respective vehicle. As it concerns the secured interest in the Debtor's vehicles, all such interest are noted upon the respective vehicle's certificate of title.

In addition to the above vehicles, the Debtor also owns a 2009 Toyota Forklift. The Debtor estimates the value of this vehicle to be $5,500.00. This vehicle is

encumbered by a lien to Toyota Motor Credit Corporation who, at the commencement of the case, was owed $9,059.00.

At the commencement of the case, STS had on account the sum of $127,121.12. In addition, the Debtor had $445,771.73 in outstanding accounts receivable. On a forward going basis, pursuant to a final order entered by the Court regarding the Debtor's use of cash collateral, the Debtor's cash, bank accounts and outstanding accounts receivable on an aggregate basis are not to fall more than 10% below a floor threshold of $540,000.00.

At the commencement of the case, ELS had on account the sum of $563.60. It also maintained an account receivable, owned by STS, in the sum of $91,507.07. This accountant receivable, however, is kept for accounting purposes only, and represents expenses owed by ELS with respect to the operations of its vehicles, such as taxes and licensure fees, which are directly paid by STS.

In addition to the above assets, STS also owns the following miscellaneous assets:

| Asset | Fair Market Value |
|---|---|
| chairs, desks, cabinets and other general office furniture | $3,000.00 |
| computers, and other misc communication equipment such as telephones and modems at Debtor's office. | $1,000.00 |
| Software License | $0.00 |

ELS has no other property.

All of the assets of STS are otherwise encumbered. First, pursuant to a security interest and a UCC of record, PNC Bank maintains, on a line of credit extended to STS, a first interest in substantially all of STS's personal property, tangible and intangible. At the time of the filing of this Disclosure Statement, PNC Bank was owed approximately $100,000.00. In addition, pursuant to a note, security interest and UCC of record, Bemus maintains a second interest in substantially all of STS's personal property, tangible and intangible. At the time of the filing of this Disclosure Statement, the approximate amount owed to Bemus was $600,000.00. On this same obligation, Bemus also maintains a first interest in substantially all of the property, tangible and intangible, owned by ELS.

With the two year period preceding the commencement of the bankruptcy case of ELS, there also occurred the following transfers outside the ordinary course. First, in

December of 2014, ELS transferred nine inoperable trucks to Keith's Truck and Trailers of Russia, Ohio. These vehicles were transferred as consideration for an outstanding accounts payable of STS. The amount of consideration received for this exchange was 15,000.00.

Second, in November of 2014, the ELS transferred to Acuity Insurance a 1997 Freightliner. This transfer was made as part of an insurance claim made by ELS for damage which occurred to one of its vehicles which had been in an accident. ELS received for this claim, under its policy of indemnity with Acuity Insurance, the sum of $12,533.00.

3. Financial Information and Income Produced.

The Debtor's fiscal year runs on a calendar year. The Debtor utilizes an accrual method of accounting. For the 2013, 2014 and 2015 calendar years, the federal tax returns the Debtor filed show that the Debtor's gross income and net gain from its operations were as follows:

STS

| Year | Gross Income | Ordinary Business Income |
|---|---|---|
| 2015 | $6,007,001.00 | $168,406.00 |
| 2014 | $6,409,440.00 | $156,069.00 |
| 2013 | $6,438,227.00 | $325,913,00 |

ELS

| Year | Gross Income | Ordinary Business Income |
|---|---|---|
| 2015 | $76,500.00 | $208.00 |
| 2014 | $72,000.00 | ($7,241.00) |

The Debtor has attached hereto, as Exhibit D, financial statements covering the periods of 2012 through the commencement of the case.[5] These statements cover both STS and ELS as the Debtor's internal accounting procedure combines the two businesses. As a summary, these statements set for the following information.

First, with respect to the Debtor's profit and loss, the attached financial statements of the Debtor show as follows:

[5]Through the end of the prior month, 6-30-2016.

| Year | Gross Revenue | Total Operating Expenses | Business Income/Loss |
|---|---|---|---|
| 2016 | $3,112,967.38 | $3,048,505.12 | $64,462.26 |
| 2015 | $6,007,000.66 | $5,836,215.83 | $170,794.83 |
| 2014 | $6,409,308.75 | $6,314,796.92 | $94,511.83 |
| 2013 | $6,438,227.30 | $6,166,565.20 | $271,662.10 |
| 2012 | $6,540,229.11 | $6,425,943.59 | $114,285.52 |

Second, the Debtor's most recent balance sheets set forth as follows:

| Year | Assets | Liabilities | Equity |
|---|---|---|---|
| 2016 | $1,186,381.86 | $1,037,530.13 | $148,851.73 |
| 2015 | $1,233,252.98 | $1,042,247.23 | $191,005.75 |
| 2014 | $985,240.21 | $914,507.17 | $70,740.04 |
| 2013 | $735,209.96 | $678,630.29 | $56,579.67 |
| 2012 | $608,703.12 | $761,750.35 | ($153,047.22) |

DISCLOSURE-For all the time periods set forth above, no equity member of either STS or ELS has received a membership distribution. Instead, any gains realized by the Debtor are used to service outstanding liabilities of the Debtor.

C. Operations During Reorganization

1. Debtor in Possession.

When the Debtor filed this bankruptcy case on July 18, 2016, the Debtor began operating its business operations as a Debtor-in-Possession pursuant to 11 U.S.C. § 1107. The Debtor has continued to operate as a Debtor-in-Possession since the pendency of this case. After the filing of this case, the Debtor has caused the filing of operating reports, in accordance with the requirements of the Office of the United States Trustee, detailing the Debtor's business operations.

The operating reports filed by STS and ELS since the commencement of their respective bankruptcy cases show the respective income and operating expenses to be as follows:

STS

| Period | Gross Revenue | Operating Expenses | Net Income |
|---|---|---|---|
| July 1, 2016 to July 31, 2016 | $452,161.77 | $457,613.08 | ($5,451.31) |

| | | | |
|---|---|---|---|
| August 1 to August 31, 2016[6] | $552,507.45 | $543,124.47 | $9,382.88 |
| September 1, to September 30, 2016 | $539,038.15 | $548,438.27 | ($9,400.12) |
| October 1, to October 31, 2016 | $514,249.15 | $512,264.36 | $1,984.79 |
| November 1, to November 30, 2016 | $525,496.77 | $509,140.28 | $16,346.49 |
| December 1, to December 31, 2016[7] | $448,059.02 | $516,881.63 | ($68,882.61) |
| ELS | | | |
| September 1, to September 30, 2016 | $0.00 | $0.00 | $0.00 |
| October 1, to October 31, 2016 | $0.00 | $0.00 | $0.00 |

2. Official Committee of Unsecured Creditors.

At the time of the filing of this Disclosure Statement, there has not been a Committee of Unsecured Creditors appointed in this proceeding.

3. Officers and Board of Directors of the Debtor.

Steve Woodruff – Sole Managing Member of both STS. Sole Manager of and ELS

Mr. Woodruff receives for his services, as both an employee of STS and Sole Manager of both STS and ELS, a monthly compensation package of $13,969.99 which includes life and health insurance.

[6]Originally, the Debtor reported $551,022.77 in gross revenue, $544,199.90 in operating expenses and net income of $6,822.87. These figures were slightly revised with the next month's operating report.

[7] For the December 2016 Operating Report, the Debtor would submit the following comments: (1) Revenue typically goes down in December because of the holidays; (2) December report includes a payable of $68,614.83 which went out the last day of the month, but which was not actually cashed until January; (3) Debtor wrote off approximately $24,000.00 in uncollectible debt; and (4) there were 5 payroll dates in December.

DISCLOSURE-It is anticipated that Mr. Woodruff will continue to serve in the capacity of the sole manager of the Reorganized Debtor and will receive a compensation package similar to or identical to that as presently exists.

D. Litigation Matters

1. Pre-petition and Post-petition Litigation Against the Debtor.

As set forth in more detail above, the Debtor is the subject of ongoing litigation involving Central States. The Debtor is not named as a defendant in any other pending litigation.

2. Causes of Action of the Debtor.

a. Pre-petition, Non-Bankruptcy Related Claims

The Debtor is not aware of any prepetition claims against third parties and does not intend nor contemplate the institution of any such actions, though such actions shall survive confirmation of the plan as part of the reorganized debtor simply to preserve a claim which might exist and is unknown to the Debtor.

b. Preferences, Fraudulent Transfers and Bankruptcy Claims

The Debtor is unaware of any preference or fraudulent transfers claim or other claims arising under Chapter 5 of the Bankruptcy Code and does not intend nor contemplate the institution of any such actions. For this purpose, prior to the filing of this case, the Debtor's practice was to pay each and every invoice within its terms. Likewise, the Debtor did not engage in any preferential or fraudulent transfers prior to this bankruptcy proceeding and therefore does not believe any such claims exist. Finally, the Debtor is not aware of a potential bankruptcy claim that would arise under state law.

c. Insider Claims

The Debtor is unaware of any claims either against or in favor of any insider as that term is defined under 11 U.S.C. § 101(31).

## IV. SUMMARY OF PLAN OF REORGANIZATION

A. Events Leading to Plan

In formulating a plan of reorganization, the Debtor's primary goal is to address its obligation to Central States and maintain the going concern value of the business.

B. The Plan

1. Classification of Claims.

The Plan provides for the treatment of all debts and claims and interests against the Debtor and establishes ten (10) classes of claims and sets forth the treatment of each class. A claim is in a particular class only to the extent that the Claim qualifies within the description of that class and is in a different class to the extent that the remainder of the Claim qualifies within the description of the different class. The following are the Classes established by the Plan.

(a) Class 1 consists of the Secured Claim of PNC Bank, N.A.

Impaired
Entitled to Vote

(b) Class 2 consists of the Secured Claim of Karl and Judith Bemus

Impaired
Entitled to Vote

(c) Class 3 is comprised of Secured Claim of General Transport

Impaired
Entitled to Vote

(d) Class 4 consists of Secured Claim of Mercedes-Benz Financial Services

Impaired
Entitled to Vote

(e) Class 5 consists of Secured Claim of Toyota Motor Credit Corporation

Impaired
Entitled to Vote

(f) Class 6 consists of Administrative Convenience Claims under 11 U.S.C § 1122(b)

Impaired
Entitled to Vote

(g) Class 7 consists of Leases of Real Property

Unimpaired
Not Entitled to Vote

(h) Class 8 consists of Executory Contracts and Leases of Personal Property

Unimpaired
Not Entitled to Vote

(i) Class 9 consists of General Unsecured Claims

Impaired
Entitled to Vote

(j) Class 10 consists of Equity Interests

Impaired
Entitled to Vote

2. Treatment of Claims and Interests

**a. Introduction**

In order for the holder of a claim to be so classified, its Claim must be allowed. An allowed Claim is a Claim (i) which either is or has been scheduled by the Debtor in its Schedules of Liabilities and is not scheduled as disputed, contingent or unliquidated, and as to which no proof of claim has been filed or (ii) is a Claim as to which a timely proof of claim has been filed and as to which Claim no objection has been made or which has been allowed by a Final Order. If a Claim is not listed in the Debtor's Schedules of Liabilities as disputed, contingent or unliquidated, it is deemed allowed in the amount listed. As a creditor in this cause, you should ascertain whether your claim is scheduled or listed as unliquidated, disputed or contingent on the original schedules of the debtor, or file a proof of claim to insure that you share in any disbursement on account of such claim.

No claims register has been attached to this Disclosure Statement because, as set forth below, the Claims' Bar Date has not yet passed.

Pursuant to Orders entered by the Court, the following dates were set by the Court in which the holders of claims and interest were required to proof of such claim or interest:

STS

General Bar: January 16, 2017

| | |
|---|---|
| Governmental Bar Date | January 16, 2017 |
| Rejection Bar Date | January 16, 2017, or within 30 days after rejection |

ELS

| | |
|---|---|
| General Bar: | January 16, 2017 |
| Governmental Bar Date | February 21, 2017 |
| Rejection Bar Date | January 16, 2017, or within 30 days after rejection |

(Collectively "Bar Date").

Any creditor or interest holder of the Debtor that fails to file a proof of claim by the Bar Date and whose claim was not scheduled by the Debtor, or otherwise specifically provided for under the Debtor's Plan, is barred from sharing in any distributions under the Plan until all other creditors are paid in full and there remains assets to provide for such further disbursement. The Plan does not contemplate any such additional funds to be available.

**b. Administrative and Certain Non-Classified Priority Claims** – Allowed Administrative Claims include, among others, administrative fees due the office of the US Trustee and have not been classified. The Reorganized Debtor shall continue to pay post-confirmation quarterly fees to the US Trustee until the case is closed, converted to a proceeding under Chapter 7 or dismissed. In addition, in order to permit analysis of such fees due, the Reorganized Debtor shall continue to file post-confirmation reports on a quarterly basis with a copy to the office of the US Trustee.

**c. Administrative Claims** An administrative expense claim is (i) any claim for any unpaid costs or allowance of compensation or reimbursement of expenses to the extent allowed by the Court; (ii) any claim for post-petition wages, salaries and commissions pursuant to Section 503(b)(1) of the Code; (iii) any other claim for actual, necessary costs and expenses for preserving the estate to the extent allowed by the Court under Section 503(b)(1), including fees and expenses for attorneys and other Professionals retained by the Debtor.

For purposes of the above, outstanding administrative claims for professionals employed in this case as of the date of the filing of this Disclosure Statement are estimated to be as follows:

| | |
|---|---|
| Legal Counsel, Diller and Rice | $20,000.00 |
| Accountant: Marvin Homan | $2,000.00 |

For purposes of the above figures, it is noted that professional services are being rendered to the Debtor on an ongoing basis, and thus the above figure does not

necessarily represent a final figure. The above professional will ultimately submit a final application to the Court, pursuant to 11 U.S.C. § 330, seeking final allowance of their respective fees and expenses.

Unless the holder of an Administrative Claim agrees otherwise, all Administrative Claims shall be paid in full, in cash, in such amounts as are incurred in the ordinary course of business by the Debtor, or in such amounts as such Administrative Claims are allowed by the Bankruptcy Court upon the later of the Effective Date, or the date upon which the Bankruptcy Court entered an order allowing any such Administrative Claim.

**d. Priority Tax Claims** To the extent such claim is allowed, tax claims of governmental units entitled to priority under Section 507(a)(8) of the Bankruptcy Code, shall be paid in cash, in full, on the Effective Date; provided, however, the Debtor may reserve the right to elect that holders of such Allowed Tax Claims receive cash payments deferred to the extent permitted by Section 1129(a)(9)(C) of the Bankruptcy Code. Any priority claims allowed herein shall bear interest at a rate agreed to by the Debtor and the appropriate governmental unit, or, if they are unable to agree, at a rate determined by the Bankruptcy Court.

The Debtor is not aware of any outstanding tax claim and has been paying all applicable taxes as they become due and owing. Further no tax claims entitled to priority treatment were filed by governmental entities by the Bar Date.

**e. Claims Under the Plan**

**i. Class 1 – Secured Claim of PNC Bank, N.A. ("PNC Bank")**

**a. Claim of PNC Bank**

On September 22, 2011, the Debtor (STS) established a line of credit with PNC Bank. Since its inception, the Debtor has utilized this line of credit in its business operations. Under this line of credit, the Debtor is authorized to borrow up to the sum of $200,000.00. For this purpose, the Debtor executed a promissory note in favor of PNC Bank in the principal sum of $200,000.00. ("Note").

Under the Note, the Debtor is required to pay, on a monthly basis, interest accrued on the sum of all prior advances made to the Debtor under the Note. Under the Note, all amounts due and owing to PNC are required to be fully paid at a time no later than 10 years after the execution of the Note. Mr. Woodruff and Mr. Sell, as the sole members of the STS, personally guaranteed payment under the Note.

The Note is subject to a security interest. The Collateral for this security interest is substantially all of the Debtor's property, tangible and intangible, including the Debtor's accounts receivable and accounts. This security interest is subject to a UCC financing

statement filed with the Ohio Secretary of State on September 28, 2011, (File No. OH00153133732), and a continuation statement filed with the Ohio Secretary of State on April 5, 2016 (File No. 20160960320).

At the commencement of the case, the Debtor estimated that the sum of $102,644.64 was due to PNC Bank for prior advances made to the Debtor under the Note. Since the commencement of the case, the security interest claimed by PNC Bank in the Debtor's property has been the subject of interim and then a final cash collateral order entered by the Court. Under the terms of the final cash collateral order entered by the Court, the Debtor is required to pay to PNC Bank as "adequate protection" the sum of $1,975.00 per month. (Doc. No. 78).

PNC Bank filed a proof of claim in this case on January 3, 2017 for the amount of $94,708.27. (Cl. No. 7). This claim is asserted as fully secured. The Debtor does not contest that on such date this amount was due and owing to PNC, and therefore does not intend to object to PNC's proof of claim.

PNC Bank is impaired under the Debtor's proposed Plan and is entitled to vote on the proposed Plan.

**b. Treatment of the Claim of PNC Bank**

In its proposed Plan, the Debtor will treat the claim of PNC Bank as an Allowed fully secured for purposes of 11 U.S.C. § 506, subject to the following: All adequate protection payments made to PNC Bank, pursuant to cash collateral orders entered by the Court, shall be applied first to interest due at the rate provided for in the Note, and thereafter shall be applied to a reduction in principal as due on the allowed amount of PNC Bank's secured claim.

Unless PNC Bank agrees to a different treatment, the Debtor's Plan proposes that, commencing on the first month following the Effective Date of the Plan, and continuing each month thereafter, the Debtor shall be required to pay to PNC Bank the sum of $1,975.00 per month. Such monthly payments, under the Debtor's proposed Plan, shall be due by the 5th day of every month, or if such date falls on a weekend or legal Federal Holiday, then on the first business day thereafter. Such payments shall be applied first to interest due under the Note, as contractually provided for in the Note, and thereafter shall be applied to a reduction in principal as due on the allowed amount of PNC Bank's secured claim. No prepayment penalty shall apply.

Under its Plan, the Debtor proposes that, to the extent the payments provided to PNC Bank under the Plan are not sufficient to fully pay PNC Bank's allowed secured claim within five (5) years of the Effective Date of the Plan, any remaining principal due and owing to PNC Bank on its allowed secured claim shall immediately become due and payable to PNC Bank on the fifth anniversary of the Effective Date of the Plan.

Until paid in full, as provided above, the Debtor's Plan proposes that, on account of its claim, PNC Bank shall retain its secured interest in the Debtor's property up to the principal amount due and owing on its allowed claim. The Debtor's plan then proposes that, upon payment of its allowed claim in full, any further interests claimed by PNC Bank in the Debtor's property shall vest in the Reorganized Debtor free and clear of such interests.

**ii. Class 2 – Karl and Judith Bemus (Bemus)**

**a. Secured Claim of Bemus**

On September 15, 2009, the Debtor (STS and ELS) executed a promissory note in favor of Bemus. ("Note"). The principal amount of this Note $848,467.29. This Note consolidated certain prior notes executed by STS and ELS, and its principals. The consideration for this Note, and the prior consolidated notes, was the purchase of the Debtor's business operations from Bemus as described in more detail, above, in this Disclosure Statement. The Note was guaranteed by Mr. Woodruff, Mr. Sell, Mrs. Sell and Ms. Zirkle

Under the Note, the Debtor was required to make payments to Bemus in the sum of $1,000.00 per week, with interest of 4%, until the Note was paid in full. At the commencement of the case, the Debtor estimated that $600,000.00 still remained due and owing under the Note.

The obligation to Bemus is secured by substantially all of the Debtor's property, both with respect to STS and ELS. This interest is subject to UCC financing statements filed with the Ohio Secretary of State on March 26, 2014 (File No.OH00174801128 and OH00174801784). In addition, excepting those vehicles for which Mercedes-Benz Finance and General Transport hold an interest, the interest of Bemus in the vehicles owned by STS and ELS is noted on each respective vehicle's certificate of title.

The security interest of Bemus is subject to a subordination agreement, dated September 19, 2011, executed in favor of PNC Bank under which Bemus agreed to subordinate its interest in the STS's property to that of the interest claimed by PNC Bank in the STS's property.

Since the commencement of the case, the security interest claimed by Bemus in the Debtor's property has been the subject of interim and then a final cash collateral order entered by the Court. Under the terms of the final cash collateral order entered by the Court, the Debtor is required to pay to Bemus as "adequate protection" the sum of $1,863.34 per month. (Doc. No. 78).

Bemus filed a proof of claim in this case on January 13, 2017 for the amount of $553,441.81. (Cl. No. 8). This claim is asserted as fully secured. The Debtor does not contest that on such date this amount was due and owing to Bemus, and therefore does not intend to object to Bemus' proof of claim.[8]

Bemus is impaired under the Debtor's proposed Plan and is entitled to vote on the proposed Plan.

**b. Treatment of the Claim of Bemus**

In its proposed Plan, the Debtor will treat the claim of Bemus as and Allowed fully secured for purposes of 11 U.S.C. § 506, subject to the following: All adequate protection payments made to Bemus, pursuant to cash collateral orders entered by the Court, shall be applied first to interest due under the Note of 4.00%, and thereafter shall be applied to a reduction in principal as due on the allowed amount of Bemus' secured claim.

Unless Bemus agrees to a different treatment, the Debtor's Plan proposes that, after accounting for the above reduction in principal, Bemus shall receive deferred cash payments totaling the allowed amount of its secured claim. Pursuant to § 1123(a)(5)(H), such payments shall be based upon an amortization of Bemus' claim over 15 years at a fixed rate of interest of 4.00%. No prepayment penalty shall apply.

These payments shall commence on the month following the effective date of the Plan, and shall be made on a monthly basis thereafter until the secured claim of Bemus is paid in full. Such monthly payments, under the Debtor's proposed Plan, shall be due by the 5th day of every month, or if such date falls on a weekend or legal Federal Holiday, then on the first business day thereafter. The Debtor has estimated the monthly payment to be $4,438.15 per month.

Until paid in full, as provided above, the Debtor's Plan proposes that, on account of its claim, Bemus shall retain its secured interest, including in any insurance proceeds realized on account of the loss sustained to its collateral, in the Debtor's property up to principal amount due and owing on its allowed claim. The Debtor's Plan then proposes that, upon payment of its allowed claim in full, any further interests claimed by Bemus in the Debtor's property shall vest in the Reorganized Debtor free and clear of such interests. Until its claim is paid in full, the Debtor's proposed Plan provides that the Debtor shall not sell or transfer any asset which secures the Bemus obligations without the consent of Bemus as to the terms and distribution of proceeds.

[8]Bemus also filed a like proof of claim in ELS's case based upon STS and ELS being jointly liable to Bemus. (Cl. No. 3). The Debtor does not contest this claim, but with the merger of ELS into STS as provided for in the proposed Plan, Bemus shall only be entitled to receive payment on the claim filed in the case of STS.

**iii. Class 3 – Secured Claim of General Transport**

**a. Claim of General Transport**

STS is obligated under separate contracts to General Transport under which the Debtor purchased from General Transport two vehicles: (1) a 1999 International Truck; and (2) a 2004 Sterling Truck. These contracts are designated as leases, but the Debtor, in its proposed Plan, is treating the obligations as secured interests based upon the fact that, upon the completion of payments under each of the contracts, STS has the option to purchase the respective vehicles for the nominal sum of $1.00. Details of these obligations are as follows:

1999 International Truck

Date of contract: 8-31-15
Purchase Price: $20,304.00
Monthly Payment: $846.00
Term: 24 months

2004 Sterling Truck

Date of contract: 8-31-15
Purchase Price: $20,304.00
Monthly Payment: $846.00
Term: 24 months

The Debtor has been paying these obligations during the pendency of the bankruptcy case, and believes it is current on its obligations to General Transport.

No proof of claim was filed by General Transport within the Bar Date.

General Transport is impaired under the Debtor's proposed Plan and is entitled to vote on the proposed Plan.

**b. Treatment of Claim of General Transport**

Unless General Transport agrees to a different treatment for its claims, the Debtor's Plan proposes to continue paying General Transport according to and under the terms of the contracts executed by the Debtor. For this purpose, the Debtor's Plan proposes that, upon confirmation, the payments due and owing to General Transport shall continue to be made according to the applicable contracts and shall account for all payments made by the Debtor to General Transport during the pendency of this case.

To the extent that any proof of claim filed by General Transport asserts an arrearage due, the Debtor's Plan proposes that, to the extent such claim is allowed under 11 U.S.C. § 502, the Debtor shall pay the allowed arrearage claim in 12 equal monthly installments, commencing on the month following the effective date of the Plan, and shall be made on a monthly basis thereafter until such arrearage claim is paid in full. Such monthly payments, under the Debtor's proposed Plan, shall be due by the 5th day of every month, or if such date falls on a weekend or legal Federal Holiday, then on the first business day thereafter.

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Subject to the preceding paragraph, the Debtor's Plan, as provided in 11 U.S.C. § 1123(a)(5)(G), further proposes that, upon confirmation of the Plan, the Debtor shall be deemed current and not in default under its obligations to General Transport.

Until paid in full, the Debtor's Plan proposes that, on account of its claim, General Transport shall retain its secured interest in the Debtor's property according to and under the same terms and conditions as existed at the commencement of the case up to the principal amount due and owing on its claim. The Debtor's Plan then proposes that, upon payment of its allowed claim in full, any further interests claimed by General Transport in the Debtor's property shall vest in the Reorganized Debtor free and clear of such interests.

**iv. Class 4 – Secured Claim of Mercedes-Benz Financial Services (Mercedes)**

**a. Claim of Mercedes**

STS is obligated under notes and purchase money security interests to Mercedes. These obligations were incurred to purchase equipment (vehicles) which the Debtor currently uses in its business operation. Mercedes' interest in each of the vehicles is noted upon the vehicle's certificate of title. Details of these obligations are as follows:

| Date of Note/ Security Agreement/ Amount | Collateral | Payment | Term |
|---|---|---|---|
| 12-16-13 $146,150.00 | 2005 Freightliner (2)<br>2007 Freightliner (3) | $3,560.69 | 48 months |
| 8-29-14 $109,230.00 | Trailers (6) | $3,425.28 | 36 months |
| 3-20-15 $29,100.00 | 2004 Freightliner | $790.99 | 42 months |
| 3-26-15 $26,850.00 | 2007 Freightliner | $727.33 | 42 months |

| | | | |
|---|---|---|---|
| 3-30-15 $121,050.00 | 2007 Freightliner (3) | $3,281.78 | 42 months |
| 5-8-15 $38,600.00 | 2007 Freightliner | $1,046.12 | 42 months |
| 8-3-15 $37,500.00 | 2007 Freightliner | $857.48 | 36 months |

The Debtor has been paying these obligations during the pendency of the bankruptcy case, and believes it is current on its obligations to Mercedes. Mr. Woodruff has personally guaranteed these obligations.

No proof of claim was filed by Mercedes within the Bar Date.

Mercedes is impaired under the Debtor's proposed Plan and is entitled to vote on the proposed Plan.

**b. Treatment of Claim of Mercedes**

Unless Mercedes agrees to a different treatment for its claims, the Debtor's Plan proposes to continue paying Mercedes according to and under the terms of the notes executed by the Debtor. For this purpose, the Debtor's Plan proposes that, upon confirmation, the payments due and owing to Mercedes shall continue to be made according to the amortization schedule associated with the applicable notes and shall account for all payments made by the Debtor to Mercedes during the pendency of this case.

To the extent that any proof of claim filed by Mercedes asserts an arrearage due, the Debtor's Plan proposes that, to the extent such claim is allowed under 11 U.S.C. § 502, the Debtor shall pay the allowed arrearage claim in 12 equal monthly installments, commencing on the month following the effective date of the Plan, and shall be made on a monthly basis thereafter until such arrearage claim is paid in full. Such monthly payments, under the Debtor's proposed Plan, shall be due by the 5th day of every month, or if such date falls on a weekend or legal Federal Holiday, then on the first business day thereafter.

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Subject to the preceding paragraph, the Debtor's Plan, as provided in 11 U.S.C. § 1123(a)(5)(G), further proposes that, upon confirmation of the Plan, the Debtor shall be deemed current and not in default under its obligations to Mercedes.

Until paid in full, the Debtor's Plan proposes that, on account of its claim, Mercedes shall retain its secured interest in the Debtor's property according to and under the same terms and conditions as existed at the commencement of the case up to the principal amount due and owing on its claim. The Debtor's Plan then proposes that, upon

payment of its allowed claim in full, any further interests claimed by Mercedes in the Debtor's property shall vest in the Reorganized Debtor free and clear of such interests.

**v. Class 5 – Secured Claim of Toyota Motor Credit Corporation (Toyota)**

**a. Claim of Toyota**

STS is obligated under a note and purchase money security to Toyota for the purchase of forklift used in the Debtor's business operation. On this obligation, the Debtor is required to make monthly payments to Toyota of $306.00 per month.

The Debtor has been paying its obligation to Toyota during the pendency of the bankruptcy case, and believes it is current on its obligation to Toyota.

No proof of claim was filed by Mercedes within the Bar Date.

Toyota is impaired under the Debtor's proposed Plan and is entitled to vote on the proposed Plan.

**b. Treatment of Claim of Toyota**

Unless Toyota agrees to a different treatment for its claims, the Debtor's Plan proposes to continue paying Toyota according to and under the terms of the note executed by the Debtor. For this purpose, the Debtor's Plan proposes that, upon confirmation, the payments due and owing to Toyota shall continue to be made according to the terms of the note and shall account for all payments made by the Debtor to Toyota during the pendency of this case.

To the extent that any proof of claim filed by Toyota asserts an arrearage due, the Debtor's Plan proposes that, to the extent such claim is allowed under 11 U.S.C. § 502, the Debtor shall pay the allowed arrearage claim in 12 equal monthly installments, commencing on the month following the effective date of the Plan, and shall be made on a monthly basis thereafter until such arrearage claim is paid in full. Such monthly payments, under the Debtor's proposed Plan, shall be due by the 5th day of every month, or if such date falls on a weekend or legal Federal Holiday, then on the first business day thereafter.

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Subject to the preceding paragraph, the Debtor's Plan, as provided in 11 U.S.C. § 1123(a)(5)(G), further proposes that, upon confirmation of the Plan, the Debtor shall be deemed current and not in default under its obligations to Toyota.

Until paid in full, the Debtor's Plan proposes that, on account of its claim, Toyota shall retain its secured interest in the Debtor's property according to and under the same terms and conditions as existed at the commencement of the case up to the principal

amount due and owing on its claim. The Debtor's Plan then proposes that, upon payment of its allowed claim in full, any further interests claimed by Toyota in the Debtor's property shall vest in the Reorganized Debtor free and clear of such interests.

**vi. Class 6 –Administrative Convenience Claim under 11 U.S.C § 1122(b)**

**a. Administrative Convenience Claims under 11 U.S.C § 1122(b)**

The Debtor incurs certain ordinary course expenses during the operation of its business. Prior to seeking bankruptcy relief, the Debtor had been paying all ordinary expenses as such expenses became due. At the commencement of the case, however, certain ordinary expenses had been incurred but were not yet due. Based upon the commencement of the instant bankruptcy case, these obligations remain outstanding.

Based upon the Debtor's books and records, it is believed that some of these outstanding claims will be in an amount of less than $500.00. To the extent that such claims are allowed under 11 U.S.C. § 502, such claims shall be separately classified in this class for administrative convenience. The Debtor's proposed plan provides that this classification shall be deemed to be reasonable and necessary for purposes of 11 U.S.C. § 1122(b).

Based upon the proofs of claim filed in this case, the Debtor does not believe that any claims will be provided for in this Class.

Any claimant holding a claim in this Class is impaired, and is entitled to vote on the proposed Plan.

**b. Treatment of Administrative Convenience Claim**

Unless the holder of a claim in this Class agrees to a different treatment of its claim, the Debtor, in its proposed Plan, has set forth that it will fully pay all claims in this Class upon the Effective Date of the Plan. The Debtor's proposed plan further provides that no interest shall accrue on any claim in this Class provided that the claim is timely paid as provided herein.

**vii. Class 7 – Executory Contracts and Leases of Real Property**

**a. Leases of Real Property**

This class consists of executory contracts and leases which exist between the Debtor and third parties for real property under which the Debtor, STS, is the lessee. As set forth earlier in this Disclosure Statement, these leases are compromised of the following interests:

| Lessor | Property Address |
|---|---|
| 1st Express Inc. | 227 Matzinger Road., Toledo, Ohio |
| Joseph M. Ostrowske Properties, LLC | 1100 Jenkins Blvd., Akron, Ohio |
| Smith Avenue Realty Company Inc. | 115-119 Smith Avenue, Mansfield, Ohio |
| B&B Warehouses, Inc. | 777 W. Russell Rd., Sidney, Ohio |

Pursuant to Motions filed by the Debtor prior to the submission of this Disclosure Statement, the Bankruptcy Court entered orders, providing for the assumption of these leases under 11 U.S.C. § 365. (Doc. Nos. 85, 86, 87, and 88). All these Orders were entered on October 20, 2016, with said date being the assumption date for the above leases. In said orders, no cure amount was provided as the Debtor was not in default on its contractual obligations under the leases.

Except for the leases delineated above, no other leases exist in this Class. Furthermore, no leases of real property are being rejected by the Debtor.

All claimants in this Class are unimpaired, and are not entitled to vote on the proposed Plan.

**b. Treatment of Leases of Real Property**

In accordance with the prior orders entered by the Court, regarding the assumption of those leases provided in this Class, the Debtor's proposed Plan provides that such leases shall be assumed in accordance with the prior orders entered by the Court.

**viii. Class 8 –Executory Contracts and Leases of Personal Property**

**a. Lease of Personal Property**

The Debtor, as a lessee, is a party to various lease agreement regarding personal property used in its business operations. These leases are as follows:

(1) 2 Tow units with De Lange Landen;

(2) 1 Tow unit with Toyota Industries Commercial Finance; and

(3) Konica Copier with U.S. with U.S Bank Equipment Finance.

The Debtors are not, for purposes of 11 U.S.C. § 365(a), in default under any executory contract or leases set forth in this Class. Accordingly, for purposes of 11 U.S.C. § 365(b), the Debtors' proposed Plan does not provide to cure any executory contract or lease within this Class.

With respect to the leases in this Class, the following proofs of claim were filed:

De Lange Landen filed, on December 28, 2016, a proof of claim in the amount of $19,760.76. (Cl. No. 6-1);

Toyota Industries Commercial Finance filed, on September 26, 2016, a proof of claim in the amount of $7,894.50. (Cl. No. 2-1); and

U.S. Bank Equipment Finance filed, on December 9, 2016, an amended proof of claim in the amount of $28,112.08. (Cl. No. 3-2).

The Debtor does not contest that on the dates the above proofs of claim were filed that the amounts set forth in the respective proofs of claim were due and owing to the respective claimants, and therefore does not intend to object to the proofs of claim

**b. Treatment of Leases of Personal Property**

Under its proposed Plan, it is provided that confirmation of the Plan will result in and cause all its Lease obligations in this Class, as it regards the parties designated in this Class, to be assumed pursuant to 11 U.S.C. § 365. For this purpose, the Debtor's Plan proposes that the Debtor will continue to honor all terms of the applicable lease agreements as set forth in this Class. Such leases, under the Debtor's proposed Plan, shall be deemed to be assumed at the time Court enters an order confirming the Debtor's proposed Plan.

Except for the leases delineated above, no other leases exist in this Class. Furthermore, no leases of personal property are being rejected by the Debtor.

All claimants in this Class are unimpaired, and are not entitled to vote on the proposed Plan.

**ix. Class 9 –General Unsecured Claims**

**a. General Unsecured Claims***

This class consists of all general unsecured claims of the Debtor which have not otherwise been classified in the Debtor's proposed Plan and which are allowed claims

under 11 U.S.C. § 502. The Debtor has reviewed those proofs of claims filed by the Bar Date for Claimants in this Class, and does not intend to object to said claims.

The total value of claims filed in this Class are $4,933.936.86. Attached as Exhibit H is the Claims Registers for the cases of STS and ELS.

**b. Treatment of General Unsecured Claims**

Under its Plan, the Debtor is proposing to contribute the aggregate sum of $26,366.60 per year, for a period of five years, for distribution, on a pro-rata basis, to unsecured creditors in this Class holding allowed claims. The aggregate amount of this distribution is $131,833.00 ("Distribution Amount").

The Distribution Amount constitutes 25% of the Debtor's projected net profits for the ensuing five years. In computing this figure, the Debtor utilized its:

(1) actual net profits for the years 2012 through the commencement of the case in July of 2016, as attached hereto as Exhibit D;

(2) actual net profits through 2016 per the operating reports filed with the Court, with the most recent operating report attached hereto as Exhibit F[9]; and

(3) its projected net profits for the calendar years 2017, 2018 and 2019, as set forth in the Debtor's future financial projections as attached to this Disclosure Statement as Exhibit G.

For this eight year period, the Debtor then arrived at an average yearly profit of $105,466.39, 25% of which is $26,366.60. To arrive at the Distribution Amount, this figure was then multiplied by 5, to account for the 5-year repayment period proposed under the Plan. A summary of the applicable net yearly profit figure used are as follows:

| | |
|---|---|
| 2019 | $60,598.61 |
| 2018 | $39,071.68 |
| 2017 | $29,843.27 |
| 2016 | $62,963.29 |
| 2015 | $170,794.83 |
| 2014 | $94,511.83 |
| 2013 | $271,662.10 |
| 2012 | $114,285.52 |

[9]Because of the timing of the filing of this Disclosure Statement, the Debtor estimated the Debtor's net profits for the month of November and December by utilizing those financial figures available from the Debtor's operating report for the month of October.

Total $843,731.13

Pursuant to 11 U.S.C. § 1129(a)(7)(A)(ii), the Distribution Amount exceeds the liquidation value of the Debtor's property were this case to be converted, on the Effective Date of the Plan, to a proceeding under Chapter 7 of the Bankruptcy Code. As support, the Debtors have attached to this Disclosure Statement, as Exhibit E, a liquidation analysis of its business operation which shows a liquidation value of $0.00.

Under the Debtor's Plan, it is proposed that only claims allowed pursuant to 11 U.S.C. § 502 shall be entitled to a pro-rata distribution in this Class. The allowed amount of such claim shall be in the amount set forth in any proof of claim filed by the claimant by the Bar Date unless any of the following applies:

(1) the Claimant is not required to file a proof of claim;

(2) an objection to the proof of claim is filed in which case the allowed amount of the claim shall be in the amount allowed by the Court; or

(3) a Court Order otherwise provides for the allowance of the claim in which case the allowed amount of the claim shall be in the amount determined by the Court.

The Distribution Amount, and each claimant's pro-rata share thereof, shall be made over a period of five years, in 60 equal monthly payments, commencing on first month following the Effective Date of the Debtor's proposed Plan, and continuing each month thereafter, until all required payments are complete.

Based upon figures provided herein, the aggregate monthly distribution to creditors holding allowed claims in this Class shall be $2,197.22. This amount shall then, on a monthly basis, be distributed to creditors holding allowed claims in this Class on a Pro-Rata basis.

The monthly payments, under the Debtor's proposed Plan, shall be due by the 5th day of every month, or if such date falls on a weekend or legal Federal Holiday, then on the first business day thereafter.

Upon confirmation of the Plan, it is proposed that nothing shall prejudice the Reorganized Debtor from completing the payments specified in this paragraph in less than five years, provided all creditors holding allowed claims in this Class receive equal treatment and no creditors provided in any other class of the Debtor's proposed Plan are prejudiced thereby.

The Debtor's Plan proposes that payments of the claims according to the terms provided in this Class shall constitute full satisfaction, settlement and release of said claims against the Debtor and Reorganized Debtor unless such debt is of a kind or nature

for which under 11 USC 523 could be excepted from discharge.

No further distributions for claims in this Class are contemplated by the Debtor's proposed Plan.

For purposes of the Debtor's proposed Plan, allowed claims are defined by reference to and the application of 11 U.S.C. §§ 502 and 1111(a).

All claimants holding allowed claims in this Class are impaired, and are entitled to vote on the proposed Plan.

**x. Class 10 – Equity Interest**

**a. Equity Interest**

This class consists of the membership interests in the Debtors. At the commencement of the respective bankruptcy cases of STS and ELS, the following interests were maintained:

STS

Mr. Woodruff 60% equity interest
Mr. Sell 40% equity interest

ELS

Ms. Zirkle 60% equity interest
Mrs. Sell 40% equity interest

For purposes of 11 U.S.C. § 1129(b)(2)(C)(ii), there exists no interests in either STS or ELS junior to the above interests.

**b. Treatment of Equity Interest**

As set forth in part IV(D)(1) of this Disclosure Statement, the Debtor's Plan proposes to merge ELS into STS, with STS, as the Reorganized Debtor, constituting the surviving entity. Under the Debtor's proposed Plan, the following is proposed with respect to the equity interests which existed in STS and ELS at the commencement of the respective cases.

First, upon merger, all equity interests in ELS will be cancelled. Second, upon confirmation, all equity interests in the Reorganized Debtor shall vest solely in Mr. Woodruff free and clear of any claims and other interests held by any party and/or claimant in STS or ELS at the time of confirmation, subject to the conditions below.

Former Equity Holders

First, with respect to those former holders of equity interests, the Debtor's Plan proposes that the Reorganized Debtor will hold harmless and indemnify Mr. Sell, Ms. Zirkle and Mrs. Sell for any and all personal liability they may have, including their personal obligation to Bemus, upon the time of confirmation, for all obligations and claims third parties have against either STS and/or ELS. Notwithstanding, the Debtor's Plan does not propose to unilaterally release or otherwise enjoin or discharge the right that any third party may have against any equity holder, former or present, of STS or ELS.

In the event that this Class is not deemed to have accepted the Debtor's proposed Plan, each member shall under the Debtor's proposed plan be entitled to receive, pursuant to 11 U.S.C. § 1129(b)(2)(C)(i) the value of their interest in STS and ELS, as the case may be. Based upon the liquidation analysis attached hereto as Exhibit E, the Debtors do not believe such interests have any value. Pursuant thereto, the Debtor's proposed Plan provides that interests held by the members in STS and ELS have no value and that the proposed Plan may be confirmed notwithstanding such members' dissent. Notwithstanding, any member of either STS or ELS is entitled to bid for the sole membership interest in the Reorganized Debtor as provided below.

Creditors of STS and ELS

In the event that Class 9, is not deemed to have accepted the Debtor's proposed plan for purposes of 11 U.S.C. § 1126, the vesting in Mr. Woodruff of 100% of the equity interest in the Reorganized Debtor shall not, under the proposed Plan, be deemed to be on account of his prepetition interest in STS, but instead, as set forth in the following paragraph, shall be deemed to be on account of the contribution of new value to the Reorganized Debtor.

As and for Mr. Woodruff becoming vested with 100% of the equity interest in the Reorganized Debtor, the Debtor's Plan proposes that Mr. Woodruff will, upon the Effective Date of the Plan, or as soon as practicable thereafter, pay as and for new value the sum of $20,000.00[10] to the Reorganized Debtor for the immediate, pro rata, distribution to those creditors holding allowed claims in Class 9 of the Debtor's proposed plan. For this contribution, the Debtor's proposed plan provides that Mr. Woodruff will have no legal recourse against the Debtor, the Reorganized Debtor or the estate for the contribution of said new value.

[10]The amount of this new value contribution is not based upon any independent valuation conducted by Mr. Woodruff regarding the value of the Debtor's equity interest, but is based upon Mr. Woodruff's personal opinion, as the Debtor's principal and managing member for over ten years, as to present value of the equity interest if the proposed Plan is confirmed.

Nonexclusive right

Notwithstanding, any interested party may offer a higher value to obtain 100% of the equity interest in the Reorganized Debtor. For this purpose, approval of this Disclosure Statement shall constitute a solicitation for bids by parties receiving notice of this Disclosure Statement to make an offer for the equity interest in the Reorganized Debtor. For this purpose, any party receiving notice of this Disclosure Statement may and is entitled to bid, and may seek bids from third parties, to purchase the equity interest in the Reorganized Debtor. In the event that an entity wishes to contribute new value to the Debtor, and purchase the equity interest in the Reorganized Debtor, written notice thereof shall be filed with the Court and provided to Debtor's counsel, Such notices, with the case number noted thereon, must be sent to:

United States Bankruptcy Court
Attention: Bankruptcy Clerk
411 U.S. Courthouse
1716 Spielbusch Avenue
Toledo, Ohio 43604

Eric Neuman
1105-1107 Adams Street
Toledo, Ohio 43604

Such notice shall be due and may be filed up to the time the Court sets as the deadline for objecting to the Debtor's proposed Plan.

Further, if Class 9 is not deemed to have accepted the Debtor's proposed plan for purposes of 11 U.S.C. § 1126, the Debtor, so as to realize the highest and best value, will also seek to market and solicit offers and bids from non-creditor parties wishing to purchase the Reorganized Debtor's equity interest. For this purpose, the Debtor will file a motion with the Court, seeking approval of a marketing process to sell the equity interest in the Reorganized Debtor. Thereafter, upon obtaining approval of a marketing process, the Debtor will market the equity interest in the Reorganized Debtor according to the terms approved by the Court.

Based upon the foregoing, if a higher bid or offer is received for the equity interest in Reorganized Debtor, meaning more than the new value of $20,000.00 being offered by Mr. Woodruff, the matter shall become subject to a competitive bidding process under terms and conditions to be approved by the Court. Thereafter, the Court may enter an appropriate order regarding the winning bid.

On the Effective Date, or as soon as is practicable thereafter, the Debtor's proposed Plan provides that the funds received from the winning bid shall be disbursed, pro rata, to

those creditors holding allowed claims in Class 9 of the Debtor's proposed Plan and, to the extent all the claims in Class 9 are fully paid, any remaining funds will be distributed to those former members of STS and ELS in proportion to their respective membership interests in STS and ELS.

The Debtor's proposed Plan further provides that all of the Reorganized Debtor's outstanding equity shall become vested in the highest bidder free and clear of any claims and other interests held by any party and/or claimant in the Debtor and the estate at the time of confirmation. The highest bidder shall then become entitled to operate the Reorganized Debtor, upon confirmation, according to the terms of the proposed Plan.

No proofs of interest were filed for this Class

This Class is impaired and entitled to Vote

C. Summary of other Provisions of the Plan

1. "Full and Final Satisfaction"

Except as otherwise expressly provided in Section 1141 of the Bankruptcy Code or the Plan, the payments and distributions made pursuant to the Plan will be in full and final satisfaction, settlement, release and discharge as against the Debtor and Reorganized Debtor of any debt of a kind specified in Section 502(g), 502(h) and 502(i) of the Bankruptcy Code, and all claims and interest of any nature, including without limitation, any interest accrued thereon from and after the Filing Date, whether or not (i) a proof of a claim or interest based on such debt, obligation or interest is filed or deemed filed under Section 501 of the Bankruptcy Code, (ii) such claim or interest is allowed under Section 501 of the Bankruptcy Code or (iii) the holder of such claim or interest has accepted the plan. Therefore, upon the Effective Date of the Plan, all creditors and holders of interests shall be precluded from asserting against the Debtor or Reorganized Debtor, or any of the assets or property, any other further claims unless specifically preserved therein and the order of confirmation shall permanently enjoin said creditors and holders of interest, their successors or assigns, from enforcing or seeking to enforce any such claims or interests.

2. "Distribution Date"

Except as otherwise provided by the Plan or ordered by the Bankruptcy Court, distributions shall be made by the Reorganized Debtor according to the terms set forth in the Plan.

3. Blank Ballot or Lack Thereof

Any Ballot which is executed by the holder of an allowed claim, but which does not indicate acceptance or rejection of the Plan, shall not be deemed to be either an acceptance or a rejection of the Plan.

4. Revesting

On the Date of Confirmation, all property making up the Estate (including any unreleased Causes of Action, but excluding property that has been abandoned pursuant to an order of the Bankruptcy Court) shall, except as otherwise provided in the Plan or the order confirming the plan, revest in the Reorganized Debtor, free and clear of all Claims.

5. Releases

When and if the proposed Plan is confirmed, the provisions of the Plan will bind the Debtor and the Reorganized Debtor and all holders of claims and interests whether or not they accept the Plan.

6. Compromise and Settlements

Pursuant to Bankruptcy Rule 9019(a), without further order of the Bankruptcy Court, after the Effective Date, the Reorganized Debtor may compromise and settle various (a) Claims and (b) Causes of Action that it may have against other Persons.

7. Preservation of Rights of Action, Reorganized Debtor as Estate Representative

In accordance with 11 USC 1123(b)(3), the Reorganized Debtor will have and may enforce any and all unreleased Causes of Action that the Debtor may hold against any Entity.

8. Amendment and Modification

The debtor may amend or modify the Plan both before and after confirmation in accordance with the provisions of Section 1127 of the Bankruptcy Code.

9. Retention of Jurisdiction

Under its proposed Plan, the Court will retain jurisdiction until this Plan has been fully consummated, including but not limited to, the following purposes:

a. The classification of the claims of any creditors, the liquidation of contingent or disputed claims or claims of set-off, the re-examination of claims which have been allowed for purposes of voting and the determination of such objections as may be filed to creditors' claims. The failure by the Debtors or Debtor-in-Possession to object to, or to examine any claim for the purposes of

voting, shall not be deemed to be a waiver of the Debtor or Debtor-in-Possession's right to object to or re-examine the claim in whole or in part.

b. Determination of all questions and disputes regarding title of the assets of the estate and the Reorganized Debtor, and a determination of all causes of action, controversies, disputes or conflicts, whether or not subject to actions pending, as of the date of confirmation, between the Debtor and any other party, including, but not limited to, any right of the Debtor-in-Possession to recover assets pursuant to the provisions of Title 11 of the United States Code.

c. The correction of any defect, the causing of any omission, or the reconciliation of any inconsistency in the Plan's purposes and intent.

d. The modifications of this Plan after confirmation pursuant to the Bankruptcy Rules and Title 11 of the United States Code.

e. To enforce and interpret the terms and conditions of this Plan.

f. Entry of any order, including injunctions, necessary to enforce the title, rights and powers of the Debtor, the Reorganized Debtor and Debtors-in-Possession, including retaining jurisdiction to enter any order which may be appropriate to effectuate the recording of instruments as are necessary to implement the terms of the Plan, and to impose such limitations, restrictions, terms and conditions of such title, rights, and powers as this Court may deem necessary.

g. For purposes herein, the filing of a proof of claim, the filing of any objections to this Plan, or the contesting of any claim by the Debtor to any assets shall constitute a submission by the Claimants or objector of all matters in controversy to the jurisdiction of the Court for review, determination and estimation of liquidation.

h. The Court shall, in addition, retain jurisdiction to determine whether a default has occurred under the Plan, and may make such orders as the Court deems necessary to enforce the provisions of the Plan, including, but not limited to, ordering a modification of the Plan or conversion of the case to Chapter 7 of the Bankruptcy Code or such other relief as may be appropriate.

i. Entry of an Order concluding and terminating this case.

10. Effective Date of Plan

Unless the Court orders otherwise, or a stay is issued, the Effective Date of the Plan confirmed by the Court will occur on the 30th day after the Court enters an order confirming the Debtor's proposed Plan.

11. Final Decree

As soon as practicable after the Effective Date of the Plan, the Reorganized Debtors will seek the entry of a Final Decree pursuant to Bankruptcy Rule 3022.

D. Means of Execution of Plan

The Reorganized Debtor will continue the operations and continue in the same line of business as prior to the commencement of this case.

After confirmation of the Plan, the Debtor intends to seek to obtain a line of credit under similar terms and conditions as the prepetition line of credit it maintained with PNC Bank. Obtaining this line of credit will assist the Debtor in the post-confirmation operation of its business by allowing it to make necessary expenditures for capital improvements and acquisitions to its fleet, and will allow the Debtor to manage its cash flow.

It is anticipated that the revenue derived from the Reorganized Debtor's business operations will enable the Reorganized Debtor to satisfy its obligations under the confirmed Plan. As support for this position, the Debtor has attached the following Exhibits:

(1) Their past financial statements, attached hereto as Exhibit D (years 2012 to commencement of case).

(2) Their budgetary forecast for the ensuing three years, attached hereto as F.

For the budgetary forecast, the Debtor would call attention to the fact that its business operations have been negatively affected by the reorganizational process. In particular, the Debtor has been unable to obtain satisfactory credit arrangements to purchase replacement equipment which, in turn, has meant that the scope of the Debtor's business operations has suffered. The Debtor, as also set forth earlier in this Disclosure Statement, suffered a loss with respect to three of its vehicles.

In this regard, the profitability of the Debtor's business operation is based upon it being able to maintain its overall size and scope as existed prior to the commencement of the respective bankruptcy cases. For this purpose, the Debtor's financial projections are based upon the assumption that, for the initial period following confirmation of its proposed plan of reorganization, the Debtor's profitability will be limited until it can obtain satisfactory extensions of credit to add to and replace its ageing fleet.

To this end, as it regards revenue, the Debtor, given the constraints imposed by the bankruptcy case and its litigation with Central States, has projected its gross revenue for 2017 to stay at the same level as 2016. For the years 2018 and 2019, the Debtor has projected that its gross revenue will increase by 1% per year over its 2016 level.

As it regards these assumptions, the Debtor would further note that in some past years – in particular 2013 and 2015 – it realized a substantially larger net income as to that now forecasted. These higher levels of profit, however, were one-time events which occurred on account of the uncertainty the Debtor's operations experienced on account of its litigation with Central States as described earlier in this Disclosure Statement. In particular, in the immediate years preceding the bankruptcy filing, the Debtor was hesitant to take on additional debt, which often requires personal guarantees from its principals, as was needed to update its ageing fleet. This situation, while allowing the Debtor in the short term to forego additional expenses for debt service, was not sustainable and jeopardized the Debtor's long term viability given that its business model requires a constant updating of its fleet.

1. Restructuring Transactions

a. Merger

Pursuant to 11 U.S.C. § 1123(a)(5)(C) and Ohio Revised Code 1705.01, *et seq*, upon the occurrence of the Effective Date, ELS, as an Ohio Limited Liability Company, shall be merged into STS, an Ohio Limited Liability Company, who shall be deemed to be, as the Reorganized Debtor, the surviving entity. This merger is being effectuate as ELS has never been an operating entity, but simply held property which was used by STS.

This merger shall, for purposes of 11 U.S.C.§ 1123(a)(5)(C), result in the substantive consolidation of the bankruptcy estates of STS and ELS for all purposes relating to the proposed Plan, including for purposes of confirmation and distributions. Upon the merger, those members and equity holders of ELS, Ms. Zirkle and Mrs. Sell, shall have no membership or equity interest in STS.

Under the Debtor's proposed Plan, it is provided that the Reorganized Debtor shall indemnify and hold harmless those members and equity holders of ELS, Ms. Zirkle and Mrs. Sell, with regards to any personal liability they may have in their personal capacities with respect to any claims or obligations of STS and/or ELS. The Debtor's proposed Plan provides that no other consideration shall be received by any member or equity holder of ELS on account of the merger.

Pursuant to 11 U.S.C. § 1142, the Debtor's proposed Plan provides that the Reorganized Debtor is authorized to execute any required documents to carry out the

merger, including making appropriate filings or recordings, that may be required by under applicable law in connection with the merger. Additionally, the Debtor's proposed Plan provides that the Reorganized Debtor may motion the Court to direct that any other necessary party be required to execute or deliver or to join in the execution or delivery of any necessary document required to effectuate the merger.

To the maximum extent provided by section 1146(a) of the Bankruptcy Code and applicable nonbankruptcy law, the merger shall not be taxed under any law imposing a stamp tax or similar tax.

Notwithstanding the Merger, any party, including Bemus, who held a secured interest in ELS's property shall continue to hold a secured interest in the Reorganized Debtor's property to the same extent as existed at the commencement of the bankruptcy case of ELS.

E. Management and Ownership the Reorganized Debtor

Upon confirmation, the Debtor's proposed Plan provides that Steve Woodruff shall become the sole member and 100% equity owner of the Reorganized Debtor and shall be the sole managing member of the Reorganized Debtor.

## V. CONFIRMATION AND CONSUMMATION OF THE PLAN

### A. Confirmation Hearing

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a Confirmation Hearing on the Plan at which a party in interest may object to confirmation.

In order to assist any claim holder or other interested party concerning whether its proposed plan should be confirmed, the Debtor has attached to this Disclosure Statement Exhibit F, which show the financial projections concerning the Debtor's business operation for the Debtor's fiscal years 2017, 2018 and 2019. Notwithstanding, these financial figures are only projections and the Debtor can make no warranty concerning the Debtor's actual performance in the future.

Parties having an interest in whether the Debtor's proposed Plan, as outlined in this Disclosure Statement, should be confirmed are urged to closely examine all Exhibits when assessing their options with respect to the Debtor's proposed Plan.

### B. Requirement of Confirmation

In order for the Plan to be confirmed, the Bankruptcy Code requires, among other things, that the Plan be proposed in good faith, that the Debtor-in-Possession disclose specified information concerning payments made or promised to insiders, and that the

Plan comply with the applicable provisions of Chapter 11 of the Bankruptcy Code. Section 1129(a) of the Bankruptcy Code also imposes requirements that at least one class of Claims has accepted the Plan, that Confirmation of the Plan is not likely to be followed by the need for further financial reorganization, and that the Plan be fair and equitable with respect to each class of claims or interest which is impaired under the Plan. The Bankruptcy Court shall confirm the Plan only if it finds that all of the requirements enumerated in Section 1129(a) of the Bankruptcy Code have been met. The Debtor believes the proposed Plan satisfies all of the requirements for Confirmation.

1. "Best Interest Test" Before the proposed Plan may be confirmed, the Bankruptcy Court must find (with certain exceptions) that the Plan provides, with respect to each class, that each holder of a Claim of such class either (a) has accepted the Plan or (b) will receive or retain under the Plan on account of such Claim or property of a value as of the Effective Date, that is not less than the amount that such persons would receive or retain if the Debtor-in-Possession is, on the Effective Date, liquidated under Chapter 7 of the Bankruptcy Code. The Debtor believes that this test will be satisfied by virtue of the proposed plan and any theoretical liquidation of the assets of the Debtor. Attached as Exhibit E to this Disclosure Statement is a liquidation analysis for the Debtor.

2. "Financial Feasibility" The Bankruptcy Code requires, as a condition to Confirmation, that Confirmation of the Plan is not likely to be followed by the liquidation of the Debtor or the need for further financial reorganization. The Reorganized Debtor believes that the Plan complies with the financial feasibility standard for Confirmation and that the Reorganized Debtor will be able to operate as a going concern on a viable basis. For this purpose, the Debtor makes the following representation:

On the Effective Date of the proposed Plan, the Debtor, after paying its ordinary course expenditures, and making payments on its secured debt, all of which are accounted for in the attached budgetary projections, will need approximately $3,000.00 cash on hand to begin implementing its proposed Plan. The Debtor submits that the attached budgetary figures show that this initial payment can be made and can be made each thereafter as required under the terms of the proposed Plan. The Debtor further submits that if, in any given month, it experiences a shortfall, the Reorganized Debtor's sole principal, Mr. Woodruff, will take steps to ensure that sufficient cash is available to pay allowed unsecured claims, such as by Mr. Woodruff foregoing or reducing his salary.

3. "Acceptance by Impaired Classes" The Bankruptcy Code requires, as a condition to Confirmation, that each class of Claims that is impaired under the Plan accept the Plan, with the exception described in the following section. A class of Claims has accepted the Plan if the Plan has been accepted by creditors (other than insiders) that hold at least two-thirds in dollar amount and more than one-half in number of the Allowed Claims of such class who actually vote to accept or to reject the Plan. Holders of claims or interests who fail to vote are not counted as either accepting or rejecting the Plan, provided, however, that **ANY IMPAIRED CLASS OF CLAIMS OR**

**INTERESTS IN WHICH NO HOLDER VOTES TO ACCEPT OR REJECT THE PLAN WILL BE DEEMED TO HAVE ACCEPTED THE PLAN**. A class that is not "impaired" under the Plan is deemed to have accepted the Plan; solicitation of acceptances with respect to such class is not required. A class is "impaired" unless (i) the legal, equitable and contractual rights to which the claim or interest entitles the holder of such claim or interest are not modified, (ii) with respect to the secured claims, the effect of any default is cured and the original terms of the obligation are reinstated, or (iii) the Plan provides that on the Effective Date, the holder of the claims received on account of such claim or interest, cash equal to the allowed amount of such claim.

C. Confirmation without Acceptance by All Impaired Classes

The Bankruptcy Code contains provisions which would enable the Bankruptcy Court to confirm the Plan, even though the Plan has not been accepted by all impaired classes, provided that the Plan has been accepted by at least one impaired class of Claims. The Debtor believes that, if necessary, it will be able to meet the statutory standards set forth in the Bankruptcy Code for such a confirmation.

Section 1129(b)(1) of the Bankruptcy Code states "Notwithstanding section 510(a) of this title, if all of the applicable requirements of subsection (a) of this section other than paragraph (8) are met with respect to a plan, the court, on request of the proponent of the plan, shall confirm the plan notwithstanding the requirements of such paragraph if the plan does not discriminate unfairly, and is fair and equitable, with respect to each class of claims or interests that is impaired under, and has not accepted, the plan."

Based upon the treatment provided to impaired Classes in the Debtor's proposed Plan, the Debtor believes this Plan does not discriminate unfairly and is fair and equitable with respect to any class which might dissent.

D. Post-Confirmation Conversion/Dismissal

A creditor or party in interest may bring a motion to convert or dismiss the cases under § 1112 after the Plan is confirmed if there is a default in performing the Plan. If the Court orders the cases converted after the Plan is confirmed, this Plan provides that property of the estates that has not been disbursed pursuant to the Plan will revest in the Chapter 7 estate and that the automatic stay will be reimposed upon the revested property to the extent that relief from stay was not previously authorized by the Court during this case.

The order confirming the Plan may also be revoked under very limited circumstances. The Court may revoke the order if and only if the order of confirmation was procured by fraud and if a party in interest brings a motion to revoke confirmation within 180 days after the entry of the order of confirmation.

E. Final Decree

As soon as practicable after confirmation of its proposed Plan, the Debtor will, pursuant to Bankruptcy Rule 3022, seek to have a final decree entered in this case. Until the entry of the final decree, quarterly fees, pursuant to 28 U.S.C. § 1930(a)(6), will continue to be payable to the Office of the United States Trustee.

## VI. ALTERNATIVES TO THE PLAN

In the course of these proceedings, the Debtor considered several alternatives. First, the Debtor sought to reach a suitable arrangement with its largest creditor, Central States. The Debtor also contemplated simply ceasing operations. The Debtor has also considered liquidation under Chapter 7 of the Bankruptcy Code. Ceasing operations or liquidation under Chapter 7, however, would likely result in a diminished return to unsecured creditors.

Under a Chapter 7 case, the assets of the Debtor would be liquidated or abandoned by a duly appointed or elected Trustee. In the event of a conversion to Chapter 7, the following is likely to occur:

A. An additional tier of administrative expenses entitled to priority over general unsecured claims pursuant to Title 11, United States Code Section 507 would be incurred. Such administrative expenses would include among other things, the Chapter 7 Trustee's commission and fees for the Trustee's accountants, attorneys and other professionals likely to be retained by him or her.

Given liquidation expenses and administrative claims, it is clear unsecured creditors would recover less upon liquidation than under the Plan.

B. Additional claims against the Debtor's estate would be incurred as a result of the Chapter 7 liquidation. The Debtor has not incurred the expense to determine all such additional liabilities and obligations that a forced liquidation would bring.

C. Further claims would be asserted against the estate with respect to such matters as the termination of leases and executory contracts, along with income and other taxes associated with the sale of assets. The Debtor would estimate that damage claims for a breach of its lease agreements would total approximately $163,600.00 based upon the following:

| Lessor | Potential Claim |
|---|---|
| 1st Express Inc. | $16,200.00 |
| Joseph M. Ostrowske | $5,400.00 |

Properties, LLC

| | |
|---|---|
| Smith Avenue Realty Company Inc. | $14,400.00 |
| B&B Warehouses, Inc. | $72,600.00 |
| De Lange Landen | $17,000.00 |
| Toyota Financial Services | $9,000.00 |
| Bank Equipment Finance | $29,000.00 |

The total of all of these items listed above cannot be estimated at this time with any reasonable accuracy, but it is reasonable to conclude that these items would materially increase the claims and obligations to be satisfied out of the proceeds of liquidation and correspondingly, would reduce the funds available to satisfy the claims of creditors under the Debtor's proposed Plan.

## VII. RECOMMENDATION

Viewing the alternative of liquidation under Chapter 7 versus confirmation of the Plan under Chapter 11, there can be no assurance that any theoretical values that might be obtained from a conversion for the Chapter 11 case to a Chapter 7 liquidation would in fact be obtained. It is the conclusion of the Debtor that the Plan satisfies the opportunity for the Debtor to reorganize its affairs, yet protects the position of all creditors. The Debtor urges all creditors to vote to accept the plan.

SIDNEY TRANSPORATION SERVICES, LLC
AND
EQUIPMENT LEASING OF SIDNEY, LLC

Dated: February 10, 2017

By /s/Steve Woodruff
Steve Woodruff
Managing Member of Sidney Transportation Services, LLC and Equipment Leasing of Sidney, LLC