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10 **UNITED STATES BANKRUPTCY COURT**
11 **EASTERN DISTRICT OF CALIFORNIA**
12 **SACRAMENTO DIVISION**

13 In re:) **Case No.:** 2015-24947
14) **Chapter:** 11
15 **HENDRICKSON TRUCKING INC.**) **DCN:** CAH-08

16) **DISCLOSURE STATEMENT DESCRIBING**
17) **DEBTOR'S FOURTH PLAN OF**
18) **REORGANIZATION, DATED NOVEMBER**
19) **15, 2016**
20)

21 Debtor

22) **Date:** December 6, 2016
23) **Time:** 2:30 P.M.
24) **Location:** United States Courthouse
25) Dept. B, Courtroom 32
26) 501 I Street, Sacramento
27) 6th Floor

28) **Judge:** Honorable Christopher Jaime

29 Filed by:

30 C. Anthony Hughes
31 Gabriel E. Liberman
32 Attorneys for Debtor and Debtor in Possession
33 1395 Garden Highway, Suite 150
34 Sacramento, CA 95833
35 Gabe@4851111.com

In re: Hendrickson Trucking, Inc.

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1 **ARTICLE I. PURPOSE OF THIS DOCUMENT**

2 The purpose of this document is to describe the plan to repay creditors in this case. The
3 Court approving the Disclosure Statement is not an endorsement of the Plan. A Scheduling Order
4 will be served with this document which will give the deadlines for voting and objecting to the
5 Plan and Disclosure Statement. At any time a party in interest can request information from
6 Attorney for the Debtor. **For questions and comments regarding the Plan or Disclosure
7 Statement email to Gabe@4851111.com** is preferred, but you can also mail correspondence to
8 1395 Garden Highway, Suite 150, Sacramento California, 95833, or fax to 916-437-4285 but the
9 response time will be much longer.

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10 The Plan contains detailed information concerning the rights of creditors and holders of
11 equity security interests. The source of the information herein is the Debtor.

12 Your rights may be affected. You should read these papers carefully and discuss them with
13 your attorney, if you have one. If you do not have an attorney, you may wish to consult one.

14
15 **ARTICLE II. VOTE REQUIRED FOR APPROVAL / CONFIRMATION REQUIREMENTS**

16 **A. Acceptance Necessary to Confirm the Plan.**

17 Only impaired classes of claims are entitled to vote on the Plan. 11 U.S.C. § 1126(f). The
18 Plan can be confirmed by the Court if the Plan is accepted by the holders of at least two-thirds in
19 amount and more than one-half in number of claims in each impaired class of claims voting on the
20 Plan. 11 U.S.C. § 1126(c). Unless there is unanimous acceptance of the Plan by an impaired class,
21 the Bankruptcy Court must determine that the holders of claims in the class will receive or retain
22 under the Plan property of a value not less than the amount each holder would receive if the
23 Bankruptcy Estate of Debtor were liquidated under the provisions of Chapter 7 of the Bankruptcy
24 Code.

25 **B. Confirmation of the Plan Without Necessary Acceptance ("Cramdown").**

26 Even if the requisite number of acceptances are not obtained, the Court may nevertheless
27 confirm the Plan over the rejection of the Plan by a class (or classes) of claims or interests. 11
28

1 U.S.C. § 1129(b). This process is known as cramdown. The application of cramdown is not
2 automatic, but must be requested by the proponent of the Plan. 11 U.S.C. § 1129(b)(1).

3 11 U.S.C. § 1129(b) provides that if an impaired class has not accepted the Plan, the Court
4 may nevertheless confirm it if it does not discriminate unfairly, and is fair and equitable, with
5 respect to each impaired class of claims or interests.

6 **C. Absolute Priority Rule**

7 The term “fair and equitable” includes a concept known as the “absolute priority rule.”
8 That holds that junior classes may take nothing under the Plan until dissenting senior classes have
9 been paid in full, and that senior classes may not be overpaid until dissenting junior classes have
10 been paid in full. 11 U.S.C. § 1129(b)(2). As a practical matter, this means that Interest Holders,
11 (i.e. Debtor’s members/stockholders) may not retain their Interests in the Debtor unless all
12 creditors are paid in full. A party in interest may object that this Plan violates the rule. The Plan is
13 intended to be a consensual Plan on the basis that Creditors will receive more under this Plan than
14 through any other method including liquidation and dissolution, however if a creditor doesn’t vote
15 and the Plan is confirmed, then that creditor is deemed to have accepted the terms of the Plan.
16 Debtor does not anticipate objection because as set forth in this Disclosure Statement, the
17 alternative to this Plan may be Chapter 7 conversion which would not result in any distribution to
18 general unsecured creditors.

19 **D. Exhibits**

20 Exhibits are attached to the Disclosure Statement that are incorporated into the Disclosure
21 Statement by reference. The following is a summary of those EXHIBITS:

22 Exhibit A - Assignment of Assets and Assumption of Liabilities Agreement to HTL

23 Exhibit B - Hendrickson Truck Lines Tractor and Trailer list: to show what equipment of
24 Debtor HTL continues to use versus its own assets.

25 Exhibit C - Class 1 Creditors Claim List

26 Exhibit D - Projected distribution schedule to general unsecured creditors and cash on
27 hand and surplus.

28 Exhibit E - Debtor’s projected 60-month post-confirmation budget

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ARTICLE III. DESCRIPTION OF THE PLAN *(Copied from the Plan) (In a different font, Arial, to be able to distinguish from the rest of this disclosure statement)*

See Plan on following page

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ARTICLE III.
DESCRIPTION OF THE PLAN

Plan Summary Overview

Hendrickson Trucking, Inc., the Debtor, is no longer operating as a trucking company. It has certain secured assets and goodwill that may have some value and through this Plan, a separate Entity, Hendrickson Truck Lines (HTL) with common ownership shall purchase the secured assets, goodwill, rights to pursue preferential payments, and claim against Pilot Travel Centers, LLC (Pilot) of the Debtor and in exchange pay to the Debtor an amount to pay the General Unsecured Class a settlement amount, and for HTL to assume certain obligations and liabilities under this Plan. Debtor or HTL shall pay each claim in the General Unsecured Class #1 a 10% dividend in full satisfaction of the general unsecured claims in four installment payments over a 16-month period from cash surplus. The table below provides the projected payments (Attached as ~~Exhibit A~~ distribution schedule to general unsecured creditors and cash on hand surplus and Exhibit B is a projected post-confirmation budget)

	Payment	Percentage of Claims Paid
<u>Payment 1 - (3 months after confirmation)</u>	\$ 300,000.00	44%
<u>Payment 2 - (9 months after confirmation)</u>	\$ 150,000.00	22%
<u>Payment 3 - (13 months after confirmation)</u>	\$ 150,000.00	22%
<u>Payment 4 - (16 months after confirmation)</u>	\$ 76,212	11%

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Obligations and Agreements by Hendrickson Truck Lines, Inc. (HTL):

HTL shall be the purchaser and therefor assignee free and clear of all liens and claims except as stated explicitly in this Plan of: All Assets of the Debtor including but not limited to: Goodwill, Equipment, Causes of Action for Preference Payments, assumed leases, disputed claims, the claim against Pilot and all known obligations and liabilities provided for in this Plan. Debtor and

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1 HTL have entered into a formal agreement, Assignment of Assets and Assumption of Liabilities
 2 Agreement. (A true and accurate copy of the agreement is attached hereto as **Exhibit C**)
 3 In exchange, HTL shall pay upon confirmation to Debtor an amount necessary to pay the
 4 General Unsecured Class #1 under this Plan.

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 6 Exhibits:

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7 Exhibits are attached to the Plan that are incorporated into the Plan by reference. The
 8 following is a summary of those EXHIBITS:

9 EXHIBIT A – The projected distribution schedule to general unsecured creditors
 10 and cash on hand and surplus

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11 EXHIBIT B – Debtor's projected 60-month post-confirmation budget

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12 EXHIBIT C – Debtor and HTL's Assignment of Assets and Assumption of
 13 Liabilities Agreement

14 EXHIBIT D – Class 1 Creditors Claim List

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 17 **ARTICLE IV**

18 **DESIGNATION AND TREATMENT OF IMPAIRED AND UNIMPAIRED CLASSES**

19 **Unsecured Claims:**

20
 21 Administrative Claims

Professional Fees and Expenses (subject to final fee applications and court approval) Very rough estimate of amount owed beyond amount in retainer at time of confirmation	\$180,000.00	Due on the effective date of the Plan or any other date set forth in an order approving fees or agreement between the parties. Any deferred payments agreed to shall be assumed by HTL.
Estimated Debtor Counsel Admin Fees: \$100,000 As of September 2016, Hughes Financial Law is holding \$4,818.71 in trust		<u>Debtor shall pay the Administrative fees in the following order and priority in monthly installments of \$5,000. For example Debtor shall pay the Special Counsel Fees \$5,000 in month 1 of the effective date of this Plan and each month thereafter until this claim is paid in full. Debtor shall then pay the unsecured</u>

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In re: Hendrickson Trucking, Inc.

<p>1 <u>On 10/26/16 the court granted the first interim fee application up to 9/15/16 was granted for \$56,599.11</u></p>		<p><u>creditor's committee \$5,000 in the following months until their claim is paid in full. Debtor then shall pay Hughes Financial Law fees until their claim is paid in full.</u></p>
<p>4 Estimated Committee Counsel, Special Counsel, and Special Accountant Admin Fees: \$80,000</p>		<p>1. <u>Special Counsel (Flemming and Associates) Accountant Fees - Estimated fees: \$5,000</u></p>
<p>7 As of <u>November 2016</u>, the unsecured creditors committee <u>has received \$55,000.00 from monthly installments during this case of \$5,000.</u></p>		<p>2. <u>Unsecured Creditors Committee (Hefner Stark & Marois, LLP)</u></p>
<p>8 <u>On 10/24/2016 the court granted the first interim fee application up to 8/31/16 for \$38,000 with \$31,167 granted for distribution.</u></p>		<p>3. <u>Debtor's Counsel (Hughes Financial Law)</u></p>
<p>15 Cure Payments</p>	<p>\$0</p>	<p>There are no projected payments necessary to cure monetary defaults under assumed executory contracts or unexpired leases.</p>
<p>17 Current Operating Expenses</p>	<p>\$0</p>	<p>Current operating expenses as of the Effective Date of the Plan, shall be assumed by the Reorganized Debtor and paid in full in cash in the ordinary course of business.</p>
<p>20 Clerk's Office Fees</p>	<p>\$0</p>	
<p>U.S. Trustee Fees</p>	<p>\$0</p>	
<p>21 Debtor believes it is current on UST fees and anticipates being current through Confirmation.</p>		<p>Any unpaid UST fees at the time of confirmation shall be paid at the time of confirmation.</p>
	<p>\$180,000.00</p>	

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26 Priority Unsecured Claims

27 The following Claims shall be assumed by Hendrickson Truck Lines, Inc., (HTL). They are
 28 entitled to priority over the General Unsecured Claims. The monthly payment amount listed below is an estimate based on the Claim amount at the time of filing multiplied by the interest

rate applicable to the particular creditor and paid monthly over 4 years. The general unsecured portion of these claims are provided for as a Class 1 General Unsecured creditor.

Below is listed the Priority Unsecured portion of the listed Creditor's Claim.

<u>Type of Claim</u>	<u>Date of Assessment</u>	<u>Treatment</u>
Claim holder: <u>Internal Revenue Service (IRS)</u> P O Box 7346 Philadelphia, PA 19101 Total Claim: \$1,279,947.34 Priority amount: \$475,158.68 Gen. Unsecured: \$804,788.66 Per POC 5	2010 – 2014 (WT-FICA; FUTA)	This Priority Claim shall be paid in full within 48 months of the effective date of the confirmed plan. Claim Amount: \$475,158.68 Months 1-16: \$5,791.84 Months 17-24: \$10,109.70 Months 25-48: \$14,558.25 Interest Rate: 4.00%
Secured by: <u>Unsecured</u> General Unsecured portion provided for in class 1		Interest shall accrue at the normal rate of interest charged by the Claimant under non-bankruptcy law; however, no penalties shall accrue in addition to the interest for taxes paid within this Plan.
Claim holder: <u>State Board of Equalization</u> Special Operations Branch, Mic: 55 Po Box 942879 Sacramento, Ca 94279-0055 Total Claim: \$127,562.84 Priority amount: \$127,562.84 Gen. Unsecured: \$0.00 Per POC 12	2007-2009 (Int'l. Fuel Tax)	This Priority Claim shall be paid in full within 48 months of the effective date of the confirmed plan. Claim Amount: \$127,562.84 Months 1-16: \$1,868.82 Months 17-24: \$3,048.09 Months 25-48: \$4,186.90 Interest Rate: 9.00%
Secured by: <u>Unsecured</u>		Interest shall accrue at the normal rate of interest charged by the Claimant under non-bankruptcy law; however, no penalties shall accrue in addition to the interest for taxes paid within this Plan.
Claim holder: <u>Employment Development Department (EDD)</u>	2008-2015 (Unemployment Insurance and/or	This Priority Claim shall be paid in full within 48 months of the effective date of the confirmed plan.

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 Priority unsecured claims are paid according to the table below with the first payment for each claim commencing the 1st day of the first month after the effective date of the confirmed plan.

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<p>1 <u>Bankruptcy Group MIC 92E,</u> 2 <u>PO BOX 826880</u> <u>Sacramento, CA 95814</u></p> <p>3 <u>Total Claim: \$1,420,890.42</u> 4 <u>Priority amount: \$737,189.07</u> <u>Gen. Unsecured: \$683,701.35</u> 5 <u>Per POC 10</u></p> <p>6 <u>Secured by:</u> 7 <u>Unsecured</u></p>	<p><u>Employment</u> <u>Training Tax</u> (ETT)</p>	<p><u>Claim Amount: \$737,189.07</u> <u>Months 1-16: \$8,985.80</u> <u>Months 17-24: \$15,684.78</u> <u>Months 25-48: \$22,586.52</u></p> <p><u>Interest Rate: 4.00%</u></p> <p><u>Interest shall accrue at the normal rate of</u> <u>interest charged by the Claimant under</u> <u>non-bankruptcy law; however, no penalties</u> <u>shall accrue in addition to the interest for</u> <u>taxes paid within this Plan.</u></p>
<p>8 <u>General Unsecured portion</u> 9 <u>provided for in class 1</u></p>		
<p>11 <u>Claim holder:</u> <u>Oregon Department of</u> 12 <u>Transportation</u> <u>Financial Services Collections</u> 13 <u>355 Capital St. NE MS#21</u> <u>Salem, OR 97301</u></p> <p>14 <u>Total Claim: \$898,141.10</u> 15 <u>Priority amount: \$737,284.50</u> 16 <u>Gen. Unsecured: \$160,856.60</u> 17 <u>Per POC 43</u> 18 <u>Note: On or around 10/25/16</u> <u>Debtor prevailed in an appeal.</u> 19 <u>As a result, ODOT will be</u> <u>amending their claim as follows:</u> 20 <u>Priority amount: \$637,946.80</u> <u>Gen. Unsecured: \$202,784.51</u></p> <p>22 <u>Secured by:</u> <u>\$70,249.76 Cash deposit in</u> 23 <u>lieu of bond</u></p> <p>24 <u>General Unsecured portion</u> 25 <u>provided for in class 1</u></p>	<p>2012-2015 (Hwy Use Tax)</p>	<p><u>This Priority Claim shall be paid in full</u> <u>within 48 months of the effective date of the</u> <u>confirmed plan.</u></p> <p><u>Claim Amount: \$637,946.80</u> <u>Months 1-16: \$10,368.45</u> <u>Months 17-24: \$16,288.26</u> <u>Months 25-48: \$22,656.49</u></p> <p><u>Interest Rate: 12.00%</u></p> <p><u>Interest shall accrue at the normal rate of</u> <u>interest charged by the Claimant under</u> <u>non-bankruptcy law; however, no penalties</u> <u>shall accrue in addition to the interest for</u> <u>taxes paid within this Plan.</u></p>

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1 **GENERAL UNSECURED CLASS #1** contains the following categories of claims:
 2 **Debtor shall pay class #1 a 10% dividend in full satisfaction of the general unsecured**
 3 **claims.**
 4 Claims listed in Schedule F of the Schedules and provided below. (Attached hereto as Exhibit
 5 D is the claims of class 1). **The total amount to be paid in this class will be \$676,212.86**
 6 i. Bifurcated unsecured portions of secured claims from the treatment of Secured
 7 Claims in the table below.
 8 ii. Claims which had a lien at the time of the filing of this case but for which there is
 9 no equity for the lien to attach.
 10 iii. Deficiency balances owed on rejected leases under the Plan.
 11 iv. General Unsecured portions of priority tax debt.
 12 v. Any Priority Tax Debt not assumed by HTL.

15 **Secured Claims (Classes 2-9)**

16 The Following Table provides treatment for fully secured claims and bifurcated secured
 17 portions of claims (for claim amounts which exceed the value of their collateral). The Claims
 18 which are treated as Bifurcated will have a secured portion of the claim treated in the table
 19 below, and a general unsecured portion of the claim which is treated in the General Unsecured
 20 Class. Except insofar as the terms of this Plan conflict (and therefor trump) terms of the
 21 original contract with the creditor, the original contract terms still remain valid and enforceable.
 22 There are numerous liens in this case, and the Plan and Motions seek to provide treatment for
 23 every secured claim and to strip off or cram down partially or wholly unsecured liens. Motions
 24 to establish the secured claim amount of claims which have liens are being separately filed.
 25 Unimpaired claims will not be modified, stripped or bifurcated under this Plan. Post
 26 Confirmation Debtor intends to assign title of its assets to HTL pursuant to the terms of the
 27 Assignment agreement. Tab Bank is fully secured and will not be the subject of a motion to
 28 value.

In re: Hendrickson Trucking, Inc.

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This class contains the subordinated priority claims for both penalties, interest and interest on penalties and will receive \$0.00. Pursuant to 11 U.S.C. Section 726(a)(4), debtor may subordinate interest accrued on penalties. In addition, Debtor has included penalties and interest in this class as well. The priority claims below will be receiving their full payment plus interest of their underlying priority tax claims initially assessed, minus interest and penalties. Debtor would not be able to reorganize his debts and provide payment to the general unsecured class without subordinating these claims as such. Penalty provisions in the tax code are expressly meant to deter and punish: two goals in contravention of any equity or equitable consideration.

IRS General Unsecured Penalties: \$718,727.22

EDD \$79,545.67 (\$94,923.23 general unsecured interest, \$15,377.56 general unsecured interest on penalties)

State Board of Equalization \$0 (entire amount priority, none in General Unsecured Class #2)

Oregon Department of Transportation: Part of this claim may belong in this class, but further discovery will be needed to calculate.

GENERAL UNSECURED CLASS #1 contains unsecured portions of secured claims as follows:

Liens to be stripped, and whose claims are included in the General Unsecured Class #1 (included in the total estimated general unsecured claims amount)

Included in the general unsecured class are the following creditors who had liens at the time of the filing of this case, but whose liens are being valued at zero in this plan and thus become general unsecured claims under this plan. Confirmation of the plan shall act to satisfy the lien.

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Deleted: In the event a lien is not removed post confirmation, Debtor shall have the option, and the Court shall retain jurisdiction, to either file a motion to value the collateral as of the effective date of the Plan in order to obtain an order bifurcating the claim between a secured and unsecured claim, or an order determining Debtor is entitled to removal of the lien based on the claim being wholly undersecured. Secured Claims Claim amounts for claims that are undersecured shall be determined by their Claim amount as of the date of the filing of the Petition minus any amounts paid on account of

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<u>CLASS</u>	<u>IMPAIRMENT</u>	<u>TREATMENT</u>
<p><u>Class 2</u></p> <p>Claim holder: <u>Sacramento County</u> <u>Property Taxes</u> ATTN: BANKRUPTCY <u>700 H STREET, ROOM 171</u></p> <p>Secured by commercial property: <u>7080 Florin Perkins Road</u> <u>Sacramento CA 95828</u> <u>8.54 acres</u> <u>APN: 064-0040-023</u></p> <p>Claim: \$95,764.78* Value of collateral: \$1,650,000.00**</p> <p>* <u>Proof of claim filed, No. 42</u></p>	<p><u>Impaired</u></p>	<p><u>Under this plan, the Claim in Class 2 is to be treated as Fully Secured.</u></p> <p><u>The secured claim shall be paid as follows:</u></p> <p><u>Monthly payment: \$2,431.80</u> <u>Interest rate: 18%</u></p> <p><u>First payment will commence the 1st day of the first month after the effective date of the confirmed plan.</u></p> <p><u>In the event of a default, this Claimant may exercise all of its remedies available under applicable state law. Likewise, Debtors maintain all rights and protections of California Real Property and Foreclosure Law.</u></p>
<p><u>Class 3</u></p> <p>Claim holder: Coleson Investment Companies LLC, SBA Loan 5428 Watt Avenue North Highlands, CA 95660</p> <p>First Deed of Trust on commercial property: <u>7080 Florin Perkins Road</u> <u>Sacramento CA 95828</u> <u>8.54 acres</u> <u>APN: 064-0040-023</u></p> <p>Claim: \$274,368.41* Value of collateral: \$1,650,000.00**</p> <p>* <u>Proof of claim filed, No. 11</u></p>	<p>Unimpaired</p>	<p>Under this plan the Debtor shall continue to make mortgage payments to the Class 3 claimant in accordance with the pre-petition terms of the mortgage agreement.</p> <p>Monthly payment: \$5,281.78</p> <p>As such the Debtor shall make monthly installments payments to the claim holder.</p> <p>Payments shall continue as normally scheduled under the Note and Deed of Trust.</p>
<p>** Valued based on Debtor's opinion</p>		

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¶
Claimant may not repossess or dispose of their collateral so long as Debtor is not in material default under the Plan. See ARTICLE IX for Default Provisions. ¶

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<p>1 Class 4</p> <p>2 Claim holder:</p> <p>3 Transportation Alliance</p> <p>4 Bank, Inc.</p> <p>5 Snell & Wilmer L.L.P. c/o</p> <p>6 Michael B. Reynolds</p> <p>7 600 Anton Blvd., Suite 1400</p> <p>8 Costa Mesa, California 92626-</p> <p>9 7689</p> <p>10 Second Deed of Trust on</p> <p>11 commercial property:</p> <p>12 7080 Florin Perkins Road</p> <p>13 Sacramento CA 95828</p> <p>14 8.54 acres</p> <p>15 APN: 064-0040-023</p> <p>16 <u>Secured by Cross-</u></p> <p>17 <u>collateralized:</u></p> <p>18 <u>TAB's claims are cross-</u></p> <p>19 <u>collateralized and cross-</u></p> <p>20 <u>defaulted such that its</u></p> <p>21 <u>claims are fully secured</u></p> <p>22 <u>pursuant to the terms and</u></p> <p>23 <u>cash collateral and post-</u></p> <p>24 <u>petition financing stipulation.</u></p> <p>25 <u>The Final Stipulation for Use of</u></p> <p>26 <u>Cash Collateral and Debtor-in-</u></p> <p>27 <u>Possession Financing on a</u></p> <p>28 <u>Senior, Secured and Super-</u></p> <p><u>Priority Basis" (the</u></p> <p><u>"Stipulation", Docket No. 87),</u></p> <p><u>which was approved by this</u></p> <p><u>Court on August 18, 2015</u></p> <p><u>(Docket No. 110).</u></p> <p>Claim: \$1,757,022.67*</p> <p>Value of collateral:</p> <p>\$1,650,000.00**</p> <p>* Proof of claim filed, No. 28</p> <p>**Value based on Debtor's</p> <p>opinion</p>	<p><u>Unimpaired</u></p>	<p>Under this plan, the Claim in Class 4 is to be treated as Fully Secured.</p> <p>The secured claim shall be paid as follows:</p> <p>Monthly payment: \$20,052.92</p> <p>Interest rate: 6.5%</p> <p>Balloon payment due on month 36 for \$1,352,740.92</p> <p>First payment will commence the 1st day of the first month after the effective date of the confirmed plan.</p> <p>In the event of a default, this Claimant may exercise all of its remedies available under applicable state law. Likewise, Debtors maintain all rights and protections of California Real Property and Foreclosure Law.</p>
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<p>1 <u>Class 5</u></p> <p>2 Claim holder:</p> <p>3 EBC Asset Investment, Inc.</p> <p>4 22980 Indian Creek Drive,</p> <p>5 Suite 130</p> <p>6 Sterling, VA 20166</p> <p>7 Secured by 50 trailers</p> <p>8 Claim: \$339,037.00*</p> <p>9 Value of collateral:</p> <p>10 \$267,500.00**</p> <p>11 * Proof of claim filed, No. 45</p> <p>12 **Value based on Debtor's</p> <p>13 opinion</p> <p>14 <i>A motion to value will be filed</i></p> <p>15 <i>to determine the fair market</i></p> <p>16 <i>value.</i></p>	<p>Impaired</p>	<p>By Plan confirmation, Debtor will have established, pursuant to section 506(a), that the value of the collateral securing this claim is only \$267,500.00. This claim will be bifurcated into a secured and unsecured portion.</p> <p>As such, the unsecured portion of claimant is provided for as a member of the General Unsecured Class (Class 1) in the amount of \$71,537.00.</p> <p>The secured portion of this claim shall be paid as follows:</p> <p>Claim amount: \$267,500.00</p> <p>Monthly payment: \$5,048.05</p> <p>Interest rate per annum: 5.0%</p> <p>Amortized over: 5 years</p> <p>Prepayment penalty: None</p> <p>Balloon payment: None</p> <p>1st payment will commence the 1st day of the first month after the effective date of the confirmed plan.</p> <p>Lien is satisfied upon full payment of outstanding principal plus accrued interest under this Plan.</p> <p>In the event of a default, this Claimant may exercise all of its remedies available under applicable state law. Likewise, Debtors maintain all rights and protections of California Real Property and Foreclosure Law.</p> <p>Claimant may not repossess or dispose of their collateral so long as Debtor is not in material default under the Plan. See ARTICLE IX for Default Provisions.</p>
<p>26 <u>Class 6</u></p> <p>27 Claim holder:</p> <p>28 PACCAR Financial Corp.</p> <p>Attn: L. Markle, BK Specialist</p>	<p>Unimpaired</p>	<p>Under this plan the Debtor shall continue to make the contractual payments to the Class 6 claimant in accordance with the pre-petition terms of the security agreement.</p>

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<p>P.O. Box 1518 Bellevue, WA 98009-1518</p> <p>Secured by 6 Tractors: Nos. 308, 309, 310, 313, 316, 317</p> <p>Claim: \$753,614.40* Balance owed on tractors: \$223,688.00 Value of collateral: \$214,000**</p> <p>* Proof of claim filed, No. 20 **Value based on Debtor's opinion</p>		<p>Monthly payment: \$8,701.15</p> <p>Payments shall continue as normally scheduled under the security agreement.</p> <p>In the event of a default, this Claimant may exercise all of its remedies available under applicable state law. Likewise, Debtors maintain all rights and protections of California Real Property and Foreclosure Law.</p>
<p>Class 7</p> <p>Claim holder: PACCAR Financial Corp. Attn: L. Markle, BK Specialist P.O. Box 1518 Bellevue, WA 98009-1518</p> <p>Secured by 7 Tractors: Nos. 300, 305, 311, 312, 314, 318, 319</p> <p>Claim: \$753,614.40* Balance owed on tractors: \$261,417.00 Value of collateral: \$214,000**</p> <p>* Proof of claim filed, No. 20 **Value based on Debtor's opinion</p>	<p>Unimpaired</p>	<p>Under this plan the Debtor shall continue to make the contractual payments to the Class 7 claimant in accordance with the pre- petition terms of the security agreement.</p> <p>Monthly payment: \$10,168.75</p> <p>Payments shall continue as normally scheduled under the security agreement.</p> <p>In the event of a default, this Claimant may exercise all of its remedies available under applicable state law. Likewise, Debtors maintain all rights and protections of California Real Property and Foreclosure Law.</p>
<p>Class 8</p> <p>Claim holder: PACCAR Financial Corp. Attn: L. Markle, BK Specialist P.O. Box 1518</p>	<p>Unimpaired</p>	<p>Under this plan the Debtor shall continue to make the contractual payments to the Class 8 claimant in accordance with the pre- petition terms of the security agreement.</p> <p>Monthly payment: \$10,608.76</p>

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Claimant may not repossess or dispose of their collateral so long as Debtor is not in material default under the Plan. See ARTICLE IX for Default Provisions.¶

1 Bellevue, WA 98009-1518 2 Secured by 7 Tractors: 3 Nos. 299, 301, 302, 303, 304, 4 306, 315 5 Claim: \$753,614.40* 6 Balance owed on tractors: N/A 7 Value of collateral: \$214,000** 8 * Proof of claim filed, No. 20 9 **Value based on Debtor's 10 opinion		Payments shall continue as normally scheduled under the security agreement. In the event of a default, this Claimant may exercise all of its remedies available under applicable state law. Likewise, Debtors maintain all rights and protections of California Real Property and Foreclosure Law.
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Deleted: As to all of Classes 3-8, The terms of the underlying loan remain intact except for the interest rate, payment, and maturity date as set forth in the table above.¶

11 **Class 9: Tab Bank Accounts Receivable Loan** shall be unimpaired. All rights under the loan
 12 documents remain intact post confirmation. This claim is fully secured by Cross-collateralized
 13 and cross-defaulted pursuant to the terms and cash collateral and post-petition financing
 14 stipulation. The Final Stipulation for Use of Cash Collateral and Debtor-in-Possession
 15 Financing on a Senior, Secured and Super-Priority Basis" (the "Stipulation", Docket No. 87).
 16 which was approved by this Court on August 18, 2015 (Docket No. 110).

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 19 * Note: The Challenge Period for TAB Bank's Pre Petition Liens or Adequate Protection Liens
 20 was January 31, 2015. That period has expired and thus the Liens of TAB Bank are not
 21 challengeable.

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 23 **Class 10: Equity Holders:** Ward Hendrickson and William Hendrickson each own 50% of the
 24 outstanding shares in Debtor. Their claims are unimpaired.

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 26 **ARTICLE V**

27 **EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

Creditor	Lease Expiration Date	Date Entered Lease	Asset Description	Treatment
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In re: Hendrickson Trucking, Inc.

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				Assume 60 month lease for main office copier - Xerox WorkCentre 7775. Entered on 9/26/2014 thru on or around 9/25/2019 Monthly payment: 345.00
CIT Finance, LLC			1 copier	
GE Capital	1/31/2017	9/1/2007	25 Trailers	Assume original contract and pre petition amendments, modifications, and extensions.
GE Capital	1/31/2017	10/1/2007	24 Trailers	Assume original contract and pre petition amendments, modifications, and extensions.
				Debtor shall make a final payment of \$23,982.40 on 2/1/16 regardless of the proposed purchase agreement described below.
				Debtor and GE Capital are currently negotiating a buy-out agreement for the three leases totaling \$330,300.00 (\$110,100 per lease).
				Debtor is proposing to pay the \$330,300 over 24 months at 4.0% interest rate. This amounts to \$14,343.25 per month. Payments would start 3/1/2016.
GE Capital	1/31/2017	11/1/2007	24 Trailers	
Daimler Chrysler/Mercedes	9/15/2014	4/15/2007	10 Freight-liners	Leases are rejected. Debtor returned all vehicles in their possession (14) on or around July 11, 2015 after Debtor and creditor stipulated to the voluntary
Daimler Chrysler/Mercedes	12/15/2014	7/16/2007	5 Freight-liners	

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surrender.

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2	Daimler			7 Freight-	
3	Chrysler/Mercedes	5/15/2015	11/21/2007	liners	
4					
5	Daimler			8 Freight-	
6	Chrysler/Mercedes	7/15/2015	12/15/2007	liners	
7		06/30/19	07/01/14		Assume 36 month lease
8					for main office computers
9	IBM Credit LLC				entered from 7/1/2014
10					thru 6/30/19. Monthly
11		12/01/17	12/01/14		payment: \$1,398.20
12					Assume 36 month IT
13	Symmetry Manages				support service
14	Services, LLC				agreement to install,
15		03/01/18	03/25/15		maintain 19 computers
16					and server at main office
17	Symmetry Manages				from December 2014 thru
18	Services, LLC				December 2017. Monthly
19					payment: \$1,445.00
20					Assume 36 month lease
21					agreement for 24 main
22					office phones. From
23					3/25/2015 thru March,
24					2018. Monthly payment:
25					\$2,685.00

20 Other Leases and Executory Contracts. Debtor is not aware of any other
 21 unexpired leases or executory contracts. If any should be found to exist, it is rejected. A Proof
 22 of Claim for damages resulting from a rejection shall be filed within thirty (30) days after the
 23 entry or an order of the Court approving the rejection. Such claim shall be deemed allowed
 24 unless, thirty (30) days of service a copy of the Proof of Claim upon the Reorganized Debtor
 25 and its Counsel, an objection is filed. Each objection shall be determined by the Court as a
 26 contested matter under ("FRBP"), 9014. Any such Claim shall be added to the general
 27 unsecured class in the Plan.

ARTICLE VI
ALLOWANCE AND DISALLOWANCE OF CLAIMS

5.01 Disputed Claim. A disputed claim is a claim that has not been allowed or disallowed, and as to which either: (i) a Proof of Claim has been filed or deemed filed, and the Debtor or another Party in Interest has filed an objection; or (ii) no Proof of Claim has been filed, and the Debtor has scheduled such claim as disputed, contingent or unliquidated.

Additionally, some of the claims are subject to appeals or other slow processes to resolve the claim outside Bankruptcy Court, and those Claims are deemed disputed but may be resolved in the proper forum and shall not cause delay in closing this case and obtaining a final decree. For Claims in which there is some appeals or reconsideration process pending in another forum, the Debtor shall not be required to object to the claim in this case. Those claims will remain in dispute until resolved in their proper forum and confirmation of the Plan shall grant relief from stay for the purposes of resolving those disputed claims in another forum.

The following are such claims: [AIG Property Casualty, Inc. for \\$864,365 and American Express for \\$73,428,217.](#)

Claims also covered by Debtor's insurance shall not receive payments under this Plan unless and until final judgment or settlement has entered and only to the extent that insurance proceeds did not cover the judgment or settlement.

5.02 Delay of Distribution on a Disputed Claim. No distribution will be made on account of a disputed claim unless such claim is allowed by a Final Order, or resolution in the proper forum as to [American Express and AIG Property Casualty](#). Distributions shall begin on disputed claims the month after the resolution of the dispute.

5.03 Settlement of Disputed Claims. The Debtor will have the power and authority to settle and compromise a disputed claim with Court approval and compliance with Rule 9019 of the Federal Rules of Bankruptcy Procedure.

5.04 Deadline to File an Application to Approve an Administrative Claim. The **Deadline to File an Application to Approve Administrative Claim is 45 days** from the Effective Date of Plan Confirmation.

In re: Hendrickson Trucking, Inc.

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For a complete list of disputed claims, review schedule D, E, F of the official Bankruptcy Forms. ¶

Pilot Travel Centers, LLC Claim: Also disputed is the Pilot claim because Debtor holds a claim against Pilot that shall be adjudicated before distributions to or from Pilot can be made. Hendrickson Truck Lines shall assume liability of the 10% pro rata payment to Pilot as provided under the general unsecured class. HTL shall not make payment to Pilot until final resolution of the pending litigation Hendrickson v. Pilot Travel Centers, LLC, case no. 34-2014-00168738 has been resolved.

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1 include, without limitation, claims based on the avoiding powers contained in 11 U.S.C. §§ 544,
2 545 and 547 – 553, inclusive.

3 Section 6.05. Grace Period. Except belonging to the Estate. Except as
4 otherwise specifically provided in this Plan, actions required to be taken by the Reorganized
5 Debtor shall be accomplished as quickly as practicable after the Effective Date of the Plan.

6 Section 6.06. Post Confirmation Financing. Upon Confirmation of the Plan, TAB
7 Bank intends to finance the Accounts Receivable of Hendrickson Truck Lines Inc., and to close
8 the Accounts Receivable Financing Account to Hendrickson Trucking Inc., which was the
9 continued through Debtor in Possession Financing by agreement pending confirmation of this
10 Plan. Debtor hereby warrants and guarantees, and it is hereby authorized pursuant to
11 Confirmation of this Plan, that the Reorganized Debtor shall execute any documents
12 necessary to maintain at least the same level of collateralization in the Debtor's assets as the
13 Pre-Petition loan documents, UCC Lien, and Deed of Trust provided in securing the obligation
14 under the Accounts Receivable Financing.

15
16 **ARTICLE VIII**

17 **GENERAL PROVISIONS**

18
19 7.01 Definitions and Rules of Construction. The definitions and rules of
20 construction set forth in §§ 101 and 102 of the Code shall apply when terms defined or
21 construed in the Code are used in this Plan.

22 7.02 Effective Date of Plan. The Effective Date of this Plan is the fifteenth day
23 following the date of the entry of the Final Order of Confirmation. But if a stay of the
24 Confirmation Order is in effect on that date, the Effective Date will be the first business day
25 after that date on which no stay of the Confirmation Order is in effect, provided that the
26 Confirmation Order has not been vacated.

27 7.03 Severability. If, prior to Confirmation of the Plan, any term or provision of the
28 Plan is held by the Bankruptcy Court to be invalid, void or unenforceable, the Bankruptcy
Court, at the Debtor's request, shall have the power to alter or interpret such term or provision

In re: Hendrickson Trucking, Inc.

1 to make it valid or enforceable to the maximum extent practicable, consistent with the original
2 purpose of the term or provision held to be invalid, void or unenforceable, and such term or
3 provision held to be invalid, void or unenforceable, and such term or provision shall then be
4 applicable as altered or interpreted. Notwithstanding any such holding, alteration or
5 interpretation, the remainder of the terms and provisions of the Plan will remain in full force and
6 effect.

7 7.04 Binding Effect. The rights and obligations of any entity named or referred to
8 in this Plan will be binding upon, and will inure to the benefit of the successors or assigns of
9 such entity.

10 7.05 Election of § 1111(b)(2). An election of application of § 1111(b)(2) of the
11 Code by a class of secured creditors in a chapter 11 case may be made at any time prior to
12 the conclusion of the hearing on the Disclosure Statement or within such later time as the
13 Court may fix. If the Disclosure Statement is conditionally approved pursuant to Rule 3017.1,
14 and a final hearing on the Disclosure Statement is not held, the election of application of §
15 1111(b)(2) may be made not later than the date fixed pursuant to Rule 3017.1(a)(2) or another
16 date the Court may fix. The election shall be in writing and signed unless made at the hearing
17 on the Disclosure Statement. The election, if made by the majorities required by §
18 1111(b)(1)(A)(i), shall be binding on all members of the class with respect to the Plan.

19 7.6 Unmarked Ballots. Executed ballots respecting the Plan returned by Creditors
20 to the Debtor that do not indicate acceptance or rejection of the Plan shall be deemed an
21 acceptance.

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24 **ARTICLE IX**
25 **EFFECT OF CONFIRMATION**
26

27 8.01 Vesting of Property. On the Effective Date, all Property of the Estate will
28 vest in the Reorganized Debtor pursuant to § 1141(b), free and clear of all claims and interests
except as provided in the Plan. The Reorganized Debtor shall then transfer the Vested

In re: Hendrickson Trucking, Inc.

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1 Property to Hendrickson Truck Lines as provided for in this Plan. HTL thereafter shall be free
2 to run its day to day affairs without court intervention, buy and sell real and personal property,
3 hire and fire employees and contractors, amend its bylaws, enter into contracts and leases,
4 and any other afforded a Corporation acting under the laws of the State of California.

5 8.02 Plan Creates New Obligations. Except as otherwise stated in the Plan, the
6 payments promised in the Plan constitute new contractual obligations that replace those
7 obligations to creditors that existed prior to the Effective Date. Interest rates are set forth in the
8 Plan and if no interest rate is listed for a particular Claim or Class of Claims then the interest
9 rate is 0%.

10 8.03 Creditor Action Restrained. Creditors may not take any action to enforce
11 either pre-confirmation obligations or obligations due under the Plan, so long as the Debtor is
12 not in material default under the Plan. If the Debtor is in material default under the Plan,
13 affected creditors may take any action permitted under non-bankruptcy law to enforce the
14 terms of the Plan.

15
16 8.04 Material Default Defined. This provision applies if there is an absence of a
17 specific default provision in the Class treatment. If Debtor fails to make any payment, or to
18 perform any other obligation required under the Plan, for more than 30 days after the time
19 specified in the Plan for such payment or other performance, any member of a class affected
20 by the default may serve upon Debtor and Debtor's attorney (if any) a written notice of Debtor's
21 default. If Debtor fails within 30 days after the date of service of the notice of default either: (i)
22 to cure the default; (ii) to obtain from the court an extension of time to cure the default; or (iii) to
23 obtain from the Court a determination that no default occurred, then Debtor is in Material
24 Default under the Plan to all the members of the affected class.

25 8.05 Remedies Upon Material Default. Upon Material Default (subject to the
26 Notices and Right to Cure below), any member of a class affected by the default: (i) may,
27 without further order of the Court, pursue its lawful remedies to enforce and collect Debtor's
28 pre-confirmation obligations.

1 8.06 Notices and Right to Cure. An event of default shall occur if the Debtor fails
2 to comply with a material provision of this Plan. In such an event, the Party alleging such
3 default shall provide written notice of the alleged default to the Debtor per address listed at that
4 time at the secretary of state agent for service of process address, and the attorneys for the
5 Debtor served either: (a) certified mail, return receipt requested, or (b) hand delivery, or c)
6 reputable overnight courier service.

7 With email copy to:

8 Gabe Liberman: Gabe@4851111.com

Deleted: Anthony Hughes: Anthony@4851111.com

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10 If, after thirty (30) days following the Debtor's and its Counsel's receipt of the
11 written notice of default, the Debtor and such Party have been unable to resolve, or the Debtor
12 has been unable to cure, the asserted default, such Party may proceed with any remedies
13 available to it under applicable law, and the Venue shall be either the Sacramento Division of
14 the Eastern District Bankruptcy Court, or the Superior Court of California in the County of
15 Sacramento.

16 8.07 Quarterly Fees. Quarterly fees accruing under 28 U.S.C. § 1930(a)(6) after
17 confirmation shall be paid to the United States Trustee in accordance with that statute until
18 entry of a final decree, or entry of an order of dismissal or conversion to chapter 7.

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20 8.08 Closing Case, and Post-Confirmation Quarterly Report. As soon as
21 practicable under Rule 3022, the Debtor shall file a motion with the court to obtain a final
22 decree to close this bankruptcy case, unless good cause is shown to keep this case open. As
23 long as this case is not closed, the Debtor must file quarterly reports every 120 days explaining
24 what progress has been made toward substantial consummation of the confirmed Plan. The
25 status report must be served on the United States Trustee not later than twenty (20) days after
26 the expiration of the reported quarter.

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28 **ARTICLE X**

DISCHARGE

In re: Hendrickson Trucking, Inc.

9.01 Discharge. Except as specifically provided in the Plan

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and/or the Confirmation Order, as of the Effective Date, Confirmation shall discharge the Debtor and the Reorganized Debtor pursuant to section 1141(d)(1)(A) of the Bankruptcy Code from any and all Claims of any nature whatsoever, including any Claims and liabilities that arose prior to Confirmation, and all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not (a) a Proof of Claim based on such Claim was filed or deemed filed under section 501 of the Bankruptcy Code, or such Claim was listed on the Schedules of the Debtors, (b) such Claim is or was Allowed under section 502 of the Bankruptcy Code, or (c) the holder of such Claim has voted on or accepted the Plan. Except as provided for in the Plan and/or the Confirmation Order, the rights that are provided in the Plan as of the Effective Date shall be in exchange for and in complete satisfaction, settlement and discharge of all Claims against, liens on, and interests in the Debtor or the Reorganized Debtor or any Estate Property.

9.02 Injunction. From and after the Effective Date, and except as otherwise

provided for in the Plan, all Persons who have held, hold or may hold Claims, liens or interests against or in the Debtor are (i) permanently enjoined from commencing, conducting or continuing in any manner, directly or indirectly, any lawsuit, action or other proceeding of any kind against or affecting the Debtor (ii) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order, (iii) creating, perfecting or enforcing any lien or encumbrance against the Debtor or any property of the Debtor, (iv) asserting, maintaining or failing to withdraw any right of setoff, subordination, or recoupment of any kind, directly or indirectly, against any obligation due the Debtor, or any of the Debtor's property, and (v) taking any action in any place and in any manner whatsoever that does not conform to or comply with the provisions of the Plan.

By accepting distributions pursuant to this Plan, each Holder of an Allowed Claim will be deemed to have specifically consented to the injunctions provide for herein.

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Deleted: , its affiliates or any officer, director, member, shareholder, attorney or other professional or other representative of the Debtor (collectively, the "Released Parties"),

Deleted: 9.02 Exculpation and Release. As of the Effective Date, the Debtor and its ¶ respective present or former shareholders, officers, directors, affiliates, employees, accountants, advisors, attorneys, consultants, experts or other agents, and each of its members in their capacity as members and counsel shall not have or incur any liability to any entity for any act or omission taken on or after the Petition Date in connection with or arising out of the Chapter 11 Case, negotiation of the Plan or other related document, the attempt to obtain a Confirmation Order, the consummation of the Plan, the administration of the Plan or the property to be distributed under the Plan. The Debtor shall be entitled to rely upon the advice of counsel with respect to its duties and responsibilities under the Plan and any related document. In no event shall any Party exculpated from liability under this section be exculpated from liability in the case of gross negligence, fraud or willful misconduct. In addition, this shall not be construed to release from liability any guarantors from any debts of the Debtor's that were personally guaranteed.¶

Deleted: Pursuant to section 1125(e) of the Bankruptcy Code, the Confirmation Order will confirm that all of the persons who have solicited acceptances or rejections of the Plan (including the Debtor, its respective present or former officers, employees, accountants, advisors, attorneys, consultants, experts or other agents) have acted in good faith and in compliance with the applicable provisions of the Bankruptcy Code, and are not liable on account of such solicitation or participation or for violations of any applicable law, rule or regulation governing the solicitation of acceptances or rejections of the Plan.¶

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9.03 Exclusion. Article IX of this plan shall not apply to Mercedes-Benz Financial Services USA, LLC, or to its successors and assigns, with respect to any guaranty or guarantees of any indebtedness of the Debtor to Mercedes-Benz Financial Services USA LLC or any liability created by or related to such guaranty or guarantees¶

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ARTICLE XI.

BACKGROUND OF DEBTOR, EVENTS DURING THE CASE, RISK FACTORS

1. Background

William Hendrickson founded Hendrickson Trucking in 1976 and incorporated as an S-corporation on January 5, 1994. The company is based out of Sacramento, CA. The company had grown to become one of the stronger carriers along the west coast. In 2013, the state of California ruled Debtor’s owner operators as employees and assessed huge back withholding taxes, penalties and interest. This assessment is currently on appeal. Some of Debtors former owner operators also filed claims for unpaid wages as employees and Debtor lost through Labor Board hearings. Debtor did not have money to post bonds for appeal, and some of the owner operators had obtained judgments against the Debtor. This caused a swarm of lawsuits and tax debt and caused Debtor to become insolvent. The State of CA ruling had a domino effect causing further delinquencies.

The state of Oregon also conducted an audit on Debtors mileage taxes of prior years and assessed huge additional taxes, penalties and interest although Debtor disputes these assessments. During the appeal, the state of Oregon demanded full payments, and eventually suspended Debtors authority to run through Oregon earlier this year. Most of Debtors freight were running between L.A. area and Oregon and Washington. On or around January 1, 2015, Debtor hired Hendrickson Truck Lines, Inc. (the “Trucking Operations Company”). The Trucking Operations Company has the authority to run the trucks through Oregon and Debtor has licensed all their equipment through the Trucking Operations Company. Debtor does not and cannot operate in Oregon, and the loss of Oregon Operations would mean loss of any hope of Debtor to repay any of its debts. At the time the case was filed, Debtor could not operate as a trucking company. Debtor does not have any employees. Debtor owns trucks, trailers, and real property

1 which are all over encumbered, but the ability to use them has value. Although Debtor could
2 liquidate and priority claims would not be paid in full, and unsecured creditors would receive
3 nothing, Debtor is seeking reorganization whereby Debtor receives money in exchange for leasing
4 its trucks, trailers, and real property to Hendrickson Truck Lines. Hendrickson Truck Lines now
5 operates the same or similar trucking operation that Debtor used to.

6 Prior to the filing of this case, Debtor's main source of funded were provided by
7 Transportation Alliance Bank (TAB Bank) through account receivable financing. Factoring is a
8 transaction in which a business sells its accounts receivable, or invoices, to a third party
9 commercial financial company, also known as a "factor." This is done so that the business can
10 receive cash more quickly than it would by waiting 30 to 60 days for a customer payment.
11 Factoring is sometimes called "accounts receivable financing."

12
13 **2. Events during the case, present condition of the Debtor**

14 a. The Chapter 11 case was filed on June 19, 2015. Orders to shorten time were granted to
15 hear first day motions. Continuing similar financing (account receivable financing) to that which
16 Debtor was receiving pre petition from TAB bank was approved (thus creating DIP financing and
17 approving the pre petition cash management system).

18 b. A Creditor Committee was appointed and negotiations between the Debtor, Committee and
19 Secured creditors were ongoing. Initially Debtor presented a Plan which was to pay a small
20 percentage to the General Unsecured Class. The Committee negotiated to an increased dividend to
21 the Class as well as faster payment terms and a structure where default to the General Unsecured
22 Class would not be a risk. Debtor negotiated adequate protection payments to secured creditors
23 and has been current on its adequate protection payments.

24 c. Mercedes-Benz Financial Services USA, LLC (MBFS) filed its motion for relief from the
25 automatic stay regarding leases equipment, specifically freightliners. Debtor agreed to surrender
26 all remaining MBFS's equipment upon court approval of the motion for relief, which was granted.

27 d. Employment of Howard Nevins of Hefner Stark and Marois for the Committee and C.
28 Anthony Hughes of Hughes Financial Law for the Debtor were approved.

1 e. Flemmer and Associates was employed by the Committee as a forensic accountant to
2 review the financials of Debtor.

3 f. Employment of Montgomery Cobb as Special Counsel to Debtor for defending an audit by
4 the Oregon Dept. of Transportation was approved. Debtor contends that the ODOT assessed the
5 taxes based on sample data that was not representative of the actual taxes incurred. Historical
6 reference to the amount of taxes Debtor was incurring supports that the sample data is either
7 inaccurate or not representative of the rest of the audit period. A motion was subsequently filed
8 by the State of Oregon, Department of Transportation for relief from the automatic stay in
9 connection with this appeal. The specific determination the State of Oregon is determining is if
10 Debtor has an opportunity to appeal a final ruling after the audit became final by showing good
11 cause exists. [On or around October 25, 2016 Debtor successfully appealed the audit in question. As](#)
12 [a result, the priority portion of ODOT's claim will be reduced and the general unsecured portion](#)
13 [increased. Debtor's fourth plan filed on November 15, 2016 reflects the new adjusted numbers.](#)

14 g. An order to shorten time was granted to hear the motion to approve an interim stipulation
15 between the Debtor and PACCAR Financial Corp. for adequate protection payments. The court
16 thereafter granted the motion and the debtor has been timely making payments to PACCAR
17 Financial Corp. on a monthly basis of \$29,478.66 for use of truck equipment that is leased to
18 Hendrickson Truck Lines for operating the trucking business.

19 [h.](#) General Electrical Capital Corporation (GE) filed a motion for relief from the automatic stay
20 and motion to compel regarding commercial leases debtor had become delinquent by one month.
21 Prior to the hearing, Debtor became current on all defaults and attorney for GE confirmed there
22 were no delinquencies. The hearing was continued to September 27, 2016 at 2:30 p.m. for GE to
23 determine the treatment of their claim in debtor's plan. In addition, the Court ordered the debtor
24 to file a motion to approve the disclosure statement and set the hearing at the first available
25 hearing under

26 [i. On November 7, 2016 Debtor filed eleven motions to value various creditors holding liens](#)
27 [against debtor's real and personal property., docket control nos. CAH-11 through CAH-21. On](#)
28 [November 8, 2016 Debtor withdrew these motions due to inadvertently omitting evidence. On](#)

1 [November 8, 2016 Debtor refiled the motions. \(docket control nos. CAH-22 through CAH-32\) and](#)
2 [scheduled the court hearings for all motions for December 6, 2016 at 2:30PM.](#)

3
4 The New Entity -Hendrickson Truck Lines (HTL)

5 Operations of Debtor ceased prior to filing of this case but HTL maintains a condition
6 similar to Debtor's prior to ceasing operations. Debtor and Transportation Alliance Bank (TAB),
7 by court approved Debtor-in-possession financing, continue the same relationship they have had
8 since early 2015 which is as follows: Hendrickson Truck Lines performs trucking services and
9 generates an invoice owed by various large commercial clients. Collecting on the invoice takes
10 work and time. Neither Debtor nor Hendrickson Truck Lines have a collection department or
11 software and so Transportation Alliance Bank (TAB) is relied on to do all the collection work.
12 Debtor and Hendrickson Truck Lines also cannot wait for the payment on the invoice because
13 expenses need to be paid immediately. So TAB acts as a collection company and factoring
14 financing. Hendrickson Truck Lines assigns the invoice to TAB Bank and TAB immediately
15 disburses 90% of the invoice amount to Debtor (then about 7% in about 45 days once invoices are
16 collected while TAB retains about 3% as its admin/collection/financing fee). Debtor then uses the
17 money received from TAB to pay 1) Debts secured by its trucks, trailers, and real estate, and 2)
18 Hendrickson Truck Lines for its services in operating the trucking business. Said differently,
19 Hendrickson Truck Lines leases the trucks, trailers, real estate from Debtor.

20 The monthly operating reports filed only show Debtor simply receiving the money from
21 TAB coming in and a payment to secured debts and Hendrickson Truck Lines. The true
22 relationship between the two entities is more of a lessee lessor relationship, however because it is
23 the Debtor that obtains financing, it resembles the Debtor hiring Hendrickson Truck Lines to do
24 operations. The financing was left in place that way merely to maintain the status quo. On Plan
25 confirmation however, Hendrickson Truck Lines will obtain its own financing.

26 Since the filing of this case, operations by HTL have been running smoothly. HTL and
27 Debtor worked together during this case under an interim operating agreement. Debtor was not
28 able to continue its trucking operation, so HTL did the trucking operation but maintaining the

1 financing conduit through Debtor. Debtor had fired all its employees' pre petition who were hired
2 then by a co-employer relationship with PeopleLease and HTL.

3 HTL has been operating with an average monthly surplus of \$30,000 plus/minus. As of
4 November 15, 2016, HTL is holding \$172,399.12 in cash reserves. (For additional discussions on
5 HTL's feasibility see "Article XIII. Financial Projections and Feasibility")

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6 **3. Insiders of the Debtor**

7 William Hendrickson is the chairman, and is being consulted on major operation changes,
8 customer changes, business lane and rate changes, and making final decision on major equipment
9 purchases. He personally guarantees all company loans and leases.

10 Ward Hendrickson is son of the founder and has been with the company for over 30 years.
11 He is the president of the Debtor and 50% shareholder. He is responsible for day-to-day operation,
12 and he also personally guarantees all company loans and leases. He is also the president of HTL.

13 Alban Lang is the Vice President and CFO and is the signor of the Petition, and person most
14 knowledgeable.

15 All three are personally responsible for a portion of the trust fund taxes which are priority
16 taxes in this case. Ward and William are personal guarantors on much of the secured debt in this
17 case. Debtor's Accountant is Chuck Nicholson.

18 **4. Risk Factors**

19 a. General Risk of Operating a business. HTL (The Assignee/Purchaser of the Debtor's assets
20 is in the trucking industry. At any time large clients can leave and use competitor's services. If
21 HTL were to lose a certain portion of its business without replacing it with new business, then it
22 would become unfeasible to make the plan payments. This risk is mitigated by a track record of
23 performance for dozens of years, and that it was only the State of California's unfair determination
24 of employee status that caused the debt, not Debtor's mistakes.

25 b. Compensating Piece-Rate Workers for Rest and Recovery Periods and Other
26 Nonproductive Time

27 Effective January 1, 2016, AB 1513 adds a new section 226.2 to the Labor Code concerning
28 how to compensate piece-rate workers for mandated rest and recovery periods and other work

1 time that does not generate piece-rate earnings. Piece-rate compensation is based on paying a
2 specified sum for completing a particular task or making a particular item.

3 This administration-sponsored law does two things.

- 4 • Going forward, it establishes pay requirements for mandated rest breaks, recovery periods
5 and other nonproductive time, including related wage stub requirements.
- 6 • Looking backward, it provides a short window of time for employers to make back wage
7 payments to workers for previously uncompensated or undercompensated rest and
8 recovery periods and other nonproductive time in exchange for relief from statutory
9 penalties and other damages.

10 The risk to debtor is the look back period which is unknown if an employee would file a
11 claim under this bill. Currently, there is a temporary restraining order against AB1513.

12 In addition, AB 1513's "Safe Harbor" for Past Violation creates an affirmative defense to wage
13 claims for employers that follow the law's very specific "safe harbor" provisions. To come within
14 the safe harbor, employers must (1) provide written notice of their intent to utilize the safe harbor
15 procedures by no later than July 1, 2016, and (2) pay employees for all previously uncompensated
16 rest and recovery periods and other non-productive time, plus interest, for the period from July 1,
17 2012, through December 31, 2015, by December 15, 2016.

18 1. Disputed Claims. Debtor is disputing the filed claims of AIG Property Casualty, Inc. (POC no.
19 26, filed on 10/20/15) for \$864,365.00 and American Express Travel Related Services Company,
20 Inc., (POC No. 19 filed on 10/12/15) for \$73,428.17. Debtor will be filing objections to both claims.

21 Debtor disputes American Express' claim on the basis that the entire amount provided for
22 in their claim had been paid off before the filing of this case, outside the preference period.

23 Debtor disputes AIG's claim on the basis that the AIG policy was written for multi-state
24 coverage, requiring Debtors to report wages by state and paying premium by state premium rate.
25 AIG reported all claims to CA no matter what state the employee's payroll were reported,
26 artificially increasing the CA experience mod and attempting to charge Debtor additional
27 premiums at the end of the policy year based on the CA new premium rate instead of premium
28 rate of various states.

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 2 The risk is if Debtor is unsuccessful in prevailing in both objections is the claims will added
 3 back in the general unsecured creditors class 1 and paid 10% with the rest of the unsecured
 4 claims. This will increase the payment to unsecured pro-rata payment by \$93,779.32 or from
 5 \$676,212.86 to \$769,992.18. This additional amount would modify the payment to unsecured.
 6 Based on the projected financials, Debtor would be able to make the additional \$93,779 without
 7 disbursing the payment structure to other creditors. Below is a breakdown of the current
 8 proposed plan and a hypothetical payment plan.

9 The current plan treatment for general unsecured creditors is as follows:

Propose to pay 10% of claims	<u>\$ 676,212</u>	
<u>Based on effective Plan date of March 2017</u>		
<u>Payment 1 - First 90 days (May 2017)</u>	<u>\$ 300,000.00</u>	<u>44%</u>
<u>Payment 2 - Nov 2017</u>	<u>\$ 150,000.00</u>	<u>22%</u>
<u>Payment 3 - March 2018</u>	<u>\$ 150,000.00</u>	<u>22%</u>
<u>Payment 4 - June 2018</u>	<u>\$ 76,212</u>	<u>11%</u>

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15
 16 The plan treatment with both disputed claims added in:

<u>Propose to pay 10% of claims - Class 1</u>	<u>\$769,992</u>	
<u>Based on effective Plan date of March 2017</u>		
<u>Payment 1 - First 90 days (May 2017)</u>	<u>\$ 300,000.00</u>	<u>39%</u>
<u>Payment 2 - Nov 2017</u>	<u>\$ 150,000.00</u>	<u>19%</u>
<u>Payment 3 - March 2018</u>	<u>\$ 150,000.00</u>	<u>19%</u>
<u>Payment 4 - June 2018</u>	<u>\$ 169,991.00</u>	<u>57%</u>

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23 **ARTICLE XII.**

24 **ASSETS AND VALUATION, LIQUIDATION ANALYSIS, FRAUDULENT OR PREFERENTIAL**

25 **TRANSFERS**

26 Creditors may be entitled to receive as much under a Chapter 11 Plan of Reorganization as
 27 they would under a Chapter 7 liquidation. 11 U.S.C. § 1129(a)(7). In a Chapter 7 liquidation, the
 28 Debtor's assets would be liquidated.

1 All trucks, tractors, and trailers owned by Debtor are worth less than the amount of debt
2 owed against them, and thus would not bring any net funds in a liquidation.

3 Business goodwill: All 'Goodwill' flowed through the booking agents who were not bound
4 by 'Non-Competitive' employment clauses. Therefore, there was no business Goodwill. Further, in
5 the trucking industry there is customer turnover, so a trucking company will lose clients and must
6 vigorously pursue new clients. There would be no advantage to a competitor in purchasing
7 Debtor over merely marketing to the same customers through their own sales persons.

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8 Customer List: Debtor has no long-term contracts. Debtor has a small non-exclusive
9 customer list but the large customers are well known businesses, thus the list has no value. For
10 example, anyone can contact FedEx and become a contract trucking company for them. Further,
11 the accounts are managed by salesmen that have the relationship with the customers and there is
12 no non-competition agreement with the salesman, thus the salesman were free to leave and
13 contact the customer from a different company.

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14 Name of Debtor: The name of Debtor "Hendrickson" is known in the industry and trusted
15 solely because of the reliability of its President Ward Hendrickson. His last name would follow
16 him to any future business venture, thus it is his Person that carries the value, the name without
17 the Person has no value. Further the name itself is of negligible value as the nature of the Trucking
18 Industry as to larger Clients gives value to current performance not name recognition.

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19 Thus there is no value in the goodwill, customer list or name of Debtor.

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20 Debtor made its money from handling a very large volume of trucking, not from any
21 premium associated with the name or customer list.

22 The various licenses Debtor had to run the business with various agencies do not have any
23 liquidation value.

24 There was minimal money in the Debtor's bank account on the date of the filing of the case.

25 Hendrickson Truck Lines, Inc. is a related entity not in Bankruptcy. Hendrickson Truck
26 Lines is using assets which belong to Debtor.

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27 That leaves the following assets that may have value in a liquidation:

28 **1) Notes owed to Debtor by its shareholders:**

1 Debtor initially listed in its schedules Notes owed by Ward and Bill Hendrickson. Whether they
2 were notes or income was debatable at the time, but subsequently the IRS classified as income,
3 thereby eliminating the Note obligation theory. But for in depth analysis on why even if the IRS
4 did not change its classification, the Notes would still be difficult to assert liability: Ward
5 speculates that Persons responsible for running \$30 million per year trucking companies make in
6 excess of \$250,000 per year. Ward has been working for the last 10 years for Hendrickson
7 Trucking Inc. for the discounted averaged compensation of \$157,465. This Plan approaches the
8 issue of the Notes below that they were in fact part of the compensation package. Creditors can
9 take an alternate position to attempt to prove in a hypothetical lawsuit there would be value in the
10 claims and thus liquidation value in a hypothetical Chapter 7 case liquidation. Ward is willing to
11 continue working for the Debtor for the benefit of supporting the Plan performance at his reduced
12 compensation to the extent necessary to aid in feasibility. Ward contends this concession far
13 exceeds any remote benefit that could ever be obtained by taking any position against his
14 contention that the notes are part of his compensation package.

15
16 Notes payable (2) to Debtor from Ward Hendrickson:

17 $\$159,012.00 + \$170,962.00 = \$329,974.00$

18 This approach was a tax deferral technique. The amount was actually compensation paid as a loan
19 instead of payroll or dividend.

20 Nearly all of the earliest advances prior to the advances to pay taxes were actually loan
21 repayments (offsets), to pay back loans from the insider to the debtor.

22 A 10 year analysis of compensation and advances/loans results in an average compensation to
23 Ward of \$157,465 which corroborates his understanding that the loans were part of his
24 compensation and not enforceable against him as there was no consideration and no money was
25 actually borrowed.

26
27 Notes payable (3) to Debtor from William Hendrickson:

28 $\$320,924.00 + \$208,058.00 + \$106,762.00 = \$635,744.00$

In re: Hendrickson Trucking, Inc.

1 This approach was a tax deferral technique. The amount was actually compensation paid as a loan
2 instead of payroll or dividend.

3 Nearly all of the earliest advances prior to the advances to pay taxes were actually loan
4 repayments (offsets), to pay back loans from the insider to the debtor.

5 A 10 year analysis of compensation and advances/loans results in an average compensation to William of \$159,142
6 which corroborates his understanding that the loans were part of his compensation and not enforceable against him
7 as there was no consideration and no money was actually borrowed.

8 **HENDRICKSONS WAGES ANALYSIS 6/16/15**

9

10 **William Hendrickson**

11 YEAR	WAGES	LOAN TO CO	ADVANCE FROM CO	TOTAL
12 2004	112,756	(248,535)	27,850	(107,929)
13 2005	109,928	-	100,888	210,816
14 2006	109,928	-	175,867	285,795
15 2007	112,000	-	114,710	226,710
16 2008	30,000	-	81,519	111,519
17 2009	-	-	175,817	175,817
18 2010	-	-	232,338	232,338
19 2011	39,000	-	117,972	156,972
20 2012	78,000	-	43,000	121,000
21 2013	78,000	-	91,899	169,899
22 2014	78,000	-	89,621	167,621
23	747,612	(248,535)	1,251,481	1,750,558
24	William Hendrickson average compensation per year			159,142

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In re: Hendrickson Trucking, Inc.

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Ward Hendrickson					
YEAR	WAGES	LOAN TO CO.	ADV FROM CO	TOTAL	
2004	97,676	-442,023	12,250	-332097	
2005	109,928		247,819	357,747	
2006	156,000		130,867	286,867	
2007	160,000		37,426	197,426	
2008	104,000		34,719	138,719	
2009	104,000		37,088	141,088	
2010	104,000		271,828	375,828	
2011	104,000		29,137	133,137	
2012	104,000		8,314	112,314	
2013	105,117		8,408	113,525	
2014	184,628		22,928	207,556	
	1,333,349	-442,023	840,784	1,732,110	
Ward Hendrickson average compensation per year				157,465	

2. Cause of Action: Hendrickson v. Pilot Travel Centers, LLC

Debtor is providing a hypothetical liquidation analysis of the Pilot claim only disclosure purposes but does not intend on pursuing the claim. Debtor does not have the resources to continue to litigate the matter and will be dismissing the lawsuit with prejudice and providing Pilot's claim as a general unsecured class. Debtor believes this is the best interest for all parties and allows them the ability to move forward towards a successful reorganization.

Prior to the filing of this bankruptcy, on September 9, 2014, Debtor filed a complaint against Pilot in the Superior Court of California, Sacramento County claiming fraudulent "rebate" and "cost plus" discount billing of diesel direct fuel sales to small and mid-size trucking companies. The requested damages exceeded \$2.3 million. Case no.: 34-2014-00168738..

Currently, the lawsuit, as a result of the bankruptcy filing has halted due to the administrative

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1 [expenses that would have been required to move forward. Debtor required all of its resources to](#)
2 [file this bankruptcy and had to pick its battles of retaining counsel to file this bankruptcy or press](#)
3 [forward against Pilot.](#)

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5 Pilot had deprived Debtor of rebates due to Debtor on fuel purchases. Class action was
6 filed and class was paid but Hendrickson contends didn't get notice and doesn't cover all the
7 claims completely.

8 Market value of the claim is much less than the actual claimed amount in the lawsuit due to
9 cost of litigation, time value of money, collectability, etc.,
10 Pilot argues that subject matter was already the subject of a class action lawsuit that was already
11 settled. If the court were to find that true, then the claim is invalid.

12 Amount listed as market value of the claim in the schedules (\$1,021,896.04) shall in no way
13 limit the amount Debtor may seek from Defendant. The amount listed can be interpreted as the
14 liquidation value of the claim meaning what it may net in a settlement or what the claim may be
15 able to be sold for. Debtor reserves the right to sue Pilot for \$25 million to include punitive
16 damages, compound interest, etc. Pursuant to the terms of the Assignment of Assets and
17 Assumption of Liabilities Agreement between Debtor and Hendrickson Truck Lines, Inc., Debtor
18 assigns its rights of this claim to Hendrickson Truck Lines, Inc.

19 Recently, a Federal Indictment was filed against Pilot relating to this claim (Case 3:16-cr-
20 00020-ART-HBG Document 3 Filed 02/03/16 Page 13, 14, 15 of 58). There may be certain
21 advantages to Debtor from this act. Among them, Hendrickson as a "victim of Pilot" may well be
22 brought forth in the Federal Court criminal investigation and litigation as other companies are,
23 and are presently named. Secondly there is information that could be provided the Federal Bureau
24 of Investigation which would assist in the prosecution of the criminal case, and in exchange the
25 FBI may help in prosecution of the civil case. Thirdly the timing may be right to find the named
26 defendants, in the civil litigation, more interested in criminal charges than the civil litigation thus
27 desires to bring it to a quick resolution. Finally, the natural persons of the litigation may seek a
28

1 stay pending the criminal matter which we could use to our advantage in preserving statutory
2 limitations, i.e., the time in which to bring the case to trial.

3 Debtor does not believe an Attorney would represent them on a contingency fee basis, and
4 the cost of litigating a claim of this size against a company as large as Pilot would be very
5 expensive. Pilot's informal response to the claim is that the claim was already adjudicated and
6 compensation already paid pursuant to a class action settlement. Debtor contends they didn't get
7 notice of any class action settlement, and that although there was a class action settlement, it did
8 not settle the specific cause of action and damages Debtor alleges.

9 In a hypothetical Chapter 7 liquidation there would be significant administrative costs
10 which come out of the sale proceeds prior to paying creditors. This includes Trustee fees,
11 Accountant fees, and Attorney fees. Here is the trustee fee scale:

12 25% of the first \$5,000 disbursed
13 10% of the next \$45,000
14 5% of the next \$950,000, and
15 3% of anything over \$1,000,000.

16 Due to the fact that there is a legitimate dispute in the Hendrickson v. Pilot case, and the
17 lack of any other assets with net equity, it is estimated that the amount of money resulting from a
18 liquidation would be less than the \$1.47 million dollars in priority debt owed in taxes. **Because**
19 **the priority debt gets paid first, and the priority claims exceed the \$1.47 million, there**
20 **would be no funds left to pay general unsecured creditors.**

21 _____
22 **3. Fraudulent Transfers**

23 Another source of recovery for the Bankruptcy Estate is Fraudulent Transfers. A
24 fraudulent transfer occurs when the Debtor transfers assets to another entity without adequate
25 consideration at a time when Debtor is insolvent. Debtor transferred its employees including its
26 booking agents to Hendrickson Truck Lines Inc. Debtor leased its over encumbered equipment
27 and property to Hendrickson Truck Lines Inc. This was done at a time when Debtor was insolvent.
28 The issue is whether adequate consideration was paid. As to the over encumbered assets such as

1 trucks, trailers, and the real property, those assets are being leased to Hendrickson Truck Lines.
 2 Hendrickson Truck Lines assumed the payments on the upside down assets which is a benefit to
 3 Debtor because if those assets were not leased to a viable entity, there would not be any funds to
 4 make the payments on them resulting in repossession and foreclosure and massive deficiencies.
 5 The estimated deficiencies would be in excess of the current amount that becomes an unsecured
 6 debt in this case as a result of bifurcation of the claim. Thus in a repossession or foreclosure
 7 situation, the general unsecured debt pool would be further diluted with a greater amount of Debt
 8 resulting in even less distribution to each creditor. As to the business goodwill, there is no value
 9 in the business goodwill. Instead what transferred was the employees who are booking agents
 10 and have the relationship with the clients. However those booking agents are not under any non-
 11 compete clause and they are free to go to any other company and bring the clients with them. In a
 12 liquidation situation, the booking agents would immediately disburse to other competing
 13 companies and in a matter of days if not hours, All of Debtor's business would distribute to
 14 competitors.

15 Hendrickson Truck Lines is assuming all Debtor's obligations under the plan which include,
 16 the lump sum payment to the general unsecured class, payments to priority claims and secured
 17 claims. In summary, Hendrickson Truck Lines is responsible for making the plan payments and
 18 will be liable for any defaults as well.

19 See Exhibit A, Assignment of Assets and Assumption of Liabilities Agreement attached
 20 hereto.

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21
 22 4. Preference Payments

23 A final source of recovery for a Bankruptcy Estate is Preference payments. Preference
 24 payments are when a creditor is paid before the Bankruptcy Petition is filed in a situation which
 25 makes it unfair that creditor was paid and instead warranting the recovery of those funds to
 26 distribute evenly.

27
 28

Party	Description	Face Value	Market Value
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1	Ricardo Allen	Preferential payment to Ricardo Allen, who is an unsecured creditor. Ricardo Allen v. Hendrickson Trucking, Inc. Case No. 34-2014-00166060-CU-OE-GDS, where creditor obtained judgment on August 19, 2014	\$10,000	\$10,000.00
2				
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5	Internal Revenue Service	Preferential payment to IRS on a priority claim.	\$90,000.00	\$0.00
6				
7	Transport Alliance Bank	Preferential payment to Transport Alliance Bank on a secured claim. These payments were made to TAB Bank based on ordinary payments of services, which falls outside a preference action. 11 USC 527 (c)(2)¹.	\$192,723.00	0
8				
9				
10				
11	Hendrickson Truck Lines, Inc.	Preferential payment to Hendrickson Truck Lines, Inc. for ordinary payments of services. Debtor does not intend on pursuing the preference payments made to Hendrickson Truck Lines (HTL). These payments were made to HTL based on ordinary payments of services, which falls outside a preference action. 11 USC 527 (c)(2).	\$11,754,486.00	0
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18	Daimler Chrysler Financial Services	Preferential payments on deficiency claims for repossessed/returned Trucks in 2011**	\$50,209.00	\$50,209.00
19				
20	Omotayo Fasuyi	Preferential payments to Omotayo Fasuyi, who is an unsecured creditor. Omotayo Fasuyi v. Hendrickson Trucking, Inc. case No. 34-2011-00103314 for settlement of an employee wage claim dispute.	\$2,500.00	\$2,500.00
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¹ 11 USC 547 (c)(2)(A) states: ~~(c)The trustee may not avoid under this section a transfer-~~ ~~(2)to the extent that such transfer was in payment of a debt incurred by the debtor in the ordinary course of business or financial affairs of the debtor and the transferee, and such transfer was-~~ ~~(A)made in the ordinary course of business or financial affairs of the debtor and the transferee~~

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28	American Recovery Service	Preferential payments to American Recovery Service for settlement of deficiency claim on Kenworth Trucks 3-4 years ago	\$7,500.00	\$7,500.00
	Michael Clark	Preferential payment to Michael Clark, who is an unsecured creditor. Michael Clark v. Hendrickson Trucking, Inc. Case No. 34-2012-00124697, where creditor obtained judgment on November 30, 2014	\$2,700.00	\$2,700.00

ARTICLE XIII.

FINANCIAL PROJECTIONS AND FEASIBILITY

a. Source of income of Debtor

The Debtor will not have any income. Instead, Debtor is assigning its assets to HTL. Thus it is the income of HTL that Priority Claims may want to look to when analyzing feasibility.

b. Payments summary under the Plan

Here are the total payments outgoing between Debtor and HTL under this Plan:

- Priority tax payments: estimated at \$27,015 per month for months 1-16. \$45,131 for months 17-24 and \$63,988 for months 25-48.
- Secured debt payments: estimated at \$62,293.14 per month
- Administrative costs, accounting, misc. paid in monthly installments of \$5,000 after the effective date of plan confirmation and paid until claims are paid in full.
- General Unsecured Class #1 Dividend of 10% - Debtor shall pay the 10% in four installments. Debtor's post-confirmation budget provides a cash surplus during the first 16 months of plan confirmation. The initial payment of \$300,000 is based on debtor's surplus of \$30,000 each month preceding confirmation plus \$172,399.12 currently held in HTL's account as of November 15, 2016. Debtor projects the effective date of the plan to be March 2017 and based on the budget surplus the following lump sum payments will be distributed as follows:

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	<u>Payment</u>	<u>Percentage of Claims Paid</u>

1	Payment 1 - May 2017 (3 months after confirmation)	\$ 300,000.00	44%
2	Payment 2 - Nov 2017 (9 months after confirmation)	\$ 150,000.00	22%
3	Payment 3 - March 2018 (13 months after confirmation)	\$ 150,000.00	22%
4	Payment 4 - June 2018 (16 months after confirmation)	\$ 76,212	11%

5 [See Exhibit D-For more details regarding the projected distribution schedule to general unsecured creditors and cash on hand and surplus.](#)

6 **C. Financial Projections**

7 **HISTORICAL PERFORMANCE FIRST:**

8 Although customers of the Debtor turned over many times as the contracts with them are
 9 month to month, the principals of Debtor were able to maintain the solvency of the business
 10 through their skill and experience for dozens of years. Those same principals will continue to be
 11 involved in HTL.

12 Although the structure of Debtor and the relation to its affiliate Hendrickson Truck Lines
 13 has changed, the actual gross income and expenses across both remains similar during this case,
 14 and after confirmation, the financials of HTL will continue Debtor's historical track record. Thus
 15 referencing historical data also reflects projections.

16 Below is the six month historical financials of 2016 for Hendrickson Truck Lines, Inc.:

17	Hendrickson Truck Lines, Inc.	
18		First 6 month 2016
19		
20	Cash Receipts from Hendrickson Trucking	10,799,116
21	Total receipts	10,799,116
22		
23	Cash payments:	
24	Peoplease employee wages & taxes	3,623,952
25	Ward Hendrickson wages	81,000
26	Alban Lang wages	81,000

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1	William Hendrickson wages	12,000
2	Kaiser health insurance	309,556
3	Fuel & oil	2,048,169
4	Maintenance	1,647,946
5	Taxes & licensing	450,261
6	Insurance	501,003
7	Equipment rent & purch transportation	1,019,249
8	Office equip & terminal rents	106,017
9	Safety & recruiting	174,063
10	Communication & utilities	99,819
11	Misc admin expenses	28,220
12	Property SBA loan	30,516
13	TAB loans	109,284
14	Paccar loans	176,874
15	GE leases	129,282
16	Trustee fee	9,750
17	Legal fee	30,000
18	Total Cash Disbursements	10,667,961
19		
20		
21	Net cash flow	131,155

22
23 A major change between pre bankruptcy financials and post confirmation projections is
24 that no longer will HTL be expending substantial funds on attorney fees defending dozens of legal
25 actions which will free up funds for the Plan in order to improve feasibility.

26
27 Prior to the petition date, Debtor were making payments to the following Secured creditors:
28

	EQUIPMENT	MATURE DATE	LOAN BALANCE	MONTHLY PAYMENT
BANK LOANS:				
TAB Bank	Property	5/15/2014	1,816,191.97	18,241.00
TAB Bank	Equip Line of Cr	auto renewal	681,034.93	46,000.00
TAB Bank	A/R line of credit	auto renewal	2,592,156.59	9,180.55
Coleson Investment SBA loan	Property (SBA)	2/1/2021	292,661.69	5,281.78
EBC Asset Invest (Omni Bank by FDIC)	0753496-545 trailers	9/1/2018	367,037.00	7,000.00
PACCAR Financial Corp.#1	6 Kenworths	4/8/2017	245,579.41	8,701.15
PACCAR Financial Corp. #2	7 Kenworths	4/22/2017	287,000.51	10,168.75
PACCAR Financial Corp. #3	7 Kenworths	5/14/2017	308,188.05	10,608.76
BANK LEASES:				
Mercedes-Benz Financial Services LLC	10 Freightliners	9/15/2014	lease	12,434.08
Mercedes-Benz Financial Services LLC	5 Freightliners	12/15/2014	lease	6,951.98
Mercedes-Benz Financial Services LLC	7 Freightliners	5/15/2015	lease	10,388.53
Mercedes-Benz Financial Services LLC	8 Freightliners	7/15/2015	lease	13,212.88
GE Capital	25 trailers	1/1/2017	lease	7,602.24
GE Capital	24 trailers	1/1/2017	lease	6,835.27
GE Capital	24 trailers	1/1/2017	lease	7,109.34

Post Confirmation Budget

The Debtor has provided projected financial information. Those projections are listed in Exhibit D Cash Surplus Report and Exhibit E -Post Confirmation Budget. The Debtor's financial projections show that the Debtor will have an aggregate monthly average cash flow, after paying operating expenses and post-confirmation obligations to pay the proposed priority tax claims, secured claims and the general unsecured class while maintaining a cash surplus for distribution

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1 to the general unsecured class 1,

2
3 **ARTICLE XIV.**
4 **TAX DISCLAIMER**

5 Under the Internal Revenue Code of 1986,as amended (the "Tax Code"), there may be
6 significant federal and state income tax issues for the Reorganized Debtor and its shareholders
7 arising under the plan described in this Disclosure Statement. It is not practical to present a
8 detailed explanation of al of the possible federal income tax ramifications of the Plan. The
9 following is only a summary discussion of certain significant consequences which may affect
10 claimants. This summary is based upon laws, regulations, rulings, and decisions now in effect and
11 upon proposed regulations, all of which are subject to change (possibly with retroactive effect) by
12 legislation, administrative action, or judicial decision.

13 Under present law, there is uncertainty surrounding many of the tax consequences
14 discussed below. For such reason or otherwise, the tax consequences of certain aspects of
15 transactions involving the Debtors or the Plan may be subject to administrative or judicial
16 interpretations that differ from the discussion below. Further, this summary does not discuss all
17 aspects of the Tax Code or of federal, state or local taxation that may be relevant t a particular
18 claimant. The federal income tax consequences to any particular claimant may be affected by
19 special considerations not discussed below. In addition to the federal income tax consequences
20 discussed below, the transactions contemplated in the Plan may have significant state and local
21 tax consequences which are not discussed herein. Neither a ruling from the Internal Revenue
22 Service (the "IRS") nor an opinion of Counsel has been requested with respect to the federal
23 income tax consequences of the Plan.

24 **ACCORDINGLY, ALL CLAIMANTS ARE URGED TO CONSULT THEIR TAX ADVISORS**
25 **CONCERNING THE FEDERAL, STTE AND LOCAL-TAX CONSEQUENCES OF THE PLAN ON THEIR**
26 **CLAIM(S). NEITHER THE DEBTOR, NOT ITS COUNSEL MAKES ANY REPRESENTATIONS**
27 **REGARDING THE PARTICULAR TAX CONSEQUENCES OF CONFIRMATION AND**
28 **CONSUMMATION OF THE PLAN AS TO ANY CLAIMANT. THE DEBTOR AND ITS COUNSEL IS**
NOT RENDERING ANY FORM OF LEGAL OPINION AS TO ANY TAX CONSEQUENCES.

THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PLAN ARE
COMPLEX AND, IN MANY AREAS, UNCERTAIN. THE FOREGOING IS INTENDED TO BE A
SUMMARY ONLY AND AS SUCH, DOES NOT DISCUSS ALLASPECTS OF FEDERAL INCOME

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PROJECTED INCOME AND EXPENSES AND PLAN PAYMENTS OF HENDRICKSON TRUCK LINES (HTL) FINANCIALS¶

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¶ THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND, IN MANY AREAS, UNCERTAIN. THE FOREGOING IS INTENDED TO BE A SUMMARY ONLY AND AS SUCH, DOES NOT DISCUSS ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF A CLAIM IN LIGHT OF ITS PARTICULAR CIRCUMSTANCES. THE FOREGOING SHOULD NOT BE CONSIDERED TAX ADVICE AND IT IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. ACCORDINGLY, EACH CLAIMANT IS URGED TO CONSULT WITH THEIR OWN TAX ADVISOR REGARDING THE POTENTIAL TAX CONSEQUENCES TO SUCH HOLDER.

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TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF A CLAIM IN LIGHT OF ITS PARTICULAR CIRCUMSTANCES. THE FOREGOING SHOULD NOT BE CONSIDERED TAX ADVICE AND IT IS NOT SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. ACCORDINGLY, EACH CLAIMANT IS URGED TO CONSULT WITH IT OWN TX ADVISOR REGARDING THE POTENTIAL TAX CONSEQUENCES TO SUCH HOLDER.

///
///
///

Respectfully submitted, HUGHES FINANCIAL LAW

Dated: November 15, 2016

/s/ Gabriel E. Liberman
Attorney for Debtor

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ATTACHMENTS:

Exhibit A - Assignment of Assets and Assumption of Liabilities Agreement between Debtor and Hendrickson Truck Lines, Inc.

Deleted: Exhibit A - Copy of Complaint filed in Hendrickson v. Pilot Travel Centers, LLC¶

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Exhibit B - Hendrickson Truck Lines Tractor and Trailer list: to show what equipment of Debtor HTL continues to use versus its own assets.

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Exhibit C - Class 1 Creditors Claim List

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Exhibit D - The projected distribution schedule to general unsecured creditors and cash on hand and surplus

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Exhibit E - Debtor's projected 60-month post-confirmation budget

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