

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF OKLAHOMA**

In re:)	
PAUL TRANSPORTATION, INC.,)	Case No. 10-13022-NJ
Tax ID No. 71-092181)	(Chapter 11)
Debtor.)	

**SUMMARY OF PAUL TRANSPORTATION, INC.'S
PLAN OF REORGANIZATION
AND LIMITED DISCLOSURE STATEMENT FOR CLASS 21**

THIS IS NOT A SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE PLAN OF REORGANIZATION. ACCEPTANCES AND REJECTIONS MAY NOT BE SOLICITED BY ANY PARTY UNTIL THE DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT.

Paul Transportation, Inc. (the "Debtor") filed its petition for relief under Chapter 11 of the Code on May 18, 2010. Since then, the Debtor has been a Debtor in Possession.¹

Kline, Kline, Elliott & Bryant, P.C., prepared and filed a Plan on behalf of the Debtor and a full Disclosure Statement pursuant to Bankruptcy Code § 1125. This is a summary of the Plan and is a limited Disclosure Statement intended specifically for Claimants holding Claims in Class 21 under the Plan. Class 21 consists of Unsecured Claims of \$10,000 or less, which the Debtor believes includes you, and Unsecured Claims voluntarily reduced to \$10,000.

The Plan includes alternative treatments, dependent on whether Class 22 accepts or rejects the Plan. Class 22 consists of Unsecured Claims of more than \$10,000, and Unsecured Claims of \$10,000 or less that opt into Class 22.

¹Terms defined in the Bankruptcy Code have the same meanings in the Plan and in this summary, unless otherwise indicated. Defined terms, whether defined in the Plan or in the Bankruptcy Code, are capitalized.

If Class 22 accepts the Plan: a) Claimants holding Unsecured Claims in Class 21 are to receive 35 cents on the dollar on or about the Plan Effective Date, *i.e.*, the 15th day after the date the order confirming the Plan is entered by the Court; b) Unsecured Claims of more than \$10,000, *i.e.*, Class 22 Claims, will ultimately receive 40 cents on the dollar, which will be paid in monthly installments over ten years without interest; and c) Troy Paul, who is the Interest Holder, will retain his Pre-Petition equity security interest. Class 21 Claimants may opt into Class 22 by so electing on their ballots.

Should Class 22 reject the Plan: a) Claimants holding Unsecured Claims in both Class 21 and Class 22 will receive a pro-rata distribution of one hundred percent (100%) of the equity securities of the Reorganized Debtor; b) the Interest Holder's Pre-Petition equity security interest will be canceled and he will not receive or retain anything on account of his Pre-Petition equity security interest; c) all unencumbered Property of the Estate, which the Debtor believes has negligible if any value, will vest in the Reorganized Debtor, except property subject to unexpired leases being assumed under the Plan, which along with all encumbered Property of the Estate, will be assigned to New Paul, an Oklahoma limited liability company or Sub-Chapter S corporation to be formed and wholly-owned by Troy Paul; d) all aspects of the Reorganized Debtor's management will be in accordance with applicable state law, and, to that end, a meeting of the shareholders of the Reorganized Debtor will be held on the fourth Monday after the Effective Date for the purpose of electing directors; e) after reserving sufficient funds to pay any post-Effective Date obligations imposed on the Reorganized Debtor by state or federal law and to pay essential costs and expenses of carrying out its obligations under the Plan, the Reorganized Debtor shall immediately remit all other unencumbered cash, accounts receivable, the proceeds

from the successful prosecution of any causes of action vesting in the Reorganized Debtor, net of the attorneys' fees and costs of prosecuting those causes of action, and the proceeds from the liquidation of any other unencumbered property vesting in the Reorganized Debtor, net of the fees and expenses of the liquidation, to the holders of any then unpaid Priority Claims; f) the Reorganized Debtor shall make such remittances in the hierarchy established by Bankruptcy Code § 507, satisfying each higher Priority Claim in full, including interest, before remitting to a lower Priority Claim; g) New Paul will be obligated under the Plan to pay Priority Claims and Secured Claims and perform under assumed and assigned executory contracts and unexpired leases as provided in the Plan and shall cooperate with the Reorganized Debtor in verifying the then unpaid amount of Priority Claims so that the Reorganized Debtor may satisfy its coextensive obligation to pay Priority Claims; and h) when all Priority Claims have been paid in full, including accrued interest, the Reorganized Debtor shall remit pro-rata to the holders of Unsecured Claims, until all assets vesting in the Reorganized Debtor have been exhausted.

The Pre-Petition Claims evidenced by the Schedules and the timely-filed proofs of Claim are summarized as follows:

TYPE OF CLAIM	AMOUNT
Priority Claims	878,705.33
Secured Claims	12,090,420.51
Unsecured Claims	15,591,947.29

For a variety of reasons, the Debtor does not believe that the Pre-Petition Claims evidence by the Schedules and the timely-filed proofs of Claim accurately reflect the Estate's liabilities. The following table summarizes what the Debtor believes to be the Estate's actual liabilities:

TYPE OF CLAIM	AMOUNT
Estimated unpaid administrative expenses at any given time, without adequate protection and lease payments, which total \$330,453.46 per month, professional fees, or amounts as to which there are deposits	350,000.00
Pre-Petition Priority Claims	553,425.67
Secured Claims	6,861,793.42
Unsecured Claims	4,532,658.75

Approximately 200 Claimants hold Unsecured Claims of \$10,000 or less, with those Claims aggregating \$180,898.49. The remaining Unsecured Claims, which the Debtor believes total \$4,351,760.26, are held by about 40 Claimants.

Estimated professional fees for legal services through the Confirmation Date are \$96,393.00, assuming the Confirmation Date occurs by the end of February 2011. Estimated professional fees for accounting services through the Confirmation Date are \$17,000.00, assuming the Confirmation Date occurs by the end of February 2011. Post-Confirmation Date professional fees cannot be estimated meaningfully.

Absent success in prosecuting avoidance and other actions far beyond what the Debtor in Possession believes is likely, the Debtor in Possession does not believe that Claimants holding Unsecured Claims would receive anything in either a Chapter 7 liquidation or should Class 22 reject the Plan but the Court nonetheless confirm it.

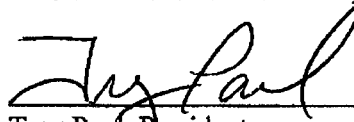
Should you desire a copy of the complete Plan and the complete Disclosure Statement, your request should be mailed to Kline, Kline, Elliott and Bryant, P.C., 720 N.E. 63rd Street, Oklahoma City, Oklahoma 73105, attention: Stephen W. Elliott, counsel for the Debtor.

Alternatively, you may make your request by telephone at (405) 848-4448. Copies of the full Plan and Disclosure Statement have also been posted on, and may be obtained from, the Debtor's website: www.paulreorganizationplan.com.

Dated this 15th day of December, 2010.

PAUL TRANSPORTATION, INC.

By:


Troy Paul, President

/s/Stephen W. Elliott

Stephen W. Elliott, OBA #2685

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