



ATTORNEYS AT LAW

## Financial Challenges in the Trucking Industry

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This month New England Motor Freight, Inc. (NEMF) filed a voluntary Chapter 11 bankruptcy proceeding seeking to liquidate all of the company's assets for the benefit of its creditors. NEMF, which was founded in 1918 and was a leader in the trucking carrier business, provided trucking services throughout the United States and in Canada through a number of partnerships and interline carrier arrangements.

Despite generating gross revenues in excess of \$370 million in 2017 (with the same expected for 2018), employing over 3,400 employees, and having access to close to forty terminals from which the company operated from, NEMF determined that it was in the company's best interest to commence Chapter 11 proceedings. Factors that led to the Chapter 11 filing include the shortage of drivers (which is currently an industry wide issue), the loss of accounts, difficulties with union contracts (an estimated 1,900 of NEMF's employees are covered by collective bargaining agreements), and the unwillingness of lenders to extend or restructure credit obligations of NEMF.

Similar circumstances that led to NEMF's bankruptcy filing can be overwhelming to businesses, especially in industries such as transportation where the margins are especially thin. Even if your company is on solid financial footing, you may be faced with the unfortunate experience of trying to get paid from a debtor in bankruptcy, or dealing with a bankruptcy trustee trying to claw back monies paid to your company pre-bankruptcy under a preference action.

Your company's management team can benefit from considering these issues. From a creditor's perspective, your company's management team should be focused on protecting your company's financial well-being when faced with the bankruptcy of a client, which may even mean playing a role on creditors' committees. From a debtor's perspective, your company's management team may wish to learn what options are available for dealing with difficult or aggressive creditors, which may even include a possible restructuring of company operations.

Becker's transportation lawyers are well versed in the many nuances and subtleties of trucking, transportation and logistics and can assist all of our transportation clients in these types of matters – whether on the collection side or in facing, or preparing to face, financial challenges. Our transportation lawyers are also very proficient in the purchase of assets through a bankruptcy sale process for those companies seeking to purchase assets in bulk, possibly at substantial discounts and below market value.

### About Becker

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