SIMPLE FOCUS.

2019
Annual Report

DASEKE®

Forward-Looking Statements

This Annual Report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, are forward-looking statements. Forward-looking statements may be identified by the use of words such as "may," "will," "continue," "forecast," "intend," "seek," "target," "anticipate," "believe," "expect," "estimate," "plan," "outlook," "should," "could," "would," "predict," "potential," and "project," the negative of these terms, or other comparable terminology and similar expressions. Forward-looking statements may include projected financial information and results as well as statements about Daseke's goals, including its restructuring plans; Daseke's financial strategy, liquidity and capital required for its business strategy and plans; and general economic conditions. The forward-looking statements contained herein are based on information available as of the date of this Annual Report, and current expectations, forecasts and assumptions. 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 Daseke anticipates, and readers are cautioned not to place undue reliance on the forward-looking statements.

A number of factors, many of which are beyond our control, could cause actual results or outcomes to differ materially from those indicated by the forward-looking statements contained herein. These factors 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 (including as a result of global and national heath epidemics or concerns, such as the recent coronavirus outbreaks); Daseke's ability to adequately address downward pricing and other competitive pressures; driver shortages and increases in driver compensation or owner-operator contracted rates; Daseke's ability to execute and realize all of the expected benefits of its integration, business improvement and comprehensive restructuring plans; loss of key personnel; Daseke's ability to realize all of the intended benefits from recent or future acquisitions; Daseke's ability to complete recent or future divestitures 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; Daseke's ability to generate sufficient cash to service all of its indebtedness and Daseke's ability to finance its capital requirements; restrictions in Daseke's 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 Daseke and its operations; insurance and claims expenses; and litigation and governmental proceedings. 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 (the "SEC"), available at www.sec.gov, including Daseke's Annual Report on Form 10-K filed with the SEC on March 10, 2020 and subsequent quarterly reports on Form 10-Q, particularly the section titled "Risk Factors."

Daseke does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date as of when they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. You should not place undue reliance on these forward-looking statements.

CLEAR EXECUTION.

2019 proved to be a year of significant transformation for Daseke, the largest flatbed and specialized transportation and logistics solutions company in North America, as the Company acted with extreme discipline and repositioned itself to become a much more profitable company over the long-term.

A LETTER FROM OUR CHIEF EXECUTIVE OFFICER AND EXECUTIVE CHAIRMAN

Chris Easter
Chief Executive Officer

Brian Bonner
Executive Chairman

DEAR FELLOW SHAREHOLDERS

We are pleased to have the opportunity to reflect on what was a transformative year for our Company. In early 2019, our team analyzed all aspects of the business to address the Company's lagging operating performance, and it became abundantly clear that change was needed. This included a shift in strategy, new leadership and an accelerated transformation plan.

STRATEGY AND LEADERSHIP CHANGE

During the first half of 2019, we shifted our strategy away from a narrow focus on top-line, acquisition-driven growth, toward a foundation guided by operations excellence moving forward. We have some of the highest-quality assets and operators in the flatbed and specialized transportation and logistics industry, and we weren't leveraging them like the leader that we are today.

As we exited the second quarter and Don Daseke, our founder and original visionary of the Company, announced his plans to retire, we accelerated our pace of change. This included rightsizing our management team at the corporate office, as well as our board.

OPERATIONAL IMPROVEMENT INITIATIVES

Next, we began to execute Phase I of our Operational Improvement Plan. While we had a solid foundation of operating companies that have successfully moved the North American industrial economy for decades, we recognized there was tremendous untapped potential across our platform for stronger operating and financial performance. As a result, we integrated three of our lagging operating companies into three of our highest-performing ones, with the goal of achieving synergistic

value and a more optimized operational footprint. We also identified underutilized assets and further rightsized the cost structure at our corporate office.

Another critical aspect of this transformation plan was to more fully engage the management talent at our operating companies. This included the creation of a new leadership structure, which facilitated greater contribution from our operating company leaders and helped ensure success as we drove business improvements and multiple integrations, and began to share best practices across the entirety of the Daseke platform.

2019 FINANCIAL RESULTS

In 2019, Daseke generated $1.74 billion of revenue, an increase of 7.7% from the prior year. We had a net loss of $307.4 million, which included a non-cash impairment charge of $312.8 million. Adjusted net income, excluding that charge, was $2.1 million. Adjusted EBITDA was $170.9 million, which compared to $174.3 million in 2018. The transformative actions we took, as well as continued strength in the renewable energy markets, allowed us to overcome the impacts of the softer freight market environment in the second half of the year, particularly in the Oil and Gas sector. Optimizing our footprint and reducing costs across our organization also allowed us to deliver $114.1 million in cash from operations and $129.9 million in Free Cash Flow. This compares favorably to $105.3 million in cash from operations and $65.2 million in Free Cash Flow generated in 2018.

Phase I of our Operational Improvement Plan has delivered $30 million in annual operating income improvement on a run-rate basis as we exited the first quarter of 2020. But our work is far from over. While the 97.1% Adjusted Operating Ratio we delivered in 2019 was a 200 basis point

increase from the prior year, it would have exceeded 100% had we not taken decisive, transformative action. We cannot and will not accept that ratio in any freight market environment, and so we entered 2020 with momentum and an opportunity to execute on Phase II of our transformation.

BUILDING A CULTURE OF CONTINUOUS IMPROVEMENT

In early 2020, we announced Phase II of our Operational Improvement Plan, which includes three core workstreams. These additional actions will build on the learnings and successes of Phase I, but also include some new opportunities.

First, we will execute three additional integrations at our operating companies. This will effectively reduce our total platform companies from 16 when we started in August, to 10 when we complete our work by the end of 2020. Phase II also calls for further business improvement opportunities that our team has identified across our platform, as well as new cross-platform optimization initiatives. All three of these efforts represent the next steps in rebuilding our culture around a continuous improvement mindset, which will continue to benefit our Company long after these transformational actions are complete. In total, from August 2019 to the end of fiscal 2020, we expect to deliver $45 million in annual operating income improvement as a result of Phase I and II of our Operational Improvement Plans.

Our goal is to maintain a resilient business, regardless of external factors that affect our business directly or indirectly. The actions we have taken over the last few months speak volumes to the level of talent and motivation that exists across our organization. It's that kind of commitment we'll need to navigate what's going to be a challenging economic environment in 2020 as we all work to put COVID-19 behind us. Longer term, we will explore every option to grow the business, but right now we remain focused on operational execution and maintaining a strong balance sheet.

We have a lot of hard work ahead of us this year, but we have the right team in place to get it done and we've only just begun. We want to thank our employees, contractors, customers, and shareholders for their unwavering support during this pivotal time for our Company.

Sincerely,

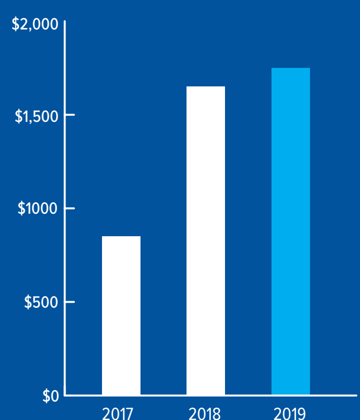
Chris Easter
Chief Executive Officer

Brian Bonner
Executive Chairman

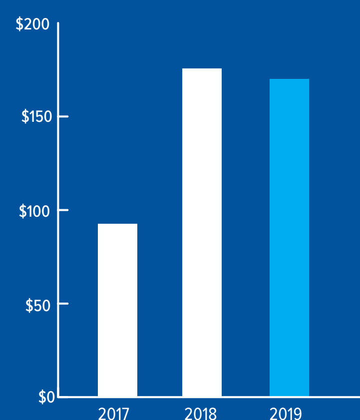
INDUSTRIES MOVED
Revenue Mix by End-Market

- Construction **25%**
- Freight All Kinds **17%**
- Metals **14%**
- Oil & Gas **13%**
- Aerospace & High Security Cargo **12%**
- Manufacturing **11%**
- Renewable Energy **8%**

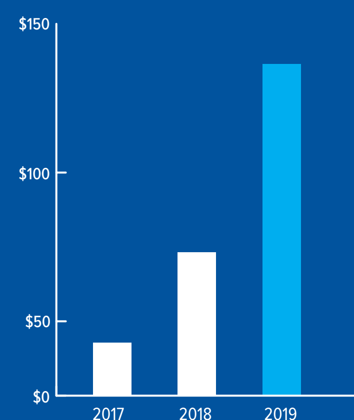
TOTAL REVENUE



ADJUSTED EBITDA (1)



FREE CASH FLOW (2)



(1) Daseke defines Adjusted EBITDA as net income (loss) plus (i) depreciation and amortization, (ii) interest expense, and other fees and charges associated with financings, net of interest income, (iii) income taxes, (iv) acquisition-related transaction expenses (including due diligence costs, legal, accounting and other advisory fees and costs, retention and severance payments and financing fees and expenses), (v) business transformation costs, (vi) non-cash impairment, (vii) restructuring charges, and (viii) non-cash stock and equity-compensation expense.

(2) 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.

CONVERTING SIZE INTO SCALE

SIMPLE FOCUS

INVESTMENT APPEALS: WHY INVEST IN DASEKE?

NICHE MARKET LEADERSHIP — Largest specialized & flatbed logistics capacity in the U.S.

DEFENSIBLE BUSINESS MOAT — Highly complex/specialized assets & expertise present high barriers to entry in valuable niche markets.

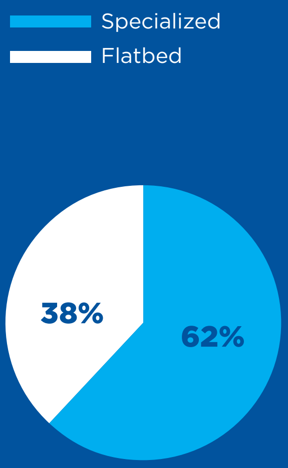
EARLY INNINGS OF STRATEGIC TRANSFORMATION — New management and strategy pivot driving sustainable improvement to operations and financial performance.

BUILDING A CULTURE AROUND CONTINUOUS IMPROVEMENT — Near-term results show initial success against Operating Ratio & Operating Income improvement goals.

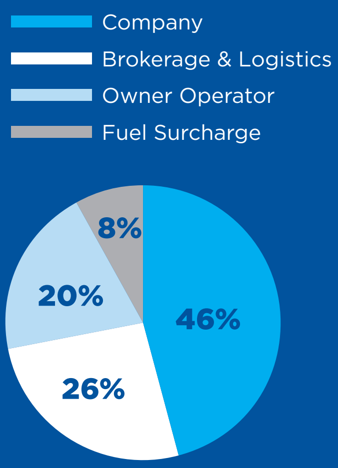
FOCUSED ON STRENGTHENING BALANCE SHEET — No near-term maturities and ongoing de-leveraging further supports turnaround and growth initiatives.

POISED TO RETURN TO MORE PROFITABLE GROWTH — Repositioned platform will allow Company to grow revenue, cash flows, and earnings moving forward.

2019 REVENUE BY SEGMENT



2019 REVENUE BY TYPE



DEFENSIBLE ADVANTAGES

- Embrace Complexity
- Technical Know-how
- Highly Specialized Equipment
- Highly Skilled, Experienced Drivers

BOARD OF DIRECTORS

Brian Bonner
Executive
Chairman

**Daniel J.
Hennessy** [1*, 2, 3]
Vice Chairman,
Independent Director

Chris Easter
Chief Executive
Officer and Director

Don R. Daseke
Chairman
Emeritus

**Kevin M.
Charlton** [2*, 3]
Independent
Director

**Jonathan
Shepko** [1]
Independent
Director

**Chuck
Serriani** [1]
Independent
Director

**Kim
Warmbier** [3*]
Independent
Director

**Ena
Williams** [2]
Independent
Director

Board Committees

(1) Audit Committee
(2) Corporate Governance and Nominating Committee
(3) Compensation Committee
* Committee Chair

MANAGEMENT

Chris Easter
Chief Executive Officer

Matt Cacace
Senior Vice President
Business Systems

Amanda Hemker
Vice President and
Corporate Controller

John Michell
Vice President
Operations Strategy

Angie Moss
Senior Vice President
and Chief Accounting
Officer

Soumit Roy
Chief Legal Officer and
Corporate Secretary

OPERATING COMPANIES – LEADERSHIP

Dan Wirkkala
Smokey Point Distributing

Scott Hoppe
E.W. Wylie

Mark Randolph
J. Grady Randolph

Rick Williams
Central Oregon Truck
Company

Chris Cooper
The Boyd Companies

Tex Robbins
Lone Star Transportation

Phil Byrd, Sr.
Bulldog Hiway Express

Chris Hornady
Hornady Transportation

Gary Coleman
Big Freight Systems

Brett Sheets
Steelman
Transportation

John Wilbur
Roadmaster Group

Gregg Stanley
TSH & Co.

Ronnie Witherspoon
Aveda Transportation &
Energy Services

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

Form 10-K

(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, 2019.**

☐ **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	**001-37509**	**47-3913221**
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(IRS Employer Identification No.)

15455 Dallas Parkway, Suite 550
Addison, Texas **75001**
(Address of principal executive offices) *(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

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 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 28, 2019, the last business day of the registrant's most recently completed second fiscal quarter, was $163.4 million.
64,598,025 shares of common stock were outstanding as of March 6, 2020.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement for its 2020 Annual Meeting of Stockholders to be filed within 120 days of the Registrant's fiscal year ended December 31, 2019 are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated.

DASEKE, INC.
2019 ANNUAL REPORT ON FORM 10-K
INDEX

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 or the Company), 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,[1] and is among the top 10 truckload carriers,[1] in North America. From 2009 to 2019, the Company has grown revenue from $30 million to $1.7 billion at a compound annual growth rate (CAGR) of 50%. 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 6,300 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 38% of total revenue in 2019, and the Specialized Solutions segment generated approximately 62% of total revenue in 2019. As of December 31, 2019, the Flatbed Solutions segment operated 2,882 tractors and 4,740 trailers, and the Specialized Solutions segment operated 3,008 tractors and 8,068 trailers. In 2019, Daseke's company and owner-operator drivers drove 478.5 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 2019, 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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1. Commercial Carrier Journal Top 250, 2019 Rank (Flatbed/Specialized/Heavy Haul).

Recent Developments

On July 30, 2019, the Company internally announced a plan to integrate three operating segments with three other operating segments, Project Synchronize (the Plan), which reduced the number of operating segments from 16 to 13. As a result of the Plan, Builders Transportation merged into Hornady Transportation, Moore Freight Service into E.W. Wylie, and the Schilli Companies into Lone Star Transportation. The Plan was implemented to streamline and reduce the Company's cost structure, improve asset utilization and capitalize on operational synergies. Additionally, the Company announced the planned implementation of Business Improvement Plans, which are expected to increase profitability by yield management capacity allocation, right-sizing trailer-to-tractor ratios, and improving maintenance execution.

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. As part of Project Pivot, the Company has also executed a new management restructuring and substantial corporate cost reduction plan, which is expected to yield an additional $4 million in run-rate benefits by the end of the first quarter of fiscal 2020. These Plans are expected to improve annual operating income by $30.0 million in 2020.

On March 10, 2020, the Company announced a plan to integrate three operating segments with three other operating segments (Phase II of the Plan), which will reduce the number of operating segments from 13 to 10 to further streamline and reduce the Company's cost structure, improve asset utilization and capitalize on operational synergies.

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, 2019, the Company has approximately 6,300 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 2019 and 2018, 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 2019, the Company's Flatbed Solutions segment provided transportation and logistics solutions to approximately 3,900 customers, and the Company's Specialized Solutions segment provided unique, value-added transportation and logistics solutions to approximately 3,200 customers. See Note 17 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 2019 and 2018, the Company's top ten customers accounted for approximately 28% and 29%, respectively, of its revenue; however, in 2019 and 2018, no single customer represented more than 6% and 5%, respectively, of the Company's revenue. In 2019 and 2018, no customer of the Flatbed Solutions segment or the Specialized Solutions segment accounted for 10% or more of the Company's consolidated total revenue.

Revenue Equipment

As of December 31, 2019, the Company operated 3,556 company-owned tractors and also had under contract 2,334 tractors owned and operated by independent contractors. The Company also operated 12,808 trailers as of December 31, 2019. 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.

Employees and Independent Contractors

As of December 31, 2019, there were approximately 5,921 full-time employees in the Company's total employee headcount of 5,946, which includes approximately 3,461 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, 2019, the Company had 2,334 independent contractors, who accounted for approximately 42% of total miles in 2019.

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 $100.0 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 has not used derivatives as a hedge against higher fuel costs in the past but continues to evaluate this possibility.

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-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.

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.

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 was expected to commence small scale testing of the IRT model as early as September 2018, with full scale testing expected to occur in April 2019 and possible program roll-out expected to occur in late 2019 but the testing schedule has been delayed. The FMCSA's June 2018 response is under audit by the DOT Inspector General to assess consistency with the NAS recommendations, and the audit findings will guide the agency's actions and timing with respect to testing of the IRT model as a potential replacement for the SMS, 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. Under the 2015 final rule, motor carriers and drivers subject to the rule were required to use either an ELD or an automatic onboard recording device (AOBRD) compliant with existing regulations by December 18, 2017. However, the AOBRDs may only be used until December 16, 2019, provided those devices were put into use before December 18, 2017. Starting December 16, 2019, all carriers and drivers subject to the 2015 final rule must use ELDs. Commencing with the December 18, 2017 effective date, the Company and other motor carriers subject to the 2015 rule are required to use ELDs or AOBRDs in their operations.

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 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 operating results. 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.

The EPA regulations limiting exhaust emissions became more restrictive in 2010. In 2010, a presidential executive memorandum was signed directing the National Highway Traffic Safety Administration (NHTSA) and the EPA to develop new, stricter fuel efficiency standards for, among other vehicles, heavy-duty trucks. In 2011, the NHTSA and the EPA adopted final Phase 1 rules that established the first-ever fuel economy and greenhouse gas standards for medium-and heavy-duty vehicles. These standards apply to certain combination tractors' model years 2014 to 2018 and require them to achieve an approximate 20 percent reduction in fuel consumption by model year 2018, which equates to approximately four gallons of fuel for every 100 miles traveled. Additionally, in October 2016, the EPA and 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 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 risk factors apply to the business and operations of the Company. These risk factors are not exhaustive, and investors are encouraged to perform their own investigation with respect to the business, financial condition and prospects of the Company. 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. If any of these 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.

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;
- industry compliance with a constantly changing regulatory environment; 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, interest rates, taxes, tolls, license and registration fees, insurance, revenue equipment and healthcare for its employees.

In addition, events outside the Company's control, including global and national heath epidemics or concerns (such as the recent coronavirus outbreaks), 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.

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, in the first 180 days of employment. Further, with respect to owner-operator drivers, shortages can result from contractual terms or company policies that make contracting with the Company less desirable to certain 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 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 and began executing on several organizational improvement plans, which are further described in "Business — Recent Developments." The successful implementation and completion of these plans cannot be assured. Such efforts have resulted in, and will continue to result in, significant costs, including severance and other related payments and lease termination fees. As of December 31, 2019, the Company has incurred $8.4 million in costs related to these plans. These plans could also result in significant disruptions to the Company's operations, result in the Company selling property or entire companies at a loss, reduce Adjusted EBITDA and revenues, result in the loss of customer and market share in certain geographic territories, increase the Company's indebtedness, increase short-term administrative expenses and result in potential litigation. 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 be 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 plan, its business, results of operations and prospects could be adversely affected.

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 year, which may have a negative impact on the Company's ability to retain or recruit key personnel, employees and drivers. In the second half of 2019, the Company's Chief Executive Officer, President and Chief Financial Officer resigned or were terminated, and in February 2020, the Company appointed a new Chief Executive Officer. The Company also experienced significant changes and turnover to its board of directors in 2019. 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. Other than at its various operating companies, the Company currently does not have a Chief Financial Officer, Chief Information Officer or Chief Human Resources Officer and may not be able to attract and retain qualified candidates for these or other key positions.

The Company may be unable to realize all of the intended benefits from recent or future acquisitions.

As part of its business strategy, the Company has in the past and may in the future acquire strategic and complementary businesses. Recent or future 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.

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 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, 2019, the Company had $704.1 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, 2019, the Company had $704.1 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."

Uncertainty about the future of the London Interbank Offer Rate ("LIBOR") may adversely affect the Company's business and financial results.

As of December 31, 2019, the Company had approximately (i) $488.5 million of total debt outstanding under its term loan facility (the Term Loan Facility), and (ii) $1.7 million of borrowings and $13.9 million in letters of credit outstanding under its asset-based revolving credit facility (the ABL Facility and, together with the Term Loan Facility, the credit facilities). Interest payments pursuant to the credit facilities may be calculated using LIBOR plus an applicable margin or the alternate base rate, at the Company's option. In July 2017, the UK's Financial Conduct Authority, which regulates LIBOR, announced its intent to phase out LIBOR by the end of 2021. It is not possible to predict the effect this announcement will have, including whether LIBOR will continue in place, and if so, what changes will be made to it, what alternative reference rates may replace LIBOR in use going forward, and how LIBOR will be determined for purposes of loans currently referencing it if it ceases to exist. If the method for calculation of LIBOR changes, if LIBOR is no longer available or if lenders have increased costs due to changes in LIBOR, interest rates on the credit facilities may increase. Although the credit facilities include fallback language that seeks to facilitate an agreement with the Company's lenders on a replacement rate for LIBOR in the event of its discontinuance, and the ABL Facility provides that the all-in interest rate based on the replacement rate will be substantially equivalent to the all-in LIBOR rate-based interest rate in effect prior to its replacement, the Company cannot predict what reference rate would be agreed upon or what the impact of any such replacement rate would be to its interest expense and any such impact may have an adverse effect on its profitability and cash flows. These uncertainties or their resolution may negatively impact the Company's funding costs, loan and other asset values, asset-liability management strategies, cash flows, profitability and results of operations.

The Company has significant ongoing capital expenditure requirements. If the Company is unable to obtain such capital on favorable terms or at all, it may not be able to execute on 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. Continued uncertainty in the equity and credit markets, as well as rising interest rates and upfront fees, may negatively impact the Company's ability to obtain financing on reasonable terms or at all. If the Company is unable to obtain additional financing, 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 (including tractors and trailers) for longer periods, which would result in increased maintenance costs, which would in turn reduce its operating income.

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 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 damage 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.

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 Company cannot assure you that the cost or availability of various types of insurance may not 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.

The Company is subject to the risks of litigation and governmental proceedings, and the increase in the frequency of auto liability lawsuits as well as the size of judgments awarded in such lawsuits may impair the Company's reputation or result in the Company incurring significant costs.

The Company is, and in the future may be, subject to legal and governmental proceedings and claims. The parties in such legal actions 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. The outcome of such proceedings is often difficult to predict, and the outcome of pending or future proceedings may have a material adverse effect on the Company's business, financial condition, results of operations, cash flows and prospects. 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.

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, the loss of one or more of which could have a material adverse effect on the Company's business. In 2019, 2018 and 2017, the Company's top ten customers, based on revenue, accounted for approximately 28%, 29% and 31%, respectively, of the Company's revenue, and the Company's largest customer accounted for approximately 6%, 5% 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 and the Company's ability to comply with the covenants in its debt agreements, 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 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, financial condition, results of operations, cash flows and prospects.

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.

The Company relies, in part, upon independent contractor owner-operators to perform the services for which it contracts with customers. Approximately 36% of the Company's freight was carried by independent contractor owner-operators in 2019. 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 available to it.

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.

The financial condition and operating costs of the Company's independent contractor owner-operators are affected by conditions and events that are beyond the Company's control and may also be beyond their control. 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 or to cease their business relationships with the Company. The prices the Company charges its customers could be impacted by such issues, which may in turn limit pricing flexibility with customers, resulting in fewer customer contracts and decreasing the Company's revenues.

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, brand and financial performance. 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.

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. Taxing and other regulatory authorities and courts apply a variety of standards in their determination of independent contractor status. 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 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, which could adversely affect its results of operations and customer relationships.

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 inability to maintain positive relationships with, and secure the services of, these third parties, or increases in the prices the Company must pay to secure such services, could have an adverse effect on its results of operations and customer relationships. 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;
- increases in operating expenses for carriers, such as fuel costs, insurance premiums and licensing expenses, that result in a reduction in available carriers; and
- changes in transportation rates.

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 breached due to inadequacy or ineffectiveness of the protective measures undertaken, employee errors or omissions, malfeasance or other disruptions. An 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.

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.

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 compensation costs and adversely affect its financial performance.

If the Company’s employees were to unionize, the Company’s 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.

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.

Recent activity by the Trump administration has led to the imposition of tariffs on certain imported steel and aluminum as well as a broad range of other products imported into the United States. In response to the tariffs imposed by the United States, the European Union, Canada, Mexico and China have announced tariffs on U.S. goods and services. The implementation of these tariffs, as well as the imposition of additional tariffs or quotas or changes to certain trade agreements 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.

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, 2019, the Company had recorded goodwill of $139.9 million and indefinite-lived intangible assets of $59.1 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 2019, the Company recorded a non-cash goodwill impairment charge of $118.8 million (of which $111.0 million is not deductible for tax purposes) and an impairment charge to intangibles assets of $31.5 million related to tradenames. A sustained relatively low stock price may result in additional goodwill tests and potential impairment charges. In addition, a Company 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.

The requirements of being a public company, including compliance with the reporting requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), and the requirements of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley Act), may strain the Company's resources, increase the Company's costs and distract management.

As a public company, the Company must comply with laws, regulations and requirements imposed by the SEC, certain corporate governance provisions of the Sarbanes-Oxley Act and the requirements of The NASDAQ Capital Market (NASDAQ), and complying with such laws, regulations and requirements occupies a significant amount of time of management and significantly increases the Company's costs and expenses. For example, the Company is required to include an attestation report on internal control over financial reporting issued by the Company's independent registered public accounting firm, which required the Company to undertake a costly and challenging process to document and evaluate its internal control over financial reporting. The Company continues to dedicate internal resources to assess and document the adequacy of internal control over financial reporting, to take steps to improve control processes as appropriate, to validate through testing that controls are functioning as documented and to implement a continuous reporting and improvement process for internal control over financial reporting.

The Company has identified material weaknesses in its internal control over financial reporting that, if not remediated, could result in material misstatements in its financial statements, cause the Company to fail to meet its periodic reporting obligations or adversely affect investor confidence.

The Company identified two material weaknesses in internal control over financial reporting in 2019. 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 the Company's annual or interim financial statements will not be prevented or detected on a timely basis. As of December 31, 2019, two material weaknesses were identified relating to information technology general controls and management's review of the specialists impairment analysis in the third quarter. The Company concluded that deficiencies in the design and operating effectiveness over information technology general computer controls related to change management, user access and management's review of the completeness and accuracy of certain system-generated reports resulted in a material weakness. The Company also determined that deficiencies in controls over management's review of the completeness and accuracy of the impairment analysis prepared by the third-party valuation specialist during the third quarter of 2019 resulted in a material weakness. The Company may not be able to complete its remediation, evaluation and testing in a timely fashion and its remediation efforts may not be successful once completed.

If the remedial measures implemented are determined to be insufficient to address the Company's current material weaknesses or if additional material weaknesses are discovered or occur in the future, the Company's ability to record, process and report financial information accurately, and to prepare financial statements within the time periods specified by the rules and forms of the SEC, could be adversely affected, and could result in material misstatements to the Company's annual or interim financial statements. Ineffective internal controls could also cause investors to lose confidence in the Company's reported financial information, which could have a negative effect on the trading price of the Company's common stock.

The Company ceased to be an "emerging growth company" under the federal securities laws as of December 31, 2018. Because of this, the Company's registered public accounting firm is required to express an opinion on the effectiveness of the Company's internal controls. Given the difficulties inherent in the design and operation of a system of internal controls over financial reporting, the Company can provide no assurance as to its, or its independent registered public accounting firm's, future conclusions about the effectiveness of the Company's system of internal controls over financial reporting, and the Company may incur significant costs in its efforts to comply with Section 404 of the Sarbanes-Oxley Act on an ongoing basis. If, in the future, the Company is unable to confirm that its internal control over financial reporting is effective, or if the Company's registered public accounting firm is unable to express an opinion on the effectiveness of the Company's internal controls, the Company could be subject to additional regulatory scrutiny and lose investor confidence in the accuracy and completeness of its financial reports, which could have an adverse effect on the Company's business and would likely have a negative effect on the trading price of the Company's common stock.

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

Mr. Daseke and his affiliates beneficially own approximately 28% of the Company's common stock as of December 31, 2019. In addition, Mr. Daseke serves on the Company's board of directors. 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;

- providing for a staggered board, in which the members of the board of directors are divided into three classes to serve for a period of three years from the date of their respective appointment or election; 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. During 2019, the closing stock price of the Company's common stock ranged from a low of $1.55 per share to a high of $5.56 per share. 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.

The Company does not currently intend to pay cash 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.

An active trading market for the Company's common stock may not be sustained.

Although the Company's common stock is listed on NASDAQ, there has been a limited public market for its common stock and a more active trading market for its common stock may not develop or be sustained. An absence of an active trading market could adversely affect the Company's stockholders' ability to sell its common stock in short time periods. Also, as a result of the limited public market for the Company's common stock, the Company's share price may experience significant volatility and may not necessarily reflect the value of the Company's expected performance. Furthermore, an inactive trading market may impair the Company's ability to raise capital by selling shares and may impair its ability to acquire other companies by using the Company's shares as consideration, which, in turn, could harm its business.

If securities or industry analysts do not publish or cease publishing research or reports about the Company, its business or its market, or if they change their recommendations regarding the Company's securities adversely, the price and trading volume of the Company's common stock could decline.

The trading market for the Company's common stock will be influenced by the research and reports that industry or securities analysts may publish about the Company, its business, its market or its competitors. If any of the analysts who cover the Company change their recommendation regarding the Company's common stock adversely, or provide more favorable relative recommendations about the Company's competitors, the price of the Company's common stock would likely decline. If any of the analysts who cover the Company were to cease coverage of the Company or fail to regularly publish reports on it, the Company could lose visibility in the financial markets, which could cause the price or trading volume of the Company's common stock to decline.

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 approximately 104 locations in North America, 27 of which are owned and 77 of which are leased. Daseke’s terminals may include general and executive offices, customer service, sales/marketing, fuel and/or maintenance, parking and warehousing facilities. 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. From time to time, Daseke invests in additional facilities to meet the needs of its business as it pursues additional growth.

The following tables provide information regarding terminals and certain other locations owned or leased by Daseke:

FLATBED SOLUTIONS

			Description of Activities at Location					
Location	**Owned**	**Leased**	**Customer Service**	**Sales/ Marketing**	**Fuel**	**Maintenance**	**Admin**	**Warehouse**
Atlanta, Georgia		✔					✔	
Birmingham, Alabama	✔	✔	✔	✔	✔	✔		
Chickasaw, Alabama		✔					✔	
Cincinnati, Ohio	✔				✔	✔		
Clarksville, Tennessee		✔	✔					
Clayton, Alabama	✔		✔	✔	✔		✔	
Cofield, North Carolina	✔	✔	✔					
Des Moines, Iowa	✔						✔	
Effingham, Illinois		✔					✔	
Greenville, Mississippi	✔		✔					
Grenada, California		✔					✔	
Houston, Texas		✔	✔				✔	
Kennesaw, Georgia		✔	✔					
Lanesville, Indiana		✔	✔				✔	
Laredo, Texas		✔	✔	✔			✔	
Memphis, Tennessee		✔	✔	✔		✔	✔	
Monroeville, Alabama	✔		✔	✔			✔	
Nashville, Tennessee		✔	✔	✔		✔	✔	
Pawleys Island, South Carolina		✔		✔			✔	
Redmond, Oregon	✔	✔	✔	✔	✔	✔		
Springfield, Oregon		✔	✔	✔		✔	✔	
Tuscaloosa, Alabama		✔	✔	✔	✔	✔	✔	
Trinity, Alabama		✔	✔					
Whites Creek, Tennessee		✔					✔	

SPECIALIZED SOLUTIONS

Location	Owned	Leased	Customer Service	Sales/ Marketing	Fuel	Maintenance	Admin	Warehouse
			Description of Activities at Location					
Abilene, Texas		✔					✔	
Arlington, Washington	✔		✔	✔		✔	✔	
Berwick, Pennsylvania		✔				✔		✔
Bossier City, Louisiana		✔	✔	✔				
Calgary, Alberta		✔					✔	
Carmel, Indiana		✔						
Carthage, Missouri		✔				✔		
Catlettsburg, Kentucky		✔	✔				✔	
Church Hill, Tennessee	✔	✔	✔	✔		✔	✔	
Conyers, Georgia		✔	✔	✔				
Corpus Christi, Texas		✔	✔	✔				
Delphi, Indiana		✔				✔		
Duenweg, Missouri	✔		✔	✔		✔		
Fort Worth, Texas		✔		✔			✔	
Gaffney, South Carolina	✔				✔	✔	✔	
Gainesville, Texas	✔					✔	✔	
Garden City, Georgia		✔	✔			✔		
Glendale, Arizona		✔					✔	
Greer, South Carolina		✔	✔	✔		✔	✔	
Griffin, Georgia		✔	✔					✔
Hampton, Georgia		✔				✔		
Haynesville, Louisiana	✔		✔					✔
Hiram, Georgia		✔	✔					
Houston, Texas	✔	✔	✔	✔		✔	✔	
Innisfil, Ontario		✔	✔				✔	
Kansas City, Missouri		✔	✔	✔			✔	✔
Kiowa, Oklahoma	✔		✔					
Lafayette, Indiana		✔	✔	✔			✔	✔
Laredo, Texas	✔		✔	✔		✔		
League City, Texas		✔	✔	✔				
Leduc, Alberta		✔	✔			✔	✔	
Marshall, Texas		✔				✔	✔	
Martins Ferry, Ohio		✔					✔	
Mascot, Tennessee	✔				✔	✔		
Maxton, North Carolina		✔				✔		
Mediapolis, Iowa	✔					✔		
Memphis, Tennessee		✔	✔	✔				
Merrilville, Indiana		✔	✔				✔	✔
Midland, Texas		✔				✔	✔	
Milan, Tennessee		✔	✔				✔	
Mineral Wells, Texas	✔		✔	✔		✔	✔	
Mobile, Alabama		✔					✔	
North Charleston, South Carolina		✔	✔	✔		✔	✔	
Oden, Indiana	✔		✔				✔	
Odessa, Texas	✔		✔	✔				
Oklahoma City, Oklahoma		✔	✔	✔		✔	✔	
Peoria, Arizona		✔				✔		
Pharr, Texas		✔	✔	✔				
Plattsburg, New York		✔					✔	
Pleasanton, Texas		✔	✔	✔		✔	✔	
Port Wentworth, Georgia		✔	✔	✔			✔	
Prichard, Alabama		✔	✔	✔			✔	

SPECIALIZED SOLUTIONS

			Description of Activities at Location					
Location	**Owned**	**Leased**	**Customer Service**	**Sales/ Marketing**	**Fuel**	**Maintenance**	**Admin**	**Warehouse**
Remington, Indiana	✔		✔	✔	✔	✔	✔	✔
Richmond, Virginia		✔	✔					
Salt Lake City, Utah		✔	✔					
Sanford, North Carolina	✔		✔	✔		✔		
Savannah, Georgia		✔	✔					✔
Seguin, Texas		✔	✔	✔				
Shoals, Indiana	✔					✔		
Springfield, Missouri		✔	✔	✔	✔	✔		
Steinbach, Manitoba, Canada		✔	✔				✔	
Sweetwater, Texas	✔		✔	✔				
Toledo, Ohio		✔	✔					✔
Tumwater, Washington		✔				✔		
West Fargo, North Dakota		✔	✔	✔		✔	✔	
West Melbourne, Florida		✔					✔	✔
Westlake Village, California		✔					✔	
Wichita, Kansas		✔	✔					✔
Williston, North Dakota		✔	✔	✔		✔	✔	
Winnipeg, Manitoba, Canada		✔	✔			✔		✔

In addition to the locations listed above, 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.

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 "DKSE" and "DSKEW," respectively. As of March 6, 2020, there were 80 stockholders of record of its common stock.

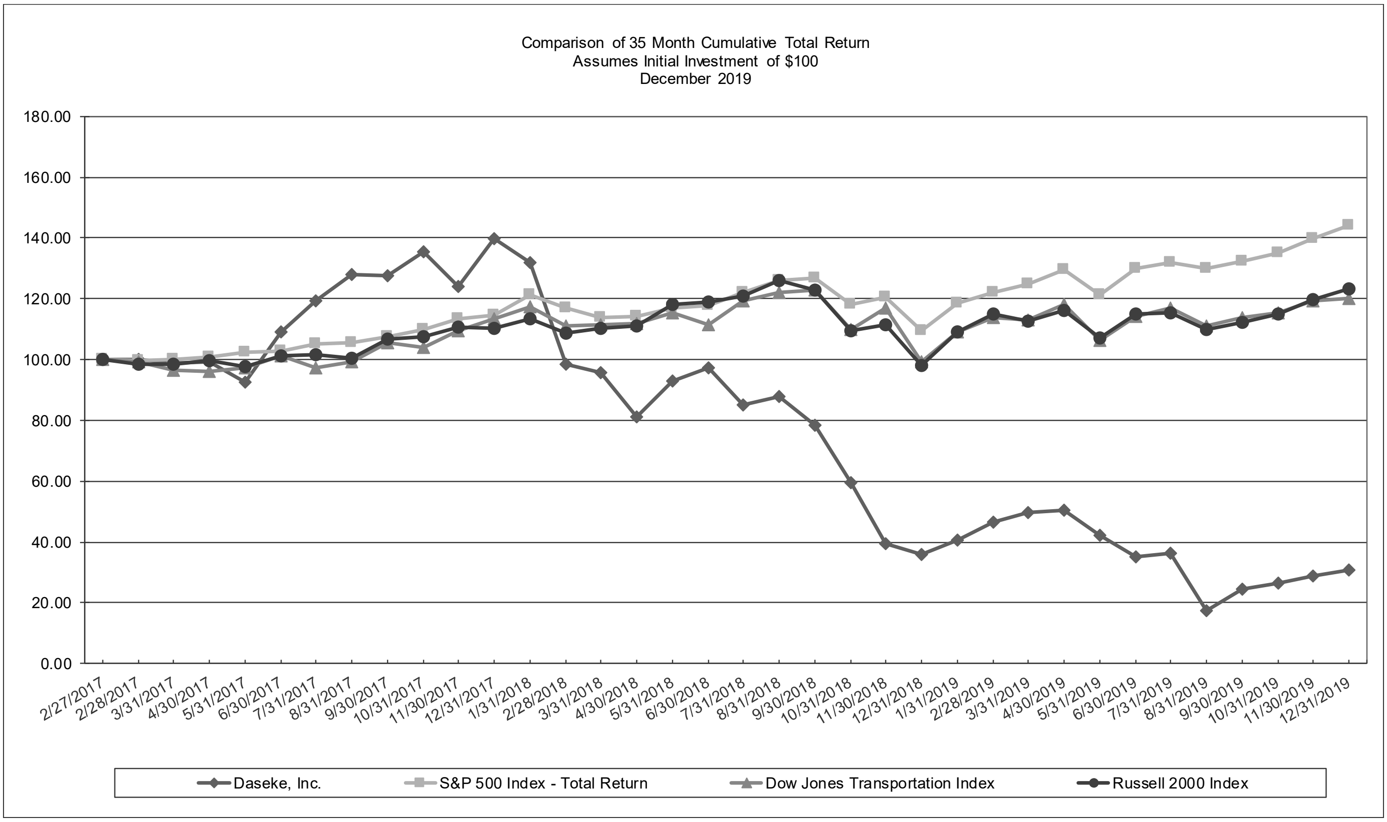
Dividends

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.

Stock Performance Graph

The following is not "soliciting material," shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or incorporated by reference into any of our other filings under the Exchange Act or the Securities Act, except to the extent we specifically incorporate it by reference into such filing.

The graph assumes that $100 was invested on February 27, 2017, in the Company's common stock, in the S&P 500 Index – Total Return, the Dow Jones Transportation Index and the Russell 2000 Index, and that all dividends were reinvested. The stock price performance on the following graph are required by the SEC and are not necessarily intended to forecast or be indicative of future stock price performance.



The closing price of our common stock on December 31, 2019, the last day of our 2019 fiscal year, was $3.16 per share.

Company /Index	2/27/2017	12/31/2017	12/31/2018	12/31/2019
DSKE	$ 100.00	$ 139.82	$ 36.10	$ 30.92
S&P 500 Index – Total Return	$ 100.00	$ 114.70	$ 109.68	$ 144.21
Dow Jones Transportation Index	$ 100.00	$ 113.33	$ 99.37	$ 120.07
Russell 2000 Index	$ 100.00	$ 110.34	$ 98.19	$ 123.25

Item 6. Selected Financial Data

The following selected historical consolidated financial information is provided to assist with the analysis of the Company's financial performance. The table below provides the Company's revenue, net income (loss), Adjusted EBITDA, net cash provided by operating activities and free cash flow for the years ended December 31, 2019, 2018, 2017, 2016 and 2015 on a historical basis.

	Year Ended December 31,				
(Dollars in millions)	**2019**	**2018**	**2017**	**2016**	**2015**
Total revenue	$ 1,737.0	$ 1,613.1	$ 846.3	$ 651.8	$ 678.8
Net income (loss)	(307.4)	(5.2)	27.0	(12.3)	3.3
Net cash provided by operating activities	114.1	105.3	45.8	66.4	85.1
Adjusted EBITDA[(1)]	170.9	174.3	91.9	88.2	97.3
Free cash flow[(1)]	$ 129.9	$ 65.2	$ 31.8	$ 68.2	$ 80.9

(1) Adjusted EBITDA and free cash flow are not recognized measures under GAAP. For a definition of Adjusted EBITDA and free cash flow and a reconciliation of Adjusted EBITDA to net income (loss) and free cash flow to net cash provided by operating activities, see "Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures About Market Risk—Non-GAAP Financial Measures" below.

The following table sets forth selected historical consolidated financial and other data as of and for the years ended December 31, 2019, 2018, 2017, 2016 and 2015. The historical results presented below and above are not necessarily indicative of the results to be expected for any future period and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures About Market Risk" below and Daseke's audited consolidated financial statements and the related notes appearing elsewhere in this Form 10-K.

	Year Ended December 31,				
(Dollars in millions, except share and per share data)	**2019**	**2018**	**2017**	**2016**	**2015**
Consolidated statement of operations data:					
Total revenue	$ 1,737.0	$ 1,613.1	$ 846.3	$ 651.8	$ 678.8
Operating expenses:					
Salaries, wages and employee benefits	483.2	407.4	250.0	197.8	178.7
Fuel	138.5	141.1	93.7	66.9	70.3
Operations and maintenance	213.1	181.5	118.4	96.1	98.7
Purchased freight	597.7	588.6	225.3	154.1	182.0
Taxes and licenses	19.2	17.2	11.0	9.2	9.2
Insurance and claims	49.9	45.8	24.0	19.1	19.7
Depreciation and amortization	146.5	131.1	76.9	67.5	63.6
(Gain) loss on disposition of revenue property and equipment	(5.2)	(3.2)	(0.7)	(0.1)	(2.2)
Impairment	312.8	13.9	—	2.0	—
Restructuring charges	8.4	—	—	—	—
Other operating expenses	85.0	67.8	40.7	28.6	27.8
Total operating expenses	2,049.1	1,591.2	839.3	641.2	647.8
Income (loss) from operations	(312.1)	21.9	7.0	10.6	31.0
Interest expense	50.4	45.5	29.5	23.1	20.6
Other expense (income)	(0.5)	(2.5)	2.8	(0.4)	(0.3)
Total other expense	49.9	43.0	32.3	22.7	20.3
Income (loss) before provision for income taxes	(362.0)	(21.1)	(25.3)	(12.1)	10.7
Provision (benefit) for income taxes	(54.6)	(15.9)	(52.3)	0.2	7.4
Net income (loss)	$ (307.4)	$ (5.2)	$ 27.0	$ (12.3)	$ 3.3
Dividends declared per Series A convertible preferred share	$ 7.63	$ 7.63	$ 6.40	$ —	$ —
Dividends declared per Series B convertible preferred share	$ —	$ —	$ 12.50	$ 18.75	$ 75.00
Net income (loss) available to common stockholders	$ (312.4)	$ (10.1)	$ 22.0	$ (17.0)	$ (1.5)
Basic net income (loss) per common share	$ (4.86)	$ (0.16)	$ 0.59	$ (0.81)	$ (0.07)
Diluted net income (loss) per common share	$ (4.86)	$ (0.16)	$ 0.56	$ (0.81)	$ (0.07)
Basic weighted average common shares outstanding	64,303,438	61,654,820	37,592,549	20,980,961	20,980,961
Diluted weighted average common shares outstanding	64,303,438	61,654,820	39,593,701	20,980,961	20,980,961
Consolidated balance sheet data (at end of period):					
Cash	$ 95.7	$ 46.0	$ 90.7	$ 3.7	$ 4.9
Property and equipment, net	$ 439.0	$ 572.7	$ 429.6	$ 318.7	$ 354.5
Total assets	$ 1,140.6	$ 1,390.9	$ 1,125.7	$ 570.2	$ 627.6
Current liabilities	$ 219.8	$ 193.9	$ 108.1	$ 92.4	$ 109.7
Working capital[(1)]	$ 71.0	$ 131.7	$ 111.0	$ 36.3	$ 42.5
Long-term debt and other long-term liabilities	$ 782.1	$ 750.0	$ 666.4	$ 374.8	$ 397.9
Total stockholders' equity	$ 138.7	$ 447.0	$ 351.2	$ 103.1	$ 120.1
Other financial data (unaudited):					
Adjusted EBITDA[(2)]	$ 170.9	$ 174.3	$ 91.9	$ 88.2	$ 97.3
Adjusted EBITDA Margin[(2)]	9.8 %	10.8 %	10.9 %	13.5 %	14.3 %
Free cash flow[(2)]	$ 129.9	$ 65.2	$ 31.8	$ 68.2	$ 80.9
Operating statistics (unaudited):					
Total miles (in millions)[(3)]	478.5	462.5	290.7	247.0	230.9
Company-operated tractors, as of year-end	3,556	3,882	3,218	2,304	2,267
Owner-operated tractors, as of year-end	2,334	2,262	2,056	609	701
Number of trailers, as of year-end	12,808	13,824	11,237	6,347	5,977
Company-operated tractors, average for the year	3,763	3,485	2,644	2,279	2,054
Owner-operated tractors, average for the year	2,347	2,177	888	667	700
Total tractors, average for the year	6,110	5,662	3,532	2,946	2,754

(1) Working capital is defined as current assets (excluding cash) less current liabilities (excluding the current portion of long-term debt).

(2) Adjusted EBITDA, Adjusted EBITDA Margin and free cash flow are not recognized measures under GAAP. For a definition of Adjusted EBITDA, Adjusted EBITDA Margin and free cash flow, a reconciliation of Adjusted EBITDA to net income (loss), and a reconciliation of free cash flow to net cash provided by operating activities, see "Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures About Market Risk—Non-GAAP Financial Measures" below.

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

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

The following discussion and analysis 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 2019 results to 2018. For a discussion that compares the Company's 2018 results to 2017, see Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of 2018 Annual Report on Form 10-K.

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 6,300 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 38% and 62%, respectively, of revenue in 2019.

Since beginning operations in 2009, the Company has established a track record of growing its business both organically and through strategic and complementary acquisitions, having successfully completed the acquisition of more than 20 operating companies during such period. In 2019, the Company generated revenue of approximately $1.7 billion, compared to $30 million in 2009 (its first year of operation), reflecting a CAGR of approximately 50%.

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 2019 freight, logistics and brokerage revenue was derived from company-owned equipment and approximately 50% was derived from asset-light services.

2019 Year Ended Operational Overview

- Total revenue of $1.7 billion, an increase of 7.7%, company freight of $804.6 million, an increase of 11.5%, owner operator freight of $455.3 million, an increase of 3.4% and brokerage freight of $294.7 million, an increase of 10.6% compared to the year ended December 31, 2018;

- Rate per mile for the year ended December 31, 2019 was $1.92 for Flatbed Solutions segment and $3.55 for Specialized Solutions segment;

- Impairment charges totaled $312.8 million for the year ended December 31, 2019;

- Operating loss of $312.1 million, compared with operating income of $21.9 million in the year ended December 31, 2018;

- Net loss of $307.4 million, or $4.86 per basic and diluted share, compared with net loss of $5.2 million, or $0.16 per basic and diluted share, in the year ended December 31, 2018;

- Total liquidity available at December 31, 2019 decreased by $12.0 million to $253.5 million from $265.5 million at December 31, 2018; and

- Total debt at December 31, 2019 increased by $1.7 million to $704.1 million from $702.4 at December 31, 2018.

Recent Developments

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), for total consideration of $118.7 million, consisting of $27.3 million in cash, 1,612,979 shares of Daseke common stock valued at $15.4 million, the payoff of $54.8 million of outstanding debt, and contingent consideration of $21.2 million. Aveda transports equipment required for the exploration, development and production of petroleum resources in the United States and Canada, expanding the Specialized Segment.

On August 1, 2018, the Company acquired all of the outstanding shares of Builders Transportation Co., LLC (Builders) based in Memphis, Tennessee for total consideration of $36.3 million, consisting of $30.0 million in cash, 399,530 shares of Daseke common stock valued at $3.4 million and the assumption by the Company of $2.9 million of long-term debt. Builders transports metals and building materials, expanding the Flatbed Segment.

On July 1 and August 1, 2018, the Company closed two acquisitions to acquire 100% of the outstanding shares of the target entities for aggregate consideration of $31.6 million, consisting of $20.1 million in cash and 95,859 shares of Daseke common stock valued at $0.9 million. Additionally, the Company assumed approximately $10.6 million of debt and capital lease obligations. These two acquisitions expanded operations in the northwest United States and Canada, in the Flatbed and Specialized Segments.

On July 30, 2019, the Company internally announced a plan to integrate three operating segments with three other operating segments, Project Synchronize (the Plan), which reduced the number of operating segments from 16 to 13. As a result of the Plan, Builders Transportation merged into Hornady Transportation, Moore Freight Service into E.W. Wylie, and the Schilli Companies into Lone Star Transportation. The Plan is implemented to streamline and reduce the Company's cost structure, improve asset utilization and capitalize on operational synergies. Additionally, the Company announced the planned implementation of Business Improvement Plans, which are expected to increase profitability by yield management capacity allocation, right-sizing trailer-to-tractor ratios, and improving maintenance execution. These Plans are expected to improve annual operating income by $30.0 million in 2020.

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. As part of Project Pivot, the Company has also executed a new management restructuring and substantial corporate cost reduction plan, which is expected to yield an additional $4 million in run-rate benefits by the end of the first quarter of fiscal 2020.

On March 10, 2020, the Company announced a plan to integrate three operating segments with three other operating segments (Phase II of the Plan), which will reduce the number of operating segments from 13 to 10 to further streamline and reduce the Company's cost structure, improve asset utilization and capitalize on operational synergies.

How the Company Evaluates Its Operations

The Company uses a number of primary indicators to monitor its revenue and expense performance and efficiency, including Adjusted EBITDA, Free Cash Flow, Adjusted Operating Ratio and Adjusted Net Income (Loss), and its key drivers of revenue quality, growth, expense control and operating efficiency. Adjusted EBITDA, Free Cash Flow, Adjusted Operating Ratio and Adjusted Net Income (Loss) are not recognized measures under GAAP and should not be considered alternatives to, or more meaningful than, net income (loss), cash flows from operating activities, operating income, operating ratio, operating margin or any other measure derived in accordance with GAAP. See "Non-GAAP Financial Measures" for more information on the Company's use of these non-GAAP measures, as well as a description of the computation and reconciliation of the Company's Adjusted EBITDA, Free Cash Flow, and Adjusted Net Income (Loss) to net income (loss) and Adjusted Operating Ratio to operating ratio.

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, 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, however the Company currently expects its expenses relating to driver wages to remain stable in the near-term as a result of driver wage increases implemented in the second half of 2018 to address the shortage of qualified drivers in the general trucking industry, compared to demand at that time. The expectation of stable driver wages paid per mile are due to current market conditions caused by shippers' downward pressure on rates resulting in some easing of capacity in the industry.

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.

Operating Income (Loss)

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 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.

Factors Affecting the Comparability of the Company's Financial Results

Acquisitions

The comparability of the Company's results of operations among the periods presented is impacted by the acquisitions listed below. Also, as a result of the below acquisitions, the Company's historical results of operations may not be comparable or indicative of future results.

Flatbed Solutions Acquisitions

- Builders Acquisition – Effective August 1, 2018, the Company acquired 100% of the outstanding equity interests of Builders, to expand its presence in the steel and construction materials markets.

- Leavitt's Acquisition – Effective August 1, 2018, a Company subsidiary acquired 100% of the outstanding equity interests of Leavitt's Freight Service (Leavitt's), to strengthen its operations in Central Oregon and expand its capabilities to the lumber industry.

The Company refers to the 2018 acquisitions described above collectively as the "Flatbed Solutions Acquisitions."

Specialized Solutions Acquisitions

- Kelsey Trail Acquisition – Effective July 1, 2018, a Company subsidiary acquired 100% of the outstanding equity interests of Kelsey Trail, to strengthen and grow its operations in Canada.

- Aveda Acquisition – Effective June 6, 2018, the Company acquired 100% of the outstanding equity interests of Aveda, to expand its capabilities to include the specialized transportation of equipment required for the exploration, development and production of petroleum resources in the United States and Canada.

The Company refers to the 2018 acquisitions described above collectively as the "Specialized Solutions Acquisitions."

The Company refers to the Flatbed Solutions Acquisitions and Specialized Solutions Acquisitions described above collectively as the "Recent Acquisitions."

Results of Operations

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.

	Year Ended December 31,					
	2019		2018		Increase (Decrease)	
(Dollars in millions)	**$**	**%**	**$**	**%**	**$**	**%**
REVENUE:						
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)
Total revenue	1,737.0	100.0	1,613.1	100.0	123.9	7.7
OPERATING EXPENSES:						
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 disposition of revenue property and equipment	(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	*
Total operating expenses	2,049.1	118.0	1,591.2	98.6	449.5	28.2
Operating ratio	*118.0%*		*98.6%*			
Adjusted operating ratio[(1)]	*97.1%*		*95.1%*			
INCOME (LOSS) FROM OPERATIONS	(312.1)	(18.0)	21.9	1.4	(325.6)	(1,486.8)
Other (income) expense:						
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	*
Other	(1.8)	(0.1)	(1.2)	(0.1)	(0.6)	50.0
Total other expense	49.9	2.9	43.0	2.7	6.9	16.0
Income (loss) before income taxes	(362.0)	(20.8)	(21.1)	(1.3)	(332.5)	1,575.8
Benefit for income taxes	(54.6)	(3.1)	(15.9)	(1.0)	(38.7)	243.4
Net income (loss)	$ (307.4)	(17.7)	$ (5.2)	(0.3)	$ (293.8)	5,650.0
OPERATING STATISTICS:						
Total miles (in millions)[(2)]	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
Total tractors, average for the year	6,110		5,662		448	7.9

* indicates not meaningful.

(1) Adjusted operating ratio is not a recognized measure under GAAP. For a definition of adjusted operating ratio and reconciliation of adjusted operating ratio to operating ratio, see "Non-GAAP Financial Measures" below.

(2) 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, operating ratio, adjusted operating ratio 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

	Year Ended December 31,					
	2019		2018		Increase (Decrease)	
(Dollars in millions)	**$**	**%**	**$**	**%**	**$**	**%**
REVENUE[1]:						
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)
Total revenue	1,095.7	100.0	965.1	100.0	130.6	13.5
OPERATING EXPENSES[1]:						
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
Total operating expenses	1,254.4	114.5	942.0	97.6	312.4	33.2
Operating ratio	*114.5%*		*97.6%*			
Adjusted operating ratio[2]	*93.8%*		*92.8%*			
INCOME (LOSS) FROM OPERATIONS	$ (158.7)	(14.5)	$ 23.1	2.4	$ (181.8)	(787.0)
OPERATING STATISTICS:						
Total miles (in millions)[3]	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
Total tractors, average for the year	3,137		2,914		223	7.7

* indicates not meaningful.

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

(2) Adjusted Operating Ratio is not a recognized measure under GAAP. For a definition of Adjusted Operating Ratio and reconciliation of Adjusted Operating Ratio to operating ratio, see "Non-GAAP Financial Measures" below.

(3) 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, operating ratio, adjusted operating ratio 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

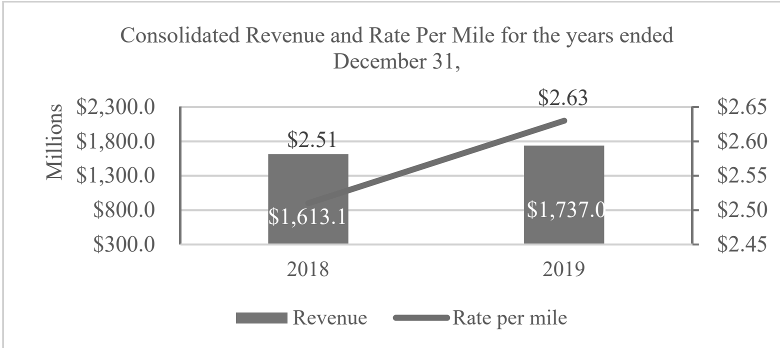
	Year Ended December 31,					
	2019		2018		Increase (Decrease)	
(Dollars in millions)	**$**	**%**	**$**	**%**	**$**	**%**
REVENUE[1]:						
Company freight	$ 215.3	32.5	$ 206.2	31.1	$ 9.1	4.4
Owner operator freight	275.7	41.6	271.5	41.0	4.2	1.5
Brokerage	93.9	14.2	104.2	15.7	(10.3)	(9.9)
Logistics	2.8	0.4	3.0	0.5	(0.2)	(6.7)
Fuel surcharge	75.3	11.4	77.1	11.6	(1.8)	(2.3)
Total revenue	663.0	100.0	662.0	100.0	1.0	0.2
OPERATING EXPENSES[1]:						
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
Total operating expenses	757.4	114.2	629.1	95.0	128.3	20.4
Operating ratio	*114.2%*		*95.0%*			
Adjusted operating ratio[2]	*95.3%*		*93.8%*			
INCOME (LOSS) FROM OPERATIONS	$ (94.4)	(14.2)	$ 32.9	5.0	$ (127.3)	(386.9)
OPERATING STATISTICS:						
Total miles (in millions)[3]	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
Total tractors, average for the year	2,973		2,748		225	8.2

* indicates not meaningful.

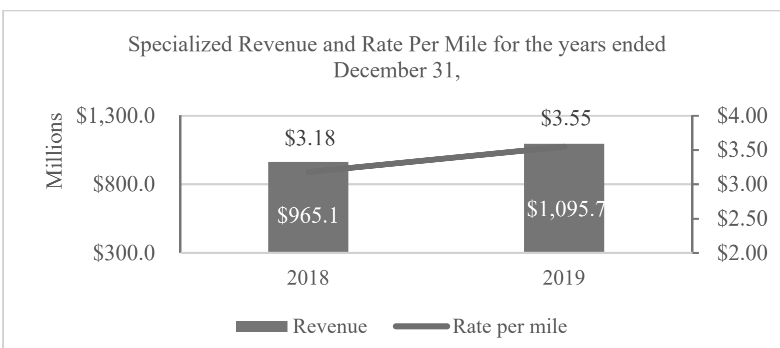
(1) Includes intersegment revenues and expenses, as applicable, which are eliminated in the Company's consolidated results.

(2) Adjusted Operating Ratio is not a recognized measure under GAAP. For a definition of Adjusted Operating Ratio and reconciliation of Adjusted Operating Ratio to operating ratio, see "Non-GAAP Financial Measures" below.

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

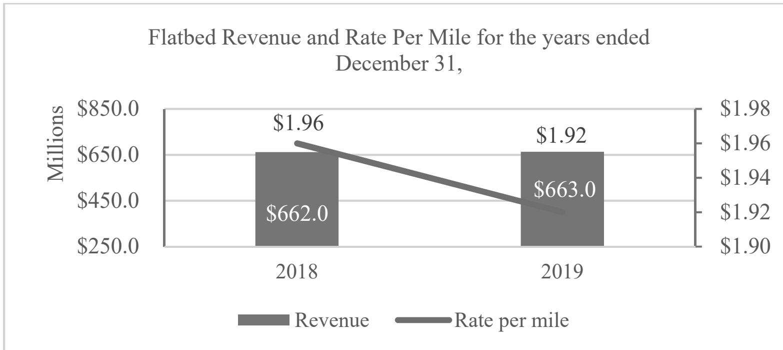


Revenue. Total revenue increased 7.7% to $1.74 billion for the year ended December 31, 2019 from $1.61 billion for the year ended December 31, 2018, primarily as a result of the Recent Acquisitions. The change in total revenue, excluding the effect of the Recent Acquisitions of $153.7 million, was a 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.

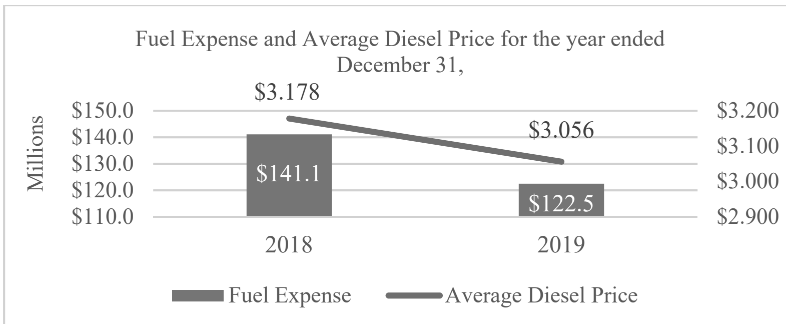
Salaries, Wages and Employee Benefits. Salaries, wages and employee benefits expense, which consists of compensation for all employees, is primarily affected by the number of miles driven by company drivers, the rate per mile paid to company drivers, employee benefits including, but not limited to, health 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.



*Fuel expense excludes the effect of the Recent Acquisitions.

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.

Interest 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.

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 75.4% 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 and transaction expenses.

Non-GAAP Financial Measures

Adjusted EBITDA, Free Cash Flow, Adjusted Operating Ratio and Adjusted Net Income (Loss)

Adjusted EBITDA, Free Cash Flow, Adjusted Operating Ratio and Adjusted Net Income (Loss) are not recognized measures under GAAP. The Company uses these non-GAAP measures as supplements to its GAAP results in evaluating certain aspects of its business, as described below.

Adjusted EBITDA

The Company defines Adjusted EBITDA as net income (loss) plus (i) depreciation and amortization, (ii) interest expense, and other fees and charges associated with financings, net of interest income, (iii) income taxes, (iv) acquisition-related transaction expenses (including due diligence costs, legal, accounting and other advisory fees and costs, retention and severance payments and financing fees and expenses), (v) business transformation costs, (vi) non-cash impairment, (vii) restructuring charges, and (viii) non-cash stock and equity-compensation expense.

The Company's board of directors and executive management team use Adjusted EBITDA as a key measure of its performance and for business planning. Adjusted EBITDA assists them in comparing its operating performance over various reporting periods on a consistent basis because it removes from the Company's operating results the impact of items that, in their opinion, do not reflect the Company's core operating performance. Adjusted EBITDA also allows the Company to more effectively evaluate its operating performance by allowing it to compare the results of operations against its peers without regard to its or its peers' financing method or capital structure. The Company's method of computing Adjusted EBITDA is substantially consistent with that used in its debt covenants and also is routinely reviewed by its management for that purpose.

The Company believes its presentation of Adjusted EBITDA is useful because it provides investors and industry analysts the same information that the Company uses internally for purposes of assessing its core operating performance. However, Adjusted EBITDA is 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 such as Adjusted EBITDA. Certain items excluded from Adjusted EBITDA 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 its industry may define Adjusted EBITDA differently than the Company does, and as a result, it may be difficult to use Adjusted EBITDA or similarly named non-GAAP measures that other companies may use to compare the performance of those companies to its performance. Because of these limitations, Adjusted EBITDA should not be considered a measure of the income generated by the Company's business or discretionary cash available to it to invest in the growth of its business. The Company's management compensates for these limitations by relying primarily on the Company's GAAP results and using Adjusted EBITDA supplementally.

A reconciliation of Adjusted EBITDA to net income (loss) for the years ended December 31, 2019 and 2018 is as follows:

	Year Ended December 31,	
(Dollars in millions)	**2019**	**2018**
Net income (loss)	$ (307.4)	$ (5.2)
Depreciation and amortization	146.5	131.1
Interest income	(1.0)	(1.3)
Interest expense	50.4	45.5
Write-off of unamortized deferred financing fees	2.3	—
Income tax benefit	(54.6)	(15.9)
Acquisition-related transaction expenses	—	2.6
Business transformation costs	9.7	—
Impairment	312.8	13.9
Restructuring charges	8.4	—
Stock-based compensation expense	3.8	3.6
Adjusted EBITDA	$ 170.9	$ 174.3

Free Cash Flow

The Company 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 Statement 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. The Company's measure of Free Cash Flow may not be directly comparable to similar measures reported by other companies. Furthermore, Free Cash Flow is not a substitute for, or more meaningful than, net cash provided by operating activities nor any other measure prescribed by GAAP, and there are limitations to using non-GAAP measures such as Free Cash Flow. Accordingly, Free Cash Flow should not be considered a measure of the income generated by the Company's business or discretionary cash available to the Company to invest in the growth of its business. The Company's management compensates for these limitations by relying primarily on the Company's GAAP results and using Free Cash Flow supplementally.

A reconciliation of free cash flow to cash flows from operating activities for the years ended December 31, 2019 and 2018 is as follows:

	Year Ended December 31,	
(Dollars in millions)	**2019**	**2018**
Net cash provided by operating activities	$ 114.1	$ 105.3
Purchases of property and equipment	(22.0)	(66.4)
Proceeds from sale of property and equipment	37.8	26.3
Free cash flow	$ 129.9	$ 65.2

Adjusted Operating Ratio

The Company uses Adjusted Operating Ratio as a supplement to its GAAP results in evaluating certain aspects of its business, as described below. The Company defines Adjusted Operating Ratio as (a) total operating expenses (i) less, acquisition-related transaction expenses, non-cash impairment, restructuring charges, unusual or non-regularly recurring expenses or recoveries, (ii) less, business transformation costs, and (iii) further adjusted for the net impact of the step-up in basis (such as increased depreciation and amortization expense) and amortization of identifiable intangible assets resulting from acquisitions, as a percentage of (b) total revenue.

The Company's board of directors and executive management team view Adjusted Operating Ratio, and its key drivers of revenue quality, growth, expense control and operating efficiency, as a very important measure of the Company's performance. The Company believes excluding acquisition-related transaction expenses, additional depreciation and amortization expenses as a result of acquisitions, unusual or non-regularly recurring expenses or recoveries and non-cash impairment enhances the comparability of its performance between periods.

The Company believes its presentation of Adjusted Operating Ratio is useful because it provides investors and industry analysts the same information that it uses internally for purposes of assessing its core operating profitability. However, Adjusted Operating Ratio is not a substitute for, or more meaningful than, operating ratio, operating margin or any other measure derived solely from GAAP measures, and there are limitations to using non-GAAP measures such as Adjusted Operating Ratio. Although the Company believes that Adjusted Operating Ratio can make an evaluation of its operating performance more accurately because it removes items that, in its opinion, do not reflect its core operations, other companies in its industry may define adjusted operating ratio differently than it does. As a result, it may be difficult to use Adjusted Operating Ratio or similarly named non-GAAP measures that other companies may use to compare the performance of those companies to the Company's performance. The Company's management compensates for these limitations by relying primarily on GAAP measures and using Adjusted Operating Ratio supplementally.

A reconciliation of operating ratio to adjusted operating ratio for each of the years ended December 31, 2019 and 2018 is as follows:

(Dollars in millions)	Year Ended December 31, 2019	Year Ended December 31, 2018
Revenue	**$ 1,737.0**	**$ 1,613.1**
Salaries, wages and employee benefits	483.2	407.4
Fuel	138.5	141.1
Operations and maintenance	213.1	181.5
Purchased freight	597.7	588.6
Depreciation and amortization	146.5	131.1
Impairment	312.8	13.9
Restructuring charges	8.4	—
Other operating expenses	148.9	127.6
Operating expenses	**2,049.1**	**1,591.2**
Operating ratio	**118.0%**	**98.6%**
Acquisition-related transaction expenses	—	2.6
Business transformation costs	9.7	—
Impairment	312.8	13.9
Restructuring charges	8.4	—
Amortization of intangible assets	14.3	16.7
Net impact of step-up in basis of acquired assets	18.1	24.1
Adjusted operating expenses	**$ 1,685.8**	**$ 1,533.9**
Adjusted operating ratio	**97.1%**	**95.1%**

A reconciliation of the Company's Specialized Solutions segment's operating ratio to adjusted operating ratio for the years ended December 31, 2019 and 2018 is as follows:

SPECIALIZED SOLUTIONS

(Dollars in millions)	Year Ended December 31, 2019	Year Ended December 31, 2018
Revenue[(1)]	**$ 1,095.7**	**$ 965.1**
Salaries, wages and employee benefits	322.1	277.6
Fuel	88.6	90.3
Operations and maintenance	160.0	132.5
Purchased freight	314.6	270.6
Depreciation and amortization	94.0	94.8
Impairment	196.1	13.9
Restructuring charges	3.9	—
Other operating expenses	75.1	62.3
Operating expenses	**1,254.4**	**942.0**
Operating ratio	**114.5%**	**97.6%**
Business transformation costs	0.7	—
Impairment	196.1	13.9
Restructuring charges	3.9	—
Amortization of intangible assets	9.0	10.5
Net impact of step-up in basis of acquired assets	16.6	22.1
Adjusted operating expenses	**$ 1,028.1**	**$ 895.5**
Adjusted operating ratio	**93.8%**	**92.8%**

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

A reconciliation of the Company's Flatbed Solutions segment's operating ratio to adjusted operating ratio for the years ended December 31, 2019 and 2018 is as follows:

FLATBED SOLUTIONS

(Dollars in thousands)	Year Ended December 31, 2019	Year Ended December 31, 2018
Revenue[(1)]	**$ 663.0**	**$ 662.0**
Salaries, wages and employee benefits	136.5	122.1
Fuel	49.9	50.8
Operations and maintenance	52.5	48.4
Purchased freight	304.8	331.9
Depreciation and amortization	51.8	36.1
Impairment	116.7	—
Restructuring charges	1.7	—
Other operating expenses	43.5	39.8
Operating expenses	**757.4**	**629.1**
Operating ratio	**114.2%**	**95.0%**
Business transformation costs	0.1	—
Impairment	116.7	—
Restructuring charges	1.7	—
Amortization of intangible assets	5.3	6.2
Net impact of step-up in basis of acquired assets	1.7	2.0
Adjusted operating expenses	**$ 631.9**	**$ 620.9**
Adjusted operating ratio	**95.3%**	**93.8%**

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

Adjusted Net Income (Loss)

The Company defines Adjusted Net Income (Loss) as net income (loss) adjusted for acquisition related transaction expenses, business transformation costs, non-cash impairments, restructuring charges, amortization of intangible assets, the net impact of step-up in basis of acquired assets and unusual or non-regularly recurring expenses or recoveries.

The Company's board of directors and executive management team use Adjusted Net Income (Loss) as a key measure of its performance and for business planning. Adjusted Net Income (Loss) assists them in comparing its operating performance over various reporting periods on a consistent basis because it removes from operating results the impact of items that, in its opinion, do not reflect the Company's core operating performance. Adjusted Net Income (Loss) also allows the Company to more effectively evaluate its operating performance by allowing it to compare the results of operations against its peers without regard to its or its peers' acquisition related items, such as acquisition-related transaction expenses, non-cash impairments, amortization of intangible assets and the net impact of the step up in basis of acquired assets, as well as removing the impact of unusual or non-regularly recurring expenses or recoveries.

The Company believes its presentation of Adjusted Net Income (Loss) is useful because it provides investors and industry analysts the same information that it uses internally for purposes of assessing its core operating performance. However, Adjusted Net Income (Loss) is not a substitute for, or more meaningful than, net income (loss) or any other measure derived solely from GAAP measures, and there are limitations to using non-GAAP measures such as Adjusted Net Income (Loss). Although the Company believes that Adjusted Net Income (Loss) can make an evaluation of its operating performance more consistent because it removes items that, in its opinion, do not reflect its core operations, other companies in its industry may define Adjusted Net Income (Loss) differently than it does. As a result, it may be difficult to use Adjusted Net Income (Loss) or similarly named non-GAAP measures that other companies may use to compare the performance of those companies to the Company's performance. The Company's management compensates for these limitations by relying primarily on its GAAP results and using Adjusted Net Income (Loss) supplementally.

A reconciliation of Adjusted Net Income to net income (loss) for the years ended December 31, 2019 and 2018 is as follows:

(Dollars in millions)	Year Ended December 31, 2019	2018
Net income (loss)	$ (307.4)	$ (5.2)
Acquisition-related transaction expenses	—	2.6
Business transformation costs	9.7	—
Expenses related to the Business Combination and related transactions	—	—
Impairment	312.8	13.9
Restructuring charges	8.4	—
Amortization of intangible assets	14.3	16.7
Net impact of step-up in basis of acquired assets	18.1	24.1
Tax impact of impairments in 2019 and TCJA[1] tax rate change in 2018	(53.8)	(12.6)
Adjusted net income	**$ 2.1**	**$ 39.5**

(1) Tax Cuts and Jobs Act.

Liquidity and Capital Resources and Capital Requirements

The Company had the following sources of liquidity available as of December 31, 2019 and 2018.

(Dollars in millions)	December 31, 2019	2018
Cash	$ 95.7	$ 46.0
Working capital surplus	71.0	131.7
Availability under line of credit	86.8	87.8
Total	$ 253.5	$ 265.5

The Company's primary sources of liquidity have been provided by operations, issuances of capital stock and borrowings under its credit facilities. In February 2018, the Company completed an underwritten public offering of 8,625,000 shares of the Company's common stock for its own account. After deducting underwriting discounts and commissions and offering expenses payable by the Company, the Company received approximately $84.4 million of net proceeds from the offering, which the Company has been using for general corporate purposes, which may include, among other things, working capital, capital expenditures, debt repayment or refinancing, and acquisitions. See Note 13 of Notes to the Consolidated Financial Statements for more information.

Cash increased by $49.7 million for the year ended December 31, 2019 as compared to December 31, 2018. This increase primarily resulted from net cash provided by operating activities. See below for more information.

As of December 31, 2019 and 2018, the Company had a working capital surplus of $71.0 million and $131.7 million, respectively. The decrease in working capital surplus is due primarily to the adoption of ASC 842 – Leases, which increased other current liabilities by $27.3 million and decreased current portion of sales-type leases by $16.2 million. Additionally, accounts receivable decreased $11.4 million.

As of December 31, 2019, the Company had borrowings of $1.7 million, $13.9 million in letters of credit outstanding, and could incur approximately $86.8 million of additional indebtedness under the ABL Facility.

The Company has from time to time considered the possibility of a private offering of securities, which would not be registered under the Securities Act of 1933, as amended (the Securities Act), and which would be offered only to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to persons outside the United States pursuant to Regulation S under the Securities Act. The proceeds of such an offering may be used for general corporate purposes, including the repayment of all or a portion of the Company's term loan credit facility, repayment of outstanding balances on the ABL facility and to support the Company's acquisition strategy. Also, in connection with such offering, the Company's credit facilities may be amended or refinanced. There can be no assurance that the Company will conduct or complete such an offering.

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 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 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 capital expenditures 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)
Total net capital assets additions	$ 56.5	$ 121.1

The decrease in total net capital assets 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.

ABL and Term Loan Facilities and Equipment Financing Agreements

As of December 31, 2019, 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 (subject to availability under a borrowing base). The delayed draw term loans were used to support the Company's acquisition activities. See Note 10 of Notes to Consolidated Financial Statements for more information regarding the Term Loan Facility and the ABL Facility.

The Company had $185.2 million of equipment term loans and $25.5 million of finance leases collateralized primarily by revenue equipment, with 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 $20 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, the Company focused on organic growth, increasing free cash flow and margins. The Company will continue to evaluate potential tuck-in transactions of its subsidiaries and any other sources of growth it considers in its best interest.

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:

	Year Ended December 31,	
(Dollars in millions)	**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 $307.4 million of net loss plus $443.2 million of non-cash items, consisting primarily of depreciation, amortization, operating lease expense, deferred taxes, impairment of goodwill, intangible and tangible assets, restructuring charges and stock-based compensation, less $21.7 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 decrease in drivers' advances and other receivables, a $1.8 million decrease in prepaid expenses and other current assets, a $1.8 million decrease in accounts payable and $23.7 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 $5.2 million of net loss plus $126.4 million of non-cash items, consisting primarily of depreciation, amortization, deferred taxes, impairment of goodwill and intangible assets, 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 $302.2 million increase in net loss, reduced by a $17.8 million increase in depreciation, $8.4 million in restructuring, $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, 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, $2.0 increase in gain on disposition of property and equipment, an $5.8 million increase in net cash used by working capital, further reduced by $2.4 million deferred gain recognized on sales-type leases and $0.8 million for the gain on disposition of building 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

Overview

As of December 31, 2019, the Company had the following material debt:

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

The amounts outstanding under such agreements and other debt instruments were as follows as of December 31, 2019 and 2018:

(Dollars in millions)	December 31, 2019	2018
Line of credit	$ 1.7	$ —
Term loan facility	488.5	493.5
Mortgages	3.2	3.9
Equipment term loans	185.2	186.8
Finance lease obligations	25.5	18.2
Total long-term debt and capital leases	704.1	702.4
Less: current portion	(59.4)	(63.5)
Long-term debt and finance leases obligations, less current portion	$ 644.7	$ 638.9

See Note 10 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.

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 $15.9 million and $14.2 million at December 31, 2019 and 2018, respectively. The letters of credit provide collateral primarily for liability insurance claims.

At December 31, 2019, there were 17,520,329 shares of common stock issuable upon exercise of outstanding warrants at a strike price of $11.50 per share.

Contractual Obligations

The table below summarizes the Company's contractual obligations as of December 31, 2019:

	Payments Due By Period				
(Dollars in millions)	**Less Than 1 Year**	**1-3 Years**	**3-5 Years**	**More Than 5 Years**	**Total**
Long-term debt obligations, including interest[1]	$ 96.3	$ 162.8	$ 263.1	$ 371.5	$ 893.7
Finance lease obligations[2]	7.3	12.2	8.4	0.6	28.5
Capitalized operating lease obligations[3]	27.3	46.2	24.1	23.0	120.6
Purchase obligations[4]	—	—	—	—	—
Total contractual obligations	$ 130.9	$ 221.2	$ 295.6	$ 395.1	$ 1,042.8

(1) Includes interest obligations on long-term debt and excludes fees. For variable rate debt, the interest rate in effect as of December 31, 2019 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 purchase obligations for fuel.

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 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. These events may disrupt fuel supplies, increase fuel costs, disrupt freight shipments or routes, affect regional economies, destroy the Company's assets or adversely affect the business or financial condition of its customers, any of which could adversely affect results or make results more volatile.

Critical Accounting Policies

The preparation of the Company's consolidated financial statements in conformity with 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 include the following:

Revenue Recognition

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 of such goods and services. With respect to freight, brokerage, logistics and fuel surcharge revenue, these conditions are met, and the Company recognizes company freight, owner operator freight, brokerage and fuel surcharge revenue, over time, and logistics revenue, as the services are provided. While the Company may enter into master service agreements with its 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 predominantly estimates the standalone selling price of its services based upon observable evidence, market conditions and other relevant inputs. The Company allocates the total transaction price to each distinct performance obligation based upon the relative standalone selling prices.

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.

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

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. Prior to 2017, the annual assessment was conducted as of November 1, but was changed during 2017 to better align with the Company’s reporting periods. The change in testing date does not delay, accelerate or avoid an impairment charge. The Company determined that it is impractical to objectively determine projected cash flows and related valuation estimates that would have been used as of October 1 for periods prior to October 1, 2017 without the use of hindsight. As such, the Company prospectively applied the change in the annual goodwill impairment assessment date beginning October 1, 2017 (see Note 6 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.

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.

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 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.

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 United States 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.

Fair values of nonvested 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.

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 July 2017, the Financial Accounting Standards Board (FASB) issued ASU 2017-11, Earnings per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); and Derivatives and Hedging (Topic 815). ASU 2017-11 provides guidance on accounting for financial instruments with down round features and clarifies the deferral of certain provisions in Topic 480. ASU 2017-11 became effective for annual periods beginning after December 15, 2018 and interim periods within those periods. The adoption of this pronouncement on January 1, 2019 did not impact the Company's consolidated financial statements.

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. In conjunction with the Business Combination, in February 2017, the Company's interest rate swap was terminated. Assuming the current level of borrowings, a hypothetical one-percentage point increase in interest rates would increase the Company's annual interest expense by $4.9 million. As of December 31, 2019 and December 31, 2018, the Company had outstanding approximately $492.1 million and $497.3 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. The Company generally has not used derivative financial instruments to hedge its fuel price exposure in the past, but continues to evaluate this possibility.

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. The Company’s management, including the Company’s CEO and CFO, conducted an evaluation of the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this Report and, based on that evaluation, the CEO and CFO concluded that the Company’s disclosure controls and procedures were not effective as of December 31, 2019 because of the material weaknesses in our internal control over financial reporting described below.

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, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2019, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management has concluded that we did not maintain effective internal control over financial reporting as of December 31, 2019, due to the material weaknesses identified below.

A material weakness is a deficiency, or combination of 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. We did not design and maintain effective information technology general computer controls related to program change management and user access and management’s review of the completeness and accuracy of certain system-generated reports. Additionally, management’s review of the completeness and accuracy of the impairment analysis prepared in coordination with our third-party valuation specialist during the third quarter of 2019 did not operate at a sufficient level of precision to prevent or detect a material misstatement. These material weaknesses did not result in any material misstatements of the Company’s financial statements or disclosures for the year ended December 31, 2019 or any quarterly period therein.

The effectiveness of the Company’s internal control over financial reporting as of December 31, 2019 has been audited by Grant Thornton LLP, our independent registered public accounting firm, as state in its report, which appears in this Item of this Annual Report on Form 10-K under the heading Report of Independent Registered Public Accounting Firm.

Management Remediation Initiatives as of December 31, 2019

Management of the Company and the Board take internal controls and integrity of the Company’s financial statements seriously and believe that the remediation steps described below are essential to maintaining a strong internal control environment. Management believes that progress has been made during the year ended December 31, 2019, and through the date of this report, to remediate the underlying causes of the material weaknesses in internal control over financial reporting and is taking the following remediation steps.

Material weakness related to ineffective information technology general controls (ITGCs)

The remediation actions include: (i) discussing the issues with the impacted personnel, including operating company leadership and IT personnel; (ii) developing 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; (iii) developing and maintaining documentation underlying ITGCs to promote knowledge transfer upon personnel and function changes; and (iv) implementing an IT management review and testing plan to monitor ITGCs with a specific focus on systems supporting our financial reporting processes.

Material weakness related to ineffective asset impairment process

The remediation actions include: (i) reviewing our impairment processes and controls and enhancing the overall design and procedures performed on deliverables from the specialist; (ii) re-designing our management review controls and enhancing the precision of review around the key assumptions and inputs into the specialist's models and resulting valuations and allocations; (iii) evaluate the sufficiency of our accounting resources and personnel to determine whether additional resources are needed; (iv) evaluate whether further enhancements are needed to the design of our impairment procedures and controls; and (v) demonstrate consistent operating effectiveness of our management review controls over impairments over a sufficient time period.

We expect that the remediation of this material weakness will be completed during the fourth quarter of 2020 due to the timing of our annual impairment analysis, unless triggering events require an interim impairment analysis.

Changes in Internal Control over Financial Reporting

Remediation of Material Weaknesses as of December 31, 2019

As previously disclosed in the 2018 Annual Report on Form10-K, the Company identified material weaknesses at certain of our operating companies related to the review and approval of manual journal entries and the review and approval of payroll and revenue transactions. We have determined that these material weaknesses have been fully remediated as of December 31, 2019.

The remediation steps we have taken include:

- Developing and implementing a training program and discussing the issues with the impacted personnel, including operating company leadership and business control owners;

- Assessing the Company's Evidence of Internal Control policies and procedures and revising policies and procedures as needed to provide necessary guidance to the operating companies;

- Evaluating whether further enhancements were needed to the design of corporate / operating company business process controls; and

- Augmenting the existing in-house SOX Compliance department to help oversee the control development, control testing and remediation process.

As of December 31, 2019, the remedial measures described above have been satisfactorily implemented and we have had sufficient time to test the operating effectiveness of such remedial measures. We maintained effective internal control over financial reporting related to the review and approval of manual journal entries and the review and approval of payroll and revenue transactions and as such, the material weaknesses identified in the Company's internal control over financial reporting related to the review and approval of manual journal entries and the review and approval of payroll and revenue transactions have been remediated.

Material weakness related to ineffective information technology general controls (ITGCs)

During 2019, Management made progress in the remediation of the underlying ITGC deficiencies, however, certain controls were not in place for a sufficient period of time for management to conclude whether they operated effectively as of December 31, 2019.

Except as described above, 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, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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, 2019, 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 weaknesses 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, 2019, 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 weaknesses have been identified and included in management's assessment:

- Deficiencies in the design and operating effectiveness of information technology controls related to user access and program change management and management review controls related to the completeness and accuracy of certain system-generated reports.
- Deficiencies in management's review of the completeness and accuracy of the impairment analysis prepared in coordination with the third-party valuation specialist did not operate at a sufficient level of precision to prevent or detect a material misstatement.

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, 2019. The material weaknesses identified above were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2019 consolidated financial statements, and this report does not affect our report dated March 10, 2020 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
March 10, 2020

Item 9B. Other Information

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

The information called for by this Item is contained in the Company's definitive Proxy Statement for its 2020 Annual Meeting of Stockholders, and is incorporated herein by reference.

The Company has adopted a code of ethics that applies to its officers and directors. The Company has filed copies of its code of ethics, its audit committee charter and its compensation committee charter as exhibits to the Company's registration statement in connection with the initial public offering; these documents are also available on its website. You may review these documents by accessing our public filings at the SEC's web site at www.sec.gov. In addition, a copy of the code of ethics will be provided without charge upon request to the Company.

Item 11. Executive Compensation

The information called for by this Item is contained in the Company's definitive Proxy Statement for its 2020 Annual Meeting of Stockholders, and is incorporated herein by reference.

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

The information called for by this Item is contained in the Company's definitive Proxy Statement for its 2020 Annual Meeting of Stockholders, and is incorporated herein by reference.

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

The information called for by this Item is contained in the Company's definitive Proxy Statement for its 2020 Annual Meeting of Stockholders, and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information called for by this Item is contained in the Company's definitive Proxy Statement for its 2020 Annual Meeting of Stockholders, and is incorporated herein by reference.

Part IV

Item 15. Exhibits and Consolidated Financial Statement Schedules

(a)(1) *Financial Statements*

The financial statements included in Item 8. Financial Statements and Supplementary Data above 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 Consolidated Financial Statements, including the notes thereto, or the circumstances requiring inclusion of such schedules are not present.

(3) *Exhibits*:

Exhibit No.	Exhibit
2.1§†	Merger Agreement, dated as of December 22, 2016, by and among Hennessy Capital Acquisition Corp. II, HCAC Merger Sub, Inc., Daseke, Inc. and Don R. Daseke, solely in his capacity as the Stockholder Representative (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed by the registrant on December 29, 2016).
2.2§†	Purchase and Sale Agreement by and among Daseke, Inc., Daseke TRS LLC, and Thomas R. Schilli, dated May 1, 2017 (incorporated by reference to Exhibit 2.1 to the Quarterly Report on Form 10-Q filed by the registrant on August 9, 2017).
2.3§†	Purchase and Sale Agreement, dated December 1, 2017, by and among Daseke, Inc., Daseke MFS LLC, Daniel R. Moore, Judith N. Moore, Randall K. Moore, Tiffani M. Swalley, John D. Moore and V. Jean Nichols (incorporated by reference to Exhibit 2.3 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2017).
2.4§†	Purchase and Sale Agreement, dated December 1, 2017, by and among Daseke, Inc., Daseke RM LLC and Lyons Capital, LLC (incorporated by reference to Exhibit 2.4 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2017).
2.5§†	Purchase and Sale Agreement, dated December 1, 2017, by and among Daseke, Inc., Daseke Companies, Inc., Daseke TSH LLC, Sidney T. Stanley 2007 Family Irrevocable Gift Trust, Sidney Stanley, Craig Stanley, Gregg Stanley, Sara Beth Sheehan, the Craig T. Stanley 2012 GST-Exempt Family Trust, Gregg F. Stanley 2012 GST-Exempt Family Trust and Sara Beth Sheehan 2012 GST-Exempt Family Trust (incorporated by reference to Exhibit 2.5 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2017).
2.6	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	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).
3.3	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).

Exhibit No.	Exhibit
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	Form of Backstop and Subscription Agreement by and among the registrant, Hennessy Capital Partners II LLC and the investor(s) party thereto (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by the registrant on December 29, 2016).
4.7	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).
4.8	Form of Lock-Up Agreement (incorporated by reference to Exhibit 10.7 to the registrant's Current Report on Form 8-K filed by the registrant on December 29, 2016).
4.9	Form of Subscription Agreement for 7.625% Series A Convertible Cumulative Preferred Stock by and among the registrant and the investor(s) party thereto (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed by the registrant on December 29, 2016).
4.10	Securities Subscription Agreement by and among the registrant and the Hennessy Capital Partners II LLC (incorporated by reference to Exhibit 10.5 to the Registration Statement on Form S-1 filed by the registrant on June 22, 2015).
4.11	Sponsor Share Forfeiture Agreement, dated December 22, 2016, by and among the registrant, HCAC Merger Sub, Inc., Daseke, Inc., and Don R. Daseke, solely in his capacity as the Stockholder Representative (incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K filed by the registrant on December 29, 2016).
4.12*	Description of Common Stock.
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).

Exhibit No.	Exhibit
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+	Employment Agreement, dated February 27, 2017, by and between the registrant and Don R. Daseke (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed by the registrant on March 3, 2017).
10.9+	Amendment to the Employment Agreement, dated August 30, 2018, by and between the registrant and Don R. Daseke (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by the registrant on August 30, 2018).
10.10+	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).
10.11+	Employment Agreement, dated February 27, 2017, by and between the registrant and R. Scott Wheeler (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed by the registrant on March 3, 2017).
10.12+	Amendment to the Employment Agreement, dated August 30, 2018, by and between the registrant and R. Scott Wheeler (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed by the registrant on August 30, 2018).
10.13+	Second Amendment to the Employment Agreement, dated August 30, 2018, by and between the registrant and R. Scott Wheeler (incorporated by reference to Exhibit 10.12 to the Annual Report on Form 10-K filed by the registrant on March 3, 2019).
10.14+	Separation Agreement, dated as of September 4, 2019, by and between Scott Wheeler and the registrant (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by the registrant on September 4, 2019).
10.15+	Employment Agreement, dated February 27, 2017, by and between the registrant and Angie J. Moss (incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K filed by the registrant on March 3, 2017).

Exhibit No.	Exhibit
10.16+	Employment Agreement, effective September 6, 2018, by and between the registrant and Bharat Mahajan (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q filed by the registrant on August 9, 2018).
10.17+	Transition and Separation Agreement, dated as of September 3, 2019, by and between Bharat Mahajan and the registrant (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed by the registrant on September 4, 2019).
10.18+	Employment Agreement, effective January 16, 2019, by and between the registrant and Christopher R. Easter (incorporated by reference to Exhibit 10.15 to the Annual Report on Form 10-K filed by the registrant on March 3, 2019).
10.19+	First Amendment to Employment Agreement, effective as of September 6, 2019, by and between Christopher Easter and the registrant (incorporated by reference to Exhibit 10.5 to the registrant's Quarterly Report on Form 10-Q filed on November 12, 2019).
10.20+	Employment Agreement, dated as of September 19, 2019, by and between Brian Bonner and the registrant (incorporated by reference to Exhibit 10.7 to the registrant's Quarterly Report on Form 10-Q filed on November 12, 2019).
10.21+	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).
10.22+	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)).
10.23+	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).
10.24+	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).
10.25+	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).
10.26+	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)).
10.27+	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)).
10.28+	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)).
10.29+	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)).

Exhibit No.	Exhibit
10.30+	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).
10.31+	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).
10.32+	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).
10.33+	Non-Qualified Stock Option Award Agreement, dated September 6, 2019, by and between Christopher Easter and the registrant (incorporated by reference to Exhibit 10.6 to the registrant's Quarterly Report on Form 10-Q filed on November 12, 2019).
10.34+	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).
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.
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*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.
** Furnished herewith.
\+ Management contract or compensatory plan or arrangement.
§ Schedules and similar attachments have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Daseke, Inc. hereby undertakes to furnish supplementally copies of any of the omitted schedules and attachments upon request by the United States Securities and Exchange Commission (the SEC); provided, however, that Daseke, Inc. may request confidential treatment pursuant to Rule 24b-2 (Rule 24b-2) of the Securities Exchange Act of 1934, as amended, for any schedules and attachments so furnished.

Exhibit No.	Exhibit
†	Confidential information has been omitted from this Exhibit and has been filed separately with the SEC pursuant to a confidential treatment request under Rule 24b-2.

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: March 10, 2020

By: /s/ Christopher Easter
Christopher Easter
Chief Executive Officer, Chief Operating 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 March 10, 2020, behalf of the registrant and in the capacities indicated.

/s/ Christopher Easter Christopher Easter	Chief Executive Officer, Chief Operating Officer and Director (Principal Executive Officer and Principal Financial Officer)
/s/ Angie J. Moss Angie J. Moss	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)
/s/ Brian Bonner Brian Bonner	Executive Chairman
/s/ Don R. Daseke Don R. Daseke	Director
/s/ Daniel J. Hennessy Daniel J. Hennessy	Director
/s/ Kevin M. Charlton Kevin M. Charlton	Director
/s/ Jonathan Shepko Jonathan Shepko	Director
/s/ Ena Williams Ena Williams	Director
/s/ Chuck Serianni Chuck Serianni	Director
/s/ Kim Warmbier Kim Warmbier	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, 2019 and 2018, the related consolidated statements of operations and comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2019, 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, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, 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, 2019, 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 March 10, 2020 expressed an adverse opinion.

Change in accounting principle

As discussed in Note 2 to the financial statements, the Company has changed its method of accounting for leases due to the adoption of the new leasing standard. The Company adopted the new leasing standard by recognizing a cumulative catch-up adjustment to the opening balance sheet as of January 1, 2019.

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 supporting 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.

/s/ GRANT THORNTON LLP

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

Dallas, Texas
March 10, 2020

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

	December 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 95.7	$ 46.0
Accounts receivable, net of allowance of $3.5 and $1.2 at December 31, 2019 and 2018, respectively	197.8	209.2
Drivers' advances and other receivables	8.2	5.5
Current portion of net investment in sales-type leases	—	16.2
Parts supplies	3.5	4.9
Prepaid and other current assets	21.9	26.3
Total current assets	327.1	308.1
Property and equipment, net	439.0	572.7
Intangible assets, net	109.1	208.8
Goodwill	139.9	258.4
Right-of-use assets	95.9	—
Other long-term assets	29.6	42.9
Total assets	$ 1,140.6	$ 1,390.9
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 20.5	$ 22.2
Accrued expenses and other liabilities	44.2	46.5
Accrued payroll, benefits and related taxes	28.2	21.7
Accrued insurance and claims	18.7	18.1
Current portion of long-term debt	59.4	63.5
Other current liabilities	48.8	21.9
Total current liabilities	219.8	193.9
Line of credit	1.7	—
Long-term debt, net of current portion	631.6	622.7
Deferred tax liabilities	69.9	126.8
Other long-term liabilities	78.9	0.5
Total liabilities	1,001.9	943.9
Commitments and contingencies (Note 16)		
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, 2019 and 2018	65.0	65.0
Common stock, par value $0.0001 per share; 250,000,000 shares authorized, 64,589,075 and 64,455,174 shares issued and outstanding at December 31, 2019 and 2018, respectively	—	—
Additional paid-in-capital	437.5	433.9
Accumulated deficit	(363.4)	(51.0)
Accumulated other comprehensive loss	(0.4)	(0.9)
Total stockholders' equity	138.7	447.0
Total liabilities and stockholders' equity	$ 1,140.6	$ 1,390.9

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,		
	2019	2018	2017
Revenues:			
Company freight	$ 804.6	$ 721.7	$ 460.8
Owner operator freight	455.3	440.5	172.0
Brokerage	294.7	266.4	120.9
Logistics	47.5	42.8	22.1
Fuel surcharge	134.9	141.7	70.5
Total revenue	1,737.0	1,613.1	846.3
Operating expenses:			
Salaries, wages and employee benefits	483.2	407.4	250.0
Fuel	138.5	141.1	93.7
Operations and maintenance	213.1	181.5	118.4
Communications	4.4	3.3	2.1
Purchased freight	597.7	588.6	225.3
Administrative expenses	75.5	58.5	33.2
Sales and marketing	5.1	3.4	2.0
Taxes and licenses	19.2	17.2	11.0
Insurance and claims	49.9	45.8	24.0
Acquisition-related transaction expenses	—	2.6	3.4
Depreciation and amortization	146.5	131.1	76.9
Gain on disposition of revenue property and equipment	(5.2)	(3.2)	(0.7)
Impairment	312.8	13.9	—
Restructuring charges	8.4	—	—
Total operating expenses	2,049.1	1,591.2	839.3
Income (loss) from operations	(312.1)	21.9	7.0
Other expense (income):			
Interest income	(1.0)	(1.3)	(0.4)
Interest expense	50.4	45.5	29.5
Write-off of unamortized deferred financing fees	2.3	—	3.9
Other	(1.8)	(1.2)	(0.7)
Total other expense	49.9	43.0	32.3
Loss before benefit for income taxes	(362.0)	(21.1)	(25.3)
Benefit for income taxes	(54.6)	(15.9)	(52.3)
Net income (loss)	(307.4)	(5.2)	27.0
Other comprehensive income:			
Unrealized income on interest rate swaps	—	—	0.1
Foreign currency translation adjustments, net of tax expense (benefit) of \$0.3, \$(0.5) and \$0.5, respectively	0.5	(1.8)	0.9
Comprehensive income (loss)	(306.9)	(7.0)	28.0
Net income (loss)	(307.4)	(5.2)	27.0
Less dividends to Series A convertible preferred stockholders	(5.0)	(4.9)	(4.2)
Less dividends to Series B convertible preferred stockholders	—	—	(0.8)
Net income (loss) attributable to common stockholders	$ (312.4)	$ (10.1)	$ 22.0
Net income (loss) per common share:			
Basic	$ (4.86)	$ (0.16)	$ 0.59
Diluted	$ (4.86)	$ (0.16)	$ 0.56
Weighted-average common shares outstanding:			
Basic	64,303,438	61,654,820	37,592,549
Diluted	64,303,438	61,654,820	39,593,701
Dividends declared per Series A convertible preferred share	$ 7.63	$ 7.63	$ 6.40
Dividends declared per Series B convertible preferred share	$ —	$ —	$ 12.50

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, 2019, 2018 and 2017
(In millions, except share data)

	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Common Stock			Retained Earnings	Accumulated Other	
	Shares	Amount	Shares	Par Value	Shares	Par Value	Additional Paid- In Capital	(Accumulated Deficit)	Comprehensive Income (Loss)	Total
Balance at January 1, 2017	—	$ —	64,500	$ —	20,980,961	$ —	117.8	$ (14.7)	$ (0.1)	$ 103.0
Income on interest rate swaps	—	—	—	—	—	—	—	—	0.1	0.1
Series B convertible preferred stock dividend	—	—	—	—	—	—	—	(0.8)	—	(0.8)
Repurchase of common shares	—	—	—	—	(3,616,781)	—	(36.2)	—	—	(36.2)
Conversion of Series B convertible preferred stock to common shares	—	—	(64,500)	—	9,301,150	—	—	—	—	—
Shares assumed by legal acquirer	—	—	—	—	11,050,630	—	83.6	—	—	83.6
Settlement of legal acquirer transaction costs	—	—	—	—	—	—	(19.0)	—	—	(19.0)
Issuance of Series A convertible preferred stock	650,000	65.0	—	—	—	—	—	—	—	65.0
Issuance of common stock	—	—	—	—	10,996,328	—	127.3	—	—	127.3
Effect of reverse acquisition on deferred taxes	—	—	—	—	—	—	2.5	—	—	2.5
Series A convertible preferred stock dividend	—	—	—	—	—	—	—	(4.2)	—	(4.2)
Stock-based compensation expense	—	—	—	—	—	—	1.9	—	—	1.9
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	0.9	0.9
Net income	—	—	—	—	—	—	—	27.0	—	27.0
Balance at December 31, 2017	650,000	65.0	—	—	48,712,288	—	277.9	7.3	0.9	351.1
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 loss	—	—	—	—	—	—	—	(5.2)	—	(5.2)
Balance at December 31, 2018	650,000	65.0	—	—	64,455,174	—	433.9	(51.0)	(0.9)	447.0
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	—	—	—	—	—	—	—	(307.4)	—	(307.4)
Balance at December 31, 2019	650,000	$ 65.0	—	$ —	64,589,075	$ —	$ 437.5	$ (363.4)	$ (0.4)	$ 138.7

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, 2019	2018	2017
Cash flows from operating activities			
Net income (loss)	$ (307.4)	$ (5.2)	$ 27.0
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation	132.2	114.4	70.2
Amortization of intangible assets	14.3	16.7	6.7
Amortization of deferred financing fees	3.5	2.9	1.8
Non-cash operating lease expense	27.2	—	—
Write-off of deferred financing fees	2.3	—	3.9
Stock-based compensation expense	3.8	3.6	1.9
Deferred taxes	(59.8)	(19.8)	(53.4)
Bad debt expense	3.7	1.1	0.2
Non-cash interest expense	—	—	0.1
Gain on disposition of property and equipment	(5.2)	(3.2)	(0.7)
Gain on disposition of building	—	(0.8)	—
Deferred gain recognized on sales-type leases	—	(2.4)	(1.4)
Impairment	312.8	13.9	—
Restructuring charges	8.4	—	—
Changes in operating assets and liabilities			
Accounts receivable	8.2	(33.2)	(15.3)
Drivers' advances and other receivables	(2.6)	—	0.5
Payments received on sales-type leases	—	14.7	5.8
Prepaid and other current assets	(1.8)	(4.2)	(3.4)
Accounts payable	(1.8)	(8.9)	0.3
Accrued expenses and other liabilities	(23.7)	15.7	1.6
Net cash provided by operating activities	114.1	105.3	45.8
Cash flows from investing activities			
Purchase of property and equipment	(22.0)	(66.4)	(19.8)
Proceeds from sale of property and equipment	37.8	26.3	5.8
Cash paid in acquisitions, net of cash acquired	—	(131.7)	(279.8)
Net cash provided by (used in) investing activities	15.8	(171.8)	(293.8)
Cash flows from financing activities:			
Advances on line of credit	1,357.0	1,101.2	754.6
Repayments on line of credit	(1,355.3)	(1,105.8)	(756.9)
Principal payments on long-term debt	(76.0)	(58.6)	(239.5)
Proceeds from Term Loan Facility	—	—	500.0
Proceeds from long-term debt	—	6.1	12.3
Deferred financing fees	(0.3)	(1.5)	(19.2)
Pay off of subordinated debt	—	—	(66.7)
Proceeds from issuance of common stock	—	84.4	127.9
Repurchase of common stock	—	—	(36.2)
Issuance of Series A convertible preferred stock	—	—	65.0
Exercise of options	—	—	—
Series A convertible preferred stock dividends	(5.0)	(4.9)	(4.2)
Series B convertible preferred stock dividends	—	—	(2.0)
Net cash provided by (used in) financing activities	(79.6)	20.9	335.1
Effect of exchange rates on cash and cash equivalents	(0.6)	0.9	(0.1)
Net increase (decrease) in cash and cash equivalents	49.7	(44.7)	87.0
Cash and cash equivalents – beginning of year	46.0	90.7	3.7
Cash and cash equivalents – end of year	$ 95.7	$ 46.0	$ 90.7

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,		
	2019	**2018**	**2017**
Supplemental disclosure of cash flow information			
Cash paid for interest	$ 46.7	$ 42.7	$ 28.7
Cash paid for income taxes	3.6	2.4	1.1
Noncash investing and financing activities			
Property and equipment acquired with debt or capital lease obligations	72.7	89.6	21.9
Accrued capital expenditures	—	0.3	—
Property and equipment sold for notes receivable	0.4	0.8	0.6
Property and equipment transferred to sales-type lease	—	9.4	7.1
Sales-type lease returns to property and equipment	—	1.3	0.8
Sales-type lease assets acquired with debt or capital lease obligations	—	9.9	—
Sales-type lease assets sold for notes receivable	—	57.6	28.4
Sales-type lease returns to sales-type lease assets	—	32.9	19.7
Common stock issued in acquisitions	—	19.7	64.0
Issuance of earnout share	—	48.2	—
Right-of-use assets acquired	$ 39.2	$ —	$ —

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

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

Nature of Operations

The registrant was originally formed in April 2015 as a special purpose acquisition company (SPAC) under the name Hennessy Capital Acquisition Corp. II (Hennessy). As a SPAC, Hennessy had no operations and its purpose was to go public with the intention of merging with or acquiring an operating company with the proceeds of the SPAC's initial public offering (the IPO).

On February 27, 2017, Hennessy consummated the Business Combination (as defined and described in Note 3) with Daseke, Inc. 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 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.

Unless expressly stated otherwise, references to the Company or Daseke refers to Daseke, Inc. and its wholly owned subsidiaries, Hennessy refers to the registrant prior to the closing of the Business Combination, and Private Daseke refers to Daseke, Inc. and its subsidiaries prior to the closing of the Business Combination.

Principles of Consolidation

The consolidated financial statements include the accounts of Daseke, Inc. and its wholly owned subsidiaries. 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, 2019	2018
Beginning balance	$ 1.2	$ 0.2
Provision, charged to expense	3.7	1.1
Write-off, less recoveries	(1.4)	(0.1)
Ending balance	$ 3.5	$ 1.2

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, 2019 and 2018.

Parts Supplies

Parts supplies consists of parts, replacement tires, and miscellaneous supplies and are valued at the lower of cost or market with cost determined principally on the first-in, first out method. Tires on new revenue equipment are capitalized as a component of the related equipment cost when the tractor or trailer is placed in service. Replacement tires are expensed when placed on the tractor or trailer.

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
Revenue equipment – tractors, trailers and accessories	5 – 15 years
Vehicles	5 – 7 years
Furniture and fixtures	5 – 7 years
Office, computer equipment and capitalized software development	3 – 5 years

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. During 2019, the Company recognized impairments of $97.6 million related to property and equipment within certain asset groups, which are more fully described in Note 7.

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. Prior to 2017, the annual assessment was conducted as of November 1, but was changed during 2017 to better align with the Company's reporting periods. The change in testing date does not delay, accelerate or avoid an impairment charge. The Company determined that it is impractical to objectively determine projected cash flows and related valuation estimates that would have been used as of October 1 for periods prior to October 1, 2017 without the use of hindsight. As such, the Company prospectively applied the change in the annual goodwill impairment assessment date beginning October 1, 2017.

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.

Revenue and Expense Recognition

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, these conditions are met, and the Company recognizes freight, brokerage and fuel surcharge revenue, over time, and logistics revenue, as the services are provided. 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 predominantly estimates the standalone selling price of its services based upon observable evidence, market conditions and other relevant inputs. The Company allocates the total transaction price to each distinct performance obligation based upon the relative standalone selling prices.

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.

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.

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. The Company recognizes logistics revenue as services are completed.

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, 2019, 2018 and 2017.

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 within the statements of operations and comprehensive income (loss). The Company had no uncertain tax positions as of December 31, 2019 and 2018. The Company is no longer subject to United States federal income tax examinations by tax authorities for years before 2016. The Company is no longer subject to state income tax examinations by tax authorities for years before 2015.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to credit risk include accounts receivable. One customer represented 10.2% of trade accounts receivable as of December 31, 2019 and no customer represented greater than 7% of trade accounts receivable as of December 31, 2018. No customer represented 10% or more of total revenue for the years ended December 31, 2019, 2018 and 2017.

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, 2019 and 2018, the balance of deferred finance charges was $11.4 million and $16.2. 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, 2019, 2018 and 2017 totaled $3.5 million, $2.9 million and $1.8 million, respectively, which is included in interest expense. During 2019, the Company expensed $2.3 million to write-off certain deferred financing fees due to unsuccessful efforts to restructure the debt facilities. In February 2017, in conjunction with new term loan financing, as amended, discussed in Note 10, the Company incurred deferred financing costs of $14.2 million and an additional $4.8 million in November 2017 related to the tack-on loan. Unamortized deferred financing fees totaling $3.9 million were expensed as a result of the new term loan financing.

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 fair value of the Company’s interest rate swaps was determined using cash flow computer models with unobservable inputs, therefore the liability for interest rate swaps was classified within Level 3 of the fair value framework. In conjunction with the Business Combination discussed in Note 3, the Company’s lone interest rate swap was terminated. The table below is a summary of the changes in the fair value of this liability for the year ended December 31, 2017 (in millions):

	2017
Balance, beginning of year	$ (0.1)
Change in fair value	0.1
Balance, end of year	$ —

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 valued contingent consideration for acquisition related earn-outs (see Note 4 for details) using Level 3 inputs. The table below is a summary of the changes in the fair value of the earn-out liability for the years ended December 31, 2019 and 2018 (in millions):

	2019	2018
Balance, beginning of year	$ 21.9	$ 0.8
Fair value of earn-out liability for acquisition	—	21.2
Change in fair value	(0.4)	(0.1)
Balance, end of year	$ 21.5	$ 21.9

Fair Value of Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued expenses, interest rate swaps, 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 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.

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 United States 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.

Fair values of nonvested 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.

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 13 operating segments as of December 31, 2019, 16 operating segments as of December 31, 2018 and 15 operating segments as of December 31, 2017 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).

For the years ended December 31, 2019 and 2018, shares of the Company's 7.625% Series A Convertible Cumulative Preferred Stock (Series A Preferred Stock) and outstanding stock options were not included in the computation of diluted earnings (loss) per share as their effects were anti-dilutive. Additionally, for the years ended December 31, 2019 and 2018, there was no dilutive effect from the Merger Agreement earn-out provision (see Note 3) or the outstanding warrants to purchase shares of the Company's common stock (the common stock purchase warrants). For the year ended December 31, 2017, shares of Private Daseke's Series B Convertible Preferred Stock (Series B Preferred Stock) were not included in the computation of diluted loss per share as their effects were anti-dilutive.

Common Stock Purchase Warrants

The Company accounts for the issuance of common stock purchase warrants in connection with equity offerings in accordance with the provisions of the Accounting Standards Codification (ASC) 815, Derivatives and Hedging (ASC 815). The Company classifies as equity any contracts that (i) require physical settlement or net-share settlement or (ii) gives the Company a choice of net-cash settlement or settlement in its own shares (physical settlement or net-share settlement). The Company classifies as assets or liabilities any contracts that (i) require net-cash settlement (including a requirement to net-cash settle the contract if an event occurs and if that event is outside the control of the Company) or (ii) gives the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement). See Note 13 for additional details on the common stock purchase warrants.

The Company assessed the classification of its common stock purchase warrants and determined that such instruments meet the criteria for equity classification at the time of issuance.

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.

Assets Held for Sale

Through December 31, 2018, assets held for sale were primarily comprised of revenue equipment in the Company’s lease purchase program and recorded as a component of prepaid and other current assets on the consolidated balance sheets. Assets held for sale were not subject to depreciation, and were recorded at the lower of depreciated carrying value or fair market value less selling costs. Assets held for sale as of December 31, 2018, totaled $3.6 million, consisting of $2.7 million for the Flatbed Solutions segment and $0.9 million for the Specialized Solutions.

Following the adoption of Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), the revenue equipment in the Company’s lease purchase program no longer meets the criteria for assets held for sale. See Note 2 for additional information on the adoption of ASU No. 2016-02.

Internal-use software

The Company capitalized relevant software implementation costs incurred to develop or obtain internal-use software of approximately $2.8 million and $2.0 million as of December 31, 2019 and 2018, respectively.

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 July 2017, the Financial Accounting Standards Board (FASB) issued ASU 2017-11, Earnings per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); and Derivatives and Hedging (Topic 815). ASU 2017-11 provides guidance on accounting for financial instruments with down round features and clarifies the deferral of certain provisions in Topic 480. ASU 2017-11 became effective for annual periods beginning after December 15, 2018 and interim periods within those periods. The adoption of this pronouncement on January 1, 2019 did not impact the Company’s consolidated financial statements.

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.

NOTE 2 – LEASES

Change in Accounting Principle

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which created Topic 842 (ASC 842), Leases. On January 1, 2019, the Company adopted ASC 842, which is effective for interim and annual reporting periods beginning on or after December 15, 2018. This Topic requires balance sheet recognition of lease assets and lease liabilities for leases classified as operating leases under GAAP. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Company has completed its evaluation of the requirements of ASC 842 and related amendments. As part of the Company's evaluation, management compiled and analyzed contracts, identified the full lease population, implemented and populated leasing software and implemented new controls associated with adopting and adhering to the standard, and reviewed its accounting practices for revenue equipment that it leased to certain of its owner-operators.

The Company adopted this guidance as of January 1, 2019, using the optional transition method and elected the option to not apply ASC 842 to comparative periods, which continue to be presented under the accounting standards in effect for those periods.

Lessee

The adoption of this standard had a material impact on the Company's financial position. Adoption of the new standard resulted in the recording of right-of-use assets and lease liabilities on the Company's consolidated balance sheet of approximately $96.9 million and $96.9 million, respectively, as of January 1, 2019. The right-of-use assets recorded on the balance sheet include primarily trucking facilities and terminals and revenue equipment leases. The standard did not have a material impact on the Company's consolidated statements of operations and comprehensive income (loss), however, there have been additions and modifications to its existing financial disclosures.

The Company has designated the following preferences and practical expedients:

- To not reassess whether any expired or existing contracts contain a lease;
- Carryforward previous conclusions related to prior lease classification under the prior lease accounting standard to lease classification for existing leases under ASC 842;
- To not reassess initial indirect costs;
- Elect the hindsight practical expedient related to lease term and impairment;
- Adopt the land easement practical expedient;
- To not separate the non-lease components of a contract from the lease component for its office equipment asset class;
- To not apply the recognition requirements to leases with terms of twelve months or less; and
- To apply the portfolio approach in determination of the incremental borrowing rate.

The Company has capitalized 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. 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 terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. 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 right-of-use assets and lease liabilities relating to operating leases are included in right-of-use assets, other current liabilities, and other long-term liabilities on the Company's consolidated balance sheets. The right-of-use assets and lease liabilities relating to finance leases are included in other long-term assets, current portion of long-term debt, and long-term debt, net of current portion on the Company's consolidated balance sheets. 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 capitalized 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.

The Company follows ASC 360, “Impairment or Disposal of Long-Lived Assets” guidance to determine whether right-of-use assets relating to operating and finance leases are impaired. Due to triggering events identified in the third quarter of 2019, 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. See Note 6 for discussion on the triggering events.

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

	Classification	Year Ended December 31, 2019
Operating lease cost		
Revenue equipment	Operations and maintenance	$ 22.2
Real estate	Administrative expense	13.8
Total operating lease cost		$ 36.0
Finance lease cost		
Amortization of right-of-use assets	Depreciation and amortization	$ 5.4
Interest on lease liabilities	Interest expense	0.9
Total finance lease cost		$ 6.3
Total lease cost[(a)]		$ 42.3

(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, 2019 (in millions):

	Classification	December 31, 2019
Assets		
Capitalized operating lease right-of-use assets	Right-of-use assets	$ 95.9
Finance lease right-of-use assets	Other long-term assets	25.3
Total lease assets		$ 121.2
Liabilities		
Capitalized operating lease liabilities:		
Current	Other current liabilities	$ 27.3
Non-current	Other long-term liabilities	77.8
Total capitalized operating lease liabilities		$ 105.1
Finance lease liabilities:		
Current	Current portion of long-term debt	$ 6.2
Non-current	Long-term debt, net of current portion	19.3
Total finance lease liabilities		$ 25.5
Total lease liabilities		$ 130.6

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

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

Related Party Leases

The Company leases certain office facilities, terminals and revenue equipment from entities owned or partially owned by stockholders or employees on month-to-month operating and capitalized operating leases. Total lease expense related to these leases was $4.8 million, $4.7 million and $2.9 million for the years ended December 31, 2019, 2018 and 2017, respectively. Future minimum lease payments under non-cancelable related party operating leases are as follows (in millions):

Year ending December 31,	Revenue Equipment	Office and Terminals
2020	$ 0.4	$ 4.1
2021	0.2	4.1
2022	0.2	4.1
2023	0.1	4.0
2024	—	4.0
Thereafter	—	10.4
Total	$ 0.9	$ 30.7

The following table is the future payments on leases as of December 31, 2019 (in millions):

Year ending December 31,	Capitalized Operating leases	Finance leases	Total
2020	$ 27.3	$ 7.3	$ 34.6
2021	25.5	7.1	32.6
2022	20.7	5.1	25.8
2023	15.1	5.5	20.6
2024	9.0	2.9	11.9
Thereafter	23.0	0.6	23.6
Total lease payments	120.6	28.5	149.1
Less: interest	(15.5)	(3.0)	(18.5)
Present value of lease liabilities	$ 105.1	$ 25.5	$ 130.6

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

	2019
Weighted-average remaining lease term (years)	
Capitalized operating leases	5.01
Finance leases	3.83
Weighted-average discount rate	
Capitalized operating leases	5.54 %
Finance leases	4.51 %

The following table is the future payments under lease agreements as of December 31, 2018 prior to adoption of ASC 842 (in millions):

	Capital Leases	Operating Leases	
Year ending December 31,		Revenue Equipment	Office and Terminals
2019	$ 5.7	$ 19.5	$ 11.9
2020	4.5	13.0	11.2
2021	4.3	5.7	9.5
2022	2.4	3.2	8.5
2023	2.9	0.3	6.6
Thereafter	0.8	—	23.0
Total minimum lease payments	$ 20.6	$ 41.7	$ 70.7
Loan amount attributable to interest	(2.4)		
Total (Present value of minimum lease payments on capital leases)	18.2		
Less: current portion	(4.8)		
Long-term capital leases	$ 13.4		

Lessor

The adoption of this standard had a material impact on the Company's financial position, resulting in recording of additional property and equipment and reductions to net investment in sales-type leases and prepaid and other current assets on its consolidated balance sheets of approximately $59.4 million, $55.8 million, and $3.6 million, respectively. The additional assets recorded on the balance sheet in property and equipment include tractors and trailers leased or available for lease to owner-operators. The standard did not have a material impact on the Company's consolidated statements of operations and comprehensive income (loss), however, there have been additions and modifications to its existing financial disclosures.

The Company leases tractors and trailers to certain of its owner-operators and accounts for these transactions as operating leases. Historically, the Company had accounted for these equipment leases as sales-type leases. Under the new guidance, the Company's equipment leases no longer qualify for sales-type lease treatment and are accounted for as operating leases. This change in accounting treatment resulted in the derecognition of net investment in sales-type leases and recording the associated assets as if the agreements were always operating leases. The Company no longer recognizes a lease receivable, unearned interest income, or deferred gain related to sales-type leases and recognizes income from operating leases as payments are received. 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 $20.5 million on its assets leased under operating leases for the year ended December 31, 2019. Lease income from lease payments related to the Company's operating leases for the year ended December 31, 2019, was

$24.2 million.

The following table is the future minimum receipts on leases as of December 31, 2019 (in millions):

Year ending December 31,	Amount
2020	$ 23.8
2021	17.3
2022	9.8
2023	4.9
2024	1.3
Thereafter	0.3
Total minimum lease receipts	$ 57.4

The components of the net investment in sales-type leases as of December 31, 2018 prior to the adoption of ASC 842 are as follows (in millions):

	2018
Minimum lease receivable	$ 78.1
Deferred gain	(10.1)
Net minimum lease receivable	68.0
Unearned interest income	(12.3)
Net investment in sales-type leases	55.7
Current portion	(16.2)
	$ 39.5

The following table is the future minimum receipts on leases as of December 31, 2018 prior to the adoption of ASC 842 (in millions):

Year ending December 31,	Amount
2019	$ 16.2
2020	14.5
2021	11.0
2022	11.2
2023	2.6
Thereafter	0.2
Total	$ 55.7

NOTE 3 – BUSINESS COMBINATION

On February 27, 2017, Hennessy consummated the merger of Hennessy's wholly-owned subsidiary with and into Daseke, Inc., with Daseke, Inc. surviving as a direct wholly-owned subsidiary of Hennessy (the Business Combination) pursuant to the Agreement and Plan of Merger, dated December 22, 2016 (the Merger Agreement). The aggregate consideration received by Private Daseke stockholders upon closing was $266.7 million, consisting of newly issued shares of common stock at a value of $10.00 per share. The Merger Agreement contains an earn-out provision through which Private Daseke stockholders could receive up to 15 million additional shares of common stock (with up to 5 million shares payable annually with respect to 2017, 2018 and 2019 performance). The full 15 million shares are only payable if (i) the annualized Adjusted EBITDA (giving effect to acquisitions and as defined in the Merger Agreement) for 2017, 2018 and 2019 is at least $140.0 million, $170.0 million and $200.0 million, respectively, and (ii) the closing share price of the Company's common stock is at least $12.00, $14.00 and $16.00 for any 20 trading days in a consecutive 30 trading day period in 2017, 2018 and 2019, respectively. For each year, the 5 million earn-out shares will be prorated to the extent the annualized Adjusted EBITDA (giving effect to acquisitions and as defined in the Merger Agreement) exceeds 90% but represents less than 100%, of the applicable earn-out target. The Company met the earn-out provisions for the year ended December 31, 2017 and 5 million shares were issued to the Private Daseke stockholders in the second quarter of 2018. In 2018 and 2019, Daseke did not meet the earn-out provision and no shares were issued.

Following the consummation of the Business Combination on February 27, 2017 (the Closing), there were 37,715,960 shares of common stock issued and outstanding, consisting of (i) 26,665,330 shares issued to Private Daseke stockholders pursuant to the Merger Agreement, (ii) 419,669 shares issued in a private placement that closed in conjunction with the Business Combination, (iii) 2,288,043 shares originally issued to Hennessy Capital Partners II LLC (the Sponsor) in a private placement that closed simultaneously with the consummation of the IPO, and (iv) 8,342,918 shares, following redemptions, which shares were originally issued in the IPO. In connection with the Business Combination, $65.0 million of Series A Preferred Stock (650,000 shares) were issued in a private placement.

In conjunction with the Closing, the Company entered into (i) a $350.0 million term loan credit facility (the Term Loan Facility), which consists of a $250.0 million term loan funded on the closing date of the Term Loan Facility and up to $100.0 million of term loans to be funded from time to time under a delayed draw term loan facility, and (ii) an asset-based revolving credit facility (the ABL Facility), in an aggregate maximum credit amount equal to $70.0 million (subject to availability under a borrowing base). See Note 10 for more information regarding the Term Loan Facility and the ABL Facility. Prior to the Closing, the Company had a credit facility consisting of a term loan and a revolving line of credit.

The following table is a summary of cash proceeds and utilization of proceeds in the Business Combination (in millions):

Proceeds	
Public share proceeds[1]	$ 83.4
Issuance of Series A Preferred Stock	65.0
Term Loan Facility	250.0
Cash[2]	3.2
Total proceeds	401.6
Use of Proceeds	
Repayment of Line of Credit[3]	16.7
Repayment of Senior Term Loan[4]	122.7
Repayment of equipment loans[5]	89.5
Repayment of subordinated debt[6]	67.5
Payment of deferred financing fees[7]	14.1
Repurchase Main Street and Prudential shares[8]	36.2
Hennessy transaction costs	19.1
Daseke transaction costs[9]	1.2
Total use of proceeds	367.0
Net cash received	$ 34.6

(1) - 8,342,918 public shares outstanding valued at $10.00 per share
(2) - Daseke cash utilized for payment of deferred financing fees and transaction costs
(3) - includes payment of $59 accrued interest recognized in interest expense
(4) - includes payment of $422 accrued interest recognized in interest expense
(5) - includes payment of $731 accrued interest recognized in interest expense
(6) - includes payment of $745 accrued interest recognized in interest expense
(7) - excludes $81 paid subsequent to the Closing
(8) - Hennessy repurchased Private Daseke shares held by Main Street Capital II, LP, Main Street Mezzanine Fund, LP, Main Street Capital Corporation, Prudential Capital Partners IV, L.P., Prudential Capital Partners (Parallel Fund) IV, L.P. and Prudential Capital Partners Management Fund IV, L.P.
(9) - $0.8 million and $0.4 million expensed in fourth quarter 2016 and first quarter 2017, respectively

The Business Combination was accounted for as a reverse merger in accordance with GAAP. Under this method of accounting, Hennessy is treated as the "acquired" company. This determination was primarily based on Private Daseke comprising the ongoing operations of the combined company, Private Daseke's senior management comprising the senior management of the combined company, and Private Daseke stockholders having a majority of the voting power of the combined company. For accounting purposes, Private Daseke is deemed to be the accounting acquirer in the transaction and, consequently, the transaction is treated as a recapitalization of Private Daseke (i.e., a capital transaction involving the issuance of stock by Hennessy for the stock of Private Daseke). Accordingly, the consolidated assets, liabilities and results of operations of Private Daseke are the historical financial statements of the combined company, and Hennessy's assets, liabilities and results of operations are consolidated with Private Daseke beginning on the acquisition date.

In connection with the Closing, Daseke, Inc. changed its name to Daseke Companies, Inc. and Hennessy Capital Acquisition Corp. II changed its name to Daseke, Inc. Daseke, Inc.'s common stock and warrants began trading under the ticker symbols DSKE and DSKEW, respectively, on February 28, 2017.

NOTE 4 – ACQUISITIONS

From its inception in late 2008, the Company has successfully acquired 20 open-deck trucking companies. To date, 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):

(all amounts in U.S. dollars)

	Leavitt's	Builders	Kelsey Trail	Aveda
Accounts receivable	$ 1.9	$ 8.4	$ 2.3	$ 37.3
Parts supplies	0.1	0.3	—	—
Prepaid and 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 long-term 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	$ 14.7	$ 36.3	$ 6.0	$ 115.6

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-subsidiary 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 will be deductible for tax purposes because the transaction qualified as an asset purchase. 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 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 valued at an estimated $21.2 million and has not been paid to the sellers as of December 31, 2019. 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. 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.

2017 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 2017 acquisitions (in millions):

(all amounts in U.S. dollars)

	Belmont	Moore Freight	Roadmaster Group	Tennessee Steel Haulers	R&R	Steelman	Schilli	Big Freight
Accounts receivable	$ 0.2	$ 4.5	$ 9.8	$ 20.2	$ 5.1	$ 4.4	$ 8.6	$ 4.9
Parts supplies	—	0.3	0.2	—	0.1	0.1	1.7	0.2
Prepaid and other current assets	0.1	0.3	1.1	5.9	1.5	2.3	2.5	0.3
Property and equipment	1.6	22.0	36.8	8.7	16.9	11.1	39.9	11.5
Goodwill	2.4	17.3	51.7	34.6	15.7	9.7	11.1	7.7
Intangible assets	1.8	30.4	22.9	49.9	11.0	6.6	6.0	4.2
Other long-term assets	—	0.1	0.7	19.0	0.2	5.0	0.9	0.1
Deferred tax liability	(1.3)	(13.8)	(10.0)	(32.6)	(8.9)	(4.8)	(15.4)	(4.8)
Accounts payable and other liabilities	(0.3)	(1.9)	(26.8)	(14.0)	(3.4)	(15.6)	(27.9)	(6.3)
Total	$ 4.5	$ 59.2	$ 86.4	$ 91.7	$ 38.2	$ 18.8	$ 27.4	$ 17.8

Belmont

On December 29, 2017, the Company acquired 100% of the outstanding equity interests of Belmont Enterprises, Inc. (Belmont) based in Olympia, Washington. Total consideration paid was $4.6 million in cash funded through the Company's line of credit under the ABL Facility.

The acquisition was a stock purchase; therefore, the values assigned to the intangible assets and goodwill are not deductible for tax purposes. Transaction expenses incurred in the acquisition, which are not deductible for tax purposes, were immaterial. As of June 30, 2018, the valuation of identifiable intangible assets was completed resulting in assets totaling $1.7 million, consisting of trade name valued at $0.3 million, non-compete agreements valued at $0.2 million and customer relationships intangible of $1.2 million, with a corresponding decrease to goodwill. For the three months ended June 30, 2018, the change resulted in an increase in amortization expense and accumulated amortization of $0.1 million, of which $62,566 is related to the previous quarter. Additionally, goodwill and a corresponding deferred tax liability of $0.6 million was recognized based on the rates in effect on the acquisition date. The deferred tax liability was re-measured using the TCJA rates, which resulted in the recognition of a $0.4 million deferred tax benefit.

Moore Freight Services

On December 1, 2017, the Company acquired 100% of the outstanding equity interests of: (1) Moore Freight Service, Inc., (2) RT & L, LLC, (3) JD and Partners, LLC, (4) TM Transport and Leasing, LLC, and (5) Rand, LLC (collectively Moore Freight Services) based in Knoxville, Tennessee. Total consideration paid was $59.1 million, consisting of $35.1 million in cash and 145,129 shares of Daseke common stock valued at $1.8 million and the repayment of $22.2 million of long-term debt by the Company. The cash consideration was funded with cash on hand and the Term Loan Facility. The acquisition was a stock purchase; therefore, the values assigned to the intangible assets and goodwill are not deductible for tax purposes. Approximately $0.6 million of transaction expenses were incurred in the acquisition, which are not deductible for tax purposes. As of June 30, 2018, the valuation of identifiable intangible assets was completed resulting in assets totaling $30.4 million, consisting of trade name valued at $3.2 million, non-compete agreements valued at $3.5 million and customer relationships intangible of $23.7 million, with a corresponding decrease to goodwill.

For the three months ended June 30, 2018, the change resulted in an increase in amortization expense and accumulated amortization of $1.5 million, of which $0.9 million related to the previous quarter. Additionally, goodwill and a corresponding deferred tax liability of $11.7 million was recognized based on the rates in effect on the acquisition date. The deferred tax liability was re-measured using the TCJA rates, which resulted in the recognition of a $4.0 million deferred tax benefit. For the three months ended December 31, 2018, the beginning balance of the deferred tax liability related to net operating losses was reduced by $0.5 million, based on the rates in effect on the acquisition date, with a corresponding decrease to goodwill. The deferred tax adjustment was re-measured using the TCJA rates, which resulted in the recognition of $0.2 million deferred tax expense in the three months ended December 31, 2018.

Roadmaster Group

On December 1, 2017, the Company acquired 100% of the outstanding equity interests of Roadmaster Group, Inc. and subsidiaries, and Roadmaster Equipment Leasing, Inc. and all subsidiaries (collectively the Roadmaster Group) based in Phoenix, Arizona. Total consideration paid was $86.9 million, consisting of $37.5 million in cash, 3,114,247 shares of Daseke common stock valued at $39.1 million and the repayment of $10.3 million of long-term debt by the Company. The cash consideration was funded with cash on hand and the Term Loan Facility. The acquisition was a stock purchase; therefore, the values assigned to the intangible assets and goodwill are not deductible for tax purposes. Approximately $0.6 million of transaction expenses were incurred in the acquisition, which are not deductible for tax purposes. As of June 30, 2018, the valuation of identifiable intangible assets was completed resulting in assets totaling $22.9 million, consisting of trade name valued at $12.7 million, non-compete agreements valued at $2.9 million and customer relationships intangible of $7.3 million, with a corresponding decrease to goodwill. For the three months ended June 30, 2018, the change resulted in an increase in amortization expense and accumulated amortization of $0.6 million, of which $0.3 million related to the previous quarter. Additionally, goodwill and a corresponding deferred tax liability of $8.7 million was recognized based on the rates in effect on the acquisition date. The deferred tax liability was re-measured using the TCJA rates, which resulted in the recognition of a $3.0 million deferred tax benefit. For the three months ended December 31, 2018, the beginning balance of the deferred tax liability related to net operating losses and fixed assets was reduced by $9.4 million, based on the rates in effect on the acquisition date, with a corresponding decrease to goodwill. The deferred tax adjustment was re-measured at the TCJA rates, resulting in $3.5 million of deferred tax expense in the three months ended December 31, 2018.

Tennessee Steel Haulers & Co.

On December 1, 2017, the Company acquired 100% of the outstanding equity interests of: (1) Tennessee Steel Haulers, Inc., (2) Alabama Carriers, Inc., and (3) Fleet Movers Inc. (collectively TSH & Co.) based in Nashville, Tennessee. Total consideration paid was $91.9 million, consisting of $74.9 million in cash and 972,680 shares of Daseke common stock valued at $12.0 million and the repayment of $5.0 million of long-term debt by the Company. The cash consideration was funded with cash on hand and the Term Loan Facility. The acquisition was a stock purchase; therefore, the values assigned to the intangible assets and goodwill are not deductible for tax purposes. Approximately $0.5 million of transaction expenses were incurred in the acquisition, which are not deductible for tax purposes. As of June 30, 2018, the valuation of identifiable intangible assets was completed resulting in assets totaling $49.8 million, consisting of trade name valued at $21.5 million, non-compete agreements valued at $12.4 million and customer relationships intangible of $15.9 million, with a corresponding decrease to goodwill. For the three months ended June 30, 2018, the change resulted in an increase in amortization expense and accumulated amortization of $2.1 million, of which $1.2 million related to the previous quarter. Additionally, goodwill and a deferred tax liability of $19.2 million was recognized based on the rates in effect on the acquisition date. The deferred tax liability was re-measured using the TCJA rates, which resulted in the recognition of a $6.6 million deferred tax benefit. For the three months ended December 31, 2018, the beginning balance of the deferred tax liability related to certain deferred taxes was increased by $5.9 million, based on the rate in effect on the acquisition date, with a corresponding increase to goodwill. The deferred tax adjustment was re-measured at the TCJA rates, resulting in $1.6 million of deferred tax benefit in the three months ended December 31, 2018.

R&R Trucking Holdings, LLC

On September 1, 2017, the Company acquired 100% of the outstanding stock of R&R Trucking Holdings, LLC (R&R), based in Duenweg, Missouri. Total consideration paid was $38.4 million, consisting of $24.6 million in cash and the assumption and repayment of $13.8 million of long-term debt by the Company. The cash consideration was funded through a delayed draw on September 1, 2017 under the Term Loan Facility. The acquisition was a stock purchase; therefore, the values assigned to the intangible assets and goodwill are not deductible for tax purposes. Approximately $0.6 million of transaction expenses were incurred in the acquisition, which are not deductible for tax purposes.

The Steelman Companies

On July 1, 2017, the Company acquired 100% of the outstanding stock of The Steelman Companies (Steelman), based in Springfield, Missouri, for consideration of $18.8 million, consisting of $11.2 million in cash and 746,170 shares of Daseke common stock valued at $7.6 million. The fair value of the 746,170 shares issued was determined based on the closing price of the stock on the acquisition close date. The cash consideration was funded through cash on hand. The acquisition was a stock purchase under GAAP. A Section 338(h)(10) election was filed for certain of the entities acquired, which will deem those acquisitions as an asset purchase for tax purposes; therefore, approximately $14.9 million of the values assigned to the intangible assets and goodwill are expected to be deductible for tax purposes. Approximately $0.3 million of transaction expenses were incurred in the acquisition, which are not deductible for tax purposes. As of June 30, 2018, the provisional amount of goodwill was increased by $1.7 million with a corresponding increase to deferred tax liability. The deferred tax adjustment was re-measured at the TCJA rates, resulting in $0.6 million of deferred tax expense in the three months ended December 31, 2018.

Schilli Transportation Services, Inc.

On May 1, 2017, the Company acquired 100% of the outstanding stock of Schilli Transportation Services, Inc. and certain of its affiliates (Schilli), based in Remington, Indiana. Total consideration paid was $27.4 million, consisting of $21.0 million in cash, 232,885 shares of Daseke common stock valued at $2.3 million and the refinancing of $4.0 million of long-term debt by the Company. The fair value of the 232,885 shares issued was determined based on the closing price of the stock on the acquisition close date. The cash consideration was funded through a delayed draw on May 1, 2017 under the Term Loan Facility. The acquisition was a stock purchase; therefore, the values assigned to the intangible assets and goodwill are not deductible for tax purposes. Approximately $0.4 million of transaction expenses were incurred in the acquisition, which are not deductible for tax purposes. As of June 30, 2018, the provisional balance of goodwill was increased by $2.8 million for fair value adjustments to assets as of the acquisition date with a decrease to receivables of $0.9 million, held-for-sale assets of $0.3 million and fixed assets of $1.6 million. Additionally, the deferred tax liability was decreased by $0.7 million, with a corresponding decrease to goodwill.

Big Freight Systems, Inc.

On May 1, 2017, the Company acquired 100% of the outstanding stock of Big Freight Systems, Inc. (Big Freight), based in Steinbach, Manitoba. Total consideration paid was $16.7 million consisting of $12.4 million in cash, 109,248 shares of Daseke common stock valued at $1.1 million and the assumption of approximately $3.2 million of outstanding debt by the Company. The fair value of the 109,248 shares issued was determined based on the closing price of the stock on the acquisition close date. Big Freight's purchase agreement also contains an earn-out for additional cash consideration to be paid on the excess of each of 2017, 2018 and 2019's earnings before interest, taxes, depreciation and amortization (EBITDA Amount) over 2016's EBITDA Amount (as defined in the purchase agreement), multiplied by 0.4. A contingent liability of $1.1 million was included in the allocation of the purchase price for this earn-out. The cash consideration was funded through a delayed draw on May 1, 2017 under the Term Loan Facility and 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 $0.6 million of transaction expenses were incurred in the acquisition, which are not deductible for tax purposes. As of June 30, 2018, the provisional amount of goodwill was increased by $0.6 million (net of a $0.3 million foreign currency translation adjustment) with a corresponding increase to deferred tax liability.

For the year ended December 31, 2018, revenue and net loss of the acquired companies from their respective dates of acquisition was $163.6 million and $1.5 million, respectively. For the year ended December 31, 2017, revenue and net income of the acquired companies from their respective dates of acquisition was $154.0 million and $15.6 million, respectively.

Supplemental Pro Forma Information (Unaudited)

The following supplemental pro forma financial information reflects the 2018 acquisitions as if they occurred on January 1, 2018. This pro forma financial information has been presented for illustrative purposes only and is not necessarily indicative of the operating results that would have been achieved had the pro forma events taken place on January 1, 2018. Further, the pro forma financial information does not purport to project the future operating results of the consolidated company.

(In millions, except per share amounts)	Year Ended December 31, (unaudited) 2018	
Pro forma revenue	$	1,747.4
Pro forma net loss	$	(5.7)
Pro forma net loss per common share:		
Basic	$	(0.09)
Diluted	$	(0.09)

NOTE 5 – PREPAID AND OTHER CURRENT ASSETS

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

	2019		2018	
Insurance	$	10.1	$	7.4
Licensing, permits and tolls		5.4		5.6
Other assets		3.1		4.4
Other prepaids		1.7		3.9
Assets held for sale		—		3.6
Highway and fuel taxes		1.6		1.4
Total	$	21.9	$	26.3

NOTE 6 – 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.

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. The Plan was implemented to streamline and reduce the Company's cost structure, improve asset utilization and capitalize on operational synergies. Additionally, the Company announced the planned implementation of Business Improvement Plans (BIP), which are expected to increase profitability by right-sizing trailer-to-tractor ratios, yielding management capacity allocations, and improving maintenance execution. 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. As part of Project Pivot, the Company executed a new management restructuring and substantial corporate cost reduction plan. See Note 8 for additional details.

During the third quarter of 2019, the Company identified a triggering event following the announcement of Projects Synchronize and Pivot, the BIP, and the decline in the Company's stock price. As a result, the Company completed goodwill impairment and asset impairment analyses as of September 30, 2019 (see Note 8 for additional details). The result of the September 30, 2019 goodwill impairment analysis was a non-cash goodwill impairment charge of $112.8 million and $6.0 million that were recorded in the third and fourth quarters, respectively, of which $111.0 million is not deductible for tax purposes. Goodwill impairment is recorded in impairment in the consolidated statements of operations and comprehensive income (loss). During the fourth quarter of 2018, management performed goodwill impairment testing on its reporting units, which resulted in goodwill impairment for one reporting unit of $11.1 million.

The summary of changes in the carrying amount of goodwill for the years ended December 31, 2019 and 2018 are as follows (in millions):

	Flatbed	Specialized	Total
Goodwill balance at January 1, 2018	$ 105.9	196.8	$ 302.7
Impairment	—	(11.1)	(11.1)
Goodwill acquired and adjustments to previously recorded goodwill (net)	(4.4)	(27.7)	(32.1)
Foreign currency translation adjustment	—	(1.1)	(1.1)
Goodwill balance at December 31, 2018	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

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. In June 2018, the Company recorded an impairment charge of $2.8 million related to the trade names category of intangible assets related to the specialized segment. The trade name was impaired as a result of the reorganization and merger of two of the Company's operating companies.

Intangible assets consisted of the following at December 31, 2019 and 2018 (in millions):

	As of December 31, 2019			As of December 31, 2018		
	Intangible Assets	Accumulated Amortization	Intangible Assets, net	Intangible Assets	Accumulated Amortization	Intangible Assets, net
Non-competition agreements	$ 21.7	$ (18.4)	$ 3.3	$ 33.8	$ (12.8)	$ 21.0
Customer relationships	88.9	(42.2)	46.7	130.9	(33.5)	97.4
Trade names	59.1	—	59.1	90.6	—	90.6
Foreign currency translation adjustment	—	—	—	(0.2)	—	(0.2)
Total intangible assets	$ 169.7	$ (60.6)	$ 109.1	$ 255.1	$ (46.3)	$ 208.8

As of December 31, 2019, non-competition agreements and customer relationships had weighted average remaining useful lives of 2.7 and 9.7 years, respectively. As of December 31, 2018, non-competition agreements and customer relationships had weighted average remaining useful lives of 3.0 and 10.4 years, respectively. See Note 4 for more information on intangible assets acquired.

Amortization expense for intangible assets with definite lives was $14.3 million, $16.7 million and $6.7 million for the years ended December 31, 2019, 2018 and 2017, respectively.

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

Year ending December 31,	Non-competition Agreements	Customer Relationships
2020	$ 1.3	$ 5.9
2021	1.0	5.9
2022	0.9	5.9
2023	0.1	5.9
2024	—	4.5
Thereafter	—	18.6
Total	$ 3.3	$ 46.7

NOTE 7 – PROPERTY AND EQUIPMENT

In accordance with ASC 360, "Impairment or Disposal of Long-Lived Assets," the Company reviews its definite lived long-lived assets 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 third quarter of 2019, the Company recorded an impairment charge of $97.6 million to adjust property and equipment to fair value, resulting in the Specialized Solutions segment recognizing $58.6 million and the Flatbed Solutions segment recognizing $39.0 million in impairment. The impairment charge is included in impairment in the consolidated statements of operations and comprehensive income (loss).

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

	2019	2018
Revenue equipment	$ 597.0	$ 734.0
Buildings and improvements	64.3	61.9
Assets leased and available for lease to owner-operators	59.9	—
Furniture and fixtures, office and computer equipment and vehicles	40.2	36.5
	761.4	832.4
Accumulated depreciation	(322.4)	(259.7)
Total	$ 439.0	$ 572.7

Depreciation expense was $132.2 million, $114.4 million and $70.2 million for the years ended December 31, 2019, 2018 and 2017, respectively. Depreciation expense and accumulated depreciation on assets leased and available for lease to owner-operators was $20.5 million for the year ended December 31, 2019. Included in depreciation expense is the net impact of the step-up in basis of fixed assets resulting from acquisitions of $18.2 million, $24.1 million and $8.4 for the years ended December, 2019, 2018 and 2017, respectively.

NOTE 8 – INTEGRATION AND RESTRUCTURING

As discussed in Note 6, the Company implemented Project Synchronize and Project Pivot which resulted in recording of integration and restructuring costs. The integration and restructuring costs consist of assets 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.

The Company recorded $8.4 million of integration and restructuring expenses in connection with Projects Synchronize and Pivot for the year ended December 31, 2019.

The following table summarizes the integration and restructuring costs as of December 31, 2019 (in millions):

	Severance and Other Payroll	Operating Lease Termination	Fixed Asset Impairment	Other	Total
Specialized Solution					
Costs accrued	$ 0.6	$ 0.5	$ 1.4	$ 1.4	$ 3.9
Amounts paid or charged	(0.6)	(0.5)	(1.4)	(1.4)	(3.9)
Specialized Solution balance at December 31, 2019	—	—	—	—	—
Flatbed Solution					
Costs accrued	0.8	—	0.7	0.3	1.8
Amounts paid or charged	(0.8)	—	(0.7)	(0.3)	(1.8)
Flatbed Solution balance at December 31, 2019	—	—	—	—	—
Corporate					
Costs accrued	2.7	—	—	—	2.7
Amounts paid or charged	(0.9)	—	—	—	(0.9)
Corporate balance at December 31, 2019	1.8	—	—	—	1.8
Consolidated					
Costs accrued	4.1	0.5	2.1	1.7	8.4
Amounts paid or charged	(2.3)	(0.5)	(2.1)	(1.7)	(6.6)
Consolidated balance at December 31, 2019	$ 1.8	$ —	$ —	$ —	$ 1.8

NOTE 9 – ACCRUED EXPENSES AND OTHER LIABILITIES

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

	2019	2018
Brokerage and escorts	$ 16.9	$ 12.6
Other accrued expenses	10.6	8.0
Owner operator deposits	7.1	9.3
Unvouchered payables	6.1	11.7
Sales and local taxes payable	1.7	3.3
Fuel and fuel taxes	1.3	1.2
Interest	0.5	0.4
	$ 44.2	$ 46.5

NOTE 10 – LONG-TERM DEBT

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

	2019	2018
Line of credit	$ 1.7	$ —
Term loan facility	488.5	493.5
Equipment term loans	188.4	190.7
Finance and capital leases	25.5	18.2
	704.1	702.4
Less current portion	(59.4)	(63.5)
Less unamortized deferred financing costs	(11.4)	(16.2)
Long-term portion	$ 633.3	$ 622.7

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. At December 31, 2019, the average interest rate on the Term Loan Facility was 7.4%.

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-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 five-year, senior secured asset-based revolving line of credit with an aggregate maximum credit amount equal to $100.0 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. The ABL Facility's maximum credit amount may be increased by $30.0 million pursuant to an uncommitted accordion. The ABL Facility also provides for the issuance of letters of credit subject to certain restrictions and a sublimit of $20 million, as defined in the credit agreement. The ABL Facility matures on February 27, 2022. As of December 31, 2019, the Company had borrowings of $1.7 million, $13.9 million in letters of credit outstanding, and could incur approximately $86.8 million of additional indebtedness under the ABL Facility.

Borrowings under the ABL Facility bear interest at rates based upon the Company's fixed charge coverage ratio and, at the Company's election from time to time, either a base rate plus an applicable margin or an adjusted LIBOR rate plus an applicable margin. Margins on the ABL Facility are adjusted, if necessary to the applicable rates set forth in the following table corresponding to the fixed charge coverage ratio for the trailing 12 month period on the last day of the most recently completed fiscal quarter.

Fixed Charge Coverage Ratio	Base Rate Margins	LIBOR Rate Margins
Less than 1.25 to 1.00	2.25 %	3.25 %
Greater than or equal to 1.25 to 1.00, but less than 1.50 to 1.00	1.75 %	2.75 %
Greater than or equal to 1.50 to 1.00, but less than 1.75	1.25 %	2.25 %
Greater than or equal to 1.75 to 1.00	0.75 %	1.75 %

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.

RLOC Utilization	Base Rate Margins	LIBOR Rate Margins
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 %

At December 31, 2019, the interest rate on the ABL Facility was 5.25%.

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, 2019, the Company was in compliance with all covenants contained in the Term Loan and ABL Facilities.

Equipment Term Loans and Mortgages

As of December 31, 2019, the Company had term loans collateralized by equipment in the aggregate amount of $185.2 million with 33 lenders (Equipment Term Loans). The Equipment Term Loans bear interest at rates ranging from 1.5% to 10.7%, require monthly payments of principal and interest and mature at various dates through January 2028. 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, 2019, the Company has a bank mortgage loan with a balance of $3.2 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 $15,776, including interest at 3.7% through November 2020. The interest rate and monthly payments will be adjusted on November 1, 2020 to a rate of 2.5%, plus the three-year advance rate published by the Federal Home Loan Bank of Seattle in effect 45 days prior to November 1, 2020 (which will not be less than 3.7%). The bank mortgage loan matures November 1, 2023.

Finance and Capital Leases

The Company leases certain equipment under long-term finance and capital lease agreements that expire on various dates through May 2025. As of December 31, 2018, the book value of the property and equipment recorded under capital leases was $16.6 million, net of accumulated depreciation of $7.8 million. Depreciation expense related to property and equipment under capital lease was $2.9 million and $2.6 million for the years ended December 31, 2018 and 2017, respectively. See Note 2 for information on finance leases.

Main Street Capital Corporation

In 2013, Main Street Capital Corporation (Main Street) loaned the Company $20.0 million under a senior subordinated secured term loan (the Main Street Loan). The Main Street Loan was subordinate to the PNC Credit Agreement and Equipment Term Loans. Interest payments were due monthly through maturity at the rate of 12% per annum. Paid-in kind (PIK) interest, at a rate of 2.5% per annum, could have been paid monthly or accrued and added to the principal balance quarterly, at the option of the Company. For the year ended December 31, 2017, $0.1 million of accrued PIK interest was added to the principal balance. In conjunction with Business Combination, the Main Street Loan was repaid in February 2017. See Note 3 for additional details on the Business Combination.

Prudential Capital Partners

In 2013, the Company issued senior secured subordinated promissory notes in the initial aggregate principal amount of $20.0 million (PCP Subordinated Notes) to Prudential Capital Partners IV, L.P., Prudential Capital Partners (Parallel Fund) IV, L.P. and Prudential Capital Partners Management Fund IV, L.P. (collectively, the PCP Investors) pursuant to the Securities Purchase Agreement, dated as of November 12, 2013, by and among the Company, certain of its subsidiaries and the PCP Investors. The PCP Subordinated Notes were subordinate to the PNC Credit Agreement and Equipment Term Loans. Interest payments were due monthly through maturity at the rate of 12% per annum. PIK interest, at a rate of 2.5% per annum, could have been paid monthly or accrued and added to the principal balance quarterly, at the option of the Company. For the year ended December 31, 2017, $0.1 million of accrued PIK interest was added to the principal balance. In conjunction with Business Combination, the PCP Subordinated Notes were repaid in February 2017. See Note 3 for additional details on the Business Combination.

The Main Street Loan and the PCP Subordinated Notes (Subordinated Debt) were collateralized by all assets of the Company, except those assets collateralizing the Equipment Term Loans. The Main Street Loan and the PCP Subordinated Notes contained certain financial covenants, including a minimum fixed charge coverage ratio, a senior secured debt to consolidated EBITDA ratio and a funded debt to consolidated EBITDA ratio. Additionally, they contained negative covenants limiting, among other things, additional indebtedness, capital expenditures, transactions with affiliates, additional liens, sales of assets, dividends, investments and advances, prepayments of debt, mergers and acquisitions, and other matters customarily restricted in such agreements. The Main Street Loan and the PCP Subordinated Notes were subject to a make-whole payment of 5.0% of the prepayment amount if such prepayment was made before the third anniversary of the agreements.

LST Seller

As part of the consideration paid to the seller of Lone Star Transportation, LLC and affiliates (LST), Daseke Lone Star, Inc. (a subsidiary of the Company) issued $22.0 million of subordinated notes (the LST Seller Notes). The LST Seller Notes bore interest at 10% payable monthly and were subordinate to the PNC Credit Agreement, Main Street Loan and PCP Subordinated Notes. In conjunction with the Business Combination, the LST Seller Notes were repaid in February 2017.

DTR Sellers

As part of the consideration paid to the sellers of Davenport Transport & Rigging, LLC, LST issued $1.0 million of subordinated notes (the DTR Seller Notes). The DTR Seller Notes bore interest at 5% payable monthly and were subordinate to the PNC Credit Agreement, Main Street Loan and PCP Subordinated Notes. In conjunction with Business Combination, the DTR Seller Notes were repaid in February 2017.

BHE Sellers

As part of the consideration paid to the sellers of Bulldog Hiway Express (BHE), the Company issued $2.0 million of subordinated notes (the BHE Seller Notes). The BHE Seller Notes bore interest at 7% payable monthly. On December 19, 2016, a portion of the outstanding principal amount under the BHE Seller Notes was forgiven in exchange for the payment by the Company of certain pension liabilities of BHE. The BHE Seller Notes were subordinate to the PNC Credit Agreement and the Main Street Loan and the PCP Subordinated Notes. In conjunction with Business Combination, the BHE Seller Notes were repaid in February 2017.

Future principal payments on long-term debt are as follows (in millions):

Year ending December 31,	Line of credit	Term Loan Facility	Equipment Term Loans	Total
2020	$ —	$ 5.0	$ 48.2	$ 53.2
2021	—	2.5	43.8	46.3
2022	1.7	2.5	34.8	39.0
2023	—	2.5	32.3	34.8
2024	—	138.6	19.6	158.2
Thereafter	—	337.4	9.7	347.1
Total long-term debt	$ 1.7	$ 488.5	$ 188.4	$ 678.6

NOTE 11 – 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):

	2019	2018	2017
Current:			
Federal	$ (0.3)	$ (0.1)	$ (0.1)
State	3.7	4.0	1.3
Total current taxes	3.4	3.9	1.2
Deferred:			
Federal	(45.5)	(10.9)	(51.4)
State	(11.6)	(7.4)	(1.9)
Foreign	(0.9)	(1.5)	(0.2)
Total deferred taxes	(58.0)	(19.8)	(53.5)
Benefit for income taxes	$ (54.6)	$ (15.9)	$ (52.3)

A reconciliation between the effective income tax rate and the United States statutory income tax rate for the years ended December 31, 2019, 2018 and 2017 is as follows (in millions):

	2019	2018	2017
Income tax benefit at United States statutory income tax rate	$ (76.1)	$ (4.4)	$ (8.8)
Federal income tax effects of:			
State income tax expense	(6.2)	(2.7)	(0.3)
Foreign taxes	—	—	(0.2)
Foreign tax rate differential	(0.8)	(0.3)	0.1
Goodwill impairment	23.4	—	—
Per diem and other nondeductible expenses	2.3	4.1	3.2
Change in valuation allowance	1.2	—	—
Cumulative effect of change in effective tax rate	—	(12.6)	(46.1)
Tax credits	(0.3)	(0.1)	(0.1)
Other	1.9	0.1	(0.1)
Benefit for income taxes	$ (54.6)	$ (15.9)	$ (52.3)
Effective tax rate	15.1 %	75.4 %	206.8 %

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 a significant one-time tax cost in 2019 related to the impairment of goodwill for which there was no tax basis. The decrease in the effective tax rate for the year ended December 31, 2018 compared to the year ended December 31, 2017 is primarily the result of a one-time tax benefit related to changes in future tax rates on net deferred tax liabilities as a result of the enactment of the TCJA in December 2017.

United States Tax Reform

On December 22, 2017, the United States government enacted the TCJA comprehensive tax reform legislation. Effective January 2018, the TCJA, among other things, reduces the marginal U.S. corporate income tax rate from 35% to 21%, limits the deductibility of interest expenses, limits the deduction for net operating losses, eliminates net operating loss carrybacks and modifies or eliminates many business deductions and credits. The TCJA also includes international provisions, which generally establish a territorial-style system for taxing foreign source income of domestic multinational corporations and imposes a mandatory one-time transition tax on undistributed international earnings.

The effects of temporary differences that give rise to significant elements of deferred tax assets and liabilities at December 31, 2019 and 2018 were as follows (in millions):

	2019	2018
Deferred tax assets		
Accrued expenses	$ 7.0	$ 5.3
Vacation accrual	0.6	0.6
Accounts receivable	0.8	0.4
Net operating losses	30.2	31.7
Interest expense limitation	—	1.3
Deferred start-up costs	1.3	1.4
Stock based compensation	1.5	1.3
Operating lease liabilities	20.6	—
Foreign assets	9.0	1.7
	71.0	43.7
Valuation allowance	(7.4)	—
Total deferred tax assets	63.6	43.7
Deferred tax liabilities		
Sales-type leases	—	(2.3)
Prepaid expenses	(4.7)	(4.1)
481(a) adjustment	(0.9)	(1.7)
Intangible assets	(19.4)	(44.0)
Property and equipment	(82.9)	(111.7)
Right of Use Asset	(18.9)	—
Foreign liabilities	(6.7)	(6.7)
Total deferred tax liabilities	(133.5)	(170.5)
Net deferred tax liability	**$ (69.9)**	**$ (126.8)**

During the year ended December 31, 2019, the Company established a valuation allowance of $6.1 million against a portion of its foreign deferred tax assets that, in the judgement of management, are not more likely than not to be realized. As of December 31, 2019, the valuation allowance was $7.4 million. 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 on the generation of future taxable income during the periods in which those temporary differences are deductible.

At December 31, 2019, the Company has U.S. federal net operating loss carry forwards of approximately $109.0 million on a pre-tax basis. The Company has state and foreign net operating losses of $4.7 million and $8.4 million, respectively, on an after tax basis. These loss carryforwards begin expiring in 2023.

The Company had no uncertain tax positions as of December 31, 2019 and 2018. The Company is no longer subject to United States federal income tax examinations by tax authorities for years before 2016; however, federal net operating loss carry forwards from years prior to 2016 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 2015.

NOTE 12 – RELATED PARTY TRANSACTIONS

Related Party Debt

As described in Note 10, the Company issued Subordinated Debt to Main Street and PCP Investors. Both lenders were stockholders of the Company. For the year ended December 31, 2017, Main Street received interest payments of $0.5 million. For the year ended December 31, 2017, PCP Investors received interest payments of $0.5 million. In conjunction with the Business Combination, the

Main Street Loan and the PCP Subordinated Notes were both repaid in February 2017. See Note 3 for additional details on the Business Combination.

As disclosed in Note 10, the LST seller received subordinated notes as partial consideration. Interest paid to the LST seller was $0.4 for the year ended December 31, 2017. In conjunction with the Business Combination, the LST Seller Notes were repaid in February 2017. See Note 3 for additional details on the Business Combination.

As disclosed in Note 10, the BHE Sellers received subordinated notes as partial consideration. Interest paid for the year ended December 31, 2017 was immaterial. In conjunction with Business Combination, the BHE Seller Notes were repaid in February 2017. See Note 3 for additional details on the Business Combination.

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 $0.6 million for each of the years ended December 31, 2019, 2018 and 2017, respectively. Amounts due to the vendor as of December 31, 2019 and 2018 totaled approximately $9,000 and $10,000, 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 $0.4 million, $0.7 million and $0.4 million for the years ended December 31, 2019, 2018 and 2017, respectively. Accounts receivable due from this entity totaled approximately $24,000 and $51,000 as of December 31, 2019 and 2018, 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, 2019 and 2017.

Additionally, the Company does business with a carrier owned by a stockholder’s spouse. Revenue received from this carrier totaled approximately $1.8 million, $0.1 million and $0.2 million for the years ended December 31, 2019, 2018 and 2017. Accounts receivable due from this entity totaled approximately $19,000 and $71,000 as of December 31, 2019 and 2018.

NOTE 13 – STOCKHOLDERS’ EQUITY

Common Stock

Common stock has voting rights – one vote for each share of common stock.

On September 19, 2017, the Company and certain stockholders of the Company (the Selling Stockholders) entered into an underwriting agreement (the Underwriting Agreement) with Stifel, Nicolaus & Company, Incorporated and Cowen and Company, LLC, as representatives of the several underwriters named therein (collectively, the Underwriters), in connection with an underwritten public offering (the Offering) of 5,292,000 shares of the Company’s common stock, par value $0.0001 per share, including 4,882,167 shares of common stock to be sold by the Company and 409,833 shares of common stock to be sold by the Selling Stockholders, at a price to the public of $12.00 per share ($11.34 per share net of underwriting discounts and commissions). Pursuant to the Underwriting Agreement, the Company granted the Underwriters a 30-day option to purchase up to an additional 793,800 shares of common stock, which was exercised in full on September 20, 2017 and closed simultaneously with the Offering on September 22, 2017. Net proceeds received by the Company from its sale of 5,675,967 shares of common stock were approximately $63.6 million, after deducting underwriting discounts and commissions and estimated offering expenses payable by the Company. As described in the prospectus supplement, dated September 19, 2017, filed with the SEC on September 20, 2017, the Company used the net proceeds from the Offering for general corporate purposes, which may including, among other things, working capital, capital expenditures, debt repayment or refinancing or the financing of possible future acquisitions.

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).

The Earnout Shares were issued in reliance upon an exemption from the registration requirements of the Securities Act of 1933, as amended (the Securities Act), pursuant to Section 4(a)(2) thereof, which exempts transactions by an issuer not involving any public offering on the basis that the securities were offered and sold in a non-public offering to "accredited investors" (as defined in Rule 501(a) of Regulation D under the Securities Act). Private Daseke engaged a purchaser representative to serve as the purchaser representative for two Private Daseke Stockholders who were not "accredited investors," which purchaser representative met all of the conditions set forth in Rule 501(i) of Regulation D, as required to comply with applicable federal securities laws in connection with the issuance of shares of the Company's common stock to these two Private Daseke Stockholders pursuant to the Merger Agreement.

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 4 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 4 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 4 for additional details about the Builders acquisition.

As of December 31, 2019, the Company has approximately 0.7 million shares of common stock reserved for future issuances of stock options and restricted stock units under the Company's 2017 Omnibus Incentive Plan. See Note 14 for additional details about the Company's stock-based compensation plan.

Preferred Stock

At the Closing, the Company issued 650,000 shares of Series A Preferred Stock for cash of $65.0 million. Proceeds from the sales were part of the consideration received as part of a recapitalization and reverse acquisition completed in the Business Combination. See Note 3 for additional details about the Business Combination. 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 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.

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. The Company's board of directors declared quarterly dividends on the Series A Preferred Stock of $0.68 per share on April 24, 2017, and $1.91 per share on July 18, 2017, which were both then paid on July 28, 2017. On October 17, 2017 the Company's board of directors declared a quarterly dividend of $1.91 per share, which was paid on October 20, 2017. On November 19, 2017 the Company's board of directors declared a quarterly dividend of $1.91 per share, which was paid on December 15, 2017. There were no accrued dividends as of December 31, 2017. On February 27, 2018 the Company's board of directors declared a quarterly dividend of $1.91 per share, which was paid on March 15, 2018. On May 22, 2018, the Company's board of directors declared a second quarterly dividend of $1.91 per share, which was paid on June 20, 2018. On August 21, 2018, the Company's board of directors declared a third quarterly dividend of $1.91 per share, which was paid on September 14, 2018. On November 27, 2018, the Company's board of directors declared a fourth quarterly dividend of $1.91 per share, which was paid on December 15, 2018. On February 27, 2019 the Company's board of directors declared a quarterly dividend of $1.91 per share, which was paid on March 15, 2019. On May 21, 2019, the Company's board of directors declared a second quarterly dividend of $1.91 per share, which was paid on June 15, 2019. On August 20, 2019 the Company's board of directors declared a third quarterly dividend of $1.91 per share, which was paid on September 15, 2019. On November 14, 2019, the Company's board of directors declared a fourth quarterly dividend of $1.91 per share, which was paid on December 15, 2019. There were no accrued dividends as of December 31, 2019.

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.

On February 27, 2017, dividends declared on 64,500 shares of Series B Preferred Stock outstanding on December 31, 2016, as of October 13, 2016 and February 21, 2017 of $18.75 and $12.50 per share, respectively, were paid.

In February 2017, in connection with, and immediately prior to, the Closing, 64,500 shares of issued and outstanding Series B Preferred Stock were converted into 9,301,150 shares of Private Daseke's common stock. Private Daseke's board of directors had declared a quarterly dividend on the Series B Preferred Stock of $12.50 per share on February 21, 2017, which was paid on February 27, 2017.

Warrants

At December 31, 2019, there were a total of 35,040,658 warrants outstanding to purchase 17,520,329 shares of the Company's common stock.

Hennessy has issued warrants to purchase its common stock which were originally issued as part of units in the IPO (the Public Warrants). There are 19,959,902 Public Warrants outstanding. Hennessy has also issued 15,080,756 warrants (the Private Placement Warrants) to Sponsor in a private placement that closed simultaneously with the consummation of the IPO.

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, five years after the completion of the Business Combination, or earlier upon redemption or liquidation. The Warrants are listed on the NASDAQ market under the symbol DSKEW.

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.

NOTE 14 – STOCK-BASED COMPENSATION

Under the 2017 Omnibus Incentive Plan (the Incentive 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 Incentive Plan, the Company is authorized to issue up to 4.5 million shares of common stock. All awards granted were authorized under the Plan. These awards generally vest annually on a pro-rata basis over a five-year period on the anniversary of each grant date. The Company also grants awards to its directors under the Incentive Plan. The awards granted to directors vest ratably over periods of one, two or five years annually on the anniversary of each grant date.

All stock-based compensation cost 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. Aggregate stock-based compensation charges, net of forfeitures, were $3.8 million, $3.6 million and $1.9 million for the years ended December 31, 2019, 2018 and 2017, 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). As of December 31, 2019, there was $4.1 million and $5.0 million of unrecognized stock-based compensation expense related to stock options and restricted stock units, respectively. This expense will be recognized over the weighted average periods of 2.8 years for stock options and 2.4 years for restricted stock units.

Stock Options

The following table summarizes stock option grants under the Plan:

Grantee Type	# of Options Granted	Issued and Outstanding	Vesting Period	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value (Per Option)
Director Group	150,000	100,000	5 years	$ 9.98	$ 4.36
Employee Group	2,632,730	2,208,924	3-5 years	$ 8.56	$ 3.70
Total		2,308,924			

The Company's calculations of the fair value of stock options granted during the years ended December 31, 2019, 2018 and 2017 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, 2019, 2018 and 2017:

	2019	2018	2017
Weighted average expected life	6.3 years	6.5 years	6.5 years
Risk-free interest rates	1.45% to 2.58%	2.28% to 3.00%	1.95% to 2.23%
Expected volatility	32.5% to 37.9%	36.7% to 39.9%	40.1% to 40.6%
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. 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.

Stock Options

A summary of option activity under the Incentive Plan as of December 31, 2019 and changes during the year 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, 2018	1,655,995	$ 10.36	9.3	$ 6.5
Granted	491,095	9.81		
Exercised	(5,000)	9.98		
Forfeited or expired	(75,561)	10.46		
Outstanding as of December 31, 2018	2,066,529	10.23	8.5	—
Granted	631,136	3.20		
Forfeited or expired	(388,741)	9.73		
Outstanding as of December 31, 2019	2,308,924	$ 8.39	8.0	$ 0.2
Exercisable as of December 31, 2018	323,737	$ 10.39	8.3	$ —
Vested and expected to vest as of December 31, 2018	2,066,529	10.23	8.5	—
Exercisable as of December 31, 2019	648,331	10.35	7.4	—
Vested and expected to vest as of December 31, 2019	2,308,924	$ 8.39	8.0	$ 0.2

The stock options' maximum contract term is ten years. The total weighted average fair value of options granted during the years ended December 31, 2019 and 2018 was $0.8 million and $2.1 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.

The following table summarizes restricted stock unit grants under the Incentive Plan:

Grantee Type	# of Restricted Stock Units Granted	Issued and Outstanding	Vesting Period	Weighted Average Grant Date Fair Value (Per Unit)
Director Group	785,498	730,838	1-2 years	$ 2.75
Employee Group	1,568,655	450,044	5 years	$ 10.59
Total		1,180,882		

A summary of restricted stock unit awards activity under the Incentive Plan as of December 31, 2019 and changes during the year ended are as follows:

	Units	Weighted Average Grant Date Fair Value (Per Unit)
Non-vested as of January 1, 2018	763,591	$ 9.98
Granted	592,015	11.57
Vested	(128,130)	9.86
Forfeited	(386,115)	11.43
Non-vested as of December 31, 2018	841,361	10.44
Granted	753,986	2.45
Vested	(187,956)	10.35
Forfeited	(226,509)	10.16
Non-vested as of December 31, 2019	1,180,882	$ 5.44

NOTE 15 – DEFINED CONTRIBUTION PLAN

On January 1, 2015, the Company established 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 had expenses of approximately $5.7 million, $3.7 million and $2.4 million for the years ended December 31, 2019, 2018 and 2017, 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 and $0.2 million for the years ended December 31, 2018 and 2017, respectively.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Letters of Credit

The Company had outstanding letters of credit at December 31, 2019 totaling approximately $15.9 million, including those disclosed in Note 10. 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.

NOTE 17 – 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 $9.5 million, $5.1 million and $3.0 million for the Flatbed Solutions segment for the years ended December 31, 2019, 2018 and 2017, respectively. Intersegment revenues and expenses totaled $11.5 million, $8.9 million and $3.9 million for the Specialized Solutions segment for the years ended December 31, 2019, 2018 and 2017, respectively.

The following table reflects certain financial data of the Company's reportable segments for the years ended December 31, 2019, 2018 and 2017 (in millions):

	Flatbed Solutions Segment	Specialized Solutions Segment	Corporate/ Eliminations	Consolidated Totals
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 income (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
Income (loss) before income tax	(126.1)	(203.6)	(32.3)	(362.0)
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
Interest expense	8.6	11.3	25.6	45.5
Income (loss) before income tax	13.8	(7.1)	(27.8)	(21.1)
Total assets	464.8	884.2	41.9	1,390.9
Capital expenditures	38.2	116.0	2.1	156.3
Year Ended December 31, 2017				
Total revenue	$ 354.1	$ 499.1	$ (6.9)	$ 846.3
Company freight	181.8	284.3	(5.3)	460.8
Owner operator freight	94.8	78.0	(0.8)	172.0
Brokerage	40.9	80.2	(0.2)	120.9
Logistics	0.2	21.9	—	22.1
Fuel surcharge	36.4	34.7	(0.6)	70.5
Operating income (loss)	18.5	15.3	(26.8)	7.0
Depreciation	27.4	42.6	0.2	70.2
Amortization of intangible assets	1.8	4.9	—	6.7
Interest expense	7.1	8.4	14.0	29.5
Loss before income tax	(0.8)	(6.3)	(18.2)	(25.3)
Total assets	379.5	675.8	70.4	1,125.7
Capital expenditures	8.4	32.7	0.6	41.7

NOTE 18 – EARNINGS PER SHARE

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, 2019, 2018 and 2017 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 earnings per share as their effects were anti-dilutive.

The following table reconciles basic weighted average common stock outstanding to diluted weighted average common stock outstanding:

	Year Ended December 31,		
(In millions except per share data)	**2019**	**2018**	**2017**
Numerator			
Net income (loss)	$ (307.4)	$ (5.2)	$ 27.0
Preferred stock dividends	(5.0)	(4.9)	(5.0)
Net income (loss) available to common stockholders	$ (312.4)	$ (10.1)	$ 22.0
Denominator			
Basic weighted average common shares outstanding	64,303,438	61,654,820	37,592,549
Effect of dilutive securities:			
Equivalent shares issuable upon achievement of Merger Agreement earn-out provision	—	—	1,250,000
Equivalent shares issuable upon exercises of stock options	—	—	254,312
Equivalent shares of restricted stock units	—	—	496,840
Denominator for diluted earnings per share - adjusted weighted average shares and assumed conversions	64,303,438	61,654,820	39,593,701
Basic earnings (loss) per common share	$ (4.86)	$ (0.16)	$ 0.59
Diluted earnings (loss) per common share	$ (4.86)	$ (0.16)	$ 0.56

NOTE 19 – QUARTERLY RESULTS (UNAUDITED)

The following tables set forth certain unaudited consolidated quarterly financial data for each of the last eight quarters during our fiscal years ended December 31, 2019 and 2018. We have derived the information from unaudited Consolidated Financial Statements that, in the opinion of management, reflect all adjustments (consisting only of normal recurring adjustments, except as noted) necessary for a fair presentation of such quarterly information. The third and fourth quarters of 2019 include impairment charges of \$306.8 million and \$6.0 million, respectively, and \$6.9 million and \$1.5 million, respectively, of integration and restructuring expenses related to the implementation of Project Synchronize, BIP, and Project Pivot. The second quarter of 2018 includes an impairment charge of \$2.8 million related to the trade names category of intangible assets and a \$14.0 million deferred tax benefit to recognize deferred tax liabilities for valuations of intangible assets related to the December 2017 acquisitions, remeasured at the TCJA rate. The fourth quarter of 2018 includes an impairment charge of \$11.1 million related to one reporting unit's carrying value exceeding its estimated fair value. The operating results for any quarter are not necessarily indicative of the results to be expected for any future period.

	2019 Quarter Ended			
	Mar. 31	June. 30	Sep. 30	Dec. 31
	(In millions, except per share data)			
Revenue:				
Company freight	$ 206.2	$ 206.9	$ 205.2	$ 186.3
Owner operator freight	111.0	121.7	118.3	104.3
Brokerage	71.4	72.8	78.6	71.9
Logistics	12.4	13.1	13.5	8.5
Fuel surcharge	32.0	36.1	34.8	32.0
Total revenue	433.0	450.6	450.4	403.0
Operating expenses:				
Salaries, wages and employee benefits	119.1	124.3	127.7	112.1
Fuel	35.0	36.2	34.1	33.2
Operations and maintenance	54.8	53.1	56.8	48.4
Communications	1.0	1.2	1.0	1.2
Purchased freight	146.6	156.4	155.5	139.2
Administrative expense	16.1	17.2	21.4	20.8
Sales and marketing	1.2	1.3	1.3	1.3
Taxes and licenses	4.9	5.0	4.8	4.5
Insurance and claims	12.5	12.2	13.4	11.8
Acquisition transaction expenses	—	—	—	—
Depreciation and amortization	41.5	39.7	38.3	27.0
Gain on disposition of equipment	(0.4)	(0.7)	(1.0)	(3.1)
Impairment	—	—	306.8	6.0
Restructuring charges	—	—	6.9	1.5
Total operating expenses	432.3	445.9	767.0	403.9
Total other expense	11.9	11.8	14.5	11.7
Benefit for income taxes	(1.9)	(0.7)	(57.8)	5.8
Net loss	(9.3)	(6.4)	(273.3)	(18.4)
Less dividends to preferred stockholders	(1.2)	(1.3)	(1.2)	(1.3)
Net loss attributable to common stockholders	$ (10.5)	$ (7.7)	$ (274.5)	$ (19.7)
Net loss per common share - Basic	$ (0.16)	$ (0.12)	$ (4.25)	$ (0.31)
Net loss per common share - Diluted	$ (0.16)	$ (0.12)	$ (4.25)	$ (0.31)

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	2018 Quarter Ended			
	Mar. 31	June. 30	Sep. 30	Dec. 31
	(In millions, except per share data)			
Revenue:				
Company freight	$ 144.6	$ 160.0	$ 206.9	$ 210.2
Owner operator freight	95.5	112.6	122.6	109.8
Brokerage	46.1	60.1	82.2	78.0
Logistics	10.7	8.9	11.6	11.6
Fuel surcharge	30.7	35.3	38.3	37.4
Total revenue	327.6	376.9	461.6	447.0
Operating expenses:				
Salaries, wages and employee benefits	82.3	90.7	114.8	119.6
Fuel	33.4	31.3	38.9	37.5
Operations and maintenance	34.6	40.4	51.5	55.0
Communications	0.7	0.8	0.9	0.9
Purchased freight	117.7	141.6	170.6	158.7
Administrative expense	12.2	13.1	16.1	17.1
Sales and marketing	0.6	0.8	1.0	1.0
Taxes and licenses	3.7	3.9	4.7	4.9
Insurance and claims	9.2	10.4	12.7	13.5
Acquisition transaction expenses	0.4	1.4	0.6	0.2
Depreciation and amortization	25.2	31.7	36.8	37.4
Gain on disposition of equipment	(0.1)	(0.5)	(0.9)	(1.7)
Impairment	—	2.8	—	11.1
Total operating expenses	319.9	368.4	447.7	455.2
Total other expense	8.9	9.5	11.0	13.6
Provision (benefit) for income taxes	(0.4)	(14.5)	0.7	(1.7)
Net income (loss)	(0.8)	13.5	2.2	(20.1)
Less dividends to preferred stockholders	(1.2)	(1.3)	(1.2)	(1.2)
Net income (loss) available to common stockholders	$ (2.0)	$ 12.2	$ 1.0	$ (21.3)
Net income (loss) per common share - Basic	$ (0.04)	$ 0.20	$ 0.01	$ (0.33)
Net income (loss) per common share - Diluted	$ (0.04)	$ 0.20	$ 0.01	$ (0.33)

NOTE 20 – SUBSEQUENT EVENTS

On March 10, 2020, the Company announced a plan to integrate three operating segments with three other operating segments (Phase II of Project Synchronize or the Plan), which will reduce the number of operating segments from 13 to 10. The Plan is being implemented to streamline and reduce the Company’s cost structure, improve asset utilization and capitalize on operational synergies. The Company is in the process of determining the estimated impact of Phase II on the financial statements.

CORPORATE INFORMATION

Stock Exchange Listing

NASDAQ Capital Markets
Ticker: DSKE

Corporate Headquarters

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Stock Transfer Agent and Registrar

Please direct general questions about shareholder accounts, stock certificates, transfer of shares or duplicate mailings to Daseke's transfer agent:

Continental Stock Transfer & Trust Company

1 State Street
30th Floor
New York, NY 10004
(800) 509-5586
Email: cstmail@continentalstock.com

Independent Auditor

Grant Thornton LLP

Financial Information Requests

To receive additional copies of our Annual Report on Form 10-K as filed with the SEC or to obtain other Daseke information, please contact Investor Relations at investorrelations@daseke.com.

Annual Report on Form 10-K

Our Annual Report on Form 10-K, filed with the SEC is included herein, excluding all exhibits. We will send shareholders copies of the exhibits to our Annual Report on Form 10-K and any of our corporate governance documents, free of charge, upon request.

Note that these documents, along with further information about our company, board of directors, management team and contact details, are available on our website at www.daseke.com.

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