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December 13, 2018

VIA E-MAIL

Alfredo Barajas
E-mail: abarajas@pacanchor.com

Re: Pac Anchor Transportation, Inc.

Dear Mr. Barajas,

As we have discussed, this email will serve as a summary of the Chapter 11 bankruptcy filing of Pac Anchor Transportation, Inc. ("Pac Anchor"), its status, and how it was in the best interests of Pac Anchor.

On December 12, 2018, the Court confirmed the Chapter 11 plan of reorganization (the "Plan") proposed by Pac Anchor and the Official Committee of Unsecured Creditors. This means the Chapter 11 bankruptcy of Pac Anchor was a complete success.

The primary objective for Pac Anchor's Chapter 11 reorganization was to resolve Pac Anchor's potential liability associated with its practice of compensating its drivers as 1099 independent contractors rather than as W-2 hourly employees. Due to the disputes related to its employment practices, including two lawsuits that were filed against it (which are discussed below), prior to the bankruptcy filing, Pac Anchor began converting its drivers from independent contractors to employees. Pac Anchor did so not as an admission of having committed unfair labor practices, unfair competition, or any other action involving unlawful employment practices but to ensure that future lawsuits are cut off and so that it can effectively reorganize through this bankruptcy proceeding without risk of future litigation or potential liability. Pac Anchor has successfully converted its drivers to hourly employees. Therefore, Pac Anchor has taken steps that few companies are taking that will put it in a superior position going forward.

Pac Anchor's conversion of its drivers from independent contractors to hourly employees relates to how the drivers are compensated. Previously, Pac Anchor's drivers were paid as 1099 independent contractors with no withholdings taken for taxes. Now, those drivers that have been

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converted to the new employment model are compensated by W-2 hourly wages and withholdings are taken from this compensation as required by applicable law.

By virtue of Pac Anchor's bankruptcy filing, it allowed Pac Anchor to finally and completely determine any and all potential liability against it for its previous employment practices. Two lawsuits were filed related to these practices, and additional liability may be asserted by others in the future. One of these lawsuits was a class action brought by two of Pac Anchor's drivers and one was a lawsuit brought by the State of California. The bankruptcy allowed Pac Anchor to have all of these potential claims, including both of these lawsuits, adjudicated at one time through the bankruptcy case and to ensure that all future claims are resolved in the bankruptcy. The Federal Court presiding over the Chapter 11 reorganization set a deadline by which creditors were required to assert claims against Pac Anchor or be forever prohibited from doing so. That deadline has passed, and the only major claims Pac Anchor had to resolved related to these two lawsuits. Therefore, Pac Anchor has limited the claims against it through the bankruptcy process.

Additionally, also by virtue of the bankruptcy reorganization process, Pac Anchor reached a settlement in the class action litigation. Under the terms of the agreement and through the Plan, \$4,500,000 will be paid to Pac Anchor's creditors, with most of these funds going to the drivers. This settlement was approved by the Bankruptcy Court and incorporated into the confirmed Plan. This settlement will also need to be approved by the state court, which is pending, but Pac Anchor anticipates it will be approved in the state court as well.

Due to the settlement of the class action litigation, Pac Anchor also resolved the entirety of the second lawsuit brought against it by the state of California because that lawsuit duplicated the claims that were settled in the class action litigation. Therefore, all of Pac Anchor's liability to all creditors has been completely determined and Pac Anchor will pay those claims over time in the amount of \$4,500,000.

The Plan also provided that Pac Anchor would agree to an injunction that will prohibit it from compensating its drivers in any manner other than on an hourly basis. This will ensure that Pac Anchor is in compliance, to the fullest extent possible, with all relevant labor law. Therefore, by virtue of the agreements with the State of California and the class action claimants, Pac Anchor has ensured that it will no longer compensate any of its drivers as 1099 independent contractors.

Due to the confirmation of the Plan, Pac Anchor has successfully reorganized its affairs, will continue business under a legally compliant employment model, and has resolved the claims against it. The Plan also provides that Pac Anchor receives a discharge of all liability associated with its prior labor practices and alleged violations of labor law. This gives Pac Anchor a fresh start.

All of these actions taken by Pac Anchor in the Chapter 11 reorganization are beneficial to

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all of Pac Anchor's customers due to the new legislation pending that would hold third parties, such as beneficial cargo owners, liable for any labor violations committed by a trucking company. Because Pac Anchor has converted its employment model, it has ensured that no future labor violations will occur. This provides Pac Anchor a great opportunity to provide its customers assurance that it is in compliance with all labor laws.

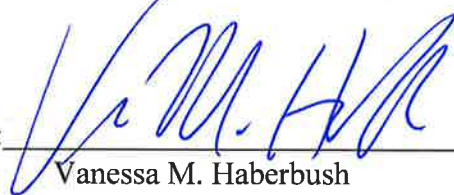
Due to the confirmation of the Plan, Pac Anchor is now permitted to run its affairs without court oversight. While the bankruptcy case is still pending and may be pending for the next few months, the bankruptcy process is now over by virtue of the confirmation of the Plan. The Plan contractually obligates Pac Anchor to take the actions detailed above and allows Pac Anchor to operate without Bankruptcy Court oversight.

Pac Anchor is now on a path to success, which will create new and secure employment opportunities for drivers, and serve as a model for others in this industry.

Very truly yours,

HABERBUSH & ASSOCIATES, LLP

By:



Vanessa M. Haberbush

VMH/asb