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Major Trucking Company Shutting Down After Filing for Liquidation Bankruptcy

Early on December 9, 2019, Celadon Group Inc., one of the nation's largest truckload carriers, filed for Chapter 11 liquidation bankruptcy. The Indianapolis-based company decided to close its business operations with the exception of its Taylor Express Unit in North Carolina. At the date of its shutdown, Celadon operated a fleet of nearly 3,300 tractors and 10,000 trailers with nearly 4,000 employees and 3,000 drivers.

Celadon experienced business difficulties for several years and previously attempted to restructure without bankruptcy protection. But, on December 5, news broke of the federal indictment of two former Celadon top executives in an alleged $60 million fraud scheme. Eight months before, Celadon agreed to pay $42.2 million in restitution for filing materially false and misleading statements to investors and falsifying books, records, and accounts.

Later, in 2017, Celadon posted a $10 million operating loss in the first quarter of the year and, consequently, was threatened with delisting its stock on the New York Stock Exchange. Shortly thereafter, Celadon began divesting itself of portions of its businesses—namely, selling its flatbed operations and its driver training business. Earlier this year, Celadon sold its logistics and intermodal businesses.

Celadon's CEO Paul Svindland expressed the company's intentions "to liquidate all of Celadon except for our Taylor Express subsidiary . . . [and] ensure drivers deliver their last loads safely and will then be instructed on where to deliver their equipment."

In the meantime, Celadon's lenders have agreed to "debtor-in-possession financing." Chapter 11 filings typically allow a debtor to continue its business operations as a "debtor in possession." As a "debtor in possession" Celadon forfeits control of majority decisions to the bankruptcy court.

In a December 9 report, Svindland admitted, "Celadon has faced significant costs associated with multi-year investigation into the actions of former management . . . When combined with the enormous challenges in the industry, and our significant debt obligations, Celadon was unable to address our significant liquidity constraints through asset sale or other restricting strategies . . . Celadon had no choice but to cease all operations and proceed with the orderly and safe wind down of our operations through the Chapter 11 process."

Timothy Groustra of Dickie, McCamey & Chilcote remarked, "While the company has indicated it would have all loads delivered and allow drivers to return to the home terminal, we are hearing reports that the drivers' fuel cards were cut-off, essentially stranding drivers." The filing comes approximately 24 hours after the company's former COO and CFO were federally charged in a $60 million fraud scheme.

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