

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

-----X
In re : Chapter 11
 :
GWLS Holdings, Inc., : Case No. 08-12430 ()
 :
Debtor. : Joint Administration Pending
-----X

**AFFIDAVIT OF STEPHEN BISHOP IN SUPPORT
OF CHAPTER 11 PETITIONS AND FIRST DAY PLEADINGS**

STATE OF DELAWARE)
) ss:
COUNTY OF NEW CASTLE)

1. I, Stephen Bishop, of full age, being duly sworn, state that the following is true and correct to the best of my knowledge, information and belief.

2. I am the Executive Vice President and Chief Financial Officer (“CFO”) of GWLS Holdings, Inc. (“GWLS”), a corporation organized under the laws of Delaware, and the other above-captioned debtors and debtors in possession (collectively with GWLS, the “Debtors”).¹ GWLS is the ultimate parent of each of the other Debtors. I have been Executive

¹ If applicable, the last four digits of the taxpayer identification numbers of the Debtors follow in parentheses: (i) A-C Leasing, L.L.C. (7777); (ii) A-C Logistics, L.L.C. (3759); (iii) Am-Can Transport Service, Inc. (3759); (iv) American Trans-Freight, LLC (8517); (v) ATF Flatbed, LLC (1975); (vi) ATF Leasing, LLC (1482); (vii) ATF Logistics, LLC (8345); (viii) ATF Management, LLC (8345); (ix) ATF Trucking, LLC (3852); (x) ATF Van, LLC (1967); (xi) Avenue K, Ltd. (7891); (xii) Avenue W, Ltd. (7890); (xiii) Bachelor Creek, Ltd. (5724); (xiv) Brisk Transportation, L.P. (0726); (xv) Camrett Brokerage, Inc. (2906); (xvi) Cargo-Master, Inc. (0904); (xvii) CDL Diesel Repair, LLC (4519); (xviii) CDL Leasing, Inc. (4514); (xix) Cheetah Transportation, LLC (8733); (xx) Cousins, Ltd. (7893); (xxi) Dallas & Mavis Holdings, LLC (0239); (xxii) Dallas & Mavis Specialized Carrier Co., LLC (0239); (xxiii) Golman-Hayden Company, Inc. (0708); (xxiv) Greatwide Canada Holdings, Inc. (0435); (xxv) Greatwide Dedicated Transport II, Inc. (8029); (xxvi) Greatwide Dedicated Transport III, Inc. (4929); (xxvii) Greatwide Dedicated Transport, L.P. (0013); (xxviii) Greatwide Logistics Services, Inc. (7895); (xxix) Greatwide Southpoint Holdings, LLC; (xxx) Greatwide Transportation Management Services, Inc. (9792); (xxxi) Greatwide Truckload Management, LLC (8197); (xxxii) Greenhead, Ltd. (7889); (xxxiii) GWLS Holdings, Inc. (9717); (xxxiv) May Trucking, LLC (7541); (xxxv) National Transportation Specialists, LLC (7205); (xxxvi) RK Holdings and Leasing, Inc. (8565); (xxxvii) RKHL Holdings, LLC (8565); (xxxviii) Southpoint Distributing, Inc. (3527); (xxxix) Stewart Stiles Truck Line, Inc. (9189); (xl) Sunshine Carriers, Inc. (4677); (xli) TI GP, LLC (2074); (xlii) TI Sub GP, LLC (4224); (xliii) TIH Am-Can Holding Company, LLC; (xliv) TIH Cargo-Master Holding Company, LLC (1806); (xlv) TIH Holdings GP, LLC

Vice President and CFO since I was hired in May 2007. In such capacity, I am familiar with the day-to-day operations, business and financial affairs of the Debtors.

3. On October 20, 2008 (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). The Debtors intend to continue in the possession of their respective properties and the management of their respective businesses as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. In order to enable the Debtors to operate effectively and to avoid the adverse effects of the chapter 11 filings, the Debtors have requested various types of relief in "first day" applications and motions (the "First Day Pleadings")² filed with the Court concurrently herewith, including a motion (the "Joint Administration Motion") seeking to have the Debtors' chapter 11 cases consolidated for procedural purposes and jointly administered.

4. I submit this affidavit on the Debtors' behalf in conjunction with their petitions and in support of the First Day Pleadings as well as to explain to the Court and other interested parties the circumstances that compelled the Debtors to seek relief under the Bankruptcy Code. A copy of the resolutions of the Boards of Directors authorizing the filing of each of the Debtors' petitions is annexed to each Debtor's respective petition. Except as otherwise indicated, all facts set forth in this affidavit are based upon my personal knowledge and the knowledge I have acquired from those who report to me, my review of relevant documents, or my opinion based upon experience, knowledge and information concerning the

(1918); (xlvii) Total Warehousing, Inc. (5878); (xlviii) Total Warehousing/Ontario, L.L.C. (5878); (xlix) Trans Coastal Trucking, L.L.C. (1970); (l) Transport Industries Equipment Services, L.L.C.; (li) Transport Industries Holdings, L.P. (7895) (lii) Transport Industries, L.P. (2077). The Debtors' executive headquarters' address is 12404 Park Central Drive, Suite 300 South, Dallas, TX 75251.

² Certain of the pleadings described herein relate to motions or applications that are being filed concurrently herewith, but which will be heard by the Bankruptcy Court on notice to parties in interest as described in each motion or application.

Debtors' operations and financial condition. If called upon to testify, I could and would testify competently to the facts set forth herein.³ I am duly authorized to submit this affidavit.

5. Section I of this affidavit describes the Debtors' businesses and the circumstances surrounding the commencement of these chapter 11 cases. Section II sets forth the relevant facts in support of the Debtors' First Day Pleadings.

I. BACKGROUND

GENERAL BACKGROUND

A. Introduction

6. The Debtors are non-asset based logistics providers focused on ground transportation and related services within the trucking and third-party logistics markets in the United States. The Debtors offer a suite of transportation and logistics services, including dedicated and agent-based truckload solutions, warehouse-based contract logistics, and freight brokerage services. As described below, the Debtors provide their services primarily through a non-asset based business model that utilizes approximately 6,000 independent contractor owner-operators, approximately 20,000 independent third-party carriers, as well as approximately 380 independent commissions-based sales agents, and leased equipment and warehouses. The Debtors' executive offices are located in Dallas, Texas, and they have logistics and warehouse facilities throughout the United States.

7. The Debtors operate through four (4) primary lines of business:
(i) "Dedicated Transport," which primarily provides dedicated "closed loop" truckload transportation focused on the food staple industry mainly using independent contractor owner-operators; (ii) "Truckload Management," which provides irregular-route, small business, agent-

³ Capitalized terms used but not defined herein have the meanings given them in the relevant First Day Pleading.

based truckload freight transportation mainly using independent contractor owner-operators; (iii) "Freight Brokerage," which matches customer shipments with third-party carriers for pick-up and delivery; and (iv) "Distribution Logistics," which primarily provides warehouse-based contract logistics services. The Debtors have relationships with customers in numerous industries, including food and beverage, retail, fast-moving consumer packaged goods, and a variety of industrial products.

8. The Debtors currently employ approximately 2,935 full-time and 116 part-time employees. In addition, currently, the Debtors' network includes approximately 6,000 independent owner-operators, 380 independent sales agents, and 20,000 qualified third-party carriers. For the eight month period ending August 30, 2008, the Debtors had consolidated unaudited revenues of approximately \$881.5 million.

B. Summary of Corporate Structure

9. The Debtors' history begins in August 2000, when Fenway Partners acquired a majority position in Transport Industries Holdings, a family-owned business. In 2003, the company began a series of strategic acquisitions to broaden its services offerings. These acquisitions included, among others, American Trans-Freight and Total Distribution in 2004, Cargo-Master, Inc. in 2005, Southpoint Distributing and Gallop Logistics Corporation⁴ in 2006, and Greatwide Dedicated Transport III, Inc. in March 2008. In January 2006, Transport Industries Holdings' name was changed to Greatwide Logistics Services, Inc. ("GWLS"). GWLS Holdings, Inc. ("Holdings") purchased GWLS in December 2006. Through this acquisition, affiliates of Investcorp BSC and Hicks Holdings LLC became the majority owners of Holdings. Holdings is the ultimate parent company of the other Debtors; it has 51 wholly-

⁴ Gallop Logistics Corporation is incorporated in Canada and is not a Debtor herein nor has it commenced any Canadian insolvency proceeding.

owned subsidiaries, including GWLS, which is the ultimate parent operating company. The Debtors' organization chart is annexed hereto as Exhibit A.

C. Summary of Business Operations

10. As set forth above, the Debtors operate through four (4) primary lines of business: (i) Dedicated Transport; (ii) Truckload Management; (iii) Freight Brokerage; and (iv) Distribution Logistics.

(i) Dedicated Transport

11. The Dedicated Transport ("DT") business manages the outbound and inbound delivery of products at customers' distribution centers and offers customized and exclusive distribution and re-supply services between its customers' distribution centers and individual retail stores.

12. DT services are provided through a largely non-asset based model that utilizes a network of approximately 3,150 independent owner-operators, 800 company drivers and 2,200 third-party carriers. Dedicated contract carriage is provided to customers through customer-owned or leased distribution centers. The Debtors also operate approximately 4,900 trailers, of which 70% are protected by a "put" provision (i.e., the Debtors can cause their customers to purchase a trailer on certain terms and conditions).

13. DT is the largest primarily non-asset based dedicated contract carriage provider in the United States. The Debtors also are the largest provider of dedicated contract carriage for the grocery industry among both asset based and non-asset based carriage providers, and provide dedicated contract carriage to the food and beverage, retail, garment, and general merchandise industries. DT service contracts typically contain three to five-year terms and include escalators for fuel prices and other specified costs.

14. DT's revenues comprise approximately 51% of the Debtors' total annual revenues.

(ii) Truckload Management

15. The Truckload Management ("TM") business provides non-asset based truckload management services to independent agents and customers throughout the United States. Generally, TM acts as a back-office provider and "licensed carrier" for a network of independent sales agents who source freight shipments and act as the primary interface with customers. The independent sales agents place freight shipments on, among others: (a) the agent's own trucks; (b) trucks owned by independent contractor owner-operators; or (c) independent third-party carriers through brokerage arrangements. TM has a network of approximately 380 local independent sales agents, 1,600 independent owner-operators, and 8000 independent third-party carriers.

16. TM contracts are typically exclusive arrangements with the independent sales agents who are paid a commission ranging between 8-10% of revenue on fulfilled orders for truckline freight moved on TM's operating license. To attract an agent's business, TM provides the agent with a variety of services including billing, collections, contractor settlements, management information systems, purchasing, safety resources, risk management, and regulatory compliance.

17. TM provides a broad range of truckload transportation options, including, utilizing flatbed, specialized, dry vans, and temperature-controlled transport. TM provides transportation services to customers in a broad range of industries, including food and beverage, consumer, manufacturing/industrial, retail, transportation, aluminum, and government.

18. TM's revenues comprise approximately 28% of the Debtors' total annual revenues.

(iii) Freight Brokerage

19. The Freight Brokerage (“FB”) business is that of a broker, arranging freight shipments on behalf of customers by contracting with third-party independent contractors to haul the customers’ freight at pre-negotiated rates. FB employees are intermediaries who participate in the brokerage of freight to serve the transportation needs of customers/shippers. FB is and has been ranked in the top 25 brokerages for many years in the United States freight brokerage industry, in which there are over 12,000 Department of Transportation licenses to conduct brokerage. FB matches customer shipments with third-party transport service providers utilizing the FB proprietary database of over 20,000 qualified third-party carriers. The Debtors, through FB, also recruit carriers, establish contracts, monitor services records, and generally maintain the relationship with the trucking companies.

20. FB revenues are derived from the spread (i.e., margin) between pre-established or negotiated rates with customers and the amount paid to the contracted carrier. FB is the intermediary of the monies of the shipper paid to FB and due to the contracted carriers who actually transports the goods and provides the service. The margin is derived from the difference between what is paid by the customer/shipper and what the broker negotiates with the carrier to be paid for their services. FB’s credibility is through the good stewardship of the customers/shippers and carriers funds which are transacted or managed through FB. FB employees are compensated with a base salary and a percentage commission of the margin for each load generated.

21. FB provides brokerage services to customers in a broad range of industries, including food distribution, fresh produce, wholesale, retail, consumer products, and manufacturing/industrial. Customer contracts are typically one-year with the ability to cancel at-

will prior to such time. FB has a national presence with 16 offices in the continental United States and one in Toronto, Canada.

22. FB's revenues comprise approximately 15% of the Debtors' total annual revenues.

(iv) **Distribution Logistics**

23. The Distribution Logistics ("DL") business manages warehouses and provides value-added logistics services such as order fulfillment, inventory management, cross-docking, packing, deconsolidation, labeling, light manufacturing and assembly, load inspection, pallet refurbishment, and just-in-time fulfillment. In a few instances, DL provides short-haul transportation services in conjunction with warehouse services. DL manages over 20 leased warehouses with approximately 3.2 million square feet of warehouse space located in numerous markets, including Phoenix, Las Vegas, Dallas, San Antonio, Aspen, Salt Lake City, and the Northern and Southern California areas.

24. The DL business serves customers in a wide range of industries, including consumer packaged goods, beverage containers and finished beverage products, and a variety of dry goods. Customer contracts typically range between less than a year to three years, and typically specify service standards and rates for particular services.

25. DL's revenues comprise approximately 6% of the Debtors' total annual revenues.

D. Capital and Debt Structure

(i) **Summary of Prepetition Credit Facilities**

26. The Debtors' capital structure is comprised of: (i) a \$370 million secured first lien facility, which is comprised of a \$70 million revolving letter of credit facility (including

a letter of credit sub-facility) and a \$300 million term loan; (ii) a \$117 million secured second lien term loan; and (iii) a \$90 million unsecured credit facility.

(a) First Lien Credit Facility

27. Pursuant to that certain First Lien Credit Agreement, dated as of December 19, 2006, GWLS entered into a secured credit facility in the aggregate amount of \$370 million (the "First Lien Credit Facility"), comprised of a term loan of \$300 million (the "First Lien Term Loan") and a revolving credit facility of \$70 million (the "First Lien Revolving Credit Facility"). The First Lien Revolving Credit Facility provides for revolving credit loans, swing line loans (up to \$5 million) and letters of credit (up to \$50 million, initially). UBS AG, Stamford Branch ("UBS") serves as the administrative agent and collateral agent for the lenders (the "First Lien Lenders") under the First Lien Credit Facility. Pursuant to the First Lien Guarantee and Collateral Agreement, dated as of December 19, 2006, Holdings and the majority of its subsidiaries (collectively with Holdings, the "Guarantors")⁵ guarantee the obligations under the First Lien Credit Facility.

28. The First Lien Credit Facility is secured by substantially all of the assets of GWLS and the Guarantors, including pledges of 100% of the capital stock of GWLS and the Guarantors (subject to limitations regarding foreign subsidiary stock) (the "Collateral").

29. As of September 30, 2008, the outstanding principal amount under the First Lien Term Loan was \$296.25 million. As of September 30, 2008, the outstanding principal amount under the First Lien Revolving Credit Facility was \$70 million inclusive of \$31,498,640 in outstanding letters of credit.

⁵ Each of GWLS' domestic subsidiaries that is not an "immaterial subsidiary" is required to be a Guarantor subsidiary. "Immaterial subsidiaries" are those which have assets or annual revenues of less than \$2.5 million (on a consolidated basis with each subsidiary of such subsidiary), subject to an aggregate cap of assets or annual revenues of less than \$7.5 million.

(b) Second Lien Credit Facility

30. GWLS also is the borrower under that certain Second Lien Credit Agreement, dated as of December 19, 2006, (the "Second Lien Credit Facility"). Pursuant to the Second Lien Guarantee and Collateral Agreement, dated as of December 19, 2006, the Guarantors also guarantee the obligations under the Second Lien Credit Facility. The Second Lien Credit Facility provides an aggregate term loan of \$117 million. Effective as of September 9, 2008, UBS resigned as the administrative agent and collateral agent for the lenders (the "Second Lien Lenders") under the Second Lien Credit Facility. Upon information and belief, the Second Lien Lenders have not yet appointed a replacement agent under the Second Lien Credit Facility.

31. The Second Lien Credit Facility is secured by substantially all of the assets of GWLS and the Guarantors; such liens are second in priority to the liens securing the First Lien Credit Facility.

32. At the time the First Lien Facility and the Second Lien Facility were executed, the lenders also entered into that certain Intercreditor Agreement, dated as of December 19, 2006 (the "Intercreditor Agreement"). The Intercreditor Agreement governs, among other things, the respective rights and remedies of the First Lien Lenders and Second Lien Lenders with respect to the Prepetition Collateral.

(c) Mezzanine Facility

33. Holdings entered into the Amended and Restated Senior Holdings Credit Agreement, dated as of December 19, 2006 (as amended and restated as of April 30, 2007, the "Mezzanine Facility"). The Mezzanine Facility is unsecured and is not guaranteed by any of the

other Debtors. As of September 30, 2008, the outstanding principal amount under the Mezzanine Facility was \$90 million plus approximately \$24 million in PIK interest.

(d) Certain Letters of Credit

34. Prior to the Petition Date, UBS issued two letters of credit for the benefit of the Debtors, one in the amount of \$8 million in favor of ACE American Insurance Company and the other in the amount of \$500,000 in favor of one of the Debtors' surety bond providers. The Debtors have cash collateralized these letters of credit, which were issued outside of the First Lien Credit Facility, with UBS.

E. Events Leading Up to Commencement of Chapter 11 Cases

35. For more than a year leading up to the commencement of these chapter 11 cases, the Debtors have faced significant challenges, including, inter alia: (i) significant fuel price increases; (ii) one of the most significant industry-wide freight declines in the prior decade; (iii) revenue shortfalls in the Debtors' businesses that impacted profitability; (iv) a variety of volume and customer-related issues that impacted profitability; and (v) recently, a significant and unexpected increase in required collateral for insurance.

36. As a result of these operational difficulties and the resultant liquidity constraints, the Debtors began discussions with their First and Second Lien Lenders in early June 2008 regarding the need for covenant and other relief under the First and Second Lien Credit Facilities. Subsequently, given such discussions and their desire to maximize liquidity, the Debtors determined it would not be prudent for them to make scheduled principal and interest payments of approximately \$8.3 million due on June 30, 2008 under their First and Second Lien Credit Facilities. As a result thereof, on July 1, 2008, UBS provided the Debtors with default notices under such facilities. Shortly thereafter, the Debtors entered into forbearance agreements with the First and Second Lien Lenders in order to pursue an agreement on the terms of a

covenant amendment package and liquidity infusion to address the issues confronting the Debtors.

37. In July 2008, the Debtors and certain of their equity owners made a proposal to the First and Second Lien Lenders that they then believed would provide the Debtors with the liquidity and financial flexibility to operate in the current environment. After receiving and evaluating the feedback they received from certain of their lenders, the Debtors and their equity owners made a revised proposal in early August 2008, which contemplated the investment by existing equity of additional capital. This enhanced proposal was premised upon, among other things, the condition that the Debtors' insurance provider not require more than \$5 million in additional collateral coverage in order to renew the Debtors' workers' compensation and general liability policies that then were due to expire on September 30, 2008.

38. In early September, while the Debtors' First and Second Lien Lenders were considering this proposal, the Debtors were informed by Liberty Mutual ("Liberty"), then their primary insurance provider, that Liberty required an additional \$32 million in collateral to support Liberty's continuation of the Debtors' insurance coverage beyond its September 30, 2008 expiration date. The required additional collateral was unexpected and effectively rendered the proposal that had been under consideration no longer feasible, and the Debtors were forced to give further consideration to other strategic alternatives. In order to provide themselves with additional time to consider and pursue other alternatives, without having immediately to commence chapter 11 cases in order to procure the debtor in possession financing that would have been required to fund Liberty's demand for additional collateral, the Debtors investigated and ultimately were able to procure replacement insurance coverage for a period of 90-days with ACE American Insurance Company, another insurer, by posting a letter of credit in the face

amount of \$8 million. At the same time, the Debtors and their advisors continued their discussions with certain of the First and Second Lien Lenders regarding potential strategic alternatives.

39. At all times during the process, the Debtors stressed that they believed a global restructuring supported by both the First Lien Lenders and the Second Lien Lenders was in the best interests of the Debtors and their various stakeholders and that the Debtors' businesses would not be able to survive a prolonged chapter 11 process. In an effort to pursue a consensual restructuring, the Debtors engaged in discussions with certain significant First and Second Lien Lenders. The Debtors negotiated nondisclosure agreements with these parties and granted them access to an electronic data room. The Debtors also allowed these parties to meet with management and conduct follow up due diligence. In early October, as a result of the due diligence process, the Debtors received a non binding restructuring proposal from a portfolio company of the Debtors' largest Second Lien Lender. Unfortunately, given the inability of their lenders to agree on the terms of a consensual restructuring, the Debtors' need to reduce their debt load and interest expense, and the Debtors' increasing concerns about the potential deterioration of their business — and concomitant degradation in value — due to rumors in the marketplace regarding the Debtors' liquidity and viability, the Debtors determined that the value of their estates would best be maximized and preserved through a sale process. Accordingly, the Debtors negotiated a going-concern sale of their businesses and assets to their First Lien Lenders in the form of a credit bid and commenced these chapter 11 cases to implement that sale pursuant to section 363 of the Bankruptcy Code, subject to a competitive sale process and the solicitation of higher and/or otherwise better offers. The Debtors believe that, unless a sale is expeditiously

consummated, whether to the proposed stalking horse purchaser or to a purchaser submitting a higher or otherwise better offer, there will be significant value deterioration.

40. Subject to bankruptcy court approval, the Debtors expect to consummate a sale by January 31, 2009. Thus, through the filing of these chapter 11 cases and the breathing spell that it provides, the Debtors hope and expect to consummate a going-concern sale in a manner that will maximize value for the benefit of their estates and their creditors.

II. SUMMARY OF FIRST DAY PLEADINGS

A. Facts in Support of First Day Pleadings

41. Concurrently with the filing of their chapter 11 petitions, the Debtors are seeking orders approving the First Day Pleadings (collectively, the "First Day Orders"). The Debtors are requesting that each of the First Day Orders described below be entered, as each constitutes an integral element in maximizing the value of these estates for the benefit of all parties in interest. As a result of the Debtors providing their services primarily through a non-asset based business model that utilizes and greatly relies on third-parties, certain of the relief is targeted towards getting those critical third-parties paid prepetition amounts owing in order to allow the Debtors' businesses to continue to operate and have a seamless transition into bankruptcy and during these cases. If such relief is not granted, the Debtors believe these cases will fail.

42. In connection with the preparation for these bankruptcy cases, I have reviewed each of the First Day Pleadings referenced below. As set forth more fully below, I believe that the entry of the First Day Orders is critical to the Debtors' ability to preserve the value of their estates.

B. Motions Related to Case Management

Joint Administration Motion

43. The Debtors seek the joint administration of their chapter 11 cases, 51 in total, for procedural purposes only. I believe that it would be far more practical and expedient for the administration of these chapter 11 cases if the Court were to authorize their joint administration. Many of the motions, hearings, and other matters involved in these chapter 11 cases will affect all of the Debtors. Hence, joint administration will reduce costs and facilitate the administrative process by avoiding the need for duplicative notices, applications, and orders. It is my understanding that no prejudice will befall any party by the joint administration of the Debtors' cases as the relief sought herein is solely procedural and is not intended to affect substantive rights.

Extension of Deadline to File Schedules and Statements of Financial Affairs

44. In order to enhance the accuracy of the Debtors' schedules of assets and liabilities (the "Schedules") and their statements of financial affairs (the "SOFAs"), and to avoid the necessity of substantial subsequent amendments, the Debtors are seeking certain extensions of time within which to file their Schedules and SOFAs.

45. I understand that, pursuant to certain Bankruptcy and Local Rules, the Debtors' Schedules Deadline will be postponed automatically for 30 days because they intend to file a list of creditors, and because of the large number of creditors involved in these cases. In addition, I understand that the Debtors may obtain a further extension of the Schedules Deadline for cause shown. See Fed. R. Bankr. P. 1007(c); Del. Bankr. L.R. 1007-1(b). Due to: (a) the complexity and diversity of the Debtors' operations; (b) the substantial burdens already imposed on the Debtors' management by the commencement of these chapter 11 cases; (c) the limited number of employees available to collect the required information and the competing demands

on such employees; and (d) the significant number of creditors, it is my opinion that “cause” exists to extend the Schedules Deadline as requested in the motion. I believe that the requested extension will allow for more accurate Schedules and SOFAs, and avoid burdensome subsequent amendments.

C. Applications/Motions Relating to Professionals

46. The Debtors intend to file and serve certain applications, upon the scheduling of a further hearing by the Court, to retain professionals who will assist the Debtors in the administration of these chapter 11 cases. Among certain other professionals, the Debtors will seek to retain Young Conaway Stargatt & Taylor, LLP (“YCST”) and Willkie Farr & Gallagher LLP (“WF&G”) as bankruptcy co-counsel with regard to the filing and prosecution of these chapter 11 cases. In addition, the Debtors will seek to retain Miller Buckfire & Co., LLC (“Miller Buckfire”) as financial advisor and investment banker, BDO Seidman, LLP (“BDO”) as auditors and tax consultants, and Conner & Winters LLP (“C&W”) as special counsel. The Debtors also will seek approval of their agreement with Loughlin Meghji + Company Associates, Inc. (“LM+Co”) pursuant to which LM+Co has agreed to provide James J. Loughlin, Jr. to serve as the Debtors’ Vice President and Chief Restructuring Officer, Tom Hsin-Chieh Wang to serve as the Debtors’ Vice President and Assistant Restructuring Officer, and additional temporary staff. The Debtors also intend to file a motion regarding interim compensation, seeking authorization and establishing procedures for compensating and reimbursing professionals on a monthly basis, on terms comparable to the procedures established in other chapter 11 cases in this district.

47. In addition, the Debtors intend to file a motion authorizing the Debtors to retain certain professionals utilized in the ordinary course of their business (“OCPs”) without the submission of separate retention applications and the issuance of separate orders approving the

retention of each individual professional and authorizing the Debtors to pay each OCP in accordance with the terms set forth in the motion without application to the Court by such professional, 100% of postpetition fees and disbursements, subject to monthly caps of \$50,000 for each individual OCP, and \$600,000 for all OCPs in any one given month. I believe that retention of the OCPs is essential and should be authorized to avoid any disruption in the Debtors' day-to-day business operations. Further, since the amount of fees and disbursements owed to any such individual professional in respect of postpetition services is expected to be relatively modest, the requested relief will allow the Debtors to avoid additional fees that would be incurred by the OCPs in connection with preparing and prosecuting numerous interim fee applications. I believe granting the relief sought in this motion is in the best interest of the estates and all the parties involved.

48. Additionally, at the First Day Hearing, the Debtors will seek to retain Kurtzman Carson Consultants ("KCC") as the Court's notice, claims and balloting agent for the Debtors' chapter 11 cases. Pursuant to Local Rule 2002-1(f), the Court may authorize the retention of a notice, claims, and balloting agent without the need to provide notice to any other parties. The retention of KCC is critical because of the large number of creditors in these cases.

49. I understand that KCC is a data processing firm with extensive experience in noticing, claims processing, balloting, and other administrative tasks in chapter 11 cases. Given the need for the services described above and KCC's expertise and experience in providing such services, I believe that retaining KCC will expedite service of notices, streamline the claims administration and balloting processes and permit the Debtors to focus on their attempted reorganization.

D. Motions Related to Financing of Operations

Motion to Authorize Continued Use of the Debtors' Cash Management System and Bank Accounts

50. In the ordinary course of their business prior to the Petition Date, the Debtors maintained a decentralized cash management system designed to, among other things, collect deposits and transfer and disburse funds generated through each line of the Debtors' businesses efficiently (the "Cash Management System"). As of the Petition Date, the Debtors maintain collectively approximately 33 active bank accounts (collectively, the "Bank Accounts") at several different banks (the "Banks"). Each of the Debtors' four primary lines of business maintain separate bank accounts, including one or more of the following: operating accounts, payroll accounts, zero balance accounts ("ZBAs"), flexible spending accounts ("FSAs") and money market accounts. The operating accounts generally are funded by customer collections, which are deposited in the form of checks, wire transfers and Automatic Clearing House transfers.

51. Generally, the operating accounts fund the various ZBAs and payroll accounts, according to division. Any account that is a ZBA is funded at the start of each day, and then balances are swept at the end of each day back into either the appropriate operating account or a money market account, where such funds can benefit from a higher interest rate. The various FSAs are funded by contributions from those employees who choose to take advantage of the flexible spending benefits offered by the Debtors. Such amounts are deducted from employees' paychecks and transferred into the proper operating account, and then transferred daily from the operating account to the appropriate FSA to facilitate flexible spending reimbursements.

52. With respect to intercompany transfers, each of the Debtors' four divisions prepares and submits to GWLS weekly forecasts. The weekly forecasts are used by GWLS to determine the amount of cash needed to fund each division. Any funds needed are transferred by GWLS from GWLS's operating account (which account it shares with DT, as described in more detail in the motion), to the applicable division. Similarly, each division will deposit into the main operating account of GWLS and DT excess cash not otherwise transferred to that division's money market account (if any). Funds transferred to DT are recorded on the books and records of GWLS and DT.

53. The Debtors' internal accounting systems are able to track such intercompany transfers; however, due to the decentralized nature of the cash management system, each division is only able to track receipts and disbursements for such division. The Debtors believe that modification of their existing accounting system or the implementation of a new system would be prohibitively expensive and would take several months to implement, potentially causing interruptions in the cash management system to the detriment of the Debtors, their customers, vendors and employees.

54. I understand that the U.S. Trustee Guidelines require chapter 11 debtors to, among other things, close all existing bank accounts and open new accounts which must be designated debtor in possession bank accounts and utilize new checks for all debtor in possession accounts, which bear the designation "Debtor in Possession." In this motion, the Debtors request that this Court waive the requirement that they close all existing Bank Accounts and open new debtor in possession accounts and, to minimize administrative expense and delay, the authority to continue to use their checks without reference to their status as debtors in possession. In the event the Debtors need to purchase new check stock during the pendency of these chapter 11

cases, such check stock will include a legend referring to the Debtors as “Debtors in Possession” or “DIP.”

55. The Debtors also are seeking a waiver of the requirement to establish specific bank accounts for tax payments. I believe the Debtors’ tax obligations can be paid most efficiently out of their existing Bank Accounts, and that the creation of new debtor in possession accounts designated solely for tax obligations would be unnecessary and inefficient.

56. In addition, I understand there are deposit, investment and reporting requirements required under section 345(b) of the Bankruptcy Code. I believe that there is ample cause to waive those requirements because: (i) the Debtors maintain their Bank Accounts with reputable banking institutions all but one of which has executed the Uniform Depository Agreement (the “UDA”) required by U.S. Trustee for compliance with the requirements of section 345(b) of the Bankruptcy Code;⁶ (ii) the Debtors have only money market accounts and one overnight investment account and no other investment accounts; and (iii) the size of the Debtors’ business operations, the complexity of the Cash Management System and the costs associated with satisfying the requirements of section 345(b) make satisfying such requirements impracticable.

57. I believe that the Debtors’ existing cash management and intercompany accounting procedures are essential to the orderly operation of the Debtors’ businesses. The cost and expense of changing bank accounts and creating a new cash management system would not only force the Debtors to incur significant and unnecessary costs and expenses, but could weaken the Debtors’ operations at a time when the Debtors should be focused primarily on operational stability. Indeed, I believe that forcing the Debtors to employ a new cash management system

⁶ The Debtors are in the process of closing the one account, which is a dormant account, that has not executed the UDA.

would cause confusion, diminish the prospects for a successful restructuring, disrupt payroll, introduce inefficiency when efficiency is most essential, and strain the Debtors' relationships with critical third parties. Naturally, these relationships must be maintained to give the Debtors the opportunity to restructure successfully. Thus, by this motion, the Debtors seek authorization to continue the management of their cash receipts and disbursements in the manner in which they were handled immediately prior to the Petition Date.

58. I believe that granting this motion, and allowing the Debtors to move forward with its Cash Management System and to use their existing checks, would be in the best interests of the estates and the reorganization of the Debtors.

Motion for Authorization of DIP Financing and Use of Cash Collateral

59. The Debtors seek authority to enter into a debtor in possession financing facility, grant senior liens, junior liens and superpriority administrative expense status, use cash collateral, provide "adequate protection" to prepetition lenders and schedule a final hearing with respect to the relief requested, all as more fully described in the motion.

60. The Debtors intend to finance ongoing operations of their businesses during these cases through a senior secured, superpriority debtor-in-possession credit agreement (the "DIP Facility") in the amount of up to \$73.6 million, structured as a delayed-draw term loan facility and providing for up to \$60 million in letters of credit, which will be provided by a syndicate of banks, financial institutions and other entities, including UBS AG, Stamford Branch, as Administrative Agent and Issuing Lender, General Electric Capital Corporation, as Collateral Agent, UBS Securities LLC and Ableco Finance LLC, as Joint Lead Arrangers, and UBS Securities LLC, as Documentation Agent, Syndication Agent and Bookrunner. The DIP Facility will provide the Debtors with much needed liquidity to fund, in combination with cash

generated from operations, their operating, working capital and capital expenditure needs during the course of these chapter 11 cases.

61. The reasons supporting the Debtors' request for authority to obtain postpetition financing under the DIP Facility and to use cash claimed as collateral are compelling. As explained in greater detail below and in the motion, the DIP Facility will be used to provide liquidity for working capital and other general corporate purposes of the Debtors subject to a budget. The proposed DIP Facility will provide the Debtors with funds necessary for the operation of their business, including meeting their payroll and independent contractor obligations. Without the DIP Facility, the Debtors will be unable to fund their operations and their reorganization effort will fail before it begins. Further, the Debtors have an immediate need for use of the cash claimed as collateral, without which they will be unable to operate their businesses successfully.

(i) Cash Collateral

62. During the ordinary course of operations, the Debtors generate cash from the use of the collateral pledged under the First Lien Credit Facility and the Second Lien Credit Facility ("Cash Collateral"). The Debtors use Cash Collateral in the normal course of their business in order to continue to finance their operations, make essential payments, such as employee payroll, taxes and to purchase goods. As of the Petition Date, the Debtors have a cash balance of less than \$5 million. It is imperative that the Debtors obtain authority to use Cash Collateral subject to the terms of this Motion and the DIP Facility because the use of Cash Collateral is necessary in conjunction with the financing provided by the DIP Facility in order to fund the Debtors' working capital needs. Pursuant to the Interim DIP Order, upon the Debtors' use of the amount of cash they held as of the Petition Date, provided the conditions precedent under the DIP Facility are met, the Debtors shall use Advances, proceeds of collateral and any

Prepetition Secured Parties' Cash Collateral to fund the Debtors' operation of their businesses in accordance with the terms of the DIP Facility.

(ii) **Adequate Protection**

63. The Debtors and the DIP Facility Lenders have agreed that lenders under the First Lien Credit Facility and the lenders under the Second Lien Credit Facility (the "Prepetition Secured Parties") and their respective agents (together, the "Prepetition Agents") should receive the following as adequate protection of their interests in the Prepetition Collateral, in an amount equal to the aggregate diminution in value of the Prepetition Secured Parties' respective prepetition collateral (collectively, the "Adequate Protection Obligations"):

First Lien Prepetition Agent and First Lien Lenders	<p>In consideration for the use of Cash Collateral and the priming of the First Lien Agent's and First Lien Lenders' liens, claims and interests in the Prepetition Collateral (as defined in the Interim Order), the First Lien Agent and First Lien Lenders shall receive the following (collectively the "<u>First Lien Adequate Protection</u>"): </p> <p>To the extent there is a diminution in Prepetition Collateral, the First Lien Agent, on behalf of the First Lien Lenders, is granted a replacement lien in the Collateral, subject to the Carve-Out (the "<u>First Lien Replacement Liens</u>"), which liens will be valid, binding, enforceable and fully perfected as of the date of the Interim Order and subordinate only to the DIP Liens, Permitted Prior Liens and First Lien Liens.</p> <p>Subject to the Carve-Out, the First Lien Agent and First Lien Lenders also will receive an allowed administrative claim (the "<u>First Lien Administrative Claim</u>") against the Debtors' estates under section 507(b) of the Bankruptcy Code to the extent that the First Lien Replacement Liens do not adequately protect the diminution in the value of the Prepetition Collateral, which First Lien Administrative Claim, if any, shall be junior and subordinate only to the DIP Facility Superpriority Claims.</p> <p>The Debtors also shall make payments of the First Lien Agent's or its counsel's reasonable fees and expenses for legal counsel, financial advisors, auditors and other professionals for services rendered prepetition or postpetition on behalf of the First Lien Agent or its counsel and payments of each of the First Lien</p>
--	---

	<p>Lenders' reasonable fees and expenses for legal counsel, auditors, financial advisors and other professionals for services rendered prepetition or postpetition; provided that such payments shall be provisional in nature, and if and to the extent that any payment(s) is challenged by a party in interest under section 506(b) of the Bankruptcy Code and ultimately not allowed under such provision, such payment(s) may be recharacterized as a payment of principal on the indebtedness under the First Lien Credit Agreement. The First Lien Indebtedness shall continue to accrue interest at the applicable default rate under the First Lien Credit Agreement and the First Lien Agent and First Lien Lenders have expressly reserved their rights to require cash payments of interest as additional adequate protection.</p>
<p>Second Lien Prepetition Agent and Second Lien Lenders</p>	<p>In consideration for the use of Cash Collateral and the priming of the Second Lien Agent's liens, claims and interests in the Prepetition Collateral, the Second Lien Agent and Second Lien Lenders will receive the following (collectively the "<u>Second Lien Adequate Protection</u>", together with the First Lien Adequate Protection, referred to herein as the "<u>Adequate Protection</u>"): </p> <p>To the extent there is a diminution in the Second Lien Collateral Agent's interest in the Prepetition Collateral, the Second Lien Collateral Agent, on behalf of the Second Lien Lenders, will be granted a replacement lien in the Collateral, subject to the Carve-Out (the "<u>Second Lien Replacement Liens</u>", together with the First Lien Replacement Liens referred to herein as, the "<u>Replacement Liens</u>"), which liens will be valid, binding, enforceable and fully perfected as of the date of the Interim Order and subordinate only to the DIP Liens, Permitted Prior Liens, First Lien Liens and First Lien Replacement Liens.</p> <p>Subject to the Carve-Out, the Second Lien Agent and the Second Lien Lenders also will receive an allowed administrative claim (the "<u>Second Lien Administrative Claim</u>") against the Debtors' estates under section 507(b) of the Bankruptcy Code to the extent that the Second Lien Replacement Liens do not adequately protect the diminution in the value of the Prepetition Collateral, which Second Lien Administrative Claim, if any, shall be junior and subordinate to the DIP Facility Superpriority Claims and the First Lien Administrative Claim.</p>

64. It is my understanding that the First Lien Agent and the First Lien Lenders have consented to the foregoing Adequate Protection arrangements. In addition, I understand that the Adequate Protection set forth above takes into account the terms of the Intercreditor Agreement, which governs the rights and priorities of the Prepetition Secured Parties with respect to adequate protection.

(iii) No Comparable Alternative to the DIP Facility is Currently Available

65. I understand that Miller Buckfire, the Debtors' financial advisors, contacted six potential third party lenders who have historically been active in the debtor-in-possession financing market. I also understand that each such lender declined to submit a proposal to provide a debtor in possession financing in the light of, among other things, the current dismal debt capital markets conditions, the large amount of secured debt obligations of the Debtors, the absence of significant traditional ABL collateral given the Debtors' asset-light business model, current dismal economic conditions and their adverse impact on the trucking/logistics sector, and the fact that the First Lien Lenders informed the Debtors that they would not consent to any DIP facility that primed their prepetition liens (i.e., a non-consensual priming right would be required). I further understand that Miller Buckfire also inquired of certain Second Lien Lenders whether they were willing to provide debtor-in-possession financing (on a priming or junior basis). The Debtors' largest Second Lien Lender declined. I understand that certain other Second Lien Lenders have mentioned that they might be willing to consider providing such financing on a priming basis -- i.e., with a lien senior to the First Lien Lenders' liens -- as long as they are not required to pay cash interest to the First Lien Lenders as adequate protection thereunder. To my knowledge, no such proposal or commitment has been provided to the Debtors or their financial advisors as of the date hereof. Notably, I understand

that the Debtors have been informed by the First Lien Lenders that they would contest any DIP financing proposal that seeks to prime their prepetition liens.

66. Ultimately, the Debtors determined, based on the current state of the credit markets combined with Miller Buckfire's discussions with other potential lending sources, that the financing provided under the DIP Facility was the only financing available on comparable terms. This determination was informed by, among other considerations: (a) that the First Lien Lenders were willing to consent to the priming of their liens to the liens granted under the DIP Facility, without requiring as adequate protection current cash payment of interest under the First Lien Facility; (b) the ability of the Debtors to procure a commitment up to \$73.6 million, the maximum amount I understand to be permitted without additional consent being required under the Intercreditor Agreement; and (c) the lack of competing debtor in possession financing proposals from any alternative parties.

E. Motions Related to Employee/Independent Contractor Matters

Motion for Authorization to Pay Certain Prepetition Claims of Employees

67. The Debtors are seeking authority to, among other things: (i) pay and/or perform, as applicable, certain prepetition obligations to the Debtors' current employees (the "Employees"), including accrued prepetition wages, salaries, and other cash and non-cash compensation claims (collectively, the "Employee Wage Claims"); (ii) reimburse the Employees for travel and other expenses incurred prepetition by the Employees on behalf of the Debtors in the ordinary course of their duties (the "Employee Expense Obligations"); (iii) administer employee benefit plans, policies and programs (collectively, the "Employee Benefit Programs," and, together with Employee Wage Claims and the Employee Expense Obligations, the "Prepetition Employee Obligations"); and (iv) pay all related prepetition withholdings and

payroll-related taxes (the “Employer Taxes”) associated with the Employee Wage Claims and the Employee Benefit Programs.

(i) **Employees**

68. On a consolidated basis, the Debtors currently employ approximately 2,935 full-time and 116 part-time Employees who provide a variety of services to support the Debtors’ operations. Of those Employees, approximately 751 are salaried and 2,300 are paid by the hour. The aggregate average monthly payroll for all Employees is approximately \$10.9 million. The Debtors’ utilize 15 separate payrolls, as described in more detail in the motion. As of the Petition Date, no Employee is owed prepetition wages in an amount exceeding \$10,950.

(ii) **Employer Taxes**

69. In addition to the Employee Wage Claims, the Debtors are obligated to pay certain Employer Taxes on behalf of Employees, including FICA (Social Security and Medicare), federal, state, and, in some instances, local income and other payroll taxes. A portion of such payments represents amounts withheld from Employees’ paychecks, and the remainder of such payments represents required employer contributions. Typically, Employer Taxes arising in connection with the Debtors’ payroll for all Employees are approximately \$790,000 per month.

(iii) **Employee Expense Obligations**

70. The Debtors reimburse Employees who incur and pay a variety of Employee Expense Obligations including approved business-related expenses in the ordinary course of performing their duties for the Debtors such as the actual costs of travel, meals, lodging, entertainment and other expenses directly related to business travel and incurred while on assignments away from the normal work location.

71. Typically, the average aggregate monthly amount expended by the Debtors for reimbursement of Employee Expense Obligations is \$400,000. As of the Petition Date, the Debtors estimate that approximately \$111,000 in Employee Expense Obligations were outstanding.

(iv) **Employee Benefit Programs**

72. In the ordinary course of business, as is customary with most large businesses, the Debtors have established various employee benefit plans, programs and policies, including: health insurance, dental insurance, vision insurance, life insurance, accidental death and dismemberment insurance, short- and long-term disability coverage, and a 401(k) plan.

73. The Debtors' Employees are essential to the success of the Debtors' businesses. Consequently, it is critical that the Debtors continue the ordinary course personnel policies, programs, and procedures that were in effect prior to the Petition Date. The requested authority to continue to pay the Debtors' Employees and to maintain the Employee Benefits Programs is critical to ensure that the Debtors can retain personnel knowledgeable about the Debtors' businesses, and to provide an incentive for the Debtors' Employees to continue to provide quality services to the Debtors at a time when they are clearly needed.

74. The total amount to be paid if the relief sought is granted is modest compared with the size of the Debtors' estates and the importance of the Debtors' Employees to the restructuring effort. Additionally, many of these obligations are not immediate but, rather, will be satisfied over an extended period of time and, in some cases, not at all (e.g., accrued Vacation Time used by Employees).

75. In order to attempt to ensure that their Employees will not leave their employ, and to enable the Debtors to attain a successful outcome in these cases, I believe the

Debtors should be authorized to, among other things, satisfy their prepetition obligations to their Employees, reimburse Employees for prepetition expenses that were incurred on behalf of the Debtors and pay prepetition withholdings and payroll-related taxes associated with the Employee Wage Claims and the Employee Benefit Obligations. I believe authorizing the Debtors to pay the Prepetition Employee Obligations in accordance with the Debtors' prepetition business practices is in the best interests of the Debtors, the creditors, and all parties in interest, and will enable the Debtors to continue to operate their business without disruption in an economic and efficient manner.

*Motion for Authorization to Pay Certain Prepetition Claims of
Independent Contractors*

76. Over the course of a year, each of the Debtors' divisions, excluding Distribution Logistics, utilizes and greatly relies on over 24,000 Independent Contractors⁷ to perform essential functions on a cost-effective basis, the majority of which involve trucking and transport services. During any given month, the Debtors utilize in the aggregate approximately 7,300 to 8,500 Independent Contractors.

77. The use of Independent Contractors in the trucking industry is common and the Debtors' business model relies heavily on the use of contractors to provide services to the Debtors' customers. Indeed, the Debtors utilize thousands more Independent Contractors than they do personnel employed directly by the Debtors. By the motion, the Debtors are

⁷ The Independent Contractors are: (i) owner operators ("Owner-Operators"), who are non-employees that own their own trucks (or who drive trucks for the owners), but transport for the Debtors under the Debtors' state or federal motor carrier operating authority; (ii) third-party for-hire motor carriers ("Carriers"), who are persons or entities that have state and/or federal motor carrier operating authority and which contract with the Debtors to transport freight for the Debtors' shippers/carriers and for which the Debtors receive payments on their behalf from customers/shippers; and (iii) sales agents or agencies ("Sales Agents"), who identify customers and source freights by matching them with Owner-Operators and Carriers for shipment. Each division has databases containing the names of thousands of qualified Independent Contractors it may draw from.

seeking entry of an order, authorizing, but not directing, the Debtors to pay certain prepetition obligations on account of services provided by Independent Contractors.

78. Depending upon the type of Independent Contractor and the division with whom the Independent Contractor contracts, the Independent Contractors are paid, on average, from one week in arrears to three weeks in arrears. As a result, payments for hauls made and services performed for the Debtors -- which are performed on behalf of the Debtors' customers and for which the customers pay the Debtors -- are due and owing such persons and entities as of the Petition Date. It is imperative that the Independent Contractors are paid these amounts in the ordinary course following the Petition Date to ensure their continued and uninterrupted service to the Debtors. If the Independent Contractors do not continue to provide service to the Debtors, the Debtors will not be able to serve their customers, the customers will move their business elsewhere, and the Debtors will fail.

79. The Debtors pay advances and settlements (i.e., the funds paid to the Independent Contractors by the Debtors) to their Independent Contractors prior to the Debtors receiving payments from their customers. The Debtors believe that if their customers know that the Owner-Operators and Carriers will not be paid the amounts they are owed for shipments delivered prepetition, the customers not only likely will move their future business elsewhere but also may refuse to pay the Debtors for services already provided. Thus, I believe it is imperative that the Debtors be permitted to pay what are essentially pass through amounts. Further, if the Debtors' customers pay the Debtors for a delivery by an Independent Contractor made prepetition but the Debtors do not turn the funds over to the Independent Contractors, I understand that the Debtors' customers and Independent Contractors may become involved in litigation over payments. More importantly, if the Debtors do not pay the Independent

Contractors for services performed prepetition, there is a great likelihood that the Debtors' customers will turn to competitors to ensure uninterrupted services.

80. In light of the number of Independent Contractors used by the Debtors, and given the essential nature of the services they provide, it would be impossible for the Debtors to replace them in a timely manner and without significant loss of revenue and customers should any significant portion thereof stop providing services to the Debtors. I believe the requested authority to continue to pay the Debtors' Independent Contractors in the ordinary course is necessary to ensure that the Debtors can retain the services provided by the Independent Contractors that they rely on in their day-to-day businesses and that are essential to effect a successful case.

81. Further, for a vast number of the Independent Contractors, the settlements are essential for such Independent Contractors' survival. Under their Independent Contractor Agreements with the Debtors, those Independent Contractors that are small businesses and Owner-Operators must supply their own trucks, provide all fuel, licenses, maintenance, and other operating costs for those trucks and are paid solely for loads hauled. With respect to Owner-Operators, most are sole proprietors with one truck which they themselves drive. They generally live from one paycheck to the next. In order for them to earn sufficient funds to stay with the Debtors, they must receive funds, after fuel and expenses, on par with competitive driver wages; this enables those Independent Contractors that are small businesses and individuals to pay their bills, feed their families and maintain their vehicles during a critical time period before which they can become re-qualified to do business with another for-hire motor carrier. If even one settlement is missed, I believe these small businesses and individuals will refuse to continue to do business with the Debtors because they will no longer trust the Debtors or have any faith in

their ability to be paid and because there is robust competition in the trucking industry for their services.

82. Regardless of whether the Debtors would continue to pay them in full for services provided after the Petition Date, I believe it is the loss of trust that will be the hammer that will drive the Independent Contractors to competitors if the Debtors do not honor and pay prepetition amounts. The only alternative for the Debtors would be to contract with new Independent Contractors which, in various parts of the country, would be exceedingly difficult -- if not impossible -- to do and, in any case, substantially time consuming and expensive, also placing into jeopardy time sensitive delivery schedules of the Debtors' customers. More importantly, this is not a practical alternative due to the disruption and irreparable damage to the business that would first occur. If Independent Contractors are not paid and service is disrupted, it is my belief that the Debtors' customers will re-source their transport needs as soon as possible so as to avoid any uncertainty in the continued and uninterrupted flow of their goods.

83. The prepetition amounts owed to Independent Contractors include amounts that are owed to or will be paid by Comdata Corporation ("Comdata"), which is a third-party financial disbursement provider, on account of settlements paid by Comdata to the Independent Contractors on behalf of the Debtors. Generally, Comdata pays settlement payments to the Independent Contractors, on behalf of the Debtors, for the services performed by such persons and entities on a Comdata card, which is similar to a debit card. The Debtors' businesses could not continue to function without the services provided and credit extended by Comdata because it is through Comdata that most of the settlement payments are transmitted to the Independent Contractors. If Comdata is not reimbursed for the amounts it has provided prepetition to the Independent Contractors, and if the Debtors are not authorized to reimburse

Comdata for amounts it will pay going forward, Comdata will no longer extend credit to the Debtors, the Independent Contractors will not be paid, and the Debtors' businesses will grind to a stop. Therefore, it is imperative that the Debtors be permitted to continue effecting payment through, and providing reimbursements to, Comdata for the amounts Comdata transmits to the Independent Contractors on the Debtors behalf.⁸

84. Absent the relief requested in the motion, I believe it is highly likely the Debtors' businesses will be immediately and irreparably harmed. Thus, entry of an order approving the motion is critical to ensure that the Debtors can retain the services of the thousands of Independent Contractors that they rely on so greatly in their day-to-day operations, thereby ensuring the continuity of the Debtors' businesses and preserving the value of these estates. I believe authorizing the Debtors to pay the prepetition Independent Contractor obligations in accordance with the Debtors' prepetition business practices is in the best interests of the Debtors and all parties in interest, and will allow the Debtors' businesses to continue operating in an economic and efficient without costly disruption.

85. If this motion is not granted, I believe it would result in Independent Contractors refusing to continue to provide services, and seeking employment elsewhere, which undoubtedly would have a devastating impact on the Debtors, their customers, the value of estate assets and the Debtors' ability to reorganize. The total amount authorized to be paid if the relief sought herein is granted (which would not exceed approximately \$24 million in the aggregate and would be spread out over the approximately thirty days following the Petition Date) is modest compared with the size of the Debtors' estates and the importance of the Debtors' Independent Contractors to the restructuring effort.

⁸ The Debtors estimate that approximately \$2.5 million is owed to Comdata on account of payments it has made for prepetition services provided to the Debtors by Independent Contractors.

F. Certain Creditor-Related Motions

Motion to Provide for Adequate Assurance to Utilities

86. In connection with the operation of their businesses and the management of their properties, the Debtors utilize water, natural gas, electricity, telephone, and similar utility products and services (collectively, the “Utility Services”) provided by approximately 65 different utility companies (collectively, the “Utility Companies”) covering a number of utility accounts. The Debtors are seeking an order of this Court, pursuant to section 366 of the Bankruptcy Code, prohibiting the Utility Companies from altering or discontinuing services and deeming the Utility Companies adequately assured of future performance by virtue of the Debtors’ proposed adequate assurance. The Debtors expect that revenues from operations and/or availability under the Debtors’ postpetition credit agreement will be sufficient to pay all postpetition obligations for Utility Services, and intend to continue to pay all such obligations in a timely manner. As an additional measure, the Debtors propose to deposit a sum equal to approximately fifty percent (50%) of their average aggregate monthly payment for Utility Services, or \$180,000, into an account maintained by the Debtors (the “Utility Deposit Account”) to provide adequate assurance of payment for future services to the Utility Companies. The Debtors submit that the Utility Deposit Account together with the Debtors’ ability to pay for future Utility Services in the ordinary course of business (collectively, the “Proposed Adequate Assurance”), constitutes sufficient adequate assurance to the Utility Companies.

87. I believe that the Proposed Adequate Assurance constitutes sufficient adequate assurance to the Utility Companies. However, in light of the severe consequences to the Debtors of any interruption in services by the Utility Companies and my understanding that Utility Companies have the right to evaluate the proposed adequate assurance on a case-by-case

basis, if any Utility Company believes additional assurance is needed, the Debtors have proposed procedures for the Utility Companies to request such additional adequate assurance. I believe these procedures, as outlined in the motion, are not only fair and reasonable, but also necessary for the Debtors to be able to continue to operate properly.

88. I believe that without the relief requested in this motion, the Debtors could be forced to address numerous requests by Utility Companies in an unorganized manner at a critical period in their bankruptcy cases when their efforts should be focused on stabilizing their operations and maximizing value for all of their stakeholders. Accordingly, I submit that granting the relief sought in this motion is in the best interest of the Debtors and all parties involved.

Motion to Authorize Payment of Prepetition Claims of Certain Critical Vendors

89. In order to continue operating their businesses, the Debtors must rely on certain critical suppliers of goods and providers of goods and services (collectively, the “Critical Vendors”) who provide the Debtors with essential goods and services. Generally, the Critical Vendors provide support services such as coordination of electronic payments and disbursements and specialized equipment that is particular to parts used in the Debtors’ businesses.

90. Absent these Critical Vendors, the Debtors may be unable to continue their operations without materially inflated costs or substantial interruptions, which would be deleterious to the Debtors’ businesses. I believe that payment of the prepetition claims owed to the Critical Vendors is essential to operations because: (a) some suppliers are the only source of goods or services; (b) failure to pay prepetition claims would, in my judgment, result in substantial risk that certain Critical Vendors may refuse to provide goods or services; (c) some Critical Vendors provide goods or service on advantageous terms; and (d) some Critical Vendors would be irreparably damaged if their prepetition claims are not paid, compelling the Debtors to

find alternative suppliers, who may supply goods at a higher price or not of the quality or quantity that the Debtors require.

91. The Debtors are seeking authorization to pay, in the ordinary course of business, up to an aggregate amount of approximately \$5.0 million to the Critical Vendors. Included in this amount is approximately \$2.5 million for payment to Comdata, as described above in connection with the motion by which the Debtors are seeking authorization to pay prepetition amounts outstanding on account of services provided by the Independent Contractors (the "Independent Contractor Motion"). Assuming the Court grants the relief requested by the Debtors in the Independent Contractor Motion, the amount the Debtors are seeking to pay critical vendors will be reduced by \$2.5 million. Also included in this amount is approximately \$133,325 of claims for goods received by the Debtors in the ordinary course in the twenty (20) days prior to the Petition Date that would otherwise be entitled to administrative priority under Section 503(b)(9) of the Bankruptcy Code.

92. I believe that payment of the prepetition claims of the Critical Vendors is vital to the Debtors' cases being successful because the Critical Vendors are, among other things, the only economical source from which the Debtors can procure certain goods and services either within a timeframe that would permit the Debtors to avoid significant delays in providing products or services to key customers or at rates that are extremely favorable and non-replaceable. Accordingly, I believe that the relief requested in the Debtors' motion is necessary to avoid immediate and irreparable harm to the Debtors and their estates.

*Motion to Authorize Payment of Certain Taxes, Tolls, Fees, Registrations,
Licenses and Other Similar Charges and Assessments*

93. The nature of the Debtors' trucking business requires them to operate in states and provinces across North America. In the ordinary course of business, the Debtors incur

and are required to pay (a) weight, distance and highway use, fuel, franchise and other similar taxes (collectively, the “Taxes”) and (b) tolls, fees, registrations, licenses, permits and other similar charges and assessments (collectively, the “Fees”) levied and enforced by various state and local taxing, licensing, regulatory and other authorities (collectively, the “Applicable Authorities”). Such payments are made on a periodic basis and, depending on the nature and incurrence of a particular Tax or Fee, are remitted monthly, quarterly or yearly. While I believe that the Debtors are substantially current with respect to their payment of Taxes and Fees, the Debtors seek to make such payments where (i) Taxes and Fees accrued or incurred prepetition were not paid prepetition or were paid in an amount less than actually owed, (ii) payments made prepetition by the Debtors were lost or otherwise not received in full by any of the Applicable Authorities, or (iii) Taxes and Fees incurred for prepetition periods may become due after the commencement of these chapter 11 cases. I estimate that the total amount of prepetition Taxes and Fees owing will not exceed approximately \$750,000.

94. I believe that the payment of the Taxes and Fees is necessary for the Debtors to remain in good standing and operate in the various jurisdictions in which they do business. If the Taxes and Fees are not paid, the Applicable Authorities may seek to revoke the registration credentials of the Debtors’ motor vehicles, impound vehicles for not operating with valid registration credentials, refuse to escort the Debtors’ vehicles hauling over-sized loads, audit the Debtors, file liens, suspend licenses, make motions for relief from the automatic stay or take other aggressive action during these chapter 11 cases, which would divert the Debtors’ attention from operations and the restructuring efforts and cause the Debtors’ estates to incur interest expenses, penalties, fees and litigation costs. Accordingly, I believe that the relief

requested in the Debtors' motion is necessary to avoid immediate and irreparable harm to the Debtors and their estates.

*Motion to Authorize Debtors to Continue Insurance Policies and
Agreements Relating Thereto*

95. In connection with the operation of their respective businesses, the Debtors maintain various workers' compensation and insurance policies (each an "Insurance Policy" and, collectively, the "Insurance Policies") through third party insurance carriers (the "Insurance Carriers"). For some types of liability, the Debtors are self-insured, and the applicable Insurance Policy is underwritten by a third party underwriter (an "Insurance Underwriter"). The Insurance Policies insure against, among other things, automobile and physical damage liability, workers' compensation, property damage, business interruption damage, personal injury, professional malpractice, directors' and officers' liability and general liability. In addition, the Debtors presently self adjust certain cargo and property damage claims that generally are less than \$50,000 in amount (and historically have averaged approximately \$11,500 per claim). By the motion, the Debtors are seeking authority to pay all prepetition obligations under the Insurance Policies, including the amounts for any unpaid premiums and fees, as well as the prepetition obligations relating to self adjusted claims on account of cargo and property damage claims, following the Petition Date in the ordinary course of business.

96. The majority of the Insurance Policies presently are scheduled to expire on December 31, 2008, while the remainder of the Insurance Policies are scheduled to expire on June 30, 2009. I believe the Debtors are current on all premiums due under the Insurance Policies as of the Petition Date.

97. For the current policy period, \$3,745,813 of the premiums were financed under a premium finance agreement (the "AFCO Agreement") with AFCO Premium Credit LLC

("AFCO"), for which the next monthly payment of \$478,001.45 is due on October 30, 2008.

The premiums financed under the AFCO Agreement included premiums for the following four policies, each of which is described in greater detail in the motion: (i) an excess liability insurance policy for self insured workers' compensation and employers' liability with ACE American Insurance Company; (ii) an excess automobile liability insurance policy with Lexington Insurance Company; (iii) an umbrella liability insurance policy with National Union Fire Insurance Company of Pittsburgh, PA; and (iv) an excess liability insurance policy with RSUI Indemnity Company. Under the AFCO Agreement, the Debtors are obligated to make a total of eight (8) monthly payments to AFCO. The Debtors are requesting authority to make such monthly payments in the ordinary course of their businesses in order to continue to finance the insurance premiums for the policies above, including any prepetition amounts that may be owed. If the Debtors are not permitted to continue to pay the installments, AFCO may terminate the financing agreement and related insurance policies.

98. I believe that the Debtors must be permitted to maintain the Insurance Policies and the AFCO Agreement and continue making payments thereunder. If these Policies and the AFCO Agreement were allowed to lapse, the Debtors would be exposed to substantial liability for any damages or loss resulting to persons and/or property of the Debtors and others. In addition, absent certain types of coverage (e.g., automobile liability and workers' compensation), the Debtors would not be able to continue to conduct business. Moreover, maintenance of the directors' and officers' liability policy is necessary to retain the Debtors' senior management who are critical to the success of the Debtors' business and reorganization.

99. Further, I believe that it is essential to the continued operation of the Debtors' businesses and the Debtors' efforts to reorganize that all undisputed workers'

compensation claims are paid (up to the applicable reimbursement amount) on a timely basis. The risk that eligible claimants will not receive payments with respect to job-related injuries may have a devastating effect on the financial well-being and morale of the Debtors' employees. Departures by employees at this critical time may result in a severe disruption of the Debtors' businesses to the detriment of all parties in interest.

100. In addition to the foregoing, it is critical that the Debtors be permitted to continue to self-adjust cargo and property damage claims, including making all payments on an uninterrupted basis, in accordance with the Debtors' prepetition practices. Among other things, the deductibles for such claims are approximately \$250,000 per occurrence and the average damage claim historically is only approximately \$11,500 per claim. Thus, it is not cost effective to have the applicable insurance company handle such claims. More importantly, the cargo claims are claims of the Debtors' customers against the Debtors for damage to the customers' goods while in the Debtors' care. I believe that if the Debtors are not permitted to honor these claims, the customers will refuse to continue to do business with the Debtors. Similarly, the property damage claims typically are claims arising from damages to a customer's property during the course of a delivery. As with cargo claims, I believe that these claims must be paid or the customers may move their business.

101. Accordingly, I believe that the relief requested in the Debtors' motion is necessary to avoid immediate and irreparable harm to the Debtors and their estates.

[The remainder of this page is intentionally left blank.]


CONCLUSION

In furtherance of their chapter 11 efforts, for the reasons stated herein and in each of the First Day Pleadings, the Debtors respectfully request that the relief sought in the First Day Pleadings be approved.

Dated: October 20, 2008

A-C Leasing, L.L.C.
A-C Logistics, L.L.C.
Am-Can Transport Service, Inc.
American Trans-Freight, LLC
ATF Flatbed, LLC
ATF Leasing, LLC
ATF Logistics, LLC
ATF Management, LLC
ATF Trucking, LLC
ATF Van, LLC
Avenue K, Ltd.
Avenue W, Ltd.
Bachelor Creek, Ltd.
Brisk Transportation, L.P.
Camrett Brokerage, Inc.
Cargo-Master, Inc.
CDL Diesel Repair, LLC
CDL Leasing, Inc.
Cheetah Transportation, LLC
Cousins, Ltd.
Dallas & Mavis Holdings, LLC
Dallas & Mavis Specialized Carrier Co., LLC
Golman-Hayden Company, Inc.
Greatwide Canada Holdings, Inc.
Greatwide Dedicated Transport, L.P.
Greatwide Dedicated Transport II, Inc.
Greatwide Dedicated Transport III, Inc.
Greatwide Logistics Services, Inc.
Greatwide Southpoint Holdings, LLC
Greatwide Transportation Management Services, Inc.
Greatwide Truckload Management, LLC
Greenhead, Ltd.
GWLS Holdings, Inc.
May Trucking, LLC
National Transportation Specialists, LLC
RK Holdings and Leasing, Inc.
RKHL Holdings, LLC

Southpoint Distributing, Inc.
Stewart Stiles Truck Line, Inc.
Sunshine Carriers, Inc.
TI GP, LLC
TI Sub GP, LLC
TIH Am-Can Holding Company, LLC
TIH Cargo-Master Holding Company, LLC
TII Holdings GP, LLC
Total Warehousing, Inc.
Total Warehousing/Ontario, L.L.C.
Trans Coastal Trucking, L.L.C.
Transport Industries Equipment Services, L.L.C.
Transport Industries Holdings, L.P.
Transport Industries, L.P.



Stephen Bishop
Executive Vice President and Chief Financial
Officer



DEBBIE E. LASKIN
NOTARY PUBLIC
STATE OF DELAWARE
My Commission Expires Dec. 21, 2008

[Signature Page to First Day Affidavit]