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7  
8 UNITED STATES BANKRUPTCY COURT  
9 WESTERN DISTRICT OF WASHINGTON, SEATTLE DIVISION

10 In re:

11 J L LEASING & TRANSPORTATION,  
12 INC.,

13 Debtor and Debtor-in-Possession.

No. 15-13813-MLB

14 **DEBTOR'S SECOND AMENDED**  
15 **DISCLOSURE STATEMENT**

16 **IMPORTANT: THIS DISCLOSURE STATEMENT CONTAINS INFORMATION**  
17 **WHICH MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE**  
18 **DEBTOR'S PROPOSED PLAN OF REORGANIZATION AND ALL AMENDMENTS**  
19 **THERETO. PLEASE READ THIS DOCUMENT WITH CARE. THIS DOCUMENT**  
20 **SUMMARIZES THE TERMS OF THE DEBTOR'S PROPOSED PLAN AND ALL**  
21 **AMENDMENTS THERETO. THE DEBTOR WILL CONTINUE TO NEGOTIATE**  
22 **PAYMENT TERMS WITH ITS CREDITORS, AND THE SPECIFIC TREATMENT OF**  
23 **CLAIMS MAY CHANGE AS A RESULT, BUT THE DEBTOR BELIEVES THAT THE**  
24 **PAYMENT TERMS WHICH THE DEBTOR WILL ASK THE COURT TO APPROVE**  
25 **WILL NOT BE LESS FAVORABLE THAN THOSE DESCRIBED HEREIN.**

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## I. INTRODUCTION

J L Leasing & Transportation, Inc. (“Debtor”), submits this Second Amended Disclosure Statement (“Disclosure Statement”) in support of Debtor’s Plan of Reorganization and all amendments thereto (the “Plan”).

This Disclosure Statement contains information with respect to the Debtor and its proposed Plan. Pursuant to §1125 of the Bankruptcy Code (“Bankruptcy Code” or “Code”), this Disclosure Statement is being distributed to you by the Debtor along with a copy of the Plan to allow you to make an informed decision in exercising your right to accept or reject the Plan. The Debtor seeks to provide you, in this Disclosure Statement, information of a kind, and in sufficient detail, as far as is reasonably practicable under the circumstances, that would enable a hypothetical reasonable investor to make an informed judgment about the Plan. In the event of inconsistencies between the Plan and the Disclosure Statement, however, the terms of the Plan shall control.

The only representations that are authorized or which may be made concerning the Debtor, the value of assets, or the Plan, are contained in this Disclosure Statement. The financial information contained herein has not been subjected to an audit by an independent certified public accountant. For that reason, the Debtor is unable to, and therefore do not, warrant or represent that the information contained in this Disclosure Statement is without inaccuracy. However, great effort has been made to ensure that all such information is fairly represented.

The Debtor urges you to accept the proposed Plan of Reorganization and, in the event you are entitled to vote, to return your completed Ballot promptly so that your vote will be counted.

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## II. DEFINITIONS

Terms used in this Disclosure Statement not specifically defined herein or in the Bankruptcy Code shall be defined as set forth in the Plan, which accompanies this Disclosure Statement. In particular, capitalized terms shall have the meanings prescribed for such terms in Article I of the Plan.

## III. EXHIBITS AND PROCEDURE

Accompanying this Disclosure Statement are copies of:

1. The First Amended Plan (“Plan”), Exhibit 1 annexed hereto;
2. Ballots for acceptance or rejection of the Plan, Exhibit 2 annexed hereto, and a self-addressed, stamped envelope;
3. Post-petition income statement attached as Exhibit 3;
4. July of 2016 Monthly Financial Report, attached as Exhibit 4.
5. Valuation of assets, attached as Exhibit 5.

After carefully reviewing the Plan, including all attachments thereto, and this Disclosure Statement and its exhibits, please indicate your vote on the enclosed Ballot and return it in the envelope provided and a copy via facsimile to 206-340-2563, Attn: Danial D. Pharris or via email to pharris@lasher.com. If you have a claim or interest in more than one Class, you will receive a separate Ballot for each claim or interest (see “Voting Instructions”). Please vote every Ballot you receive. Completed original Ballots for holders of all claims and interests should be mailed and copies faxed or emailed to Attn: Danial D. Pharris, Lasher, Holzapfel, Sperry & Ebberson, PLLC,

1 601 Union Street, Suite 2600, Seattle, WA 98101-4000, fax number (206) 340-2563 by November  
2 23, 2016.

3 The Debtor has approved the Plan. The Debtor believes that the Plan provides the greatest  
4 possible recoveries to creditors. The Debtor believes that acceptance of the Plan is in the best  
5 interests of all creditors and recommends that you vote to accept the Plan.  
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7 In the event that any Class rejects the Plan, the Debtor will consider seeking confirmation  
8 of the Plan under the “cram-down” provisions of Section 1129(b) of the Bankruptcy Code.  
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10 Voting procedures are set forth in Section XVI of this Disclosure Statement. Please refer  
11 to that section of this Disclosure Statement and vote your Ballot in accordance with those  
12 instructions.  
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#### 14 **IV. DEBTOR’S CHAPTER 11 CASE**

15 On June 23, 2015, J L Leasing & Transportation, Inc. filed a Chapter 11 petition in the U.S.  
16 Bankruptcy Court for the Western District of Washington, Seattle Division. The Debtor filed its  
17 Chapter 11 case in order to establish the most fair and equitable, and expeditious method of  
18 resolving claims, and providing for fair treatment to all creditors.  
19

#### 20 **V. OVERVIEW OF THE PLAN**

21 The description of the Plan in this overview is a brief summary only. Creditors and other  
22 parties in interest are urged to review the Plan itself, which is included and attached hereto as  
23 **Exhibit 1** to this Disclosure Statement, for a full understanding of the provisions of the Plan.  
24  
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1 The Debtor will sell all of its assets. The Net Proceeds of sale will be applied to payment  
2 of all Allowed Claims in order of priority or as secured interests may attach.

3 **Debtor has advertised all of its trucks, trailers and other equipment with brokers and**  
4 **other business contacts that the debtor has worked with to buy, sell and finance equipment**  
5 **over the past 40 years. The debtor plans on placing all of its truck and trailer assets for sale**  
6 **with Ritchie Brothers Auction with the auction scheduled to take place on December 16,**  
7 **2016. In the interim, in order to maximize funds for creditors of the estate, the debtor intends**  
8 **to continue marketing and attempting to sell those assets subject to court approval on either**  
9 **November 17, 2016 or December 1, 2016. Any truck and trailer assets that the debtor has**  
10 **not sold prior to December 16, 2016 will be placed for sale at the Ritchie Brother auction to**  
11 **be held on that date.**

12 **Sales proceeds sufficient to pay estimated and reduced costs of operation during the**  
13 **completion of the debtor's wind down and cessation of business operations and liquidation**  
14 **of all assets will be held in the debtor's account. Excess proceeds will be held in the trust**  
15 **account of the debtor's attorneys.**

16 **Debtor will pay all secured creditors claims from the proceeds of sale of their**  
17 **collateral. Debtor will make distributions to other claimants according to the priorities as**  
18 **established under the Bankruptcy Code and the plan and as funds are available to make**  
19 **distributions. No distributions will be made to a lower priority class until funds are available**  
20 **to pay a higher priority class in full.**

1 **VI. HISTORY OF THE DEBTOR, ASSETS AND LIABILITIES, EVENTS LEADING**  
2 **TO BANKRUPTCY, EVENTS DURING BANKRUPTCY, AND AVOIDABLE**  
3 **TRANSFERS**

4 **A. History of the Debtor.**

5 1. **Filing.** This case was commenced by Debtor filing a voluntary petition under  
6 Chapter 11 of the United States Bankruptcy Code on June 23, 2015. Debtor is operating its  
7 business as a debtor-in-possession pursuant to §§ 1107 and 1108 of the Bankruptcy Code.  
8

9 2. **Trucking Operations.** J L Leasing is a trucking company, incorporated in  
10 Washington on December 13, 2001 and is headquartered in Enumclaw, Washington. Prior to that  
11 time the business was a sole proprietorship operated by Frank Letourneau's father and mother  
12 since approximately 1993. J L Leasing's primary trucking activities are in the state of Washington  
13 including container shipping for companies importing and exporting goods through the ports of  
14 Washington, Oregon and British Columbia, and transporting produce and other commodities in  
15 Washington, Oregon and British Columbia.  
16 Washington, Oregon and British Columbia.  
17

18 3. **Prior Expansion and Termination of Unprofitable Lines of Business.** In 2013-  
19 2014 the Debtor expanded into long haul or over-the-road trucking in the continental United States  
20 and Canada. Also in 2014, the Debtor expanded into excavation/ dirt hauling. This comprised an  
21 investment of approximately \$1 million in equipment purchases and rentals. Additionally, the  
22 Debtor hired management employees and truck drivers at an estimated cost of \$800,000 for salaries  
23 and other expenses. Unfortunately, neither of these lines of business were profitable. The Debtor  
24 laid off the employees doing long haul or excavation/dirt hauling work and sold most of the  
25

1 equipment devoted to those unprofitable lines of business.

2           4.       **Pre-Petition Payment of Factored Financing.** The Debtor also became involved  
3 in expensive factored financing of its accounts receivable with Riviera Finance and Summit  
4 Financial in 2014 and Capital Credit in early 2015. The Debtor realized that it could not afford  
5 this expensive financing. During the time that Debtor made the decision to stop using factored  
6 financing, it had serious cash flow problems and taxes were not timely paid or in some cases not  
7 paid at all in late 2014 and 2015. Capital Credit was paid off on June 5, 2015 and its security  
8 interest was terminated. Capital Credit sent a letter confirming the security interest was  
9 terminated, and after some delay began to remit all accounts receivable to Debtor.  
10

11           **B.       Summary of Post Petition Activity.**

12           Shortly after the filing of the Voluntary Petition on June 23, 2015 the Debtor undertook the  
13 following activity in the Chapter 11 case:  
14

15           (1)       The Debtor filed an application with the Court requesting approval of Lasher  
16 Holzapfel Sperry & Ebberson, PLLC, as attorneys for the Debtor, and received such approval;  
17

18           (2)       The Debtor filed the Schedules and Statement of Financial Affairs and Amended  
19 Schedules and List of Top Twenty Creditors;  
20

21           (3)       The Debtor attended the meeting of creditors pursuant to Section 341 of the  
22 Bankruptcy Code, met with the United States Trustee, and complied with all of the U.S. Trustee's  
23 requests for additional documentation and action and providing the required financial disclosures  
24 under 11 U.S.C. § 1116;  
25

- 1 (4) The Debtor filed the monthly financial reports with the Court;
- 2 (6) The Debtors filed a motion with the Court to set claims bar dates, and received such
- 3 approval;
- 4
- 5 (7) The Debtor filed a motion with the court to extend plan exclusivity periods and
- 6 received such approval;
- 7
- 8 (8) The Debtor filed an application with the Court requesting approval of CPA's Kell
- 9 Rabern, Bashey, Hutchinson & Walter, PLLC as accountants for the Debtor, and received such
- 10 approval;
- 11 (9) The Debtor negotiated agreements with secured creditors as described in more detail
- 12 below;
- 13
- 14 (10) The Debtor has operated the business as a Debtor-in-Possession and invested
- 15 approximately \$600,000 in upgrades, maintenance and repair of its trucking, trailer and equipment
- 16 assets; and
- 17
- 18 (11) The Debtor made the determination to liquidate its business and to pay all Net
- 19 Proceeds to creditors; and
- 20
- 21 (12) The Debtor filed its Plan of Reorganization and this Disclosure Statement and
- 22 scheduled a hearing for approval of this Disclosure Statement and subsequent Plan confirmation
- 23 hearing.

24 **C. Negotiations and Agreements with Secured Creditors.** Debtor has negotiated

25 agreements with eleven (11) equipment lenders and vendors and restructured payments on



1 secured debt including Northmill Finance, Paccar Financial, Hitachi Capital, Pinnacle Leasing,  
2 Eng's Equipment Finance, Capital One Bank, Wells Fargo, Daimler Benz Financial, Associated  
3 Petroleum, and Western Peterbilt. Debtor had negotiated agreements with Ford Motor Credit  
4 and BMO Harris Bank but did not finalize those agreements when the decision was made to  
5 liquidate its business. The most recent stipulation filed with the court was entered into with  
6 Western Peterbilt, LLC pertaining to four (4) trucks with a remaining balance owed to the  
7 creditor of less than \$61,109.28 as of June of 2016 and which are estimated to have equity of  
8 over \$330,000. The payments on the Ford Focus are current and paid from the owner's salary.  
9 Debtor had been unable to communicate with a representative at Ford Credit. Recently, Ford  
10 Credit filed a motion for relief from stay. Debtor was finally able to initiate discussions,  
11 however based on the plan for liquidation will agree to relief from stay, foreclosure and  
12 commercially reasonable sale by Ford Motor Credit.  
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16 **D. The Debtor Had Negotiated a Commitment for a New Line of Credit.** Debtor  
17 was close to completing negotiations with a new lender to obtain up to a \$500,000 revolving line  
18 of credit to pay off state and federal taxes that are secured by tax liens (\$181,334) and the  
19 balance owed to Western Peterbilt (\$61,109.28). The line of credit was to have been secured by  
20 the personal guarantees of the shareholders and a deed of trust against the shareholders personal  
21 residence, as well as the trucks financed by Western Peterbilt and qualified accounts receivable.  
22 The line of credit was also to have been used to pay secured indebtedness and to provide  
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1 working capital for the business. Debtor will not finalize that agreement based upon the decision  
2 to liquidate the business.

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4 **E. Sale of All Trucks and Equipment with an Approximate Equity Value of**  
5 **\$984,000 to \$836,000.** Debtor is working to value and sell all trucks and trailers. Recently Debtor  
6 sold a 2011 Kenworth Model T800 Tractor bearing VIN No. 1XKDD49X2BJ279238 that was  
7 financed by Wells Fargo. The initial sales price was \$68,000 but \$74,000 was received at the time  
8 of sale after participation of another bidder or 8% higher than Debtor's sale price. The proceeds  
9 of sale were applied to pay off the approximately \$50,000 balance owed on the truck in addition  
10 to payment of other cross-collateralized obligations to Wells Fargo. This sale generated  
11 approximately 5% more equity value than the Debtor estimated on the Petition Date.  
12  
13

14 Attached as Exhibit "5" is a copy of Debtor's Amended Schedule B-2 with Debtor's  
15 estimated values of trucks, trailers and other equipment and estimated equity. Debtor's estimate  
16 is approximately \$984,000 of equity in the assets. Also attached as Exhibit "5" are copies of  
17 appraisals of some of Debtor's trucks and trailers that Debtor believes support its valuations. The  
18 Debtor believes that to be conservative it can reduce the estimated equity values by 15%. This is  
19 \$984,000 - \$147,600 = \$836,000. The Debtor believes this is a conservative estimate because  
20 payments have been made to reduce the secured debt since the Chapter 11 filing date, and over  
21 \$600,000 has been invested in upgrades and maintenance in the past year.  
22  
23

24 **F. Debtor Has Been Profitable In June-August.** The Debtor has approximately 23  
25 employees. The Debtor has paid all taxes, license and permit fees, insurance, rent and agreed upon

1 post-petition obligations. There are certain accrued post-petition expenses for professional fees  
2 that are paid as approved by the court and payments to some secured creditors that will be paid  
3 from the sale of collateral. The IRS has claimed some few thousands of dollars for post-petition  
4 penalties, interest and tax. The Debtor has made post-petition expenditures of over \$600,000 on  
5 deferred maintenance and regular vehicle/equipment maintenance. This investment has enhanced  
6 the value of Debtor's fleet of trucks, trailers and other equipment. Debtor has not incurred any  
7 trade credit and pays cash for all post-petition operating expenses.  
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10 Attached hereto as Exhibit "3" is an Income Statement covering June 23, 2015 (the Petition  
11 Date) – May 31, 2016. Included in "other operating costs" is \$73,114.17 of court approved legal  
12 and accounting expenses that were paid. This includes \$5,882.24 that is held by Debtor's CPA  
13 that has not yet been approved by the Court. As of May 31, 2016 Debtor's counsel had  
14 approximately \$55,256 of accrued legal fees and costs. Also attached as Exhibit "4" is a copy of  
15 the Debtor's most recent monthly financial report filed with the court for July of 2016.  
16  
17

## 18 **VII. Assets and Liabilities.**

19 The Debtor has the following assets and the Debtor's schedules and claims reflect the  
20 following liabilities:  
21

22 A. **Assets.** J L Leasing's schedules reflected total assets of approximately  
23 \$3,260,000.00 and secured claims of approximately \$2,000,000 as of the Petition Date. J L  
24 Leasing's current assets include trucks and trailers located at Enumclaw, Washington with an  
25 estimated equity of \$984,000 - \$836,000. J L Leasing's other current assets include a few thousand

1 in cash in the Columbia Bank checking account, and accounts receivable of approximately  
2 \$300,000.

3 B. **Liabilities.** J L Leasing's liabilities based on filed claims are as follows:

- 4 1. Priority IRS claims (Claims Nos. 2 and 18: \$ 503,543.32 and \$36,673.12  
5 2. Priority Washington State Department of Revenue Claim (Claim No. 1): \$ 3,199.51  
6 3. Priority Washington State Department of Labor & Industries Claim (Claim No. 8):  
7 \$ 35,044.28  
8 4. Priority Washington State Employment Security Claim (Claim No. 4): \$38,596.12  
9 5. Secured Claims: \$ 1,619,324.06  
10 6. Unsecured Claims: \$ 761,537.86

11 C. **Avoidable Transfers.**

12 The Debtor has investigated possible recoverable transfers and fraudulent transfers under  
13 11 U.S.C. §§ 547 and 548, and has determined that there are likely no potential recoverable  
14 avoidable transfers. None of J L Leasing's unsecured creditors received payments in the 90 days  
15 pre-petition which exceeded the \$6,225 threshold. Virtually all trade creditor payments were cash  
16 purchases in the 90 days before filing. Insiders were only paid salary within one year of the filing.  
17 Most of the other payments were made to fully secured creditors.  
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## 23 VIII. HISTORICAL AND PROJECTED INCOME

24 The Debtor's history of earnings is not relevant as all assets will be sold.

## 25 IX. PENDING LITIGATION

1 As of the Petition Date, there were nine (9) lawsuits pending against the Debtor:

- 2 1. Labor & Industries vs. J L Leasing & Transportation, Inc., King County Superior  
3 Court Case No. 15-2-12211-8 KNT.
- 4 2. Direct Chassislink, Inc. vs. J L Leasing & Transportation, Inc., King County  
5 Superior Court Case No. 14-2-30769-1 SEA
- 6 3. Dept. of Revenue vs. J L Leasing & Transportation, Inc., King County Superior  
7 Court Case No. 15-2-24490-8 KNT.
- 8 4. Labor & Industries vs. J L Leasing & Transportation, Inc., King County Superior  
9 Court Case No. 14-2-24490-8 KNT.
- 10 5. Labor & Industries vs. J L Leasing & Transportation, Inc., King County Superior  
11 Court Case No. 14-2-19702-1 KNT.
- 12 6. Labor & Industries vs. J L Leasing & Transportation, Inc., King County Superior  
13 Court Case No. 14-2-31534-1 KNT.
- 14 7. Labor & Industries vs. J L Leasing & Transportation, Inc., King County Superior  
15 Court Case No. 14-2-16292-8 KNT.
- 16 8. J L Leasing & Transportation, Inc. vs. Matt Overhus, et al., King County Superior  
17 Court Case No. 15-2-11329-1 SEA.
- 18 9. Petrocard, Inc. vs. J L Leasing & Transportation, Inc., unfiled complaint.

## 19 X. CLASSIFICATION OF CLAIMS AND INTERESTS

20 A. Generally. Pursuant to Section 1122 of the Bankruptcy Code, set forth below is a  
21 designation of classes of Claims and Interests. A Claim or Interest is classified in a particular class  
22 only to the extent that the Claim or Interest qualifies within the description of the class and is  
23 classified in a different class to the extent the Claim or Interest qualifies within the description of  
24 that different class.

25 B. Unclassified Claims. Administrative Claims and Priority Tax Claims are treated as  
prescribed by statute and are therefore not classified below. The treatment accorded

1 Administrative Claims and Priority Tax Claims is set forth in Article 4 of the Plan. Unclassified  
2 claims are described in Article 2 above.

3 C. Classes.

4 The following is a designation of Classes of Claims and Interests.

5 Class 1. Class 1 consists of the secured claim held by Wells Fargo Equipment Finance,  
6 Inc. This class is impaired. This claim will be paid in accordance with the terms described in  
7 Article 4.  
8

9 Class 2. Class 2 consists of the secured claim held by Paccar Financial. This class is  
10 impaired. This claim will be paid in accordance with the terms described in Article 4.  
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12 Class 3. Class 3 consists of the secured claim held by North Mill Credit Trust fka EFS  
13 Credit Trust. This class is impaired. This claim will be paid in accordance with the terms described  
14 in Article 4.  
15

16 Class 4. Class 4 consists of the secured claim of Capital One Equipment Leasing &  
17 Finance. This class is impaired. This claim will be paid in accordance with the terms described  
18 in Article 4.  
19

20 Class 5. Class 5 consists of the secured claim held by Ford Motor Credit. This class is  
21 impaired. This claim will be paid in accordance with the terms described in Article 4.  
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23 Class 6. Class 6 consists of the secured claim held by General Electric Capital Corporation  
24 that was assigned to BMO Harris Bank. This class is impaired. This claim will be paid in  
25 accordance with the terms described in Article 4.

1           Class 7. Class 7 consists of the secured claim held by Hitachi Capital America Corp. This  
2 class is impaired. This claim will be paid in accordance with the terms described in Article 4.

3           Class 8. Class 8 consists of the secured claim of Western Peterbilt. This class is impaired.  
4 This claim will be paid in accordance with the terms described in Article 4.

5           Class 9. Class 9 consists of the secured claim of Associated Petroleum Products, Inc. This  
6 class is impaired. This claim will be paid in accordance with the terms described in Article 4.

7           Class 10. Class 10 consists of the secured claim of Pinnacle GA, LLC. This class is  
8 impaired. This claim will be paid in accordance with the terms described in Article 4.

9           Class 11. Class 11 consists of the secured claim of Mercedes-Benz Financial Services  
10 USA, LLC dba Daimler Truck Financial. This class is impaired. This claim will be paid in  
11 accordance with the terms described in Article 4.

12           Class 12. Class 12 consists of the secured claim of Astron Leasing. This class is impaired.  
13 This claim will be paid in accordance with the terms described in Article 4.

14           Class 13. Class 13 consists of the secured claim of Engs Commercial Finance Company.  
15 This class is impaired. This claim will be paid in accordance with the terms described in Article  
16 4.

17           Class 14. Class 14 consists of the secured claim of Les Schwab. This class is impaired.  
18 This claim will be paid in accordance with the terms described in Article 4.

19           Class 15. Class 15 consists of the secured claim of Pitney Bowes. This class is impaired.  
20 This claim will be paid in accordance with the terms described in Article 4.

1            Class 16. Class 16 consists of the non-insider general unsecured creditors of J L Leasing  
2 & Transportation, Inc. All known Class 16 claims are listed on Exhibit “1” attached hereto and  
3 incorporated herein by this reference. This class is impaired. These claims will be paid in  
4 accordance with the terms described in Article 4.  
5

6            Class 17. Class 17 consists of the Debtor’s Equity Interests. This class is impaired.  
7 Nothing will be paid to Class 17 Claims.  
8

9            **XI. TREATMENT OF CLAIMS UNDER THE PLAN – ARTICLE 4**

10            Claims and Interests shall be treated in the manner set forth in this Article 4. Except as  
11 specifically provided elsewhere in the Plan, the treatment of, and the consideration to be received  
12 by, holders of Allowed Claims and holders of Allowed Interests pursuant to the Plan shall be the  
13 complete payment by the Debtor to various classes of creditors and interest, if any payment is to  
14 be made.  
15

16            4.1. **The Impaired Classes or Interests are as follows:** All classes are impaired.  
17

18            4.2. **Unclassified Claims and Demands.**

19            4.2.1. **Administrative Expenses.** Allowed Administrative Expenses shall be paid  
20 on or before the Effective Date, or upon entry of a court order allowing such Claim, whichever  
21 shall occur later, unless the holders of such Claims agree to different treatment in writing.  
22

23            4.2.2. **Priority Tax Claims.** The Internal Revenue Service has a priority tax claim  
24 against the Debtor in this Chapter 11 case which claim is partially secured by all assets of the  
25 Debtor. The Washington State Department of Revenue, Department of Labor & Industries and



1 Department of Employment Security all have priority tax claims against the Debtor. **Payments**  
2 **will be quarterly and in compliance with 11 USC Section 1129(a)(9)(C) such that payment**  
3 **will be made in full on priority claims within 5 years of the date of the filing of the debtor's**  
4 **petition. The first quarterly payment will be due on January 15, 2017.**

5  
6 Payments will be quarterly and in compliance with

7 **4.3. Classified Claims.**

8  
9 Class 1. Allowed Class 1 Claims will be paid in accordance with the terms of the  
10 Stipulation and Agreed Order For Adequate Protection and Stipulation Re Treatment Under the  
11 Debtor's Proposed Plan which are incorporated herein by reference.

12  
13 Class 2. Allowed Class 2 Claim will be paid in accordance with the terms of the Stipulation  
14 and Agreed Order For Adequate Protection and Stipulation Re Treatment Under the Debtor's  
15 Proposed Plan which are incorporated herein by reference.

16  
17 Class 3. Allowed Class 3 Claim will be paid from the proceeds of sale of the collateral  
18 securing said claim. If the proceeds of sale are insufficient to pay the claim in full, Debtor will  
19 pay all proceeds of sale to the claimant and the remainder of the creditor's Allowed Claim shall  
20 become a Class 16 claim. Alternatively, if claimant objects to a sale of its collateral for less than  
21 full payment, claimant may elect to repossess and sell the collateral in a commercially reasonable  
22 manner. The sale proceeds will be applied to reduce the claim and the remaining Allowed Claim,  
23 if any, shall become a Class 16 claim.  
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1           Class 4. Allowed Class 4 Claim will be paid in accordance with the terms of the Stipulation  
2 and Agreed Order For Adequate Protection and Stipulation Re Treatment Under the Debtor's  
3 Proposed Plan which are incorporated herein by reference.  
4

5           Class 5. Allowed Class 5 Claim will be paid from the proceeds of sale of the collateral  
6 securing said claim. If the proceeds of sale are insufficient to pay the claim in full, Debtor will  
7 pay all proceeds of sale to the claimant and the remainder of the creditor's Allowed Claim shall  
8 become a Class 16 claim. Alternatively, if claimant objects to a sale of its collateral for less than  
9 full payment, claimant may elect to repossess and sell the collateral in a commercially reasonable  
10 manner. The sale proceeds will be applied to reduce the claim and the remaining Allowed Claim,  
11 if any, shall become a Class 16 claim.  
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14           Class 6. Allowed Class 6 Claim will be paid from the proceeds of sale of the collateral  
15 securing said claim. If the proceeds of sale are insufficient to pay the claim in full, Debtor will  
16 pay all proceeds of sale to the claimant and the remainder of the creditor's Allowed Claim shall  
17 become a Class 16 claim. Alternatively, if claimant objects to a sale of its collateral for less than  
18 full payment, claimant may elect to repossess and sell the collateral in a commercially reasonable  
19 manner. The sale proceeds will be applied to reduce the claim and the remaining Allowed Claim,  
20 if any, shall become a Class 16 claim.  
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23           Class 7. Allowed Class 7 Claim will be paid in accordance with the terms of the Stipulation  
24 and Agreed Order For Adequate Protection and Stipulation Re Treatment Under the Debtor's  
25 Proposed Plan which are incorporated herein by reference.

1           Class 8. Allowed Class 8 Claim will be paid in accordance with the terms of the Stipulation  
2 and Agreed Order For Adequate Protection and Stipulation Re Treatment Under the Debtor's  
3 Proposed Plan which are incorporated herein by reference.  
4

5           Class 9. Allowed Class 9 Claim will be paid in accordance with the terms of the Stipulation  
6 and Agreed Order For Adequate Protection and Stipulation Re Treatment Under the Debtor's  
7 Proposed Plan which are incorporated herein by reference.  
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9           Class 10. Allowed Class 10 Claim will be paid in accordance with the terms of the  
10 Stipulation and Agreed Order For Adequate Protection and Stipulation Re Treatment Under the  
11 Debtor's Proposed Plan which are incorporated herein by reference.  
12

13           Class 11. Allowed Class 11 Claim will be paid in accordance with the terms of the  
14 Stipulation and Agreed Order For Adequate Protection and Stipulation Re Treatment Under the  
15 Debtor's Proposed Plan which are incorporated herein by reference.  
16

17           Class 12. Allowed Class 12 Claim will be paid from the proceeds of sale of the collateral  
18 securing said claim. If the proceeds of sale are insufficient to pay the claim in full, Debtor will  
19 pay all proceeds of sale to the claimant and the remainder of the creditor's Allowed Claim shall  
20 become a Class 16 claim. Alternatively, if claimant objects to a sale of its collateral for less than  
21 full payment, claimant may elect to repossess and sell the collateral in a commercially reasonable  
22 manner. The sale proceeds will be applied to reduce the claim and the remaining Allowed Claim,  
23 if any, shall become a Class 16 claim.  
24  
25

1           Class 13. Allowed Class 13 Claim will be paid in accordance with the terms of the  
2 Stipulation and Agreed Order For Adequate Protection and Stipulation Re Treatment Under the  
3 Debtor's Proposed Plan which are incorporated herein by reference.  
4

5           Class 14. Allowed Class 14 Claim will be paid from the proceeds of sale of the collateral  
6 securing said claim. If the proceeds of sale are insufficient to pay the claim in full, Debtor will  
7 pay all proceeds of sale to the claimant and the remainder of the creditor's Allowed Claim shall  
8 become a Class 16 claim. Alternatively, if claimant objects to a sale of its collateral for less than  
9 full payment, claimant may elect to repossess and sell the collateral in a commercially reasonable  
10 manner. The sale proceeds will be applied to reduce the claim and the remaining Allowed Claim,  
11 if any, shall become a Class 16 claim.  
12  
13

14           Class 15. Allowed Class 15 Claim will be paid from the proceeds of sale of the collateral  
15 securing said claim. If the proceeds of sale are insufficient to pay the claim in full, Debtor will  
16 pay all proceeds of sale to the claimant and the remainder of the creditor's Allowed Claim shall  
17 become a Class 16 claim. Alternatively, if claimant objects to a sale of its collateral for less than  
18 full payment, claimant may elect to repossess and sell the collateral in a commercially reasonable  
19 manner. The sale proceeds will be applied to reduce the claim and the remaining Allowed Claim,  
20 if any, shall become a Class 16 claim.  
21  
22

23           Class 16. After payment of all secured claims, priority claims, priority tax claims, and cost  
24 of administration claims, the Allowed Class 16 Claims will be paid pro-rata from all Net Proceeds  
25 of liquidation and sale of Debtor's assets.

1        Class 17. Debtor's Equity Interests will not be paid anything.

2        **XII. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES -**  
3        **ARTICLE 5**

4        Debtor has one month to month lease for rental of yard and office space as of the Petition  
5 Date. Kelly and Scott Thompson hold the month to month lease on the yard/office space. The  
6 lease is for \$10,000 per month. All executory contracts shall be deemed rejected as of the date of  
7 entry of the Confirmation Order. The month to month lease will be terminated when the space is  
8 no longer necessary for operations.

9  
10        **XIII. ACCEPTANCE OR REJECTION OF THE PLAN - ARTICLE 6**

11        6.1    Each Impaired Class Entitled to Vote Separately. The holders of Claims or Interests  
12 in each impaired class of Claims or Interests, shall be entitled to vote separately to accept or reject  
13 the Plan.

14        6.2    Acceptance By Impaired Classes of Claims. Pursuant to Section 1126(c) of the  
15 Bankruptcy Code, an impaired class of Claims shall have accepted the Plan if (a) the holders of at  
16 least two-thirds in dollar amount of the Allowed Claims actually voting in such class (other than  
17 Claims held by any holder designated pursuant to Section 1126(e) of the Bankruptcy Code) have  
18 voted to accept the Plan and (b) more than one-half in number of such Allowed Claims actually  
19 voting in such class (other than Claims held by any holder designated pursuant to Section 1126(e)  
20 of the Bankruptcy Code) have voted to accept the Plan. Certain classes of creditors may have  
21 agreed to or shall be deemed to have accepted the Plan pursuant to stipulations and/or orders of  
22 the court.  
23  
24  
25

1                   **XIV. MEANS FOR EXECUTION OF THE PLAN - ARTICLE 7**

2           The Debtor will sell all of its assets. The Net Proceeds of sale will be applied to payment  
3 of all Allowed Claims in order of priority or as secured interests may attach. **The debtor plans**  
4 **on placing all of its assets for sale with Ritchie Brothers Auction with the auction scheduled**  
5 **to take place on December 16, 2016. In the interim, in order to maximize funds for creditors**  
6 **of the estate, the debtor intends to continue marketing and attempting to sell those assets**  
7 **subject to court approval on either November 17, 2016 or December 1, 2016. Any assets that**  
8 **the debtor has not sold prior to December 16, 2016 will be placed for sale at the Ritchie**  
9 **Brothers auction to be held on that date.**

10  
11                   **XV. LIQUIDATION ANALYSIS**

12           In a Chapter 7 liquidation, unsecured creditors would likely not receive any payment on  
13 their Allowed Claims. Even what appear to be fully secured creditors would likely not receive the  
14 full amount of their claims, because a Chapter 7 trustee who is not in the truck leasing business  
15 and not as familiar with the customers and operations as the Debtor, may not be motivated (or  
16 able) to achieve the highest possible sale price. The trustee would not budget for or make payments  
17 to what otherwise would be fully secured creditors and this would cause defaults, increased debt  
18 and possibly even foreclosure leading to less than the highest and best values for the equipment.  
19 In addition, a chapter 7 liquidation would result in additional costs of administration and reduced  
20 payments to creditors due to payment of new attorneys, the trustee, commissions and advertising  
21 and moving expenses for an auctioneer or broker. Debtor does not plan to incur these expenses  
22  
23  
24  
25

1 and will minimize defaults with respect to equipment to be sold so that maximum equity will be  
2 realized and paid to creditors. Also, Debtor has customer relationships that will allow the Debtor  
3 to more effectively and inexpensively collect all accounts receivable.  
4

## 5 **XVI. RISK FACTORS**

6 Distributions to creditors contemplated under the Plan are contingent upon many  
7 assumptions, some or all of which could fail to materialize and preclude the Plan from becoming  
8 effective or reduce anticipated distributions. No assurance can be given that the Plan will be  
9 confirmed by the Court. In that event, due to the costs and uncertainties inherent in a modified  
10 Plan of Reorganization or a conversion and liquidation under Chapter 7, all creditors of the estate  
11 face substantial risk that their recovery under such alternative circumstances may be substantially  
12 less favorable than their recovery provided for by the Plan.  
13  
14

## 15 **XVII. CONFIRMATION OF THE PLAN**

### 16 **A. Voting Procedures**

17 A Ballot to be used for voting your acceptance or rejection of Debtor's Plan of Reorganization is  
18 being mailed to you together with this Disclosure Statement and Plan. Holders of claims should  
19 read the instructions carefully, complete, date and sign the ballot, and transmit it in the envelope  
20 enclosed. IN ORDER TO BE COUNTED, YOUR BALLOT MUST BE RECEIVED AT THE  
21 INDICATED ADDRESS NOT LATER THAN 5:00 P.M. ON NOVEMBER 23, 2016. FAILURE  
22 TO VOTE OR A VOTE TO REJECT THE PLAN WILL NOT AFFECT THE TREATMENT TO  
23 BE ACCORDED A CLAIM OR INTEREST IF THE PLAN NEVERTHELESS IS CONFIRMED.  
24  
25

1 If more than one-half in number of claimants voting and claimants holding at least two-  
2 thirds of the allowed claims in each class of claims vote to accept the Plan, such classes will be  
3 deemed to have accepted the Plan. If holders of at least two-thirds of the shares voted in a class  
4 of equity interests vote to accept the Plan, such Class will be deemed to have accepted the Plan.  
5 For purposes of determining whether a class of claims or interests has accepted or rejected the  
6 Plan, only the votes of those who have timely returned their Ballots will be considered.  
7

8  
9 **B. Hearing on Confirmation**

10 The hearing on Confirmation of the Plan will be scheduled for December 1, 2016 at 9:30  
11 a.m. before the Honorable Marc L. Barreca, United States Bankruptcy Judge, at 700 Stewart Street,  
12 Rm. 7106, Seattle, Washington, 98101. The Bankruptcy Court shall confirm the Plan at that  
13 hearing only if certain requirements, as set forth in § 1129 of the Bankruptcy Code, are satisfied.  
14

15 **C. Best Interests of Creditors**

16 In order to satisfy one of the requirements under § 1129, the Debtor must establish that  
17 with respect to each Class, each holder of a claim in that Class has accepted the Plan or will receive  
18 or retain under the Plan on account of such claim property of a value that is not less than the amount  
19 that such holder would receive if Debtor's assets were to be liquidated under Chapter 7 of the  
20 Bankruptcy Code. The Debtor believes that the Plan satisfies this test. The Debtor anticipates that  
21 the Court will make such a determination at the time of the hearing on Confirmation.  
22

23  
24 **The Internal Revenue Service recently filed a motion asking the Court to either**  
25 **dismiss or convert this case to a chapter 7 due to the debtor's alleged failure to make timely**



1 payroll tax payments. Subsequent to filing its motion, the IRS confirmed that the Debtor  
2 has paid all post-petition taxes, but still asserts that certain of those payments were not  
3 timely. The Debtor believes it is in the best interests of creditors for the Court to deny the  
4 IRS's motion and to allow the debtor to complete the liquidation of its assets. The debtor  
5 has generated approximately \$150,000 in operating profit in the past three months that has  
6 been used in part to pay down secured claims against assets being liquidated. The Debtor is  
7 working hard to liquidate all of its assets. This revenue would not have been generated if the  
8 case had been converted to chapter 7. The debtor plans to auction all remaining assets  
9 through Ritchie Brothers Auctions on December 16, 2016. The debtor is in a better position  
10 than a chapter 7 trustee to profitably and efficiently liquidate its assets, and allowing the  
11 debtor to handle that process will result in more funds being available for distribution to  
12 creditors. Prior to the auction date, the debtor will cease all operations. Given that the  
13 debtor plans to cease operations very soon and is already engaged in the liquidation process  
14 which is scheduled to be complete in approximately eight weeks, it would be a waste of  
15 resources and harmful to creditors if that Court were to grant the IRS's motion.

16  
17  
18  
19 **D. Feasibility**

20  
21 The Debtor must also establish that Confirmation of the Plan is not likely to be followed  
22 by the Reorganized Debtor's liquidation, or the need for further financial reorganization. The  
23 Debtor's Plan is a liquidation Plan so that these events are unlikely to occur. The Debtor believes  
24  
25

1 that the Plan is feasible and that the Bankruptcy Court will so find, but a Bankruptcy Court finding  
2 of feasibility does not guarantee that all obligations will be paid under the Plan.

3  
4 **E. Treatment of Dissenting Classes of Creditors**

5 The Bankruptcy Code requires the Bankruptcy Court to find that the Plan does not  
6 discriminate unfairly, and is fair and equitable, with respect to each class of claims or interests that  
7 is impaired under, and has not accepted, the Plan. Upon such a finding, the Bankruptcy Court may  
8 confirm the Plan despite the objections of a dissenting Class.

9  
10 **F. Effect of Confirmation**

11 After Confirmation, all property of Debtor's estate shall be free and clear of all claims and  
12 interests of creditors, except secured creditor's claims that will attach to their collateral, as  
13 otherwise provided in the Plan or the order of the Bankruptcy Court confirming the Plan. The  
14 provisions of the Plan shall bind the Debtor, the Reorganized Debtor, and all other parties in  
15 interest, including any creditor of the Debtor, whether or not such creditor is impaired under the  
16 Plan and whether or not such creditor has accepted the Plan.

17  
18 **G. Consequences of Failure to Confirm the Plan**

19 In the event the Court declines to confirm Debtor's Plan, whether due to a failure of creditor  
20 support or otherwise, the Debtor believes it is likely that a Chapter 7 liquidation would ultimately  
21 result.  
22  
23

24 **XVIII. TAX CONSEQUENCES**  
25

1 The Debtor's CPAs have completed the 2014 tax return. Due in part to large loss carry-  
2 forwards, no tax is owed. The 2015 tax return will be filed within the next 30 days and prior to  
3 expiration of the extension period for filing that return. The Debtor's CPAs have stated that no  
4 tax will be due for 2015. It is anticipated that no tax will be due for 2016 due to loss carry-forwards  
5 and 2016 losses.

### 7 XIX. CONCLUSION

8  
9 The Debtor's projections provide for payment of all fully secured Allowed Claims in full  
10 and payment of all cost of administration and priority taxes in full. Any remaining Net Proceeds  
11 of sale will be paid to general, non-priority unsecured creditors. The Debtor has endeavored to  
12 propose a feasible Plan, keeping in mind that it cannot promise more than it can realistically expect  
13 to be able to pay. However, in light of the liquidation scenario discussed herein, the Debtor  
14 believes that the proposed Plan offers creditors the best chance of the greatest recovery on their  
15 claims.  
16  
17  
18

19 RESPECTFULLY SUBMITTED this 14th day of October 2016.

20  
21 J L LEASING & TRANSPORTATION, INC.

22 Debtor and Debtor-in-Possession

23  
24 By: /s/Frank Letourneau  
25 Frank Letourneau, President