

LOGISTICS REPORT

## Trucker Celadon Group Files for Bankruptcy

Debt-laden truckload carrier to shutter operations, explore sale of its separate Taylor Express business



Celadon's CEO said "legacy and market headwinds" made a restructuring impossible.

PHOTO: ALAN PETERSIME/BLOOMBERG NEWS

By *Jennifer Smith* and *P.R.Venkat*

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[Celadon Group](#) Inc., one of North America's largest truckload carriers, said Monday it filed for chapter 11 bankruptcy protection and will wind down its business operations.

The Indianapolis-based firm has been trying to turn around its business in the wake of an accounting scandal that triggered a management overhaul as the company was seeking to recover from financial problems.

"We have diligently explored all possible options to restructure [Celadon](#) and keep business operations ongoing; however, a number of legacy and market headwinds made this impossible to achieve," Chief Executive Officer Paul Svindland said in the statement.

The company had about 3,800 employees at the time of the shutdown, including approximately 2,500 drivers, and serves corporate customers including [Lowe's Cos .](#), [Philip Morris International Inc.](#), [Walmart Inc.](#), [Honda Motor Co.](#) and [Procter & Gamble Co.](#), Celadon said in a bankruptcy court filing.

Celadon owes \$293 million in long-term liabilities, according to a sworn declaration filed by the company's treasurer, Kathryn Wouters. She said Celadon owes \$138 million in long-term debt, \$115 million on capital leases, \$7 million in deferred taxes and \$33 million to the Justice Department stemming from a federal probe into the company's accounting. There are also \$98 million in current liabilities, Ms. Wouters said.

On a net book basis, Celadon's assets were worth \$427 million as of Sept. 30, according to her declaration.

The company's bankruptcy proceedings will be funded by an \$8.25 million debtor-in-possession facility provided by some of its existing lenders.

Celadon's Taylor Express business, based in Hope Mills, N.C., will continue to operate while Celadon explores a going concern sale of its operations, the trucking company said in a statement.

Celadon has been under pressure since the U.S. freight market stalled in late 2015 and 2016, with turnaround efforts complicated by another downturn this year. The carrier was laboring to recover from a failed bet on its truck-leasing business and a related accounting scandal that tanked the company's stock and led to the indictment last week of its former chief operating officer and chief financial officer on multiple accounts of fraud.

In April, Celadon agreed to pay \$42.2 million to [settle fraud claims](#) after filing false financial statements and lying to auditors in efforts to hide losses of its aging trucking fleet.

The carrier got into difficulty after [rapidly expanding](#) its former truck-leasing division Quality Companies LLC, which was at the center of the accounting scandal. The expansion marked a big bet on truck-leasing in the years leading up to a 2016 trucking slowdown in the trucking market.

The company hasn't filed financial statements since February 2017 and is working to restate several years of its results extending back to its fiscal year ended June 30, 2014. It [received \\$165 million](#) in new financing in August, part of it from a shareholder identified in securities filings as Luminus Energy Partners Master Fund Ltd. who retained warrants to buy an up to 49.9% stake in the business.

In August Celadon also [brought in Richard Stocking](#), the former leader of truckload-market leader [Swift Transportation Co.](#), to assist in the recovery effort.

The company's stock was delisted from the New York Stock Exchange last year.

Transportation research company SJ Consulting Group listed Celadon as the 16th largest U.S. carrier in the truckload sector, the largely industrial sector in which operators haul full-truck shipments to sites such as distribution centers and factories. Celadon counted \$762 million in revenue in 2018, an 11% decline from \$856 million in the previous year, according to SJ Consulting, a drop that came despite a booming freight market that lifted earnings at other carriers.

Trucking company failures have jumped this year, reaching 795 shutdowns in the first three quarters of 2019, more than three times the total number of trucker failures for the same period in 2018, according to transportation industry data firm Broughton Capital LLC.

Most of [this year's failures](#) involved small-to-midsize operators—the average fleet size was 30 trucks—but some big carriers have also been swept out of business.

New Jersey-based New England Motor Freight Inc., one of the Northeast's largest trucking companies, filed for bankruptcy in February and liquidated its fleet. Jack Cooper, one of North America's biggest auto haulers, filed for chapter 11 bankruptcy in August in an attempt to slash the company's debt and reduce its worker pension obligations.

#### **Uncertainty for drivers**

Kevin Williams, an independent contractor who hauls for Celadon, said the company sent a message to drivers late Sunday "and told us to deliver the loads to their destinations and they would give us information as to where to drop the trucks off and we would be paid."

Celadon driver Rashard Anderson said Sunday that he went to the company's Indianapolis terminal Saturday night and was told to "go home and sit tight until Monday morning."

Another driver, José Fraser, said Sunday that his onboard computer had stopped working. He said he was headed back home to Oklahoma City with an empty truck and is worried he won't be paid.

Student driver Felecia Moore of Detroit was at a driver training course at a Celadon facility in Indianapolis on Saturday when students were told to pack their bags and go to the company's terminal. "That's when we saw other trucking company recruiters outside of the welcome center, trying to recruit us," she said on Sunday.

Ms. Moore said Monday that company officials told about 50 students at the terminal that the court has ordered a lockdown, and said the company is trying to provide trainees with bus tickets home.

—Andrew Scurria contributed to this article

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