



# Daseke 2020 Annual Report





## A Letter from our Chairman and Senior Leadership Team

### **Dear Fellow Stockholders,**

As we at Daseke reflect upon the past year, we have a lot to be proud of and thankful for, as 2020 was a truly “extraordinary” year in every sense of the word. Our organization delivered exceptional operational and financial performance in the face of a global health crisis. This execution reinforced the foundation of our Company and furthered the progress gained since our transformational work began in 2019. First and foremost, we want to thank our employees who not only adapted to the unprecedented challenges put in front of us, but who rose above those challenges to continue serving our customers safely, effectively, and efficiently.

As an organization, we had to take swift and proactive steps to ensure the safety of our people and our communities, while maintaining diligence in support of our transformation initiatives. We’ve always been intently focused on safety at Daseke, and never has that been more true than in 2020. Staying committed to this philosophy was critically important, as we continued to move the industrial economy forward through the pandemic.

### **Keeping the Momentum**

As you recall, we began 2020 still very much in “execution mode.” We entered the year with a renewed focus, committed to seamless execution of our operationally-focused strategy, as we sought to fundamentally shift our approach to equity value creation. We continued the process of judiciously rationalizing our operations and fixed asset profile, as well as right-sizing our cost structure, with a long-term goal to deliver best-in-class operational and financial performance.

We successfully completed Phase I and materially completed Phase II of our business improvement and operational integration plans, reshaping our footprint after integrating several lagging operating companies into similar, yet higher-performing operators. We have always had a strong portfolio of operating companies but knew there was a tremendous amount of untapped potential and value embedded within the platform. This operational integration effort was only the first step in capturing this meaningful synergistic value, while helping to further optimize our existing footprint.

Additionally, early in 2020, we made the decision to strategically divest assets of Aveda Transportation and Energy Services (“Aveda”), a non-core operating company, which further streamlined our operating footprint in the Specialized market. Perhaps more importantly, this strategic divestiture meaningfully decreased the Company’s exposure to the volatility of the Oil & Gas market, which we concluded had limited long-term fit in our existing portfolio.



## **Building out Senior Leadership**

One of the most important developments for our organization in 2020 was successfully advancing the build-out of our Executive leadership team, now including proven industry veterans. This began with bringing EVP, CFO, and Treasurer Jason Bates to the team, and with him over twenty years of public transportation sector experience. Next, we announced the appointment of Rick Williams to the EVP and COO position, after his previous tenure leading our Flatbed segment. The addition of Mr. Bates and Mr. Williams to the Executive leadership team, in conjunction with our deep talent at the operating company level, helped drive our tactical execution in 2020.

## **2020 Financial Results**

In 2020, Daseke generated \$1.45 billion of revenue. Excluding Aveda, we delivered \$1.40 billion of revenue, which was down 8% from the prior year as the pandemic weighed on demand across the industrial economy. Despite the top-line pressure introduced by the global pandemic, Daseke delivered marked improvement in operating income, which was a first-order priority heading into the year. We delivered operating income, adjusted operating income and adjusted operating income excluding Aveda, of \$35.4 million, \$61.4 million and \$89.4 million, respectively, each of which represented a significant improvement compared to the operating loss of \$312.1 million, adjusted operating income of \$55.0 million and adjusted operating income excluding Aveda of \$55.7 million in the prior year. The transformative actions taken to shore up our business and maintain resilience in performance through all environments, as well as pockets of strength in select industrial verticals such as renewable energy and high-security cargo, allowed us to overcome the impacts of the softer freight market environment.

It's clear that the applied focus on operating performance has helped drop results to the bottom line. Better optimization of our assets and footprint, combined with targeted cost reductions also allowed us to deliver \$137.3 million in cash from operations and \$168.9 million in Free Cash Flow. These totals show healthy improvement compared to \$114.4 million in cash from operations and \$129.9 million in Free Cash Flow generated in the prior year, further demonstrating the highly cash flow generative nature of the Daseke business model, even through periods of market stress. Improved operating cash flow performance, combined with the strategic divestiture of the Aveda business, led improvements that helped further strengthen our balance sheet, reducing our net debt by nearly \$105 million in 2020, and lowering the Company's leverage ratio, as defined by our term loan credit agreement, to 2.6x at year end, down from 3.25x in the prior year.



Our Operating Ratio, the key metric we use to evaluate how efficiently we are running our operations finished the year at 97.6%, or 94.3% on an adjusted basis. Ex-Aveda, our Operating Ratio and Adjusted Operating Ratio was 95.6% and 93.6%, respectively. While this was a marked improvement relative to the prior year and our best full-year performance as a public company, we still have a lot of work left to do.

During the year we stated the explicit long-term goal of achieving a sub-90% Operating Ratio, and while we will need to continue to execute and drive further opportunities for efficiency and optimization, we are confident we have the team and the strategy in place to achieve that over the coming years.

The operational work that has driven the improvements in financial performance are driving strategic benefits across the enterprise as well. The work concluded over the last year and a half was a significant driving force to Daseke's successful balance sheet improvements. As we write to you in early 2021, we have successfully completed our balance sheet restructuring. Our recent term loan refinancing resulted in a reduction in overall debt, a lower cost of capital, and a maturity extension, all while increasing financial flexibility through a covenant-lite structure. Our credit rating agencies have responded in kind by upgrading our credit ratings in recognition of our improved financial performance and improving balance sheet health.

## **2021 Priorities**

Daseke has spent the last six quarters instilling discipline and a continuous improvement mindset, in order to effectuate the holistic improvement and profitability enhancement across our business. In 2021, maintaining and building upon the momentum generated over the last year and a half will be crucial for our continued success. We have outlined a set of key priorities that will help us as we execute against this overarching priority.

First, it's important to note that we are still facing the impacts of a global health crisis, and while the situation has improved in recent months, we will absolutely continue to prioritize the safety of our employees, contractors, and customers just like we have through 2020.

Second, we will make targeted investments in our workflows and our technology. Better leveraging of our current capabilities, combined with better cooperation and data-driven decision making, will help drive meaningful improvements in both our top and bottom lines.

Third, we will continue to take actions to strengthen our balance sheet. Improving our credit metrics and moderating our leverage profile will be of key importance, as it will help further establish resilience to our financial results irrespective of market cyclicity. A defensible balance sheet will also ensure that we can be opportunistic regarding our markets and maintain robust access to capital where necessary.

And finally, we will look to pursue selective growth opportunities, leveraging the scale embedded within our platform. Over the last year Daseke has demonstrated that we are adept at efficiently integrating operating units in order to capture synergistic value, while capitalizing on the substantial operating leverage that exists in our organization. Going forward, we will look for immediately accretive opportunities that we can “bolt on” to our platform. Once integrated, these opportunities will provide Daseke with increased depth in key industry verticals and geographies, allowing us to get closer to our key customers, which will ultimately enable us to use our capabilities, scale and cost structure as a competitive advantage to expand and retain market share.

2020 was a tremendously challenging year but one that not only demonstrated Daseke’s mettle, but the unique value proposition we bring to the industrial economy, and we’re only just getting started. We want to thank our employees, contractors, customers, and stockholders for their unwavering support during this pivotal time for our Company.

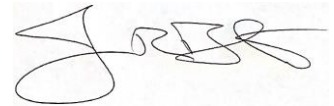
Sincerely,



**Brian Bonner**  
Chairman



**Jonathan Shepko**  
Interim Chief Executive Officer



**Jason Bates**  
Chief Financial Officer



## Board of Directors

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Brian Bonner, Chairman

Daniel J. Hennessy, Vice Chairman

Don R. Daseke, Chairman Emeritus

Catharine D. Ellingsen, Independent Director

Grant Garber, Independent Director

Charles “Chuck” Serianni, Independent Director

Jonathan Shepko, Director and Interim CEO

Ena Williams, Independent Director

## Management

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Jonathan Shepko, Interim CEO and Director

Jason Bates, EVP, Chief Financial Officer, and Treasurer

Rick Williams, EVP and Chief Operating Officer

Soumit Roy, EVP, Chief Legal Officer, General Counsel, and Corporate Secretary

*For biographies of our directors and executive officers, which include information regarding their principal occupation, see “Corporate Governance-The Board of Directors and Executive Officers” section of the proxy statement for the Company’s 2021 Annual Meeting of Stockholders.*

## **Forward-Looking Statements**

This Annual Report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations, plans, objectives, future performance and business of Daseke, Inc. (“Daseke” or the “Company”). Statements preceded by, followed by or that include words such as “may,” “will,” “expect,” “anticipate,” “continue,” “estimate,” “project,” “believe,” “plan,” “should,” “could,” “would,” “goals” or similar expressions are intended to identify some of the forward-looking statements. All statements, other than statements of historical fact, are forward-looking statements. Forward-looking statements may include statements about the Company’s goals; the Company’s business strategy; the Company’s financial strategy, liquidity and capital required for its business strategy and plans; the Company’s competition and government regulations; general economic conditions; and the Company’s future operating results.

Forward-looking statements are based on the Company’s management’s current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events. As such, forward-looking statements involve risks and uncertainties, most of which are difficult to predict and many of which are beyond the Company’s control. These risks include, but are not limited to, general economic and business risks, such as downturns in customers’ business cycles and disruptions in capital and credit markets, the impact to the Company’s business and operations resulting from the COVID-19 pandemic, the Company’s ability to execute and realize all of the expected benefits of its integration, business improvement and comprehensive restructuring plans, the Company’s ability to complete planned or future divestitures successfully, the Company’s ability to adequately address downward pricing and other competitive pressures, driver shortages and increases in driver compensation or owner-operator contracted rates, loss of senior management or key operating personnel, the Company’s ability to realize intended benefits from its recent or future acquisitions, seasonality and the impact of weather and other catastrophic events, fluctuations in the price or availability of diesel fuel, increased prices for, or decreases in the availability of, new revenue equipment and decreases in the value of used revenue equipment, the Company’s ability to generate sufficient cash to service all of the Company’s indebtedness, restrictions in its existing and future debt agreements, increases in interest rates, changes in existing laws or regulations, including environmental and worker health safety laws and regulations and those relating to tax rates or taxes in general, the impact of governmental regulations and other governmental actions related to the Company and its operations, litigation and governmental proceedings, and insurance and claims expenses. You should not place undue reliance on these forward-looking statements. For additional information regarding known material factors that could cause our actual results to differ from those expressed in forward-looking statements, please see Daseke’s filings with the Securities and Exchange Commission, available at [www.sec.gov](http://www.sec.gov), including Daseke’s most recent annual report on Form 10-K, particularly the section titled “Risk Factors”.

While management believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting us will be those that the Company anticipates. Accordingly, forward-looking statements should not be relied upon as representing the Company’s views as of any subsequent date, and the Company does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. Accordingly, readers are cautioned not to place undue reliance on the forward-looking statements.

## **Use of Non-GAAP Measures**

This Annual Report includes non-GAAP financial measures for the Company, including Revenue excluding Aveda, Adjusted Operating Income excluding Aveda, Adjusted Operating Ratio excluding Aveda, Free Cash Flow and Net Debt. For definitions of these terms, see Exhibit 99.1 of Form 8-K, as filed with the SEC on January 29, 2021.

Please note that the non-GAAP measures described below are not a substitute for, or more meaningful than, net income (loss), cash flows from operating activities, operating income or any other measure prescribed by GAAP, and there are limitations to using non-GAAP measures. Certain items excluded from these non-GAAP measures are significant components in understanding and assessing a company’s financial performance, such as a company’s cost of capital, tax structure and the historic costs of depreciable assets. Also, other companies in Daseke’s industry may define these non-GAAP measures differently than Daseke does, and as a result, it may be difficult to use these non-GAAP measures to compare the performance of those companies to Daseke’s performance. Because of these limitations, these non-GAAP measures should not be considered a measure of the income generated by Daseke’s business or discretionary cash available to it to invest in the growth of its business. Daseke’s management compensates for these limitations by relying primarily on Daseke’s GAAP results and using these non-GAAP measures supplementally.

You can find the reconciliation of these non-GAAP measures to the nearest comparable GAAP measures in the Reconciliation of Non-GAAP Measures tables below.

### **Adjusted Operating Income (Loss) and Adjusted Operating Ratio**

The Company uses Adjusted Operating Income (Loss) ex-Aveda and Adjusted Operating Ratio ex-Aveda as a supplement to its GAAP results in evaluating certain aspects of its business, as described below. The Company defines Adjusted Operating Income (Loss) as (a) total revenue less (b) Adjusted Operating Expenses. The Company defines Adjusted Operating Expenses as (a) total operating expenses (i) less material items that management believes do not reflect our core operating performance. The Company defines Adjusted Operating Ratio as (a) Adjusted Operating Expenses, as a percentage of (b) total revenue. The Company defines previously defined terms appended with ex-Aveda as their previously defined term excluding the impact of the Aveda business, which we disposed of in 2020.

The Company’s board of directors and executive management team view these non-GAAP measures, and their key drivers of revenue quality, growth, expense control and operating efficiency, as very important measures of the Company’s performance. The Company believes excluding these items enhances the comparability of its performance between periods. The Company believes its presentation of these non-GAAP measures are useful because they provide investors and industry analysts the same information that it uses internally for purposes of assessing its core operating profitability.<sup>1</sup>

## Free Cash Flow

Daseke defines Free Cash Flow as net cash provided by operating activities less purchases of property and equipment, plus proceeds from sale of property and equipment, as such amounts are shown on the face of the Statements of Cash Flows.

The Company's board of directors and executive management team use Free Cash Flow to assess the Company's liquidity and ability to repay maturing debt, fund operations and make additional investments. The Company believes Free Cash Flow provides useful information to investors because it is an important indicator of the Company's liquidity, including its ability to reduce net debt, make strategic investments, pay dividends to common shareholders and repurchase stock.

## Net Debt

Daseke defines net debt as total debt less cash and cash equivalents. The Company's board of directors and executive management team use net debt to help assess the Company's liquidity and evaluate and plan for future liquidity needs. The Company believes that the presentation of net debt is useful to investors because it provides additional information regarding the Company's overall liquidity, financial flexibility, capital structure and leverage.

## Management's View of Core Operating Performance

In the non-GAAP measures discussed above, management refers to certain material items that management believes do not reflect the Company's core operating performance, which management believes represent its performance in the ordinary, ongoing and customary course of its operations. Management views the Company's core operating performance as its operating results excluding the impact of items including, but not limited to, stock-based compensation, impairments, amortization of intangible assets, restructuring, business transformation costs, and severance. Management believes excluding these items enables investors to evaluate more clearly and consistently the Company's core operational performance in the same manner that management evaluates its core operational performance.

<b>Daseke, Inc. and Subsidiaries</b>		
<b>Reconciliation of Operating Ratio to Adjusted Operating Ratio ex-Aveda</b>		
<b>Reconciliation of Operating Income (Loss) to Operating Income (Loss) ex-Aveda</b>		
<b>Reconciliation of Revenue to Revenue ex-Aveda</b>		
(Unaudited)		
(In millions)		
(Dollars in millions)	Year Ended December 31,	
	2020	2019
	Consolidated	
<b>Revenue</b>	\$ 1,454.1	\$ 1,737.0
Less Aveda Revenue	(51.7)	(206.3)
<b>Revenue ex-Aveda</b>	<u>\$ 1,402.4</u>	<u>\$ 1,530.7</u>
<b>Operating expenses</b>	<u>1,418.7</u>	<u>2,049.1</u>
Less Aveda Operating Expenses	(77.7)	(252.2)
<b>Operating expenses ex-Aveda</b>	<u>1,341.0</u>	<u>1,796.9</u>
<b>Operating income (loss)</b>	<u>\$ 35.4</u>	<u>\$ (312.1)</u>
<b>Operating income (loss) ex-Aveda</b>	<u>\$ 61.4</u>	<u>\$ (266.2)</u>
<b>Operating ratio</b>	97.6%	118.0%
<b>Operating ratio (ex-Aveda)</b>	95.6%	117.4%
Stock based compensation	6.0	3.8
Impairment	15.4	312.8
Impaired lease termination	(2.5)	—
Amortization of intangible assets	7.2	14.3
Net impact of step-up in basis of acquired assets	—	18.1
Other <sup>(1)</sup>	22.0	18.1
<b>Adjusted operating expenses</b>	<u>1,370.6</u>	<u>1,682.0</u>
Less Aveda Operating Expense Adjustments	(20.1)	(45.2)
<b>Adjusted operating expenses ex-Aveda</b>	<u>1,313.0</u>	<u>1,475.0</u>
<b>Adjusted operating income</b>	<u>\$ 83.5</u>	<u>\$ 55.0</u>
<b>Adjusted operating income ex-Aveda</b>	<u>\$ 89.4</u>	<u>\$ 55.7</u>
<b>Adjusted operating ratio</b>	94.3%	96.8%
<b>Adjusted operating ratio ex-Aveda</b>	93.6%	96.4%

(1) Other includes business transformation costs, restructuring and severance.



UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-K/A

Amendment No. 2

(Mark One)

- Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2020.  
 Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to .

Commission File Number: 001-37509



DASEKE, INC.

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

15455 Dallas Parkway, Suite 550  
Addison, Texas  
(Address of principal executive offices)

47-3913221  
(IRS Employer Identification No.)

75001  
(Zip Code)

Registrant's telephone number, including area code  
(972) 248-0412

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	DSKE	The NASDAQ Capital Market
Warrants, each exercisable for one half of a share of Common Stock at an exercise price of \$5.75 per half share	DSKEW	The NASDAQ Capital Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer   
(Do not check if a smaller reporting company) Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The aggregate market value of voting and non-voting common stock held by non-affiliates of the registrant, computed by reference to the last sales price as reported on the NASDAQ Capital Market as of June 30, 2020, the last business day of the registrant's most recently completed second fiscal quarter, was \$180.0 million.  
65,028,830 shares of common stock were outstanding as of February 19, 2021.

DOCUMENTS INCORPORATED BY REFERENCE

None.

## EXPLANATORY NOTE

Daseke, Inc. (the “Company,” “we,” “our” or “us”) is filing this Amendment No. 2 on Form 10-K/A (“Amendment No. 2”) to amend our Annual Report on Form 10-K for the year ended December 31, 2020, originally filed with the United States Securities and Exchange Commission (the “SEC”) on February 26, 2021 (“Original Report”), to restate our financial statements and related footnote disclosures as of December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018. This Form 10-K/A also amends certain other Items in the Original Report, as listed in “Items Amended in this Form 10-K/A” below.

On April 30, 2021, the Company filed Amendment No. 1 of Form 10-K/A to include the information required by Items 10 through 14 of Part III of Form 10-K.

### Restatement Background

On April 12, 2021, the Staff of the SEC released a statement (the “SEC Statement”) informing market participants that warrants issued by special purpose acquisition companies (“SPACs”) may require classification as a liability of the entity measured at fair value, with changes in fair value each period reported in earnings. The Company had previously classified its private placement warrants and public warrants (collectively, the “warrants”), which were issued in July and August 2015, as equity. For a description of the terms of the warrants, please refer to the Company’s prospectus filed with the SEC on April 28, 2017 (“Prospectus”), which relates to the resale from time to time of, among other things, the warrants and the shares of common stock issuable upon exercise of the warrants.

The SEC Statement discussed “certain features of warrants issued in SPAC transactions” that “may be common across many entities.” The SEC Statement indicated that when one or more of such features is included in a warrant, the warrant “should be classified as a liability measured at fair value, with changes in fair value each period reported in earnings.” Following consideration of the guidance in the SEC Statement, while the terms of the warrants as described in the Prospectus have not changed, the Company concluded the warrants do not meet the conditions to be classified in equity and instead, the warrants require liability classification under Accounting Standards Codification 815. Based on Accounting Standards Codification 815-40, *Contracts in Entity’s Own Equity* (“ASC 815-40”), warrant instruments that do not meet the criteria to be considered indexed to an entity’s own stock or do not meet the equity classification guidance shall be initially classified as derivative liabilities at their estimated fair values, regardless of the likelihood that such instruments will ever be settled in cash. In periods subsequent to issuance, changes in the estimated fair value of the derivative instruments should be reported in the statement of operations.

On April 21, 2021, the Audit Committee of the Board of Directors of the Company (the “Audit Committee”), after considering the recommendations of management, concluded that the Company’s previously issued audited financial statements as of December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018, as well as the unaudited financial statements for each of the three month periods ended March 31, 2020 and 2019, the three and six month periods ended June 30, 2020 and 2019 and the three and nine month periods ended September 30, 2020 and 2019 (such years and periods, the “Affected Periods”) should no longer be relied upon due to required corrections related to the accounting for warrants.

We have evaluated the impact of the misapplication of the guidance on accounting for the warrants, which was brought to light by the SEC Staff Statement, on the financial statements listed above and concluded that due to a significant quantitative effect to the financial statements, the impact was material. Consequently, we have restated the financial statements identified above to reflect the warrants as a liability, with subsequent changes in their estimated fair value recorded as non-cash income or expense in each Affected Period (the “restatement”). The restatement results in non-cash, non-operating financial statement corrections and have no impact on the Company’s current or previously reported cash position, operating expenses or total operating, investing or financing cash flows. All amounts in this Annual Report affected by the restatement adjustments reflect such amounts as restated.

In connection with the restatement, management has re-evaluated the effectiveness of the Company’s disclosure controls and procedures and internal control over financial reporting as of December 31, 2020 based on the framework in “Internal Control-Integrated Framework (2013 framework)” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management has concluded that the Company’s disclosure controls and procedures and internal controls over financial reporting were not effective as of December 31, 2020, due to a material weakness in internal control over financial reporting related to our accounting for warrants. For a discussion of management’s consideration of our disclosure controls and procedures, internal controls over financial reporting, and the material weaknesses identified, see Part II, Item 9A, “Controls and Procedures” of this Form 10-K/A.

### **Items Amended in this Form 10-K/A**

This Form 10-K/A presents the Original Report and information previously amended in Amendment No. 1, amended and restated with modifications as necessary to reflect the restatement. As a result, it includes both items that have been changed as a result of the restatement and items that are unchanged from the Original Report. The following items have been amended to reflect the restatement:

Part I, Item 1A. Risk Factors

Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Part II, Item 8. Financial Statements

Part II, Item 9A. Controls and Procedures

In addition, the Company's Interim Chief Executive Officer and Chief Financial Officer have provided new certifications dated as of the date of this filing in connection with this Form 10-K/A (Exhibits 31.1, 31.2, 32.1 and 32.2).

Except as described above, this Form 10-K/A does not amend, update or change any other items or disclosures in the Original Report and does not purport to reflect any information or events subsequent to the filing thereof. As such, this Form 10-K/A speaks only as of the date the Original Report was filed, and we have not undertaken herein to amend, supplement or update any information contained in the Original Report to give effect to any subsequent events. Accordingly, this Form 10-K/A should be read in conjunction with our filings made with the SEC subsequent to the filing of the Original Report, including any amendment to those filings.

**DASEKE, INC.**  
**2020 ANNUAL REPORT ON FORM 10-K**  
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## **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Annual Report on Form 10-K (this Form 10-K) may contain forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) with respect to the financial condition, results of operations, plans, objectives, future performance and business of Daseke, Inc. (Daseke or the Company). Statements preceded by, followed by or that include words such as “may,” “will,” “expect,” “anticipate,” “continue,” “estimate,” “project,” “believe,” “plan,” “should,” “could,” “would,” “goals” or similar expressions are intended to identify some of the forward-looking statements. All statements, other than statements of historical fact, are forward-looking statements. Forward-looking statements may include statements about the Company’s goals; the Company’s business strategy; the Company’s financial strategy, liquidity and capital required for its business strategy and plans; the Company’s competition and government regulations; general economic conditions; and the Company’s future operating results.

Forward-looking statements are based on the Company’s management’s current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events. As such, forward-looking statements involve risks and uncertainties, most of which are difficult to predict and many of which are beyond the Company’s control. These risks include, but are not limited to, general economic and business risks, driver shortages and increases in driver compensation or owner-operator contracted rates, loss of senior management or key operating personnel, the Company’s ability to recognize the anticipated benefits of recent acquisitions, the Company’s ability to identify and execute future acquisitions successfully, seasonality and the impact of weather and other catastrophic events, fluctuations in the price or availability of diesel fuel, increased prices for, or decreases in the availability of, new revenue equipment and decreases in the value of used revenue equipment, the Company’s ability to generate sufficient cash to service all of its indebtedness, restrictions in the Company’s existing and future debt agreements, increases in interest rates, changes in existing laws or regulations, including environmental and worker health and safety laws and regulations and those relating to tax rates or taxes in general, the impact of governmental regulations and other governmental actions related to the Company and its operations, litigation and governmental proceedings, and insurance and claims expenses. Other factors described herein, or factors that are unknown or unpredictable, could also have a material adverse effect on future results. See “Item 1A. Risk Factors,” “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Item 7A. Quantitative and Qualitative Disclosures About Market Risk” for a description of various factors that could cause actual results to differ materially from those contemplated by forward-looking statements.

Forward-looking statements speak only as of the date on which such statements are made. The Company undertakes no obligation to update any forward-looking statements for any reason, whether as a result of new information, future events or otherwise, except as required by federal securities law. Accordingly, readers are cautioned not to place undue reliance on the forward-looking statements.

## **WHERE YOU CAN FIND MORE INFORMATION**

The Company files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the SEC). The Company’s SEC filings are available to the public through the Internet at the SEC’s website at <http://www.sec.gov>.

The Company also makes available free of charge on its Internet website at <http://investor.daseke.com> all of the documents that the Company files with the SEC as soon as reasonably practicable after it electronically files those documents with the SEC. Information contained on the Company’s website is not incorporated by reference into and does not otherwise form a part of this Form 10-K.

## PART I

### *Item 1. Business*

#### Overview

On February 27, 2017, Hennessy Capital Acquisition Corp. II (Hennessy), a special purpose acquisition corporation, consummated the merger of Hennessy's wholly-owned subsidiary with and into Daseke, Inc. (Daseke, the Company, we, us or our), with Daseke, Inc. surviving as a direct wholly-owned subsidiary of Hennessy (the Business Combination). Upon consummation of the Business Combination, Daseke, Inc. changed its name to Daseke Companies, Inc. and Hennessy changed its name to Daseke, Inc.

Daseke is a leading provider and consolidator of transportation and logistics solutions focused exclusively on flatbed and specialized (open-deck) freight in North America. The Company is the largest flatbed and specialized logistics carrier<sup>1</sup> in North America. The Company's predecessor was incorporated in Delaware in 2008.

The Company believes it provides one of the most comprehensive transportation and logistics solutions offerings in the open-deck industry. The Company delivers a diverse offering of transportation and logistics solutions to approximately 6,700 customers across the continental United States, Canada and Mexico through two reportable segments: Flatbed Solutions and Specialized Solutions. The Flatbed Solutions segment focuses on delivering transportation and logistics solutions that principally require the use of flatbed and retractable-sided transportation equipment, and the Specialized Solutions segment focuses on delivering transportation and logistics solutions that require the use of specialized trailering transportation equipment. The Flatbed Solutions segment generated approximately 40% of total revenue in 2020, and the Specialized Solutions segment generated approximately 60% of total revenue in 2020. As of December 31, 2020, the Flatbed Solutions segment operated 2,591 tractors and 4,255 trailers, and the Specialized Solutions segment operated 2,461 tractors and 7,324 trailers. In 2020, Daseke's company and owner-operator drivers drove 442.8 million miles.

Both of the Company's reportable segments operate highly flexible business models comprised of company-owned tractors and trailers and asset-light operations (which consist of owner-operator transportation, freight brokerage and logistics). The Company's asset-based operations have the benefit of providing shippers with certainty of delivery and continuity of operations. Alternatively, the Company's asset-light operations offer flexibility and scalability to meet customers' dynamic needs and have lower capital expenditure requirements and fixed costs. In 2020, approximately 50% of the Company's freight, logistics and brokerage revenue was derived from company-owned equipment and approximately 50% was derived from asset-light services.

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<sup>1</sup> Commercial Carrier Journal Top 250, 2020 Rank (Flatbed/Specialized/Heavy Haul).

#### Recent Developments

During the first quarter of 2020, the Company announced a plan to integrate three operating segments with three other operating segments, to further streamline and reduce the Company's cost structure, improve asset utilization and capitalize on operational synergies. This plan was initially expected to be significantly completed by June 30, 2020, however, due to uncertainties and changes in focus caused by the COVID-19 pandemic, the Company delayed and reevaluated the plan and reduced the planned number of integrations from three to two operating segments. As of December 31, 2020, one of these integrations had been completed, and the Company expects to complete the remaining integration in late 2021. Upon completion, the Company's operating segments will be reduced from eleven to ten.

In March 2020, the Company's board of directors approved a plan for the sale of certain Aveda terminals located in Texas and Oklahoma. The divestiture was completed during 2020, and the Company's exposure to the oil and gas end market decreased significantly.

#### Industry and Competition

The transportation and logistics market is one of the largest industries in the United States. The flatbed and specialized (open-deck) freight market currently represents approximately 10% of transportation and logistics market. Open-deck freight is defined as loads secured atop trailer decks without sides or a roof and is generally both complex and time-sensitive, which separates it from traditional dry-van freight. The open-deck industry is focused on different customers with different freight requirements than traditional dry-

van and requires highly trained drivers and specialized equipment with the ability to handle uniquely shaped and overweight cargo. Specialized loads often require specific expertise to address the additional administrative paperwork, proper licenses and hauling permits, extensive coordination with local officials and escort vehicles.

Open-deck routes are frequently more irregular than dry-van routes due to the nature of the freight. Open-deck lanes stretch across the country, with particular density around corridors of significant lumber, steel and machinery production, notably in the Southeast, Midwest, Texas and West Coast regions of the United States.

The open-deck industry is highly competitive and fragmented. The Company competes primarily with other flatbed carriers and to a lesser extent, logistics companies, as well as railroads. The Company competes with other motor carriers for the services of drivers, independent contractors and management employees and with logistics companies for the services of third-party capacity providers and management employees. The Company believes that the principal differentiating factors in its business, relative to competition, are scale, North American footprint of operations, service, efficiency, pricing, the availability and configuration of equipment that satisfies customers' needs, and its ability to provide comprehensive transportation solutions to customers.

### Customers

The Company's customers, many of whom are Fortune 500 companies, rely on it to transport mission-critical loads, making it an integral part of their supply chains. As of December 31, 2020, the Company has approximately 6,700 customers. The Company's ability to dependably transport high-value, complex and time-sensitive loads as well as provide the value-added logistics services required to plan, transport and deliver loads has resulted in longstanding and established customer relationships. In 2020 and 2019, customer relationships with our top ten customers, based on revenue, span more than 20 years on average at the Company's operating divisions.

The Company's customers represent a broad and attractive range of end markets. Examples of the freight the Company regularly transports include aircraft parts, manufacturing equipment, structural steel, pressure vessels, wind turbine blades, heavy machinery (construction, mining and agriculture), commercial glass, high security cargo, arms, ammunition and explosives (AA&E), lumber and building and construction materials. Because the Company's customers are generally in the industrial and manufacturing sector, as is typical for open-deck services providers, the Company is not subject to the same consumer-driven demand as dry-van trucking companies, whose freight typically includes consumer goods and whose volume can peak during the holiday season.

In 2020, the Company's Flatbed Solutions segment provided transportation and logistics solutions to approximately 2,900 customers, and the Company's Specialized Solutions segment provided unique, value-added transportation and logistics solutions to approximately 3,800 customers. See Note 16 of the Company's audited consolidated financial statements included elsewhere in this Form 10-K for information on its two reportable segments.

A material portion of the Company's revenue is generated from its major customers, the loss of one or more of which could have a material adverse effect on its business. In 2020 and 2019, the Company's top ten customers accounted for approximately 31% and 28%, respectively, of its revenue; in 2020, one customer represented approximately 10.4% and in 2019, no single customer represented more than 6%, of the Company's revenue.

### Revenue Equipment

As of December 31, 2020, the Company operated 2,953 company-owned tractors and also had under contract 2,099 tractors owned and operated by independent contractors. The Company also operated 11,579 trailers as of December 31, 2020. Growth of its tractor and trailer fleet is determined by market conditions and its experience and expectations regarding equipment utilization and driver recruitment and retention. In acquiring revenue equipment (tractors, trailers and trailer accessories), the Company considers a number of factors, including economy, price, rate, economic environment, technology, warranty terms, manufacturer support, driver comfort and resale value. The Company maintains strong relationships with its equipment vendors and the financial flexibility to react as market conditions dictate.

### Human Capital

The success and growth of our business is driven by our employees. Our key human capital objectives are to attract, retain, and incentivize talented and experienced existing and future employees to manage and support our operations. We provide our employees

compensation and benefit packages, which we believe are competitive within our industry as well as the local markets in which we operate. We understand that providing employees with the resources and support they need to live a healthy life is critical for sustaining a workplace of choice, and our compensation and benefit packages include access for our employees and their families to flexible and convenient health and wellness programs that support their physical, mental, and financial health by providing tools and resources to help them improve or maintain their health.

As of December 31, 2020, the Company had 4,304 employees, which included 2,727 drivers. The Company is not a party to any collective bargaining agreements.

The Company also contracts with owner-operator drivers to provide and operate tractors, which provide additional revenue equipment capacity. Independent contractors own or lease their own tractors and are responsible for all associated expenses, including financing costs, fuel, maintenance, insurance and highway use taxes. As of December 31, 2020, the Company had 2,370 independent contractors, who accounted for approximately 43% of total miles in 2020.

The Company's strategy for both company and owner-operator drivers is to (i) use safe and experienced drivers (the majority of driver positions hired require twelve months of over-the-road experience); (ii) promote retention with positive working conditions and a competitive compensation package in the case of company drivers and contracted rates in the case of owner-operator drivers; and (iii) minimize safety problems through careful screening, mandatory drug testing, continuous training, electronic logging system and rewards for accident-free driving. The Company also seeks to minimize turnover of company drivers by providing highly attractive tractors and focusing on providing upgraded nationwide facilities. As a result, at least one of the Company's operating companies has been named to the Truckload Carriers Association's 20 Best Fleets to Drive For® in North America each year since 2010, and the Company has achieved driver retention rates that it believes are superior to the trucking industry average.

#### Safety and Risk Management

The Company takes pride in its safety-focused culture and conducts mandatory intensive orientation for all of its drivers. The U.S. Department of Transportation (DOT) requires that the Company perform drug and alcohol testing that meets DOT regulations, and its safety program includes pre-employment, random and post-accident drug testing and all other testing required by the DOT. The Company also equips its company tractors with critical-event recorders to help continually train drivers and widely deploys truck-mounted cameras, so that the Company can prevent or reduce the severity of accidents and claims.

The primary safety-related risks associated with the Company's business include damage to cargo hauled, physical damage to company equipment, damage to buildings and personal property, third-party personal injury and property damage and workers' compensation. The Company regularly reviews insurance limits and retentions. The Company's historic and current retention, in the majority of instances, is \$0.5 million. In addition, the Company has secured excess liability coverage of up to \$50.0 million per occurrence.

To the extent under dispatch and in furtherance of the Company's business, its owner-operators are covered by the Company's liability coverage. However, each such owner-operator is responsible for physical damage to his or her own equipment, occupational accident coverage, liability exposure while the truck is used for non-company purposes, and, in the case of fleet operators, any applicable workers' compensation requirements for their employees.

#### Fuel

The Company actively manages its fuel purchasing network in an effort to maintain adequate fuel supplies and reduce its fuel costs. The Company purchases its fuel through a network of retail truck stops with which it has negotiated volume purchasing discounts. The Company seeks to reduce its fuel costs by routing its drivers to truck stops with which the Company has negotiated volume purchase discounts when fuel prices at such stops are lower than the bulk rate paid for fuel at the Company's terminals. The Company stores fuel in aboveground and underground storage tanks at some of its facilities.

To help offset increases in fuel prices, the Company utilizes a fuel surcharge program designed to compensate the Company for fuel costs above a certain cost per gallon base. Generally, the Company receives fuel surcharges on the miles for which it is compensated by customers. In addition to its fuel surcharge program, the Company believes the most effective protection against fuel cost increases is to maintain a fuel-efficient fleet by incorporating fuel efficiency measures. The Company does not currently use derivatives as a hedge against higher fuel costs.



## Seasonality

In the transportation industry, results of operations generally show a seasonal pattern. The Company's productivity decreases during the winter season because inclement weather impedes operations and end-user activity, and some shippers reduce their shipments during winter. At the same time, operating expenses increase and fuel efficiency declines because of engine idling and harsh weather, creating higher accident frequency, increased claims and higher equipment repair expenditures. The Company also may suffer from weather-related or other events such as tornadoes, hurricanes, blizzards, ice storms, floods, fires, earthquakes and explosions, which may increase in frequency or intensity due to climate change.

## Regulation

The Company's operations are regulated and licensed by various federal, provincial, state, local and foreign government agencies in the United States and Canada. In the United States, the Company and its drivers must comply with the safety and fitness regulations of the DOT and the agencies within the states that regulate transportation, including those regulations relating to drug- and alcohol-testing and hours-of-service. Weight and equipment dimensions also are subject to government regulations. The Company also may become subject to new or more restrictive regulations relating to fuel emissions, environmental protection, drivers' hours-of-service, driver eligibility requirements, on-board reporting of operations, collective bargaining, ergonomics and other matters affecting safety, insurance and operating methods. Other agencies, such as the U.S. Environmental Protection Agency (EPA), and the U.S. Department of Homeland Security (DHS), the U.S. Department of Defense (DOD) and the U.S. Department of Energy (DOE) also regulate the Company's equipment, operations, drivers and the environment. The Company conducts operations outside of the United States, and is subject to analogous governmental safety, fitness, weight and equipment regulations and environmental protection and operating standards, as well as the Foreign Corrupt Practices Act (FCPA), which generally prohibits United States companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining favorable treatment. For example, in Canada, Daseke must conduct its operations in various provinces pursuant to operating authority granted by the Ministries of Transportation and Communications in those provinces. If the Company is not in compliance with the FCPA, other anti-corruption laws or other laws governing the conduct of business with government entities (including local laws), it may be subject to criminal and civil penalties and other remedial measures, which could harm its reputation and have a material adverse impact on the Company's business, financial condition, results of operations, cash flows and prospects. Any investigation of any actual or alleged violations of such laws could also harm the Company's reputation or have a material adverse impact on its business, financial condition, results of operations, cash flows and prospects.

The DOT, through the Federal Motor Carrier Safety Administration (FMCSA), imposes safety and fitness regulations on the Company and its drivers, including rules that restrict driver hours-of-service. In December 2011, the FMCSA published its 2011 Hours-of-Service Final Rule (the 2011 Rule), requiring drivers to take 30-minute breaks after eight hours of consecutive driving and reducing the total number of hours a driver is permitted to work during each week from 82 to 70 hours. The 2011 Rule provided that a driver may restart calculation of the weekly time limits after taking 34 or more consecutive hours off duty, including two rest periods between 1:00 a.m. and 5:00 a.m.; these restrictions are referred to as the 2011 Restart Restrictions. These 2011 rule changes, including the 2011 Restart Restrictions, became effective on July 1, 2013. However, in December 2014, Congress passed the 2015 Omnibus Appropriations bill, which was signed into law on December 16, 2014. Among other things, the legislation provided relief from the 2011 Restart Restrictions, reverting requirements back to those in effect before the 2011 Rule became effective, including the more straight forward 34-hour restart period, without need for two rest periods between 1:00 a.m. and 5:00 a.m. In December 2014, the FMCSA published a Notice of Suspension summarizing this suspension of enforcement of the 2011 Restart Restrictions. In June 2020, FMCSA again revised its Hours-of-Service Rule, which provided flexibility by requiring drivers to take 30-minute breaks after eight hours of consecutive driving time without at least a 30-minute interruption. The requirement can be satisfied by any non-driving period of 30 consecutive minutes.

The FMCSA has adopted a data-driven Compliance, Safety and Accountability (the CSA) program as its safety enforcement and compliance model. The CSA program holds motor carries and drivers accountable for their role in safety by evaluating and ranking fleets and individual drivers on certain safety-related standards. The CSA program affects drivers because their safety performance and compliance impact their safety records and, while working for a carrier, will impact their carrier's safety record. The methodology for determining a carrier's DOT safety rating relies upon implementation of Behavioral Analysis and Safety Improvement Categories (BASIC) applicable to the on-road safety performance of the carrier's drivers and certain of those rating results are provided on the FMCSA's Carrier Safety Measurement System website. As a result, certain current and potential drivers may no longer be eligible to drive for the Company, the Company's fleet could be ranked poorly as compared to its peer firms, and the Company's safety rating could be adversely impacted. The occurrence of future deficiencies could affect driver recruiting and retention by causing high-quality drivers to seek employment (in the case of company drivers) or contracts (in the case of owner-operator drivers) with other

carriers, or could cause the Company's customers to direct their business away from the Company and to carriers with better fleet safety rankings, either of which would adversely affect the Company's results of operations and productivity. Additionally, the Company may incur greater than expected expenses in its attempts to improve its scores as a result of such poor rankings. Those carriers and drivers identified under the CSA program as exhibiting poor BASIC scores are prioritized for interventions, such as warning letters and roadside investigations, either of which may adversely affect the Company's results of operations. To promote improvement in all CSA categories, including those both over and under the established scoring threshold, the Company has procedures in place to address areas where it has exceeded the thresholds and the Company continually reviews all safety-related policies, programs and procedures for their effectiveness and revises them, as necessary, to establish positive improvement. However, the Company cannot assure you these measures will be effective.

The methodology used to determine a carrier's safety rating could be changed by the FMCSA and, as a result, the Company's acceptable safety rating could be impaired. In particular, the FMCSA continues to utilize the three safety fitness rating scale—"satisfactory," "conditional," and "unsatisfactory"—to assess the safety fitness of motor carriers and the Company currently has a "satisfactory" FMCSA rating on 100% of its fleet. However, pursuant to a 2015 federal statutory mandate, the FMCSA commissioned the National Academy of Sciences (NAS) to conduct a study and report upon the CSA program and its underlying Safety Measurement System (SMS), which is the FMCSA's process for identifying patterns of non-compliance and issuing safety-fitness determinations for motor carriers. In June 2017, the NAS published a report on the subject providing specific recommendations and concluding, among other things, that the FMCSA should explore a more formal statistical model to replace the current SMS process. In June 2018, the FMCSA posted its response to the NAS study in a report to Congress, concluding, among other things, that it would develop and test a new model, the Item Response Theory (IRT), which would replace the SMS process currently used. The FMCSA has completed small scale testing of the IRT model and is evaluating next steps to roll out the program. The FMCSA's June 2018 response was audited by the DOT Inspector General to assess consistency with the NAS recommendations, and the agency extended its timeline for considering the IRT model as a potential replacement for the SMS to September 2020; the FMCSA did not meet that deadline and the anticipated timing to finalize its decision is unclear. In the event and to the extent that the FMCSA adopts the IRT model in replacement of the SMS or otherwise pursues rulemakings in the future that revise the methodology used to determine a carrier's safety rating in a manner that incorporates more stringent standards, then it is possible that the Company and other motor carriers could be adversely affected, as compared to consideration of the current standards. If the Company were to receive an unsatisfactory CSA score, whether under the current SMS process, the IRT model, should it be finalized, and adopted, or as a result of some other safety-fitness determination, it could adversely affect the Company's business as some of its existing customer contracts require a satisfactory DOT safety rating, and an unsatisfactory rating could negatively impact or restrict the Company's operations.

In the aftermath of the September 11, 2001 terrorist attacks, federal, state and municipal authorities implemented and continue to implement various security measures, including checkpoints and travel restrictions on large trucks. This could reduce the pool of qualified drivers, which could require the Company to increase driver compensation or owner-operator contracted rates, limit fleet growth or allow trucks to be non-productive. Consequently, it is possible that the Company may fail to meet the needs of customers or may incur increased expenses.

The FMCSA published a final rule in December 2015 mandating the use of Electronic Logging Devices (ELDs) for commercial motor vehicle drivers to measure their compliance with hours-of-service requirements by December 18, 2017. The 2015 ELD final rule generally applies to most motor carriers and drivers who are required to keep records of duty status, unless they qualify for an exception to the rule, and the rule also applies to drivers domiciled in Canada and Mexico. Starting December 16, 2019, all carriers and drivers subject to the 2015 final rule, including the Company, must use ELDs.

The Company is subject to various environmental laws and regulations governing, among other matters, the operation of fuel storage tanks, release of emissions from its vehicles (including engine idling) and facilities, and adverse impacts to the environment, including to the soil, groundwater and surface water. The Company has implemented programs designed to monitor and address identified environmental risks. Historically, the Company's environmental compliance costs have not had a material adverse effect on its business or results of operations; however, there can be no assurance that such costs will not be material in the future or that such future compliance will not have a material adverse effect on the Company's business and results of operations. Additionally, certain of the Company's operating companies are Charter Partners in the EPA's SmartWay Transport Partnership, a voluntary program promoting energy efficiency and air quality. If the Company fails to comply with applicable environmental laws or regulations, the Company could be subject to costs and liabilities. Those costs and liabilities may include the assessment of sanctions, including administrative, civil and criminal penalties, the imposition of investigatory, remedial or corrective action obligations, the occurrence of delays in permitting or performance of projects and the issuance of orders enjoining performance of some or all of its operations in a particular area. The occurrence of any one or more of such developments could have a material adverse effect on the Company's

business and operating results.

The Company maintains bulk fuel storage and fuel islands at some of its terminals. The Company also has vehicle maintenance operations at certain of its facilities. The Company's operations involve the risks of fuel spillage or seepage into the environment, discharge of contaminants, environmental and natural resource damage, and unauthorized hazardous material spills, releases or disposal actions, among others. Some of the Company's operations are at facilities where soil and groundwater contamination have occurred, and the Company or its predecessors have been responsible for remediating environmental contamination at some locations. In the past, the Company has also been responsible for the costs of cleanup of cargo and diesel fuel spills caused during its transportation operations, including as a result of traffic accidents or other events. If the Company is found to be responsible for such contamination or spills, the Company could be subject to costs and liabilities, including costs for remediation, environmental natural resource damages and penalties.

In October 2016, the EPA and the National Highway Traffic Safety Administration (NHTSA) jointly published final Phase 2 standards for improving fuel efficiency and reducing greenhouse gas emissions from new on-road medium- and heavy-duty vehicles beginning for model year 2019 and extending through model year 2027. The Phase 2 standards build upon the Phase 1 standards, encouraging wider application of currently available technologies and the development of new and advanced cost-effective technologies through model year 2027. In addition, greenhouse gas emissions limits and fuel efficiency standards will be imposed on new trailers. The Phase 2 standards were challenged in federal court, and the litigation remains ongoing. The Company expects that these Phase 2 standards, if unchanged to make less stringent, will result in its incurrence of increased costs for acquiring new tractors and for additional parts and maintenance activities to retrofit its tractors with technology to achieve compliance with such standards. Such increased costs could adversely affect the Company's operating results and profitability, particularly if such costs are not offset by potential fuel savings. Additionally, in November 2018, the EPA announced the Cleaner Trucks Initiative (CTI), pursuant to which it plans to issue a rule updating standards for nitrogen oxide emissions from highway heavy-duty trucks and engines. On January 6, 2020, the EPA issued an Advanced Notice of when the EPA may finalize the proposed rule and Proposed Rulemaking to implement the CTI program. The Company cannot predict, however, when the EPA may finalize the proposed rule and the extent to which its operations and productivity will be adversely impacted, by these or any other new fuel or emission restrictions.

Notwithstanding the federal standards, a number of states have mandated, and states may continue to individually mandate, additional emission-control requirements for equipment that could increase equipment or other costs for entire fleets. For instance, the California Air Resources Board also has adopted emission control regulations that are applicable to all heavy-duty tractors that pull 53-foot or longer box-type trailers within the state of California. The tractors and trailers subject to these regulations must be either EPA Smart Way certified or equipped with low-rolling resistance tires and retrofitted with Smart Way-approved aerodynamic technologies. The Company currently purchases Smart Way certified equipment in its new tractor and trailer acquisitions. In order to reduce exhaust emissions, some states and municipalities have also begun to restrict the locations and amount of time where diesel-powered tractors may idle. These restrictions could force the Company to alter its drivers' behavior, purchase on-board power units that do not require the engine to idle or face a decrease in productivity.

Federal and state lawmakers also have implemented or proposed potential limits on greenhouse gas emissions under a variety of other climate-change initiatives. Compliance with such regulations may increase the cost of new tractors and trailers or require the Company to retrofit its equipment, and could impair equipment productivity and increase its operating expenses. These adverse effects, combined with the uncertainty as to the reliability of the newly designed diesel engines and the residual value of these vehicles, could materially increase the Company's operating expenses or otherwise adversely affect its operations.

Since 2013, any entity acting as a broker or a freight forwarder is required to obtain authority from the FMCSA, and is subject to a minimum \$75,000 financial security requirement. Several of the Company's subsidiaries are licensed by the FMCSA as a property broker and, therefore, they are obligated to satisfy this financial security requirement. This new requirement may limit entry of new brokers into the market or cause current brokers to exit the market. Such persons may seek agent relationships with companies such as the Company to avoid this increased cost. If they do not seek out agent relationships, the number of brokers in the industry could decrease.

## **Item 1A. Risk Factors**

### **RISK FACTORS**

*The following are the material risk factors that apply to an investment in the Company. These risk factors are not exhaustive, and the Company may face additional risks and uncertainties that are not presently known to it, or that the Company currently deems immaterial, which may also impair its business or results of operations. If any of the following risks actually occurs, the Company's business or results of operations could be materially harmed, the Company's ability to implement its business plans could be impaired and the trading price of the Company's common stock could decline.*

#### Risks Relating to the Company's Industry

***The Company's industry is affected by general economic and business risks that are largely beyond its control.***

The Company's industry is highly cyclical, and its business is dependent on a number of factors, many of which are beyond its control. Some of the most significant of these factors are economic changes that affect supply and demand in transportation markets in general, such as downturns in customers' business cycles and recessionary economic cycles; changes in customers' inventory levels and in the availability of funding for their working capital; commercial driver shortages and increases in driver compensation; and excess tractor capacity in comparison with shipping demand. The risks associated with these factors are heightened when the U.S. and/or global economy is weakened. Some of the principal risks during such times are as follows:

- the Company may experience low overall freight levels, which may impair its asset utilization, because its customers' demand for its services generally correlate with the strength of the United States and, to a lesser extent, global economy;
- certain of the Company's customers may face credit issues and cash flow problems that affect their ability to pay for the Company's services;
- certain of the Company's suppliers' business levels may be negatively affected, leading to disruptions in the supply and availability, or increased cost, of equipment, parts and services that are critical to the Company's operations;
- freight patterns may change as supply chains are redesigned, resulting in an imbalance between the Company's capacity and its customers' demands; and
- customers may bid out freight or select competitors that offer lower rates from among existing choices in an attempt to lower their costs, causing the Company to lower its rates or lose freight.

The Company also is subject to cost increases outside of its control that could materially reduce its profitability if it is unable to increase its rates sufficiently. Such cost increases include increases in fuel prices, driver wages, owner-operator contracted rates, insurance, interest rates, taxes, tolls, license and registration fees, revenue equipment and healthcare for its employees.

In addition, events outside the Company's control, including global and national health epidemics or concerns (such as the COVID-19 pandemic), strikes or other work stoppages at its facilities or at customer, port, border or other shipping locations (including as a result of such epidemics or concerns or otherwise), or actual or threatened armed conflicts or terrorist attacks, efforts to combat terrorism, military action against a foreign state or group located in a foreign state, or heightened security requirements, could lead to reduced economic demand and activity, reduced availability of credit or temporary closing of the shipping locations or United States borders. Such events may reduce the demand for the Company's services and could impair the Company's operating efficiency and productivity, which would adversely affect the Company's business and results of operations.

***The Company's industry is highly competitive and fragmented, and its business, results of operations and prospects may suffer if it is unable to adequately address downward pricing and other competitive pressures.***

The Company competes with many open-deck carriers of varying sizes, including some that may have greater access to equipment, a wider range of services, greater capital resources, less indebtedness or other competitive advantages and including smaller, regional service providers that cover specific shipping lanes with specific customers or that offer niche services. The Company also competes, to a lesser extent, with some less-than-truckload carriers, railroads, and third-party logistics, brokerage, freight forwarding and other transportation companies. Numerous competitive factors, including the following, could impair the Company's ability to maintain or improve its profitability:

- many of the Company's competitors periodically reduce their freight rates to gain business, especially during times of reduced growth or a downturn in the economy, which may limit the Company's ability to maintain or increase freight rates, may require the Company to reduce its freight rates or may limit its ability to maintain or expand its business;
- some shippers have reduced or may reduce the number of carriers they use by selecting core carriers as approved service providers and in some instances the Company may not be selected;
- many customers periodically solicit bids from multiple carriers for their shipping needs, which may depress freight rates or result in a loss of business to competitors;
- the continuing trend toward consolidation in the trucking industry may result in more large carriers with greater financial resources and other competitive advantages, and the Company may have difficulty competing with them;
- advances in technology may require the Company to increase investments in order to remain competitive, and its customers may not be willing to accept higher freight rates to cover the cost of these investments;
- higher fuel prices and, in turn, higher fuel surcharges to the Company's customers may cause some of its customers to consider freight transportation alternatives, including rail transportation;
- the Company may have higher exposure to litigation risks as compared to smaller carriers; and
- smaller carriers may build economies of scale with procurement aggregation providers, which may improve the smaller carriers' abilities to compete with the Company.

### Risks Relating to the COVID-19 Pandemic

***The COVID-19 pandemic, and various governmental actions taken to mitigate its impact, have affected and may materially adversely affect, and any future outbreak of any other highly infectious or contagious diseases may materially adversely affect, our operations, financial performance and condition, operating results and cash flows.***

The COVID-19 pandemic, and various governmental actions taken to mitigate its impact, has affected, and may materially adversely affect, our operations, financial performance and condition, operating results and cash flows. The severity, magnitude and duration of the current COVID-19 pandemic is uncertain, rapidly changing and hard to predict. The COVID-19 pandemic has significantly impacted economic activity and markets around the world, and COVID-19 or another similar outbreak could negatively impact our business in numerous ways, including, but not limited to, the following:

- our revenue has been reduced and may continue to be reduced to the extent the pandemic results in an economic downturn or recession, as many experts predict, which leads to a decrease in demand for our services or the transportation markets in general;
- our operations may be disrupted or impaired, if a significant portion of our drivers or other employees are unable to work due to illness;
- the pandemic has increased volatility and caused negative pressure in the capital markets; as a result, we may experience difficulty accessing the capital or financing needed to fund our operations, which have substantial capital requirements, on satisfactory terms or at all;
- we may experience liquidity challenges, including impacts related to delayed customer payments and payment defaults associated with customer liquidity issues and bankruptcies;
- customers, suppliers and other third parties may argue that their non-performance under our contracts with them is permitted as a result of force majeure or other reasons;
- we may experience workforce rightsizing-related issues and incur severance payments as a result of adjusting our workforce to market conditions, and we may subsequently experience retention issues and driver shortages when market conditions improve;
- our management may be distracted as they are focused on mitigating the effects of COVID-19 on our operations while protecting the health of our workforce and customers, which has required, and will continue to require, a large investment of time and resources; and
- we may be at greater risk for cybersecurity issues, as digital technologies may become more vulnerable and experience a higher rate of cyberattacks in the current environment of remote connectivity.

The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of the COVID-19 pandemic on our business. The extent to which the COVID-19 pandemic impacts the Company will depend on numerous evolving factors and future developments that we are not able to predict, including: the severity and duration of the pandemic; governmental, business and other actions in response to the pandemic (which could include limitations on the Company's operations or mandates to provide services in a specified manner); the impact of the pandemic on economic activity; the response of the overall economy and the financial markets; the extent and duration of the effect on consumer confidence and spending; the health of and the effect on our workforce and our ability to meet staffing needs; any impairment in the value of our tangible or intangible assets which could be

recorded as a result of a weaker economic conditions; and the potential effects on our internal controls, including those over financial reporting, as a result of changes in working environments, such as shelter-in-place and similar orders that are applicable to our employees and business partners, among others.

#### General Commercial and Operational Risks

***Insurance and claims expenses could significantly reduce the Company's profitability, and underwriters leaving the marketplace may make it more difficult for the Company to obtain insurance at favorable prices or at all.***

The Company is exposed to claims and rising insurance premiums related to, among others, auto liability, general liability, directors and officers liability, errors and omissions liability, liability related to cybersecurity attacks, cargo loss and damage, property damage, personal injury, workers' compensation, group health, group dental and general umbrella policies. The Company has insurance coverage with third-party insurance carriers, but it assumes a significant portion of the risk associated with these claims due to its self-insured retention (SIR) and deductibles, which can make its insurance and claims expense higher or more volatile. The Company is subject to changing conditions and pricing in the insurance marketplace, including as a result of carriers or underwriters leaving the transportation sector and the increasing frequency and size of auto liability lawsuits, and the cost or availability of various types of insurance may change dramatically in the future, particularly if its claims experience deteriorates. Insurance carriers have and may continue to increase premiums for transportation companies generally (especially in regards to auto liability). If the Company's insurance or claims expense increases, and the Company is unable to offset the increase with higher freight rates, its results of operations could be materially and adversely affected. The Company's results of operations may also be materially and adversely affected if it experiences a claim in excess of its coverage limits, a claim for which coverage is not provided or a claim that is covered but its insurance company fails to perform.

***Seasonality and the impact of weather and other catastrophic events adversely affect the Company's operations and profitability.***

The Company's operations are affected by the winter season because inclement weather impedes operations and some shippers reduce their shipments during winter. At the same time, operating expenses increase due to, among other things, a decline in fuel efficiency because of engine idling and harsh weather that creates higher accident frequency, increased claims and higher equipment repair expenditures. These weather-related and other catastrophic events, such as fires, earthquakes and explosions, may also disrupt fuel supplies, increase fuel costs, disrupt freight shipments or routes, affect regional economies, destroy the Company's assets or the assets of its customers or otherwise adversely affect the business or financial condition of its customers, any of which developments could adversely affect the Company's profitability or make its results more volatile. Climate change may increase the severity of weather-related events, such as tornadoes, hurricanes, blizzards, ice storms or floods.

***The Company may be adversely affected by fluctuations in the price or availability of diesel fuel.***

The Company's operations are dependent upon diesel fuel, and diesel fuel is one of the Company's largest operating expenses. Diesel fuel prices fluctuate greatly due to factors beyond the Company's control, such as political events, price and supply decisions by oil producing countries and cartels, terrorist activities, environmental laws and regulations, armed conflicts, depreciation of the dollar against other currencies, world supply and demand imbalances, imposition of tariffs, and hurricanes and other natural or man-made disasters. Such events may also lead to fuel shortages and disruptions in the fuel supply chain. Increases in fuel costs may have a significant adverse effect on the Company's profitability. The Company has not used derivatives as a hedge against higher fuel costs in the past. Although the Company maintains a fuel surcharge program, there can be no assurance that the program will be maintained indefinitely or will be sufficiently effective. The Company incurs certain fuel costs that cannot be recovered even with respect to customers with which it maintains fuel surcharge programs and even if it is able to increase rates per miles, such as fuel costs associated with empty miles. Because the Company's fuel surcharge recovery lags behind changes in fuel prices, its fuel surcharge recovery may not capture in any particular period the increased costs it pays for fuel. Further, during periods of low freight volumes, shippers can use their negotiating leverage to impose less compensatory fuel surcharge policies.

***Increased prices for, or decreases in the availability of, new revenue equipment and decreases in the value of used revenue equipment could adversely affect the Company's results of operations and cash flows.***

Investment in new equipment is a significant part of the Company's annual capital expenditures, and the Company requires an available supply of tractors and trailers from equipment manufacturers to operate and grow its business. In recent years, manufacturers have raised the prices of new revenue equipment significantly due to increased costs of materials and, in part, to offset their costs of

compliance with new tractor engine and emission system design requirements mandated by the EPA and various state agencies, which are intended to reduce emissions. If new equipment prices increase more than anticipated, the Company could incur higher depreciation and rental expenses than anticipated. If the Company is unable to fully offset any such increases in expenses with freight rate increases and/or improved fuel economy, its results of operations and cash flows could be adversely affected.

The Company may face difficulty in purchasing an adequate supply of new equipment due to decreased supply. From time to time, some original equipment manufacturers (OEM) of tractors and trailers may reduce their manufacturing output due to lower demand for their products in economic downturns or a shortage of component parts. Uncertainty as to future emission standards may also serve to decrease such manufacturing output.

During prolonged periods of decreased tonnage levels, the Company and other trucking companies may make strategic fleet reductions, which could result in an increase in the supply of used equipment. When the supply exceeds the demand for used revenue equipment, the general market value of used revenue equipment decreases. Used equipment prices are also subject to substantial fluctuations based on availability of financing and commodity prices for scrap metal. A depressed market for used equipment could require the Company to trade its revenue equipment at depressed values or to record losses on disposal or an impairment of the carrying values of its revenue equipment that is not protected by residual value arrangements.

***The Company derives a material portion of its revenue from its major customers, the loss of one or more of which could have a material adverse effect on the Company's business and results of operations.***

A material portion of the Company's revenue is generated from its major customers. In 2020 and 2019, the Company's top ten customers, based on revenue, accounted for approximately 31% and 28%, respectively, of the Company's revenue, and the Company's largest customer accounted for approximately 10% and 6%, respectively, of its revenue. In addition, a material portion of the Company's freight is from customers in the building materials industry, and as such, the Company's results may be susceptible to trends in construction cycles, which are affected by numerous factors, including rates of infrastructure spending, real estate equity values, interest rates and general economic conditions. The Company's customers' financial difficulties can negatively impact the Company's results of operations and financial condition, especially if they were to delay or default on payments to the Company.

***The Company's customers may terminate their relationships with the Company on short notice with limited or no penalties.***

A number of customers use the Company's services on a shipment-by-shipment basis rather than under long-term contracts. These customers have no obligation to continue using the Company's services and may stop using them at any time without penalty or with only limited penalties. The loss of any customers may reduce the range of service offerings the Company provides and adversely impact the Company's revenue mix. Also, the Company does not have contractual relationships that guarantee any minimum freight volumes with customers.

***The Company is subject to certain risks arising from doing business in Canada and Mexico.***

The Company provides trucking services in Canada in addition to the United States, and the Company also transports freight into and out of Mexico by transferring the Company's trailers to tractors operated by Mexican-based carriers with which the Company has contractual and long-standing relationships. As a result, the Company is subject to risks of doing business internationally, including fluctuations in foreign currencies, changes in the economic strength of Canada and Mexico, difficulties in enforcing contractual obligations and intellectual property rights through non-U.S. legal systems, burdens of complying with a wide variety of international and United States export and import laws, and social, political and economic instability. The Company also faces additional risks associated with restrictive trade policies and imposition of duties, taxes or government royalties imposed by the Canadian or Mexican government, to the extent not preempted by trade agreements between Mexico, Canada and the United States. Further, to the extent that the Company conducts operations outside of the United States, it is subject to the Foreign Corrupt Practices Act (FCPA), which generally prohibits United States companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining favorable treatment. If the Company is not in compliance with the FCPA, other anti-corruption laws or other laws governing the conduct of business with government entities (including local laws), it may be subject to criminal and civil penalties and other remedial measures, which could harm its reputation and have a material adverse impact on the Company's business, financial condition, results of operations, cash flows and prospects. Any investigation of any actual or alleged violations of such laws could also harm the Company's reputation or have a material adverse impact on its business.

The Company is currently a Customs-Trade Partnership Against Terrorism (C-TPAT) participant. If the United States Customs and

Border Protection (CBP) determines the Company has failed to comply with its minimum security and other criteria applicable to C-TPAT participants, the Company may be unable to maintain its C-TPAT status, which may result in significant border delays, which could cause its operations in Canada to be less efficient than those of competitor truckload carriers also operating in Canada that obtain or continue to maintain C-TPAT status. Such inefficiency, as well as the requirements of some customers to deal only with C-TPAT participating carriers, could lead to a loss of certain business.

***The Company's contractual agreements with its owner-operators expose it to risks that it does not face with its company drivers.***

Approximately 38% of the Company's freight revenue was carried by independent contractor owner-operators in 2020. The Company's reliance on independent contractor owner-operators creates numerous risks for the Company's business. For example, the Company provides financing to certain of its independent contractor owner-operators purchasing tractors from the Company. If owner-operators operating the tractors the Company financed default under or otherwise terminate the financing arrangement and the Company is unable to find a replacement owner-operator, the Company may incur losses on amounts owed to it with respect to the tractor in addition to any losses it may incur as a result of idling the tractor. Further, if the Company is unable to provide such financing in the future, due to liquidity constraints or other restrictions, the Company may experience a shortage of owner-operators.

If the Company's independent contractor owner-operators fail to meet the Company's contractual obligations or otherwise fail to perform in a manner consistent with the Company's requirements, the Company may be required to utilize alternative service providers at potentially higher prices or with some degree of disruption of the services that the Company provides to customers. If the Company fails to deliver on time, if its contractual obligations are not otherwise met, or if the costs of its services increase, then the Company's profitability and customer relationships could be harmed. Furthermore, independent contractor owner-operators typically use tractors, trailers and other equipment bearing the Company's trade names and trademarks. If one of the Company's independent contractor owner-operators is subject to negative publicity, it could reflect on the Company and have a material adverse effect on the Company's business and brand. Under certain laws, the Company could also be subject to allegations of liability for the activities of its independent contractor owner-operators.

Owner-operators are third-party service providers, as compared to company drivers who are employed by the Company. As independent business owners, the Company's owner-operators may make business or personal decisions that conflict with the Company's best interests. For example, if a load is unprofitable, route distance is too far from home or personal scheduling conflicts arise, an owner-operator may deny loads of freight from time to time. In these circumstances, the Company must be able to timely deliver the freight in order to maintain relationships with customers. In addition, adverse changes in the financial condition of the Company's independent contractor owner-operators or increases in their equipment or operating costs could cause them to seek higher revenues. The prices the Company charges its customers could be impacted by such issues, which may in turn limit pricing flexibility with customers.

***The Company depends on third parties in its brokerage business, and service instability from these providers could increase the Company's operating costs or reduce its ability to offer brokerage services.***

The Company's brokerage business is dependent upon the services of third-party capacity providers, including other truckload carriers. These third-party providers may seek other freight opportunities and may require increased compensation during times of improved freight demand or tight trucking capacity. The Company's ability to secure the services of these third-party providers on competitive terms is subject to a number of risks, including the following, many of which are beyond the Company's control:

- equipment shortages in the transportation industry, particularly among contracted truckload carriers and railroads;
- interruptions in service or stoppages in transportation as a result of labor disputes, seaport strikes, network congestion, weather-related issues, acts of God or acts of terrorism;
- changes in regulations impacting transportation and changes in transportation rates; and
- increases in operating expenses for carriers, such as fuel costs, insurance premiums and licensing expenses, that result in a reduction in available carriers.

#### Risks Relating to Human Capital

***Driver shortages and increases in driver compensation or owner-operator contracted rates could adversely affect the Company's business, results of operations and ability to maintain or grow its business.***

Driver shortages in the industry have required, and could continue to require, the Company to spend more money to attract and retain



company and owner-operator drivers. Also, the Company may face difficulty maintaining or increasing its number of company and owner-operator drivers because of the intense competition for drivers. Compliance and enforcement with initiatives included in the CSA program implemented by the FMCSA and regulations adopted by the DOT relating to driver time and safety and fitness could further reduce the availability of qualified drivers. In addition, like most in its industry, the Company suffers from a high turnover rate of drivers, especially with respect to company drivers. Further, with respect to owner-operator drivers, due to the absence of long-term personal services contracts, owner-operators can quickly terminate their business relationships with the Company. If the Company is unable to continue to attract and retain a sufficient number of company and owner-operator drivers, it could be required to operate with fewer trucks and face difficulty meeting shipper demands or be forced to forego business that would otherwise be available to it, which developments could adversely affect its profitability and ability to maintain or grow its business.

***The loss of key personnel could adversely affect operations.***

The Company's success to date has depended, and will continue to depend, largely on the skills, efforts and motivation of its key personnel who generally have significant experience with the Company and within the transportation industry. Each member of the senior management team and other key personnel are at-will employees and may voluntarily terminate his or her employment with the Company at any time with minimal notice. The loss of certain key personnel could damage critical customer relationships, result in the loss of vital institutional knowledge, experience and expertise, and impact the Company's ability to successfully operate its business and execute its business strategy. The Company does not maintain "key man" life insurance on any of its officers or other employees.

The Company and its subsidiary operating companies have undergone significant changes in their management teams in the past two years, which may have a negative impact on the Company's ability to retain or recruit key personnel, employees and drivers. These changes include: (i) in the second half of 2019, the Company's Chief Executive Officer, President and Chief Financial Officer resigned or were terminated; (ii) in February 2020, the Company appointed a new Chief Executive Officer, who subsequently retired at the end of 2020; (iii) in April 2020, the Company appointed a new Chief Financial Officer, (iv) in May 2020, the Company's Chief Accounting Officer resigned; (v) and in May 2020, the Company appointed a new Chief Operating Officer. The Company also experienced significant changes and turnover to its board of directors in 2019 and 2020. Leadership transitions, which the Company may continue to experience, may also cause disruption to the Company's business, result in operational and administrative inefficiencies and added costs, and adversely affect the Company's corporate governance, internal controls, enterprise risk management, business models and strategic priorities. The inability to adequately fill vacancies in key personnel positions on a timely basis could also negatively affect the Company's business, operations and ability to implement its business strategy.

***The Company may incur substantial expenses related to its issuance of stock-based compensation. Conversely, if the Company is unable to continue to offer its employees stock-based long-term incentive compensation, the Company may need to increase the use of cash compensation or may have difficulty retaining such employees.***

Subject to stockholder approval, the Company intends to amend its current omnibus incentive plan later this year to increase the number of shares available for issuance thereunder to enable it to continue to offer eligible employees, directors and consultants stock-based incentive awards, which the Company believes will assist it in attracting and retaining such persons. The Company also intends to use, to a greater extent than previously, long-term incentive awards in its compensation policies and plans, which will increase the Company's annual compensation and benefit expenses related to the stock options and stock awards granted to participants and may adversely affect the Company's net income. Conversely, if the Company is limited in its ability to grant equity compensation awards or if stockholders do not approve an increase in the number of shares issuable under the Company's omnibus incentive plan, it would need to explore offering other compelling alternatives to supplement its compensatory arrangements, including long-term cash compensation plans or increased short-term cash compensation, in order to continue to attract and retain key personnel and other employees, which could increase its cash compensation costs and adversely affect its financial performance.

***If the Company's employees were to unionize, its operating costs could increase and its ability to compete could be impaired.***

None of the Company's employees are currently represented under a collective bargaining agreement; however, the Company always faces the risk that its employees will try to unionize, and if its owner-operators were ever re-classified as employees, the magnitude of this risk would increase. Further, Congress or one or more states could approve legislation and/or the National Labor Relations Board (the NLRB) could render decisions or implement rule changes that could significantly affect the Company's business and its relationship with employees, including actions that could substantially liberalize the procedures for union organization and make it easier for unions to successfully organize. In addition, the Company can offer no assurance that the Department of Labor will not

adopt new regulations or interpret existing regulations in a manner that would favor the agenda of unions. Any attempt to organize by the Company's employees could result in increased legal and other associated costs and divert management attention. If the Company were to enter into a collective bargaining agreement, the terms could negatively affect its costs, efficiency, business, operations, results of operations and prospects because, among other things, restrictive work rules could hamper the Company's efforts to improve and sustain operating efficiency and could impair the Company's service reputation, some shippers may limit their use of unionized trucking companies because of the threat of strikes and other work stoppages, and an election and bargaining process could divert management's time and attention from the Company's overall objectives and impose significant expenses.

#### Risks Related to the Use of Technology

***The Company is dependent on computer and communications systems, and a systems failure, cyber-attack or data breach could cause a significant disruption to its business and cause financial losses.***

The Company's business depends on the efficient and uninterrupted operation of its computer and communications hardware systems and infrastructure, including operating and financial reporting systems, and on the effectiveness of the information and cybersecurity policies, procedures and capabilities the Company maintains to protect its systems and data. The Company's computer and communications system is critical in meeting customer expectations, effectively tracking, maintaining and operating the Company's equipment, directing and compensating the Company's employees, and interfacing with the Company's financial reporting system. The Company currently maintains its computer systems at multiple locations, including several of its offices and terminals and third-party data centers, along with computer equipment at each of its terminals. The Company's operations and those of its technology and communications service providers are vulnerable to interruption by fire, earthquake, power loss, telecommunications failure, terrorist attacks, Internet failures, computer viruses, data breaches (including cyber-attacks or cyber intrusions over the Internet, malware and the like) and other events generally beyond its control.

Although the Company believes that it has robust information security procedures and other safeguards in place, as cyber threats continue to evolve, it may be required to expend additional resources to continue to enhance its information security measures and investigate and remediate any information security vulnerabilities. Even with such measures, the Company's information technology and infrastructure are subject to attacks or misappropriation by hackers and may be, and have in the past been, breached due to inadequacy or ineffectiveness of the protective measures undertaken, employee errors or omissions, malfeasance or other disruptions. In the third quarter of 2020, one of the Company's operating companies experienced a ransomware attack. Upon discovering that an unauthorized third party attempted to gain access to select servers, the Company took immediate action to stop the attack and remediate the systems. The Company also promptly launched an internal investigation with the assistance of third-party cybersecurity partners to determine the scope of the incident and any potential impacts. This cyber incident did not result in any disruptions in the operations of such operating company or of the Company or its other subsidiaries nor was there a material financial impact or ransom paid as a result of this cyber incident. In the future, however, another externally caused information security incident, such as a cyber-attack, a phishing scam, virus, ransomware attack or denial-of-service attack, could materially interrupt business operations or cause disclosure or modification of sensitive or confidential client or competitive information. In addition, the Company's third-party vendors and other intermediaries with which it conducts business and transmit data could be subject to a successful cyber-attack or other information security event, and the Company cannot ensure that such third parties have all appropriate controls in place to protect the confidentiality of information in the custody of those third parties.

A significant natural disaster or cyber-attack incident, including system failure, security breach, disruption by malware or other damage, could interrupt or delay the Company's operations, damage its reputation, cause a loss of customers, agents or third-party capacity providers, expose the Company to a risk of loss or litigation, or cause the Company to incur significant time and expense to remedy such an event. Furthermore, a security breach or privacy violation that leads to disclosure of customer, supplier or employee or contractor information (including personally identifiable information or protected health information) could harm the Company's reputation, compel it to comply with disparate state and foreign breach notification laws and otherwise subject it to liability under laws that protect personal data, resulting in increased cost, loss of revenue and material adverse impacts on the Company's results of operations and financial position.

## Strategic Risks

***The Company may not realize all the expected benefits of its integration, business improvement and comprehensive restructuring plans, and such plans may adversely affect its business, results of operations and prospects.***

In the second half of 2019, the Company initiated several organizational improvement plans, which resulted in significant costs, including severance and other related payments and lease termination fees. As of December 31, 2020, the Company has incurred \$17.9 million in costs related to these plans. These plans could also result in significant disruptions to the Company's operations or result in the loss of customer and market share in certain geographic territories. For example, because the Company's customers interface directly with management and employees employed by subsidiaries that comprise the Company's various operating segments, any consolidation or restructuring of such subsidiaries may not be viewed positively by customers who may choose to reassess whether to use the Company's services. If the Company does not fully realize or maintain the anticipated benefits of these plans, its business, results of operations and prospects could be adversely affected.

***The Company may be unable to realize all of the intended benefits from acquisitions.***

As part of its business strategy, the Company has in the past and may in the future acquire strategic and complementary businesses. Acquisitions may negatively impact the Company's business, financial condition, results of operations, cash flows and prospects because:

- the Company may assume liabilities, including environmental liabilities, or be subject to risks beyond its estimates or what was disclosed to it;
- the acquisition could divert management's attention and other resources from the Company's existing business;
- to facilitate such acquisitions, the Company may incur or assume additional indebtedness or issue additional shares of stock;
- the acquired company may require increases in working capital and capital expenditure investments to fund its growth; and
- the acquired company may not achieve the anticipated revenue, earnings or cash flows, including as a result of the loss of any major customers or key employees, and the Company may be unable to fully realize all of the anticipated benefits and synergies from the acquisition.

***The Company may not be able to complete divestitures successfully.***

As part of the Company's business strategy, it evaluates the potential disposition of assets and businesses that may no longer help it meet its objectives. When the Company decides to sell assets or a business, it may encounter difficulty in finding buyers or alternative exit strategies on acceptable terms in a timely manner, or at all. The Company may also dispose of assets or a business at a price or on terms that are less desirable than it had anticipated. In addition, it may experience greater dis-synergies than expected, and the impact of the divestiture on its business, results of operations and prospects may be larger than projected. Dispositions may also involve continued financial involvement in the divested business, such as through guarantees, indemnities or other financial obligations. Under these arrangements, performance by the divested businesses or other conditions outside of the Company's control could affect its future financial results. Moreover, seeking divestiture opportunities and evaluating and completing them require significant investment of time and resources, may disrupt the Company's business, distract management from other responsibilities and may result in losses on disposal.

## Risks Relating to Indebtedness and Liquidity

***The Company may not be able to generate sufficient cash to service all of its indebtedness and may be forced to take other actions to satisfy its obligations under applicable debt instruments, which may not be successful.***

As of December 31, 2020, the Company had \$679.7 million of indebtedness outstanding. Its ability to make scheduled payments on or to refinance its indebtedness obligations depends on its financial condition and operating performance, which are subject to prevailing economic and competitive conditions and certain financial, business and other factors beyond its control. The Company may not be able to maintain a level of cash flows from operating activities sufficient to permit it to pay the principal, premium, if any, and interest on its indebtedness. If the Company's cash flows and capital resources are insufficient to fund debt service obligations, the Company may be forced to reduce or delay investments and capital expenditures, sell assets, seek additional capital or restructure or refinance indebtedness. The Company's ability to restructure or refinance indebtedness will depend on the condition of the capital markets and its financial condition at such time. Any refinancing of indebtedness could be at higher interest rates and may require the Company to comply with more onerous covenants, which could further restrict business operations. The terms of

existing or future debt instruments may restrict the Company from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on outstanding indebtedness on a timely basis would likely result in a reduction of the Company's credit rating, which could harm its ability to incur additional indebtedness.

***The Company's credit facilities (as defined below) and the terms of the Series A Preferred Stock contain restrictive covenants that may impair its ability to conduct business. The inability to maintain compliance with these covenants could lead to default and acceleration under the credit facilities.***

The Company's credit facilities and terms of the Series A Preferred Stock contain operating and financial covenants that limit management's discretion with respect to certain business matters. Among other things, these covenants, subject to certain limitations and exceptions, restrict the Company's ability to incur additional indebtedness, change the nature of the business, merge or consolidate with, or acquire, another entity, and sell or otherwise dispose of assets. In addition, the Company's credit facilities and certain of its other debt agreements require it to maintain certain financial ratios or to reduce its indebtedness if it is unable to comply with such ratios. These restrictions may also limit the Company's ability to obtain future financings to withstand a future downturn in its business or the economy in general, or to otherwise conduct necessary corporate activities. The Company may also be prevented from taking advantage of business opportunities that arise because of the limitations that its debt agreements impose on it. A breach of any covenant in the Company's credit facilities or certain of its other debt agreements would result in a default thereunder after any applicable grace periods expire and, if not waived, could result in acceleration of amounts borrowed thereunder. Further, the Company's credit facilities and certain of its other debt agreements contain cross-default provisions, such that a default under one agreement would create a default under the other agreements.

***The Company's leverage and debt service obligations may adversely affect its business and prospects.***

As of December 31, 2020, the Company had \$679.7 million of indebtedness outstanding. The Company's level of indebtedness could adversely affect it in several ways, including the following:

- require the Company to dedicate a substantial portion of its cash flow from operations to service its existing debt, thereby reducing the cash available to finance its operations and other business activities;
- limit management's discretion in operating its business and its flexibility in planning for, or reacting to, changes in its business and the industry in which it operates;
- increase its vulnerability to downturns and adverse developments in its business and the economy generally;
- limit its ability to access the capital markets to raise capital on favorable terms or to obtain additional financing for working capital, capital expenditures or acquisitions or to refinance existing indebtedness;
- make it more likely that a reduction in its borrowing base following a periodic redetermination could require it to repay a portion of its then-outstanding bank borrowings; and
- make it vulnerable to increases in interest rates as indebtedness under the Company's credit facilities may vary with prevailing interest rates.

While the Company's credit facilities contain restrictions on the Company's ability to incur additional indebtedness, such restrictions are subject to waiver and a number of significant qualifications and exceptions. Indebtedness incurred in compliance with these restrictions could be substantial. Additional leverage increases the risks described above as well as under "— The Company may not be able to generate sufficient cash to service all of its indebtedness and may be forced to take other actions to satisfy its obligations under applicable debt instruments, which may not be successful."

***The Company has significant ongoing capital expenditure requirements. If the Company is unable to obtain such capital, its business, results of operations and prospects may be adversely affected.***

The Company's business is capital intensive. Its capital expenditures focus primarily on revenue equipment replacement and, to a lesser extent, facilities, revenue equipment growth and investments in information technology. The Company may not be able to finance all of its capital requirements, when and if needed, to acquire new equipment on reasonable terms or at all. Any sale of additional equity or debt securities to fund its capital expenditures may result in dilution to its stockholders, and public or private financing may not be available in amounts or on terms acceptable to the Company, if at all. If the Company is unable to obtain additional financing on acceptable terms or at all, it may be required to delay, reduce the scope of, or eliminate future activities or growth initiatives, which could adversely affect its business, results of operations and prospects. In such case, the Company may also operate its revenue equipment for longer periods, which would result in increased maintenance costs.

## Risks Relating to Legal and Regulatory Compliance

***The Company operates in a highly regulated industry, and changes in existing laws or regulations, or liability under existing or future laws or regulations, could have a material adverse effect on its business, results of operations and prospects.***

The Company operates in the United States pursuant to operating authority granted by the DOT and in various Canadian provinces pursuant to operating authority granted by the Ministries of Transportation and Communications in such provinces. The Company, as well as its company and owner-operator drivers, must also comply with governmental regulations regarding safety, equipment, environmental protection and operating methods. The Company may become subject to new, or amendment of existing, laws and regulations, reinterpretation of legal requirements or increased governmental enforcement that may impose more restrictive regulations relating to such matters that may require changes in its operating practices, influence the demand for transportation services, require it to incur significant additional operating costs or capital expenditures or adversely impact the recruitment of drivers. See “Item 1. Business — Regulation” for information regarding several proposed, pending and final regulations that could significantly impact the Company’s business and operations. Restrictions on greenhouse gas emissions or climate change laws or regulations, as well as recent activism directed at companies with energy-related assets, could also adversely affect certain of the Company’s customers, which, in turn, could adversely impact the demand for the Company’s services. The Company also could lose revenue if its customers divert business from it because the Company has not complied with customer sustainability requirements.

***Safety-related evaluations and rankings under the CSA program could adversely impact the Company’s relationships with its customers and its ability to maintain or grow its fleet, each of which could have a material adverse effect on its business, results of operations and prospects.***

The CSA includes compliance and enforcement initiatives designed to monitor and improve commercial motor vehicle safety by measuring the safety record of both the motor carrier and the driver. These measurements are scored and used by the FMCSA to identify potential safety risks and to direct enforcement action. The Company’s CSA scores are dependent upon its safety and compliance experience, which could change at any time. In addition, the safety standards prescribed in the CSA program or the underlying methodology used by the FMCSA to determine a carrier’s safety rating could change and, as a result, the Company’s ability to maintain an acceptable score could be adversely impacted. If the Company receives an unacceptable CSA score, its relationships with customers could be damaged, which could result in a loss of business. Additionally, the requirements of CSA could shrink the industry’s pool of drivers as those with unfavorable scores could leave the industry. See “Item 1. Business — Regulation” for additional discussion related to CSA program risks.

***The Company is subject to environmental and worker health and safety laws and regulations that may expose it to significant costs and liabilities.***

The Company is subject to stringent and comprehensive federal, state, provincial, local and foreign environmental and worker health and safety laws and regulations governing, among other matters, the operation of fuel storage tanks, release of emissions from its vehicles (including engine idling) and facilities, the health and safety of the public and its workers in conducting operations, and adverse impacts to the environment (including sustainability practices). These laws are becoming increasingly more stringent and there can be no assurances that compliance with, or liabilities under, existing or future environmental and worker health or safety laws or regulations will not have a material adverse effect on the Company’s business, financial condition, results of operations, cash flows or prospects. See “Item 1. Business — Regulation” and “Item 1. Business — Fuel” for more information.

The Company maintains aboveground and underground bulk fuel storage tanks and fueling islands at some of its facilities and vehicle maintenance operations at certain of its facilities, and its operations involve the risks of fuel spillage or seepage into the environment, environmental and natural resource damages and unauthorized hazardous material spills, releases or disposal actions, among others. If the Company has operational spills or accidents or if it is found to be in violation of, or otherwise liable under, environmental or worker health or safety laws or regulations, the Company could incur significant costs and liabilities, which may include the assessment of sanctions, including administrative, civil and criminal penalties, the imposition of investigatory, remedial or corrective action obligations, the occurrence of delays in permitting or performance of projects, and the issuance of orders enjoining performance of some or all of the Company’s operations in a particular area. Under certain environmental laws, the Company could be subject to strict joint and several liability, without regard to fault or legality of conduct, for costs relating to contamination at facilities the Company owns or operates or previously owned or operated and at third-party sites where the Company disposed of waste, as well as costs associated with the clean-up of releases arising from accidents involving the Company’s vehicles. The Company often operates in industrial areas, where truck terminals and other industrial activities are located, and where soil, groundwater or other

forms of environmental contamination have occurred from historical or recent releases and for which the Company has incurred and may, in the future, incur remedial or other environmental liabilities.

Compliance with environmental laws and regulations may also increase the price of the Company's equipment and otherwise affect the economics of the Company's industry by requiring changes in operating practices or by influencing the demand for, or the costs of providing, transportation services. Also, in order to reduce exhaust emissions, some states and municipalities have begun to restrict the locations and amount of time where diesel-powered tractors, such as the Company's, may idle. These restrictions could force the Company to alter its drivers' behavior, purchase on-board power units that do not require the engine to idle or face a decrease in productivity.

***The Company is, and in the future may be, subject to the legal and governmental proceedings and claims, which may impair the Company's reputation or result in the Company incurring significant costs.***

The parties in such legal actions against the Company may seek amounts from the Company that may not be covered in whole or in part by insurance, and negative publicity resulting from allegations therein, whether or not valid, may adversely affect the Company's reputation. In particular, there has been a recent increase in auto liability lawsuits filed against transportation companies, and the size of judgments awarded in such lawsuits has trended upwards and may continue to do so.

***If the Company's owner-operators are deemed by regulators or judicial process to be employees, the Company's business and results of operations could be adversely affected.***

Tax and other regulatory authorities have in the past sought to assert that owner-operators in the trucking industry are employees rather than independent contractors. If the Company's owner-operators are determined to be its employees, it would incur additional exposure under federal and state tax, workers' compensation, unemployment benefits, labor, employment and tort laws, including for prior periods, as well as potential liability for employee benefits and tax withholdings.

***The Company's business may be harmed by terrorist attacks, future wars or anti-terrorism measures.***

In the aftermath of the terrorist attacks of September 11, 2001, federal, state and municipal authorities have implemented and are implementing various security measures, including checkpoints and travel restrictions on large trucks and fingerprinting of drivers in connection with new hazardous materials endorsements on their licenses. Such existing measures and future measures may have significant costs associated with them which a motor carrier is forced to bear. Moreover, large trucks carrying large freight are potential terrorist targets, and the Company may be obligated to take measures, including possible capital expenditures intended to protect its trucks.

***Changes to trade regulation, quotas, duties or tariffs, caused by changing U.S. and geopolitical environments or otherwise, may increase the Company's costs and materially adversely affect its business.***

The implementation of tariffs, quotas or changes to certain trade agreements by the United States or retaliatory trade measures or tariffs implemented by other countries, could, among other things, increase the costs of the materials used by the Company's suppliers to produce new revenue equipment or increase the price of fuel. Such cost increases for the Company's revenue equipment suppliers might be passed on to the Company, and to the extent fuel prices increase, the Company may not be able to fully recover such increases through rate increases or the Company's fuel surcharge program. Further, the continued threats of tariffs, trade restrictions, and trade barriers could have a generally disruptive impact on the economy generally and decrease demand for the Company's services.

#### Other Material Risks

***The Company's total assets include goodwill and indefinite-lived intangibles. If the Company determines that these items have become impaired in the future, net income could be materially and adversely affected.***

As of December 31, 2020, the Company had recorded goodwill of \$140.1 million and indefinite-lived intangible assets of \$50.9 million. Goodwill represents the excess of cost over the fair market value of net assets acquired in business combinations. In accordance with Financial Accounting Standards Board Accounting Standards Codification, Topic 350, *Intangibles — Goodwill and Other*, the Company tests goodwill and indefinite-lived intangible assets for potential impairment annually and between annual tests

if an event occurs or circumstances change that would more likely than not reduce the fair value below its carrying amount. Any excess in carrying value over the estimated fair value is charged to the Company's results of operations. Further, the Company may never realize the full value of its intangible assets. Any future determination requiring the write-off of a significant portion of intangible assets could have an adverse effect on the Company's financial condition and results of operations. If there are changes to the methods used to allocate carrying values, if management's estimates of future operating results change, if there are changes in the identified reporting units or if there are changes to other significant assumptions, the estimated carrying values and the estimated fair value of the Company's goodwill and long-lived assets could change significantly, and could result in future non-cash impairment charges, which could materially impact its results of operations and financial condition for any such future period. During 2020, the Company recorded an impairment charge to intangibles assets of \$8.2 million related to tradenames. The Company's decision to dispose of certain of its operations may require it to recognize an impairment to the carrying value of goodwill and other intangible assets attendant to those operations. For example, in 2020, in connection with the Aveda disposition, the Company recognized an impairment of \$6.2 million related to other intangible assets.

***The Company's warrants are accounted for as a liability and the changes in fair value of the warrants may have an adverse effect on the Company's financial results and the market price of its common stock.***

On April 12, 2021, the Staff of the SEC released a statement (the SEC Statement) informing market participants that warrants issued by special purpose acquisition companies may require classification as a liability of the entity measured at fair value, with changes in fair value each period reported in earnings. As a result of the SEC Statement, the Company reevaluated the accounting treatment of its warrants, which were issued in 2015 and classified as equity, and determined to reclassify the warrants as a liability measured at fair value, with changes in fair value each period reported in earnings. Due to the recurring fair value measurement, the Company expects to recognize non-cash gains or losses on the warrants each reporting period, and the amount of such gains or losses could be material, which may cause the Company's consolidated financial statements and results of operations to fluctuate quarterly and may have an adverse impact on the market price of its common stock.

***We have identified a material weakness in our internal control over financial reporting. We may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, which may result in material misstatements of our financial statements or cause us to fail to meet our reporting obligations.***

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As described in Part II, Item 9A. Controls and Procedures, we identified a material weakness in our internal control over financial reporting related to the accounting for the warrants that we issued in 2015. As a result of this material weakness, our management concluded that our internal control over financial reporting was not effective as of December 31, 2020. Prior to this material weakness, two material weaknesses relating to information technology general controls and management's review of the specialists' impairment analysis existed as of December 31, 2019, which have been fully remediated.

We are developing and implementing a remediation plan to address the material weakness related to the accounting for the warrants, as described in Part II, Item 9A. Controls and Procedures. If our remediation efforts are insufficient or if additional material weaknesses in our internal control over financial reporting are discovered or occur in the future, our consolidated financial statements may contain material misstatements and we could be required to restate our financial results, which could materially and adversely affect our business, results of operations and financial condition, restrict our ability to access the capital markets, require us to expend significant resources to correct the material weakness, subject us to fines, penalties or judgments, harm our reputation or otherwise cause a decline in investor confidence.

***A small number of the Company's stockholders hold a substantial portion of its outstanding common stock.***

Mr. Daseke and his affiliates beneficially owned approximately 28% of the Company's common stock as of December 31, 2020. Consequently, Mr. Daseke and his affiliates are able to strongly influence all matters that require approval by the Company's stockholders, including changes to the Company's organizational documents and approval of acquisition and disposition offers and other significant corporate transactions. This concentration of ownership will limit other stockholders' ability to influence corporate matters, and as a result, actions may be taken that you may not view as beneficial and may have the effect of delaying or preventing a change in control and might adversely affect the market price of the Company's common stock to the extent investors perceive a disadvantage in owning stock of a company with a controlling stockholder.

***The Company's charter designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by its stockholders, which could limit its stockholders' ability to obtain a favorable judicial forum for disputes with the Company or its directors, officers, employees or agents.***

The Company's charter provides that, unless it consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will, to the fullest extent permitted by applicable law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on the Company's behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of the Company's directors, officers, employees or agents to us or the Company's stockholders, (iii) any action asserting a claim arising pursuant to any provision of Delaware General Corporation Law (DGCL) or the Company's charter or bylaws, or (iv) any action asserting a claim against the Company that is governed by the internal affairs doctrine, in each such case subject to such Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein. Any person or entity purchasing or otherwise acquiring any interest in shares of the Company's capital stock will be deemed to have notice of, and consented to, the provisions of the Company's charter described in the preceding sentence. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with the Company or its directors, officers, employees or agents, which may discourage such lawsuits against the Company and such persons. Alternatively, if a court were to find these provisions of the Company's charter inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, the Company may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect its business, financial condition or results of operations.

The enforceability of similar exclusive forum provisions in other companies' charters has been challenged in legal proceedings, and it is possible that, in connection with one or more actions or proceedings described above, a court could rule that this provision in the Company's charter is inapplicable or unenforceable. For example, the choice of forum provisions summarized above are not intended to, and would not, apply to suits brought to enforce any liability or duty created by the Exchange Act or other claim for which the federal courts have exclusive jurisdiction. Additionally, there is uncertainty as to whether the Company's choice of forum provisions would be enforceable with respect to suits brought to enforce any liability or duty created by the Securities Act of 1933, as amended (the Securities Act), or other claims for which the federal courts have concurrent jurisdiction, and in any event stockholders will not be deemed to have waived the Company's compliance with federal securities laws and rules and regulations thereunder.

***Some provisions of the Company's governing documents and Delaware law may inhibit a takeover, which could limit the price investors might be willing to pay in the future for its common stock.***

Some provisions in the Company's charter and bylaws may have the effect of delaying, discouraging, or preventing an acquisition of the Company or a merger in which the Company is not the surviving company and may otherwise prevent or slow changes in the Company's board of directors and management. These provisions include:

- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- the exclusive right of the Company's board of directors to elect a director to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a director with or without cause by stockholders, which prevents stockholders from being able to fill vacancies on the Company's board of directors;
- the ability of the Company's board of directors to determine whether to issue shares of the Company's preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of the Company's stockholders;
- the requirement that a special meeting of stockholders may be called only by the chairman of the board of directors, the chief executive officer, or the board of directors, which may delay the ability of the Company's stockholders to force consideration of a proposal or to take action, including the removal of directors;
- limiting the liability of, and providing indemnification to, the Company's directors and officers;
- controlling the procedures for the conduct and scheduling of stockholder meetings; and
- advance notice procedures that stockholders must comply with in order to nominate candidates to the Company's board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of the Company.

As a Delaware corporation, the Company is also subject to provisions of Delaware law, including Section 203 of the DGCL, which prohibits business combinations between the Company and one or more significant stockholders unless specified conditions are met.



These provisions could discourage an acquisition of the Company or other change in control transaction, whether or not it is desired or beneficial to the Company's stockholders, and thereby negatively affect the price that investors might be willing to pay for the Company's common stock as well as deprive stockholders of opportunities to realize takeover premiums for their shares of the Company's common stock.

***The price of the Company's common stock has been and may continue to be volatile and may fluctuate significantly, which may adversely impact investor confidence and increase the likelihood of securities class action litigation.***

The Company's common stock price has experienced volatility in the past and may remain volatile in the future. The highly volatile nature of the Company's stock price may cause investment losses for its stockholders. Volatility in the Company's common stock price can be driven by many factors, including divergence between its actual or anticipated financial results and published expectations of analysts or the expectations of the market, the gain or loss of customers, announcements that the Company, its competitors or its customers may make regarding their operating results and other factors that are beyond the Company's control, such as market conditions in the Company's or its customers' industry, new market entrants, technological innovations, and economic and political conditions or events. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company and stockholder activism, which could take many forms, including shareholder litigation, takeover or take private attempts, and proxy contests may increase. Securities litigation and stockholder activism could result in substantial costs and divert the attention of the Company's management or board of directors and could give rise to perceived uncertainties as to the Company's future, which, in turn, could adversely affect its relationships with customers and make it more difficult to attract qualified personnel.

Volatility or lack of performance in the Company's stock price may also affect the Company's ability to attract new key personnel or retain existing key personnel by decreasing the perceived value of any stock-based compensation the Company may offer or that they may hold. Prolonged periods of low performance or volatility in the Company's stock price could also negatively impact the Company's appeal as an employer, harm employee morale or increase employee turnover, including among the Company's key personnel. In addition, during periods when the Company's stock price is low, the Company may issue greater amounts of equity-based compensation to its executives and other key personnel to retain them and incentivize long-term performance, which may over successive periods cause dilution in the value of the Company's stock and increase the Company's stock-based compensation expense.

***The Company does not currently pay dividends on its common stock.***

Any future dividend payments are within the absolute discretion of the Company's board of directors and will depend on, among other things, its results of operations, working capital requirements, capital expenditure requirements, financial condition, level of indebtedness, contractual restrictions with respect to payment of dividends, business opportunities, anticipated cash needs, provisions of applicable law and other factors that the Company's board of directors may deem relevant. Consequently, a stockholder's only opportunity to achieve a return on its investment in the Company will be if the stockholder sells its common stock at a price greater than the stockholder paid for it.

#### ***Item 1B. Unresolved Staff Comments***

There are no unresolved comments from the Commission staff required to be disclosed in this Annual Report on Form 10-K.

## ***Item 2. Properties***

Daseke's headquarters office, which is leased, is located in a multi-tenant office building in Addison, Texas. The Company has various owned and leased properties in North America, none of which are individually material. Daseke's terminals may include general and executive offices, customer service, sales/marketing, fuel and/or maintenance, parking and warehousing facilities. In addition, Daseke owns parcels of vacant land and leases or owns several non-operating facilities in various locations around the United States. Daseke also maintains various drop yards throughout the United States and Canada. Daseke believes that substantially all of its property and equipment is in good condition and its buildings and improvements have sufficient capacity to meet current needs and that properties can be retained or replaced at an acceptable cost. From time to time, Daseke invests in additional facilities to meet the needs of its business as it pursues additional growth.

## ***Item 3. Legal Proceedings***

The Company is involved in litigation and claims primarily arising in the normal course of business, which include claims for personal injury, employment-related, or property damage incurred in relation to the transportation of freight. The Company's insurance program for liability, physical damage, cargo damage and workers' compensation involves self-insurance with varying risk retention levels. Claims in excess of these risk retention levels are covered by insurance in amounts that management considers to be adequate. Based on its knowledge of the facts and, in certain cases, advice of outside counsel, the Company believes the resolution of claims and pending litigation, will not have a material adverse effect on it, taking into account existing reserves.

## ***Item 4. Mine Safety Disclosures***

None.

## **Part II**

## ***Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Daseke's common stock and warrants trade on NASDAQ under the symbols "DSKE" and "DSKEW," respectively. As of February 12, 2021, there were 64 stockholders of record of its common stock.

The Company has not paid any cash dividends on its common stock. It is the present intention of the Company to retain any earnings for use in its business operations and, accordingly, the Company does not anticipate declaring any dividends in the foreseeable future. The payment of cash dividends on its common stock in the future will be dependent upon the Company's revenues and earnings, if any, capital requirements, debt covenants and general financial condition. The payment of any cash dividends will be within the discretion of the Company's board of directors at such time. In addition, the Company's credit facilities (as described in Note 10 of Notes to Consolidated Financial Statements) restricts the Company's ability to pay dividends, subject to certain negotiated exceptions.

## ***Item 6. Selected Financial Data***

Not required.

## ***Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion and analysis ("this MD&A") should be read in conjunction with the Company's audited consolidated financial statements and the related notes appearing elsewhere in this Form 10-K. The following discussion contains forward-looking statements that reflect future plans, estimates, beliefs and expected performance. The forward-looking statements are dependent upon events, risks and uncertainties that may be outside the Company's control. The Company's actual results could differ materially from those discussed in these forward-looking statements. See "Cautionary Note Regarding Forward-Looking Statements" above.

### **Introduction**

This MD&A is intended to provide investors with an understanding of the Company's recent performance, financial condition and prospects. This discussion and analysis compares 2020 results to 2019 and 2019 to 2018.

The Company is a leading provider and consolidator of transportation and logistics solutions focused exclusively on flatbed and specialized (open-deck) freight in North America. The transportation and logistics market is one of the largest industries in the United States. The flatbed and specialized freight market currently represents approximately 10% of transportation and logistics market.

The Company believes it provides one of the most comprehensive transportation and logistics solution offerings in the open-deck industry. The Company delivers a diverse offering of transportation and logistics solutions to approximately 6,700 customers across the continental United States, Canada and Mexico through two reportable segments: Flatbed Solutions and Specialized Solutions. The Flatbed Solutions segment focuses on delivering transportation and logistics solutions that principally require the use of flatbed and retractable-sided transportation equipment, and the Specialized Solutions segment focuses on delivering transportation and logistics solutions that require the use of specialized trailering transportation equipment. The Flatbed Solutions segment and Specialized Solutions segment generated approximately 40% and 60%, respectively, of revenue in 2020.

In 2020, the Company generated revenue of approximately \$1.5 billion, compared to \$30 million in 2009 (its first year of operation), reflecting a compound annual growth rate of approximately 42%.

Both of the Company's reportable segments operate highly flexible business models comprised of company-owned tractors and trailers and asset-light operations (which consist of owner-operator transportation, freight brokerage and logistics). The Company's asset-based operations have the benefit of providing shippers with certainty of delivery and continuity of operations. Alternatively, the Company's asset-light operations offer flexibility and scalability to meet customers' dynamic needs and have lower capital expenditure requirements and fixed costs. Approximately 50% of 2020 freight, logistics and brokerage revenue was derived from company-owned equipment and approximately 50% was derived from asset-light services.

## Recent Developments

### COVID-19 Pandemic

In light of the ongoing spread of the novel coronavirus, or COVID-19, in the United States and abroad, including the emergence of new variants of the coronavirus, government and public health authorities continue to recommend social distancing and impose various quarantine and isolation measures on large portions of the population, including measures directed at businesses. These measures include imposing restrictions on travel and business operations, increasing border and port controls and closures throughout the United States and other parts of the world, and advising or requiring individuals to limit or forego time outside of their homes. The uncertainty regarding the impact of the COVID-19 pandemic, and various governmental actions taken to mitigate its impact, have resulted in a severely depressed economic environment.

As an essential business under the guidelines issued by each of the Company's states of operations, the Company has been allowed to continue to operate its business through the COVID-19 pandemic. The Company has permitted some personnel to work from home and has taken additional precautions to ensure the safety of its workforce, customers and the communities in which it operates. In general, the Company has experienced limited operational impacts as a result of COVID-19 directly. A substantial majority of its operating sites have remained open and operating, although some of the nation's ports that the Company serves have experienced reduced hours of operation and reduced freight volumes.

Beginning in the last half of March 2020, the Company experienced a decline in demand due to the COVID-19 pandemic, as sectors of the economy began to shut down. Towards the end of April 2020, the Company experienced a significant decline in freight volumes and rates as stay-at-home orders across the country led to a halt in overall industrial production. In May and June 2020, the rate environment started to slowly improve and the Company's freight volumes progressively increased nearly every week, albeit off the lower base, and during the third quarter of 2020, the Company observed a strong sequential rebound in demand for freight across both its Flatbed and Specialized segments, as well as improving strength in freight rates. In the fourth quarter of 2020, the Company continued to see recovery in our flatbed solutions segment through year over year and sequential rate improvement while our specialized solutions segment rates remained relatively flat and freight volumes decreased slightly as wind freight volumes decreased offset by a recovery in rates in other specialized areas.

The Company expects that its results of operations and financial condition may likely continue to be adversely impacted in the near-term in 2021 by the COVID-19 pandemic, as levels of activity in the Company's business have historically been positively correlated to broad measures of economic activity and to measures of industrial production since many of the Company's customers are in the manufacturing and industrial segments. In particular, shelter-in-place mandates, the closing of manufacturing facilities and the overall

depressed economic environment have significantly affected demand for many of the Company's customers, including those in aerospace and manufacturing industries. However, given the diversity of the Company's customer base and the various end markets that Daseke serves, not all of the Company's customers have been as affected. During 2020, demand for the Company's services by customers in certain end markets, such as wind energy, defense projects and high security cargo, increased, partially offsetting softness in other end markets, and at the beginning of 2021, the Company is seeing pockets of strength throughout its industrial customer base that were previously pressured by the pandemic.

The Company believes that a significant portion of its cost structure is variable, and the Company has taken and will continue to take aggressive actions to adjust its expenses to reflect changes in demand for its services. These actions, which have been supported by the operational integrations and business improvement plans that the Company began to implement in 2019 (and which are discussed below), have included reduced use of contractors, reduced travel and advertising costs, reduced employee hours, furloughs, layoffs and voluntary use of paid time off, consistent with local regulations. Although the Company has not been able to fully offset the effects of significantly reduced freight volumes on its results of operations, the actions that the Company is taking, combined with the variable components of its cost structure, has, and should continue to, partially mitigate the impact of the pandemic on its results of operations. Conversely, however, the Company is taking additional measures and incurring additional expense to protect the health and safety of its workforce and its customers. In addition, the Company could incur restructuring and other costs as it modifies and right-sizes its operations for declines and/or surges in demand, and may incur incremental interest expense this year as a result of steps it may take in order to further strengthen its liquidity.

We currently expect that the COVID-19 pandemic may likely continue to negatively impact the Company in 2021, and we currently expect freight volumes to remain consistent with 2020 levels. We have a diverse customer base with exposure to a wide array of industrial end markets, each of which are experiencing their own respective growth and economic recovery patterns. The effect of the COVID-19 pandemic may remain prevalent for a significant period of time and may continue to adversely affect the Company's business, results of operations and financial condition even after the COVID-19 pandemic has subsided and "stay at home" mandates have been lifted. The extent to which the COVID-19 pandemic impacts the Company will depend on numerous evolving factors and future developments that we are not able to predict, including: the severity and duration of the pandemic; governmental, business and other actions in response to the pandemic (which could include limitations on the Company's operations or mandates to provide services in a specified manner); the impact of the pandemic on economic activity; the response of the overall economy and the financial markets; the extent and duration of the effect on consumer confidence and spending; the health of and the effect on our workforce and our ability to meet staffing needs; any impairment in the value of our tangible or intangible assets which could be recorded as a result of a weaker economic conditions; and the potential effects on our internal controls, including those over financial reporting, as a result of changes in working environments, such as shelter-in-place and similar orders that are applicable to our employees and business partners, among others. There are no comparable recent events that provide guidance as to the effect the COVID-19 global pandemic may have, and as a result, the ultimate impact of the pandemic is highly uncertain and subject to change. See "Item 1A. Risk Factors—Risks Relating to the COVID-19 Pandemic" for more information regarding risks relating to the COVID-19 pandemic.

#### *Operational Integrations and Business Improvement Plans*

In the third quarter of 2019, the Company initiated a plan ("Project Synchronize") to integrate three operating segments with three other operating segments, thereby reducing the number of operating segments from sixteen to thirteen. Project Synchronize was implemented to streamline and reduce the Company's cost structure, improve asset utilization and capitalize on operational synergies. During 2020, the Company successfully completed the integration plan, which is expected to deliver \$30.0 million in annual operating income improvement on a run-rate basis. Additionally, in the third quarter of 2019, the Company announced the implementation of Business Improvement Plans and a comprehensive restructuring plan ("Project Pivot") to reduce its cost base, right size its organization and management team and increase and accelerate its previously announced operational improvement goals. Project Pivot was completed in 2020.

During the first quarter of 2020, the Company announced a plan to integrate three operating segments with three other operating segments ("Phase II of the Plan"), to further streamline and reduce the Company's cost structure, improve asset utilization and capitalize on operational synergies. Phase II of the Plan was initially expected to be significantly completed by June 30, 2020, however, due to uncertainties and changes in focus caused by the COVID-19 pandemic, the Company delayed and reevaluated Phase II of the Plan and reduced the planned number of integrations from three to two operating segments. As of December 31, 2020, one of these integrations had been completed, and the Company expects to complete the remaining integration in late 2021. Upon completion of Phase II of the Plan, the Company's operating segments will be reduced from eleven to ten.

The Company believes that these operational integration and business improvement plans have contributed meaningfully to its operational and financial performance in 2020. In particular, as a result of these plans, the Company has been able to reduce costs and optimize its assets, creating further resilience in its business model during a particularly challenging environment caused by the COVID-19 pandemic.

#### *Aveda Transportation and Energy Services Inc. (“Aveda”) Disposition*

In March 2020, the Company’s board of directors approved a plan for the sale of certain Aveda terminals located in Texas and Oklahoma. The divestiture was completed during 2020, and the Company’s exposure to the oil and gas end market decreased significantly.

#### Revenue

The Company records four types of revenue: freight (company and owner operator), brokerage, logistics and fuel surcharge. Freight revenue is generated by hauling freight for the Company’s customers using its trucks or its owner-operators’ equipment. Generally, the Company’s customers pay for its services based on the number of miles in the most direct route between pick-up and delivery locations and other ancillary services the Company provides. Freight revenue is the product of the number of revenue-generating miles driven and the rate per mile the Company receives from customers plus accessorial charges, such as loading and unloading freight for its customers, cargo protection, fees for detaining its equipment or fees for route planning and supervision. Freight revenue is affected by fluctuations in North American economic activity as well as changes in specific customer demand, the level of capacity in the industry and driver availability.

The Company’s brokerage revenue is generated by its use of third-party carriers when it needs capacity to move its customers’ loads. The main factor that affects brokerage revenue is the availability of the Company’s drivers and owner-operators (and hence the need for third-party carriers) and the rate for the load. Brokerage revenue is also affected by fluctuations in North American economic activity as well as changes in the level of capacity in the industry and driver availability.

Logistics revenue is generated from a range of services, including value-added warehousing, loading and unloading, vehicle maintenance and repair, preparation and packaging, fuel management, and other fleet management solutions. Logistics revenue is primarily driven by specific customer requirements for additional services and may fluctuate depending on customers’ utilization of these services due to changes in cargo specifications, delivery staging and fluctuations in North American economic activity.

Fuel surcharges are designed to compensate the Company for fuel costs above a certain cost per gallon base. Generally, the Company receives fuel surcharges on the miles for which it is compensated by customers. However, the Company continues to have exposure to increasing fuel costs related to empty miles, fuel efficiency due to engine idle time and other factors and to the extent the surcharge paid by the customer is insufficient. The main factors that affect fuel surcharge revenue are the price of diesel fuel and the number of loaded miles. In general, a declining energy and fuel price environment negatively affects the Company’s fuel surcharge revenues, and conversely, an environment with rising fuel and energy prices benefits its fuel surcharge revenues. Although the Company’s surcharge programs vary by customer, they typically involve a computation based on the change in national or regional fuel prices. The Company’s fuel surcharges are billed on a delayed basis, meaning it typically bills customers in the current week based on a previous week’s applicable index. Therefore, in times of increasing fuel prices, the Company does not recover as much as it is currently paying for fuel. In periods of declining prices, the opposite is true. Also, its fuel surcharge programs typically require a specified minimum change in fuel cost to prompt a change in fuel surcharge revenue. Therefore, many of these programs have a time lag between when fuel costs change and when the change is reflected in fuel surcharge revenue.

#### Expenses

The Company’s most significant expenses vary with miles traveled and include driver wages (which are recorded on the “Salaries, wages and employee benefits” line of the Company’s consolidated statements of operations and comprehensive income (loss)), services purchased from owner-operators and other transportation providers (which are recorded on the “Purchased freight” line of the Company’s consolidated statements of operations and comprehensive income (loss)) and fuel. Driver-related expenses vary with miles traveled.

Maintenance and tire expenses and cost of insurance and claims generally vary with the miles the Company travels but also have a controllable component based on safety improvements, fleet age, efficiency and other factors. The Company's primary fixed costs are depreciation of long-term assets (such as tractors, trailers and terminals), interest expense, rent and non-driver compensation.

The Company's fuel surcharge programs help to offset increases in fuel prices but typically do not offset empty miles, idle time and out of route miles driven. As discussed above under "Revenue," its fuel surcharge programs have a time lag between when fuel costs change and when the change is reflected in fuel surcharge revenue. Due to this time lag, the Company's fuel expense, net of fuel surcharge, negatively impacts its operating income during periods of sharply rising fuel costs and positively impacts its operating income during periods of falling fuel costs. In general, due to the fuel surcharge programs, its operating income is less negatively affected by an environment with higher, stable fuel prices than an environment with lower fuel prices. In addition to its fuel surcharge programs, the Company believes the most effective protection against fuel cost increases is to maintain a fuel-efficient fleet by incorporating fuel efficiency measures. Also, the Company has arrangements with some of its significant fuel suppliers to buy the majority of its fuel at contracted pricing schedules that fluctuate with the market price of diesel fuel. The Company has not used derivatives as a hedge against higher fuel costs in the past but continues to evaluate this possibility.

We have seen a trend of higher insurance costs in 2020 due to a tightening insurance market, and we expect this trend to continue into 2021, where we are expecting approximately an \$8 million increase in consolidated insurance costs in 2021 when compared to 2020.

#### Income (loss) from operations

Differences in the mix of drivers and assets between the segments impact the proportion of operating income as a percentage of revenue. The Flatbed Solutions segment has historically had a proportionately higher operating income as a percentage of revenue when compared to the Specialized Solutions segment because certain operating expenses in the Specialized Solutions segment are proportionately greater. For example, the Specialized Solutions segment drivers, who typically are required to have a higher level of training and expertise, generally receive a higher driver pay per total mile than Flatbed Solutions segment drivers. In addition, the Flatbed Solutions segment utilizes a larger percentage of owner-operators as opposed to Company drivers, which results in purchased freight expense being a more significant expense for this segment. The larger percentage of Company drivers in the Specialized Solutions segment also results in a greater percentage of fuel expense and operations and maintenance expense relative to our Flatbed Solutions segment, each of which is impacted by the miles per gallon realized with company equipment and the number of miles driven by Company drivers. Similarly, the Specialized Solutions segment had higher depreciation and amortization expense primarily due to the increase in company-owned vehicles. However, in 2020, the specialized solutions segment had a higher operating income as a percentage of revenue when compared to the flatbed solutions segment, primarily due to contributions from operational integrations and business improvement plans, and by strong wind energy and high security cargo revenues and margins in the specialized solutions segment.

## Results of Operations

The following table sets forth items derived from the Company's consolidated statements of operations for the years ended December 31, 2020 and 2019 in dollars and as a percentage of total revenue and the increase or decrease in the dollar amounts of those items.

(Dollars in millions, except Rate per mile)	Year Ended December 31,				Increase (Decrease)	
	2020		2019		\$	%
	As Restated		As Restated			
	\$	%	\$	%		
<b>REVENUE:</b>						
Company freight	\$ 676.8	46.5	\$ 804.6	46.3	\$ (127.8)	(15.9)
Owner operator freight	408.9	28.1	455.3	26.2	(46.4)	(10.2)
Brokerage	234.3	16.1	294.7	17.0	(60.4)	(20.5)
Logistics	37.4	2.6	47.5	2.7	(10.1)	(21.3)
Fuel surcharge	96.7	6.7	134.9	7.8	(38.2)	(28.3)
<b>Total revenue</b>	<b>1,454.1</b>	<b>100.0</b>	<b>1,737.0</b>	<b>100.0</b>	<b>(282.9)</b>	<b>(16.3)</b>
<b>OPERATING EXPENSES:</b>						
Salaries, wages and employee benefits	399.4	27.5	483.2	27.8	(83.8)	(17.3)
Fuel	87.3	6.0	138.5	8.0	(51.2)	(37.0)
Operations and maintenance	169.1	11.6	213.1	12.3	(44.0)	(20.6)
Communications	3.6	0.2	4.4	0.3	(0.8)	(18.2)
Purchased freight	491.4	33.8	597.7	34.4	(106.3)	(17.8)
Administrative expenses	66.5	4.6	75.5	4.3	(9.0)	(11.9)
Sales and marketing	1.8	0.1	5.1	0.3	(3.3)	(64.7)
Taxes and licenses	16.4	1.1	19.2	1.1	(2.8)	(14.6)
Insurance and claims	66.9	4.6	49.9	2.9	17.0	34.1
Depreciation and amortization	98.3	6.8	146.5	8.4	(48.2)	(32.9)
Gain on disposal of assets	(6.9)	(0.5)	(5.2)	(0.3)	(1.7)	32.7
Impairment	15.4	1.1	312.8	18.0	(297.4)	(95.1)
Restructuring charges	9.5	0.7	8.4	0.5	1.1	13.1
<b>Total operating expenses</b>	<b>1,418.7</b>	<b>97.6</b>	<b>2,049.1</b>	<b>118.0</b>	<b>(630.4)</b>	<b>(30.8)</b>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>35.4</b>	<b>2.4</b>	<b>(312.1)</b>	<b>(18.0)</b>	<b>347.5</b>	<b>(111.3)</b>
<b>Other (income) expense:</b>						
Interest income	(0.6)	(0.0)	(1.0)	(0.1)	0.4	(40.0)
Interest expense	44.9	3.1	50.4	2.9	(5.5)	(10.9)
Write-off of unamortized deferred financing fees	—	—	2.3	0.1	(2.3)	(100.0)
Change in fair value of warrant liability	2.1	0.1	(1.4)	(0.1)	3.5	(250.0)
Other	(14.9)	(1.0)	(1.8)	(0.1)	(13.1)	727.8
<b>Total other (income) expense</b>	<b>31.5</b>	<b>2.2</b>	<b>48.5</b>	<b>2.8</b>	<b>(17.0)</b>	<b>(35.1)</b>
<b>Income (loss) before income taxes</b>	<b>3.9</b>	<b>0.3</b>	<b>(360.6)</b>	<b>(20.8)</b>	<b>364.5</b>	<b>(101.1)</b>
Income tax expense (benefit)	(0.2)	(0.0)	(54.6)	(3.1)	54.4	(99.6)
<b>Net income (loss)</b>	<b>\$ 4.1</b>	<b>0.3</b>	<b>\$ (306.0)</b>	<b>(17.6)</b>	<b>\$ 310.1</b>	<b>(101.3)</b>
<b>OPERATING STATISTICS:</b>						
Company miles	251.5		276.4		(24.9)	(9.0)
Owner operator miles	191.3		202.1		(10.8)	(5.3)
<b>Total miles (in millions)</b>	<b>442.8</b>		<b>478.5</b>		<b>(35.7)</b>	<b>(7.5)</b>
Rate per mile	\$ 2.45		\$ 2.63		\$ (0.18)	(6.9)
Company-operated tractors, as of year-end	2,953		3,556		(603)	(17.0)
Owner-operated tractors, as of year-end	2,099		2,334		(235)	(10.1)
Number of trailers, as of year-end	11,579		12,808		(1,229)	(9.6)
Company-operated tractors, average for the year	3,373		3,763		(390)	(10.4)
Owner-operated tractors, average for the year	2,208		2,347		(139)	(5.9)
<b>Total tractors, average for the year</b>	<b>5,581</b>		<b>6,110</b>		<b>(529)</b>	<b>(8.7)</b>

The following table sets forth the Company's Specialized Solutions segment's revenue, operating expenses and operating income for the years ended December 31, 2020 and 2019 in dollars and as a percentage of its Specialized Solutions segment's total revenue and the increase or decrease in the dollar amounts of those items. The following table also sets forth certain operating statistics for the Company's Specialized Solutions segment for the years ended December 31, 2020 and 2019.

### SPECIALIZED SOLUTIONS

<u>(Dollars in millions, except Rate per mile)</u>	<u>Year Ended December 31,</u>				<u>Increase (Decrease)</u>	
	<u>2020</u>		<u>2019</u>		<u>\$</u>	
	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
<b>REVENUE<sup>(1)</sup>:</b>						
Company freight. . . . .	\$ 495.6	55.5	\$ 603.2	55.1	\$ (107.6)	(17.8)
Owner operator freight. . . . .	152.5	17.1	185.5	16.9	(33.0)	(17.8)
Brokerage . . . . .	165.6	18.5	200.8	18.3	(35.2)	(17.5)
Logistics . . . . .	34.5	3.9	44.8	4.1	(10.3)	(23.0)
Fuel surcharge . . . . .	45.5	5.1	61.4	5.6	(15.9)	(25.9)
<b>Total revenue . . . . .</b>	<b>893.7</b>	<b>100.0</b>	<b>1,095.7</b>	<b>100.0</b>	<b>(202.0)</b>	<b>(18.4)</b>
<b>OPERATING EXPENSES<sup>(1)</sup>:</b>						
Salaries, wages and employee benefits. . . . .	255.2	28.6	322.1	29.4	(66.9)	(20.8)
Fuel . . . . .	56.2	6.3	88.6	8.1	(32.4)	(36.6)
Operations and maintenance . . . . .	127.6	14.3	160.0	14.6	(32.4)	(20.3)
Purchased freight . . . . .	245.4	27.5	314.6	28.7	(69.2)	(22.0)
Depreciation and amortization . . . . .	59.1	6.6	94.0	8.6	(34.9)	(37.1)
Impairment . . . . .	13.4	1.5	196.1	17.9	(182.7)	(93.2)
Restructuring charges. . . . .	8.8	1.0	3.9	0.4	4.9	125.6
Other operating expenses. . . . .	74.7	8.4	75.1	6.9	(0.4)	(0.5)
<b>Total operating expenses . . . . .</b>	<b>840.4</b>	<b>94.0</b>	<b>1,254.4</b>	<b>114.5</b>	<b>(414.0)</b>	<b>(33.0)</b>
<b>INCOME (LOSS) FROM OPERATIONS. . . . .</b>	<b>\$ 53.3</b>	<b>6.0</b>	<b>\$ (158.7)</b>	<b>(14.5)</b>	<b>\$ 212.0</b>	<b>(133.6)</b>
<b>OPERATING STATISTICS:</b>						
Company miles. . . . .	155.2		167.6		(12.4)	(7.4)
Owner operator miles. . . . .	49.7		54.7		(5.0)	(9.1)
<b>Total miles (in millions) . . . . .</b>	<b>204.9</b>		<b>222.3</b>		<b>(17.4)</b>	<b>(7.8)</b>
Rate per mile. . . . .	\$ 3.16		\$ 3.55		\$ (0.38)	(10.8)
Company-operated tractors, as of year-end . . . . .	1,960		2,316		(356)	(15.4)
Owner-operated tractors, as of year-end. . . . .	501		692		(191)	(27.6)
<b>Number of trailers, as of year-end. . . . .</b>	<b>7,324</b>		<b>8,068</b>		<b>(744)</b>	<b>(9.2)</b>
Company-operated tractors, average for the year . . . . .	2,255		2,458		(203)	(8.3)
Owner-operated tractors, average for the year . . . . .	634		679		(45)	(6.6)
<b>Total tractors, average for the year . . . . .</b>	<b>2,889</b>		<b>3,137</b>		<b>(248)</b>	<b>(7.9)</b>

(1) Includes intersegment revenues and expenses, as applicable, which are eliminated in the Company's consolidated results.



The following table sets forth the Company's Flatbed Solutions segment's revenue, operating expenses and operating income for the years ended December 31, 2020 and 2019 in dollars and as a percentage of its Flatbed Solutions segment's total revenue and the increase or decrease in the dollar amounts of those items. The following table also sets forth certain operating statistics for the Company's Flatbed Solutions segment for the years ended December 31, 2020 and 2019.

FLATBED SOLUTIONS

<u>(Dollars in millions, except Rate per mile)</u>	<u>Year Ended December 31,</u>				<u>Increase (Decrease)</u>	
	<u>2020</u>		<u>2019</u>		<u>Increase (Decrease)</u>	
	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
<b>REVENUE<sup>(1)</sup>:</b>						
Company freight. . . . .	\$ 191.2	33.0	\$ 215.3	32.5	\$ (24.1)	(11.2)
Owner operator freight. . . . .	262.1	45.3	275.7	41.6	(13.6)	(4.9)
Brokerage . . . . .	70.3	12.1	93.9	14.2	(23.6)	(25.1)
Logistics . . . . .	2.9	0.5	2.8	0.4	0.1	3.6
Fuel surcharge . . . . .	52.4	9.1	75.3	11.4	(22.9)	(30.4)
<b>Total revenue . . . . .</b>	<b>578.9</b>	<b>100.0</b>	<b>663.0</b>	<b>100.0</b>	<b>(84.1)</b>	<b>(12.7)</b>
<b>OPERATING EXPENSES<sup>(1)</sup>:</b>						
Salaries, wages and employee benefits. . . . .	124.1	21.4	136.5	20.6	(12.4)	(9.1)
Fuel . . . . .	31.1	5.4	49.9	7.5	(18.8)	(37.7)
Operations and maintenance . . . . .	41.6	7.2	52.5	7.9	(10.9)	(20.8)
Purchased freight . . . . .	264.5	45.7	304.8	46.0	(40.3)	(13.2)
Depreciation and amortization . . . . .	38.3	6.6	51.8	7.8	(13.5)	(26.1)
Impairment . . . . .	2.0	0.3	116.7	17.6	(114.7)	(98.3)
Restructuring charges. . . . .	0.6	0.1	1.7	0.3	(1.1)	(64.7)
Other operating expenses. . . . .	44.1	7.6	43.5	6.6	0.6	1.4
<b>Total operating expenses . . . . .</b>	<b>546.3</b>	<b>94.4</b>	<b>757.4</b>	<b>114.2</b>	<b>(211.1)</b>	<b>(27.9)</b>
<b>INCOME (LOSS) FROM OPERATIONS. . . . .</b>	<b>\$ 32.6</b>	<b>5.6</b>	<b>\$ (94.4)</b>	<b>(14.2)</b>	<b>\$ 127.0</b>	<b>(134.5)</b>
<b>OPERATING STATISTICS:</b>						
Company miles. . . . .	96.3		108.8		(12.5)	(11.5)
Owner operator miles. . . . .	141.6		147.4		(5.8)	(3.9)
Total miles (in millions) . . . . .	237.9		256.2		(18.3)	(7.1)
Rate per mile. . . . .	\$ 1.91		\$ 1.92		\$ (0.01)	(0.6)
Company-operated tractors, as of year-end . . . . .	993		1,240		(247)	(19.9)
Owner-operated tractors, as of year-end. . . . .	1,598		1,642		(44)	(2.7)
Number of trailers, as of year-end. . . . .	4,255		4,740		(485)	(10.2)
Company-operated tractors, average for the year . . . . .	1,118		1,305		(187)	(14.3)
Owner-operated tractors, average for the year . . . . .	1,574		1,668		(94)	(5.6)
Total tractors, average for the year . . . . .	2,692		2,973		(281)	(9.5)

(1) Includes intersegment revenues and expenses, as applicable, which are eliminated in the Company's consolidated results.

*Revenue.* Total revenue decreased 16.3% to \$1,454.1 million for the year ended December 31, 2020 from \$1,737.0 million for the same period in 2019, driven primarily by the decrease in freight volumes due to the impact of the COVID-19 pandemic on various industrial end markets, and the strategic reduction of business related to the consolidations. The decreases in company freight and owner operator freight revenue were primarily a result of a 6.9% decrease in rate per mile and a 7.5% decrease in total miles driven. The decrease in brokerage revenue was primarily due to a decrease in customer freight volumes. The decrease in logistics revenue was primarily the result of decreases in logistics activities. The decrease in fuel surcharge revenue was primarily due to a decrease in loaded miles and the decrease in the price of diesel fuel, which averaged \$2.55 per gallon in 2020 compared to \$3.06 per gallon in 2019.

The Company's Specialized Solutions segment's revenue decreased \$202.0 million, or 18.4%, to \$893.7 million for the year ended December 31, 2020 from \$1,095.7 million for the same period in 2019, driven primarily by the decrease in freight volumes due to the impact of the COVID-19 pandemic on various industrial end markets, and the strategic reduction of business related to the consolidations. The decrease in overall freight revenue was primarily a result of a 10.8% decrease in rate per mile and a 7.8% decrease in total miles driven compared to the same period in 2019. The decrease in rate per mile was mainly driven by the exit of the Aveda operation which historically had the highest rate per mile within the segment. The decrease in brokerage revenue was primarily due to a decrease in customer freight volumes. The decrease in logistics revenue was primarily the result of decreases in logistics activities. The decrease in fuel surcharge revenue was primarily due to a decrease in loaded miles and the decrease in the price of diesel fuel, which averaged \$2.55 per gallon in 2020 compared to \$3.06 per gallon in 2019.

The Company's Flatbed Solutions segment's revenue decreased \$84.1 million, or 12.7%, to \$578.9 million for the year ended December 31, 2020 from \$663.0 million for the same period in 2019, driven primarily by the decrease in freight volumes due to the impact of the COVID-19 pandemic on various industrial end markets. The decreases in company freight and owner operator freight was primarily the result of a 7.1% decrease in total miles driven compared to the same period in 2019. The decrease in brokerage revenue was primarily due to a decrease in customer freight volumes. The decrease in fuel surcharge revenue was primarily due to a decrease in loaded miles and the decrease in the price of diesel fuel, which averaged \$2.55 per gallon in 2020 compared to \$3.06 per gallon in 2019.

*Salaries, Wages and Employee Benefits.* Salaries, wages and employee benefits expense, which consists of compensation for all employees, is primarily affected by the number of miles driven by company drivers, the rate per mile paid to company drivers, employee benefits including, but not limited to, health care and workers' compensation, and to a lesser extent, the number of, and compensation and benefits paid to, non-driver employees. In general, the Specialized Solutions segment drivers receive a higher driver pay per total mile than Flatbed Solutions segment drivers due to the former requiring a higher level of training and expertise.

Salaries, wages and employee benefits expense decreased 17.3% to \$399.4 million for the year ended December 31, 2020 from \$483.2 million for the same period in 2019. The decrease in salaries, wages and employee benefits expense was primarily due to decreased employee headcount related to the integrations and restructuring and driver pay due to the decrease in company miles compared to the same period in 2019. Temporary furloughs and recruiting pauses were put in place during the year to offset the impact of volume decreases due to the pandemic. Salaries, wages and employee benefits expense, as a percentage of consolidated revenue, for the year ended December 31, 2020 was generally consistent with the same period in 2019.

The Company's Specialized Solutions segment had a \$66.9 million, or 20.8%, decrease in salaries, wages and employee benefits expense for the year ended December 31, 2020 compared to the same period in 2019, primarily as a result of the decreased employee headcount related to integrations and restructurings and driver pay due to the decrease in company miles compared to the same period in 2019. Temporary furloughs and recruiting pauses were put in place during the year to offset the impact of volume decreases due to the pandemic. Salaries, wages and employee benefits expense, as a percentage of Specialized Solutions revenue, for the year ended December 31, 2020 was generally consistent with the same period in 2019.

The Company's Flatbed Solutions segment had a \$12.4 million, or 9.1%, decrease in salaries, wages and employee benefits expense for the year ended December 31, 2020 compared to the same period in 2019, primarily as a result of the decreased employee headcount related to integrations and driver pay due to the decrease in company miles compared to the same period in 2019. Temporary furloughs and recruiting pauses were put in place during the year to offset the impact of volume decreases due to the pandemic. Salaries, wages and employee benefits expense, as a percentage of Flatbed Solutions revenue, for the year ended December 31, 2020 was generally consistent with the same period in 2019.

*Fuel.* Fuel expense consists primarily of diesel fuel expense for company-owned tractors and fuel taxes. The primary factors affecting fuel expense are the cost of diesel fuel, the miles per gallon realized with company equipment and the number of miles driven by Company drivers.

Total consolidated fuel expense decreased \$51.2 million, or 37.0%, to \$87.3 million for the year ended December 31, 2020 from \$138.5 million for the same period in 2019. Total fuel expense for the Specialized Solutions segment decreased \$32.4 million, or 36.6%, to \$56.2 million for the year ended December 31, 2020 from \$88.6 million for the same period in 2019. Total fuel expense for the Flatbed Solutions segment decreased \$18.8 million, or 37.7%, to \$31.1 million for the year ended December 31, 2020 from \$49.9 million for the same period in 2019. These decreases were primarily due to a 16.5% decrease in average diesel prices from \$3.06 in 2019 to \$2.55 in 2020. Total Company miles driven decreased 9.0% for the year ended December 31, 2020 as compared to the same period in 2019. Company miles driven in our Specialized Solutions segment decreased 7.4% for the year ended December 31, 2020 as compared to the same period in 2019. Company miles driven in our Flatbed Solutions segment decreased 11.5% for the year ended December 31, 2020 as compared to the same period in 2019.

*Operations and Maintenance.* Operations and maintenance expense consists primarily of ordinary vehicle repairs and maintenance, operating lease cost for revenue equipment, costs associated with preparing tractors and trailers for sale or trade-in, driver recruiting, training and safety costs, permitting and pilot car fees and other general operations expenses. Operations and maintenance expense is primarily affected by the age of company-owned tractors and trailers, the number of miles driven in a period and driver turnover.

Operations and maintenance expense decreased 20.6% to \$169.1 million for the year ended December 31, 2020 from \$213.1 million for the same period in 2019 due to a decrease of \$17.1 million in maintenance and upkeep of trucks and trailers, \$4.9 million in lease costs, and \$15.9 million in operations expenses due to decrease in freight volumes. Operations and maintenance expense in our Specialized Solutions segment decreased 20.3% to \$127.6 million for the year ended December 31, 2020 from \$160.0 million for the same period in 2019 due to a decrease of \$11.2 million in maintenance and upkeep of trucks and trailers, \$6.0 million in lease costs, and \$11.1 million in operations expenses due to decrease in freight volumes. Operations and maintenance expense in our Flatbed Solutions segment decreased 20.8% to \$41.6 million for the year ended December 31, 2020 from \$52.5 million for the same period in 2019 due to a decrease of \$5.9 million in maintenance and upkeep of trucks and trailers and \$4.8 million in operations expenses due to decrease in freight volumes. Operations and maintenance expense, as a percentage of revenue, on a consolidated basis and for each segment, for the year ended December 31, 2020 was generally consistent with the same period in 2019.

*Purchased Freight.* Purchased freight expense consists of the payments to owner-operators, including fuel surcharge reimbursements, and payments to third-party capacity providers that haul loads brokered to them. Purchased freight expense generally takes into account changes in diesel fuel prices, resulting in lower payments during periods of declining fuel prices.

Total purchased freight expense decreased \$106.3 million or 17.8% to \$491.4 million for the year ended December 31, 2020 from \$597.7 million for the same period in 2019. Purchased freight expense from owner-operators decreased 8.6% to \$330.7 million for the year ended December 31, 2020 from \$361.9 million during the same period in 2019 as a result of a 5.3% decrease in owner operator miles driven. Purchased freight expense from third-party capacity providers decreased 31.8% to \$160.7 million for the year ended December 31, 2020 from \$235.8 million for the same period in 2019, as a result of lower rates and decreased utilization of third-party capacity providers. Purchased freight expense, as a percentage of consolidated revenue, for the year ended December 31, 2020 was generally consistent with the same period in 2019.

The Company's Specialized Solutions segment's purchased freight expense decreased 22.0% to \$245.4 million for the year ended December 31, 2020 from \$314.6 million for the same period in 2019. Purchased freight expense from owner-operators decreased 14.1% to \$111.0 million for the year ended December 31, 2020 from \$129.2 million for the same period in 2019, as a result of a 9.1% decrease in owner operator miles driven. Purchased freight expense from third-party capacity providers decreased 27.5% to \$134.5 million for the year ended December 31, 2020 from \$185.4 million for the same period in 2019, as a result of a decrease in utilization of third-party capacity providers. Purchased freight expense, as a percentage of Specialized Solutions revenue, for the year ended December 31, 2020 was generally consistent with the same period in 2019.

The Company's Flatbed Solutions segment's purchased freight expense decreased 13.2% to \$264.5 million for the year ended December 31, 2020 from \$304.8 million for the same period in 2019. Purchased freight expense from owner-operators decreased 5.6% to \$219.7 million for the year ended December 31, 2020 from \$232.7 million for same period in 2019, as a result of a 3.9% decrease in owner operators' miles driven. Purchased freight expense from third-party capacity providers decreased 37.8% to \$44.8 million for the year ended December 31, 2020 from \$72.1 million for the same period in 2019, primarily as a result of decreased

utilization of third-party capacity providers. Purchased freight expense, as a percentage of Flatbed Solutions revenue, for the year ended December 31, 2020 was generally consistent with the same period in 2019.

*Administrative Expenses.* Administrative expenses consists of operating lease cost for real estate, professional fees and other expenses that are not directly associated with the Company's fleet services. Administrative expense decreased \$9.0 million for the year ended December 31, 2020 as compared to the same period in 2019 as a result of cost reduction initiatives. Administrative expenses, as a percentage of revenue, was generally consistent with the same period in 2019.

*Taxes and Licenses.* Operating taxes and licenses expense primarily represents the costs of taxes and licenses associated with the Company's fleet of equipment and will vary according to the size of its equipment fleet. Taxes and license expense decreased \$2.8 million for the year ended December 31, 2020 as compared to the same period in 2019. Operating taxes and license expense, as a percentage of revenue, was generally consistent with the same period in 2019.

*Insurance and Claims.* Insurance and claims expense consists of insurance premiums and the accruals the Company makes for estimated payments and expenses for claims for bodily injury, property damage, cargo damage and other casualty events. The primary factor affecting the Company's insurance and claims expense is seasonality (the Company typically experiences higher accident frequency in winter months), the frequency and severity of accidents, trends in the development factors used in its accruals and developments in large, prior-year claims. The frequency of accidents tends to increase with the miles the Company travels. Insurance and claims expense increased 34.1% to \$66.9 million for the year ended December 31, 2020 from \$49.9 million for the same period in 2019 due to increases in insurance claims and premiums. Insurance and claims, as a percentage of revenue, for the year ended December 31, 2020 increased 1.7% compared to the same period in 2019. We have seen a trend of higher insurance costs in 2020 due to a tightening insurance market, and we expect this trend to continue into 2021, where we are expecting approximately an \$8 million increase in consolidated insurance costs in 2021 when compared to 2020.

*Depreciation and Amortization.* Depreciation and amortization expense consists primarily of depreciation for company-owned tractors and trailers and amortization of those financed with finance leases. The primary factors affecting these expense items include the size and age of company-owned tractors and trailers and the cost of new equipment. Amortization of intangible assets is also included in this expense.

Depreciation and amortization expense decreased \$48.2 million, or 32.9%, to \$98.3 million for the year ended December 31, 2020 from \$146.5 million for the same period in 2019 as a result of a 10.4% decrease in average tractor count in the Company's fleet and further reduced by the impact of \$97.6 million of impairments recorded in the third quarter of 2019.

The Company's Specialized Solutions segment's depreciation and amortization expense decreased \$34.9 million, or 37.1%, for the year ended December 31, 2020 as compared to the same period in 2019 as a result of a 8.3% decrease in average tractor count in the segment's fleet and further reduced by the impact of \$58.6 million of impairments recorded in the third quarter of 2019.

The Company's Flatbed Solutions segment's depreciation and amortization expense decreased \$13.5 million, or 26.1%, for the year ended December 31, 2020 as compared to the same period in 2019 as a result of a 14.3% decrease in average tractor count in the segment's fleet and further reduced by the impact of a \$39.0 million of impairments recorded in the third quarter of 2019.

*Impairment.* Impairment expense was \$15.4 million for the year ended December 31, 2020 related to Aveda's intangible assets, property and equipment and right-of-use assets and the reorganization and merger of two of the Company's operating companies. For the year ended December 31, 2020, there was \$13.4 million impairment expense in our Specialized Solutions segment related to Aveda, and \$2.0 million in our Flatbed Solutions segment related to a tradename impairment resulting from the reorganization of two our operating companies. Impairment expense of \$312.8 million was recognized for the year ended December 31, 2019 related to goodwill, intangible assets, property and equipment and right-of-use assets. Impairment charges for the Specialized Solutions segment totaled \$196.1 million and for the Flatbed Solutions segment totaled \$116.7 million for the year ended December 31, 2019.

*Restructuring Costs.* Restructuring costs were \$9.5 million for the year ended December 31, 2020, which related to Phase I of Project Synchronize, which was completed in the first quarter of 2020, Phase II of Project Synchronize and the closure of certain Aveda terminals. For the year ended December 31, 2020, restructuring costs for the Specialized Solutions segment totaled \$8.8 million and for the Flatbed Solutions segment totaled \$0.6 million. Restructuring costs of \$8.4 million were recognized in the year ended December 31, 2019 in connection with Project Synchronize and Project Pivot (the Plans). For the year ended December 31,

2019, restructuring costs for the Specialized Solutions segment totaled \$3.9 million, for the Flatbed Solutions segment totaled \$1.7 million, and for the corporate office totaled \$2.8 million.

*Other (Income) Expense.* Interest expense consists of cash interest, amortization of related issuance costs and fees and prepayment penalties. Interest expense decreased 10.9% to \$44.9 million for the year ended December 31, 2020 from \$50.4 million for the year ended December 31, 2019. This decrease was primarily attributable to lower interest rates on the Term Loan Facility and decreases in equipment term loan outstanding balance. Change in fair value of warrant liability changed from a gain of \$1.4 million for the year ended December 31, 2019 to a loss of \$2.1 million for the year ended December 31, 2020. The change in fair value is directly related to the fair value of the warrant liability as of each period end as calculated using Level 1 and Level 3 inputs. Other income for the year ended December 31, 2020 was \$14.9 million compared to \$1.8 million for the year ended December 31, 2019, primarily due to an arbitration settlement relating to the Aveda earnout liability, which resulted in a gain of \$13.7 million during the fourth quarter of 2020.

*Income Tax.* Income tax benefit was \$0.2 million for the year ended December 31, 2020 compared to income tax benefit of \$54.6 million for the same period in 2019. The effective tax rate was (5.1%) for the year ended December 31, 2020, compared to 15.1% for the same period in 2019. The effective income tax rate for the year ended December 31, 2020 varies from the federal statutory rate primarily due to state income taxes and the impact of nondeductible permanent differences, including driver per diems, the arbitrated decrease in contingent consideration and the change in fair value of warrant liability.

#### Liquidity and Capital Resources and Capital Requirements

The Company had the following sources of liquidity available as of December 31, 2020 and 2019.

<u>(Dollars in millions)</u>	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Cash.....	\$ 176.2	\$ 95.7
Availability under line of credit .....	83.2	86.8
Total .....	<u>\$ 259.4</u>	<u>\$ 182.5</u>

The Company previously included working capital surplus in the table above, however management no longer considers working capital surplus in our calculation of sources of liquidity as of December 31, 2020. As such, we have also removed it from our calculation as of December 31, 2019.

The Company's primary sources of liquidity have been provided by operations, issuances of capital stock and borrowings under its credit facilities. Cash increased by \$80.5 million at December 31, 2020 as compared to December 31, 2019. This increase primarily resulted from an increase of \$30.8 million in net cash provided by operating activities and a \$15.8 million increase in net cash provided by investing activities. See below for more information. As of December 31, 2020, the Company had no borrowings, \$16.2 million in outstanding letters of credit (discussed below), with \$83.2 million available under the ABL Facility.

The Company's business requires substantial amounts of cash for operating expenses, including salaries and wages paid to employees, contract payments to independent contractors, insurance and claims payments, tax payments, and others. The Company expects to implement a share repurchase program in 2021 for a minimum of 3,000,000 shares of common stock, which will require cash to repurchase the shares. The Company also uses large amounts of cash and credit for the following activities:

#### Capital Expenditures

The Company follows a dual strategy of both owning assets and employing asset-light activities, the latter of which reduces the capital expenditures required to operate the business. Asset-light activities are conducted utilizing tractors and trailers provided by owner-operators and third-party carriers for significant portions of our flatbed and specialized services. Company-owned asset expenditures require substantial cash and financing (including finance and operating leases) to maintain a modern tractor fleet, refresh the trailer fleet, fund replacement and or growth in the revenue equipment fleet, and for the acquisition of real property and improvements to existing terminals and facilities. The Company had net cash provided by property and equipment purchases and sales of \$31.6 million and financed \$58.3 million of non-cash capital expenditures for the year ended December 31, 2020.

Total property and equipment additions for the year ended December 31, 2020 and 2019 are shown below:

<u>(Dollars in millions)</u>	<u>Year Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Net cash capital receipts . . . . .	\$ (31.6)	\$ (15.8)
Total financed capital expenditures . . . . .	58.3	72.7
Property and equipment sold for notes receivable . . . . .	(0.3)	(0.4)
<b>Total net property and equipment additions</b> . . . . .	<u>\$ 26.4</u>	<u>\$ 56.5</u>

Total net property and equipment additions decreased due to a decrease in financed capital expenditures due to timing of the Company's replacement cycle for revenue equipment and an increase in net cash capital receipts due to the sale of equipment to right size the Company's fleet.

Additionally, the Company entered into operating leases for revenue equipment with terms of 1 to 5 years and real property with terms of 3 to 15 years having asset values at lease inception of \$40.2 million and \$14.4 million, respectively, for the year ended December 31, 2020.

### Cash Flows

The Company's summary statements of cash flows information for the years ended December 31, 2020 and 2019 is set forth in the table below:

<u>(Dollars in millions)</u>	<u>Year Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Net cash provided by operating activities . . . . .	\$ 144.9	\$ 114.1
Net cash provided by investing activities . . . . .	\$ 31.6	\$ 15.8
Net cash used in financing activities . . . . .	\$ (96.4)	\$ (79.6)

*Operating Activities.* Cash provided by operating activities was \$144.9 million during the year ended December 31, 2020 and consisted of \$4.1 million of net income plus \$98.3 million of non-cash items, consisting primarily of depreciation, impairments, change in fair value of warrant liability and non-cash adjustments to contingent consideration, plus \$42.5 million of net cash provided by working capital and other activities. Cash provided by changes in operating assets and liabilities during the year ended December 31, 2020 improved to \$42.5 million compared to \$13.3 million cash used by changes in operating assets and liabilities during the year ended December 31, 2019. This was primarily due to accounts receivable impact of \$34.0 million and accrued expenses and other liabilities impact of \$20.3 million.

The \$30.8 million increase in cash provided by operating activities during the year ended December 31, 2020, as compared with the year ended December 31, 2019, was primarily the result of a \$310.1 million increase from net loss to net income, reduced by a \$41.1 million decrease in depreciation, a \$7.1 million decrease in amortization of intangible assets, \$2.3 million in write-off of deferred financing fees, a \$297.4 million decrease in impairment, \$35.2 million decrease in non-cash operating lease expense and \$2.5 million decrease in bad debt expense. There was a \$59.7 million decrease in deferred tax benefit, a \$2.1 increase in stock-based compensation expense, a \$3.5 million increase due to the change in fair value of warrant liability, a \$55.8 million increase in net cash provided by working capital, which was reduced by \$1.7 million for the gain on disposition of property and equipment and \$13.9 million in non-cash adjustments to contingent consideration during the year ended December 31, 2020.

*Investing Activities.* Cash flows from investing activities increased from \$15.8 million provided by investing activities for the year ended December 31, 2019 to \$31.6 million provided by investing activities for the year ended December 31, 2020 reflecting an increase of \$15.2 million in cash equipment purchases and an increase of \$31.0 million in cash receipts from sales of revenue equipment for the year ended December 31, 2020.

Total net cash capital expenditures (receipts) for the year ended December 31, 2020 and 2019 are shown below:

<u>(Dollars in millions)</u>	<u>Year Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Revenue equipment (tractors, trailers and trailer accessories) . . . . .	\$ 34.3	\$ 15.6
Buildings and building improvements . . . . .	1.5	1.5
Other . . . . .	1.4	4.9
Total cash capital expenditures . . . . .	<u>37.2</u>	<u>22.0</u>
Less: Proceeds from sales of property and equipment. . . . .	<u>68.8</u>	<u>37.8</u>
Net cash capital expenditures (receipts) . . . . .	<u>\$ (31.6)</u>	<u>\$ (15.8)</u>

*Financing Activities.* Cash flows used in financing activities increased from \$79.6 million for the year ended December 31, 2019 to \$96.4 million for the year ended December 31, 2020. This increase was primarily a result of net debt payments of \$9.6 million and \$7.6 million payments of contingent consideration.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

The following table sets forth items derived from the Company's consolidated statements of operations for the years ended December 31, 2019 and 2018 in dollars and as a percentage of total revenue and the increase or decrease in the dollar amounts of those items.

(Dollars in millions, except Rate per mile)	Year Ended December 31,				Increase (Decrease)	
	2019		2018		\$	%
	As Restated		As Restated			
	\$	%	\$	%		
<b>REVENUE:</b>						
Company freight	\$ 804.6	46.3	\$ 721.7	44.7	\$ 82.9	11.5
Owner operator freight	455.3	26.2	440.5	27.3	14.8	3.4
Brokerage	294.7	17.0	266.4	16.5	28.3	10.6
Logistics	47.5	2.7	42.8	2.7	4.7	11.0
Fuel surcharge	134.9	7.8	141.7	8.8	(6.8)	(4.8)
<b>Total revenue</b>	<b>1,737.0</b>	<b>100.0</b>	<b>1,613.1</b>	<b>100.0</b>	<b>123.9</b>	<b>7.7</b>
<b>OPERATING EXPENSES:</b>						
Salaries, wages and employee benefits	483.2	27.8	407.4	25.3	75.8	18.6
Fuel	138.5	8.0	141.1	8.7	(2.6)	(1.8)
Operations and maintenance	213.1	12.3	181.5	11.3	31.6	17.4
Communications	4.4	0.3	3.3	0.2	1.1	33.3
Purchased freight	597.7	34.4	588.6	36.5	9.1	1.5
Administrative expenses	75.5	4.3	58.5	3.6	17.0	29.1
Sales and marketing	5.1	0.3	3.4	0.2	1.7	50.0
Taxes and licenses	19.2	1.1	17.2	1.1	2.0	11.6
Insurance and claims	49.9	2.9	45.8	2.8	4.1	9.0
Acquisition-related transaction expenses	—	-	2.6	0.2	(2.6)	(100.0)
Depreciation and amortization	146.5	8.4	131.1	8.1	15.4	11.7
Gain on disposal of assets	(5.2)	(0.3)	(3.2)	(0.2)	(2.0)	62.5
Impairment	312.8	18.0	13.9	0.9	298.9	2,150.4
Restructuring charges	8.4	0.5	—	—	8.4	*
<b>Total operating expenses</b>	<b>2,049.1</b>	<b>118.0</b>	<b>1,591.2</b>	<b>98.6</b>	<b>457.9</b>	<b>28.8</b>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>(312.1)</b>	<b>(18.0)</b>	<b>21.9</b>	<b>1.4</b>	<b>(334.0)</b>	<b>(1,525.1)</b>
<b>Other (income) expense:</b>						
Interest income	(1.0)	(0.1)	(1.3)	(0.1)	0.3	(23.1)
Interest expense	50.4	2.9	45.5	2.8	4.9	10.8
Write-off of unamortized deferred financing fees	2.3	0.1	—	—	2.3	*
Change in fair value of warrant liability	(1.4)	(0.1)	(66.0)	(4.1)	64.6	(97.9)
Other	(1.8)	(0.1)	(1.2)	(0.1)	(0.6)	50.0
<b>Total other (income) expense</b>	<b>48.5</b>	<b>2.8</b>	<b>(23.0)</b>	<b>(1.4)</b>	<b>71.5</b>	<b>(310.9)</b>
<b>Income (loss) before income taxes</b>	<b>(360.6)</b>	<b>(20.8)</b>	<b>44.9</b>	<b>2.8</b>	<b>(405.5)</b>	<b>(903.1)</b>
Income tax expense (benefit)	(54.6)	(3.1)	(15.9)	(1.0)	(38.7)	243.4
<b>Net income (loss)</b>	<b>\$ (306.0)</b>	<b>(17.6)</b>	<b>\$ 60.8</b>	<b>3.8</b>	<b>\$ (366.8)</b>	<b>(603.3)</b>
<b>OPERATING STATISTICS:</b>						
Total miles (in millions) <sup>(1)</sup>	478.5		462.5		16.0	3.5
Company-operated tractors, as of year-end	3,556		3,882		(326)	(8.4)
Owner-operated tractors, as of year-end	2,334		2,262		72	3.2
Number of trailers, as of year-end	12,808		13,824		(1,016)	(7.3)
Company-operated tractors, average for the year	3,763		3,485		278	8.0
Owner-operated tractors, average for the year	2,347		2,177		170	7.8
<b>Total tractors, average for the year</b>	<b>6,110</b>		<b>5,662</b>		<b>448</b>	<b>7.9</b>

\* indicates not meaningful.

(1) Total miles includes company and owner operator and excludes brokerage.



The following table sets forth the Company's Specialized Solutions segment's revenue, operating expenses and operating income for the years ended December 31, 2019 and 2018 in dollars and as a percentage of its Specialized Solutions segment's total revenue and the increase or decrease in the dollar amounts of those items. The following table also sets forth certain operating statistics for the Company's Specialized Solutions segment for the years ended December 31, 2019 and 2018.

### SPECIALIZED SOLUTIONS

<b>(Dollars in millions)</b>	<b>Year Ended December 31,</b>				<b>Increase (Decrease)</b>	
	<b>2019</b>		<b>2018</b>			
	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>
<b>REVENUE<sup>(1)</sup>:</b>						
Company freight . . . . .	\$ 603.2	55.1	\$ 524.3	54.3	\$ 78.9	15.0
Owner operator freight . . . . .	185.5	16.9	171.8	17.8	13.7	8.0
Brokerage . . . . .	200.8	18.3	163.1	16.9	37.7	23.1
Logistics . . . . .	44.8	4.1	39.9	4.1	4.9	12.3
Fuel surcharge . . . . .	61.4	5.6	66.0	6.8	(4.6)	(7.0)
<b>Total revenue</b> . . . . .	<u>1,095.7</u>	100.0	<u>965.1</u>	100.0	<u>130.6</u>	13.5
<b>OPERATING EXPENSES<sup>(1)</sup>:</b>						
Salaries, wages and employee benefits . . . . .	322.1	29.4	277.6	28.8	44.5	16.0
Fuel . . . . .	88.6	8.1	90.3	9.4	(1.7)	(1.9)
Operations and maintenance . . . . .	160.0	14.6	132.5	13.7	27.5	20.8
Purchased freight . . . . .	314.6	28.7	270.6	28.0	44.0	16.3
Depreciation and amortization . . . . .	94.0	8.6	94.8	9.8	(0.8)	(0.8)
Impairment . . . . .	196.1	17.9	13.9	1.4	182.2	1,310.8
Restructuring charges . . . . .	3.9	0.4	—	—	3.9	*
Other operating expenses . . . . .	75.1	6.9	62.3	6.5	12.8	20.5
<b>Total operating expenses</b> . . . . .	<u>1,254.4</u>	114.5	<u>942.0</u>	97.6	<u>312.4</u>	33.2
<b>INCOME (LOSS) FROM OPERATIONS</b> . . . . .	<u>\$ (158.7)</u>	(14.5)	<u>\$ 23.1</u>	2.4	<u>\$ (181.8)</u>	(787.0)
<b>OPERATING STATISTICS:</b>						
Total miles (in millions) <sup>(2)</sup> . . . . .	222.3		218.7		3.6	1.6
Company-operated tractors, as of year-end . . . . .	2,316		2,511		(195)	(7.8)
Owner-operated tractors, as of year-end . . . . .	692		670		22	3.3
Number of trailers, as of year-end . . . . .	8,068		8,683		(615)	(7.1)
Company-operated tractors, average for the year . . . . .	2,458		2,280		178	7.8
Owner-operated tractors, average for the year . . . . .	679		634		45	7.1
<b>Total tractors, average for the year</b> . . . . .	<u>3,137</u>		<u>2,914</u>		<u>223</u>	7.7

\* indicates not meaningful.

(1) Includes intersegment revenues and expenses, as applicable, which are eliminated in the Company's consolidated results.

(2) Total miles includes company and owner operator and excludes brokerage.

The following table sets forth the Company's Flatbed Solutions segment's revenue, operating expenses and operating income for the years ended December 31, 2019 and 2018 in dollars and as a percentage of its Flatbed Solutions segment's total revenue and the increase or decrease in the dollar amounts of those items. The following table also sets forth certain operating statistics for the Company's Flatbed Solutions segment for the years ended December 31, 2019 and 2018.

### FLATBED SOLUTIONS

#### Year Ended December 31,

<u>(Dollars in millions)</u>	<u>2019</u>		<u>2018</u>		<u>Increase (Decrease)</u>	
	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
<b>REVENUE<sup>(1)</sup>:</b>						
Company freight . . . . .	\$ 215.3	32.5	\$ 206.2	31.1	\$ 9.1	4.4
Owner operator freight . . . . .	275.7	41.6	271.5	41.0	4.2	1.5
Brokerage . . . . .	93.9	14.2	104.2	15.7	(10.3)	(9.9)
Logistics . . . . .	2.8	0.4	3.0	0.5	(0.2)	(6.7)
Fuel surcharge . . . . .	75.3	11.4	77.1	11.6	(1.8)	(2.3)
<b>Total revenue</b> . . . . .	<u>663.0</u>	<u>100.0</u>	<u>662.0</u>	<u>100.0</u>	<u>1.0</u>	<u>0.2</u>
<b>OPERATING EXPENSES<sup>(1)</sup>:</b>						
Salaries, wages and employee benefits . . . . .	136.5	20.6	122.1	18.4	14.4	11.8
Fuel . . . . .	49.9	7.5	50.8	7.7	(0.9)	(1.8)
Operations and maintenance . . . . .	52.5	7.9	48.4	7.3	4.1	8.5
Purchased freight . . . . .	304.8	46.0	331.9	50.1	(27.1)	(8.2)
Depreciation and amortization . . . . .	51.8	7.8	36.1	5.5	15.7	43.5
Impairment . . . . .	116.7	17.6	—	—	116.7	*
Restructuring charges . . . . .	1.7	0.3	—	—	1.7	*
Other operating expenses . . . . .	43.5	6.6	39.8	6.0	3.7	9.3
<b>Total operating expenses</b> . . . . .	<u>757.4</u>	<u>114.2</u>	<u>629.1</u>	<u>95.0</u>	<u>128.3</u>	<u>20.4</u>
<b>INCOME (LOSS) FROM OPERATIONS</b> . . . . .	<u>\$ (94.4)</u>	<u>(14.2)</u>	<u>\$ 32.9</u>	<u>5.0</u>	<u>\$ (127.3)</u>	<u>(386.9)</u>
<b>OPERATING STATISTICS:</b>						
Total miles (in millions) <sup>(2)</sup> . . . . .	256.2		243.8		12.4	5.1
Company-operated tractors, as of year-end . . . . .	1,240		1,371		(131)	(9.6)
Owner-operated tractors, as of year-end . . . . .	1,642		1,592		50	3.1
Number of trailers, as of year-end . . . . .	4,740		5,141		(401)	(7.8)
Company-operated tractors, average for the year . . . . .	1,305		1,205		100	8.3
Owner-operated tractors, average for the year . . . . .	1,668		1,543		125	8.1
<b>Total tractors, average for the year</b> . . . . .	<u>2,973</u>		<u>2,748</u>		<u>225</u>	<u>8.2</u>

\* indicates not meaningful.

(1) Includes intersegment revenues and expenses, as applicable, which are eliminated in the Company's consolidated results.

(2) Total miles includes company and owner operator and excludes brokerage.

*Revenue.* Total revenue increased 7.7% to \$1.74 billion for the year ended December 31, 2019 from \$1.61 billion for the year ended December 31, 2018, primarily as a result of the Recent Acquisitions. The change in total revenue, excluding the effect of the Recent Acquisitions of \$153.7 million, was a decrease of \$29.8 million, or 1.8%, due to slow demand in the Flatbed Solution segment's company freight and decreases in overall fuel surcharge revenue. Company freight revenue, excluding the effect of the Recent Acquisitions of \$106.7 million, decreased \$23.8 million, or 3.3%, from \$721.7 million for the year ended December 31, 2018 to \$697.9 million for the year ended December 31, 2019. Owner operator freight revenue, excluding the effect of the Recent Acquisitions of \$15.1 million, decreased \$0.4 million, or 0.1%, from \$440.5 million for the year ended December 31, 2018 to \$440.1 million for the year ended December 31, 2019. Brokerage revenue, excluding the effect of the Recent Acquisitions of \$24.4 million, increased \$3.9 million, or 1.5%, from \$266.4 million for the year ended December 31, 2018 to \$270.3 million for the year ended December 31, 2019. The decrease in company freight and owner operator freight revenue were primarily a result of a 5.6% decrease in miles driven, offset by a 3.7% increase in rate per mile when compared to the same period in 2018, excluding the effect of the Recent Acquisitions. Logistics, excluding the effect of the Recent Acquisitions of \$0.9 million, increased \$3.8 million, or 9.0%, from \$42.8 million for the year ended December 31, 2018 to \$46.6 million for the year ended December 31, 2019 as a result of increases in logistics activities. Fuel surcharges, excluding the effect of the Recent Acquisitions of \$6.5 million, decreased \$13.3 million, or 9.4%, from \$141.7 million for the year ended December 31, 2018 to \$128.4 million for the year ended December 31, 2019 due to a decline in fuel prices.

The Company's Specialized Solutions segment's revenue was \$1.1 billion for the year ended December 31, 2019 as compared to \$965.1 million for the year ended December 31, 2018, an increase of 13.5%, which was primarily due to the Specialized Solutions Acquisitions. The increase in revenue, excluding the effect of the Specialized Solutions Acquisitions of \$103.9 million, was an increase of \$26.7 million, or 2.8%, due to increases in company and owner operator freight revenue and brokerage revenue. Company freight revenue, excluding the effect of the Specialized Solutions Acquisitions of \$71.2 million, increased \$7.7 million, or 1.5%, from \$524.3 million for the year ended December 31, 2018 to \$532.0 million for the year ended December 31, 2019. Owner operator freight revenue, excluding the effect of the Specialized Solutions Acquisitions of \$10.7 million, increased \$3.0 million, or 1.7%, from \$171.8 million for the year ended December 31, 2018 to \$174.8 million for the year ended December 31, 2019. Brokerage revenue, excluding the effect of the Specialized Solutions Acquisitions of \$20.2 million, increased \$17.5 million, or 10.7%, from \$163.1 million for the year ended December 31, 2018 to \$180.5 million. The increases in company freight and owner operator freight revenue were primarily a result of a 5.1% increase in rates, offset by a 3.4% decrease in miles driven when compared to the same period in 2018, excluding the effect of the Specialized Solutions Acquisitions. Logistics, excluding the effect of the Recent Acquisitions of \$0.9 million, increased \$3.9 million, or 9.8%, from \$39.9 million for the year ended December 31, 2018 to \$43.9 million for the year ended December 31, 2019 as a result of increases in logistics activities. Fuel surcharges, excluding the effect of the Specialized Solutions Acquisitions of \$0.8 million, decreased \$5.4 million, or 8.1%, from \$66.0 million for the year ended December 31, 2018 to \$60.6 million for the year ended December 31, 2019.

The Company's Flatbed Solutions segment's revenue was \$662.0 million for the year ended December 31, 2018 as compared to \$663.0 million for the year ended December 31, 2019, an increase of 0.2%, which was primarily the result of the Flatbed Solutions Acquisitions. The decrease in revenue, excluding the effect of the Flatbed Solutions Acquisitions of \$49.8 million, was 7.4%, or \$48.8 million, due to decreases in company and owner operator freight revenue, brokerage revenue and fuel surcharge. Company freight revenue, excluding the effect of the Flatbed Solutions Acquisitions of \$35.5 million, decreased \$26.5 million, or 12.8%, from \$206.2 million for the year ended December 31, 2018 to \$179.8 million for the year ended December 31, 2019. Owner operator freight revenue, excluding the effect of the Flatbed Solutions Acquisitions of \$4.4 million, decreased \$0.2 million, or 0.1%, from \$271.5 million for the year ended December 31, 2018 to \$271.3 million for the year ended December 31, 2019. Brokerage revenue, excluding the effect of the Recent Acquisitions of \$4.1 million, decreased \$14.4 million, or 13.8%, from \$104.2 million for the year ended December 31, 2018 to \$89.8 million for the year ended December 31, 2019. The decrease in company freight and owner operator freight revenue, excluding the effect of the Recent Acquisitions, was primarily a result of a 7.5% decrease in miles driven, and a 2.1% decrease in rate per mile when compared to the same period in 2018. Fuel surcharges, excluding the effect of the Flatbed Solutions Acquisitions of \$5.8 million, decreased \$7.6 million, or 9.8%, from \$77.1 million for the year ended December 31, 2018 to \$69.5 million for the year ended December 31, 2019.

*Salaries, Wages and Employee Benefits.* Salaries, wages and employee benefits expense, which consists of compensation for all employees, is primarily affected by the number of miles driven by company drivers, the rate per mile paid to company drivers, employee benefits including, but not limited to, health care and workers' compensation, and to a lesser extent, the number of, and compensation and benefits paid to, non-driver employees. In general, the Specialized Solutions segment drivers receive a higher driver pay per total mile than Flatbed Solutions segment drivers due to the former requiring a higher level of training and expertise.

Salaries, wages and employee benefits expense increased 18.6% to \$483.2 million for the year ended December 31, 2019 from \$407.4 million for the year ended December 31, 2018, primarily due to the Recent Acquisitions. The increase in salaries, wages and employee benefits expense, excluding the effect of the Recent Acquisitions of \$55.1 million, was 5.1%, or \$20.6 million, and was primarily due to increase in employee compensation, increase in average driver wages implemented in the second half of 2018 to address the general inflation in the trucking industry, one-time severance costs related to Projects Synchronize and Pivot and increase in employee health insurance cost. Excluding the effect of the Recent Acquisitions, salaries, wages and employee benefits expense, as a percentage of consolidated revenue (excluding brokerage revenue), increased 2.3% for the year ended December 31, 2019 as compared to the same period in 2018.

The Company's Specialized Solutions segment had a \$44.5 million, or 16.0%, increase in salaries, wages and employee benefits expense for the year ended December 31, 2019 compared to the year ended December 31, 2018, primarily as a result of the Specialized Solutions Acquisitions. This increase, excluding the effect of the Specialized Solutions Acquisitions of \$34.8 million, was 3.5%, or \$9.7 million, and was primarily due to increase in employee compensation, increase in average driver wages implemented in the second half of 2018 to address the general inflation in the trucking industry. Excluding the effect of the Specialized Solutions Acquisitions, salaries, wages and employee benefits expense, as a percentage of Specialized Solutions revenue (excluding brokerage revenue), increased 0.8% for the year ended December 31, 2019 as compared to the same period in 2018.

The Company's Flatbed Solutions segment had a \$14.4 million, or 11.8%, increase in salaries, wages and employee benefits expense for the year ended December 31, 2019 compared to the year ended December 31, 2018, as a result of the Flatbed Solutions Acquisitions, which resulted in a \$20.3 million increase. Excluding the effect of the Flatbed Solutions Acquisitions, salaries, wages and employee benefit expense decreased 4.9% for the year ended December 31, 2019 as compared to the year ended December 31, 2018. Excluding the effect of the Flatbed Solutions Acquisitions, wages and employee benefits expense, as a percentage of Flatbed Solutions revenue (excluding brokerage revenue), increased 0.3% for the year ended December 31, 2019 as compared to the same period in 2018.

*Fuel.* Fuel expense consists primarily of diesel fuel expense for company-owned tractors and fuel taxes. The primary factors affecting fuel expense are the cost of diesel fuel, the miles per gallon realized with company equipment and the number of miles driven by Company drivers.

Total fuel expense decreased \$2.6 million, or 1.8%, to \$138.5 million for the year ended December 31, 2019 from \$141.1 million for the year ended December 31, 2018. This decrease was primarily a result of lower fuel prices, offset by the Recent Acquisitions. Excluding the effect of the Recent Acquisitions of \$16.0 million, fuel expense decreased 13.2%, or \$18.6 million. The U.S. national average diesel fuel price, as published by the U.S. Department of Energy, was \$3.178 for the year ended December 31, 2018, compared to \$3.056 for the same periods in 2019, a 3.8% decrease. Total miles driven, excluding the Recent Acquisitions, decreased 5.6% for the year ended December 31, 2019 as compared to the year ended December 31, 2018.

The Company's Specialized Solutions segment's fuel expense decreased 1.7% to \$88.6 million for the year ended December 31, 2019 from \$90.3 million for the year ended December 31, 2018, primarily as a result of lower fuel prices, offset by the Specialized Solutions Acquisitions. Excluding the effect of the Specialized Solutions Acquisitions of \$8.2 million, fuel expense in the Specialized Solutions segment decreased 11.0% to \$80.4 million. Total miles driven for the Specialized Solutions segment, excluding the Specialized Solutions Acquisitions, decreased 3.4% for the year ended December 31, 2019 as compared to the year ended December 31, 2018.

The Company's Flatbed Solutions segment's fuel expense decreased 1.8% to \$49.9 million for the year ended December 31, 2019 from \$50.8 million for the year ended December 31, 2018, primarily as a result of lower fuel prices, offset by Flatbed Solutions Acquisitions. Excluding the effect of the Flatbed Solutions Acquisitions of \$7.8 million, fuel expense in the Flatbed Solutions segment decreased 17.1% to \$42.1 million. Total miles driven for the Flatbed Solutions segment, excluding the Flatbed Solutions Acquisitions, decreased 7.5% for the year ended December 31, 2019 as compared to the year ended December 31, 2018.

*Operations and Maintenance.* Operations and maintenance expense consists primarily of ordinary vehicle repairs and maintenance, costs associated with preparing tractors and trailers for sale or trade-in, driver recruiting, training and safety costs, permitting and pilot car fees and other general operations expenses. Operations and maintenance expense is primarily affected by the age of company-owned tractors and trailers, the number of miles driven in a period and driver turnover.

Operations and maintenance expense increased 17.4% to \$213.1 million for the year ended December 31, 2019 from \$181.5 million for the year ended December 31, 2018, primarily as a result of the Recent Acquisitions. After adjusting for the effect of the Recent Acquisitions of \$20.6 million, operations and maintenance expense increased 6.1% for the year ended December 31, 2019 as compared to the year ended December 31, 2018. Excluding the effect of the Recent Acquisitions, operations and maintenance expense, as a percentage of consolidated revenue (excluding brokerage revenue), increased 1.2% for the year ended December 31, 2019 as compared to the same period in 2018 as a result of increases in pilot car fees and the normal equipment trade cycles and related expenses.

The Company's Specialized Solutions segment's operations and maintenance expense increased \$27.5 million, or 20.8%, for the year ended December 31, 2019 as compared to the year ended December 31, 2018, primarily as a result of the Specialized Solutions Acquisitions. Excluding the effect of the Specialized Solutions Acquisitions of \$15.1 million, operations and maintenance expense increased \$12.3 million, or 9.3%, for the year ended December 31, 2019 as compared to the year ended December 31, 2018, primarily as a result of increased pilot car fees and normal equipment trade cycles and related expenses. Excluding the effect of the Specialized Solutions Acquisitions, operations and maintenance expense, as a percentage of Specialized Solutions revenue (excluding brokerage revenue), increased 1.3% for the year ended December 31, 2019 as compared to the same period in 2018.

The Company's Flatbed Solutions segment's operations and maintenance expense increased \$4.1 million, or 8.5%, for the year ended December 31, 2019 as compared to the year ended December 31, 2018, primarily as a result of the Flatbed Solutions Acquisitions. Excluding the effect of the Flatbed Solutions Acquisitions of \$5.4 million, operations and maintenance expense decreased \$1.3 million, or 2.8%, for the year ended December 31, 2019 as compared to the year ended December 31, 2018, primarily as a result of a reduction in the tractor and trailer fleets and the resulting effect on maintenance expense. Excluding the effect of the Flatbed Solutions Acquisitions, operations and maintenance expense, as a percentage of Flatbed Solutions revenue (excluding brokerage revenue), increased of 0.3% for the year ended December 31, 2019 as compared to the same period in 2018.

*Purchased Freight.* Purchased freight expense consists of the payments to owner-operators, including fuel surcharge reimbursements, and payments to third-party capacity providers that haul loads brokered to them. Purchased freight expense generally takes into account changes in diesel fuel prices, resulting in lower payments during periods of declining fuel prices.

Total purchased freight expense increased 1.5% from \$588.6 million for the year ended December 31, 2018 to \$597.7 million for the year ended December 31, 2019, primarily as a result of the Recent Acquisitions of \$34.7 million. Excluding the effect of the Recent Acquisitions on purchased freight expense, total purchased freight expense decreased 4.4% to \$562.9 million for the year ended December 31, 2019. Purchased freight expense from owner-operators, excluding the Recent Acquisitions, decreased 3.3% from \$370.7 million for the year ended December 31, 2018 to \$358.4 million for the year ended December 31, 2019, primarily as a result of decrease in fuel surcharge reimbursements made to owner-operators as a result of lower fuel prices. Purchased freight expense from third-party capacity providers, excluding the Recent Acquisitions, decreased 6.2% from \$217.9 million for the year ended December 31, 2018 to \$204.5 million for the year ended December 31, 2019, primarily as a result of decreased utilization of third-party capacity providers. Excluding the effect of the Recent Acquisitions, purchased freight expense, as a percentage of consolidated total revenue, decreased 0.9% for the year ended December 31, 2019 as compared to the same period in 2018 as a result of lower utilization of third-party capacity providers and decreases in fuel surcharge reimbursements to owner-operators.

The Company's Specialized Solutions segment's purchased freight expense increased 16.3% to \$314.6 million for the year ended December 31, 2019 from \$270.6 million for the year ended December 31, 2018, primarily as a result of the Specialized Solutions Acquisitions of \$27.9 million. Excluding the effect of the Specialized Solutions Acquisitions on purchased freight expense, total purchased freight expense increased 0.9% to \$286.7 million for the year ended December 31, 2019. Purchased freight expense from owner-operators, excluding the Specialized Solutions Acquisitions, decreased 1.5% from \$131.0 million for the year ended December 31, 2018 to \$129.0 million for the year ended December 31, 2019, primarily as a result of decreases in fuel surcharge reimbursements made to owner-operators as a result of lower fuel prices. Purchased freight expense from third-party capacity providers, excluding the Specialized Solutions Acquisitions, increased 12.9% from \$139.7 million for the year ended December 31, 2018 to \$157.7 million for the year ended December 31, 2019, primarily as a result of increased utilization of third-party capacity providers. Excluding the effect of the Specialized Solutions Acquisitions, purchased freight expense, as a percentage of Specialized Solutions revenue, increased 0.9% for the year ended December 31, 2019 as compared to the same period in 2018 from higher utilization of third-party capacity providers.

The Company's Flatbed Solutions segment's purchased freight expense decreased 8.2% to \$304.8 million for the year ended December 31, 2019 from \$331.9 million for the year ended December 31, 2018. Excluding the effect of the Flatbed Solutions

Acquisitions of \$6.8 million, the Company's Flatbed Solutions segment's purchased freight expense decreased 10.2% to \$297.9 million for the year ended December 31, 2019 as compared to the year ended December 31, 2018. Purchased freight expense from owner-operators, excluding the Flatbed Solutions Acquisitions, decreased 4.3% to \$229.4 million for the year ended December 31, 2019 from \$239.7 million for the year ended December 31, 2018. Purchased freight expense from third-party capacity providers, excluding the Flatbed Solutions Acquisitions, decreased 25.7% from \$92.2 million for the year ended December 31, 2018 to \$68.5 million for the year ended December 31, 2019, primarily as a result of decreased utilization of third-party capacity providers. Excluding the effect of the Flatbed Solutions Acquisitions, purchased freight expense, as a percentage of Flatbed Solutions revenue, decreased 1.5% for the year ended December 31, 2019 as compared to the same period in 2018.

*Depreciation and Amortization.* Depreciation and amortization expense consists primarily of depreciation for company-owned tractors and trailers and amortization of those financed with finance leases. The primary factors affecting these expense items include the size and age of company-owned tractors and trailers and the cost of new equipment. Amortization of intangible assets is also included in this expense.

Depreciation and amortization expense increased 11.7% to \$146.5 million for the year ended December 31, 2019 from \$131.1 million for the year ended December 31, 2018, primarily as a result of the Recent Acquisitions of \$19.5 million. Amortization of intangible assets and net impact of step-up in basis of acquired assets impact on expense was \$14.3 million and \$18.2 million, respectively. After adjusting for the effect of the Recent Acquisitions, depreciation and amortization expense decreased \$4.0 million as a result of the effect of asset impairment and the impact of a reduction of approximately 320 tractors and 1,000 trailers for the year ended December 31, 2019 as compared to the year ended December 31, 2018, offset by the impact of adoption of ASC 842 which resulted in the recognition of \$20.5 million of depreciation expense on assets available for lease and leased to owner-operators.

The Company's Specialized Solutions segment's depreciation and amortization expense decreased 0.8% to \$94.0 million for the year ended December 31, 2019 as compared to \$94.8 million for the year ended December 31, 2018 primarily as a result of a reduction of tractors and trailers. Amortization of intangible assets and net impact of step-up in basis of acquired assets impact on expense was \$9.0 million and \$16.6 million, respectively. After adjusting for the effect of the Specialized Solutions Acquisitions of \$14.8 million, depreciation and amortization expense decreased \$15.7 million as a result of the effect of asset impairment and the impact of a decrease in approximately 190 tractors and 600 trailers, offset by \$2.4 million of depreciation expense recognized on assets available for lease and leased to owner-operators due to the impact of the adoption of ASC 842 for the year ended December 31, 2019 as compared to the year ended December 31, 2018.

The Company's Flatbed Solutions segment's depreciation and amortization expense increased 43.5% to \$51.8 million for the year ended December 31, 2019 as compared to \$36.1 million for the year ended December 31, 2018. Amortization of intangible assets and net impact of step-up in basis of acquired assets impact on expense was \$5.3 million and \$1.7 million, respectively. Excluding the Flatbed Solutions Acquisitions of \$4.7 million, depreciation and amortization expense increased \$11.1 million as a result of the impact of adoption of ASC 842 which resulted in the recognition of \$18.1 million of depreciation expense on assets available for lease and leased to owner-operators, offset by the effect of asset impairment and the impact of a reduction of approximately 130 tractors and 400 trailers in the segment's fleet for the year ended December 31, 2019 as compared to the year ended December 31, 2018.

*Taxes and Licenses.* Operating taxes and licenses expense primarily represents the costs of taxes and licenses associated with the Company's fleet of equipment and will vary according to the size of its equipment fleet. Taxes and license expense increased from \$17.2 million for the year ended December 31, 2018 to \$19.2 million for the year ended December 31, 2019. Excluding the effect of the Recent Acquisitions, operating taxes and license expense, as a percentage of total revenue, was 1.1% for the year ended December 31, 2019 and 2018.

*Insurance and Claims.* Insurance and claims expense consists of insurance premiums and the accruals the Company makes for estimated payments and expenses for claims for bodily injury, property damage, cargo damage and other casualty events. The primary factors affecting the Company's insurance and claims expense are seasonality (the Company typically experiences higher accident frequency in winter months), the frequency and severity of accidents, trends in the development factors used in its accruals and developments in large, prior-year claims. The frequency of accidents tends to increase with the miles the Company travels. Insurance and claims expense increased 9.0% to \$49.9 million for the year ended December 31, 2019 from \$45.8 million for the year ended December 31, 2018, primarily as a result of the Recent Acquisitions of \$3.1 million. Excluding the effect of the Recent Acquisitions, insurance and claims, as a percentage of total revenue, increased from 2.8% for the year ended December 31, 2018 to 3.0% for the year ended December 31, 2019 primarily due to increases in claims accruals and liability premiums.

*Impairment.* Impairment charges of \$312.8 million were recognized in the year ended December 31, 2019 related to goodwill, intangible assets, property and equipment and right-of-use assets recognized under ASC 842. Impairment charges for the Specialized Solutions segment totaled \$196.1 million and for the Flatbed Solutions segment totaled \$116.7 million. In June 2018, the Company recorded an impairment charge of \$2.8 million related to the trade names category of intangible assets. The trade name was impaired as a result of the reorganization and merger of two of the Company's operating companies. In December 2018, the Company recorded an impairment charge of \$11.1 million as a result of the carrying value of one operating segment exceeding its estimated fair value.

*Restructuring Costs.* Restructuring costs of \$8.4 million were recognized in the year ended December 31, 2019 in connection with Project Synchronize and Project Pivot (the Plans). Restructuring costs for the Specialized Solutions segment totaled \$3.9 million, for the Flatbed Solutions segment totaled \$1.7 million, and for the corporate office totaled \$2.8 million.

*Operating Income (Loss).* Operating loss was \$312.1 million, or 18.0% of revenue, for the year ended December 31, 2019 compared to operating income \$21.9 million, or 1.4% of revenue, for the year ended December 31, 2018, primarily as a result of impairment and restructuring charges. Excluding these charges operating income was \$9.1 million or 0.5% of revenue, a decrease of \$12.8 million compared to the year ended December 31, 2018, primarily due to increases in owner operator freight and brokerage revenue which produces lower margins than company freight and increases in salaries and wages, operations and maintenance expense and depreciation and amortization as discussed above.

The Company's Specialized Solutions segment's operating loss was \$158.7 million, or 14.5% of revenue, for the year ended December 31, 2019 compared to operating income of \$23.1 million, or 2.4% of revenue, for the year ended December 31, 2018, primarily due to impairment and restructuring charges. Net of these charges, operating income was \$41.3 million, or 3.8% of revenue, an increase of \$18.2 million compared to the year ended December 31, 2018. The increase was due to an increase in the segment's company freight and owner operator freight due to an increase in miles driven and rate per mile, as well as increases in brokerage and logistics revenue, offset by the increases in salaries and wages, fuel expense, maintenance expense, and services purchased from owner-operators and third-party capacity providers.

The Company's Flatbed Solutions segment's operating loss was \$94.4 million, or 14.2% of revenue, for the year ended December 31, 2019 compared to operating income of \$32.9 million, or 5.0% of revenue, for the year ended December 31, 2018, primarily as a result of impairment and restructuring charges. Net of these charges, operating income was \$24.0 million, or 3.6% of revenue, a decrease of \$8.9 million compared to the year ended December 31, 2018. The decrease is due to a decrease in company rate per mile, increase in owner operator freight revenue with lower margins than company freight and increases in salaries and wages and operations and maintenance.

*Other (income) expense.* Interest expense consists of cash interest, amortization of related issuance costs and fees and prepayment penalties. Interest expense increased 10.8% to \$50.4 million for the year ended December 31, 2019 from \$45.5 million for the year ended December 31, 2018. This increase was primarily attributable to an increase in amortization of debt issuance costs, debt balances and interest rates on the Term Loan facility. Change in fair value of warrant liability changed from a gain of \$66.0 million for the year ended December 31, 2018 to a gain of \$1.4 million for the year ended December 31, 2019. The change in fair value is directly related to the fair value of the warrant liability as of each period end as calculated using Level 1 and Level 3 inputs.

*Income Tax.* Benefit from income taxes increased from \$15.9 million for the year ended December 31, 2018 to \$54.6 million for the year ended December 31, 2019. The increase is primarily the result of the tax benefit of \$53.8 million recognized on impairment charges in 2019. For the year ended December 31, 2018, final valuations of intangible assets related to the 2017 acquisitions resulted in recognized deferred tax liabilities, which were then remeasured at the TCJA rates resulting in the recognition of an approximately \$12.6 million deferred tax benefit during the year ended December 31, 2018. The effective tax rate was 15.1% for the year ended December 31, 2019, compared to (35.3)% for the year ended December 31, 2018. The effective income tax rate varies from the federal statutory rate primarily due to the impact of the TCJA, and to a lesser extent, state income taxes and the impact of nondeductible permanent differences, including driver per diems, transaction expenses and the change in fair value of warrant liability.

#### Capital Expenditures

The Company had net cash capital receipts of approximately \$15.8 million and financed \$72.7 million of non-cash capital expenditures for the year ended December 31, 2019.

Total net property and equipment additions for the year ended December 31, 2019 and 2018 are shown below:

(Dollars in millions)	Year Ended December 31,	
	2019	2018
Net cash capital expenditures (receipts) . . . . .	\$ (15.8)	\$ 40.1
Total financed capital expenditures. . . . .	72.7	89.6
Accrued capital expenditures . . . . .	—	0.3
Transfers of property and equipment to sales-type lease assets . . . . .	—	(9.4)
Transfers of sales-type lease assets to property and equipment . . . . .	—	1.3
Property and equipment sold for notes receivable. . . . .	(0.4)	(0.8)
<b>Total net property and equipment additions . . . . .</b>	<b>\$ 56.5</b>	<b>\$ 121.1</b>

The decrease in total net property and equipment additions is due to timing of the Company's replacement cycle for revenue equipment.

Additionally, the Company entered into capitalized operating leases for revenue equipment with terms of 1.5 to 5 years and real property with terms of 1.5 to 10 years having asset values at lease inception of \$29.0 million and \$10.2 million, respectively, for the year ended December 31, 2019.

### Cash Flows

The Company's summary statements of cash flows information for the years ended December 31, 2019 and 2018 is set forth in the table below:

(Dollars in millions)	Year Ended December 31,	
	2019	2018
Net cash provided by operating activities. . . . .	\$ 114.1	\$ 105.3
Net cash provided by (used in) investing activities . . . . .	\$ 15.8	\$ (171.8)
Net cash provided by (used in) financing activities. . . . .	\$ (79.6)	\$ 20.9

*Operating Activities.* Cash provided by the Company's operating activities consists of net income or loss adjusted for certain non-cash items, including depreciation and amortization, non-cash operating lease expense, deferred income taxes, impairment, and the effect of changes in working capital and other activities.

Cash provided by operating activities was \$114.1 million during the year ended December 31, 2019 and consisted of \$306.0 million of net loss plus \$433.4 million of non-cash items, consisting primarily of depreciation, amortization, operating lease expense, deferred taxes, impairment of goodwill, intangible and tangible assets, change in fair value of warrant liability and stock-based compensation, less \$13.3 million of net cash used for working capital and other activities. Cash used for working capital and other activities during the year ended December 31, 2019 primarily reflect a \$2.6 million increase in drivers' advances and other receivables, a \$1.8 million increase in prepaid expenses and other current assets, a \$1.8 million decrease in accounts payable and \$15.3 million decrease in accrued expenses and other liabilities, offset by \$8.2 million in payments received on accounts receivable. Cash provided by operating activities was \$105.3 million during the year ended December 31, 2018 and consisted of \$60.8 million of net income plus \$60.4 million of non-cash items, consisting primarily of depreciation, amortization, deferred taxes, impairment of goodwill and intangible assets, change in fair value of warrant liability and stock-based compensation, less \$15.9 million of net cash used for working capital and other activities. Cash used for working capital and other activities during the year ended December 31, 2018 primarily reflect a \$33.2 million increase in accounts receivable and a \$4.2 million increase in prepaid expenses and other current assets, offset by \$14.7 million in payments received on sales-type leases and a \$6.8 million increase in accounts payable and accrued expenses.

The \$8.8 million increase in cash provided by operating activities during the year ended December 31, 2019, as compared with the year ended December 31, 2018, was primarily the result of a \$366.8 million increase in net loss, reduced by a \$17.8 million increase in depreciation, \$2.3 million in write-off of deferred financing fees, a \$298.9 million increase in impairment, \$27.2 million increase in non-cash operating lease expense, a \$64.6 million increase due to the change in fair value of warrant liability and \$2.6 million increase in bad debt expense. The increase in net loss was further increased by a \$40.0 million decrease in deferred tax benefit, \$1.2



increase in gain on disposition of property and equipment, an \$2.6 million increase in net cash used by working capital, further reduced by \$2.4 million deferred gain recognized on sales-type leases during the year ended December 31, 2018 which did not occur during the year ended December 31, 2019.

*Investing Activities.* Cash flows from investing activities increased from \$171.8 million used in investing activities due to \$131.7 million cash paid for Recent Acquisitions and net cash equipment purchases of \$40.1 million for the year ended December 31, 2018 to \$15.8 million provided by investing activities for the year ended December 31, 2019 due to a decrease of \$44.4 million in cash equipment purchases and an increase of \$11.5 million in cash receipts from sales of revenue equipment for the year ended December 31, 2019.

Total net cash capital expenditures (receipts) for the year ended December 31, 2019 and 2018 are shown below:

(Dollars in millions)	Year Ended December 31,	
	2019	2018
Revenue equipment (tractors, trailers and trailer accessories) . . . . .	\$ 15.6	\$ 51.0
Buildings and building improvements . . . . .	1.5	9.3
Other . . . . .	4.9	6.1
Total cash capital expenditures . . . . .	22.0	66.4
Less: Proceeds from sales of property and equipment. . . . .	37.8	26.3
Net cash capital expenditures (receipts) . . . . .	\$ (15.8)	\$ 40.1

*Financing Activities.* Cash flows from financing activities decreased from \$20.9 million provided by financing activities for the year ended December 31, 2018 to \$79.6 million used in financing activities for the year ended December 31, 2019, primarily a result of proceeds of \$84.4 million from issuance of common stock in the year ended December 31, 2018 and net debt repayments of \$57.1 million. Cash flows from financing activities for the year ended December 31, 2019 included repayments of \$74.3 million of long-term debt.

Material Debt

As of December 31, 2020, the Company had the following material debt:

- the Term Loan Facility and the ABL Facility;
- secured equipment loans and finance lease obligations; and
- bank mortgage secured by real estate

The amounts outstanding under such agreements, excluding financing fees, were as follows as of December 31, 2020 and 2019:

(Dollars in millions)	December 31,	
	2020	2019
Line of credit . . . . .	\$ —	\$ 1.7
Term loan facility . . . . .	483.5	488.5
Mortgages . . . . .	2.4	3.2
Equipment term loans . . . . .	162.5	185.2
Finance lease obligations . . . . .	31.3	25.5
Total long-term debt and finance lease obligations . . . . .	679.7	704.1
Less: current portion . . . . .	(54.0)	(59.4)
Long-term debt and finance lease obligations, less current portion . . . . .	\$ 625.7	\$ 644.7

See Note 9 and Note 2 of the Notes to Consolidated Financial Statements included herein for information regarding the Company's material debt and finance lease obligations, respectively.

### ABL and Term Loan Facilities and Equipment Financing Agreements

As of December 31, 2020, the Company has (i) a \$500.0 million senior secured term loan credit facility, consisting of a \$250.0 million term loan, a \$150.0 million tack-on loan and \$100.0 million of term loans funded under a delayed draw term loan facility, and (ii) an asset-based senior secured revolving credit facility with an aggregate maximum credit amount equal to \$100.0 million (that may be increased to \$150.0 million, subject to availability under a borrowing base). The delayed draw term loans were used to support the Company's acquisition activities. See Note 9 of Notes to Consolidated Financial Statements for more information regarding the Term Loan Facility and the ABL Facility. As management believes there could be opportunities in the marketplace to reduce our interest expense, the Company is exploring potential transactions to refinance the Term Loan Facility, however the Company cannot guarantee any such transaction will be consummated on favorable terms, or at all.

The Company had \$164.9 million of equipment and real estate loans and \$31.3 million of finance leases collateralized primarily by revenue equipment, with the majority of the equipment loans and finance leases having terms of 48 to 60 months. Certain of the term loans contain conditions, covenants, representations and warranties, events of default, and indemnification provisions applicable to the Company and certain of its subsidiaries that are customary for equipment financings, including, but not limited to, limitations on the incurrence of additional debt and the prepayment of existing indebtedness, certain payments (including dividends and other distributions to persons not party to its ABL Facility) and transfers of assets.

The Company believes it can finance its expected cash needs, including debt repayment, in the short-term with cash flows from operations and borrowings available under the ABL Facility. The Company expects that the ABL Facility will provide sufficient credit availability to support its ongoing operations, fund debt service requirements, capital expenditures, and working capital needs. Over the long-term, the Company will continue to have significant capital requirements, and expects to devote substantial financial resources to grow its operations and fund its acquisition activities. As a result of these funding requirements, the Company likely will need to sell additional equity or debt securities or seek additional financing through additional borrowings, lease financing or equity capital, though it is not likely that the Company will issue any common stock in the near term. The availability of financing or equity capital will depend upon the Company's financial condition and results of operations as well as prevailing market conditions. If such additional borrowings, lease financing or equity capital is not available at the time it needs to incur such expenditures, the Company may be required to extend the maturity of then outstanding indebtedness, rely on alternative financing arrangements or engage in asset sales.

Letters of credit – Under the terms of the ABL Facility, lenders may issue up to \$40 million of standby letters of credit on our behalf. Outstanding letters of credit reduce the availability on the \$100 million ABL Facility. Standby letters of credit are generally issued for the benefit of regulatory authorities, insurance companies and state departments of insurance for the purpose of satisfying certain collateral requirements, primarily related to automobile, workers' compensation, and general insurance liabilities.

Business combinations – The Company's strategy has historically been to consolidate the open-deck transportation industry and it has used significant amounts of capital to acquire 20 businesses since Daseke Companies, Inc.'s inception in 2008. However, during 2019 and 2020, the Company focused on organic growth, increasing free cash flow and margins. The Company will continue to evaluate potential acquisitions and any other sources of growth it considers in its best interest

### Off-Balance Sheet Arrangements

The Company's financial condition, results of operations, liquidity, capital expenditures and capital resources are not materially affected by off-balance sheet transactions. The Company had stand-by letters of credit in the amount of \$18.1 million and \$15.9 million at December 31, 2020 and 2019, respectively. The letters of credit provide collateral primarily for liability insurance claims.

### Contractual Obligations

The table below summarizes the Company's contractual obligations as of December 31, 2020:

<u>(Dollars in millions)</u>	<u>Payments Due By Period</u>				
	<u>Less Than 1 Year</u>	<u>1-3 Years</u>	<u>3-5 Years</u>	<u>More Than 5 Years</u>	<u>Total</u>
Long-term debt obligations, including interest <sup>(1)</sup> .....	\$ 81.4	\$ 147.5	\$ 547.0	\$ 5.9	\$ 781.8
Finance lease obligations <sup>(2)</sup> .....	9.6	15.6	7.9	—	33.1
Operating lease obligations <sup>(3)</sup> .....	36.2	58.4	24.0	27.1	145.7
Warrant obligations <sup>(4)</sup> .....	—	6.3	—	—	6.3
Total contractual obligations .....	<u>\$ 127.2</u>	<u>\$ 227.8</u>	<u>\$ 578.9</u>	<u>\$ 33.0</u>	<u>\$ 966.9</u>

- (1) Includes interest obligations on long-term debt and excludes fees. For variable rate debt, the interest rate in effect as of December 31, 2020 was utilized. The table assumes long-term debt is held to maturity.
- (2) Finance lease obligations relate primarily to revenue equipment.
- (3) Represents future monthly rental payment obligations, which include an interest element, under operating leases for tractors, trailers, facilities and real estate. Substantially all lease agreements for revenue equipment have fixed payment terms based on the passage of time. The tractor lease agreements generally stipulate maximum miles and provide for mileage penalties for excess miles. These leases generally run for a period of three to five years for tractors and five to seven years for trailers.
- (4) Represents the fair value of warrants outstanding as of December 31, 2020. See Note 12 to the Consolidated Financial Statements for additional information.

### Inflation

Inflation can have an impact on the Company's operating costs. A prolonged period of inflation could cause interest rates, fuel, wages and other costs to increase, which would adversely affect the Company's results of operations unless freight rates correspondingly increase. The Company attempts to limit the effects of inflation through increases in freight rates, certain cost control efforts and limiting the effects of fuel prices through fuel surcharges and measures intended to reduce the consumption of fuel. Over the past three years, the effect of inflation has been minor.

### Seasonality

In the transportation industry, results of operations generally show a seasonal pattern. The Company's productivity decreases during the winter season because inclement weather impedes operations, end-users reduce their activity and certain shippers reduce their shipments during winter. At the same time, operating expenses increase and fuel efficiency decreases because of engine idling and harsh weather creating higher accident frequency, increased claims and higher equipment repair expenditures. The Company also may suffer from weather-related or other events such as tornadoes, hurricanes, blizzards, ice storms, floods, fires, earthquakes and explosions, which may increase in frequency or intensity due to climate change. These events may disrupt fuel supplies, increase fuel costs, disrupt freight shipments or routes, affect regional economies, destroy the Company's assets, increase insurance costs or adversely affect the business or financial condition of its customers, any of which could adversely affect the Company's results of operations or make such results more volatile.

### Critical Accounting Policies and Estimates

The preparation of the Company's consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") requires it to make estimates and assumptions that impact the amounts reported in its consolidated financial statements and accompanying notes. Therefore, the reported amounts of assets, liabilities, revenue, expenses, and associated disclosures of contingent assets and liabilities are affected by these estimates and assumptions. The Company evaluates these estimates and assumptions on an ongoing basis, utilizing historical experience, consultation with experts and other methods considered reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from these estimates and assumptions, and it is possible that materially different amounts will be reported using differing estimates or assumptions. The

Company considers critical accounting policies to be those that require it to make more significant judgments and estimates when preparing financial statements. The Company's critical accounting policies and estimates include the following:

#### *Goodwill and Intangible Assets*

Goodwill and other intangible assets result from business acquisitions. The Company accounts for business acquisitions by assigning the purchase price to tangible and intangible assets and liabilities. Assets acquired and liabilities assumed are recorded at their fair values and the excess of the purchase price over amounts assigned is recorded as goodwill.

Goodwill is tested for impairment at least annually (or more frequently if impairment indicators arise) for each reporting unit by applying either a qualitative or quantitative analysis in accordance with the authoritative accounting guidance on goodwill. The Company first assesses qualitative factors to evaluate whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as the basis for determining whether it is necessary to perform a quantitative goodwill impairment test. The Company may bypass the qualitative assessment for any reporting unit in any period and proceed directly with the quantitative analysis. The quantitative analysis compares the fair value of the reporting unit with its carrying amount. The Company estimates the fair value of a reporting unit using discounted expected future cash flows. The Company's annual assessment is conducted as of October 1 of each year (see Note 5 for additional details).

Other intangible assets recorded consist of indefinite lived trade names and definite lived non-competition agreements and customer relationships. These intangible assets are stated at estimated fair value at the time of acquisition less accumulated amortization. Amortization is recorded using the straight-line method over the following estimated useful lives: (i) non-competition agreements: two to five years and (ii) customer relationships: 10 to 15 years. The Company evaluates its definite lived intangible assets for impairment when current facts or circumstances indicate that the carrying value of the assets to be held and used may not be recoverable. Indefinite-lived intangible assets are tested for impairment annually by applying a fair value based analysis in accordance with the authoritative accounting guidance for such assets. During the third quarter of 2019, the Company recorded an impairment charge to intangible assets of \$85.6 million for non-competition agreements, customer relationships and trade names categories of intangible assets. During 2020, the Company recorded impairment charges to intangible assets of \$8.2 million for the trade names category of intangible assets. The trade name was impaired as a result of the planned divestiture of Aveda and the reorganization and merger of two of the Company's operating companies.

#### *Income Taxes*

Income taxes are accounted for using an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the consolidated financial statement and tax basis of assets and liabilities at the applicable enacted tax rates.

The Company adheres to the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, *Income Taxes*, relating to accounting for uncertain tax positions. The Company recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

#### *Accrued Insurance and Claims*

The Company uses a combination of purchased insurance, self-insurance, and captive group programs. The insurance provides for the cost of vehicle liability, cargo loss, damage, general liability, property, workers' compensation claims and employee medical benefits. Self-insurance accruals relate primarily to vehicle liability, cargo damage, workers' compensation and employee medical claims. The measurement and classification of self-insured costs requires the consideration of historical cost experience, demographic and severity factors, and judgments about the current and expected levels of cost per claim and retention levels. These methods provide estimates of the liability associated with claims incurred as of the balance sheet date, including claims not reported. The Company believes these methods are appropriate for measuring these highly judgmental self-insurance accruals. However, the use of any estimation method is sensitive to the assumptions and factors described above, based on the magnitude of claims and the length of time from the date the claim is incurred to ultimate settlement. Accordingly, changes in these assumptions and factors can materially affect actual costs paid to settle the claims and those amounts may be different than estimates.

### *Warrant Liability*

We account for warrants for shares of our common stock that are not indexed to our common stock or do not meet the equity classification guidance as liabilities at fair value on the balance sheet. The warrants are subject to remeasurement at each balance sheet date, and any change in fair value is recognized as a component of other income (expense), net on the statement of operations. We will continue to adjust the liability for changes in fair value until the earlier of the exercise or expiration of the warrants. At the time of exercise, the portion of the warrant liability related to the warrants will be reclassified to additional paid-in capital. Warrants that we issued in 2015 in a private placement require subjective judgment due to the judgment required in determining the expected volatility estimate used to determine the fair value, whereas the fair value of our warrants that were issued as part of our initial public offering are determined using the closing price of the warrants on the NASDAQ market.

### *Stock-Based Compensation*

Awards of equity instruments issued to employees and directors are accounted for under the fair value method of accounting and recognized in the consolidated statements of operations and comprehensive income (loss). Compensation cost is measured for all equity-classified stock-based awards at fair value on the date of grant and recognized using the straight-line method over the service period over which the awards are expected to vest. Compensation cost is remeasured for all liability-classified stock-based awards at fair value at each period-end and recognized using the straight-line method over the service period over which the awards are expected to vest. Fair value of all time-vested options as of the date of grant is estimated using the Black-Scholes option valuation model, which was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Since the Company does not have a sufficient history of exercise behavior, expected term is calculated using the assumption that the options will be exercised ratably from the date of vesting to the end of the contractual term for each vesting tranche of awards. The risk-free interest rate is based on the U.S. Treasury yield curve for the period of the expected term of the stock option. For equity-classified awards, expected volatility is calculated using an index of publicly traded peer companies. For liability-classified awards, expected volatility is calculated using split and dividend adjusted closing stock prices over a lookback period commensurate with the remaining term of each award. Fair values of non-vested stock awards (restricted stock units) are equal to the market value of the common stock on the date of the award with compensation costs amortized over the vesting period of the award. Fair values of performance stock units are estimated using the Monte Carlo valuation model in a risk-neutral framework to model future stock price movements based upon highly subjective assumptions, including historical volatility, risk-free rates of return and the stock price simulated over the performance period. The risk-free interest rate is based on the interpolated constant maturity treasury curve for the performance period. Expected volatility is calculated using annualized historical volatility with a lookback period equal to the remaining performance period.

### *Recently Issued Accounting Pronouncements*

In December 2019, the FASB issued ASU No. 2019-12 – Income Taxes (Topic 740) Simplifying the Accounting for Income Taxes, as part of its initiative to reduce complexity in the accounting standards. The amendments in ASU 2019-12 eliminate certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. ASU 2019-12 also clarifies and simplifies other aspects of the accounting for income taxes. The amendments in ASU 2019-12 will become effective for the Company on January 1, 2022. Early adoption is permitted, including adoption in any interim period. The Company is currently evaluating the impact of adopting this guidance.

In June 2016, the FASB issued ASU No. 2016-13, Accounting for Credit Losses (Topic 326). ASU 2016-13 requires the use of an “expected loss” model on certain types of financial instruments. The ASU sets forth a “current expected credit loss” (CECL) model which requires the Company to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets, including trade receivables. The new standard will become effective for the Company beginning with the first quarter 2023 and is not expected to have a material impact on the Company’s consolidated financial statements.

### ***Item 7A. Quantitative and Qualitative Disclosures About Market Risk***

The Company has interest rate exposure arising from the credit facilities and other financing agreements, which have variable interest rates. These variable interest rates are impacted by changes in short-term interest rates. Assuming the current level of borrowings, a hypothetical one-percentage point increase in interest rates would increase the Company's annual interest expense by \$4.8 million. As of December 31, 2020 and December 31, 2019, the Company had outstanding approximately \$484.0 million and \$492.1 million, respectively, of variable rate borrowings that were not subject to interest rate swaps.

The Company has commodity exposure with respect to fuel used in company-owned and leased tractors. Increases in fuel prices will raise the Company's operating costs, even after applying fuel surcharge revenue. Historically, the Company has been able to recover a majority of fuel price increases from its customers in the form of fuel surcharges. The Company cannot predict the extent or speed of potential changes in fuel price levels in the future, the degree to which the lag effect of fuel surcharge programs will impact it as a result of the timing and magnitude of such changes, or the extent to which effective fuel surcharges can be maintained and collected to offset such increases.

### ***Item 8. Financial Statements and Supplementary Data***

The information called for by Item 8 is found in a separate section of this Form 10-K starting on pages F-1. See the "Index to Financial Statements" on page F-1.

### ***Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

### ***Item 9A. Controls and Procedures***

#### Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), are required to be designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act, including this Report, are recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. These disclosure controls and procedures should include controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer ("CEO") and principal financial officer ("CFO"), as appropriate to allow timely decisions regarding required disclosures. On February 26, 2021, we filed our original Annual Report on Form 10-K for the year ended December 31, 2020 (the "Original Report"). Based upon their evaluation at that earlier time, our CEO and CFO had concluded that our disclosure controls and procedures were effective as of December 31, 2020. Subsequently, and as a result of the material weakness in our internal control over financial reporting described below, our CEO and CFO have concluded that our disclosure controls and procedures were not effective as of December 31, 2020.

#### Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR"), as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2020, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

On February 26, 2021, we filed the Original Report. At that time, our management had performed an evaluation and concluded that our internal control over financial reporting was effective as of December 31, 2020. Subsequent to performing that evaluation, our management concluded that we did not maintain effective internal control over financial reporting as of December 31, 2020, due to a material weakness in our internal control over financial reporting, described below, related to our accounting for warrants. Notwithstanding this material weakness, management has concluded that our financial statements included in this Annual Report on Amended Form 10-K/A are fairly stated in all material respects in accordance with GAAP for each of the periods presented herein.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2020 has been audited by Grant Thornton LLP, our independent registered public accounting firm, as stated in its report, which appears in this Item of this Annual Report on this Amended Form 10-K/A under the heading Report of Independent Registered Public Accounting Firm.

#### Changes in Internal Control over Financial Reporting

Except as described below in "Remediation of 2019 Material Weaknesses as of December 31, 2020," there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the Company's most recently completed quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

#### Material Weakness as of December 31, 2020

As discussed above, management concluded that we did not maintain effective internal control over financial reporting as of December 31, 2020, due to a material weakness in our internal control over financial reporting. Our internal control over financial reporting did not result in the proper classification of the warrants we issued in July and August 2015. This error in classification was brought to our attention only when the SEC issued a Staff Statement on Accounting and Reporting Considerations for Warrants Issued by Special Purpose Acquisition Companies ("SPACs") dated April 12, 2021. The SEC Statement addresses certain accounting and reporting considerations related to warrants of a kind similar to those we issued at the time of our initial public offering in July and August 2015. In response to this material weakness, the Company's management has expended, and will continue to expend, a substantial amount of effort and resources for the remediation and improvement of our internal control over financial reporting. While we have processes to identify and evaluate the appropriate accounting technical pronouncements and other literature for all significant or unusual transactions, we are improving these processes by acquiring enhanced access to accounting literature, research materials and documents and increased communication among our personnel and third-party professionals with whom we consult regarding the application of complex accounting matters. Our remediation plan can only be accomplished over time and will be continually reviewed to determine that it is achieving its objectives. We can offer no assurance that these initiatives will ultimately have the intended effects.

#### Remediation of 2019 Material Weaknesses as of December 31, 2020

As previously disclosed in the 2019 Annual Report on Form 10-K, the Company identified material weaknesses related to ineffective information technology general controls (ITGCs) and related to an ineffective asset impairment process. We have determined that these material weaknesses have been fully remediated as of December 31, 2020.

The remediation steps we have taken include:

- Discussed the issues with the impacted personnel, including operating company leadership and IT personnel;
- Developed a training program addressing ITGCs and policies, including educating control owners concerning the principles and requirements of each control, with a focus on those related to user access and change management over IT systems impacting financial reporting;
- Developed and maintain documentation underlying ITGCs to promote knowledge transfer upon personnel and function changes;
- Implemented an IT management review and testing plan to monitor ITGCs with a specific focus on systems supporting our financial reporting processes;
- Reviewed our impairment processes and controls and enhanced the overall design and procedures performed on deliverables from the specialist;
- Re-designed our management review controls and enhanced the precision of review around the key assumptions and inputs into the specialist's models and resulting valuations and allocations;

- Evaluated the sufficiency of our accounting resources and personnel to determine whether additional resources are needed;
- Evaluated whether further enhancements were needed to the design of our impairment procedures and controls; and
- Demonstrated consistent operating effectiveness of our management review controls over impairments over a sufficient time period.

As of December 31, 2020, the remedial measures described above have been satisfactorily implemented and we have had sufficient time to test the operating effectiveness of such remedial measures.



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
Daseke, Inc.

### **Opinion on internal control over financial reporting**

We have audited the internal control over financial reporting of Daseke, Inc. (a Delaware corporation) and subsidiaries (the “Company”) as of December 31, 2020, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In our opinion, because of the effect of the material weakness described in the following paragraphs on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2020, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

A material weakness is a deficiency, or combination of control deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management’s assessment. Management has identified a material weakness in internal controls related to the design and operation of controls over the Company’s accounting for warrant agreements.

In our report dated February 26, 2021, we expressed an unqualified opinion on the Company’s internal control over financial reporting. The material weakness discussed above was subsequently identified in connection with the restatement of the Company’s previously issued consolidated financial statements. Accordingly, management has revised its assessment about the effectiveness of the Company’s internal control over financial reporting, and our present opinion on the effectiveness of the Company’s internal control over financial reporting as of December 31, 2020, as expressed herein, is different from that expressed in our previous report. The material weakness was considered in connection with the aforementioned restatement, and this report does not affect our opinion on the Company’s 2020 consolidated financial statements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated financial statements of the Company as of and for the year ended December 31, 2020. The material weakness identified above was considered in connection with the aforementioned restatement and in determining the nature, timing, and extent of audit tests applied in our audit of the 2020 consolidated financial statements, and this report does not affect our report dated February 26, 2021 (except for the restatement described in Note 18 and the effects thereof, as to which the date is May 6, 2021) which expressed an unqualified opinion on those financial statements.

### **Basis for opinion**

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and limitations of internal control over financial reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

Dallas, Texas

February 26, 2021 (except for the material weakness discussed in Management's Report on Internal Control over Financial Reporting, as to which the date is May 6, 2021)

## Item 9B. Other Information

None.

### Part III

## Item 10. Directors, Executive Officers and Corporate Governance

### Directors

The directors of the Company, as of April 30, 2021, are as follows:

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Year Served Since</u>
Brian Bonner .....	Chairman of the Board and Independent Director	65	2015
Don R. Daseke .....	Director and Chairman Emeritus	81	2008
Catharine Ellingsen.....	Independent Director	57	2021
Grant Garbers .....	Independent Director	58	2021
Daniel J. Hennessy .....	Independent Director	63	2017
Charles “Chuck” F. Serianni.....	Independent Director	59	2019
Jonathan Shepko.....	Interim Chief Executive Officer and Director	43	2017
Ena Williams .....	Independent Director	52	2019

**Brian Bonner** has served as a member of the Company’s Board of Directors (the “Board of Directors” or the “Board”) since February 2015. Since August 2020, he has served Daseke as the Chairman of the Board, and he served as the Executive Chairman from August 2019 to August 2020. Mr. Bonner served as Vice President and Chief Information Officer of Texas Instruments, a publicly traded company, from January 2000 to May 2014. In this role, Mr. Bonner managed the business and technology aspects of IT operations. Prior to being appointed Chief Information Officer, Mr. Bonner served Texas Instruments for over 33 years in a number of strategic leadership roles and positions in general management, mass marketing and global product management. Mr. Bonner served as a member on the board of directors of Copper Mobile from June 2012 through October 2015 and is currently an advisory board member for Southern Methodist University’s Computer & Electrical Engineering Department. Mr. Bonner also served as an advisory board member for Gemini Israel Funds from June 2004 to May 2015. Mr. Bonner holds an M.B.A. in Marketing and Finance from the Fuqua School of Business at Duke University, an MSEE and BSEE from the University of Michigan, and a B.A. in Physics from Kalamazoo College. He received the Minority & Women Business Development Award from Texas Instruments, the Transformational CIO Award from HMG Strategies and the Most Innovative User of Technology from Information Week Magazine. Mr. Bonner has significant experience serving as an executive officer and in other leadership positions in a large public company setting, including 14 years as chief information officer, and he has more than three years of experience serving on the board of directors of a private technology company. He also has extensive experience in management, finance, operations and marketing. We believe his background and skill set make Mr. Bonner well-suited to serve as a member of the Board of Directors.

**Don R. Daseke** has served as a member of the Board of Directors since he founded the Company (formerly named Walden Smokey Point, Inc.) in November 2008. Until August 2019, when he was appointed as the Company’s Chairman Emeritus, Mr. Daseke was the Company’s Chief Executive Officer and Chairman of the Board of Directors. Mr. Daseke has served as the President and sole director on the board of directors of The Walden Group for more than 30 years. Mr. Daseke also has served as the chairman of the board of directors of both Liquid Motors, Inc. and East Teak Fine Hardwoods, Inc. since June 2005 and March 2006, respectively. Mr. Daseke has been active in the non-profit sector throughout his career, having served in leadership roles for a number of non-profit institutions, including the WaterTower Theatre, DePauw University, the Dallas Chapter of the World Presidents Organization and the Dallas Arboretum and Botanical Society. Additionally, Mr. Daseke currently serves on the Advisory Council for the Cattle Barons Ball in Dallas, Texas. From 2005 to 2009, Mr. Daseke was a Commissioner on the Planning and Zoning Commission for Addison, Texas, and in May 2009, he was elected to a two-year term on the Addison Town Council. Mr. Daseke served as Mayor Pro Tempore of Addison, Texas in 2010. Mr. Daseke was the Regional Winner of the Ernst & Young Entrepreneur of the Year Award in 2014. Mr. Daseke received his B.A. from DePauw University, an M.B.A. from the University of Chicago, Graduate School of Business, and the Presidents Program in Leadership from the Harvard Business School. Mr. Daseke is a Certified Public Accountant (retired). Because Mr. Daseke has served as a chief executive officer and a member of the board of directors of a number of companies and has significant experience in the transportation and logistics industry, Mr. Daseke is well-suited to serve on the Board of Directors.

**Catharine Ellingsen** has served as a member of the Board of Directors since April 2021. Ms. Ellingsen has been the Executive Vice President, Chief Legal Officer, Chief Ethics & Compliance Officer, Corporate Secretary of Republic Services, Inc., a national provider of recycling and non-hazardous solid waste services and environmental solutions (“Republic Services”), since June 2016. Prior to that, she served Republic Services as SVP, Human Resources from 2011 to June 2016 and VP, Deputy General Counsel from 2008 to 2011. Before joining Republic Services, Ms. Ellingsen served Allied Waste Industries, Inc. in a variety of roles, including VP, Deputy General Counsel and Director, Labor Relations, and practiced law at the law firms of Steptoe & Johnson LLP and Bryan Cave LLP. Since 2011, Ms. Ellingsen has served on the board of directors of Nebraska Distributing Company, including as chairperson since 2016, and since 2008, she has served on the board of directors of Bunker Hill Group. Ms. Ellingsen received her B.A. from Wheaton College and a J.D. from Washington College of Law, The American University. She also attended the Advanced Human Resources Executive Program at the University of Michigan, Ross School of Business. Ms. Ellingsen was identified and recommended as a potential board candidate by a non-management director of the Company. Because of her expertise in human capital management, labor relations, corporate governance, enterprise risk management, ethics and compliance, we believe Ms. Ellingsen is well-suited to serve as a member of the Board of Directors.

**Grant Garbers** has served as a member of the Board of Directors since January 2021. Mr. Garbers has been a Managing Director of Harrison Co., a middle-market investment banking firm, since June 2020, responsible for sourcing merger and acquisition opportunities as well as advising on the transaction strategy, company positioning, buyer rationale, financing risks, transaction structure, and valuation and the purchase documents in conjunction with legal counsel. Before that, Mr. Garbers spent the past 13 years with Capstone Headwaters and its predecessor company Headwaters MB as a Managing Director in its Industrial Technology Practice with the same responsibilities. Mr. Garbers has served both private and public companies across diverse industries such as transportation, medical, consumer products, and industrial technology. Mr. Garbers started his career in risk management at Fred S. James before entering the financial services sector. Mr. Garbers served as an independent director of Roadmaster Group, Inc. from 2010 to December 2017 when it was acquired by the Company. Mr. Garbers holds a B.B.A. degree from The University of Georgia and completed the Mergers and Acquisitions Executive Education Program at the Wharton School of Business. Mr. Garbers was identified and recommended as a potential board candidate by a security holder. Because of his years of investment and structuring experience, including in the transportation industry, and his risk management background, we believe Mr. Garbers is well-suited to serve as a member of the Board of Directors.

**Daniel J. Hennessy** has served as a member of the Board of Directors since 2017. Mr. Hennessy is the founder and managing member of Hennessy Capital LLC and the Chairman and CEO of Hennessy Capital Acquisition Corp. IV (NASDAQ: HCACU), a special purpose acquisition company which he formed and which went public in March 2019. Mr. Hennessy was also the Chairman and CEO of Hennessy’s first three special purpose acquisition companies: Hennessy Capital Acquisition Corp. I, which merged with School Bus Holdings Inc. in February 2015 and is now known as Blue Bird Corporation (NASDAQ: BLBD), Hennessy Capital Acquisition Corp. II, which merged with Daseke, Inc. in February 2017, and Hennessy Capital Acquisition Corp. III, which merged with NRC Group Holdings (NYSE: NRCG) in October 2018. Mr. Hennessy now serves as Vice Chairman of the Company and an Independent Director at NRC Group Holdings. Mr. Hennessy was also a Partner at CHS Capital LLC (f/k/a Code Hennessy & Simons LLC), a middle market private equity investment firm he co-founded in 1988 and led its investments in industrial, infrastructure and energy businesses. Prior to forming CHS, Mr. Hennessy was employed by Citicorp from 1984 to 1988 as head of the Midwest Region for Citicorp Mezzanine Investments and Vice President and Team Leader with Citicorp Leveraged Capital Group. He began his career in 1981 in the oil and gas lending group at Continental Illinois National Bank (now Bank of America) where he was a Banking Officer. Mr. Hennessy holds a B.A. degree, magna cum laude, from Boston College and an M.B.A. from the University of Michigan Ross School of Business. We believe his background and skill set make Mr. Hennessy well-suited to serve as a member of the Board of Directors.

**Charles “Chuck” F. Serianni** has served as a member of the Board of Directors since May 2019. Mr. Serianni has served as the Special Advisor to the CEO of Republic Services, a national provider of recycling and non-hazardous solid waste services and environmental solutions, since June 2020. Prior to that role, Mr. Serianni served Republic Services as the Executive Vice President, Chief Financial Officer from August 2014 to June 2020 and Vice President and Controller, West Region from July 2013 to August 2014. He also served Republic Services as Assistant Controller and progressed to Senior Vice President, Chief Accounting Officer of Republic Services during the period from June 1998 to July 2013 and as Accounting Operations Director of Republic Services (Auto Nation) from 1997 to 1998. Prior to his work with Republic Services, Mr. Serianni served as Accounting Operations Director for Sunglass Hut International, Inc. and as a Manager, Accounting and Auditing Services for Deloitte & Touche LLP, an international accounting firm. Mr. Serianni holds a bachelor’s degree in Accounting and Finance from the University of Dayton and he is a member of the American Institute of Certified Public Accountants. Mr. Serianni brings to the Board extensive financial expertise overseeing financial analysis and planning, accounting, treasury, investor relations, internal audit and tax functions. Mr. Serianni also brings experience in overseeing the strategic development of complex corporations, as well as experience overseeing effective cyber and

technology systems and protocols. We believe his background and skill set make Mr. Serianni well-suited to serve as a member of the Board of Directors.

**Jonathan Shepko** has served as a member of the Board of Directors since February 2017. Mr. Shepko is a Co-founder and Managing Partner of Stonehollow Capital Partners, which makes direct equity investments in private companies across the United States. Prior to founding Stonehollow in January 2019, from 2014 to 2018, Mr. Shepko served as a Managing Partner of EF Capital Management, LP, the investment arm of a substantial single-family office, which largely focused on direct equity and direct debt investments, in both public and private companies, across the United States. During his tenure with EF Capital, Mr. Shepko served in various Board and management capacities of the firm’s portfolio investments. Prior to founding EF Capital, Mr. Shepko was a Managing Director with Ares Management (~\$100B AUM), where he focused on originating and structuring debt financings in the energy industry. From 2009 until 2014, Mr. Shepko co-headed, and served as Managing Director of, CLG Energy Finance (an affiliate of Beal Bank), which focused on providing senior-stretch and uni-tranche facilities to the energy and infrastructure industries. Prior to forming CLG Energy Finance, Mr. Shepko was a Vice President with EnCap Investments, LP, where his responsibilities included originating, structuring and managing private equity investments in the oil and gas sector, while also serving on the boards of several of these companies. Collectively, Mr. Shepko has underwritten and managed nearly \$2 billion in direct equity and debt financings, spanning multiple industries, including investments in high-growth, as well as mature companies. Mr. Shepko graduated magna cum laude with a degree in Finance from Texas A&M University. Because of his years of investment and structuring experience, and his knowledge of management and operations, as well as his meaningful experience on the board of directors of other companies, we believe Mr. Shepko well-suited to serve as a member of the Board of Directors.

**Ena Williams** has served as a member of the Board of Directors since May 2019. Ms. Williams has served as the Chief Operating Officer of Casey’s General Stores, Inc., a Fortune 500 company operating over 2,200 convenience stores in 16 states, since June 2020. Prior to this, from January 2019 to March 2020, she served as the Chief Executive Officer and member of the board of directors of National HME, Inc., a technology enabled hospice medical equipment provider. Prior to that role, for 7-Eleven, Inc., a global chain of convenience stores, she served as the Senior Vice President and Head of International from 2015 to February 2018; the Senior Vice President, West Region Operations from 2011 to 2015; and the Vice President, Southwest Division from 2008 to 2011. Also, Ms. Williams held a number of positions in the operations, retail and planning functions of Mobil Oil Corporation and ExxonMobil Corporation from 1991 to 2008. Ms. Williams currently serves on the board of advisors for the Robert B. Rowling Center for Business Law & Leadership, SMU Dedman School of Law. She also serves on the board of directors for Children International. Ms. Williams holds a master’s degree in Business Administration from The Wharton School of the University of Pennsylvania and a bachelor’s degree in Economics and African-American Studies from the University of Virginia. Ms. Williams brings to the Board deep experience managing P&L, executing strategic initiatives and providing data-driven analysis at large corporations across multiple industries with a focus on efficient operations and people leadership. We believe her background and skill set make Ms. Williams well-suited to serve as a member of the Board of Directors.

## Executive Officers

The executive officers of the Company, as of April 30, 2021, are as follows:

Name	Position	Age
Jonathan Shepko	Interim Chief Executive Officer	43
Jason Bates	Executive Vice President, Chief Financial Officer and Treasurer	43
Rick Williams	Executive Vice President and Chief Operating Officer	55
Soumit Roy	Executive Vice President, Chief Legal Officer, General Counsel and Corporate Secretary	45

**Jonathan Shepko**’s biographical information is set forth under “—Directors” above.

**Jason Bates** has served as our Executive Vice President, Chief Financial Officer and Treasurer since April 2020. Before joining the Company, Mr. Bates most recently served as Executive Vice President and Chief Financial Officer of USA Truck Inc., a North American truckload carrier and logistics brokerage provider, a position he had held since May 2017. Prior to that, Mr. Bates served as Vice President of Finance, and Investor Relations Officer of Swift Transportation Company, a multi-faceted transportation services company (“Swift”), from December 2010 to April 2017. Mr. Bates joined Swift in 2003, and during his tenure, served in various financial leadership roles, including responsibility for financial planning and analysis, business and data analytics, strategic reporting, business intelligence, revenue and transactional services, treasury, and investor relations. Prior to his appointment as Vice President of Finance and Investor Relations Officer, he served as Swift’s Vice President and Assistant Treasurer. Prior to Swift, he

served in a variety of finance and accounting leadership roles for Honeywell International. Mr. Bates completed his Bachelor of Science degree in business at Brigham Young University, and obtained his Master's degree in business administration from Arizona State University.

**Rick Williams** has served as our Executive Vice President and Chief Operating Officer since May 2020. From 1992 until his appointment as Chief Operating Officer of the Company, Mr. Williams served as Chief Executive Officer and Chief Operating Officer of Central Oregon Truck Company ("COTC"), a North American truckload carrier and logistics service provider and a subsidiary of the Company that Mr. Williams co-founded in 1992. Prior to that, Mr. Williams served as General Manager of a family run truckload carrier from 1986 to 1992. Mr. Williams is an active member of the Truckload Carriers Association (TCA) and the American Trucking Associations (ATA). He has worked in the trucking industry for over 34 years and has served in every operational role within the industry.

**Soumit Roy** has served as our General Counsel since he joined the Company in September 2017 and also became our Chief Legal Officer and Corporate Secretary in September 2019 and an Executive Vice President in April 2020. Prior to joining the Company, Mr. Roy was an Attorney at Ferguson Braswell Fraser Kubasta PC, a law firm, from July 2013 to August 2017, where he represented clients on various matters including corporate governance, securities law, compliance, corporate acquisitions and transactions and intellectual property. From May 2008 to June 2013, Mr. Roy was a Chief Transactional Counsel at Whole Foods Market, and from 2004 to 2008, he served as a Corporate Counsel at Expedia Inc. Mr. Roy received a B.S. in Molecular Biology and Biochemistry from the University of Texas at Austin and a J.D. from the University of Texas School of Law.

## **Board Representation Agreements**

### ***The Lyons Agreement***

On December 23, 2020, the Company entered into a board representation agreement (the "Lyons Agreement") with Lyons Capital, LLC, The Lyons Community Property Trust, dated June 15, 1979 and Phillip N. Lyons (collectively with their respective affiliates, the "Lyons Investors") and Mr. Garbers. The Lyons Investors beneficially owned approximately 5% of the Company's common stock, par value \$0.0001 per share (the "Common Stock"), in the aggregate as of the date of the Lyons Agreement. Pursuant to the Lyons Agreement, the Board appointed Mr. Garbers to the Board and to the Corporate Governance and Nominating Committee of the Board (the "Corporate Governance and Nominating Committee"), effective January 1, 2021.

Also pursuant to the Lyons Agreement, prior to the Lyons Termination Date (as defined below), the Company will, with respect to any annual meeting of the Company's stockholders include Mr. Garbers or any replacement representative mutually agreed upon by the Company and the Lyons Investors pursuant to the Lyons Agreement (the "Lyons Investor Representative") in its proxy materials as a director nominee proposed by the Board, recommend the Lyons Investor Representative's election to the Company's stockholders and solicit proxies in favor of the Lyons Investor Representative's election.

With certain exceptions relating to breaches of the Lyons Agreement, the Lyons Agreement terminates after the Company or the Lyons Investors deliver a notice of termination at any time after the date of the Company's second annual meeting of stockholders following the date of the Lyons Agreement (the "Earliest Lyons Termination Date"), subject to the terminating party providing at least 30 days' advance notice (the effective date of such termination, the "Lyons Termination Date"). However, if the Company notifies the Lyons Investors and the Lyons Investor Representative before the Earliest Lyons Termination Date that the Board will re-nominate the Lyons Investor Representative at the Company's next annual meeting of stockholders, then the Earliest Lyons Termination Date would be automatically extended to the date of the Company's next annual meeting of stockholders. The Lyons Investor Representative has agreed to immediately tender his resignation as a director of the Company, which the Board may accept or reject in its sole discretion, upon the earliest of the following: (i) the Lyons Termination Date; (ii) the sale or other transfer by the Lyons Investors of the Common Stock that results in the Lyons Investors' net long ownership of the Common Stock falling below 80% of their ownership net long aggregate ownership of the Common Stock as of the date of the Lyons Agreement, with certain adjustments and exceptions as set forth in the Lyons Agreement; and (iii) the Lyons Investors' failure to cure a material breach of the Lyons Agreement pursuant to the Lyons Agreement.

### ***The Don R. Daseke Agreement***

On December 23, 2020, the Company entered into a board agreement (the "Don R. Daseke Agreement") with The Walden Group, Inc. and Don R. Daseke (collectively with their respective affiliates, the "Don R. Daseke Investors"). The Don R. Daseke Investors beneficially owned approximately 28% of the Common Stock in the aggregate as of the date of the Don R. Daseke

Agreement. Pursuant to the Don R. Daseke Agreement, prior to the Don R. Daseke Termination Date (as defined below), the Company will, with respect to any annual meeting of stockholders, include Mr. Daseke in its proxy materials as a director nominee proposed by the Board, recommend his election to the Company's stockholders and solicit proxies in favor of his election.

With certain exceptions relating to breaches of the Don R. Daseke Agreement, the Don R. Daseke Agreement terminates after the Company or the Don R. Daseke Investors deliver a notice of termination at any time after the date of the Company's second annual meeting of stockholders following the date of the Don R. Daseke Agreement, subject to the terminating party providing at least 30 days' advance notice (the effective date of such termination, the "Don R. Daseke Termination Date"); provided, however, that in the event that the Don R. Daseke Investors sell or otherwise transfer their shares of the Common Stock in any transaction that would result in the Don R. Daseke Investors' net long aggregate ownership of the Common Stock falling below 30% of the Don R. Daseke Investors' net long aggregate ownership of the Common Stock as of the date of the Don R. Daseke Agreement, with certain adjustments and exceptions as set forth in the Don R. Daseke Agreement, without the prior written approval of the Board, the Company's obligations to the Don R. Daseke Investors pursuant to the Don R. Daseke Agreement will terminate immediately.

### **Audit Committee**

We have a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act and The Nasdaq Stock Market, LLC Listing Rules (the "NASDAQ Listing Rules"). The members of the Audit Committee of the Board (the "Audit Committee") are Messrs. Bonner, Hennessy and Serianni. Each member of the Audit Committee is financially literate. In addition, the Board of Directors has determined that each member of the Audit Committee meets the additional independence standards set forth in the NASDAQ Listing Rules applicable to members of audit committees. The Board has also determined that Mr. Serianni qualifies as an "audit committee financial expert" as defined in applicable SEC rules.

### **Delinquent Section 16(a) Reports**

Section 16(a) of the Exchange Act, as amended, requires our officers, directors and persons who beneficially own more than ten percent of the Common Stock to file reports of ownership and changes in ownership with the SEC. These reporting persons are also required to furnish us with copies of all Section 16(a) forms they file. Based solely upon a review of such forms, we believe that during the year ended December 31, 2020 all required Section 16 reports were timely filed during 2020 by our directors, executive officers and beneficial owners of more than 10% of the Common Stock, except that Mr. Bonner filed a Form 5 on February 12, 2021 to report two transactions relating to the vesting of a prior restricted stock unit award that were required to be reported by September 8, 2020, Mr. Roy filed a Form 5 on February 12, 2021 to report two equity awards that were required to be reported by April 30, 2020 and Mr. Williams filed a Form 4 on May 12, 2020 to report two equity awards that were required to be reported by May 8, 2020.

### **Code of Ethics**

We have adopted a code of ethics that applies to our officers and directors. A copy of the code of ethics is available free of charge on the Investors section of our website at <http://www.daseke.com>. In addition, a copy of the code of ethics will be provided without charge upon request to us. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K relating to amendments to or waivers from any provision of the code of ethics applicable to such persons by posting such information on our website.

## ***Item 11. Executive Compensation***

### **Compensation Discussion and Analysis**

This Compensation Discussion and Analysis provides information about our rationale and policies with regard to the compensation of the executive officers who are our "Named Executive Officers" or "NEOs" for 2020 and is intended to provide investors with the material information necessary for understanding our compensation policies and decisions regarding our NEOs as well as providing context for the tabular disclosure provided in the executive compensation tables below. Our NEOs for 2020 are anyone who served as our principal executive officer during 2020 and our two most highly compensated executive officers who were serving at the end of 2020 other than our principal executive officer.

For 2020, our NEOs were:

<u>Name</u>	<u>Principal Position</u>
Chris Easter . . . . .	Former Chief Executive Officer <sup>(1)</sup>
Jason Bates . . . . .	Executive Vice President, Chief Financial Officer and Treasurer <sup>(2)</sup>
Rick Williams . . . . .	Executive Vice President and Chief Operating Officer <sup>(3)</sup>

(1) Mr. Easter was appointed to be our interim Chief Executive Officer effective as of August 15, 2019 and our Chief Operating Officer effective as of January 16, 2019. On February 7, 2020, the Board promoted Mr. Easter to Chief Executive Officer of the Company, effective as of such date. Mr. Easter also served as the Company's principal financial officer from September 6, 2019 until April 27, 2020, when Mr. Bates began to serve as the Company's principal financial officer. Mr. Easter resigned from his position as our Chief Executive Officer effective December 31, 2020.

(2) Mr. Bates was appointed to be our Executive Vice President, Chief Financial Officer and Treasurer on April 20, 2020.

(3) Mr. Williams was appointed to be our Executive Vice President and Chief Operating Officer on May 6, 2020.

### ***Compensation Overview***

Our executive compensation program has been designed to attract and retain individuals with the background and skills necessary to successfully execute our strategy in a demanding environment, to motivate those individuals to reach near-term and long-term goals in a way that aligns their interests with those of our stockholders, and to reward success in reaching such goals. We use three primary elements of compensation to fulfill that design: base salaries, annual cash bonuses, and long-term equity incentive awards. Cash bonuses and equity incentives (as opposed to base salary) represent the performance-driven elements of our compensation program. They are also flexible in application and can be tailored to meet our objectives. The determination of each individual's cash bonus reflects our belief as to the NEO's relative contribution to achieving or exceeding annual goals. The determination of each NEO's specific long-term incentive awards, which for 2020 consisted of stock options and performance-based restricted stock units ("PSUs") with multi-year vesting periods, is based on his expected long-term contributions. We believe that providing our NEOs with long-term incentive awards in the form of equity compensation such as stock options and PSUs further aligns the interests of our NEOs with the long-term interests of our stockholders because the value of such awards to our NEOs is directly tied to the value of the Common Stock.

We also provide a basic benefits package generally to all employees, including our NEOs, which includes a company-sponsored 401(k) plan and health, disability and life insurance.

### ***Leadership Transitions***

Beginning in the second half of 2019, with approval by the Board, the Company initiated and began executing on several actions intended to stabilize and improve our long-term performance, which included several management team transitions. The changes in the Company's management team in 2020 include the following:

- On February 7, 2020, the Board promoted Mr. Easter to Chief Executive Officer of the Company, effective as of such date. Mr. Easter continued to serve as the Company's Chief Operating Officer and principal financial officer until those roles were later filled by Messrs. Williams and Bates, respectively.
- On April 2, 2020, the Company and Angie Moss entered into a transition and separation agreement that provides for her termination from the position of Senior Vice President and Chief Accounting Officer, which became effective on May 29, 2020.
- On April 20, 2020, Mr. Bates was appointed Executive Vice President, Chief Financial Officer and Treasurer of the Company.
- On May 6, 2020, Mr. Williams was appointed Executive Vice President and Chief Operating Officer of the Company.
- On August 15, 2020, Mr. Bonner resigned as Executive Chairman of the Board. Mr. Bonner continues to serve as a Director of the Company, and in connection with his resignation as Executive Chairman of the Board, the Board elected Mr. Bonner as Chairman of the Board.
- On December 30, 2020, Mr. Easter notified the Company of his retirement as Chief Executive Officer and director of the Company, effective December 31, 2020.



- Also on December 30, 2020, the Board appointed Mr. Shepko as Interim Chief Executive Officer, effective January 1, 2021.

### ***Elements of 2020 Compensation***

We strive to recruit individuals who will support the Company’s mission and values. To accomplish this overarching goal, the Company’s executive compensation philosophy aims to properly motivate management with an easy-to-comprehend compensation package that seeks to provide our NEOs with base salaries, annual cash bonuses, and long-term equity-based compensation awards. Our NEOs also receive certain retirement, health, welfare, and additional benefits as described below.

<b>Compensation Elements</b>	<b>Characteristics</b>	<b>Primary Objective</b>
Base salary . . . . .	Fixed annual cash compensation. Salaries may be increased from time to time by the Compensation Committee based on our NEOs’ responsibilities and performance.	Designed to be stable component of compensation; recognize performance of job responsibilities; attract and retain talented NEOs.
Cash bonuses . . . . .	Performance-based annual cash incentive reflective of the achievement of core financial and strategic objectives (paid pursuant to our NEOs’ employment agreements except as otherwise noted below).	Encourage focus on short-term performance goals that serve as the basis for long-term performance and stockholder value creation; reward achievement of those goals.
Long-term equity incentives . . . . .	Equity-based compensation awards designed to incentivize executives to deliver long-term financial performance and stockholder value, while also providing a retention vehicle for top executive talent. For 2020, long-term equity incentive awards consisted of stock options that are subject to a three-year vesting period and performance-based restricted stock units that are subject to the achievement of specified performance hurdles and a three-year vesting period. The exercise price of the options is equal to the fair market value of a share of Common Stock on the date of grant.	Designed to incentivize executives to deliver long-term financial performance and stockholder value, retain, top executive talent, and align executive interests with stockholder interests.
Retirement savings 401(k) plan . . .	Qualified 401(k) retirement plan benefits are available for our NEOs and all other full-time employees.	Provide an opportunity for tax-efficient retirement savings.
Health and welfare benefits . . . . .	Health and welfare benefits are available to our NEOs and other full-time employees.	Provide benefits to meet the health and welfare needs of our employees and their families.

### ***Compensation Best Practices***

The Company maintains compensation arrangements intended to enhance returns to stockholders and include sound corporate governance features. We have listed below some of the more significant governance practices that we have adopted and the practices we have avoided, which we believe promote responsible pay and governance principles and alignment with stockholder interests.

<u>What We Do</u>	<u>What We Do Not Do</u>
<ul style="list-style-type: none"> <li>• Utilize an independent compensation consultant</li> <li>• Utilize a peer group of companies based on the Company’s industry, size, and other factors to provide a reference point on compensation determinations</li> <li>• Utilize a balanced approach to compensation, which combines fixed and variable, short-term and long-term, and cash and equity</li> <li>• Maintain a competitive compensation package designed to attract, motivate and retain and reward experienced and talented executive officers</li> <li>• Ensure cliff vesting for portion of equity awards to align with stockholder interests</li> <li>• Utilize different financial metrics for short-term and long-term compensation programs</li> </ul>	<ul style="list-style-type: none"> <li>• Provide excessive severance agreements or tax gross-up payments to executives</li> <li>• Allow directors or officers to hedge Company stock or pledge Company stock as collateral for a loan except in certain limited circumstances pre-approved by our Chief Legal Officer, who will approve such request only if such person clearly demonstrates the ability to repay the loan without selling stock</li> <li>• Provide excessive perquisites to our executives</li> <li>• Utilize compensation practices that involve excessive or unnecessary risk-taking</li> <li>• Allow directors or officers to engage in speculative trading of Company stock</li> <li>• Allow ratable vesting for all equity awards</li> <li>• Have the same financial metrics for short-term and long-term compensation programs</li> </ul>

***Advisory Vote on Executive Compensation and Advisory Vote on the Frequency of Future Advisory Votes on Executive Compensation***

We held an advisory vote on the compensation of our NEOs (sometimes referred to as the “say-on-pay” vote) and an advisory vote on the frequency of future say-on-pay votes (sometimes referred to as the “say-on-frequency” vote) at our 2019 annual meeting. At our 2020 annual meeting of stockholders, approximately 24% of the advisory votes cast voted to approve the compensation for our NEOs. As a result of such vote, the Compensation Committee engaged in conversations with two stockholders who were identified as not approving the compensation of our NEOs at our 2020 annual meeting of stockholders and who in the aggregate held approximately 73% of the votes cast against the compensation for our NEOs at such meeting. Directors and members of the Compensation Committee entered into an open dialogue with such stockholders, listening to their concerns and holding extensive discussions related compensation philosophy and the compensation of our NEOs. Subsequently, such stockholders have expressed that they would now approve the compensation of our NEOs, and therefore the Compensation Committee did not make any specific changes as a result of the vote.

We will continue to consider the outcome for our “say-on-pay” votes and stockholder views annually when making future compensation decisions for our executive officers.

***Process for Determining Executive Compensation***

The Compensation Committee has overall responsibility for approving and evaluating the director and officer compensation plans, policies and programs of the Company. The Compensation Committee uses several different tools and resources in reviewing elements of executive compensation and making compensation decisions, including our compensation consultant noted below. These decisions, however, are not purely formulaic and the Compensation Committee exercises judgment and discretion as appropriate, taking into consideration our financial results, culture, goals, and initiatives and whether each particular element provides an appropriate incentive and reward for performance that sustains and enhances long-term stockholder value. Included in these considerations is an assessment of the executive officer’s current total compensation, leadership, integrity, individual performance, prospect for future performance, years of experience, skill set and contributions to our financial results and the creation of stockholder value. The Compensation Committee considers input from our CEO in making determinations regarding our executive compensation program and the individual compensation of each executive officer, other than our CEO. Our CEO and management also provide information to the Compensation Committee regarding the performance of the Company for the determination of annual bonuses and long-term equity awards. The Compensation Committee makes the final determination of NEO compensation. Our CEO makes no recommendations regarding, and does not participate in discussions about, his own compensation.

The Compensation Committee retained the Rewards Solutions practice of Aon plc, an independent compensation consultant, to assist the Compensation Committee in assessing and determining executive compensation for 2020. In 2020, Aon plc assisted the Compensation Committee by providing competitive compensation data to assist in pay determinations, assessing the design of our short-term and long-term incentive programs, providing information on trends in executive compensation and governance, and advising on compensation to provide executives in connection with the transition in Company leadership. The Compensation Committee took into account the information provided by Aon plc to determine executive compensation for 2020.

On an annual basis, the Compensation Committee reviews and discusses compensation data for our CEO and our other NEOs as compared to compensation data for similarly situated executive officers at peer companies selected and recommended by the compensation consultant and approved by the Compensation Committee. The compensation consultant recommends peer companies that are similar in size (as measured by revenues and EBITDA) and have similar lines of business to the Company (*i.e.*, transportation and logistics companies) and/or have experienced significant growth over multiple years (*i.e.*, high-growth industrial companies). The Compensation Committee believes the comparator group is appropriate because it reflects the Company's market for executive talent and customers and is aligned with the Company's scope of operations and complexity.

The Compensation Committee worked with Aon plc to develop our compensation peer group in late 2017 using the factors noted. On an annual basis, the compensation consultant and Compensation Committee review the appropriateness of the peer group. In advance of 2020 compensation determinations, the Compensation Committee and Aon plc reviewed the composition of the peer group and determined that the companies comprising the peer group continued to be appropriate for pay level, pay design, and performance purposes. Accordingly, no changes were made by the Compensation Committee to the peer group for 2020. The following companies comprised the 2020 peer group: Werner Enterprises, Inc., Roadrunner Transportation Systems, Inc., Atlas Air Worldwide Holdings, Inc., Echo Global Logistics, Inc., Saia, Inc., Universal Logistics Holdings, Inc., Knight-Swift Transportation Holdings Inc., Forward Air Corporation, Air Transport Services Group, Inc., Marten Transport, Ltd., Covenant Transportation Group, Inc., Heartland Express, Inc., Spirit Airlines, Inc., The Middleby Corporation, The Greenbrier Companies, Inc., Aerojet Rocketdyne Holdings, Inc., Cornerstone Building Brands, Inc., HEICO Corporation, Allegiant Travel Company, Patrick Industries, Inc., Apogee Enterprises, Inc., Argon, Inc., NN, Inc., Lydall, Inc., Astronics Corporation, and Trex Company, Inc.

### ***Changes to Our Program in 2020***

In late 2019 and early 2020, the Compensation Committee conducted an in-depth assessment of our executive compensation program to determine whether any changes were appropriate to help ensure that the program meets our goals of attracting, retaining, and motivating valuable executives, driving long-term stockholder value creation and financial performance that underpins that stockholder value creation, and aligning our executives' financial interests with the success of the Company. In 2020, the Compensation Committee decided that our executive compensation program in its current form should be modified prospectively to better meet these objectives, and has accordingly implemented the following modifications:

- Developed a compensation program that is more reflective of evolving market practices; for example, by providing market competitive annual and long-term incentive award opportunities tied to short-term and long-term financial performance and stockholder value creation;
- Re-calibrated the mix of base salary, annual bonus opportunity and long-term incentive award opportunity for executives to rebalance (i) fixed vs. at-risk compensation and (ii) short-term vs. long-term compensation;
- Streamlined performance metrics used in the annual incentive plan to drive the most critical behaviors and financial performance in distinct areas that are most closely aligned with business objectives and sustainable profitability, which ultimately ties to stockholder value creation; and
- Fostered the achievement of long-term incentives by using a mix of performance-based awards and time-vested stock options to enhance the alignment of executive and stockholder interests, including the grant of performance shares that are earned based on the achievement of aggressive stock price hurdles plus continued employment, as well as stock options that only have value if there is stockholder value creation from the date of grant, as well as continued employment.

### ***Agreements with Our Named Executive Officers***

The Company was party to employment agreements with each of our three NEOs for 2020: Chris Easter, Jason Bates and Rick Williams. The employment agreements provide for compensatory payments and benefits upon certain termination events, including termination events following a change in control. In addition, the employment agreements provide for limited termination and change in control protections in connection with certain awards granted pursuant to the Incentive Plan. These provisions are intended to allow our NEOs to more objectively manage the Company and serve as a recruiting and retention tool. Pursuant to their employment agreements, our NEOs are subject to certain post-termination restrictions, including confidentiality, non-competition, and non-solicitation obligations. For a description of the terms of the employment agreements with each of our NEOs, please see the section below entitled “—Narrative to Summary Compensation Table.” For a more complete description of our obligations under the employment agreements in the event of a termination of employment or change in control, please see the section below entitled “—Potential Payments Upon Termination or Change in Control.”

## Tax and Accounting Considerations

The Compensation Committee and the Company review and consider the tax, accounting, and securities law implications of our compensation programs.

*Section 162(m)*—When setting executive compensation, we consider many factors, such as attracting and retaining executives and providing appropriate performance incentives. We also consider the after-tax cost to the Company in establishing executive compensation programs, both individually and in the aggregate, but tax deductibility is not our sole consideration. Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), generally disallows a federal income tax deduction to public companies for annual compensation over \$1 million (per individual) paid to their chief executive officer, chief financial officer, and the next three most highly compensated executive officers (as well as certain other officers who were covered employees in years after 2016). The 2017 Tax Act eliminated most of the exceptions from the \$1 million deduction limit, except for certain arrangements in place as of November 2, 2017. As a result, compensation payable to our NEOs in excess of \$1 million per person in a year will generally not be fully deductible.

*Accounting for Executive Compensation*—Currently, we account for all equity-based compensation under the rules of the Financial Accounting Standards Board Accounting Standards Codification Topic 718 (“FASB ASC Topic 718”). This rule requires us to estimate the expense of each equity award over the vesting period of the award and record it as such. We are also obligated to record cash-based awards as an expense at the time our payment obligation is accrued.

## Executive Compensation

### Summary Compensation Table

The following table sets forth information for the fiscal years ended December 31, 2020 and 2019 concerning compensation of our NEOs.

Name and principal position	Year	Salary (\$)	Bonus (\$) <sup>(1)</sup>	Stock awards (\$) <sup>(2)</sup>	Option awards (\$) <sup>(2)</sup>	All other compensation (\$) <sup>(3)</sup>	Total (\$)
Chris Easter <sup>(4)</sup> . . . . .	2020	685,417	190,000	445,686	353,410	3,311,400	4,985,913
Former Chief Executive Officer . .	2019	533,820	130,000	—	767,154	66,204	1,497,178
Jason Bates <sup>(5)</sup> . . . . .	2020	315,341	75,000	229,215	222,129	250,000	1,091,685
Executive Vice President, Chief Financial Officer and Treasurer							
Rick Williams <sup>(6)</sup> . . . . .	2020	570,794	702,500	285,516	316,192	13,022	1,888,024
Executive Vice President and Chief Operating Officer							

(1) Amounts in the Bonus column reflect annual bonuses paid for year of performance. For 2020, the Compensation Committee and the Board conducted a holistic review of Company and individual NEO performance when determining annual bonuses, taking into account the Company’s stock value, acquisition accomplishments, and organic growth, as well as the individual contributions of each NEO. The Compensation Committee and the Board also took into account our commitments under individual employment agreements and separation agreements in the determination of 2020 annual bonuses, in each case as such agreements are described below under the heading “—Narrative to Summary Compensation Table.” For 2019, Mr. Easter did not receive an annual bonus, but did receive a \$130,000 signing bonus. For 2020, Mr. Bates did not receive an annual bonus, but did receive a \$75,000 signing bonus.

(2) Amounts reflect the aggregate grant date fair value of stock awards and option awards granted to our NEOs, calculated in accordance with FASB ASC Topic 718. For additional information regarding the assumptions underlying this calculation, please see Note 13 to our consolidated financial statements, which is included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020. See “—Narrative to Summary Compensation Table” below for additional information regarding these awards.

(3) Reflects the following:

Name	Year	401(k) Company- matching contributions (\$)	Accrued severance benefits (\$) <sup>(a)</sup>	Relocation expenses (\$)	Other (\$)	Total (\$)
Chris Easter . . . . .	2020	11,400	3,300,000	—	—	3,311,400
	2019	5,417	—	60,787	—	66,204
Jason Bates. . . . .	2020	—	—	250,000	—	250,000
Rick Williams <sup>(b)</sup> . . . . .	2020	11,400	—	—	1,622	13,022

(a) For Mr. Easter, includes the amount of severance received in connection with his retirement on December 31, 2020. For additional information regarding these benefits, please see “—Potential Payments Upon a Termination or Change in Control” below.

(b) For Mr. Williams, includes \$6,313 in 401(k) matching prior to becoming Chief Operating Officer and \$1,622 received in connection with his private use of the Company plane.

(4) Mr. Easter was appointed to be our Chief Operating Officer effective as of January 16, 2019, our interim Chief Executive Officer effective as of August 15, 2019, and our principal financial officer effective as of September 6, 2019. On February 7, 2020, the Board promoted Mr. Easter to Chief Executive Officer of the Company, effective as of such date. Beginning on April 27, 2020, Mr. Easter no longer served as our principal financial officer, due to the appointment of Mr. Bates to that position. Beginning on May 6, 2020, Mr. Easter no longer served as our Chief Operating Officer due to the appointment of Mr. Williams to that position. Effective December 31, 2020, Mr. Easter retired from his position as Chief Executive Officer.

(5) Mr. Bates was appointed to be Executive Vice President, Chief Financial Officer and Treasurer effective as of April 20, 2020.

(6) Mr. Williams was appointed to be Executive Vice President and Chief Operating Officer of the Company effective as of May 6, 2020. The amounts listed represent the aggregate compensation received by Mr. Williams in 2020. Prior to his Chief Operating Officer appointment, Mr. Williams received \$224,487 in salary payments and \$7,935 in other compensation.

### ***Narrative to Summary Compensation Table***

#### ***Employment Agreement and Separation Agreement with Mr. Easter***

We entered into an employment agreement with Mr. Easter in January 2019, which provided for an initial five-year term and that the agreement would be automatically extended for successive one-year periods unless either party provided written notice of termination at least 60 days prior to the date the then-current employment term would otherwise end. The employment agreement initially provided for an annual salary of at least \$525,000, which was amended effective August 15, 2019 to \$650,000 in connection with Mr. Easter undertaking the roles of interim Chief Executive Officer and principal financial officer. Mr. Easter was entitled to a target annual cash bonus opportunity of at least \$175,000, with the ability to be greater than or less than the target amount based upon the attainment of performance goals and milestones determined by the Compensation Committee. The employment agreement also provided for a payment of \$130,000, which served as a reimbursement for any lost bonus compensation as a result of Mr. Easter leaving his previous employer. Mr. Easter was also entitled to an initial grant of stock options covering 350,000 shares of Common Stock that vest in five equal installments on each of the first five annual anniversaries of the grant date.

In April 2020, we entered into an amended and restated employment agreement with Mr. Easter, which provided, among other things: (i) Mr. Easter will continue to serve as the Chief Executive Officer of the Company and will perform the duties assigned to him by, and will report to, the Board; (ii) Mr. Easter’s employment will be on an at-will basis and there will be no fixed employment period; (iii) Mr. Easter will be entitled to an annualized base salary of \$700,000; (iv) Mr. Easter will be eligible to earn an annual discretionary bonus with a target value of 100% of his base salary; and (v) Mr. Easter will be eligible to participate in the Incentive Plan, with a target annual award having a grant date fair value equal to 150% of Mr. Easter’s base salary, which for 2020 consisted entirely of non-qualified stock options to purchase up to 652,200 shares of Common Stock, with an exercise price of \$1.38 per share that were scheduled to vest in three equal annual installments, subject to Mr. Easter’s continued employment (the “Easter 2020 Target Award”). Also in accordance with such agreement, Mr. Easter received a one-time equity award in 2020 (the “Easter Turn-Around Award”) consisting entirely of 755,400 PSUs that were eligible to vest at the end of a three-year performance period subject to the achievement of specified stock price hurdles and Mr. Easter’s continued employment. The Easter 2020 Target Award and the Easter Turn-Around Award were forfeited in connection with Mr. Easter’s separation agreement, the terms of which are described in more detail in the third paragraph below as well as in the section titled “—Potential Payments Upon Termination or Change in Control.”

Mr. Easter's amended and restated employment agreement also enabled Mr. Easter to participate in the same incentive compensation and benefit plans in which other senior executives of the Company were eligible to participate.

Mr. Easter's amended and restated employment agreement also contained a "clawback" provision that enabled the Company to recoup any amounts paid to Mr. Easter as incentive compensation under his amended and restated employment agreement if so required by applicable law, any applicable securities exchange listing standards or any clawback policy adopted by the Company. Mr. Easter's amended and restated employment agreement did not provide for any tax gross-up payments. If amounts payable to Mr. Easter under his amended and restated employment agreement or otherwise exceeded the amount allowed under Section 280G of the Code for Mr. Easter (thereby subjecting Mr. Easter to an excise tax), then such payments due to Mr. Easter were either (i) to be reduced (but not below zero) so that the aggregate present value of the payments and benefits received by Mr. Easter is \$1.00 less than the amount which would otherwise cause Mr. Easter to incur an excise tax under Section 4999 of the Code or (ii) be paid in full, whichever produced the better net after-tax position to Mr. Easter.

In December 2020, in connection with Mr. Easter's retirement, we entered into a separation agreement with him pursuant to which, among other things, (i) Mr. Easter's employment with the Company terminated on December 31, 2020; (ii) Mr. Easter agreed not to acquire any voting securities of the Company until after December 31, 2022; (iii) Mr. Easter agreed not to nominate or recommend for nomination any person for election to the Board until after December 31, 2022; (iv) Mr. Easter agreed not to solicit proxies regarding the election or removal of directors until after December 31, 2022; (v) Mr. Easter agreed not to submit any proposal for consideration at, or bring any other business before, any stockholder meeting until after December 31, 2022; (vi) Mr. Easter agreed not to form, join or participate in any group with respect to any voting securities of the Company, in each case, without the Company's prior approval until after December 31, 2022; and (vii) Mr. Easter agreed to decline any nomination, election or appointment to serve on the Board for a period of six years following the effective date of such separation agreement. The separation agreement also provided for severance benefits the terms of which are described in more detail below in the section titled "—Potential Payments Upon Termination or Change in Control."

#### *Employment Agreements with Messrs. Bates and Williams*

In April 2020, we entered into an employment agreement with Mr. Bates, which provides, among other things: (i) Mr. Bates will serve as the Executive Vice President and Chief Financial Officer of the Company and will perform the duties assigned to him by the Board or the Chief Executive Officer or their respective designees; (ii) Mr. Bates' employment will be on an at-will basis and there will be no fixed employment period; (iii) Mr. Bates will be entitled to an annualized base salary of \$450,000; (iv) Mr. Bates will be eligible to earn an annual discretionary bonus with target value of 75% of his base salary; (v) Mr. Bates will be eligible to participate in the Incentive Plan, with a target annual award having a grant date fair value equal to 80% of Mr. Bates' base salary, which for 2020 consisted entirely of non-qualified stock options to purchase up to 223,600 shares of Common Stock, with an exercise price of \$1.38 per share that are scheduled to vest in three equal annual installments, subject to Mr. Bates' continued employment (the "Bates 2020 Target Award"); (vi) Mr. Bates will receive a one-time equity award in 2020 (the "Bates Turn-Around Award") consisting entirely of 388,500 PSUs that are eligible to vest at the end of a three-year performance period subject to the achievement of specified stock price hurdles and Mr. Bates' continued employment.; (vii) Mr. Bates will receive a one-time award of non-qualified stock options to purchase up to 186,300 shares of Common Stock, with an exercise price of \$1.38 per share that are scheduled to vest in three equal annual installments, subject to Mr. Bates' continued employment (the "Bates Make-Whole Award"); (viii) Mr. Bates will be entitled to receive a sign-on award in the form of a one-time cash payment of \$75,000; and (ix) Mr. Bates will be entitled to a one-time cash payment of \$250,000 to serve as a signing bonus that can be used to assist with relocation expenses. The Bates 2020 Target Award, the Bates Turn-Around Award, and the Bates Make-Whole Award also provide for accelerated vesting of outstanding awards under limited circumstances, which are described in more detail below in the section titled "—Potential Payments Upon Termination or Change in Control."

In May 2020, we entered into an employment agreement with Mr. Williams, which provides, among other things: (i) Mr. Williams will serve as the Executive Vice President and Chief Operating Officer of the Company and will perform the duties assigned to him by the Board or the Chief Executive Officer or their respective designees; (ii) Mr. Williams' employment will be on an at-will basis and there will be no fixed employment period; (iii) Mr. Williams will be entitled to an annualized base salary of \$525,000; (iv) Mr. Williams will be eligible to earn an annual discretionary bonus with target value of 75% of his base salary; (v) Mr. Williams will be eligible to participate in the Incentive Plan, as amended, with a target annual award having a grant date fair value equal to 80% of Mr. Williams' base salary, which for 2020 consisted entirely of non-qualified stock options to purchase up to 260,900 shares of Common Stock, with an exercise price of \$1.41 per share that are scheduled to vest in three equal annual installments, subject to Mr.

Williams' continued employment (the "Williams 2020 Target Award"); (vi) Mr. Williams will receive a one-time equity award in 2020 (the "Williams Turn-Around Award") consisting entirely of 453,200 PSUs that are eligible to vest at the end of a three-year performance period subject to the achievement of specified stock price hurdles and Mr. Williams' continued employment; and (vii) Mr. Williams will receive a one-time grant of non-qualified stock options to purchase up to 310,600 shares of Common Stock, with an exercise price of \$1.41 per share that are scheduled to vest in three equal annual installments, subject to Mr. Williams' continued employment (the "Williams Promotion Award"); and (viii) Mr. Williams will be entitled to receive a \$300,000 retention award in cash if his employment agreement has not been terminated as of May 6, 2023. The Williams 2020 Target Award, the Williams Turn-Around Award, and the Williams Promotion Award also provide for accelerated vesting of outstanding awards under limited circumstances, which are described in more detail below in the section titled "—Potential Payments Upon Termination or Change in Control." If the Incentive Plan does not contain a sufficient number of shares under the Williams 2020 Target Award, the Williams Turn-Around Award, and the Williams Promotion Award, the awards will be settled in cash.

Messrs. Bates and Williams are able to participate in the same incentive compensation and benefit plans in which other senior executives of the Company are eligible to participate.

Also pursuant to the terms of their employment agreements, Messrs. Bates and Williams are entitled to severance payments in certain limited circumstances. Severance benefits to be provided under the employment agreements are described in more detail below in the section titled "—Potential Payments Upon Termination or Change in Control."

The employment agreements with Messrs. Bates and Williams contain a "clawback" provision that enables the Company to recoup any amounts paid to an executive as incentive compensation under his or her employment agreement if so required by applicable law, any applicable securities exchange listing standards or any clawback policy adopted by the Company. None of the employment agreements with Messrs. Bates and Williams provide for any tax gross-up payments. If amounts payable to Messrs. Bates or Williams under their employment agreements or otherwise exceed the amount allowed under Section 280G of the Code for such executive (thereby subjecting the executive to an excise tax), then such payments due to Messrs. Bates or Williams under their employment agreements will either (i) be reduced (but not below zero) so that the aggregate present value of the payments and benefits received by the executive is \$1.00 less than the amount which would otherwise cause Messrs. Bates or Williams to incur an excise tax under Section 4999 of the Code or (ii) be paid in full, whichever produces the better net after-tax position to the executive.

#### ***Outstanding Equity Awards At Fiscal Year-End Table***

The following table reflects information regarding outstanding equity-based awards held by our NEOs as of December 31, 2020.

Name	Grant date	Option awards				Stock awards				Equity Incentive plan awards: Market value of unearned shares, units or other rights that have not vested (\$) <sup>(2)</sup>
		Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable <sup>(1)</sup>	Option exercise price (\$)	Option expiration date	Number of shares or units of stock that have not vested (#) <sup>(1)</sup>	Market value of shares or units of stock that have not vested (\$) <sup>(2)</sup>	Equity Incentive plan awards: Number of unearned shares, units or other rights that have not vested (#) <sup>(1)</sup>		
Chris Easter . . . . .	1/16/2019	70,000	—	3.83	1/16/2029	—	—	—	—	
	9/06/2019	79,545	—	2.20	9/06/2029	—	—	—	—	
Jason Bates <sup>(3)</sup> . . . . .	4/20/2020	—	223,600 <sup>(4)</sup>	1.38	4/20/2030	—	—	—	—	
	4/20/2020	—	—	—	—	259,000 <sup>(5)</sup>	1,504,790	129,500 <sup>(6)</sup>	752,395	
	4/20/2020	—	186,300 <sup>(4)</sup>	1.38	4/20/2030	—	—	—	—	
Rick Williams . . . . .	5/06/2020	—	260,900 <sup>(4)</sup>	1.41	5/06/2030	—	—	—	—	
	5/06/2020	—	—	—	—	302,133 <sup>(5)</sup>	1,755,393	151,067 <sup>(6)</sup>	877,699	
	5/06/2020	—	310,600 <sup>(4)</sup>	1.41	5/06/2030	—	—	—	—	

- (1) The treatment of these awards upon certain employment termination and change in control events is described under “—Potential Payments Upon Termination or Change in Control” below.
- (2) Calculated based on the closing price for the Common Stock on December 31, 2020, which was \$5.81.
- (3) The awards granted to Mr. Bates constitute “employment inducement grants” under NASDAQ Listing Rule 5635(c)(4).
- (4) Options are scheduled to vest in three equal installments on the first three anniversaries of the grant date, subject to continued service through each applicable vesting date.
- (5) PSUs are subject to time- and performance-based vesting conditions. PSUs will time vest at the end of a three-year performance period, subject to continued service. PSUs reported in this column have performance-vested since the Common Stock equaled or exceeded two of the three specified performance hurdles for 20 trading days out of 30 consecutive trading days during the three-year performance period; specifically, 33.33% of the PSUs performance vested upon the achievement of a \$4 performance hurdle and 33.33% of the PSUs performance vested upon the achievement of a \$6 performance hurdle.
- (6) PSUs are subject to time- and performance-based vesting conditions. PSUs will time vest at the end of a three-year performance period, subject to continued service. PSUs reported in this column will performance-vest if the Common Stock equals or exceeds a specified performance hurdle for any 20 trading days out of 30 consecutive trading days during the three-year performance period; specifically 33.34% of the PSUs will vest upon the achievement of a \$9 performance hurdle.

### ***Potential Payments Upon Termination or Change in Control***

The following descriptions are not intended to be a comprehensive summary of the employment agreements and are qualified in its entirety by reference to such agreements, which are on file with the SEC.

#### *Separation Agreement with Mr. Easter*

As described above in the section entitled “—Narrative to Summary Compensation Table” we have entered into a separation agreement with Mr. Easter on December 30, 2020, which provided Mr. Easter with separation benefits in connection with his retirement. Mr. Easter’s separation agreement provides that Mr. Easter will receive, among other things, (i) his regular annual base salary through December 31, 2020; (ii) an annual bonus for 2020 in the gross amount of \$1.4 million; and (iii) in exchange for Mr. Easter’s waiver of any claim in relation to the unvested portion of any outstanding equity awards, four equal payments of \$475,000 on each of June 30, 2021, December 31, 2021, June 30, 2022, and December 31, 2022.

Mr. Easter’s separation agreement also includes a customary release of claims by him (on behalf of himself and his agents, spouse, heirs, executors, successors and assigns) in favor of the Company and its affiliates, and Mr. Easter’s eligibility and entitlement, if any, to the severance payments and any other payments and benefits described therein is subject to the non-revocation of such release of claims. In addition, Mr. Easter’s separation agreement provides that Mr. Easter shall remain subject to general confidentiality obligations in his amended and restated employment agreement as well as noncompetition and non-solicitation restrictions for a period of 24 months following December 31, 2020. Mr. Easter’s separation agreement also includes a release of claims by the Company (on behalf of itself and its subsidiaries, successors and assigns) in favor of Mr. Easter, his agents, spouse, heirs, executors, successors and assigns related to or arising from Mr. Easter’s employment with the Company, the cessation thereof and Mr. Easter’s amended and stated employment agreement, based on facts known by the Board, or facts that the Board should have known upon reasonable inquiry, as of December 31, 2020. Mr. Easter’s separation agreement also contains a mutual non-disparagement provision.

#### *Employment Agreements with Messrs. Bates and Williams*

As described above in the section entitled “—Narrative to Summary Compensation Table,” we have entered into employment agreements with each of Messrs. Bates and Williams. The following summarizes the impact of certain termination events or the occurrence of a change in control on each NEO’s entitlement to severance and other benefits under these employment agreements.

If the employment of Mr. Bates or Williams is terminated by the Company for cause or by the executive without good reason, such executive will be entitled to receive (i) all accrued salary through the date of termination and (ii) any post-employment benefits due under the terms and conditions of the Company’s benefits plans. The executive will not be entitled to any additional amounts or benefits as the result of a termination of employment for cause or by the executive without good reason.

If the employment of Mr. Bates or Williams is terminated by the Company without cause, such executive will be entitled to: (i) a severance amount equal to the sum of (A) 18 months of base salary plus (B) a pro rata portion of his target annual bonus for



the year in which he is terminated; (ii) up to 18 months of Company-subsidized COBRA coverage; and (iii) the accelerated vesting of any outstanding equity awards, with performance-based conditions vesting on actual achievement of the applicable performance-based conditions, except for the Bates 2020 Target Award, the Bates Turn-Around Award, the Bates Make-Whole Award, the Williams 2020 Target Award, the Williams Turn-Around Award, and the Williams Promotion Award, which provide for accelerated vesting in the circumstances described below.

If the employment of Mr. Bates or Williams is terminated due to his death or disability, such executive will be entitled to: (i) a pro rata portion of his target annual bonus for the year in which he is terminated; and (ii) the accelerated vesting of any outstanding equity awards that would have vested in the year of termination, with performance-based conditions vesting on actual achievement of the applicable performance-based conditions, except for the Bates 2020 Target Award, the Bates Turn-Around Award, the Bates Make-Whole Award, the Williams 2020 Target Award, the Williams Turn-Around Award, and the Williams Promotion Award,, which provide for accelerated vesting in the circumstances described below.

If Mr. Williams terminates the Employment Agreement for convenience after May 6, 2023, the Company may elect to pay Mr. Williams a severance payment equal to his monthly base salary for up to 18 months in order to extend the Prohibited Period (as defined in the Employment Agreement). If Mr. Williams' employment is terminated due to his death or disability, he will be entitled to, subject to his execution and non-revocation of a release of claims against the Company: (i) a pro rata portion of his target annual bonus for the year in which he is terminated; and (ii) the accelerated vesting of any outstanding equity awards that would have vested in the year of termination, with performance-based conditions vesting on actual achievement of the applicable performance-based conditions, except for the Williams 2020 Target Award, the Williams Turn-Around Award and the Williams Promotion Award, which provide for accelerated vesting in the circumstances described below.

Messrs. Bates and Williams' eligibility and entitlement, if any, to each severance payment and any other payment and benefit described above is subject to the execution and non-revocation of a customary release of claims agreement by such executive. Each executive is also subject to general confidentiality obligations in his employment agreement as well as noncompetition and non-solicitation restrictions for a period of 18 months. Under their employment agreements, "good reason" for each of Messrs. Bates and Williams generally means the occurrence of any of the following, without his consent: (i) a material reduction in base salary or target annual bonus, other than a general reduction in base salary or target annual bonus that affects all similarly situated executives in substantially the same proportions, (ii) a material diminution in his position, responsibilities or duties or the assignment of him to a position, responsibilities or duties of a materially lesser status or degree of responsibility than his position, responsibilities or duties; or (iii) any material breach by the Company of any provision of his employment agreement.

Under the employment agreements, "cause" generally means: (i) the commission by the executive of fraud, breach of fiduciary duty, theft, or embezzlement against the Company, its subsidiaries, affiliates or customers; (ii) the executive's willful refusal without proper legal cause to faithfully and diligently perform his or her duties; (iii) the breach of the confidentiality, noncompetition, non-solicitation or intellectual property provisions in the executive's employment agreement or the material breach of any other written agreement between the executive and one or more members of affiliated entities including the Company and its direct and indirect subsidiaries; (iv) the executive's conviction of, or plea of guilty or *nolo contendere* to, a felony (or state law equivalent) or any crime involving moral turpitude; (v) willful misconduct or gross negligence by the executive in the performance of duties to the Company that has or could reasonably be expected to have a material adverse effect on the Company; or (vi) the executive's material breach and violation of the Company's written policies pertaining to sexual harassment, discrimination or insider trading.

#### *Mr. Easter's Stock Options*

Pursuant to the terms of the Incentive Plan and the award agreements underlying the awards held by Mr. Easter other than the Easter 2020 Target Award and Easter Turn-Around Award described below, upon a "change in control," all unvested options will become exercisable as of the date of the change in control unless a replacement award is granted by the resulting entity.

Under the Incentive Plan, "change in control" generally means the occurrence of any of the following events: (i) acquisition of beneficial ownership of more than 50% of the combined voting power of securities entitled to vote in the election of members of the Board; (ii) individuals who serve as members of the Board as of the effective date of the Incentive Plan (or members of the Board whose election or nomination to the Board was approved by a vote of the current directors of the Board) ceasing to constitute the majority of the Board; (iii) consummation of a reorganization, merger or consolidation or sale of all or substantially all of the assets of the Company unless (A) the Company's pre-transaction stockholders hold at least 50% of the voting power of the resulting entity, (B) no person owns more than 50% of the common stock of the resulting entity and (C) at least a majority of the board of directors

of the resulting entity is composed of members of the Company's pre-transaction Board; or (iv) approval by the Company's stockholders of a complete liquidation or dissolution of the Company.

### ***2020 Target Awards***

Pursuant to the terms of the Bates 2020 Target Award and Williams 2020 Target Award (collectively, the "2020 Target Awards") upon (1) a change in control if no replacement award is provided; (2) the respective NEO's termination without cause; or (3) the respective NEO's resignation for good reason, the unvested portion of the 2020 Target Award will become vested in full and exercisable. If the NEO's employment terminates due to his death or disability, the unvested portion of the 2020 Target Award that would have vested in the year of termination will become vested and exercisable.

Under the 2020 Target Awards, "change in control," "good reason" and "cause" all have the same definitions as described above.

### ***Turn-Around Awards***

Pursuant to the terms of the Bates Turn-Around Award and Williams Turn-Around Award (collectively, the "Turn-Around Awards"), upon (1) a change in control; (2) the respective NEO's termination without cause; (3) the respective NEO's resignation for good reason; or (4) the respective NEO's death or disability, the unvested portion of Target Awards will vest based on actual achievement of the applicable performance-based conditions.

Under the Target Awards, "change in control," "good reason" and "cause" all have the same definitions as described above.

### ***Bates Make-Whole Award***

Pursuant to the terms of the Bates Make-Whole Award, upon (1) a change in control if no replacement award is provided; (2) Mr. Bates' termination without cause; or (3) Mr. Bates' resignation for good reason, the unvested portion of the Bates Make-Whole Award will become vested in full and exercisable. If Mr. Bates' employment terminates due to his death or disability, the unvested portion of the Bates Make-Whole Award that would have vested in the year of termination will become vested and exercisable.

Under the Bates Make-Whole Award, "change in control," "good reason" and "cause" all have the same definitions as described above.

### ***Williams Promotion Award***

Pursuant to the terms of the Williams Promotion Award, upon (1) a change in control if no replacement award is provided; (2) Mr. Williams' termination without cause; or (3) Mr. Williams' resignation for good reason, the unvested portion of the Williams Promotion Award will become vested in full and exercisable. If Mr. Williams' employment terminates due to his death or disability, the unvested portion of the Williams Promotion Award that would have vested in the year of termination will become vested and exercisable.

Under the Williams Promotion Award, "change in control," "good reason" and "cause" all have the same definitions as described above.

## **Director Compensation**

### ***Leadership Transitions***

On February 7, 2020, the size of the Board was increased from eight to nine members, and the Board appointed Mr. Easter as a member of the Board, effective as of such date. Also on such date, Mr. Easter was appointed as the Company's Chief Executive Officer.

On August 15, 2020, Mr. Bonner resigned as Executive Chairman of the Board, effective immediately. Mr. Bonner continues to serve as a member of the Board, and in connection with his resignation as Executive Chairman of the Board, the Board elected Mr. Bonner as Chairman of the Board.

On November 19, 2020, Ms. Warmbier resigned as a member of the Board, effective on such date.

On December 30, 2020, Mr. Easter notified the Company of his retirement as Chief Executive Officer and director of the Company, effective December 31, 2020.

On December 30, 2020, pursuant to the Lyons Agreement, Mr. Charlton tendered his resignation as a member of the Board, effective January 1, 2021, and the Board appointed Mr. Garbers to the Board and the Corporate Governance and Nominating Committee, in each case, effective as of January 1, 2021, to fill the vacancy resulting from Mr. Charlton's resignation.

On April 27, 2021, the Board appointed Ms. Ellingsen to the Board, the Compensation Committee and the Corporate Governance and Nominating Committee, in each case effective as of such date.

### *Annual Cash Compensation*

Our directors who also serve as employees of the Company do not receive additional compensation for their services as directors while serving as employees. Our non-employee directors receive (i) an annual retainer in the amount of \$75,000, and (ii) as applicable, an annual fee for serving as the chair of the Audit Committee in the amount of \$15,000, as the chair of the Compensation Committee in the amount of \$10,000 and as the chair of the Corporate Governance and Nominating Committee in the amount of \$10,000. The annual retainer and committee chair fees are paid quarterly. Mr. Shepko became Interim Chief Executive Officer effective January 1, 2021 and no longer receives any Board retainers.

### *Equity Compensation*

In addition to annual cash compensation described above, in 2020 our independent directors received an annual grant of 18,803 restricted stock units ("RSUs") worth \$50,090 as of the grant date, which generally vest on June 1, 2021, the first anniversary of the grant date.

The following table presents information regarding compensation earned by the non-employee directors for their Board service during the year ended December 31, 2020.

<u>Name</u>	<u>Fees earned or paid in cash (\$)(1)</u>	<u>Stock awards (\$)(2)</u>	<u>Option awards (\$)(3)</u>	<u>Total (\$)</u>
Brian Bonner . . . . .	28,125	—	—	28,125
Kevin M. Charlton . . . . .	85,000	50,090	—	135,090
Don Daseke . . . . .	75,000	—	—	75,000
Daniel J. Hennessy . . . . .	90,000	50,090	—	140,090
Charles "Chuck" F. Serianni . . . . .	75,000	50,090	—	125,090
Jonathan Shepko . . . . .	75,000	50,090	—	125,090
Kimberly Warmbier (4) . . . . .	85,000	50,090	—	135,090
Ena Williams . . . . .	75,000	50,090	—	125,090

- (1) Reflects annual retainer fees for non-employee directors of \$75,000 and annual Board committee chair fees, with Mr. Bonner receiving a prorated annual retainer due to him becoming a non-employee director on August 15, 2020.
- (2) Represents the aggregate grant date fair value, computed in accordance with FASB ASC Topic 718, of RSUs granted to independent directors in 2020. As of December 31, 2020, non-employee directors (as of such date) held outstanding RSUs in the following amounts: Mr. Bonner – 250,000; Mr. Daseke – 0; Messrs. Charlton, Hennessy, Serianni and Shepko and Ms. Williams – 18,083.
- (3) Non-employee directors were not granted stock options in 2020. As of December 31, 2020, non-employee directors (as of such date) held outstanding stock options in the following amounts: Messrs. Bonner, Charlton, Hennessy and Shepko – 25,000; Mr. Daseke – 99,940; Mr. Serianni and Ms. Williams – 0.
- (4) Ms. Warmbier resigned from the Board effective November 19, 2020. As a result, the 18,803 RSUs granted to her in 2020, which had a grant date fair value of \$50,090 as reflected in the table, were forfeited.

In addition, our non-employee directors are reimbursed for all out-of-pocket expenses incurred in connection with attending Board or committee meetings. Each director is indemnified for his or her actions associated with being a director to the fullest extent permitted under Delaware law.

### ***Process for Determining Non-Employee Director Compensation***

The Compensation Committee conducts an annual review of director compensation and benefits, including cash, equity-based awards and other compensation. In determining non-employee director compensation, the Compensation Committee seeks advice from the independent compensation consultants who are retained by the Board to, among other functions, analyze compensation and develop initial recommendations as to the amount and form of compensation to be paid to the Company’s non-employee directors, including pay mix. In analyzing compensation, the Compensation Committee’s advisor, Aon plc, obtains market compensation information derived from the Company’s peer group as described above. Market data is obtained for each element of Board compensation. The Board then reviews this information with the compensation consultant, as well as any developing trends in director compensation and how the Board’s workload compares to that of the peer group directors, and establishes the go-forward Board compensation arrangements. In establishing the go-forward Board compensation arrangements, the Compensation Committee considers the competitiveness of each element of compensation, as well as the competitiveness of total compensation. The Compensation Committee recommended that the Board approve the 2020 compensation package, and the Board approved the compensation package for 2020.

### **Compensation Committee Interlocks and Insider Participation**

None of our executive officers currently serves, nor served at any time during 2020, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on the Board of Directors.

## ***Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

### **Equity Compensation Plan Information**

The following table reflects, as of December 31, 2020, information regarding compensation plans under which equity securities of the Company are authorized for issuance.

<b>Plan category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights<sup>(1)</sup></b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
	(a)	(b)	(c)
Equity compensation plans approved by security holders <sup>(2)</sup> . . . . .	4,515,132	\$ 6.92	—
Equity compensation plans not approved by security holders <sup>(3)</sup> . . . . .	910,700	\$ 2.15	N/A
Total . . . . .	5,425,832	\$ 6.19	—

- (1) The weighted average exercise price does not take into account shares issuable upon vesting of outstanding RSUs or PSUs.
- (2) On February 27, 2017, the Company and Hennessy’s common stockholders approved the Incentive Plan, whereby the Company may grant awards of stock options, stock appreciation rights, restricted stock, RSUs, other stock-based awards and performance awards. Under the Incentive Plan, the Company is authorized to issue up to 4.5 million shares of Common Stock.
- (3) Reflects the grant of “employment inducement grants” under NASDAQ Listing Rule 5635(c)(4). These grants consisted of (a) 409,900 stock options and 388,500 PSUs to Mr. Bates and (b) 66,600 stock options and 45,700 PSUs to a non-executive officer employee.

## Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information regarding the beneficial ownership of the Common Stock as of March 31, 2021 based on information filed with the SEC or obtained from the persons named below, with respect to the beneficial ownership of shares of Common Stock, by:

- each person known by us to be the beneficial owner of more than 5% of our outstanding shares of Common Stock;
- each of our NEOs and directors (including our nominees) that beneficially owns shares of Common Stock; and
- all our executive officers and directors as a group.

Unless otherwise indicated, we believe that all persons named in the table have sole voting and investment power with respect to all shares of Common Stock beneficially owned by them.

<u>Name and Address of Beneficial Owner<sup>(1)</sup></u>	<u>Number of Shares Beneficially Owned</u>	<u>Approximate Percentage of Outstanding Common Stock<sup>(2)</sup></u>
Brian Bonner <sup>(3)</sup> . . . . .	360,458	*
Don R. Daseke <sup>(3)(4)</sup> . . . . .	18,101,781	27.8
Catharine Ellingsen . . . . .	—	—
Grant Garbers . . . . .	—	—
Daniel J. Hennessy <sup>(3)(5)</sup> . . . . .	865,324	1.3
Chuck “Chuck” F. Serianni . . . . .	16,752	*
Jonathan Shepko <sup>(3)</sup> . . . . .	269,996	*
Ena Williams . . . . .	28,752	*
Jason Bates <sup>(3)</sup> . . . . .	111,793	*
Rick Williams <sup>(3)</sup> . . . . .	489,905	*
Christopher Easter <sup>(3)</sup> . . . . .	169,545	*
All directors and executive officers as a group (11 individuals) <sup>(3)(4)(5)</sup> . . . . .	20,319,194	31.2
Osterweis Capital Management, Inc. <sup>(6)</sup> . . . . .	4,347,850	6.7
BlackRock, Inc. <sup>(7)</sup> . . . . .	3,383,630	5.2
Lyons Capital, LLC <sup>(8)</sup> . . . . .	3,250,000	5.0

\*Less than one percent.

- (1) Unless otherwise noted, the business address of each of the following entities or individuals is 15455 Dallas Parkway, Suite 550, Addison, Texas 75001.
- (2) Calculations based on 65,178,456 shares of Common Stock of the registrant outstanding at March 31, 2021.
- (3) Includes shares of Common Stock issuable upon exercise of stock options held by the following people in the following amounts: (a) 20,000 vested options held by each of Messrs. Bonner, Hennessy and Shepko, (b) 99,940 vested options held by Mr. Daseke; (c) 111,793 options held by Mr. Bates that will vest within 60 days of March 31, 2021, (d) 190,400 options held by Mr. Williams that will vest within 60 days of March 31, 2021, (e) 149,545 vested options held by Mr. Easter; and (f) 15,000 vested options held by Mr. Roy and 59,433 options held by Mr. Roy that will vest within 60 days of March 31, 2021.
- (4) The shares reported in the above table also include shares held of record by Barbara Daseke, his spouse, by The Walden Group, Inc., an entity of which Mr. Daseke is the President and majority stockholder, and by Walden Management Co. Pension, an entity of which Mr. Daseke is the sole trustee. Mr. Daseke disclaims beneficial ownership of the shares held of record by Ms. Daseke and Walden Management Co. Pension. Mr. Daseke has sole voting and sole dispositive power over 1,730,146 shares of Common Stock and shared voting and shared dispositive power over 16,371,635 shares of Common Stock. Ms. Daseke holds 34,321 shares of Common Stock, The Walden Group, Inc. holds 16,337,314 shares of Common Stock, and Walden Management Co. Pension holds 76,000 shares of Common Stock.
- (5) Includes 187,500 shares of Common Stock issuable upon exercise of warrants.
- (6) Comprised of approximately 4,347,850 shares of Common Stock issuable upon conversion of 500,000 shares of Series A Convertible Preferred Stock, convertible at the rate of 8.6957 shares of Common Stock per 1 share of Series A Convertible Preferred Stock. Information is based on a Schedule 13G/A filed with the SEC on February 16, 2021 by (a) Osterweis Capital Management, Inc., (b) Osterweis Capital Management, LLC, (c) John S. Osterweis, and (d) Carl P. Kaufman, all of which, except for Osterweis Capital Management, Inc., have sole voting and sole dispositive power. Business Address: One Maritime Plaza, Suite 800, San Francisco, CA 94111.
- (7) Information is based on a Schedule 13G/A filed with the SEC on January 29, 2021 by BlackRock, Inc. Business Address: 55 East 52nd Street New York, NY 10055.

- (8) Information is based on a Schedule 13G/A filed with the SEC on January 5, 2021 by (a) Lyons Capital, LLC, (b) The Lyons Community Property Trust, dated June 15, 1979, (c) Phillip N. Lyons, and (d) Lyons Share Foundation, all of which have shared voting and shared dispositive power over the reported shares of Common Stock. Business Address of Lyons Capital, LLC and The Lyons Community Property Trust: 5000 Birch Street, Suite 5500, Newport Beach, CA 92660. Business Address of Phillip N. Lyons 36 Harbor Island, Newport Beach, CA 92660.

### ***Item 13. Certain Relationships and Related Party Transactions, and Director Independence***

#### **Certain Relationships and Related Party Transactions**

The Company has entered into indemnification agreements with each of its directors and executive officers.

The Audit Committee must review and approve any related party transaction we propose to enter into in which the amount involved exceeds \$120,000. The Audit Committee charter details the policies and procedures relating to transactions that may present actual, potential or perceived conflicts of interest and may raise questions as to whether such transactions are consistent with the best interest of the Company and its stockholders. A summary of such policies and procedures is set forth below.

Any potential related party transaction that is brought to the Audit Committee's attention will be analyzed by the Audit Committee, in consultation with outside counsel or members of management, as appropriate, to determine whether the transaction or relationship does, in fact, constitute a related party transaction. At its meetings, the Audit Committee will be provided with the details of each new, existing or proposed related party transaction, including the terms of the transaction, the business purpose of the transaction and the benefits to us and to the relevant related party.

In determining whether to approve a related party transaction, the Audit Committee must consider, among other factors, the following factors to the extent relevant:

- whether the terms of the transaction are fair to us and on the same basis as would apply if the transaction did not involve a related party;
- whether there are business reasons for us to enter into the transaction;
- whether the transaction would impair the independence of an outside director;
- whether the transaction would present an improper conflict of interest for any director or executive officer taking into account the size of the transaction, the overall financial position of the director, executive officer or related party, the direct or indirect nature of the director's, executive officer's or related party's interest in the transaction and the ongoing nature of any proposed relationship, and any other factors the Audit Committee deems relevant; and
- any pre-existing contractual obligations.

Any member of the Audit Committee who has an interest in the transaction under discussion must abstain from voting on the approval of the transaction, but may, if so requested by the chairman of the Audit Committee, participate in some or all of the Audit Committee's discussions of the transaction. Upon completion of its review of the transaction, the Audit Committee may determine to permit or to prohibit the transaction.

#### **Director Independence**

The Board has undertaken a review of the independence of each director. Based on information provided by each director concerning his or her background, employment and affiliations, the Board has determined that none of our directors (other than Messrs. Daseke and Shepko) have relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of our directors (other than Messrs. Daseke and Shepko) is "independent" as that term is defined by The Nasdaq Listing Rules. In addition, the Board previously determined that Kimberly Warmbier, who served on the Board until her resignation in November 2020, and Kevin M. Charlton, who served on the board until his resignation in January 2021, had no relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and were "independent" as that term is defined by the NASDAQ Listing Rules during the time she or he served on the Board. In making these determinations, the Board considered the current and prior relationships that each director has with the Company and all other facts and circumstances the Board deemed relevant in determining each director's independence and eligibility to serve on the committees of the Board, including the transactions involving them described in the section titled "—Certain Relationships and Related Party Transactions."

There are no family relationships among any directors or executive officers.

## **Item 14. Principal Accountant Fees and Services**

### **Principal Accounting Fees and Services**

The following is a summary of fees paid to Grant Thornton LLP (“Grant Thornton”) for audit, audit related and tax fees for the years ended December 31, 2019 and December 31, 2020.

*Audit Fees.* Audit fees consist of fees billed for professional services rendered for the audit of our year-end financial statements and services provided in connection with regulatory filings and includes interim procedures, quarterly reviews and audit fees, as well as attendance at Audit Committee meetings.

*Audit-Related Fees.* Audit-related services consist of fees billed for assurance and related services that are reasonably related to performance of the audit or review of our financial statements and are not reported under “Audit Fees.” These services include attest services that are not required by statute or regulation and consultations concerning financial accounting and reporting standards.

*Tax Fees.* Tax fees consist of fees billed for tax return preparation and tax planning and advice.

	<u>2019 Fees</u>	<u>2020 Fees</u>
Audit Services . . . . .	\$ 2,232,203	\$ 2,050,232
Audit-Related Services <sup>(1)</sup> . . . . .	47,700	67,840
Tax Services . . . . .	498,697	897,822
All Other Services . . . . .	—	—
Total . . . . .	<u>\$ 2,778,600</u>	<u>\$ 3,015,894</u>

(1) Audit-related services are comprised of an audit of a benefit plan in 2019 and in 2020.

The Audit Committee determined that the services provided by Grant Thornton were compatible with Grant Thornton’s independence as the independent registered public accounting firm during 2019 and 2020.

### **Pre-Approval Policy**

Since the formation of the Audit Committee, and on a going-forward basis, the Audit Committee has and will pre-approve all auditing services and permitted non-audit services to be performed for us by our auditors, including the fees and terms thereof (subject to the de minimis exceptions for non-audit services described in the Exchange Act which are approved by the Audit Committee prior to the completion of the audit).

## **Part IV**

### **Item 15. Exhibits and Financial Statement Schedules**

#### **(a)(1) Financial Statements**

The financial statements included in Item 8. Financial Statements and Supplementary Data” are filed as part of this Form 10-K.

#### **(2) Financial Statement Schedules**

There are no financial statement schedules filed as part of this Form 10-K, since the required information is included in the financial statements, including the notes thereto, included in “Item 8. Financial Statements and Supplementary Data” or the circumstances requiring inclusion of such schedules are not present.

#### **(3) Exhibits**

<u>Exhibit No.</u>	<u>Exhibit</u>
2.1	Arrangement Agreement, dated April 13, 2018, by and among the registrant, Daseke Companies, Inc., Aveda Transportation and Energy Services Inc., 1277119 Alberta Ltd., Rodan Transport (U.S.A.) Ltd. and 2111943 Alberta Ltd (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed by the registrant on April 18, 2018).
3.1	Second Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed by the registrant on March 3, 2017).
3.2	Charter Amendment to Second Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.2 to the Quarterly Report on Form 10-Q filed by the registrant on August 6, 2020).
3.3	By-Laws of Daseke, Inc., as last amended and effective May 22, 2018 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed by the registrant on May 25, 2018).
3.4	First Amendment to the By-Laws of Daseke, Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed by the registrant on August 18, 2020).
3.5	Certificate of Designations, Preferences, Rights and Limitations of 7.625% Series A Convertible Cumulative Preferred Stock (incorporated by reference to Exhibit 3.2 to the registrant's Current Report on Form 8-K filed by the registrant on March 3, 2017).
4.1	Specimen stock certificate for the registrant's common stock (incorporated by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K filed by the registrant on March 3, 2017).
4.2	Specimen stock certificate for the registrant's 7.625% Series A Convertible Preferred Stock (incorporated by reference to Exhibit 4.2 to the registrant's Current Report on Form 8-K filed by the registrant on March 3, 2017).
4.3	Specimen warrant certificate (incorporated by reference to Exhibit 4.3 to the registrant's Current Report on Form 8-K filed by the registrant on March 3, 2017).
4.4	Warrant Agreement, dated July 22, 2015, between Continental Stock Transfer & Trust Company and the registrant (incorporated by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K filed by the registrant on July 28, 2015).
4.5	Sponsor Warrants Purchase Agreement, dated May 11, 2015, among the registrant and Hennessy Capital Partners II LLC (incorporated by reference to Exhibit 10.6 to the Registration Statement on Form S-1 (No. 333-205152) filed by the registrant on June 22, 2015).
4.6	Amended and Restated Registration Rights Agreement, dated as of February 27, 2017, by and among the registrant, Daseke Companies, Inc. (f/k/a Daseke, Inc.), Hennessy Capital Partners II LLC, and certain security holders of the registrant party thereto (incorporated by reference to Exhibit 4.1 of the registrant's Current Report on Form 8-K filed by the registrant on March 3, 2017).
4.7***	Description of Common Stock.



<b>Exhibit No.</b>	<b>Exhibit</b>
10.1	Term Loan Agreement, dated as of February 27, 2017, among the registrant, HCAC Merger Sub, Inc. (which merged with and into Daseke, Inc., which changed its name to Daseke Companies, Inc.), as borrower, certain financial institutions from time to time party thereto, as lenders, Credit Suisse AG, Cayman Islands Branch, as administrative agent, and Credit Suisse Securities (USA) LLC, UBS Securities LLC, and PNC Capital Markets LLC, as joint lead arrangers and joint bookrunners (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by the registrant on March 3, 2017).
10.2	Amendment No. 1 to Term Loan Agreement, dated as of August 16, 2017, among Daseke Companies, Inc., Daseke, Inc., Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Current Report filed by the registrant on Form 8-K on August 22, 2017).
10.3	Incremental and Refinancing Amendment (Amendment No. 2 to the Term Loan Agreement), dated as of November 28, 2017, among the registrant, Daseke Companies, Inc. and certain of its subsidiaries, Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent, and the lenders party thereto (incorporated by reference to Exhibit 10.3 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2017).
10.4	Fifth Amended and Restated Revolving Credit and Security Agreement, dated February 27, 2017, among the registrant, HCAC Merger Sub, Inc. (which merged with and into Daseke, Inc., which changed its name to Daseke Companies, Inc.) and certain of its subsidiaries party thereto, PNC Bank, National Association, as lender and agent, and certain financial institutions, as lenders, from time to time party thereto (incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed on March 3, 2017).
10.5	First Amendment to Fifth Amended and Restated Revolving Credit and Security Agreement, dated August 31, 2017, by and among the registrant, Daseke Companies, Inc., and certain of its subsidiaries party thereto and PNC Bank, National Association, as agent, and the lenders party thereto (incorporated by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q filed on November 9, 2017).
10.6	Second Amendment to Fifth Amended and Restated Revolving Credit and Security Agreement, dated November 28, 2017, by and among the registrant, Daseke Companies, Inc. and certain of its subsidiaries party thereto, PNC Bank, National Association, as agent, and the lenders party thereto (incorporated by reference to Exhibit 10.6 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2017).
10.7	Third Amendment to Fifth Amended and Restated Revolving Credit and Security Agreement, dated June 15, 2018, by and among the registrant, Daseke Companies, Inc., each of its subsidiaries party thereto as borrowers, PNC Bank National Association, as agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q filed on August 9, 2018).
10.8§	Fourth Amendment and Waiver to Fifth Amended and Restated Revolving Credit and Security Agreement, dated as of November 5, 2020, by and among the registrant, Daseke Companies, Inc., each of its subsidiaries party thereto as borrowers, the lenders party thereto, and PNC Bank, National Association, as agent for the lenders (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on November 12, 2020).
10.9§	Board Representation Agreement by and among the registrant, Lyons Capital, LLC, The Lyons Community Property Trust, dated June 15, 1979, Phillip N. Lyons and Grant Garbers (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by the registrant on January 5, 2021).
10.10§	Board Agreement by and among the registrant, The Walden Group, Inc. and Don R. Daseke (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed by the registrant on January 5, 2021).

<b>Exhibit No.</b>	<b>Exhibit</b>
10.11+	Separation Agreement, dated as of August 26, 2019, by and between Don R. Daseke and the registrant (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by the registrant on August 29, 2019).
10.12+	Amended and Restated Employment Agreement, dated as of April 20, 2020, by and between Christopher R. Easter and the registrant (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed by the registrant on August 6, 2020).
10.13+	Separation Agreement, dated as of December 30, 2020, by and among Christopher R. Easter and the registrant (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed by the registrant on January 5, 2021).
10.14+	Employment Agreement, dated as of April 20, 2020, by and between Jason Bates and the registrant (incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q filed by the registrant on August 6, 2020).
10.15+	Employment Agreement, dated as of May 6, 2020, by and between Rick Williams and the registrant (incorporated by reference to Exhibit 10.8 to the Quarterly Report on Form 10-Q filed by the registrant on August 6, 2020).
10.16+	Transition and Separation Agreement, dated as of April 2, 2020, by and between Angie Moss and the registrant (incorporated by reference to Exhibit 10.12 to the Quarterly Report on Form 10-Q filed by the registrant on August 6, 2020).
10.17+	Form of Indemnification Agreement between the registrant and each of its directors and executive officers (incorporated by reference to Exhibit 10.6 to the Current Report on Form 8-K filed by the registrant on March 3, 2017).
10.18+	Daseke, Inc. 2017 Omnibus Incentive Plan, as amended and restated on May 26, 2017, effective as of February 27, 2017 (incorporated by reference to Exhibit 4.3 to the registrant's Registration Statement on Form S-8 filed on May 31, 2017 (File No. 333-218386)).
10.19+	First Amendment to Daseke, Inc. 2017 Omnibus Incentive Plan (as amended and restated on May 26, 2017, effective as of February 27, 2017), effective as of September 6, 2019 (incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q filed on November 12, 2019).
10.20+	Daseke, Inc. 2017 Management Stock Ownership Program (incorporated by reference to Exhibit 10.10 to the Current Report on Form 8-K filed by the registrant on March 3, 2017).
10.21+	Daseke, Inc. 2017 Management Stock Ownership Program for Selected Management (incorporated by reference to Exhibit 4.5 to the registrant's Registration Statement on Form S-8 filed on May 31, 2017 (File No. 333-218386)).
10.22+	Daseke, Inc. 2017 Stock Ownership Program for Employees (incorporated by reference to Exhibit 4.4 to the registrant's Registration Statement on Form S-8 filed on May 31, 2017 (File No. 333-218386)).
10.23+	Daseke, Inc. 2017 Stock Ownership Program for Truck Driver Employees (incorporated by reference to Exhibit 4.6 to the registrant's Registration Statement on Form S-8 filed on May 31, 2017 (File No. 333-218386)).
10.24+	Daseke, Inc. Form of Restricted Stock Unit Award Agreement (Canadian Employee) (incorporated by reference to Exhibit 4.10 to the registrant's Registration Statement on Form S-8 filed on May 31, 2017 (File No. 333-218386)).
10.25+	Daseke, Inc. Form of Non-Qualified Stock Option Award Agreement (Canadian Employee) (incorporated by reference to Exhibit 4.11 to the registrant's Registration Statement on Form S-8 filed on May 31, 2017 (File No. 333-218386)).

<u>Exhibit No.</u>	<u>Exhibit</u>
10.26+	Form of Restricted Stock Unit Award Agreement of the registrant (incorporated by reference to Exhibit 10.7 to the registrant's Current Report on Form 8-K filed on March 3, 2017).
10.27+	Form of Non-Qualified Stock Option Award Agreement of the registrant (incorporated by reference to Exhibit 10.8 to the registrant's Current Report on Form 8-K filed on March 3, 2017).
10.28+	Form of Non-Qualified Stock Option Award Agreement for Non-Employee Directors of the registrant (incorporated by reference to Exhibit 10.9 to the registrant's Current Report on Form 8-K filed on March 3, 2017).
10.29+	Restricted Stock Unit Award Agreement, dated as of September 19, 2019, by and between Brian Bonner and the registrant (incorporated by reference to Exhibit 10.8 to the registrant's Quarterly Report on Form 10-Q filed on November 12, 2019).
10.30+	Non-Qualified Stock Option Award Agreement, dated as of April 20, 2020, by and between Christopher R. Easter and the registrant (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q filed by the registrant on August 6, 2020).
10.31+	Performance Stock Unit Award Agreement, dated as of April 20, 2020, by and between Christopher R. Easter and the registrant (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q filed by the registrant on August 6, 2020).
10.32+	Non-Qualified Stock Option Award Agreement, dated as of April 20, 2020, between Jason Bates and the registrant (incorporated by reference to Exhibit 4.3 to the Registration Statement on Form S-8 filed by the registrant on April 23, 2020).
10.33+	Non-Qualified Stock Option Award Agreement, dated as of April 20, 2020, between Jason Bates and the registrant (incorporated by reference to Exhibit 4.4 to the Registration Statement on Form S-8 filed by the registrant on April 23, 2020).
10.34+	Performance Stock Unit Award Agreement, dated as of April 23, 2020, between Jason Bates and the registrant (incorporated by reference to Exhibit 4.5 to the Registration Statement on Form S-8 filed by the registrant on April 23, 2020).
10.35+	Non-Qualified Stock Option Award Agreement, dated as of May 6, 2020, between Rick Williams and the registrant (incorporated by reference to Exhibit 10.9 to the Quarterly Report on Form 10-Q filed by the registrant on August 6, 2020).
10.36+	Non-Qualified Stock Option Award Agreement, dated as of May 6, 2020, between Rick Williams and the registrant (incorporated by reference to Exhibit 10.10 to the Quarterly Report on Form 10-Q filed by the registrant on August 6, 2020).
10.37+	Performance Stock Unit Award Agreement, dated as of May 6, 2020, between Rick Williams and the registrant (incorporated by reference to Exhibit 10.11 to the Quarterly Report on Form 10-Q filed by the registrant on August 6, 2020).
21.1***	List of subsidiaries.
23.1*	Consent of Independent Registered Public Accounting Firm
31.1*	Certification of Principal Executive Officer under Section 302 of Sarbanes-Oxley Act of 2002.

<b>Exhibit No.</b>	<b>Exhibit</b>
31.2*	Certification of Principal Financial Officer under Section 302 of Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer under Section 906 of Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer under Section 906 of Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Inline Cover Page Interactive Data File (embedded within the Inline XBRL document).

\* Filed herewith.

\*\* Furnished herewith.

\*\*\* Previously filed with the Original Report.

+ Management contract or compensatory plan or arrangement.

§ Schedules and similar attachments have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company hereby undertakes to furnish supplementally copies of any of the omitted schedules and attachments upon request by the SEC; provided, however, that the Company may request confidential treatment pursuant to Rule 24b-2 of the Exchange Act for any schedules and attachments so furnished.

***Item 16. Form 10-K Summary***

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DASEKE, INC.  
(Registrant)

Date: May 6, 2021

By: /s/ Jonathan Shepko  
Jonathan Shepko  
Interim Chief Executive Officer and Director  
(On behalf of the Registrant)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on May 6, 2021.

<u>/s/ Jonathan Shepko</u> Jonathan Shepko	Interim Chief Executive Officer and Director (Principal Executive Officer)
<u>/s/ Jason Bates</u> Jason Bates	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
<u>/s/ Brian Bonner</u> Brian Bonner	Chairman of the Board
<u>/s/ Don R. Daseke</u> Don R. Daseke	Director
<u>/s/ Catharine Ellingsen</u> Catharine Ellingsen	Director
<u>/s/ Grant Garbers</u> Grant Garbers	Director
<u>/s/ Daniel J. Hennessy</u> Daniel J. Hennessy	Director
<u>/s/ Chuck Serianni</u> Chuck Serianni	Director
<u>/s/ Ena Williams</u> Ena Williams	Director

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
Daseke, Inc.

### **Opinion on the financial statements**

We have audited the accompanying consolidated balance sheets of Daseke, Inc. (a Delaware corporation) and subsidiaries (the “Company”) as of December 31, 2020 and 2019, the related consolidated statements of comprehensive income (loss), changes in stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2020, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated February 26, 2021 (except for the material weaknesses discussed in Management’s Report on Internal Control over Financial Reporting, as to which the date is May 6, 2021) expressed an adverse opinion.

### **Restatement of the financial statements**

As discussed in Note 18, the financial statements have been restated to correct a misstatement.

### **Basis for opinion**

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### **Critical audit matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

*Impairment assessments – fair values of reporting units and trade names*

At December 31, 2020, the Company's goodwill and trade name balances were \$139.3 million and \$50.9 million, respectively. As discussed in Note 5 of the financial statements, goodwill and trade names with indefinite lives are tested by the Company's management for impairment at least annually as of October 1, or more frequently if events or circumstances indicate potential impairment. Goodwill is tested for impairment at the reporting unit level. Management estimates the fair values of the goodwill reporting units using a combination of the income and market approaches and trade names using the income approach. The Company engaged a third party valuation firm for the estimation of the fair values of the reporting units and trade names. We identified the estimation of the fair values of the reporting units and trade names as a critical audit matter.

The principal consideration for our determination that the estimation of the fair values of the reporting units and trade names is a critical audit matter is that there was high estimation uncertainty due to significant judgments with respect to assumptions used to project the future cash flows, including revenue growth rates, operating margin, and capital expenditures, as well as the discount rate and the valuation methodologies applied by the third party valuation firm.

Our audit procedures related to the estimation of the fair value of the reporting units and trade names included the following, among others. We tested the effectiveness of internal controls relating to management's review of the assumptions used to project future cash flows, the discount rate, and the valuation methodologies applied by the third party valuation firm. In addition to testing the effectiveness of controls, we also performed the following:

- Utilized an internal valuation specialist to evaluate:
  - the methodologies used and whether they were acceptable for the underlying assets or operations and applied correctly by performing independent calculations,
  - the calculation of the risk-adjusted discount rates by recalculating the weighted average cost of capital,
  - the guideline public companies and transactions utilized by the Company by examining financial metrics of the comparable public companies and transactions within the industry, and considering market participant guidance and perspective, and
  - the qualifications of the third party valuation firm engaged by the Company based on their credentials and experience.
- Tested the forecasted cash flows, including revenue growth rates, operating margin, and capital expenditures, by assessing the historical accuracy of management's estimates and the reasonableness of assumptions used by management, including analyzing the sensitivity of changes in significant assumptions and the resulting impact to the estimated fair values.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2013.

Dallas, Texas

February 26, 2021 (except for the restatement described in Note 18 and the effects thereof, as to which the date is May 6, 2021)

**DASEKE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(In millions, except share and per share data)

ASSETS	December 31,	
	2020	2019
	As Restated	As Restated
Current assets:		
Cash and cash equivalents . . . . .	\$ 176.2	\$ 95.7
Accounts receivable, net of allowance of \$3.0 and \$3.5 at December 31, 2020 and 2019, respectively . . . . .	154.4	197.8
Drivers' advances and other receivables . . . . .	8.0	8.2
Other current assets . . . . .	26.5	25.4
Total current assets . . . . .	365.1	327.1
Property and equipment, net . . . . .	402.7	464.3
Intangible assets, net . . . . .	93.8	109.1
Goodwill . . . . .	140.1	139.9
Right-of-use assets . . . . .	121.1	95.9
Other non-current assets . . . . .	4.1	4.3
Total assets . . . . .	\$ 1,126.9	\$ 1,140.6
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable . . . . .	\$ 16.5	\$ 20.5
Accrued expenses and other liabilities . . . . .	35.7	44.2
Accrued payroll, benefits and related taxes . . . . .	29.9	28.2
Accrued insurance and claims . . . . .	23.7	18.7
Current portion of long-term debt . . . . .	54.0	59.4
Current operating lease liabilities . . . . .	30.9	27.3
Other current liabilities . . . . .	—	21.5
Total current liabilities . . . . .	190.7	219.8
Line of credit . . . . .	—	1.7
Long-term debt, net of current portion . . . . .	618.6	631.6
Deferred tax liabilities . . . . .	70.0	69.9
Non-current operating lease liabilities . . . . .	96.0	77.8
Warrant liability . . . . .	6.3	4.2
Other non-current liabilities . . . . .	6.5	1.1
Total liabilities . . . . .	988.1	1,006.1
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Series A convertible preferred stock, \$0.0001 par value; 10,000,000 shares authorized; 650,000 shares issued with liquidation preference of \$65.0 at December 31, 2020 and 2019 . . . . .	65.0	65.0
Common stock, par value \$0.0001 per share; 250,000,000 shares authorized, 65,023,174 and 64,589,075 shares issued and outstanding at December 31, 2020 and 2019, respectively . . . . .	—	—
Additional paid-in-capital . . . . .	401.6	396.9
Accumulated deficit . . . . .	(327.8)	(327.0)
Accumulated other comprehensive loss . . . . .	—	(0.4)
Total stockholders' equity . . . . .	138.8	134.5
Total liabilities and stockholders' equity . . . . .	\$ 1,126.9	\$ 1,140.6

*The accompanying notes are an integral part of the consolidated financial statements.*



**DASEKE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
(In millions, except share and per share data)

	Years Ended December 31,		
	2020	2019	2018
	As Restated	As Restated	As Restated
Revenues:			
Company freight	\$ 676.8	\$ 804.6	\$ 721.7
Owner operator freight	408.9	455.3	440.5
Brokerage	234.3	294.7	266.4
Logistics	37.4	47.5	42.8
Fuel surcharge	96.7	134.9	141.7
Total revenue	<u>1,454.1</u>	<u>1,737.0</u>	<u>1,613.1</u>
Operating expenses:			
Salaries, wages and employee benefits	399.4	483.2	407.4
Fuel	87.3	138.5	141.1
Operations and maintenance	169.1	213.1	181.5
Communications	3.6	4.4	3.3
Purchased freight	491.4	597.7	588.6
Administrative expenses	66.5	75.5	58.5
Sales and marketing	1.8	5.1	3.4
Taxes and licenses	16.4	19.2	17.2
Insurance and claims	66.9	49.9	45.8
Acquisition-related transaction expenses	—	—	2.6
Depreciation and amortization	98.3	146.5	131.1
Gain on disposition of revenue property and equipment	(6.9)	(5.2)	(3.2)
Impairment	15.4	312.8	13.9
Restructuring charges	9.5	8.4	—
Total operating expenses	<u>1,418.7</u>	<u>2,049.1</u>	<u>1,591.2</u>
Income (loss) from operations	35.4	(312.1)	21.9
Other expense (income):			
Interest income	(0.6)	(1.0)	(1.3)
Interest expense	44.9	50.4	45.5
Write-off of deferred financing fees	—	2.3	—
Change in fair value of warrant liability	2.1	(1.4)	(66.0)
Other	(14.9)	(1.8)	(1.2)
Total other expense	<u>31.5</u>	<u>48.5</u>	<u>(23.0)</u>
Income (loss) before benefit for income taxes	3.9	(360.6)	44.9
Income tax benefit	(0.2)	(54.6)	(15.9)
Net income (loss)	4.1	(306.0)	60.8
Other comprehensive income:			
Foreign currency translation adjustments, net of tax expense (benefit) of \$0.0, \$0.3 and \$(0.5), respectively	0.4	0.5	(1.8)
Comprehensive income (loss)	<u>4.5</u>	<u>(305.5)</u>	<u>59.0</u>
Net income (loss)	4.1	(306.0)	60.8
Less dividends to Series A convertible preferred stockholders	(4.9)	(5.0)	(4.9)
Net income (loss) attributable to common stockholders	<u>\$ (0.8)</u>	<u>\$ (311.0)</u>	<u>\$ 55.9</u>
Earnings (loss) per common share:			
Basic	\$ (0.01)	\$ (4.84)	\$ 0.91
Diluted	\$ (0.01)	\$ (4.84)	\$ 0.90
Weighted-average common shares outstanding:			
Basic	64,775,275	64,303,438	60,672,999
Diluted	<u>64,775,275</u>	<u>64,303,438</u>	<u>66,325,172</u>
Dividends declared per Series A convertible preferred share	\$ 7.63	\$ 7.63	\$ 7.63

*The accompanying notes are an integral part of the consolidated financial statements.*

**DASEKE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**Years Ended December 31, 2020, 2019 and 2018**  
(In millions, except share data)

	Series A Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Par Value				
Balance at January 1, 2018 (As Restated)	650,000	65.0	48,712,288	—	237.3	(23.7)	0.9	279.5
Exercise of stock options	—	—	5,000	—	0.1	—	—	0.1
Exercise of warrants	—	—	2	—	—	—	—	—
Vesting of restricted stock units	—	—	84,516	—	(0.4)	—	—	(0.4)
Series A convertible preferred stock dividend	—	—	—	—	—	(4.9)	—	(4.9)
Stock-based compensation expense	—	—	—	—	3.6	—	—	3.6
Issuance of common stock	—	—	10,653,368	—	104.5	—	—	104.5
Issuance of earnout shares	—	—	5,000,000	—	48.2	(48.2)	—	—
Foreign currency translation adjustments	—	—	—	—	—	—	(1.8)	(1.8)
Net income (As Restated)	—	—	—	—	—	60.8	—	60.8
Balance at December 31, 2018 (As Restated)	650,000	65.0	64,455,174	—	393.3	(16.0)	(0.9)	441.4
Vesting of restricted stock units	—	—	133,901	—	(0.2)	—	—	(0.2)
Series A convertible preferred stock dividend	—	—	—	—	—	(5.0)	—	(5.0)
Stock-based compensation expense	—	—	—	—	3.8	—	—	3.8
Foreign currency translation adjustments	—	—	—	—	—	—	0.5	0.5
Net loss (As Restated)	—	—	—	—	—	(306.0)	—	(306.0)
Balance at December 31, 2019 (As Restated)	650,000	65.0	64,589,075	—	396.9	(327.0)	(0.4)	134.5
Exercise of warrants	—	—	1	—	—	—	—	—
Vesting of restricted stock units	—	—	434,098	—	(0.1)	—	—	(0.1)
Series A convertible preferred stock dividend	—	—	—	—	—	(4.9)	—	(4.9)
Stock-based compensation expense	—	—	—	—	4.8	—	—	4.8
Foreign currency translation adjustments	—	—	—	—	—	—	0.4	0.4
Net income (As Restated)	—	—	—	—	—	4.1	—	4.1
Balance at December 31, 2020 (As Restated)	650,000	\$ 65.0	65,023,174	\$ —	\$ 401.6	\$ (327.8)	\$ —	\$ 138.8

*The accompanying notes are an integral part of the consolidated financial statements.*

**DASEKE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In millions)

	Years Ended December 31,		
	2020	2019	2018
	As Restated	As Restated	As Restated
<b>Cash flows from operating activities</b>			
Net income (loss) . . . . .	\$ 4.1	\$ (306.0)	\$ 60.8
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation . . . . .	91.1	132.2	114.4
Amortization of intangible assets . . . . .	7.2	14.3	16.7
Amortization of deferred financing fees . . . . .	4.3	3.5	2.9
Non-cash operating lease expense . . . . .	(8.0)	27.2	—
Non-cash adjustments to contingent consideration . . . . .	(13.9)	—	—
Change in fair value of warrant liability . . . . .	2.1	(1.4)	(66.0)
Write-off of deferred financing fees . . . . .	—	2.3	—
Stock-based compensation expense . . . . .	5.9	3.8	3.6
Deferred taxes . . . . .	(0.1)	(59.8)	(19.8)
Bad debt expense . . . . .	1.2	3.7	1.1
Gain on disposition of property and equipment . . . . .	(6.9)	(5.2)	(4.0)
Deferred gain recognized on sales-type leases . . . . .	—	—	(2.4)
Impairment . . . . .	15.4	312.8	13.9
Changes in operating assets and liabilities			
Accounts receivable . . . . .	42.2	8.2	(33.2)
Drivers' advances and other receivables . . . . .	—	(2.6)	—
Payments received on sales-type leases . . . . .	—	—	14.7
Other current assets . . . . .	(0.6)	(1.8)	(4.2)
Accounts payable . . . . .	(4.1)	(1.8)	(8.9)
Accrued expenses and other liabilities . . . . .	5.0	(15.3)	15.7
Net cash provided by operating activities . . . . .	<u>144.9</u>	<u>114.1</u>	<u>105.3</u>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment . . . . .	(37.2)	(22.0)	(66.4)
Proceeds from sale of property and equipment . . . . .	68.8	37.8	26.3
Cash paid in acquisitions, net of cash acquired . . . . .	—	—	(131.7)
Net cash provided by (used in) investing activities . . . . .	<u>31.6</u>	<u>15.8</u>	<u>(171.8)</u>
<b>Cash flows from financing activities:</b>			
Advances on line of credit . . . . .	1,484.7	1,357.0	1,101.2
Repayments on line of credit . . . . .	(1,486.4)	(1,355.3)	(1,105.8)
Principal payments on long-term debt . . . . .	(82.2)	(76.0)	(58.6)
Proceeds from long-term debt . . . . .	—	—	6.1
Payment of contingent consideration . . . . .	(7.6)	—	—
Deferred financing fees . . . . .	—	(0.3)	(1.5)
Proceeds from issuance of common stock . . . . .	—	—	84.4
Series A convertible preferred stock dividends . . . . .	(4.9)	(5.0)	(4.9)
Net cash provided by (used in) financing activities . . . . .	<u>(96.4)</u>	<u>(79.6)</u>	<u>20.9</u>
Effect of exchange rates on cash and cash equivalents . . . . .	0.4	(0.6)	0.9
Net increase (decrease) in cash and cash equivalents . . . . .	80.5	49.7	(44.7)
Cash and cash equivalents – beginning of year . . . . .	95.7	46.0	90.7
Cash and cash equivalents – end of year . . . . .	<u>\$ 176.2</u>	<u>\$ 95.7</u>	<u>\$ 46.0</u>

*The accompanying notes are an integral part of the consolidated financial statements.*

**DASEKE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS – (Continued)**  
(In millions)

	Years Ended December 31,		
	2020	2019	2018
<b>Supplemental disclosure of cash flow information</b>			
Cash paid for interest. . . . .	\$ 40.6	\$ 46.7	\$ 42.7
Cash paid for income taxes. . . . .	3.5	3.6	2.4
<b>Noncash investing and financing activities</b>			
Property and equipment acquired with debt or finance lease obligations . . . . .	58.3	72.7	89.6
Accrued capital expenditures . . . . .	—	—	0.3
Property and equipment sold for notes receivable. . . . .	0.3	0.4	0.8
Property and equipment transferred to sales-type lease . . . . .	—	—	9.4
Sales-type lease returns to property and equipment . . . . .	—	—	1.3
Sales-type lease assets acquired with debt or capital lease obligations . . . . .	—	—	9.9
Sales-type lease assets sold for notes receivable . . . . .	—	—	57.6
Sales-type lease returns to sales-type lease assets . . . . .	—	—	32.9
Common stock issued in acquisitions. . . . .	—	—	19.7
Issuance of earnout shares. . . . .	—	—	48.2
Right-of-use assets acquired . . . . .	54.6	39.2	—

*The accompanying notes are an integral part of the consolidated financial statements.*

## DASEKE, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Nature of Operations

Daseke, Inc. is engaged in full service open-deck trucking that specializes primarily in flatbed truckload and heavy haul transportation of specialized items throughout the United States, Canada and Mexico. The Company also provides logistical planning and warehousing services to customers. The Company is subject to regulation by the Department of Transportation, the Department of Defense, the Department of Energy, and various state regulatory authorities in the United States. The Company is also subject to regulation by the Ministries of Transportation and Communications and various provincial regulatory authorities in Canada.

##### Principles of Consolidation

The consolidated financial statements include the accounts of Daseke, Inc. and its wholly owned subsidiaries (“Daseke”). All significant intercompany balances and transactions have been eliminated in consolidation.

##### Use of Estimates

The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### Accounts Receivable

The Company grants credit to its customers for substantially all of its sales. Accounts receivable are carried at original invoice amount less an estimate for doubtful accounts. The Company establishes an allowance for doubtful accounts based on a periodic review of its outstanding receivables and consideration of historical experience. Accounts receivable are written off when deemed uncollectible and recoveries of trade accounts receivable previously written off are recorded as income when received. Accounts receivable are unsecured and the Company does not charge interest on outstanding receivables.

Changes in the allowance for doubtful accounts is as follows (in millions):

	Year Ended December 31,	
	2020	2019
Beginning balance . . . . .	\$ 3.5	\$ 1.2
Provision, charged to expense . . . . .	1.2	3.7
Write-off, less recoveries . . . . .	(1.7)	(1.4)
Ending balance . . . . .	<u>\$ 3.0</u>	<u>\$ 3.5</u>

##### Cash and Cash Equivalents

Cash equivalents are defined as short-term investments that have an original maturity of three months or less at the date of purchase and are readily convertible into cash. The Company maintains cash in several banks and, at times, the balances may exceed federally insured limits. The Company does not believe it is exposed to any material credit risk on cash. The Company has a money market account as of December 31, 2020 and 2019 with a balance of \$160.0 million and \$72.9 million, respectively.

## DASEKE, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation, and are depreciated to estimated salvage value using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings and building improvements . . . . .	10 – 40 years
Leasehold improvements . . . . .	5 – 20 years <sup>(1)</sup>
Revenue equipment – tractors, trailers and accessories. . . . .	5 – 15 years
Assets leased and available for lease to owner-operators . . . . .	5 – 15 years
Vehicles. . . . .	5 – 7 years
Furniture and fixtures. . . . .	5 – 7 years
Office, computer equipment and capitalized software development . . . . .	3 – 5 years

<sup>(1)</sup> or the term of the lease, whichever is shorter

Long-lived assets are reviewed for impairment at the asset group level whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If the sum of the expected future undiscounted cash flow is less than the carrying amount of the asset, an impairment is indicated. A loss is then recognized for the difference, if any, between the fair value of the asset (as estimated by management using its best judgment) and the carrying value of the asset. If actual market value is less favorable than that estimated by management, additional write-downs may be required.

#### Goodwill and Intangible Assets

Goodwill and other intangible assets result from business acquisitions. The Company accounts for business acquisitions by assigning the purchase price to tangible and intangible assets and liabilities. Assets acquired and liabilities assumed are recorded at their fair values and the excess of the purchase price over amounts assigned is recorded as goodwill.

Goodwill is tested for impairment at least annually (or more frequently if impairment indicators arise) for each reporting unit by applying either a qualitative or quantitative analysis in accordance with the authoritative accounting guidance on goodwill. The Company first assesses qualitative factors to evaluate whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as the basis for determining whether it is necessary to perform a quantitative goodwill impairment test. The Company may bypass the qualitative assessment for any reporting unit in any period and proceed directly with the quantitative analysis. The quantitative analysis compares the fair value of the reporting unit with its carrying amount. The Company estimates the fair value of a reporting unit using a combination of discounted expected future cash flows (income approach) and guideline public companies method (market approach). The Company's annual assessment is conducted as of October 1 of each year.

Other intangible assets recorded consist of indefinite lived trade names and definite lived non-competition agreements and customer relationships. These intangible assets are stated at estimated fair value at the time of acquisition less accumulated amortization. Amortization is recorded using the straight-line method over the following estimated useful lives:

Customer relationships. . . . .	10 – 15 years
Non-competition agreements. . . . .	2 – 5 years

The Company evaluates its definite lived intangible assets for impairment when current facts or circumstances indicate that the carrying value of the assets to be held and used may not be recoverable. Indefinite-lived intangible assets are tested for impairment annually applying a fair value based analysis in accordance with the authoritative accounting guidance for such assets.

## DASEKE, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### Right of Use Assets

The Company capitalizes operating and finance leases for various real estate including corporate offices, trucking facilities and terminals, warehouses, and tractor parking as well as various types of equipment including tractors, trailers, forklifts, and office equipment. Leases with an initial term of 12 months or less (short term leases) across all asset classes are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term.

Some of the Company's leases include one or more options to renew, with renewals that can extend the lease term from 1 to 5 years. The Company's lease term calculations include the impact of options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option, and the exercise of lease renewal options is at the Company's sole discretion. Certain leases also include options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. Rights and obligations related to lease agreements the Company has signed but that have not yet commenced are not material. The Company has certain lease agreements related to its revenue equipment that contain residual value guarantees. These residual value guarantees require the Company to return the revenue equipment at the end of the lease term in a certain condition as specified by the lessor in the lease agreement.

The Company determines whether an arrangement is classified as a lease at inception. The Company's right-of-use assets represent its right to use the underlying assets for the lease term and the Company's lease liabilities represent its obligation to make lease payments arising from the leases. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Company's operating lease agreements generally do not provide an implicit rate. The Company develops an incremental borrowing rate based on the information available at the commencement date regarding the interest rate applicable to collateralized borrowings for a period similar to the original lease period. The incremental borrowing rates were used in determining the present value of lease payments which is reflected as the lease liability.

#### Revenue and Expense Recognition

While there may be master service agreements with Company customers, a contract is not established until the customer specifically requests the Company's services and the Company accepts. The Company evaluates each contract for distinct performance obligations. In the Company's business, a typical performance obligation is the transportation of a load, including any highly interrelated ancillary services.

The Company's revenue and related costs are recognized when the Company satisfies its performance obligation(s) transferring goods or services to the customer and the customer obtains control. With respect to freight, brokerage, logistics and fuel surcharge revenue, the Company's customers simultaneously receive and consume the benefits of the Company's contracts; therefore revenue is recognized over time. This is a faithful depiction of the satisfaction of the performance obligation, as the customer does not need to re-perform the transportation services the Company has provided to date. Logistics revenues are recognized as the services are provided.

Generally, the Company's customers are billed upon delivery of the freight or monthly and remit payment according to the approved payment terms.

#### *Freight Revenue*

Freight revenue is generated by hauling customer freight using company owned equipment (company freight) and owner-operator equipment (owner-operator freight). Freight revenue is the product of the number of revenue-generating miles driven and the rate per mile received from customers plus accessorial charges, such as loading and unloading freight, cargo protection, fees for detained equipment or fees for route planning and supervision.

## DASEKE, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### *Brokerage Revenue*

The Company regularly engages third-party capacity providers to haul loads. The Company is primarily responsible for fulfilling the promise to provide load transportation services, and has discretion in setting prices, along with the risk to fulfill the contract to the customer. Based upon this evaluation, the Company has determined that it is the principal and therefore, records gross revenues and expenses for brokerage services.

#### *Logistics Revenue*

Logistics revenue is generated from a range of services, including value-added warehousing, loading and unloading, vehicle maintenance and repair, preparation and packaging, fuel management, and other fleet management solutions.

#### *Fuel Surcharge*

Fuel surcharge revenue compensates the Company for fuel costs above a certain cost per gallon base. Generally, the Company receives fuel surcharges from customers on loaded miles. Typically fuel surcharge does not apply to empty miles, idle time or out of route miles.

The Company has designated the following preference and practical expedients:

- To not disclose remaining performance obligations when the expected performance obligation duration is one year or less. The vast majority of the Company's services transfer control within a month of the inception of the contract with select specialized loads taking several months to allow for increased planning and permitting.
- Recognize the incremental costs of obtaining or fulfilling a contract as an expense when incurred, as the amortization period of a potential asset would be recognized in one year or less.
- Exclude taxes collected on behalf of government authorities from the Company's measurement of transaction prices. Tax amounts are not included within net income or cost of sales.

#### Advertising

Advertising costs are expensed as incurred and were insignificant for the years ended December 31, 2020, 2019 and 2018.

#### Sales Taxes

Taxes collected from customers and remitted to governmental authorities are presented in revenues in the consolidated statements of operations and comprehensive income (loss) on a net basis.

#### Income Taxes

Income taxes are accounted for using an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the consolidated financial statement and tax basis of assets and liabilities at the applicable enacted tax rates.

The Company recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company recognizes interest and penalties related to income tax matters in income tax expense (benefit) within the statements of operations and comprehensive income (loss). The Company had no uncertain tax positions as of December 31, 2020 and 2019. The Company is no longer subject



## DASEKE, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

to United States federal income tax examinations by tax authorities for years before 2017. The Company is no longer subject to state income tax examinations by tax authorities for years before 2016.

#### Concentrations of Credit Risk

Financial instruments that potentially subject the Company to credit risk include accounts receivable. One customer represented 13.4% of trade accounts receivable as of December 31, 2020 and one customer represented 10.2% of trade accounts receivable as of December 31, 2019. One customer represented 10.4% of total revenue for the year ended December 31, 2020. No customer represented 10% or more of total revenue for the years ended December 31, 2019 and 2018.

#### Deferred Financing Fees

In conjunction with obtaining long-term debt, the Company incurs financing costs which are being amortized using the straight line method, which approximates the effective interest rate method, over the terms of the obligations. As of December 31, 2020 and 2019, the balance of deferred finance charges was \$7.1 million and \$11.4 million, respectively, which is included as a reduction of long-term debt, net of current portion in the consolidated balance sheets. Amortization expense for the years ended December 31, 2020, 2019 and 2018 totaled \$4.3 million, \$3.5 million and \$2.9 million, respectively, which is included in interest expense. In 2019, the Company expensed \$2.3 million to write-off certain deferred financing fees due to unsuccessful efforts to restructure the debt facilities.

#### Fair Value Measurements

The Company follows the accounting guidance for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a framework for measuring fair value and expands disclosures about fair value measurements. The three levels of the fair value framework are as follows:

- Level 1 – Quoted market prices in active markets for identical assets or liabilities.
- Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3 – Unobservable inputs reflecting the reporting entity’s own assumptions or external inputs from inactive markets.

A financial asset or liability’s classification within the framework is determined based on the lowest level of input that is significant to the fair value measurement.

The Company may be required, on a non-recurring basis, to adjust the carrying value of the Company’s property and equipment, intangible assets, goodwill and contingent consideration. When necessary, these valuations are determined by the Company using Level 3 inputs. These assets are subject to fair value adjustments in certain circumstances, such as when there is evidence that impairment may exist.

The Company’s warrant liabilities (see Note 12 for details) are included within the Level 1 and Level 3 fair value hierarchy. The Company valued contingent consideration for acquisition related earn-outs (see Note 3 for details) using Level 3 inputs. The following table sets forth by level within the fair value hierarchy the Company’s assets and liabilities that were accounted for at fair value:

Liabilities:	Fair value as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Earnout liability . . . . .	\$ —	\$ —	\$ —	\$ —
Warrant liability . . . . .	3.6	—	2.7	6.3
Total fair value . . . . .	\$ 3.6	\$ —	\$ 2.7	\$ 6.3

## DASEKE, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Liabilities:	Fair value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Earnout liability .....	\$ —	\$ —	\$ 21.5	\$ 21.5
Warrant liability .....	2.4	—	1.8	4.2
Total fair value .....	\$ 2.4	\$ —	\$ 23.3	\$ 25.7

The table below is a summary of the changes in the fair value of the earn-out liability within the Level 3 fair value hierarchy for the years ended December 31, 2020 and 2019 (in millions):

	2020	2019
Balance, beginning of year .....	\$ 21.5	\$ 21.9
Change in fair value .....	(0.2)	(0.4)
Arbitrated decrease in contingent consideration .....	(13.7)	—
Payment of contingent consideration .....	(7.6)	—
Balance, end of year .....	\$ —	\$ 21.5

On October 21, 2020, the Company and the representative of the former Aveda shareholders agreed to an earnout payment of \$7.4 million as the result of an arbitration process, which was paid in the fourth quarter of 2020. The settlement was approximately \$13.7 million less than the contingent consideration liability, which was recognized as a gain in the fourth quarter of 2020. In addition, \$0.2 million was paid during the year ended December 31, 2020 related to other contingent consideration.

The table below is a summary of the changes in the fair value of the warrant liability within the Level 3 fair value hierarchy for the years ended December 31, 2020 and 2019 (in millions):

	2020	2019
Balance, beginning of year .....	\$ 1.8	\$ 2.4
Change in fair value .....	0.9	(0.6)
Balance, end of year .....	\$ 2.7	\$ 1.8

#### Fair Value of Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued expenses, the line of credit and long-term debt. The carrying value of these financial instruments approximates fair value based on the liquidity of these financial instruments, their short-term nature or variable interest rates.

#### Stock-Based Compensation

Awards of equity instruments issued to employees and directors are accounted for under the fair value method of accounting and recognized in the consolidated statements of operations and comprehensive income (loss). Compensation cost is measured for all equity-classified stock-based awards at fair value on the date of grant and recognized using the straight-line method over the service period over which the awards are expected to vest. Compensation cost is remeasured for all liability-classified stock-based awards at fair value at each period-end and recognized using the straight-line method over the service period over which the awards are expected to vest.

Fair value of all time-vested options as of the date of grant is estimated using the Black-Scholes option valuation model, which was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Since the Company does not have a sufficient history of exercise behavior, expected term is calculated using the assumption that the options will be

## DASEKE, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

exercised ratably from the date of vesting to the end of the contractual term for each vesting tranche of awards. The risk-free interest rate is based on the U.S. Treasury yield curve for the period of the expected term of the stock option. For equity-classified awards, expected volatility is calculated using an index of publicly traded peer companies. For liability-classified awards, expected volatility is calculated using split and dividend adjusted closing stock prices over a lookback period commensurate with the remaining term of each award.

Fair values of non-vested stock awards (restricted stock units) are equal to the market value of the common stock on the date of the award with compensation costs amortized over the vesting period of the award.

Fair values of performance stock units are estimated using the Monte Carlo valuation model in a risk-neutral framework to model future stock price movements based upon highly subjective assumptions, including historical volatility, risk-free rates of return and the stock price simulated over the performance period. The risk-free interest rate is based on the interpolated constant maturity treasury curve for the performance period. Expected volatility is calculated using annualized historical volatility with a lookback period equal to the remaining performance period.

#### Accrued Insurance and Claims

The Company uses a combination of purchased insurance, self-insurance, and captive group programs. The insurance provides for the cost of vehicle liability, cargo loss, damage, general liability, property, workers' compensation claims and employee medical benefits. Self-insurance accruals relate primarily to vehicle liability, cargo damage, workers' compensation and employee medical claims.

The measurement and classification of self-insured costs requires the consideration of historical cost experience, demographic and severity factors, and judgments about the current and expected levels of cost per claim and retention levels. These methods provide estimates of the liability associated with claims incurred as of the balance sheet date, including claims not reported. The Company believes these methods are appropriate for measuring these highly judgmental self-insurance accruals. However, the use of any estimation method is sensitive to the assumptions and factors described above, based on the magnitude of claims and the length of time from the date the claim is incurred to ultimate settlement. Accordingly, changes in these assumptions and factors can materially affect actual costs paid to settle the claims and those amounts may be different than estimates.

#### Segment Reporting

The Company determines its operating segments based on the information utilized by the chief operating decision maker to allocate resources and assess performance. Based on this information, the Company has determined it has 11 operating segments as of December 31, 2020, 13 operating segments as of December 31, 2019 and 16 operating segments as of December 31, 2018 that are aggregated into two reportable segments: Flatbed Solutions, which delivers its services using primarily flatbed transportation equipment to meet the needs of high-volume, time-sensitive shippers, and Specialized Solutions, which delivers transportation and logistics solutions for super heavy haul, high-value customized and over-dimensional loads, many of which require engineering and customized equipment.

#### Earnings (Loss) Per Share

Basic earnings (loss) per common share is calculated by dividing net income (loss) attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted earnings (loss) per share reflect the potential dilution of earnings per share that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the Company's earnings (loss).

## DASEKE, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### Common Stock Purchase Warrants

The Company accounts for warrants for shares of the Company's common stock that are not indexed to its own stock or do not meet the equity classification guidance as liabilities at fair value on the balance sheet. The warrants are subject to remeasurement at each balance sheet date and any change in fair value is recognized as a component of other income (expense), net on the statement of operations. The Company will continue to adjust the liability for changes in fair value until the earlier of the exercise or expiration of the common stock warrants. At the time of exercise, the portion of the warrant liability related to the exercised common stock warrants will be reclassified to additional paid-in capital. See Note 12 for additional details on the common stock purchase warrants.

#### Foreign Currency Gains and Losses

The functional currency for all operations except Canada is the U.S. dollar. The local currency is the functional currency for the Company's operations in Canada. For these operations, assets and liabilities are translated at the rates of exchange on the consolidated balance sheet date, while income and expense items are translated at average rates of exchange during the period. The resulting gains or losses arising from the translation of accounts from the functional currency into U.S. dollars are included as a separate component of stockholders' equity in accumulated other comprehensive income until a partial or complete liquidation of the Company's net investment in the foreign operation.

From time to time, the Company's foreign operations may enter into transactions that are denominated in a currency other than their functional currency. These transactions are initially recorded in the functional currency of the operating company based on the applicable exchange rate in effect on the date of the transaction. Monthly, these transactions are remeasured to an equivalent amount of the functional currency based on the applicable exchange rate in effect on the remeasurement date. Any adjustment required to remeasure a transaction to the equivalent amount of functional currency is recorded in the consolidated statements of operations of the foreign operating company as a component of foreign exchange gain or loss.

#### Internal-use software

The Company capitalizes implementation costs incurred in a cloud-based hosting arrangement that is a service contract in the same manner as costs incurred to obtain internal-use software. These implementation costs, while not material, are included in property and equipment and amortized over the term of the service contract.

#### Recently Issued Accounting Pronouncements

In December 2019, the FASB issued ASU No. 2019-12 – Income Taxes (Topic 740) Simplifying the Accounting for Income Taxes, as part of its initiative to reduce complexity in the accounting standards. The amendments in ASU 2019-12 eliminate certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. ASU 2019-12 also clarifies and simplifies other aspects of the accounting for income taxes. The amendments in ASU 2019-12 will become effective for the Company on January 1, 2022. Early adoption is permitted, including adoption in any interim period. The Company is currently evaluating the impact of adopting this guidance.

In June 2016, the FASB issued ASU No. 2016-13, Accounting for Credit Losses (Topic 326). ASU 2016-13 requires the use of an "expected loss" model on certain types of financial instruments. The ASU sets forth a "current expected credit loss" (CECL) model which requires the Company to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets, including trade receivables. The new standard will become effective for the Company beginning with the first quarter 2023 and is not expected to have a material impact on the Company's consolidated financial statements.

## DASEKE, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### Reclassification of Prior Period Amounts

Certain prior period financial information has been reclassified to conform to current period presentation. As of December 31, 2020, the Company reclassified the presentation of finance lease right-of-use assets from other non-current assets to property and equipment, net. To conform to this presentation, the December 31, 2019 balance of finance lease right-of-use assets of \$25.3 million was also reclassified to property and equipment, net from other non-current assets. In addition, we reclassified certain prior period amounts in the effect of temporary differences that give rise to significant elements of deferred taxes and liabilities as of December 31, 2019 to conform to current year classification.

#### Restatement of Previously Issued Financial Statements

The Company has restated its financial statements as of December 31, 2020 and 2019, for the years ended December 31, 2020, 2019 and 2018 to correct misstatements in those prior periods related to misstatements identified in improperly applying accounting guidance for the Company's common stock warrants, recognizing them as equity instead of a warrant liability, under the guidance of Accounting Standards Codification ("ASC") 815-40, *Contracts in Entity's Own Equity*.

See Note 18, *Restatement of Previously Issued Financial Statements*, for additional information regarding the errors identified and the restatement adjustments made to the financial statements.

#### **NOTE 2 – LEASES**

##### Lessee

The Company has operating and finance leases for various real estate including corporate offices, trucking facilities and terminals, warehouses, and tractor parking as well as various types of equipment including tractors, trailers, forklifts, and office equipment. New real estate lease agreements will typically have initial terms between 3 to 15 years and new equipment lease agreements will typically have initial terms of 3 to 9 years.

The Company follows ASC 360, *Impairment or Disposal of Long-Lived Assets*, to determine whether right-of-use assets relating to operating and finance leases are impaired. The Company recorded impairment charges of \$3.2 million to right-of-use assets relating to Aveda operating leases for the year ended December 31, 2020. The fair value of the right-of-use assets were determined utilizing a market participant discount rate and the estimated market rent, in connection with the divestiture of Aveda in the Specialized Solutions segment. The Company recorded impairment charges of \$10.0 million to right-of-use assets relating to operating leases and \$0.8 million to right-of-use assets relating to finance leases for the year ended December 31, 2019.

**DASEKE, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following table reflects the Company's components of lease expenses for the year ended December 31, 2020 and 2019 (in millions):

	Classification	Year Ended December 31,	
		2020	2019
<b>Operating lease cost</b>			
Revenue equipment . . . . .	Operations and maintenance	\$ 24.3	\$ 22.2
Real estate . . . . .	Administrative expense	8.7	13.8
<b>Total operating lease cost . . . . .</b>		<b>\$ 33.0</b>	<b>\$ 36.0</b>
<b>Finance lease cost</b>			
Amortization of right-of-use assets . . . . .	Depreciation and amortization	\$ 5.1	\$ 5.4
Interest on lease liabilities . . . . .	Interest expense	1.2	0.9
<b>Total finance lease cost . . . . .</b>		<b>\$ 6.3</b>	<b>\$ 6.3</b>
<b>Total lease cost<sup>(a)</sup> . . . . .</b>		<b>\$ 39.3</b>	<b>\$ 42.3</b>

(a) Short-term lease expense and variable lease expense are immaterial.

The components of assets and liabilities for operating and finance leases are as follows as of December 31, 2020 and 2019 (in millions):

	Classification	December 31,	
		2020	2019
<b>Assets</b>			
Operating lease right-of-use assets . . . . .	Right-of-use assets	\$ 121.1	\$ 95.9
Finance lease right-of-use assets . . . . .	Property and equipment, net	30.6	25.3
<b>Total lease assets . . . . .</b>		<b>\$ 151.7</b>	<b>\$ 121.2</b>
<b>Liabilities</b>			
<b>Operating lease liabilities:</b>			
Current . . . . .	Current operating lease liabilities	\$ 30.9	\$ 27.3
Non-current . . . . .	Non-current operating lease liabilities	96.0	77.8
<b>Total operating lease liabilities . . . . .</b>		<b>\$ 126.9</b>	<b>\$ 105.1</b>
<b>Finance lease liabilities:</b>			
Current . . . . .	Current portion of long-term debt	\$ 8.5	\$ 6.2
Non-current . . . . .	Long-term debt, net of current portion	22.7	19.3
<b>Total finance lease liabilities . . . . .</b>		<b>\$ 31.2</b>	<b>\$ 25.5</b>
<b>Total lease liabilities . . . . .</b>		<b>\$ 158.1</b>	<b>\$ 130.6</b>

**DASEKE, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following table is a summary of supplemental cash flows related to leases for the year ended December 31, 2020 and 2019 (in millions):

	Year Ended December 31,	
	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ (37.8)	\$ (35.6)
Operating cash flows from finance leases	(1.1)	(0.9)
Financing cash flows from finance leases	(6.6)	(5.9)
Right-of-use assets obtained in exchange for lease obligations:		
Operating lease right-of-use assets	\$ 54.6	\$ 39.2
Finance lease right-of-use assets	11.6	13.1

The following table is the future payments on leases as of December 31, 2020 (in millions):

Year ending December 31,	Operating leases	Finance leases	Total
2021	\$ 36.2	\$ 9.6	\$ 45.8
2022	32.1	7.5	39.6
2023	26.3	8.1	34.4
2024	15.1	5.4	20.5
2025	8.9	2.5	11.4
Thereafter	27.1	—	27.1
Total lease payments	145.7	33.1	178.8
Less: interest	(18.8)	(1.9)	(20.7)
Present value of lease liabilities	<u>\$ 126.9</u>	<u>\$ 31.2</u>	<u>\$ 158.1</u>

The following table is a summary of weighted average lease terms and discount rates for leases as of December 31, 2020 and 2019:

	December 31,	
	2020	2019
Weighted-average remaining lease term (years)		
Operating leases	5.59	5.01
Finance leases	3.57	3.83
Weighted-average discount rate		
Operating leases	5.04 %	5.54 %
Finance leases	4.40 %	4.51 %

Lessors

The Company leases tractors and trailers to certain of its owner-operators and accounts for these transactions as operating leases. These leases typically have terms of 30 to 72 months and are collateralized by a security interest in the related revenue equipment. The Company recognizes income for these leases as payments are received over the lease term, which are reported in purchased freight on the consolidated statements of operations and comprehensive income (loss). The Company's equipment leases may include options for the lessee to purchase the equipment at the end of the lease term or terminate the lease prior to the end of the lease term. When an asset reaches the end of its useful economic life, the Company disposes of the asset.

The Company recorded depreciation expense of \$18.7 million and \$20.5 million on its assets leased under operating leases for the year ended December 31, 2020 and 2019, respectively. Lease income from lease payments related to the Company's operating leases for the years ended December 31, 2020 and 2019, was \$25.0 million and \$24.2 million, respectively.

**DASEKE, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following table is the future minimum receipts on leases as of December 31, 2020 (in millions):

<u>Year ending December 31,</u>	<u>Amount</u>
2021 .....	\$ 24.1
2022 .....	18.7
2023 .....	12.0
2024 .....	6.7
2025 .....	3.1
Thereafter .....	0.4
Total minimum lease receipts .....	<u>\$ 65.0</u>

**NOTE 3 – ACQUISITIONS**

Since its inception in late 2008 through 2018, the Company acquired 20 open-deck trucking companies. The primary reason for each acquisition was to add resources and services in geographic areas, customers and markets that the Company wants to serve.

For each acquisition, the aggregate purchase price was allocated to the major categories of assets acquired and liabilities assumed at estimated fair values as of the acquisition date, which were based, in part, upon outside preliminary appraisals for certain assets and subject to change when additional information concerning final asset and liability values is obtained. The final purchase price allocations may result in adjustments to certain assets and liabilities, including the residual amount allocated to goodwill.

**2018 Acquisitions**

The following is a summary of the allocation of the purchase price paid to the fair values of the net assets, net of cash acquired, of the Company's 2018 acquisitions (in millions):

<i>(all amounts in U.S. dollars)</i>	<u>Leavitt's</u>	<u>Builders</u>	<u>Kelsey Trail</u>	<u>Aveda</u>
Accounts receivable .....	\$ 1.9	\$ 8.4	\$ 2.3	\$ 37.3
Parts supplies .....	0.1	0.3	—	—
Other current assets .....	0.4	1.5	0.4	2.5
Property and equipment .....	8.5	29.4	9.2	89.8
Goodwill .....	5.1	14.7	3.3	7.7
Intangible assets .....	3.6	10.6	1.5	15.0
Other non-current assets .....	—	0.5	—	—
Deferred tax liability .....	—	(9.2)	(2.7)	(6.7)
Accounts payable and other liabilities .....	(4.9)	(19.9)	(8.0)	(30.0)
Total .....	<u>\$ 14.7</u>	<u>\$ 36.3</u>	<u>\$ 6.0</u>	<u>\$ 115.6</u>

Leavitt's Freight Service

On August 1, 2018, the Company acquired 100% of the outstanding equity interests of Leavitt's Freight Service, Inc. (Leavitt's), based in Springfield, Oregon. Total consideration paid was \$14.9 million of cash, which was funded with cash on hand. The acquisition was treated as an asset purchase because Leavitt's was a qualified subchapter S-subsidary acquired directly from an S-corporation; therefore, the values assigned to the intangible assets and goodwill are deductible for tax purposes. Approximately \$0.3 million of transaction expenses were incurred in the acquisition, which was deductible for tax purposes. As of December 31, 2018, the valuation of identifiable intangible assets was completed resulting in a decrease of \$1.6 million to the provisional intangible assets recorded of \$5.2 million, with a corresponding increase to goodwill. The resulting intangible assets totaling \$3.6 million consist of trade name valued at \$1.8 million, non-compete agreements valued at \$0.5 million and customer relationships intangible of \$1.3



## DASEKE, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

million. For the three months ended December 31, 2018, the change resulted in an insignificant decrease in amortization expense and accumulated amortization.

#### Builders Transportation

On August 1, 2018, the Company acquired 100% of the outstanding equity interests of Builders Transportation Co., LLC (Builders), based in Memphis, Tennessee. Total consideration paid was \$36.3 million, consisting of \$30.0 million in cash, 399,530 shares of Daseke common stock valued at \$3.4 million and the payoff of \$2.9 million of outstanding debt. The cash consideration was funded with cash on hand. The acquisition was a stock purchase; therefore, the values assigned to the intangible assets and goodwill are not deductible for tax purposes. Approximately \$0.2 million of transaction expenses were incurred in the acquisition, which are not deductible for tax purposes. As of December 31, 2018, the valuation of identifiable intangible assets was completed resulting in a decrease of \$2.5 million to the provisional intangible assets recorded of \$13.1 million, with a corresponding increase to goodwill. The resulting intangible assets totaling \$10.6 million consist of trade name valued at \$5.0 million, non-compete agreements valued at \$0.5 million and customer relationships intangible of \$5.1 million. For the three months ended December 31, 2018, the change resulted in an increase in amortization expense and accumulated amortization of \$0.2 million, of which \$0.1 million is related to the previous quarter. Additionally, goodwill and deferred tax liability were increased by \$0.4 million to recognize deferred taxes on the increase in amortizable identifiable intangible assets.

#### Kelsey Trail Trucking

On July 1, 2018, the Company acquired 100% of the outstanding equity interests of Kelsey Trail Trucking Ltd. (Kelsey Trail), based in Saskatoon, Saskatchewan province, Canada. Total consideration paid was \$6.2 million, consisting of \$5.3 million in cash and 95,859 shares of Daseke common stock valued at \$0.9 million. The cash consideration was funded with cash on hand. The acquisition was a stock purchase; therefore, the values assigned to the intangible assets and goodwill are not deductible for tax purposes. Approximately \$0.1 million of transaction expenses were incurred in the acquisition, which are not deductible for tax purposes. As of December 31, 2018, the valuation of identifiable intangible assets was completed resulting in a decrease of \$0.3 million to the provisional intangible assets recorded of \$1.9 million, with a corresponding increase to goodwill. The resulting intangible assets totaling \$1.6 million consist of trade name valued at \$1.5 million and non-compete agreements valued at \$0.1 million. For the three months ended December 31, 2018, the change resulted in an insignificant decrease in amortization expense and accumulated amortization. Additionally, goodwill and deferred tax liability were increased by \$2.5 million to adjust the beginning balance of deferred taxes. During the first quarter of 2019, goodwill and deferred tax liability were decreased by \$0.9 million to adjust the beginning balance of deferred taxes.

#### Aveda Transportation and Energy Services

On June 6, 2018, the Company acquired all of the outstanding common shares of Aveda Transportation and Energy Services Inc., a corporation existing under the laws of the Province of Alberta, Canada (Aveda), pursuant to the Agreement and the Plan of Arrangement (the Agreement). Total consideration paid was \$118.7 million, consisting of \$27.3 million in cash, 1,612,979 shares of Daseke common stock valued at \$15.4 million, and the payoff of \$54.8 million of outstanding debt. The Company will also pay to the holders of Aveda common shares up to C\$0.45 in cash per Aveda common share, contingent on and based on Aveda's Company EBITDA (as defined in the Agreement) meeting certain thresholds set forth in the Agreement for the period beginning June 1, 2018 and ending on May 1, 2019 or with agreement of the parties, July 1, 2018 to June 30, 2019. The contingent consideration for this earn-out has been paid in the amount of \$7.2 million during the fourth quarter of 2020 resulting from an arbitration settlement. This resulted in a gain of \$13.7 million that was also recognized during the fourth quarter of 2020. The Aveda acquisition was a stock purchase; therefore, the value assigned to the intangible assets and goodwill are not deductible for tax purposes. Approximately \$1.1 million of transaction expenses were incurred in the acquisition, which are not deductible for tax purposes. As of December 31, 2018, the valuation of identifiable intangible assets was completed resulting in an increase of \$6.1 million to the provisional intangible assets recorded of \$9.0 million. The resulting intangible assets totaling \$15.0 million consist of trade name valued at \$6.3 million, non-compete agreements valued at \$1.5 million and customer relationships intangible of \$7.2 million. For the three months ended December 31, 2018, the change resulted in an insignificant increase in amortization expense and accumulated amortization.

## DASEKE, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Additionally, goodwill and deferred tax liability were increased by \$0.7 million to recognize deferred taxes on the increase in amortizable identifiable intangible assets. Additionally, goodwill and deferred tax liability were increased by \$4.7 million to adjust the beginning balance of deferred taxes. During the first quarter of 2019, goodwill and deferred tax liability were increased by \$0.7 million to adjust the beginning balance of deferred taxes. See Note 7 for information regarding the winding down of the Aveda operations.

#### NOTE 4 – OTHER CURRENT ASSETS

The components of other current assets are as follows as of December 31 (in millions):

	2020	2019
Insurance . . . . .	\$ 12.0	\$ 10.1
Licensing, permits and tolls . . . . .	4.9	5.4
Other prepaids . . . . .	3.2	1.7
Parts supplies . . . . .	3.1	3.5
Income tax receivable . . . . .	1.6	—
Highway and fuel taxes . . . . .	1.1	1.6
Other assets . . . . .	0.6	3.1
Total . . . . .	\$ 26.5	\$ 25.4

#### NOTE 5 – GOODWILL AND INTANGIBLE ASSETS

Goodwill represents the excess of the purchase price of all acquisitions over the estimated fair value of the net assets acquired. The Company performs an impairment test of goodwill annually as of October 1 or when impairment indicators arise.

The Company did not identify any goodwill impairment for the year ended December 31, 2020. For 2019, the Company recognized \$118.8 million of impairment, of which \$111.0 million was not deductible for tax purposes. For 2018, the Company recognized goodwill impairment of \$11.1 million.

The summary of changes in the carrying amount of goodwill for the years ended December 31, 2020 and 2019 are as follows (in millions):

	Flatbed	Specialized	Total
Goodwill balance at January 1, 2019 . . . . .	\$ 101.5	156.9	\$ 258.4
Impairment . . . . .	(42.2)	(76.6)	(118.8)
Adjustments to previously recorded goodwill, net . . . . .	—	(0.3)	(0.3)
Foreign currency translation adjustment . . . . .	—	0.6	0.6
Goodwill balance at December 31, 2019 . . . . .	59.3	80.6	139.9
Foreign currency translation adjustment . . . . .	—	0.2	0.2
Goodwill balance at December 31, 2020 . . . . .	\$ 59.3	\$ 80.8	\$ 140.1

During 2020, the Company recorded impairment charges to intangible assets of \$8.2 million for the trade names category of intangible assets as a result of the planned divestiture of Aveda and the reorganization and merger of two of the Company's operating companies. During 2019, the Company recorded an impairment charge to intangible assets of \$85.6 million for the non-competition agreements, customer relationships and trade names categories of intangible assets. In 2018, the Company recorded an impairment charge of \$2.8 million related to the trade names category of intangible assets as a result of the reorganization and merger of two of the Company's operating companies

**DASEKE, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Intangible assets consisted of the following at December 31, 2020 and 2019 (in millions):

	As of December 31, 2020			As of December 31, 2019		
	Intangible Assets	Accumulated Amortization	Intangible Assets, net	Intangible Assets	Accumulated Amortization	Intangible Assets, net
Non-competition agreements. . . . .	\$ 21.7	\$ (19.7)	\$ 2.0	\$ 21.7	\$ (18.4)	\$ 3.3
Customer relationships. . . . .	88.9	(48.1)	40.8	88.9	(42.2)	46.7
Trade names . . . . .	50.9	—	50.9	59.1	—	59.1
Foreign currency translation adjustment. . . . .	0.1	—	0.1	—	—	—
Total intangible assets . . . . .	<u>\$ 161.6</u>	<u>\$ (67.8)</u>	<u>\$ 93.8</u>	<u>\$ 169.7</u>	<u>\$ (60.6)</u>	<u>\$ 109.1</u>

As of December 31, 2020, non-competition agreements and customer relationships had weighted average remaining useful lives of 1.9 and 9.2 years, respectively.

Amortization expense for intangible assets with definite lives was \$7.2 million, \$14.3 million and \$16.7 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Future estimated amortization expense is as follows (in millions):

<u>Year ending December 31,</u>	<u>Non-competition Agreements</u>	<u>Customer Relationships</u>
2021 . . . . .	\$ 1.0	\$ 5.9
2022 . . . . .	0.9	5.9
2023 . . . . .	0.1	5.9
2024 . . . . .	—	4.1
2025 . . . . .	—	3.1
Thereafter . . . . .	—	15.9
Total . . . . .	<u>\$ 2.0</u>	<u>\$ 40.8</u>

**NOTE 6 – PROPERTY AND EQUIPMENT**

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If the carrying amount of an asset or group of assets exceeds its net realizable value, the asset will be written down to its fair value and the amount recognized for impairment is equal to the difference between the carrying value and the asset’s fair value.

During the first quarter of 2020, the Company recorded an impairment charge of \$4.0 million to state property and equipment at fair value, calculated using the indirect method of the cost approach, which related to the Specialized Solutions segment. During 2019, the Company recorded an impairment charge of \$97.6 million to adjust property and equipment to fair value. The impairment charges are included in impairment in the consolidated statements of operations and comprehensive income (loss).

## DASEKE, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The components of property and equipment are as follows at December 31 (in millions):

	2020	2019
Revenue equipment .....	\$ 546.7	\$ 630.6
Assets leased and available for lease to owner-operators .....	87.1	64.3
Buildings and improvements .....	57.0	59.9
Furniture and fixtures, office and computer equipment, vehicles and capitalized software development .....	31.9	40.2
	722.7	795.0
Accumulated depreciation .....	(320.0)	(330.7)
Total .....	\$ 402.7	\$ 464.3

Total depreciation expense was \$91.1 million, \$132.2 million and \$114.4 million for the years ended December 31, 2020, 2019 and 2018, respectively, which included depreciation expense on assets leased and available for lease to owner-operators of \$18.7 million and \$20.5 million for the years ended December 31, 2020 and 2019.

#### NOTE 7 – INTEGRATION AND RESTRUCTURING

On July 30, 2019, the Company internally announced a plan to integrate three operating segments with three other operating segments (Project Synchronize or the Plan), which reduced the number of operating segments from 16 to 13. On September 4, 2019, the Company announced a comprehensive restructuring plan (Project Pivot) intended to reduce its cost base, right size its organization and management team and increase and accelerate its previously announced operational improvement goals. The integration and restructuring costs consist of asset impairments, employee-related costs, and other transition and termination costs related to restructuring activities. Employee-related costs include severance, tax preparation, and relocation costs, which are accounted for in accordance with ASC 420 *Exit or Disposal Cost Obligations*. Other transition and termination costs include fixed asset-related charges, contract and lease termination costs, professional fees, and other miscellaneous expenditures associated with the integration or restructuring activities, which are expensed as incurred. Costs are reported in restructuring charges in the consolidated statements of operations and comprehensive income (loss). The obligation related to employee separation costs is included in other current liabilities in the consolidated balance sheets.

During the first quarter of 2020, the Company made the decision to close certain of the Aveda terminals and wind down those operations. The Company recorded \$8.2 million of restructuring and exit costs in connection with the closure of these terminals in the year ended December 31, 2020 and the Company does not expect any future material restructuring and exit costs associated with the closure.

On March 10, 2020, the Company announced a plan to integrate three operating segments with three other operating segments (Phase II of the Plan). Phase II of the Plan was initially expected to be significantly completed by June 30, 2020, however, due to uncertainties and changes in focus caused by the COVID-19 pandemic, the Company delayed and reevaluated Phase II of the Plan and reduced the planned number of integrations from three to two operating segments. As of December 31, 2020, one of these integrations had been completed, and the Company expects to complete the remaining integration in late 2021.

The Company recorded \$1.3 million and \$8.4 million of integration and restructuring expenses in connection with the Plan and Project Pivot in the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020, we have incurred a cumulative total of \$9.7 million in integration and restructuring costs since inception of Phase I and II of the Plan.

**DASEKE, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following table summarizes the integration and restructuring costs as of December 31, 2020 (in millions):

	Severance and Other Payroll	Operating Lease Termination	Fixed Asset Impairment	Other	Total
<b><u>Specialized Solution</u></b>					
Balance, December 31, 2019.....	\$ —	\$ —	\$ —	\$ —	\$ —
Costs accrued .....	0.2	—	—	0.4	0.6
Amounts paid or charged.....	(0.2)	—	—	(0.4)	(0.6)
Specialized Solution balance at December 31, 2020.....	—	—	—	—	—
<b><u>Flatbed Solution</u></b>					
Balance, December 31, 2019.....	\$ —	\$ —	\$ —	\$ —	\$ —
Costs accrued .....	0.3	—	0.2	0.1	0.6
Amounts paid or charged.....	(0.3)	—	(0.2)	(0.1)	(0.6)
Flatbed Solution balance at December 31, 2020 .....	—	—	—	—	—
<b><u>Corporate</u></b>					
Balance, December 31, 2019.....	\$ 1.8	\$ —	\$ —	\$ —	\$ 1.8
Costs accrued .....	0.1	—	—	—	0.1
Amounts paid or charged.....	(1.1)	—	—	—	(1.1)
Adjustments .....	(0.7)	—	—	—	(0.7)
Corporate balance at December 31, 2020.....	0.1	—	—	—	0.1
<b><u>Consolidated</u></b>					
Balance, December 31, 2019.....	\$ 1.8	\$ —	\$ —	\$ —	\$ 1.8
Costs accrued .....	0.6	—	0.2	0.5	1.3
Amounts paid or charged.....	(1.6)	—	(0.2)	(0.5)	(2.3)
Adjustments .....	(0.7)	—	—	—	(0.7)
Consolidated balance at December 31, 2020 .....	<u>\$ 0.1</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 0.1</u>

The following table summarizes the restructuring and exit costs for the Aveda closed terminals as of December 31, 2020 (in millions):

	Severance and Other Payroll	Operating Lease Termination	Fixed Asset Impairment	Other	Total
<b><u>Specialized Solution</u></b>					
Costs accrued .....	\$ 4.4	\$ 3.0	\$ —	\$ 0.8	\$ 8.2
Amounts paid or charged.....	(4.4)	(3.0)	—	(0.8)	(8.2)
Specialized Solution balance at December 31, 2020.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

## DASEKE, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 8 – ACCRUED EXPENSES AND OTHER LIABILITIES

The components of accrued expenses and other liabilities are as follows at December 31 (in millions):

	2020	2019
Brokerage and escorts .....	\$ 11.9	\$ 16.9
Owner operator deposits .....	7.8	7.1
Other accrued expenses .....	6.8	7.3
Unvouchered payables.....	6.1	7.5
Income taxes payable.....	—	1.9
Accrued property taxes and sales taxes payable .....	1.5	1.7
Fuel and fuel taxes .....	1.1	1.3
Interest.....	0.5	0.5
	\$ 35.7	\$ 44.2

#### NOTE 9 – LONG-TERM DEBT

Long-term debt consists of the following at December 31 (in millions):

	2020	2019
Line of credit .....	\$ —	\$ 1.7
Term loan facility .....	483.5	488.5
Equipment and real estate term loans .....	164.9	188.4
Finance leases.....	31.3	25.5
	679.7	704.1
Less current portion .....	(54.0)	(59.4)
Less unamortized deferred financing costs.....	(7.1)	(11.4)
Long-term portion .....	\$ 618.6	\$ 633.3

#### Term Loan Facility

The Company has a \$500.0 million term loan facility under a loan agreement with Credit Suisse AG, Cayman Islands Branch, as administrative agent, and the lenders party thereto (the Term Loan Facility) with a scheduled maturity date of February 27, 2024. Term loans under the Term Loan Facility are, at the Company’s election from time to time, comprised of alternate base rate loans (an ABR Borrowing) or adjusted LIBOR loans (a Eurodollar Rate Borrowing), with the applicable margins of interest being an alternate base rate (subject to a 2.00% floor) plus 4.00% per annum and LIBOR (subject to a 1.00% floor) plus 5.00% per annum. For the year ended December 31, 2020, the average interest rate on the Term Loan Facility was 6.3% compared to 7.4% for the year ended December 31, 2019.

The Term Loan Facility is secured by all assets of the Company, except those assets collateralizing equipment and certain real estate lenders debt and subject to certain customary exceptions.

The Term Loan Facility contains a financial covenant requiring the Company to maintain a consolidated total leverage ratio as of the last day of any fiscal quarter of less than or equal to 4.00 to 1.00, stepping down to 3.75 to 1.00 on March 31, 2021. The consolidated total leverage ratio is defined as the ratio of (i) consolidated total debt minus unrestricted cash and cash equivalents and cash and cash equivalents restricted in favor of the administrative agent and the lenders, to (ii) consolidated Adjusted EBITDA for the trailing 12 month period (with customary add-backs permitted to consolidated Adjusted EBITDA, including in respect of synergies and cost-

## DASEKE, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

savings reasonably identifiable and factually supportable that are anticipated to be realized in an aggregate amount not to exceed 25% of consolidated Adjusted EBITDA and subject to other customary limitations).

The Term Loan Facility permits voluntary prepayments of borrowings. In certain circumstances (subject to exceptions, exclusions and, in the case of excess cash flow, step-downs described below), the Company may also be required to make an offer to prepay the Term Loan Facility if it receives proceeds as a result of certain asset sales, debt issuances, casualty or similar events of loss, or if it has excess cash flow (defined as an annual amount calculated using a customary formula based on consolidated Adjusted EBITDA, including, among other things, deductions for (i) the amount of certain voluntary prepayments of the Term Loan Facility and (ii) the amount of certain capital expenditures, acquisitions, investments and restricted payments). The percentage of excess cash flow that must be applied as a mandatory prepayment is 50%, 25% or 0% for excess cash flow periods for the year ending December 31, 2019 and beyond, depending upon the first lien leverage ratio.

The Term Loan Facility contains (i) certain customary affirmative covenants that, among other things, require compliance with applicable laws, periodic financial reporting and notices of material events, payment of taxes and other obligations, maintenance of property and insurance, and provision of additional guarantees and collateral, and (ii) certain customary negative covenants that, among other things, restrict the incurrence of additional indebtedness, liens on property, sale and leaseback transactions, investments, mergers, consolidations, liquidations and dissolutions, asset sales, acquisitions, the payment of distributions, dividends, redemptions and repurchases of equity interests, transactions with affiliates, prepayments and redemptions of certain other indebtedness, burdensome agreements, holding company limitations, changes in fiscal year and modifications of organizational documents.

#### ABL Facility

The Company has a senior secured asset-based revolving line of credit with an aggregate maximum credit amount equal to \$100.0 million (which may be increased to \$150.0 million, subject to availability under a borrowing base equal to 85% of the Company's eligible accounts receivable, 80% of the Company's eligible unbilled accounts receivable and 50% of parts supplies) under a credit agreement with PNC Bank, National Association, as administrative agent and the lenders party thereto, as last amended on November 5, 2020. The ABL Facility also provides for the issuance of letters of credit subject to certain restrictions and a sublimit of \$40 million, as defined in the credit agreement. As of December 31, 2020, the Company had no borrowings, \$16.2 million in letters of credit outstanding, and could incur approximately \$83.2 million of additional indebtedness under the ABL Facility.

The ABL Facility was amended on November 5, 2020. Principally, this amendment extended the scheduled maturity date of the revolving credit facility provided by the Credit Agreement from February 27, 2022 to the earliest of (a) February 27, 2025 and (b) if the Term Loans have not been repaid, repurchased, redeemed, refinanced, exchanged or otherwise satisfied in full by January 2, 2024, the later of (i) January 2, 2024 and (ii) 60 days prior to the stated maturity date of the Term Loan Agreement in effect at such time. The Amendment also, among other things, (x) increased the letter of credit sublimit from \$20 million to \$40 million, (y) provides that the Maximum Revolving Advance Amount may be increased from \$100 million to \$150 million, and (z) provides that upon the occurrence of certain events relating to a transition from the use of LIBOR Rate, the Agent and the Borrowers may amend the Credit Agreement to replace the LIBOR Rate with a Benchmark Replacement, in each case, as further set forth in the Credit Agreement.

The ABL Facility was amended on June 15, 2018, to adjust margins, if necessary, on the ABL Facility beginning in the fiscal quarter ended September 30, 2018, to the applicable rates set forth in the following table corresponding to the average RLOC Utilization for the trailing 12 month period on the last day of the most recently completed fiscal quarter. RLOC Utilization at a particular date shall mean an amount equal to (a)(i) outstanding amount of Revolving Advances plus (ii) the outstanding amount of the Swing Loans plus (iii) the aggregate Maximum Undrawn Amount of all outstanding Letters of Credit, divided by (b) Maximum Revolving Advance Amount.

<u>RLOC Utilization</u>	<u>Base Rate Margins</u>	<u>LIBOR Rate Margins</u>
Less than 33.3% . . . . .	0.50 %	1.50 %
Greater than or equal to 33.3%, but less than 66.6%. . . . .	0.75 %	1.75 %
Greater than or equal to 66.6% . . . . .	1.00 %	2.00 %

## DASEKE, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 2020, the interest rate on the ABL Facility was 3.75%.

The ABL Facility is secured by all of the Company's U.S.-based accounts receivable, parts supplies, cash and cash equivalents excluding proceeds of the Term Loan Facility, securities and deposit accounts and other general assets not included in the Term Loan Facility collateral.

The ABL Facility contains (i) a financial covenant similar to the consolidated total leverage ratio required under the Term Loan Facility requiring a leverage ratio of less than or equal to 4.00 to 1.00 for the fiscal quarter, stepping down to 3.75 to 1.00 on March 31, 2021 and (ii) during any period after a default or event of default or after excess availability falling below the greater of (x) \$15.0 million and (y) 20% of the maximum credit amount, continuing until such time as no default or event of default has existed and excess availability has exceeded such amounts for a period of 60 consecutive days, a financial covenant requiring the Company to maintain a minimum consolidated fixed charge coverage ratio of 1.00x, tested on a quarterly basis. The Company's fixed charge coverage ratio is defined as the ratio of (1) consolidated Adjusted EBITDA minus unfinanced capital expenditures, cash taxes and cash dividends or distributions, to (2) the sum of all funded debt payments for the four-quarter period then ending (with customary add-backs permitted to consolidated Adjusted EBITDA).

The ABL Facility contains affirmative and negative covenants similar to those in the Term Loan Facility, together with such additional terms as are customary for a senior secured asset-based revolving credit facility.

As of December 31, 2020, the Company was in compliance with all covenants contained in the Term Loan and ABL Facilities.

#### Equipment and Real Estate Loans

As of December 31, 2020, the Company had term loans collateralized by equipment in the aggregate amount of \$162.5 million with 19 lenders (Equipment Term Loans). The Equipment Term Loans bear interest at rates ranging from 2.6% to 5.9%, require monthly payments of principal and interest and mature at various dates through January 2028. The weighted average interest rate for the year ended December 31, 2020 was 4.2%. Certain of the Equipment Term Loans contain conditions, covenants, representations and warranties, events of default, and indemnification provisions applicable to the Company and certain of its subsidiaries that are customary for equipment financings, including, but not limited to, limitations on the incurrence of additional debt and the prepayment of existing indebtedness, certain payments (including dividends and other distributions to persons not party to its credit facility) and transfers of assets.

As of December 31, 2020, the Company has a bank mortgage loan with a balance of \$2.4 million incurred to finance the construction of the headquarters and terminal in Redmond, Oregon. The mortgage loan is collateralized by such property and buildings. The mortgage is payable in monthly installments of approximately \$15,000, including interest at 3.7%, and a balloon payment of approximately \$2.1 million at maturity date. The bank mortgage loan matures November 1, 2023.

#### Finance Leases

The Company leases certain equipment under long-term finance lease agreements that expire on various dates through December 2025. See Note 2 for information on finance leases.



**DASEKE, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Future principal payments on long-term debt (excluding future payments on finance leases which are disclosed in Note 2) are as follows (in millions):

<u>Year ending December 31,</u>	<u>Term Loan Facility</u>	<u>Equipment and Real Estate Loans</u>	<u>Total</u>
2021 .....	\$ 5.0	\$ 40.6	\$ 45.6
2022 .....	5.0	38.7	43.7
2023 .....	5.0	37.8	42.8
2024 .....	468.5	26.9	495.4
2025 .....	—	15.2	15.2
Thereafter .....	—	5.7	5.7
Total long-term debt .....	<u>\$ 483.5</u>	<u>\$ 164.9</u>	<u>\$ 648.4</u>

**NOTE 10 – INCOME TAXES**

The components of the Company's United States and foreign provision for income taxes were as follows for the years ended December 31 (in millions):

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current:			
Federal .....	\$ 0.6	\$ (0.3)	\$ (0.1)
State .....	(1.7)	3.7	4.0
Foreign .....	0.8	—	—
Total current taxes .....	<u>(0.3)</u>	<u>3.4</u>	<u>3.9</u>
Deferred:			
Federal .....	0.1	(45.5)	(10.9)
State .....	(0.5)	(11.6)	(7.4)
Foreign .....	0.5	(0.9)	(1.5)
Total deferred taxes .....	<u>0.1</u>	<u>(58.0)</u>	<u>(19.8)</u>
Benefit for income taxes .....	<u>\$ (0.2)</u>	<u>\$ (54.6)</u>	<u>\$ (15.9)</u>

**DASEKE, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

A reconciliation between the effective income tax rate and the United States statutory income tax rate for the years ended December 31, 2020, 2019 and 2018 is as follows (in millions):

	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>As Restated</b>	<b>As Restated</b>	<b>As Restated</b>
Income tax expense (benefit) at United States statutory income tax rate . . . . .	\$ 0.8	\$ (75.7)	\$ 9.4
Federal income tax effects of:			
State income tax expense, net of federal benefit . . . . .	(1.6)	(6.2)	(2.7)
Foreign tax rate differential . . . . .	0.1	(0.8)	(0.3)
Goodwill impairment . . . . .	—	23.4	—
Per diem and other nondeductible expenses . . . . .	1.4	2.3	4.1
Arbitrated decrease in contingent consideration . . . . .	(2.9)	—	—
Change in valuation allowance . . . . .	0.6	1.2	—
Cumulative effect of change in effective tax rate . . . . .	—	—	(12.6)
Change in fair value of warrant liability . . . . .	0.5	(0.4)	(13.8)
Tax credits . . . . .	(0.1)	(0.3)	(0.1)
Other . . . . .	1.0	1.9	0.1
Income tax benefit . . . . .	<u>\$ (0.2)</u>	<u>\$ (54.6)</u>	<u>\$ (15.9)</u>
Effective tax rate . . . . .	<u>(5.1)%</u>	<u>15.1 %</u>	<u>(35.3)%</u>

The decrease in the effective tax rate for the year ended December 31, 2020 compared to the year ended December 31, 2019 is primarily the result of the exclusion of nondeductible goodwill impairment. The decrease in the effective tax rate for the year ended December 31, 2019 compared to the year ended December 31, 2018 is primarily the result of a one-time benefit in 2018 related to the remeasurement of the net deferred tax liability as a result of the Tax Cuts and Jobs Act (TCJA) combined with the impairment of goodwill in 2019 for which there was no tax basis and the change in fair value of warrant liability.

The effects of temporary differences that give rise to significant elements of deferred tax assets and liabilities at December 31, 2020 and 2019 were as follows (in millions):

	<b>2020</b>	<b>2019</b>
<b>Deferred tax assets</b>		
Accrued expenses . . . . .	\$ 7.4	\$ 5.5
Vacation accrual . . . . .	0.6	0.6
Accounts receivable . . . . .	0.9	0.8
Net operating losses . . . . .	24.4	38.6
Deferred start-up costs . . . . .	1.2	1.3
Stock based compensation . . . . .	2.0	1.5
Operating lease liabilities . . . . .	<u>30.3</u>	<u>25.9</u>
	66.8	74.2
Valuation allowance . . . . .	<u>(10.5)</u>	<u>(7.4)</u>
Total deferred tax assets . . . . .	<u>56.3</u>	<u>66.8</u>
<b>Deferred tax liabilities</b>		
Prepaid expenses . . . . .	(4.8)	(4.7)
481(a) adjustment . . . . .	—	(0.9)
Intangible assets . . . . .	(17.6)	(20.3)
Property and equipment . . . . .	(75.6)	(87.2)
Right of Use Asset . . . . .	(28.3)	(23.6)
Total deferred tax liabilities . . . . .	<u>(126.3)</u>	<u>(136.7)</u>
Net deferred tax liability . . . . .	<u>\$ (70.0)</u>	<u>\$ (69.9)</u>

## DASEKE, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2020 and 2019, the Company's valuation allowance against a portion of its foreign deferred tax assets that, in the judgment of management, are not more-likely-than-not to be realized was \$10.5 million and \$7.4 million, respectively. In assessing the realizability of deferred tax assets, management considers whether it is more-likely-than-not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends upon future reversal of taxable and deductible temporary differences, the generation of future taxable income, and the feasibility of ongoing tax planning strategies during the periods in which those temporary differences are deductible.

At December 31, 2020, the Company has U.S. federal net operating loss carry forwards of approximately \$51.7 million on a pre-tax basis. On an after-tax basis, the Company has state and foreign net operating losses of \$1.1 million and \$12.5 million, respectively. These loss carryforwards begin expiring in 2023.

The Company had no uncertain tax positions as of December 31, 2020 and 2019. The Company is no longer subject to United States federal income tax examinations by tax authorities for years before 2017; however, federal net operating loss carry forwards from years prior to 2017 remain subject to review and adjustment by tax authorities. The Company is no longer subject to state income tax examinations by tax authorities for years before 2016.

#### NOTE 11 – RELATED PARTY TRANSACTIONS

##### Related Party Leases

The Company leases certain office facilities, terminals and revenue equipment from entities owned or partially owned by stockholders or employees on operating leases. Total lease expense related to these leases was \$2.9 million, \$4.8 million and \$4.7 million for the years ended December 31, 2020, 2019 and 2018, respectively. Future minimum lease payments under non-cancelable related party operating leases are as follows (in millions):

Year ending December 31,	Office and Terminals
2021.....	\$ 3.1
2022.....	3.1
2023.....	3.1
2024.....	3.1
2025.....	3.0
Thereafter.....	4.9
Total .....	\$ 20.3

##### Other Related Party Transactions

An employee and stockholder has a 1% investment in an entity that is also a Company vendor. Total amounts paid to this vendor for product and subscription purchases were approximately \$0.4 million, \$0.6 million and \$0.6 million for the years ended December 31, 2020, 2019 and 2018, respectively. Amounts due to the vendor as of December 31, 2020 and 2019 totaled approximately \$0 and \$9,000, respectively.

The Company does business with an entity in which two employees, who are also stockholders, are minority owners. Revenue received from this customer totaled approximately \$0.2 million, \$0.4 million and \$0.7 million for the years ended December 31, 2020, 2019 and 2018, respectively. Accounts receivable due from this entity totaled approximately \$16,000 and \$24,000 as of December 31, 2020 and 2019, respectively.

The Company sold equipment to an entity partially owned by an employee and stockholder for proceeds of \$1.0 million with a net book value of \$0.8 million, realizing a gain of \$0.2 million for the year ended December 31, 2018. There were no such transactions for the years ended December 31, 2020 and 2019.

## DASEKE, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Additionally, the Company does business with a carrier owned by a stockholder's spouse. Revenue received from this carrier totaled approximately \$0.1 million, \$1.8 million and \$0.1 million for the years ended December 31, 2020, 2019 and 2018. Accounts receivable due from this entity totaled approximately \$37,000 and \$19,000 as of December 31, 2020 and 2019.

#### NOTE 12 – STOCKHOLDERS' EQUITY

##### Common Stock

Common stock has voting rights – one vote for each share of common stock.

On February 14, 2018, the Company and one of the Company's stockholders entered into an underwriting agreement with Cowen and Company, LLC and Stifel, Nicolaus & Company, Incorporated, as representatives of the several underwriters named therein, in connection with an underwritten public offering of 7,500,000 shares of the Company's common stock, at a price to the public of \$10.60 per share. Pursuant to the underwriting agreement, the Company granted the underwriters a 30-day option to purchase up to an additional 1,125,000 shares of common stock, which was exercised in full on February 16, 2018 and closed simultaneously with the offering on February 20, 2018. Net proceeds received by the Company were approximately \$84.4 million, after deducting underwriting discounts and commissions and estimated offering expenses payable by the Company. The Company has used and intends to continue to use the net proceeds from the offering for general corporate purposes, including, among other things, working capital, capital expenditures, debt repayment or refinancing or the financing of possible future acquisitions.

On June 1, 2018, after having met the earnout provisions contained in the Merger Agreement, the Company issued 5,000,000 shares of the Company's common stock, par value \$0.0001 per share, pro rata among the Private Daseke Stockholders (Earnout Shares).

On June 6, 2018, as part of the consideration paid for the Aveda acquisition, the Company issued 1,612,979 shares of Daseke common stock valued at \$15.4 million. See Note 3 for additional details about the Aveda acquisition.

On July 1, 2018, as part of the consideration paid for the Kelsey Trail acquisition, the Company issued 95,859 shares of Daseke common stock valued at \$0.9 million. See Note 3 for additional details about the Kelsey Trail acquisition.

On August 1, 2018, as part of the consideration paid for the Builders acquisition, the Company issued 399,530 shares of Daseke common stock valued at \$3.4 million. See Note 3 for additional details about the Builders acquisition.

On December 23, 2020, the Company entered into a board representation agreement with Lyons Capital, LLC, and a board agreement with The Walden Group, Inc. and Don R. Daseke. These agreements outline specifics as to how those parties will vote their shares of common stock at any Stockholder's Meeting. The agreement with Mr. Daseke also includes the agreement of the Company to initiate a share repurchase program for a minimum of 3,000,000 shares of common stock. Both agreements include certain standstill restrictions.

As of December 31, 2020, the Company has no common stock reserved for future issuances of stock options and restricted stock units under the Company's 2017 Omnibus Incentive Plan. See Note 13 for additional details about the Company's stock-based compensation plan and liability classification for the awards for which sufficient shares are not available for issuance.

##### Preferred Stock

On February 27, 2017, the Company issued 650,000 shares of Series A Preferred Stock for cash of \$65.0 million. The par value of Series A Preferred Stock is \$0.0001 per share. Additional features of this preferred stock are as follows:

Under the Certificate of Designations, Preferences, Rights and Limitations of the Series A Preferred Stock (the Certificate of Designations), each share of Series A Preferred Stock will be convertible, at the holder's option at any time, initially into

## DASEKE, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

approximately 8.6957 shares of the Company's common stock (assuming a conversion price of approximately \$11.50 per share), subject to specified adjustments as set forth in the Certificate of Designations. If any holder elects to convert its Series A Preferred Stock after the seven-year anniversary of the issue date, if the then-current Conversion Price (as defined in the Certificate of Designations) exceeds the Weighted Average Price (as defined in the Certificate of Designations) for the common stock during any ten consecutive Trading Days (as defined in the Certificate of Designations), at its option by delivery of a Notice of Conversion in accordance with Section 8(b) of the Certificate of Designations no later than five business days following such tenth consecutive Trading Day, to convert any or all of such holder's shares of Series A Preferred Stock into, at the Company's sole discretion, either common stock, cash or a combination of common stock and cash; provided, that the Company shall provide such converting holder notice of its election within two Trading Days of receipt of the Notice of Conversion; provided further, that in the event the Company elects to issue common stock for all or a portion of such conversion, the Conversion Rate for such conversion (subject to the limitations set forth in Section 11 of the Certificate of Designations) shall mean the quotient of the Liquidation Preference (as defined in the Certificate of Designations) divided by the average Weighted Average Price for the common stock during the 20 consecutive Trading Days commencing on the Trading Day immediately following the Trading Day on which the Company provided such notice. If the Company does not elect a settlement method prior to the deadline set forth in the Certificate of Designations, the Company shall be deemed to have elected to settle the conversion entirely in common stock. Based on the assumed conversion rate, a total of 5,652,173 shares of Common Stock would be issuable upon conversion of all of the currently outstanding shares of Series A Preferred Stock.

On or after the third anniversary of the initial issuance date but prior to the fifth anniversary of the initial issuance date, the Company will have the right, at its option, to give notice of its election to cause all outstanding shares of the Series A Preferred Stock to be automatically converted into shares of the Company's common stock at the then-effective conversion rate, if the Weighted Average Price of Company's common stock equals or exceeds 140% of the then-current conversion price for at least 20 trading days (whether or not consecutive) in a period of 30 consecutive trading days. On or after the fifth anniversary of the initial issuance date but prior to the seventh anniversary of the initial issuance date, the Company will have the right, at its option, to give notice of its election to cause all outstanding shares of the Series A Preferred Stock to be automatically converted into shares of Company's common stock at the then-effective conversion rate, if the Weighted Average Price of Company's common stock equals or exceeds 115% of the then-current conversion price for at least 20 trading days (whether or not consecutive) in a period of 30 consecutive trading days. On or after the seventh anniversary of the initial issuance date, the Company will have the right, at its option, to give notice of its election to cause all outstanding shares of the Series A Preferred Stock to be automatically converted into shares of Company's common stock at the then-effective conversion rate, if the Weighted Average Price of Company's common stock equals or exceeds the then-current conversion price for at least 10 consecutive trading days. If the Company undergoes certain fundamental changes (as more fully described in the Certificate of Designations but including, among other things, certain change-in-control transactions, recapitalizations, asset sales and liquidation events), each outstanding share of Series A Preferred Stock may, within 15 days following the effective date of such fundamental change and at the election of the holder, be converted into Company's common stock at a conversion rate (subject to certain adjustments) equal to (i) the greater of (A) the sum of the conversion rate on the effective date of such fundamental change plus the additional shares received by holders of Series A Preferred Stock following such fundamental change (as set forth in the Certificate of Designations) and (B) the quotient of (x) \$100.00, divided by (y) the greater of (1) the applicable holder stock price and (2) 66 2/3% of the closing sale price of the Company's common stock on the issue date plus (ii) the number of shares of Company's common stock that would be issued if any and all accumulated and unpaid dividends were paid in shares of Company's common stock.

The Series A Preferred Stock contains limitations that prevent the holders thereof from acquiring shares of the Company's common stock upon conversion that would result in (i) the number of shares beneficially owned by such holder and its affiliates exceeding 9.99% of the total number of shares of the Company's common stock then outstanding or (ii) the Series A Preferred Stock being converted into more than 19.99% of the shares of the Company's common stock outstanding on the initial issue date of the Series A Preferred Stock (subject to appropriate adjustment in the event of a stock split, stock dividend, combination or other similar recapitalization) without, in the latter instance, stockholder approval of such issuance.

## DASEKE, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Additional features of the Series A Preferred Stock are as follows:

- a. **Liquidation** – In the event of liquidation, holders of Series A Preferred Stock have preferential rights to liquidation payments over holders of common stock. Holders of Series A Preferred Stock shall be paid out of the assets of the Company at an amount equal to \$100 per share plus all accumulated and unpaid dividends.
- b. **Dividends** – Dividends on the Series A Preferred Stock are cumulative at the Dividend Rate. The “Dividend Rate” is the rate per annum of 7.625% per share of Series A Preferred Stock on the liquidation preference (\$100 per share). Dividends are payable quarterly in arrears in cash or, at the Company’s election and subject to the receipt of the necessary shareholder approval (to the extent necessary), in shares of the Company’s common stock. In each of the four quarters of 2018, 2019, 2020, the Company’s board of directors declared and the Company paid a cash dividend of \$1.91 per share.
- c. **Voting rights** – Except as required by Delaware law, holders of the Series A Preferred Stock will have no voting rights except with respect to the approval of any material and adverse amendment to the Company’s certificate of incorporation, and certain significant holders of Series A Preferred Stock may have approval rights with respect to certain key economic terms of the Series A Preferred Stock, as set forth in the Certificate of Designations.

#### Warrants

The Company issued 19,959,902 warrants (the “Public Warrants”) to purchase its common stock as part of Hennessy Capital Acquisition Corp. II’s initial public offering (“IPO”). The Company also issued 15,080,756 warrants (the “Private Placement Warrants”) to the sponsor in a private placement that closed simultaneously with the consummation of the IPO. At December 31, 2020, there were a total of 35,040,656 warrants outstanding to purchase 17,520,328 shares of the Company’s common stock.

Each warrant entitles the registered holder to purchase one-half of one share of the Company’s common stock at a price of \$5.75 per one-half of one share (\$11.50 per whole share), subject to adjustment. The warrants may be exercised only for a whole number of shares of the Company’s common stock. No fractional shares will be issued upon exercise of the warrants. The warrants will expire on February 27, 2022, or earlier upon redemption or liquidation. The Public Warrants are listed on the NASDAQ market under the symbol DSKEW. The Company accounts for these warrants as liabilities at fair value on the balance sheet. The warrants are subject to remeasurement at each balance sheet date and any change in fair value is recognized as a component of other income (expense), net on the statement of operations. The Company will continue to adjust the liability for changes in fair value until the earlier of the exercise or expiration of the common stock warrants. Upon exercise, the portion of the warrant liability related to the exercised common stock warrants will be reclassified to additional paid-in capital. The fair value of the Public Warrants is determined using the closing price of the warrants on the NASDAQ market. The fair value of the Private Placement Warrants is determined using the Black-Scholes option pricing formula. The primary unobservable input utilized in determining the fair value of the Private Warrants is the expected volatility. The expected volatility was estimated considering observable Daseke public warrant pricing, Daseke’s own historical volatility and the volatility of guideline public companies. The fair value of the warrant liability was \$6.3 million and \$4.2 million as of December 31, 2020 and 2019, respectively.

The Company may call the Public Warrants for redemption at a price of \$0.01 per warrant if, and only if, the reported last sale price of the Company’s common stock equals or exceeds \$24.00 per share for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date the Company sends the notice of redemption to the Public Warrant holders.

**DASEKE, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 13 – STOCK-BASED COMPENSATION**

Under the 2017 Omnibus Incentive Plan (the Plan), the Company may grant awards of stock options, stock appreciation rights, restricted stock, restricted stock units, other stock-based awards and performance awards. Under the Plan, the Company is authorized to issue up to 4.5 million shares of common stock. As of December 31, 2020, the Company has no common stock reserved for future issuances of stock options and restricted stock units under the Company’s 2017 Omnibus Incentive Plan. As of December 31, 2020, the Company had 994,100 of performance stock units (“PSUs”) classified as a liability due to the lack of shares available to be issued and can ultimately be cash-settled through the grant of cash-settled restricted stock units or stock appreciation rights if there is not a sufficient number of shares available. Equity awards generally vest annually on a pro-rata basis over a three to five-year period on the anniversary of each grant date. The Company also grants awards to our directors under the Plan. The awards granted to directors vest ratably over periods of one to five years annually on the anniversary of each grant date.

Aggregate stock-based compensation charges, net of forfeitures, were \$5.9 million, \$3.8 million and \$3.6 million for the years ended December 31, 2020, 2019 and 2018, respectively. These expenses are included as a component of salaries, wages and employee benefits on the accompanying consolidated statements of operations and comprehensive income (loss).

Stock-based compensation cost with equity classification is measured at the grant date, based on the estimated fair value of the award, and is recognized on a straight-line basis as expense over the employees’ requisite service period. Forfeitures are recorded as a cumulative adjustment to stock-based compensation expense in the period forfeitures occur. As of December 31, 2020, there was \$5.2 million, \$2.4 million, and \$1.6 million of unrecognized stock-based compensation expense related to stock options, restricted stock units and PSUs, respectively. This expense will be recognized over the weighted average periods of 2.1 years for stock options, 1.5 years for restricted stock units and 2.1 years for PSUs.

Stock-based compensation cost with liability classification is recognized on a straight-line basis over the vesting period and revalued on each balance sheet date with the corresponding adjustment to stock-based compensation recorded in the consolidated statements of operations and comprehensive income (loss). As of December 31, 2020, the total fair value of the liability-classified PSU’s was \$5.5 million. As of December 31, 2020, share-based payment liability was \$1.1 million for liability-classified PSUs.

Stock Options

The following table summarizes stock option grants:

<u>Grantee Type</u>	<u># of Options Granted</u>	<u>Issued and Outstanding</u>	<u>Vesting Period</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Grant Date Fair Value (Per Option)</u>
Director Group .....	150,000	100,000	5 years	\$ 9.98	\$ 4.36
Employee Group. ....	4,662,630	3,014,931	3-5 years	\$ 5.60	\$ 3.08
Total .....		<u>3,114,931</u>			

## DASEKE, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company's calculations of the fair value of stock options granted as equity classification during the years ended December 31, 2020, 2019 and 2018 were made using the Black-Scholes option-pricing model. The fair value of the Company's stock option grants were estimated utilizing the following assumptions for the years ended December 31:

	2020	2019	2018
Weighted average expected life. . . . .	6.0 years	6.3 years	6.5 years
Risk-free interest rates . . . . .	0.39% to 0.47%	1.45% to 2.58%	2.28% to 3.00%
Expected volatility . . . . .	41.0% to 42.5%	32.5% to 37.9%	36.7% to 39.9%
Expected dividend yield. . . . .	0.00%	0.00%	0.00%

Since the Company does not have a sufficient history of exercise behavior, expected term is calculated using the assumption that the options will be exercised ratably from the date of vesting to the end of the contractual term for each vesting tranche of awards. The risk-free interest rate is based on the U.S. Treasury yield curve for the period of the expected term of the stock option. Expected volatility is calculated using an index of publicly traded peer companies.

A summary of option activity as of December 31, 2020 and 2019 and changes during the years then ended are as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Terms (Years)	Aggregate Intrinsic Value (in millions)
Outstanding as of January 1, 2019 . . . . .	2,066,529	\$ 10.23	8.5	\$ —
Granted . . . . .	631,136	3.20		
Forfeited or expired . . . . .	<u>(388,741)</u>	9.73		
Outstanding as of December 31, 2019 . . . . .	2,308,924	8.39	8.0	0.2
Granted . . . . .	2,029,900	1.75		
Forfeited or expired . . . . .	<u>(1,223,893)</u>	2.96		
Outstanding as of December 31, 2020 . . . . .	<u>3,114,931</u>	\$ 6.19	7.9	\$ 5.9
Exercisable as of December 31, 2020 . . . . .	1,139,811	9.26	6.7	0.4
Vested and expected to vest as of December 31, 2020 . . . . .	3,114,931	\$ 6.19	7.9	\$ 5.9

The stock options' maximum contract term is ten years. The total weighted average fair value of options granted during the years ended December 31, 2020 and 2019 was \$4.6 million and \$0.8 million, respectively.

#### Restricted Stock Units

Restricted stock units are nontransferable until vested and the holders are entitled to receive dividends with respect to the non-vested units. Prior to vesting, the grantees of restricted stock units are not entitled to vote the shares. Restricted stock unit awards vest in equal annual increments over the vesting period.



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The following table summarizes restricted stock unit grants under the Plan:

<u>Grantee Type</u>	<u># of Restricted Stock Units Granted</u>	<u>Issued and Outstanding</u>	<u>Vesting Period</u>	<u>Weighted Average Grant Date Fair Value (Per Unit)</u>
Director Group .....	893,996	340,415	1-2 years	\$ 2.75
Employee Group .....	1,568,655	254,386	5 years	\$ 10.59
Total .....		<u>594,801</u>		

A summary of restricted stock unit awards activity under the Plan as of December 31, 2020 and 2019 and changes during the years then ended are as follows:

	<u>Units</u>	<u>Weighted Average Grant Date Fair Value (Per Unit)</u>
Non-vested as of January 1, 2019 .....	841,361	\$ 10.44
Granted .....	753,986	2.45
Vested .....	(187,956)	10.35
Forfeited .....	<u>(226,509)</u>	10.16
Non-vested as of December 31, 2019 .....	1,180,882	5.44
Granted .....	108,498	2.77
Vested .....	(600,900)	4.05
Forfeited .....	<u>(93,679)</u>	9.42
Non-vested as of December 31, 2020 .....	<u>594,801</u>	\$ 5.72

Performance Stock Units

PSUs become eligible for vesting upon the achievement of specific market-based conditions based on the performance of per share price of the Company's common stock and subject to final vesting based on the participant's continued employment through the end of the requisite service periods. The grant date fair value of PSUs was determined using a Monte Carlo probability model and compensation cost is recognized ratably over the requisite service period with a corresponding liability. The liability is remeasured on each balance sheet date with corresponding adjustment to stock-based compensation recorded in the consolidated statements of operations and comprehensive income (loss).

As of December 31, 2020, the Company had 994,100 PSUs classified as a liability and 722,000 PSU's classified as equity. The fair value of the liability-classified awards is remeasured at each period end using a Monte Carlo probability model, and the equity-classified awards are based on the grant date fair value using a Monte Carlo probability model.

**DASEKE, INC. AND SUBSIDIARIES**

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The following inputs and assumptions were used to calculate the fair value of the PSUs:

	As of December 31, 2020	
	Liability-classified	Equity-classified
Term .....	2.3 to 2.6 years	1.9 to 3.0 years
Risk-free interest rate .....	0.14% to 0.15%	0.13% to 0.21%
Expected volatility .....	92.3% to 96.5%	86.1% to 102.2%
Expected dividend yield .....	0.00%	0.00%

A summary of performance stock unit awards activity as of December 31, 2020 and changes during the year ended are as follows:

	Units	Weighted Average Grant Date Fair Value (Per Unit)
Non-vested as of January 1, 2020 .....	—	\$ —
Granted .....	2,471,500	1.14
Vested .....	—	—
Forfeited .....	(755,400)	0.59
Non-vested as of December 31, 2020 .....	<u>1,716,100</u>	\$ 1.38

**NOTE 14 – DEFINED CONTRIBUTION PLAN**

The Company sponsors the Daseke, Inc. 401(k) Retirement Plan (the Retirement Plan). The Retirement Plan is a defined contribution plan and intended to qualify under the Internal Revenue Code provisions of Section 401(k). Under the safe harbor matching requirements, the Company made contributions to the Retirement Plan of \$5.4 million, \$5.7 million and \$3.7 million for the years ended December 31, 2020, 2019 and 2018, respectively. The Company sponsored defined contribution profit-sharing plans, including 401(k) provisions for substantially all employees of acquired companies whose plans were merged into the Retirement Plan effective January 1, 2019. Matching contributions for 401(k) defined contribution plans not yet merged into the Retirement Plan totaled approximately \$0.4 million for the year ended December 31, 2018.

**NOTE 15 – COMMITMENTS AND CONTINGENCIES**

Letters of Credit

The Company had outstanding letters of credit at December 31, 2020 and 2019 totaling approximately \$18.1 million and \$15.9 million, respectively, including those disclosed in Note 9. These letters of credit are related to liability and workers compensation insurance claims.

Contingencies

The Company is involved in certain claims and pending litigation arising in the normal course of business. These proceedings primarily involve claims for personal injury or property damage incurred in the transportation of freight or for personnel matters. The Company maintains liability insurance to cover liabilities arising from these matters but is responsible to pay self-insurance and deductibles on such matters up to a certain threshold before the insurance is applied.

## DASEKE, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 16 – REPORTABLE SEGMENTS

The Company evaluates the performance of the segments primarily based on their respective revenues and operating income. Accordingly, interest expense and other non-operating items are not reported in segment results. In addition, the Company has disclosed a corporate segment, which is not an operating segment and includes acquisition transaction expenses, corporate salaries, interest expense and other corporate administrative expenses and intersegment eliminations.

The Company's operating segments also provide transportation and related services for one another. Such services are generally billed at cost, and no profit is earned. Such intersegment revenues and expenses are eliminated in the Company's consolidated results. Intersegment revenues and expenses totaled \$6.5 million, \$9.5 million and \$5.1 million for the Flatbed Solutions segment for the years ended December 31, 2020, 2019 and 2018, respectively. Intersegment revenues and expenses totaled \$12.0 million, \$11.5 million and \$8.9 million for the Specialized Solutions segment for the years ended December 31, 2020, 2019 and 2018, respectively. Certain insurance costs have been allocated to the operating segments beginning January 1, 2020, which were included in the corporate segment in 2019 within the operating income (loss) and income (loss) before income tax line items. Insurance costs included in the corporate segment for the year ended December 31, 2019 were \$3.6 million for the Flatbed Solutions segment and \$11.2 million for the Specialized Solutions segment. The following table reflects certain financial data of the Company's reportable segments for the years ended December 31, 2020, 2019 and 2018 (in millions):

**DASEKE, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

	<u>Flatbed Solutions Segment</u>	<u>Specialized Solutions Segment</u>	<u>Corporate/ Eliminations</u>	<u>Consolidated Totals</u>
Year Ended December 31, 2020				
Total revenue . . . . .	\$ 578.9	\$ 893.7	\$ (18.5)	\$ 1,454.1
Company freight . . . . .	191.2	495.6	(10.0)	676.8
Owner operator freight . . . . .	262.1	152.5	(5.7)	408.9
Brokerage . . . . .	70.3	165.6	(1.6)	234.3
Logistics . . . . .	2.9	34.5	—	37.4
Fuel surcharge . . . . .	52.4	45.5	(1.2)	96.7
Operating income (loss) . . . . .	32.6	53.3	(50.5)	35.4
Depreciation . . . . .	35.1	55.1	0.9	91.1
Amortization of intangible assets . . . . .	3.2	4.0	—	7.2
Impairment . . . . .	2.0	13.4	—	15.4
Restructuring . . . . .	0.6	8.8	0.1	9.5
Non-cash operating lease expense . . . . .	(0.3)	(7.7)	—	(8.0)
Interest expense . . . . .	9.5	11.4	24.0	44.9
Income (loss) before income tax (As Restated) . . . . .	7.2	32.0	(35.3)	3.9
Total assets . . . . .	326.1	596.5	204.3	1,126.9
Capital expenditures . . . . .	30.3	57.6	7.6	95.5
Year Ended December 31, 2019				
Total revenue . . . . .	\$ 663.0	\$ 1,095.7	\$ (21.7)	\$ 1,737.0
Company freight . . . . .	215.3	603.2	(13.9)	804.6
Owner operator freight . . . . .	275.7	185.5	(5.9)	455.3
Brokerage . . . . .	93.9	200.8	—	294.7
Logistics . . . . .	2.8	44.8	(0.1)	47.5
Fuel surcharge . . . . .	75.3	61.4	(1.8)	134.9
Operating loss . . . . .	(94.4)	(158.7)	(59.0)	(312.1)
Depreciation . . . . .	46.5	85.0	0.7	132.2
Amortization of intangible assets . . . . .	5.3	9.0	—	14.3
Impairment . . . . .	116.7	196.1	—	312.8
Restructuring . . . . .	1.7	3.9	2.8	8.4
Non-cash operating lease expense . . . . .	10.6	16.2	0.4	27.2
Interest expense . . . . .	10.7	12.9	26.8	50.4
Loss before income tax (As Restated) . . . . .	(126.1)	(203.6)	(30.9)	(360.6)
Total assets . . . . .	348.1	683.1	109.4	1,140.6
Capital expenditures . . . . .	38.3	54.8	1.6	94.7
Year Ended December 31, 2018				
Total revenue . . . . .	\$ 662.0	\$ 965.1	\$ (14.0)	\$ 1,613.1
Company freight . . . . .	206.2	524.3	(8.8)	721.7
Owner operator freight . . . . .	271.5	171.8	(2.8)	440.5
Brokerage . . . . .	104.2	163.1	(0.9)	266.4
Logistics . . . . .	3.0	39.9	(0.1)	42.8
Fuel surcharge . . . . .	77.1	66.0	(1.4)	141.7
Operating income (loss) . . . . .	32.9	23.1	(34.1)	21.9
Depreciation . . . . .	29.9	84.3	0.2	114.4
Amortization of intangible assets . . . . .	6.2	10.5	—	16.7
Impairment . . . . .	—	13.9	—	13.9
Interest expense . . . . .	8.6	11.3	25.6	45.5
Income (loss) before income tax (As Restated) . . . . .	13.8	(7.1)	38.2	44.9
Total assets . . . . .	464.8	884.2	41.9	1,390.9
Capital expenditures . . . . .	38.2	116.0	2.1	156.3

**DASEKE, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 17 – EARNINGS (LOSS) PER SHARE**

ASC Topic 260, *Earnings Per Share*, provides that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. The Company's outstanding non-vested restricted stock units are participating securities unless there is a net loss attributable to common stockholders. Accordingly, earnings per common share are computed using the two-class method.

Basic earnings per common share is calculated by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the Company's earnings.

For the years ended December 31, 2020 and 2019 shares of the Company's 7.625% Series A Convertible Cumulative Preferred Stock (Series A Preferred Stock) were not included in the computation of diluted loss per share as their effects were anti-dilutive. For the years ended December 31, 2020, 2019 and 2018 shares of the Company's outstanding stock options were not included in the computation of diluted loss per share as their effects were anti-dilutive.

The following table sets forth the computation of basic and diluted earnings per share under the two-class method:

<b>(In millions except per share data)</b>	<b>Year Ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>As Restated</b>	<b>As Restated</b>	<b>As Restated</b>
Numerator . . . . .			
Net income (loss) . . . . .	\$ 4.1	\$ (306.0)	\$ 60.8
Less Series A preferred dividends . . . . .	(4.9)	(5.0)	(4.9)
Net income (loss) attributable to common stockholders . . . . .	(0.8)	(311.0)	55.9
Allocation of earnings to non-vested participating restricted stock units . . . . .	—	—	(0.9)
Numerator for basic EPS - income (loss) available to common stockholders - two class method . . . . .	\$ (0.8)	\$ (311.0)	\$ 55.0
Effect of dilutive securities:			
Add back Series A preferred dividends . . . . .	\$ —	\$ —	\$ 4.9
Add back allocation earnings to participating securities . . . . .	—	—	0.9
Reallocation of earnings to participating securities considering potentially dilutive securities . . . . .	—	—	(0.9)
Numerator for diluted EPS - income (loss) available to common shareholders - two class method . . . . .	\$ (0.8)	\$ (311.0)	\$ 59.9
Denominator			
Denominator for basic EPS - weighted-average shares . . . . .	64,775,275	64,303,438	60,672,999
Effect of dilutive securities:			
Stock options and performance share units . . . . .	—	—	—
Convertible preferred stock . . . . .	—	—	5,652,173
Denominator for diluted EPS - weighted-average shares . . . . .	64,775,275	64,303,438	66,325,172
Basic earnings (loss) per share . . . . .	\$ (0.01)	\$ (4.84)	\$ 0.91
Diluted earnings (loss) per share . . . . .	\$ (0.01)	\$ (4.84)	\$ 0.90

**DASEKE, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 18 – RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS**

As discussed in Note 1, the Company has restated previously issued financial statements to correct the error resulting from misapplication of the guidance on accounting for its issued warrants. Based on ASC 815-40, *Contracts in Entity's Own Equity*, warrant instruments that do not meet the criteria to be considered indexed to an entity's own stock or meet the equity classification guidance shall be initially classified as liabilities at their estimated fair values. In periods subsequent to issuance, changes in the estimated fair value of the derivative instruments should be reported in the statement of operations and comprehensive income (loss).

In July and August 2015, in addition to other securities, the Company issued 35,040,664 warrants to purchase 17,520,332 shares of common stock. The Company determined that the financial statements should be restated to reflect these warrants as a liability, with subsequent changes in their estimated fair value recorded as non-cash income or expense in the statements of operations and comprehensive income (loss) for all periods since issuance.

The following presents the restated consolidated financial statements as of December 31, 2020 and 2019, and for the years ended December 31, 2020, 2019 and 2018.

The Restatement Adjustments reflect the entries to record the initial warrant liability from the Warrants and to revalue the warrant liability to the then fair value at the end of each period presented. We recorded a \$31.0 million reduction to retained earnings (accumulated deficit) as of January 1, 2018 to reflect the change in fair value of the warrants between the issuance date and December 31, 2017. Each subsequent quarter end, starting with March 31, 2018, the warrant liability was adjusted to fair value and the difference is reflected within change in fair value of warrant liability in the statement of operations and comprehensive income (loss).

The following presents a reconciliation of the consolidated balance sheets as previously reported to the restated amounts as of December 31, 2020 and 2019.

	<b>CONSOLIDATED BALANCE SHEETS</b>		
	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Restated</u>
<b>As of December 31, 2020</b>			
Warrant liability . . . . .	\$ —	\$ 6.3	\$ 6.3
Total liabilities . . . . .	\$ 981.8	\$ 6.3	\$ 988.1
Additional paid in capital . . . . .	\$ 442.2	\$ (40.6)	\$ 401.6
Accumulated deficit . . . . .	\$ (362.1)	\$ 34.3	\$ (327.8)
Total stockholders' equity . . . . .	\$ 145.1	\$ (6.3)	\$ 138.8
<b>As of December 31, 2019</b>			
Warrant liability . . . . .	\$ —	\$ 4.2	\$ 4.2
Total liabilities . . . . .	\$ 1,001.9	\$ 4.2	\$ 1,006.1
Additional paid in capital . . . . .	\$ 437.5	\$ (40.6)	\$ 396.9
Accumulated deficit . . . . .	\$ (363.4)	\$ 36.4	\$ (327.0)
Total stockholders' equity . . . . .	\$ 138.7	\$ (4.2)	\$ 134.5

**DASEKE, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following presents a reconciliation of the consolidated statements of operations and comprehensive income (loss) as previously reported to the restated amounts for the years ended December 31, 2020, 2019 and 2018.

	<b>CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)</b>		
	<b>As Previously Reported</b>	<b>Adjustments</b>	<b>As Restated</b>
<b>For the year ended December 31, 2020</b>			
Change in fair value of warrant liability	\$ —	\$ 2.1	\$ 2.1
Total other expense	\$ 29.4	\$ 2.1	\$ 31.5
Income (loss) before income taxes	\$ 6.0	\$ (2.1)	\$ 3.9
Net income (loss)	\$ 6.2	\$ (2.1)	\$ 4.1
Comprehensive income (loss)	\$ 6.6	\$ (2.1)	\$ 4.5
Net income (loss) attributable to common stockholders	\$ 1.3	\$ (2.1)	\$ (0.8)
Earnings (loss) per common share - Basic	\$ 0.02	\$ (0.03)	\$ (0.01)
Earnings (loss) per common share - Diluted	\$ 0.02	\$ (0.03)	\$ (0.01)
Weighted-average common shares outstanding - Diluted	65,671,246	(895,971)	64,775,275
<b>For the year ended December 31, 2019</b>			
Change in fair value of warrant liability	\$ —	\$ (1.4)	\$ (1.4)
Total other expense	\$ 49.9	\$ (1.4)	\$ 48.5
Income (loss) before income taxes	\$ (362.0)	\$ 1.4	\$ (360.6)
Net income (loss)	\$ (307.4)	\$ 1.4	\$ (306.0)
Comprehensive income (loss)	\$ (306.9)	\$ 1.4	\$ (305.5)
Net income (loss) attributable to common stockholders	\$ (312.4)	\$ 1.4	\$ (311.0)
Earnings (loss) per common share - Basic	\$ (4.86)	\$ 0.02	\$ (4.84)
Earnings (loss) per common share - Diluted	\$ (4.86)	\$ 0.02	\$ (4.84)
<b>For the year ended December 31, 2018</b>			
Change in fair value of warrant liability	\$ —	\$ (66.0)	\$ (66.0)
Total other expense	\$ 43.0	\$ (66.0)	\$ (23.0)
Income (loss) before income taxes	\$ (21.1)	\$ 66.0	\$ 44.9
Net income (loss)	\$ (5.2)	\$ 66.0	\$ 60.8
Comprehensive income (loss)	\$ (7.0)	\$ 66.0	\$ 59.0
Net income (loss) attributable to common stockholders	\$ (10.1)	\$ 66.0	\$ 55.9
Earnings (loss) per common share - Basic	\$ (0.16)	\$ 1.07	\$ 0.91
Earnings (loss) per common share - Diluted	\$ (0.16)	\$ 1.06	\$ 0.90
Weighted-average common shares outstanding - Diluted	61,654,820	4,670,352	66,325,172

**DASEKE, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following presents a reconciliation of the consolidated statements of stockholders' equity as previously reported to the restated amounts as of December 31, 2020, 2019 and 2018 and for the opening balance as of January 1, 2018.

	<b>CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY</b>		
	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Restated</u>
<b>As of December 31, 2020</b>			
Additional paid in capital . . . . .	\$ 442.2	\$ (40.6)	\$ 401.6
Accumulated deficit . . . . .	\$ (362.1)	\$ 34.3	\$ (327.8)
Total stockholders' equity . . . . .	\$ 145.1	\$ (6.3)	\$ 138.8
<b>As of December 31, 2019</b>			
Additional paid in capital . . . . .	\$ 437.5	\$ (40.6)	\$ 396.9
Accumulated deficit . . . . .	\$ (363.4)	\$ 36.4	\$ (327.0)
Total stockholders' equity . . . . .	\$ 138.7	\$ (4.2)	\$ 134.5
<b>As of December 31, 2018</b>			
Additional paid in capital . . . . .	\$ 433.9	\$ (40.6)	\$ 393.3
Accumulated deficit . . . . .	\$ (51.0)	\$ 35.0	\$ (16.0)
Total stockholders' equity . . . . .	\$ 447.0	\$ (5.6)	\$ 441.4
<b>As of January 1, 2018</b>			
Additional paid in capital . . . . .	\$ 277.9	\$ (40.6)	\$ 237.3
Retained earnings (accumulated deficit) . . . . .	\$ 7.3	\$ (31.0)	\$ (23.7)
Total stockholders' equity . . . . .	\$ 351.1	\$ (71.6)	\$ 279.5

The following presents a reconciliation of the consolidated statements of cash flows from the prior periods as previously reported to the restated amounts for the years ended December 31, 2020, 2019 and 2018.

	<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>		
	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Restated</u>
<b>For the year ended December 31, 2020</b>			
Net income . . . . .	\$ 6.2	\$ (2.1)	\$ 4.1
Change in fair value of warrant liability . . . . .	\$ —	\$ 2.1	\$ 2.1
<b>For the year ended December 31, 2019</b>			
Net loss . . . . .	\$ (307.4)	\$ 1.4	\$ (306.0)
Change in fair value of warrant liability . . . . .	\$ —	\$ (1.4)	\$ (1.4)
<b>For the year ended December 31, 2018</b>			
Net income (loss) . . . . .	\$ (5.2)	\$ 66.0	\$ 60.8
Change in fair value of warrant liability . . . . .	\$ —	\$ (66.0)	\$ (66.0)



**DASEKE, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 19 – RESTATEMENT OF PREVIOUSLY ISSUED UNAUDITED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

As discussed in Note 1 and Note 18, the Company has restated previously issued financial statements to correct the error resulting from misapplication of the guidance on accounting for its issued warrants.

The following tables contains the restatement of previously reported unaudited consolidated balance sheets as of September 30, 2020, June 30, 2020, March 31, 2020, September 30, 2019, June 30, 2019 and March 31, 2019.

**CONSOLIDATED BALANCE SHEETS  
UNAUDITED**

		<u>September 30, 2020</u>	<u>June 30, 2020</u>	<u>March 31, 2020</u>	<u>September 30, 2019</u>	<u>June 30, 2019</u>	<u>March 31, 2019</u>
Warrant liability	As Previously Reported ..	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
	Adjustments.....	\$ 5.1	\$ 2.1	\$ 3.2	\$ 6.3	\$ 7.7	\$ 11.9
	As Restated .....	\$ 5.1	\$ 2.1	\$ 3.2	\$ 6.3	\$ 7.7	\$ 11.9
Total liabilities	As Previously Reported ..	\$ 1,038.9	\$ 1,013.0	\$ 1,017.5	\$ 1,032.8	\$ 1,072.0	\$ 1,062.2
	Adjustments.....	\$ 5.1	\$ 2.1	\$ 3.2	\$ 6.3	\$ 7.7	\$ 11.9
	As Restated .....	\$ 1,044.0	\$ 1,015.1	\$ 1,020.7	\$ 1,039.1	\$ 1,079.7	\$ 1,074.1
Additional paid in capital	As Previously Reported ..	\$ 440.4	\$ 439.4	\$ 438.4	\$ 436.6	\$ 435.6	\$ 434.9
	Adjustments.....	\$ (40.6)	\$ (40.6)	\$ (40.6)	\$ (40.6)	\$ (40.6)	\$ (40.6)
	As Restated .....	\$ 399.8	\$ 398.8	\$ 397.8	\$ 396.0	\$ 395.0	\$ 394.3
Accumulated deficit	As Previously Reported ..	\$ (368.2)	\$ (382.7)	\$ (381.9)	\$ (343.7)	\$ (69.2)	\$ (61.5)
	Adjustments.....	\$ 35.5	\$ 38.5	\$ 37.4	\$ 34.3	\$ 32.9	\$ 28.7
	As Restated .....	\$ (332.7)	\$ (344.2)	\$ (344.5)	\$ (309.4)	\$ (36.3)	\$ (32.8)
Total stockholders' equity	As Previously Reported ..	\$ 136.7	\$ 121.0	\$ 120.6	\$ 157.3	\$ 431.0	\$ 437.6
	Adjustments.....	\$ (5.1)	\$ (2.1)	\$ (3.2)	\$ (6.3)	\$ (7.7)	\$ (11.9)
	As Restated .....	\$ 131.6	\$ 118.9	\$ 117.4	\$ 151.0	\$ 423.3	\$ 425.7

**DASEKE, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following tables contain the restatement of previously reported unaudited consolidated statements of operations and comprehensive income (loss) for the three months ended September 30, 2020, June 30, 2020, March 31, 2020, September 30, 2019, June 30, 2019 and March 31, 2019.

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
**UNAUDITED**

**Three months ended**

		<b>September 30,</b>	<b>June 30,</b>	<b>March 31,</b>	<b>September</b>	<b>June 30,</b>	<b>March 31,</b>
		<b>2020</b>	<b>2020</b>	<b>2020</b>	<b>30, 2019</b>	<b>2019</b>	<b>2019</b>
Change in fair value of warrant liability	As Previously Reported..	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
	Adjustments .....	\$ 3.0	\$ (1.1)	\$ (1.0)	\$ (1.4)	\$ (4.2)	\$ 6.3
	As Restated. ....	\$ 3.0	\$ (1.1)	\$ (1.0)	\$ (1.4)	\$ (4.2)	\$ 6.3
Total other expense	As Previously Reported..	\$ 10.4	\$ 9.8	\$ 12.9	\$ 14.5	\$ 11.8	\$ 11.9
	Adjustments .....	\$ 3.0	\$ (1.1)	\$ (1.0)	\$ (1.4)	\$ (4.2)	\$ 6.3
	As Restated. ....	\$ 13.4	\$ 8.7	\$ 11.9	\$ 13.1	\$ 7.6	\$ 18.2
Income (loss) before income taxes	As Previously Reported..	\$ 17.7	\$ 2.6	\$ (21.2)	\$ (331.1)	\$ (7.1)	\$ (11.2)
	Adjustments .....	\$ (3.0)	\$ 1.1	\$ 1.0	\$ 1.4	\$ 4.2	\$ (6.3)
	As Restated. ....	\$ 14.7	\$ 3.7	\$ (20.2)	\$ (329.7)	\$ (2.9)	\$ (17.5)
Net income (loss)	As Previously Reported..	\$ 15.7	\$ 0.5	\$ (17.3)	\$ (273.3)	\$ (6.4)	\$ (9.3)
	Adjustments .....	\$ (3.0)	\$ 1.1	\$ 1.0	\$ 1.4	\$ 4.2	\$ (6.3)
	As Restated. ....	\$ 12.7	\$ 1.6	\$ (16.3)	\$ (271.9)	\$ (2.2)	\$ (15.6)
Comprehensive income (loss)	As Previously Reported..	\$ 15.9	\$ 0.7	\$ (17.8)	\$ (273.5)	\$ (6.0)	\$ (9.2)
	Adjustments .....	\$ (3.0)	\$ 1.1	\$ 1.0	\$ 1.4	\$ 4.2	\$ (6.3)
	As Restated. ....	\$ 12.9	\$ 1.8	\$ (16.8)	\$ (272.1)	\$ (1.8)	\$ (15.5)
Net income (loss) attributable to common stockholders	As Previously Reported..	\$ 14.5	\$ (0.8)	\$ (18.5)	\$ (274.5)	\$ (7.7)	\$ (10.5)
	Adjustments .....	\$ (3.0)	\$ 1.1	\$ 1.0	\$ 1.4	\$ 4.2	\$ (6.3)
	As Restated. ....	\$ 11.5	\$ 0.3	\$ (17.5)	\$ (273.1)	\$ (3.5)	\$ (16.8)
Earnings (loss) per common share - Basic	As Previously Reported..	\$ 0.22	\$ (0.01)	\$ (0.29)	\$ (4.25)	\$ (0.12)	\$ (0.16)
	Adjustments .....	\$ (0.05)	\$ 0.01	\$ 0.02	\$ 0.02	\$ 0.07	\$ (0.10)
	As Restated. ....	\$ 0.17	\$ —	\$ (0.27)	\$ (4.23)	\$ (0.05)	\$ (0.26)
Earnings (loss) per common share - Diluted	As Previously Reported..	\$ 0.22	\$ (0.01)	\$ (0.29)	\$ (4.25)	\$ (0.12)	\$ (0.16)
	Adjustments .....	\$ (0.05)	\$ 0.01	\$ 0.02	\$ 0.02	\$ 0.07	\$ (0.10)
	As Restated. ....	\$ 0.17	\$ —	\$ (0.27)	\$ (4.23)	\$ (0.05)	\$ (0.26)

In addition, for the three months ended June 30, 2020, weighted-average common shares outstanding – diluted as previously reported was 64,173,164, had adjustments of 538,046, and as Restated was 64,711,210.

**DASEKE, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following tables contain the restatement of previously reported unaudited consolidated statements of operations and comprehensive income (loss) for the nine months ended September 30, 2020 and 2019, and the six months ended June 30, 2020 and 2019.

		<b>CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)</b>							
		<b>UNAUDITED</b>							
		<b>Nine months ended September 30,</b>				<b>Six months ended June 30,</b>			
		<b>2020</b>		<b>2019</b>		<b>2020</b>		<b>2019</b>	
Change in fair value of warrant liability	As Previously Reported..	\$	—	\$	—	\$	—	\$	—
	Adjustments .....	\$	0.9	\$	0.7	\$	(2.1)	\$	2.1
	As Restated. ....	\$	0.9	\$	0.7	\$	(2.1)	\$	2.1
Total other expense	As Previously Reported..	\$	33.1	\$	38.2	\$	22.7	\$	23.7
	Adjustments .....	\$	0.9	\$	0.7	\$	(2.1)	\$	2.1
	As Restated. ....	\$	34.0	\$	38.9	\$	20.6	\$	25.8
Income (loss) before income taxes	As Previously Reported..	\$	(0.9)	\$	(349.4)	\$	(18.6)	\$	(18.3)
	Adjustments .....	\$	(0.9)	\$	(0.7)	\$	2.1	\$	(2.1)
	As Restated. ....	\$	(1.8)	\$	(350.1)	\$	(16.5)	\$	(20.4)
Net income (loss)	As Previously Reported..	\$	(1.1)	\$	(289.0)	\$	(16.8)	\$	(15.7)
	Adjustments .....	\$	(0.9)	\$	(0.7)	\$	2.1	\$	(2.1)
	As Restated. ....	\$	(2.0)	\$	(289.7)	\$	(14.7)	\$	(17.8)
Comprehensive income (loss)	As Previously Reported..	\$	(1.2)	\$	(288.7)	\$	(17.1)	\$	(15.2)
	Adjustments .....	\$	(0.9)	\$	(0.7)	\$	2.1	\$	(2.1)
	As Restated. ....	\$	(2.1)	\$	(289.4)	\$	(15.0)	\$	(17.3)
Net income (loss) attributable to common stockholders	As Previously Reported..	\$	(4.8)	\$	(292.7)	\$	(19.3)	\$	(18.2)
	Adjustments .....	\$	(0.9)	\$	(0.7)	\$	2.1	\$	(2.1)
	As Restated. ....	\$	(5.7)	\$	(293.4)	\$	(17.2)	\$	(20.3)
Earnings (loss) per common share - Basic	As Previously Reported..	\$	(0.07)	\$	(4.54)	\$	(0.30)	\$	(0.28)
	Adjustments .....	\$	(0.02)	\$	(0.01)	\$	0.03	\$	(0.03)
	As Restated. ....	\$	(0.09)	\$	(4.55)	\$	(0.27)	\$	(0.31)
Earnings (loss) per common share - Diluted	As Previously Reported..	\$	(0.07)	\$	(4.54)	\$	(0.30)	\$	(0.28)
	Adjustments .....	\$	(0.02)	\$	(0.01)	\$	0.03	\$	(0.03)
	As Restated. ....	\$	(0.09)	\$	(4.55)	\$	(0.27)	\$	(0.31)

**DASEKE, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following tables contain the restatement of previously reported unaudited consolidated statements of changes in stockholders' equity as of September 30, 2020, June 30, 2020, March 31, 2020, January 1, 2020, September 30, 2019, June 30, 2019, March 31, 2019 and January 1, 2019.

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
UNAUDITED**

		<u>September 30, 2020</u>	<u>June 30, 2020</u>	<u>March 31, 2020</u>	<u>January 1, 2020</u>
Additional paid in capital	As Previously Reported . . . .	\$ 440.4	\$ 439.4	\$ 438.4	\$ 437.5
	Adjustments . . . . .	\$ (40.6)	\$ (40.6)	\$ (40.6)	\$ (40.6)
	As Restated . . . . .	\$ 399.8	\$ 398.8	\$ 397.8	\$ 396.9
Accumulated deficit	As Previously Reported . . . .	\$ (368.2)	\$ (382.7)	\$ (381.9)	\$ (363.4)
	Adjustments . . . . .	\$ 35.5	\$ 38.5	\$ 37.4	\$ 36.4
	As Restated . . . . .	\$ (332.7)	\$ (344.2)	\$ (344.5)	\$ (327.0)
Total stockholders' equity	As Previously Reported . . . .	\$ 136.7	\$ 121.0	\$ 120.6	\$ 138.7
	Adjustments . . . . .	\$ (5.1)	\$ (2.1)	\$ (3.2)	\$ (4.2)
	As Restated . . . . .	\$ 131.6	\$ 118.9	\$ 117.4	\$ 134.5

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
UNAUDITED**

		<u>September 30, 2019</u>	<u>June 30, 2019</u>	<u>March 31, 2019</u>	<u>January 1, 2019</u>
Additional paid in capital	As Previously Reported . . . .	\$ 436.6	\$ 435.6	\$ 434.9	\$ 433.9
	Adjustments . . . . .	\$ (40.6)	\$ (40.6)	\$ (40.6)	\$ (40.6)
	As Restated . . . . .	\$ 396.0	\$ 395.0	\$ 394.3	\$ 393.3
Accumulated deficit	As Previously Reported . . . .	\$ (343.7)	\$ (69.2)	\$ (61.5)	\$ (51.0)
	Adjustments . . . . .	\$ 34.3	\$ 32.9	\$ 28.7	\$ 35.0
	As Restated . . . . .	\$ (309.4)	\$ (36.3)	\$ (32.8)	\$ (16.0)
Total stockholders' equity	As Previously Reported . . . .	\$ 157.3	\$ 431.0	\$ 437.6	\$ 447.0
	Adjustments . . . . .	\$ (6.3)	\$ (7.7)	\$ (11.9)	\$ (5.6)
	As Restated . . . . .	\$ 151.0	\$ 423.3	\$ 425.7	\$ 441.4

The following tables contain the restatement of previously reported unaudited consolidated statements of cash flows for the nine months ended September 30, 2020 and 2019, the six months ended June 30, 2020 and 2019, and the three months ended March 31, 2020 and 2019.

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
UNAUDITED**

		<u>Nine months ended September 30,</u>		<u>Six months ended June 30,</u>		<u>Three months ended March 31,</u>	
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Net income (loss)	As Previously Reported . . . .	\$ (1.1)	\$ (289.0)	\$ (16.8)	\$ (15.7)	\$ (17.3)	\$ (9.3)
	Adjustments . . . . .	\$ (0.9)	\$ (0.7)	\$ 2.1	\$ (2.1)	\$ 1.0	\$ (6.3)
	As Restated . . . . .	\$ (2.0)	\$ (289.7)	\$ (14.7)	\$ (17.8)	\$ (16.3)	\$ (15.6)
Change in fair value of warrant liability	As Previously Reported . . . .	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
	Adjustments . . . . .	\$ 0.9	\$ 0.7	\$ (2.1)	\$ 2.1	\$ (1.0)	\$ 6.3
	As Restated . . . . .	\$ 0.9	\$ 0.7	\$ (2.1)	\$ 2.1	\$ (1.0)	\$ 6.3