

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF MISSISSIPPI
GULFPORT DIVISION

IN RE: § CASE NO. ~~XX-XXXXXX~~
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NATIONAL TRUCK FUNDING, LLC, § CHAPTER 11
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DEBTOR. §
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IN RE: § CASE NO. ~~XX-XXXXXX~~
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AMERICAN TRUCK GROUP, LLC, § CHAPTER 11
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DEBTOR. §
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DECLARATION OF ALAN WALLS IN SUPPORT OF
CHAPTER 11 PETITIONS AND FIRST DAY PLEADINGS

I, Alan Walls, hereby declare under penalty of perjury as follows:

INTRODUCTION

1. I am the chief financial officer (“CFO”) of the Debtors American Truck Group, LLC (“ATG”), and National Truck Funding, LLC (“NTF”), (the “Debtors” or “Companies”), Nevada corporations headquartered in Gulfport, Mississippi. I have worked at both ATG and NTF as a full-time employee and CFO for each Company since 2009. I am a Certified Public Accountant. As a result of my experience at ATG and NTF, I am generally familiar with the Companies’ day-to-day operations, business and financial affairs, and books and records.

2. On June 25, 2017, (the “Petition Date”), ATG and NTF each filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of Mississippi. To minimize the possible adverse effects on the Debtors’ businesses, the Debtors have filed various motions and

pleadings seeking “first day” relief (collectively, the “First Day Pleadings”). I have reviewed each of the First Day Pleadings. Based on my knowledge, and after reasonable inquiry, I believe that approval of the relief requested in the First Day Pleadings is necessary to minimize disruption to the Debtors’ estates resulting from the filing of these chapter 11 cases. I also believe that, absent authority to make certain essential prepetition payments and otherwise continue conducting ordinary-course business operations as set forth herein and described in greater detail in each of the First Day Pleadings, the Debtors would suffer immediate and irreparable harm to the detriment of their creditors and their estates.

3. All facts and opinions set forth in this Declaration are based upon (i) my knowledge of the Debtors’ operations, businesses, and employees; (ii) information learned from my review of relevant documents; (iii) information supplied to me or verified by other members of the Debtors’ management and their third-party advisors; and/or (iv) my experience, knowledge, and information concerning the trucking industry generally. Unless otherwise indicated, the financial information contained in this Declaration is unaudited and subject to change. I am authorized to submit this Declaration on behalf of the Debtors, and, if called upon to testify, I could and would testify competently to the facts and opinions set forth herein.

4. This Declaration is organized as follows: Part I provides background information on the Debtors and detailed information on their business operations. Part II describes the Debtors’ prepetition organizational and capital structure. Part III describes the significant adversities presently affecting the trucking industry and the severe downturn it has suffered, generally, and its impact on the Debtors, specifically, including the events that led to the filing of these chapter 11 cases. Part IV summarizes the relief requested in and the factual bases supporting the First Day Pleadings.

I. THE DEBTORS' BUSINESSES

5. ATG and NTF have been operating as successor companies since 2001. The Companies have operated their headquarters in a facility in Gulfport, Mississippi, since August 2011. The Companies also have full-service branches in Newnan, Georgia (near Atlanta) and in Mesa, Arizona (near Phoenix) to serve those respective regions of the United States. The Company will close the Mesa branch in June 2017 and will reduce staff at the Newnan branch in June and July 2017, as part of ongoing cost-cutting measures.

6. The Debtors' senior management consists of Louis J. Normand, Jr., Founder and CEO, who has been employed since 1999. As mentioned above, I am employed as the CFO of the Companies. Before serving as CFO for the Companies, I served in a financial position in an Alabama-based Ambulance Service company with \$40 Million in operations serving seven (7) states. I have also worked for a group of companies operating over 200 convenience stores across Southern states as well as for an Auto and Rent-to-Own Dealership with eight (8) locations around metropolitan Atlanta. As stated, I began working with the Companies in March 2009.

7. NTF has developed a national market that serves independent semi-truck operators by providing them with access to vehicles through a weekly renewable rental program with an option to purchase. The Debtors have customers from over thirty (30) states. By offering low down payments and affordable monthly payments, NTF has created an opportunity for individuals who desire to be self-employed to support themselves and their families. NTF actively markets its services through digital and print advertising and through its customer care centers located in Mississippi, Georgia, and (formerly) Arizona. NTF generates revenues from multiple sources based on maintaining frequent contact with customers and by partnering with them on the operation, use, and repair of the vehicles. Revenue sources include rental fees, forfeited deposits,

compliance, and other fees, as well as vehicle sales to contracted renters and other customers. ATG generates limited revenues from vehicle sales and repairs.

8. To minimize the risk, NTF utilizes a customer relations team, inventory-tracking system, a 50/50 repair cost-sharing arrangement, and new-customer acquisition strategies to maintain its customer base as much as possible to weather market highs and lows and manage the flow of revenues. NTF helps qualified owner operators by educating them and providing them with a unique maintenance program.

9. NTF constantly updates its fleet by allowing ATG to market NTF's used trucks. ATG also acts as a dealer for the sale of used semi-trucks.

10. The Debtors have tried to maintain a competitive advantage by offering low down payments and no credit checks. NTF's rental program also offers assistance with compliance matters, as well as a comprehensive maintenance program. NTF has approximately 610 semi-trucks of which approximately 475 are rented to its customers.

11. As of 2016, the Debtors employed eighty-nine (89) employees, with 42 employees in the Mississippi corporate offices, thirty-six (36) employees at the Mississippi facility, twenty-two (22) employees at the Georgia facility, and eleven (11) employees at the Phoenix, Arizona facility, but those numbers will be reduced with the closing of facilities as mentioned above.

12. At the end of 2015, NTF had total revenues of \$31,585,876.00 with total expenses of \$28,109,324.00 and net income of \$989,956.00. At the end of 2016, NTF had total revenues of \$26,399,654.00 with total expenses of \$31,572,957.00 and net income loss of (\$5,127,398.00). As of March 31, 2017, NTF had total revenues of \$5,805,893.00 and total expenses of \$6,944,866.00 with a net income loss of (\$1,125,125.00). NTF had EBITDA of approximately \$9,848,294.00 and \$4,281,844 as of the year ended December 31, 2015, and 2016, respectively.

13. At the end of 2015, ATG had total revenues of \$17,134,221.00 and total expenses of \$17,792,591.00 with a net income loss of (\$161,016.00). At the end of 2016, ATG had total revenues of \$7,842,107.00 and total expenses of \$9,838,280.00 with a net income loss of (\$1,450,236.00). As of March 31, 2017, ATG had total revenues of \$1,641,613.00 and total expenses of \$1,995,068.00 with a net loss of (\$220,173.00).

14. Beginning in the fall of 2015 and extending through the first half of 2017, the Debtors' businesses have suffered because of a severe downturn in the trucking industry. Reports from July 2016 state that domestic trade and heavy truck orders had plunged at that time to the lowest levels since 2010. According to data from ACT Research during that time, June orders for new heavy trucks or Class 8 trucks plunged to 13,100, the lowest number since 2011. Class 8 truck sales in 2016 were severely impacted by reduced demand for large-fleet customers resulting in a sluggish Class 8 truck market. An oversupply of used Class 8 trucks across the United States coupled with reduced demand and less opportunity for exports caused used truck values to depreciate much faster. A report of the International Shipping Industry of November 8, 2016, stated that global trade stagnated during 2016. The overseas shipping industry was impacted by numerous significant international chapter 11's involving global shipping companies. The container trade has slumped drastically for 2016 through the first half of 2017. Other reports indicate the trucking industry faces weak freight demands in 2017.

15. In sum, a host of factors have negatively impacted the trucking industry. Those factors include the sinking demand, access at docks, capacity overload, driver shortage, decreased freight pricing, and restrictive regulations. Therefore, the Debtors' businesses have been dramatically affected by the recent severe downturn in the trucking industry which has caused its EBITDA of

\$9.8 Million for 2015 to dramatically decline during 2016. The Debtors suffered significant losses in 2016 and the first few months of 2017.

16. Due to the significant losses, the Debtors have concluded that there are no alternatives but to seek restructuring of their debts. The underlying used trucks prices have declined dramatically and thereby has crippled the collateral values of the Debtors assets. The contraction of the industry, the severe downturn of the value of semi-trucks, and the negative cash flow the Debtors have experienced left the Debtors no alternative but to seek reorganization under chapter 11.

II. THE DEBTORS' ORGANIZATIONAL AND CAPITAL STRUCTURE

A. The Debtors' Prepetition Organizational and Capital Structure

17. Membership interests in ATG are owned fifty-one percent (51%) by the Success Living Irrevocable Trust ("SLIT") and forty-nine percent (49%) by Kimberly Normand. NTF is owned ninety percent (90%) by the American Success Irrevocable Trust ("ASIT") and ten percent (10%) by Louis J. Normand, Jr., who is also the trustee for both Trusts. As to the Debtors Prepetition Capital Structure as of Petition Date on a book basis, NTF had approximately \$20,638,814.00 in total assets. NTF had approximately \$24,951,720.00 in total liabilities. As of Petition date, on a book basis, ATG had approximately \$813,961.00 in total assets and approximately \$2,859,920.00 in total liabilities. The Debtor's assets consists mainly of cash, receivables, and heavy duty trucks.

1. The Debtors' Prepetition Secured Debt Obligations

18. NTF was a borrower of indebtedness secured by certain truck assets with Peoples Bank, JB&B, Eva Bank, Charter Bank, Nations Equipment Finance, PACCAR Financial Corp., Sun South Capital, Inc. and Wall Work Financial Corp. It also has investor loans with secured

liens against various trucks with YOLO, First United Management, Inc. and various and miscellaneous individuals and entities. It also has a \$1.5 million secured line of credit facility with ASIT and a loan of \$125,000 with Falcon Capital, LLC. It also has customer deposits on certain trucks pending the closing of a rental contract.

2. The Debtors' Intercompany Obligations

19. The Debtors lease a building from ASIT and their operating lease expires on December 2020. The Lease requires the Debtors to pay for repairs, insurance and liability coverage. The minimum yearly lease payments for the facility at 9140 Canal Road, Gulfport, MS is \$81,750.00 for ATG and \$98,850.00 for NTF for a combined \$180,600.00.

III. EVENTS LEADING TO CHAPTER 11

A. Market Conditions

20. With the downturn in the trucking industry beginning in the fall of 2015 through the first half of 2017, trucking companies across the industry have faced severe pressure in terms of reduced revenue streams, earnings and cash flows, as well as a severe downturn in the sale price of used trucks. The severe downturn in the trucking industry has caused there to be less customers seeking truck rental agreements with NTF and reduced gross sales of individual trucks by ATG. These market conditions have impacted the trucking industry at every level, as a number of trucking companies have filed for Chapter 11 bankruptcy protection beginning in 2016.

21. Moreover, the reduced customer demand and deposits and the substantial decrease of the value of used truck prices when they are sold has led to severe problems with the Debtors' cash flow. The Debtors also have had historically very high capital costs in paying substantial interest rates mostly between 8.7% to 17% to its secured lenders which in turn has severely impacted cash flow when coupled with the severe downturn in the industry.

B. Chapter 11 Filing

22. Leading up to the filing of this chapter 11 case, the Debtors attempted to seek equity sponsors to provide equity capital. However, the development of these business deals took too long and the Debtors could not stay out of bankruptcy and meet its obligations due and owing to its creditors.

23. The Debtors believe that the filing of this chapter 11 cases will provide the necessary breathing room for each Debtor to maximize value of Debtors' estates and obtain the best recovery possible, under the circumstances, for all creditors in a fair and open manner. The chapter 11 proceedings will provide an avenue by which equity sponsors can help recapitalize the business and restructure the Debtors' indebtedness with the better prognosis for the industry going forward and the Companies' past history of excellent EBIDA before the downturn. I believe the Companies are very attractive to potential equity sponsors with the reorganization of the debt and capital structure.

IV. FIRST DAY PLEADINGS

24. Contemporaneously herewith, the Debtors have filed various First Day Pleadings seeking Orders granting relief intended to stabilize the Debtors' business operations and facilitate the efficient administration of these chapter 11 cases. The Debtors intend to seek entry of Court Orders approving each of the First Day Pleadings as soon as possible in accordance with the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, and the Local Bankruptcy Rules for the Southern District of Mississippi. Absent the Court granting the relief requested by the Debtors in their First Day Pleadings on an emergency basis, I believe that the Debtors will suffer immediate and irreparable harm.

22. A description of the relief requested and the facts and opinions supporting each of the First Day Motions is detailed in each of the First Day Pleadings, which I have personally reviewed and for which I have provided the underlying bases and facts.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Gulfport, Mississippi, this 25 day of June, 2017.



T. ALAN WALLS, Chief Financial Officer
American Truck Group, LLC
National Truck Funding, LLC