

# ***UNIVERSAL LOGISTICS HOLDINGS, INC.***



***NOTICE OF 2020 ANNUAL MEETING OF SHAREHOLDERS  
PROXY STATEMENT AND 2019 ANNUAL REPORT***





**UNIVERSAL LOGISTICS HOLDINGS, INC.**  
**12755 E. Nine Mile Road**  
**Warren, Michigan 48089**  
**(586) 920-0100**  
*www.universallogistics.com*

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**  
**To Be Held on April 30, 2020**

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To our Shareholders:

The 2020 annual meeting of shareholders of Universal Logistics Holdings, Inc., a Michigan corporation (“ULH” or the “Company”), will be held at 12755 E. Nine Mile Road, Warren, Michigan 48089, on April 30, 2020, at 10:00 a.m. local time. The meeting is being held for the purpose of considering and voting on the following proposals:

1. To elect ten directors to serve until the next annual meeting of shareholders and until their successors have been elected and qualified (the Board of Directors recommends a vote “**FOR**” the nominees named in the attached proxy statement proposal);
2. To conduct an advisory vote on the compensation of our named executive officers (the Board of Directors recommends a vote “**FOR**” this advisory proposal);
3. To ratify the appointment of BDO USA LLP as ULH’s independent registered public accounting firm for the next fiscal year (the Board of Directors recommends a vote “**FOR**” this proposal);
4. To conduct an advisory vote on a shareholder proposal for majority voting in uncontested director elections (the Board of Directors makes no recommendation regarding the vote on this advisory proposal); and
5. Such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

All shareholders of record as of the close of business on March 13, 2020, will be entitled to notice of and to vote at the meeting or any adjournment or postponement of the meeting.

By Order of the Board of Directors

*/s/ Steven Fitzpatrick*

STEVEN FITZPATRICK  
*Vice President – Finance and Investor Relations,*  
*Secretary*

March 31, 2020

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**Your Vote Is Important**

**Whether or not you plan to attend the meeting in person, you are urged to promptly submit your proxy so that your shares may be voted in accordance with your wishes and the presence of a quorum may be assured. Your prompt action will help us reduce the expense of proxy solicitation.**

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**Universal Logistics Holdings, Inc.**

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**Proxy Statement**

**For the Annual Meeting of Shareholders**

**To Be Held on April 30, 2020**

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**Table of Contents**

	<u>Page</u>
Proxy Statement .....	1
Information About the Annual Meeting and Voting .....	1
Election of Directors .....	5
Corporate Governance .....	8
Audit Committee Report .....	12
Compensation Committee Report .....	13
Executive Compensation .....	13
Security Ownership of Certain Beneficial Owners and Management .....	27
Delinquent Section 16(a) Reports .....	28
Ratification of Appointment of Independent Registered Public Accounting Firm .....	29
Independent Public Accountants – Principal Accountant Fees and Services .....	29
Transactions with Related Persons .....	30
Advisory Vote on Majority Voting in Uncontested Director Elections .....	32
Annual Report to Shareholders and Report on Form 10-K .....	34
Shareholder Proposals .....	34
Other Matters .....	35



**Universal Logistics Holdings, Inc.**

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**Annual Meeting of Shareholders  
April 30, 2020**

**PROXY STATEMENT**

This proxy statement and form of proxy are furnished in connection with the solicitation of proxies on behalf of the Board of Directors of Universal Logistics Holdings, Inc. (“ULH” or the “Company”) for use at our annual meeting of shareholders (the “Annual Meeting”) to be held at 12755 E. Nine Mile Road, Warren, Michigan 48089, on April 30, 2020, at 10:00 a.m. local time, and at any or all adjournments or postponements of the meeting. The telephone number for our principal executive office is (586) 920-0100. This proxy statement and form of proxy are being mailed to shareholders on or about March 31, 2020.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE  
SHAREHOLDERS’ MEETING TO BE HELD ON APRIL 30, 2020**

Our combined Proxy Statement and 2019 Annual Report to Shareholders, which includes our Annual Report on Form 10-K, are available at [www.proxyvote.com](http://www.proxyvote.com).

**INFORMATION ABOUT THE ANNUAL MEETING AND VOTING**

**What is the purpose of the Annual Meeting?**

At the Annual Meeting, shareholders will act upon the matters outlined in the accompanying notice of the Annual Meeting. Those matters include electing directors, conducting an advisory vote on the compensation of our named executive officers, ratifying the appointment of our independent public accounting firm, and conducting an advisory vote on a shareholder proposal for majority voting in uncontested director elections. We will also consider such other business as may properly come before the Annual Meeting.

**Who is entitled to vote?**

Only shareholders of record at the close of business on the record date, March 13, 2020 (the “Record Date”) are entitled to receive notice of the Annual Meeting and to vote their shares at the meeting. Holders of our common stock are entitled to one vote per share.

**What is the difference between a “shareholder of record” and a “street name” holder?**

These terms describe how your shares are held. If your shares are registered directly in your name with our transfer agent, Computershare Trust Company, N.A., you are a “shareholder of record.” If your shares are held in the name of a broker, bank, trust or other nominee as a custodian, you are a “street name” holder.

**Who can attend the Annual Meeting?**

All shareholders as of the Record Date or their duly appointed proxies may attend the Annual Meeting. The Company is currently monitoring the developing situation with the COVID-19 virus. At this time, the Company plans to proceed with its Annual Meeting as scheduled on April 30, 2020; however, the Company will promptly notify shareholders if it makes any changes to its Annual Meeting. Attendees to the meeting may be subject to health screening procedures consistent with practices advised by governmental authorities or otherwise then in effect for visitors entering the Company’s corporate office, and seating may be limited to comply with applicable

CDC and governmental guidelines. Therefore, the Company asks that any shareholders who plan to attend the meeting please notify the Company at least 24 hours in advance of the meeting by contacting our Corporate Secretary, Steven Fitzpatrick, at (586) 920-0100. Shareholders who are “street name” holders will also need to bring a copy of a brokerage statement reflecting their ownership as of the Record Date in order to attend the meeting. Shareholders who vote their shares by proxy do not need to attend the Annual Meeting. The Company urges all shareholders to promptly submit their proxy for the Annual Meeting regardless of whether you plan to attend in person. Your vote is important.

### **What is a proxy?**

A proxy is your legal designation of another person, the “proxy,” to vote on your behalf. By completing and returning the enclosed proxy card, you are giving the persons appointed as proxies by our Board of Directors (the “Board”) the authority to vote your shares as indicated on the proxy card.

### **What constitutes a quorum?**

The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of our common stock outstanding and entitled to vote on the record date will constitute a quorum, permitting business to be conducted at the meeting. As of the Record Date, 27,159,140 shares of our common stock were outstanding and entitled to vote. Proxies that are received and marked as withholding authority, abstentions, and broker non-votes (where a bank, broker or nominee does not exercise discretionary authority to vote on a matter) will be included in the calculation of the number of shares considered to be represented at the meeting.

### **How do I vote?**

You may vote by mail or by following the alternative voting procedures described on the accompanying proxy card. If you complete, sign and return the proxy card, it will be voted as you direct. If no choice is specified on a signed proxy card, the persons named as proxies will vote in accordance with the recommendations of the Board, as set out below.

If you hold shares in “street name” through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to some of the matters to be acted upon. Under current stock exchange rules, brokers who do not have instructions from their customers may not use their discretion in voting their customers’ shares on certain specific matters that are not considered to be “routine” matters, including the election of directors, executive compensation and other significant matters. The proposals in this Proxy Statement to elect directors and to consider the compensation of our named executive officers, and the shareholder proposal regarding majority voting in uncontested director elections, are not considered to be routine matters. **Therefore, without your specific instructions, your shares will not be voted on these matters and will not be counted in determining the number of shares necessary for approval.** Shares represented by such “broker non-votes,” however, will be counted in determining whether there is a quorum. You should follow the directions provided by your nominee regarding instructions on how to vote your shares.

The ratification of the appointment of BDO USA, LLP as the Company’s independent registered public accounting firm is considered a routine matter; therefore, if beneficial owners fail to give voting instructions, then brokers, banks and other nominees will have the discretionary authority to vote shares of our common stock with respect to this proposal.

If, as of the Record Date, you are a shareholder of record and you attend the meeting, you may vote in person at the meeting.

The authorized capital stock of ULH consists of 100,000,000 shares of common stock, par value \$0.01 per share. As of the close of business on March 13, 2020, there were 27,159,140 shares of common stock eligible to vote.



**What is a broker non-vote?**

Generally, a “broker non-vote” occurs when a broker, bank or other nominee that holds shares in “street name” for a customer is precluded from exercising voting discretion on a particular proposal because:

- (1) the beneficial owner has not instructed the nominee on how to vote, and
- (2) the nominee lacks discretionary voting power to vote such issues.

Under NASDAQ rules, a nominee does not have discretionary voting power with respect to the approval of “non-routine” matters absent specific voting instructions from the beneficial owners of such shares.

**What are the Board’s recommendations?**

Unless you give other instructions on your proxy card, the persons named as proxy holders on the proxy card will vote in accordance with the recommendations of the Board. The Board’s recommendations are set forth together with each proposal in this proxy statement. In summary, the Board recommends a vote:

- **“FOR”** the election of the nominated slate of directors.
- **“FOR”** the proposal on the compensation of our named executive officers.
- **“FOR”** the ratification of the appointment of BDO USA, LLP as ULH’s independent registered public accounting firm.
- Neither **“FOR”** nor **“AGAINST”** the shareholder proposal on majority voting in uncontested director elections.

**What vote is required to approve each proposal?**

- **Election of Directors.** The affirmative vote of the holders of shares of our common stock representing a plurality of the shares of our common stock voting on the matter is required for the election of directors. Votes withheld and broker non-votes are not counted toward a nominee’s total number of votes.
- **Other Proposals.** For each other proposal, the votes cast in favor of the proposal must exceed the number of votes cast opposing the proposal, assuming a quorum is present, for approval. A properly executed proxy marked “ABSTAIN” or not marked at all with respect to any such matter will not be voted, although it will be counted for purposes of determining whether there is a quorum. Accordingly, abstentions and broker non-votes will not count either in favor of or against the proposal.

**Are there other matters to be voted on at the Annual Meeting?**

As of the date of this proxy statement, our Board of Directors does not know of any other matters that may come before the meeting, other than the Proposals described in this proxy statement. Should any other matter requiring a vote of the shareholders arise and be properly presented at the Annual Meeting, the proxy included with this proxy statement confers upon the persons named in the proxy and designated to vote the shares, discretionary authority to vote or otherwise act with respect to any such matter in accordance with their best judgment.

**Can I revoke or change my proxy after I return my proxy card?**

Yes. Any proxy may be revoked by a shareholder at any time before it is exercised at the Annual Meeting by delivering to our Secretary a written notice of revocation or a duly executed proxy bearing a later date, or by voting in person at the meeting.

**Who is paying for the expenses involved in preparing and mailing this proxy statement?**

We are paying the expenses involved in preparing, assembling and mailing these proxy materials and all costs of soliciting proxies. Our executive officers and other employees may solicit proxies, without additional compensation, personally and by telephone and other means of communication. We will reimburse brokers and other persons holding our common stock in their names or in the names of their nominees for their reasonable expenses in forwarding proxy materials to beneficial owners.

**How many Directors are there?**

Our Fifth Amended and Restated Bylaws (the “Bylaws”) provide that the number of directors shall not be less than one nor more than thirteen members, with the precise number to be fixed by resolution of the Board. Currently, we have ten directors. The Board has recommended ten nominees for election at the Annual Meeting.

**How long do Directors serve?**

Our Bylaws provide that each Director holds office until the subsequent annual meeting of shareholders after the director’s election and until a successor is elected and qualified, or until the director’s earlier resignation, removal from office, or death. The shareholders of the Company elect successors for Directors whose terms have expired at the Annual Meeting. The Board elects members to fill new membership positions and vacancies in unexpired terms on the Board.

**Do the shareholders elect the executive officers?**

No. Executive Officers are elected by the Board and hold office until their successors are elected and qualified or until the earlier of their death, retirement, resignation or removal.

**Our Website**

We maintain a website at [www.universalllogistics.com](http://www.universalllogistics.com). The information on our website is not a part of this proxy statement, and it is not incorporated into any other filings we make with the SEC.

**Whether or not you plan to attend the Annual Meeting, you are urged to promptly submit your proxy.**

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## PROPOSAL ONE

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### ELECTION OF DIRECTORS

Our Board of Directors currently consists of ten directors. Members of our Board are elected annually to serve until the next annual meeting of shareholders or until their successors are elected and qualified. Our Board has nominated for re-election nine of the current directors and one new director nominee. One current director, Manuel J. Moroun, will be retiring from the Board upon completion of his current term at the Annual Meeting. The biography of each of the nominees below contains information regarding the person's service as director, business experience, director positions held currently or at any time during the last five years, and the experiences, qualifications, attributes or skills that caused the Board to determine that the person should serve as a director.

#### **Grant E. Belanger**

**Director Since 2016**

Grant E. Belanger, age 59, is currently principal of G. Belanger Consultants LLC, a management consulting firm. Mr. Belanger retired in 2015 from Ford Motor Company. There, he held various management positions for 30 years, including Executive Director of Material Planning and Logistics. Mr. Belanger previously served as a member of the board of directors of Ford Otosan, a publicly traded joint venture between Ford and Koc Holding located in Kocaeli, Turkey. He currently serves on our Audit Committee. Mr. Belanger brings to the Board demonstrated leadership abilities and a keen understanding of the transportation, logistics, and manufacturing businesses, both domestically and internationally. His ability to offer the Original Equipment Manufacturer (OEM) perspective on critical business issues is invaluable to the Board.

#### **Frederick P. Calderone**

**Director Since 2009**

Frederick P. Calderone, age 69, recently retired after over 20 years of service as a Vice President of CenTra, Inc. ("CenTra"). CenTra is a diversified holding company headquartered in Warren, Michigan that is owned by the Moroun family. During his career at CenTra, Mr. Calderone was widely recognized for his expertise in corporate, partnership and individual income tax matters; estate planning; tax planning for multinational businesses; mergers, acquisitions and commercial transactions; tax controversies and litigation; and corporate accounting. Prior to joining CenTra, Mr. Calderone was a partner with Deloitte, Haskins, & Sells, Certified Public Accountants (now Deloitte LLP). Mr. Calderone has also served as a member of the Board of Directors of P.A.M. Transportation Services, Inc. (NASDAQ: PTSI) since 1998. Mr. Calderone is a certified public accountant, attorney and tax specialist with a long history of advising and providing executive oversight to transportation companies. With his thorough understanding of financial reporting, generally accepted accounting principles, financial analytics, taxation, and budgeting, Mr. Calderone brings to the Board a unique combination of expertise in accounting, strategic planning and finance.

#### **Daniel J. Deane**

**Director Since 2009**

Daniel J. Deane, age 64, has served as President of Nicholson Terminal & Dock Company since 1990. Mr. Deane also serves as the President of Shamrock Chartering Company and has been a Member of the Society of Naval Architects and Marine Engineers since 1985. He is a Member of the International Stevedoring Council. Previously, Mr. Deane served on the Board of Southern Wayne County Regional Chamber and was a past President of the Port of Detroit Operators Association. He currently serves on our Audit Committee. Mr. Deane possesses significant experience in operations, management, finance and strategic planning for various companies in the transportation industry. His deep knowledge of not only operators providing numerous modes of transportation services but also the practices and procedures of OEMs and other shippers qualifies Mr. Deane as an instrumental resource in his capacity as a director.

**Clarence W. Gooden****Director Since 2018**

Clarence W. Gooden, age 68, retired from CSX Corporation in May 2017. During his 47 years at CSX, Mr. Gooden held numerous leadership positions, including Vice Chairman and President from September 2015 through February 2017. In his role as President, Mr. Gooden managed and directed the entire operational and commercial functions of CSX. Mr. Gooden currently serves on the advisory board of Argo Consulting, LLC, an operations improvements consulting firm. Previously, Mr. Gooden served as a director of the National Association of Manufacturers, TTX Company, and the National Freight Transportation Association, and as a member of the Atlanta Federal Reserve Bank's Trade and Transportation Advisory Council. Mr. Gooden possesses extensive experience and a network of relationships in railroads, transportation, logistics, finance, energy, and commodities. A proven industry leader, he brings the perspective and insight of a successful transportation executive to the Board's role in formulating and evaluating the Company's business planning and execution.

**Matthew T. Moroun****Director Since 2004**

Matthew T. Moroun, age 46, is Chairman of our Board of Directors. He currently serves as Chairman and President of CenTra, Inc., a diversified holding company based in Warren, Michigan. He is also Chairman and President DIBC Holdings, Inc., whose subsidiaries own and operate the Ambassador Bridge in Detroit, Michigan and Windsor, Ontario. Mr. Moroun is also Chairman of Oakland Financial Corporation, an insurance and real estate holding company based in Sterling Heights, Michigan. Mr. Moroun is a principal shareholder in other family owned businesses engaged in, among other things, transportation services and real estate acquisition, development, and management. Matthew T. Moroun is the father of Matthew J. Moroun, a nominee for director. He is currently Chairman of our Executive Committee and Chairman of our Compensation and Stock Option Committee. Mr. Moroun has served as a director of P.A.M. Transportation Services, Inc. (NASDAQ: PTSI) since 1992 and its Chairman since 2007. His long-term, substantive leadership experience allows him to add operational, financial, business, capital markets, and strategic expertise to our Board. He possesses first-hand knowledge of the best practices and trends for our industry. His perspective and practical insight on transportation, automotive, real estate development, infrastructure, and government relations enhance the Board's ability to oversee and direct our strategy, business planning, and execution.

**Matthew J. Moroun****Nominee**

Matthew J. Moroun, age 19, is a nominee for director. He is a member of the Board of Directors of Detroit International Bridge Company. Mr. Moroun is currently pursuing a Bachelor of Business Administration in Finance from the Mendoza College of Business at the University of Notre Dame. Matthew J. Moroun is the son of Matthew T. Moroun. We believe Mr. Moroun offers the Board a unique perspective on ULH's strategic challenges and opportunities, and will advance the long-term interests of our shareholders.

**Tim Phillips****Director Since January 2020**

Tim Phillips, age 54, became our President and Chief Executive Officer in January 2020. He previously served as ULH's Executive Vice President of Transportation since January 2019. From October 2009 to January 2019, Mr. Phillips held the position of President of Universal Intermodal Services, Inc., the Company's intermodal subsidiary. Prior to that role, he served as President of The Mason & Dixon Lines, a former subsidiary and predecessor to Universal Truckload, LLC, from January 2007 to September 2009. He also served as Vice President of Mason Dixon Intermodal, now known as Universal Intermodal Services, Inc., from October 2004 to December 2006, and held various operational positions there beginning in August 1989. Mr. Phillips holds a Bachelor of Business Administration in Business Management from Eastern Michigan University. His wealth of experience at ULH across several of its operating segments, along with his knowledge of the day-to-day management of the Company, provides the Board an important perspective in establishing and overseeing the financial, operational, and strategic direction of the Company.

**Michael A. Regan****Director Since 2013**

Michael A. Regan, age 65, is the Chief Relationship Development Officer of TranzAct Technologies, Inc., a privately held logistics information company that he co-founded in 1984. Mr. Regan was CEO and Chairman of the Board for TranzAct Technologies until 2011. Prior to starting TranzAct, Mr. Regan worked for Bank of America, PriceWaterhouse, and the Union Pacific Corporation. He is a certified public accountant with a B.S.B.A. from the University of Illinois at Urbana-Champaign. He serves or has served on the boards of numerous industry groups including the American Society of Transportation & Logistics, National Industrial Transportation League and the National Association of Strategic Shippers. He is the past Chairman of the Transportation Intermediaries Association Foundation and was the recipient of the 2014 Council of Supply Chain Management Professionals Distinguished Service Award. Mr. Regan's extensive experience in the logistics industry and his background and experience in both internal and external auditing make him uniquely qualified to serve on our Board.

**Richard P. Urban****Director Since 2004**

Richard P. Urban, age 78, is Chairman of our Audit Committee. Mr. Urban is currently retired. Previously, Mr. Urban served as an executive in various supply and logistics capacities at DaimlerChrysler AG and several of its predecessor companies. He has an M.B.A. from Michigan State University. Mr. Urban brings to the Board a comprehensive understanding of the challenges and opportunities of the transportation industry. His management experience with supply and logistics operations not only provide him with insight into our financial affairs but also enable him to conduct effective oversight of the Company's actions.

**H. E. "Scott" Wolfe****Director Since 2014**

H. E. "Scott" Wolfe, age 74, served as our Chief Executive Officer from December 2012 through December 2014. Mr. Wolfe also served as President and Treasurer of LINC Logistics Company, or LINC, and its chief executive officer, since its formation in March 2002, and was a director since July 2007. Mr. Wolfe led the development of Logistics Insight Corp., a wholly-owned subsidiary, and was President and Treasurer of this subsidiary since its formation in 1992 until his retirement in December 2014. Before 1992, Mr. Wolfe was responsible for pricing and marketing at Central Transport International, Inc. Earlier in his career, he was manager of inbound transportation at American Motors Corporation, where he established that company's first corporate programs for logistics and transportation management. For 15 years, Mr. Wolfe was employed at General Motors, where he held various plant, divisional and corporate responsibilities. Mr. Wolfe has taught college courses in logistics and transportation management. Mr. Wolfe brings to the Board significant insight and expertise with our asset-light business model and extensive personal leadership skills.

Unless otherwise instructed, the persons named as proxies intend to vote all proxies received for the election of the ten director nominees. All of the nominees have indicated their willingness to serve on the Board of Directors. If any nominee should become unwilling or unavailable to serve, our Board may select a substitute nominee, and in that event the proxies intend to vote all proxies for the person selected. If a substitute nominee is not selected, the proxies intend to vote for the election of the remaining nominees. Our Board has no reason to believe that any of the nominees will become unavailable to serve.

**Your Board of Directors Recommends that Shareholders Vote**

**FOR**

**Each of the Nominees Named Above**

## CORPORATE GOVERNANCE

### Director Independence

NASDAQ listing standards generally require that a majority of our Board of Directors be independent. Because more than 50% of the voting power of ULH is controlled by Messrs. Matthew T. Moroun and Manuel J. Moroun, we have elected to be treated as a “controlled company” in accordance with Rule 5615(c) of the NASDAQ Listing Rules. Accordingly, we are not subject to the NASDAQ rules that would otherwise require us to have (i) a majority of independent directors on the board; (ii) a compensation committee composed solely of independent directors; and (iii) a nominating committee composed solely of independent directors.

Recently, our Board of Directors reviewed the independence of director nominees and determined that six of our director nominees, Messrs. Belanger, Deane, Gooden, Regan, Urban and Wolfe, meet the standards for independence required by applicable NASDAQ listing standards. In making this determination, our Board has concluded that none of the independent directors has a relationship that, in the opinion of our Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

### Board Structure and Role in Risk Oversight

Our Board of Directors has chosen to separate the positions of Chairman and Chief Executive Officer (“CEO”). Mr. Matthew T. Moroun is the Chairman of the Board and Mr. Tim Phillips is the President and CEO. This separation of Chairman and CEO allows for greater oversight of ULH by the Board. The Board is actively involved in oversight of risks that could affect ULH. This oversight is conducted primarily through the Audit Committee, as disclosed in the committee description below and in its charter, and by the full Board, which has retained responsibility for general oversight of risks. The Board satisfies this responsibility through full reports by our committee chairs regarding each committee’s considerations and actions, as well as through regular reports directly from officers responsible for oversight of particular risks within ULH.

### Board Meetings

During 2019, our Board of Directors held 6 meetings. All directors, except Mr. Manuel J. Moroun, attended at least 75% of the meetings of our Board, including committees on which they then served, during the period that they served.

### Board Committees

Our Board of Directors has, and appoints members to, three standing committees: the Audit Committee, the Compensation and Stock Option Committee (the “Compensation Committee”), and the Executive Committee. The membership of these committees, as of March 13, 2020, is as follows:

<u>Audit Committee</u>	<u>Compensation Committee</u>	<u>Executive Committee</u>
Grant E. Belanger	Matthew T. Moroun*	Matthew T. Moroun*
Daniel J. Deane	Tim Phillips	Tim Phillips
Richard P. Urban*		

\* Committee Chairman

**Audit Committee.** We have a separately designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The Audit Committee has three members. Each of the members of the Audit Committee is an independent director as independence for audit committee members is defined in the NASDAQ listing standards and the rules of the SEC. The Audit Committee has a charter that has been approved by our Board of Directors and is available on our website, at [www.universalllogistics.com](http://www.universalllogistics.com) under the caption of “Investor Relations” and “Corporate Governance.”

The Audit Committee met 10 times in 2019. The Audit Committee assists our Board of Directors in overseeing our accounting and financial reporting process, internal controls and audit functions, and is directly responsible for the appointment, retention and compensation of our registered public accounting firm. Our Board of Directors has determined that Messrs. Belanger, Deane, and Urban are each qualified as an audit committee financial expert, as that term is defined in the rules of the Securities and Exchange Commission (“SEC”). More information about the Audit Committee is included below under the heading “Audit Committee Report.”

**Compensation Committee.** Our Board appointed our Chairman of the Board and our CEO as the two members of our Compensation Committee based on our status as a “controlled company” under the NASDAQ Listing Rules. The Compensation Committee met one time in 2019. The Compensation Committee assists our Board of Directors in carrying out its responsibilities relating to compensation and benefits for our executive officers. The Compensation Committee’s responsibilities and authority include:

- reviewing trends in management compensation and the competitiveness of our executive compensation programs;
- overseeing development of new compensation plans, and approving or recommending for determination by our Board of Directors revisions of existing plans;
- determining, or recommending for determination by our Board of Directors, the salaries, bonus and other compensation for executive officers and key employees other than our CEO;
- reviewing and making recommendations concerning long-term incentive compensation plans, including stock option and other equity-based plans;
- to the extent eligible to do so, acting as the committee of our Board of Directors that administers equity-based plans, incentive compensation plans and employee benefit plans; and
- reviewing and approving, or recommending to our Board of Directors for approval, compensation packages for new officers and severance arrangements for officers.

The full Board evaluates the performance of our CEO and determines the CEO’s salary, bonus and other compensation. The Board also determines the compensation of our directors and administers our equity-based compensation plans with respect to awards to our named executive officers and our directors.

If a member of a committee of our Board of Directors is absent from a meeting, the Bylaws give Board committees authority to unanimously appoint another member of our Board of Directors to act at the meeting in place of the absent committee member. While the Compensation Committee could use this authority, it has no plans to do so. The Compensation Committee has the authority to retain compensation consultants but does not currently use compensation consultants. The Compensation Committee operates without a written charter.

**Executive Committee.** The Executive Committee exercises the authority of our Board of Directors in accordance with the Bylaws between regular meetings of our Board. The Executive Committee met four times in 2019.

**Director Nominating Process.** Our Board does not have a nominating committee that nominates candidates for election to our Board. That function is performed by our Board of Directors. Each member of our Board participates in the consideration of director nominees. Our Board of Directors believes that it can adequately fulfill the functions of a nominating committee without having to appoint an additional committee to perform that function. Our Board of Directors believes that not having a separate nominating committee saves the administrative expense that would be incurred in maintaining such a committee, and saves time for directors who would serve on a nominating committee if it were established. As there is no nominating committee, we do not have a nominating committee charter.

At least a majority of our independent directors participate in the consideration of director nominees. These directors are independent, as independence for nominating committee members is defined in the NASDAQ

listing standards. However, so long as the Company continues to be a controlled company (within the meaning of NASDAQ Rule 5615(c)), the Board of Directors may be guided by the recommendations of the Company's majority shareholder in its nominating process. After discussion and evaluation of potential nominees, the full Board of Directors selects the director nominees.

Our Board will consider as potential nominees persons recommended by shareholders. Recommendations should be submitted to our Board of Directors in care of our Secretary, Steven A. Fitzpatrick, at 12755 E. Nine Mile Road, Warren, Michigan 48089. Each recommendation should include a personal biography of the suggested nominee, a description of the background or experience that qualifies the person for consideration, and a statement that the person has agreed to serve if nominated and elected.

Our Board has used an informal process to identify potential candidates for nomination as directors. Candidates for nomination have been recommended by an executive officer or director, and considered by our Board. Generally, candidates have been known to one or more of our Board members. Our Board has not adopted specific minimum qualifications that it believes must be met by a person it recommends for nomination as a director. The Board has determined that the Board as a whole must have the right diversity, mix of characteristics and skills for the optimal functioning of the Board in its oversight of the Company. In evaluating candidates for nomination, our Board will consider the factors it believes to be appropriate, which would generally include the candidate's independence, personal and professional integrity, business judgment, relevant experience and skills, including those related to transportation services, and potential to be an effective director in conjunction with the rest of our Board in collectively serving the long-term interests of our shareholders. Although our Board has the authority to retain a search firm to assist it in identifying director candidates, there has to date been no need to employ a search firm. Our Board does not evaluate potential nominees for director differently based on whether they are recommended to our Board by a shareholder.

#### **Communications with Directors and Attendance at the Annual Meetings**

Shareholders may communicate directly with our Board of Directors as a group by writing to our Board, care of the Secretary of ULH, 12755 E. Nine Mile Road, Warren, Michigan 48089. Our Secretary will review all of the correspondence and regularly forward to our Board a summary of the correspondence, and copies of all of the correspondence that, in his opinion, deal with the functions of our Board or any of its committees or that our Secretary otherwise determines requires the attention of our Board. Directors may at any time review a log of all of the correspondence that is addressed to our Board, and request copies of any and all of the correspondence.

Our Board has a policy of encouraging our directors to attend the annual meetings of the shareholders. In 2019, all but two of our current directors, who were excused for good reason, attended the Annual Meeting.

#### **Code of Business Conduct and Ethics**

We have adopted a written code of business conduct and ethics that applies to all our directors, officers and employees, including our CEO and our chief financial and accounting officer. We have posted a copy of our Code of Business Conduct and Ethics on our website at [www.universallogistics.com](http://www.universallogistics.com) under the caption "Investor Relations" and "Corporate Governance." In addition, we intend to post on our website all disclosures that are required by law or NASDAQ listing standards concerning any amendments to, or waivers from, any provision of the code.

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

In 2019, Messrs. Matthew T. Moroun and Jeff Rogers, our former President and Chief Executive Officer, served as members of the Compensation Committee for the full year as allowed under NASDAQ Rule 5615(c) based on the Company's status as a controlled company. Tim Phillips, the successor to Mr. Rogers, is currently President and CEO of ULH and a member of the Compensation Committee. Mr. Moroun is Chairman of the Board of



Directors and our largest shareholder. Information regarding certain transactions between ULH and entities controlled by Mr. Moroun is provided in the section entitled “Transactions With Related Persons” on page 30 of this proxy statement. None of our executive officers serves or served as a director or member of the compensation committee of another entity in a case where an executive officer of such other entity serves or served as a director or member of our Compensation Committee.

### **Derivative Trading, Hedging and Trading Plans**

The Company has a policy that prohibits directors, officers and other covered employees from engaging in short-term investment activity in the Company’s securities, such as trading in or writing options, arbitrage trading or “day trading.” The Company’s policy also prohibits directors and employees from engaging in hedging or monetization transactions, including the through use of financial instruments such as prepaid variable forwards, equity swaps, collars, exchange funds, and any other transactions that hedge or offset, or are designed to hedge or offset, any decrease in the market value of the Company’s equity securities, without pre-approval of the Chief Financial Officer. In addition, the Company’s policy requires that directors, officers and other covered employees must inform the Office of the Chief Financial Officer before buying or selling any beneficially owned common stock of the Company or entering into a trading plan under the SEC’s Rule 10b5-1.

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## **AUDIT COMMITTEE REPORT**

Each current member of the Audit Committee is independent, as independence for audit committee members is defined in the NASDAQ listing standards and the rules of the SEC.

The Audit Committee's primary purpose is to assist the Board of Directors in overseeing:

- the accounting and financial reporting process;
- audits of financial statements and internal control over financial reporting; and
- internal control and audit functions.

In carrying out its responsibilities, the Audit Committee supervises the relationship between us and our independent auditor, including having direct responsibility for the auditor's appointment, compensation and retention, reviewing the scope of its audit services, and approving audit and permissible non-audit services. The Audit Committee reviews and discusses the annual and quarterly financial statements, and reviews the activities of our internal audit function.

Management is responsible for the preparation, presentation and integrity of our financial statements and for the appropriateness of the accounting principles and reporting policies that are used. Management is also responsible for testing the system of internal controls and reporting to the Audit Committee on any significant deficiencies or material weaknesses that are found.

The Audit Committee discussed with ULH's independent registered public accounting firm, BDO USA, LLP ("BDO"), who is responsible for expressing an opinion on the conformity of our audited financial statements with generally accepted accounting principles, its judgments as to the quality and the acceptability of our financial reporting and such other matters as are required to be discussed with the Audit Committee under standards of the Public Company Accounting Oversight Board ("PCAOB"), including the matters required to be discussed pursuant to Auditing Standard 1301 (Communications with Audit Committees). The Audit Committee and BDO also reviewed management's assessment included in management's report on internal control over financial reporting and BDO's opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2019.

The Audit Committee has discussed with BDO the firm's independence from management and us, and has received from BDO the written disclosures and letter required by PCAOB Rule 3526 (Communication with Audit Committees Concerning Independence). The Audit Committee has considered the compatibility of the provision of non-audit services with maintaining BDO's independence.

In fulfilling its oversight responsibilities, the Audit Committee has reviewed and discussed the audited financial statements in the Annual Report on Form 10-K for the year ended December 31, 2019, with both management and our independent registered public accounting firm. The Audit Committee's review included a discussion of the quality and integrity of the accounting principles, the reasonableness of significant estimates and judgments, and the clarity of disclosures in the financial statements.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2019, for filing with the SEC.

### **Audit Committee Members**

Richard P. Urban, Chairman  
Grant E. Belanger  
Daniel J. Deane

## COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis included in this proxy statement with management. Based on the review and discussion, the committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement for filing with the SEC.

### Compensation Committee Members

Matthew T. Moroun, Chairman  
Tim Phillips

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### *Introduction*

This Compensation Discussion and Analysis explains our compensation program for our named executive officers. Our named executive officers for 2019 are Jeff Rogers, our former CEO and President, and Jude M. Beres, our CFO and Treasurer. Mr. Rogers served as our CEO and President until January 10, 2020. This Compensation Discussion and Analysis also includes certain compensation information regarding our current CEO and President, Tim Phillips.

The Compensation Committee has the responsibility for establishing, implementing and continually monitoring our compensation philosophy. The Compensation Committee's philosophy is to provide our executive leadership total compensation that is competitive in its forms and levels, as compared to companies of similar size and business area. Generally, the types of compensation and benefits provided to our executive officers are similar to that provided to executive officers by other companies.

#### *Goals and Philosophy*

Our primary goal for the compensation of our executive officers is to create long-term value for our shareholders. Our compensation program is intended to attract, motivate, reward and retain the management talent required to achieve our corporate objectives and create long-term value for our shareholders, while at the same time making efficient use of our resources. The compensation of our executive officers is designed to reward financial and operating performance, to align their interests with those of our shareholders, and to encourage them to remain with us.

#### *Executive Officers of ULH*

Our current executive officers are Messrs. Phillips and Beres.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Years of Service</u>
Tim Phillips	54	President and Chief Executive Officer	30
Jude M. Beres	47	Chief Financial Officer and Treasurer	4

**Tim Phillips.** Mr. Phillips, age 54, has served as President and CEO since January 10, 2020. He previously served as ULH's Executive Vice President of Transportation since January 2019. From October 2009 to January 2019, Mr. Phillips held the position of President of Universal Intermodal Services, Inc., the Company's intermodal subsidiary. Prior to that role, he served as President of The Mason & Dixon Lines, a former subsidiary and predecessor to Universal Truckload, LLC, from January 2007 to September 2009. He also served

as Vice President of Mason Dixon Intermodal, now known as Universal Intermodal Services, Inc., from October 2004 to December 2006, and held various operational positions there beginning in August 1989. Mr. Phillips holds a Bachelor of Business Administration in Business Management from Eastern Michigan University.

**Jude M. Beres.** Mr. Beres, age 47, has served as Chief Financial Officer and Treasurer since March 2016. Mr. Beres previously served as the Company's Chief Administrative Officer since April 2015. Since 1997 Mr. Beres worked for multiple affiliated companies in finance and accounting, and he most recently served as Vice President of Finance and Accounting for Central Transport LLC. Mr. Beres has over 20 years of experience in the less-than-truckload, truckload, intermodal and logistics industries. He holds a Bachelor of Accountancy from Walsh College.

### *Elements of Compensation*

We have three key elements of compensation: annual base salary, cash incentive compensation, and long-term equity incentives. Annual base salary is intended to attract and retain talented executives, and reward them for annual achievement. Cash incentive compensation is intended to motivate our executive officers to achieve specified financial results or superior performance. Long-term equity incentives are intended to align the interests of our executive officers with those of our shareholders by linking compensation to stock price appreciation. In addition, when the criteria for vesting of equity awards includes achieving specified financial results, the equity awards also serve the purpose of motivating our executive officers to achieve those results.

### *Determining Compensation*

Historically, the compensation of our executive officers has been based primarily on the judgment of the Compensation Committee of our Board of Directors. Our Chairman, Mr. Matthew T. Moroun, and our CEO, Mr. Tim Phillips, serve on the Compensation Committee in accordance with the exemption from the compensation committee independence requirements for controlled companies under NASDAQ Rule 5615(c). During 2019, our Compensation Committee consisted of Mr. Matthew T. Moroun and our former CEO, Mr. Jeff Rogers. Currently, the Compensation Committee determines the compensation for our officers and key employees other than the CEO, while the Board makes all decisions regarding the CEO's compensation and approves the equity awards to the named executive officers.

In determining compensation for our executive officers, the Compensation Committee and the Board consider competitive market compensation paid by other companies, including truckload dry van carriers and other transportation and logistics companies, but do not attempt to maintain a specified target percentile within a peer group or otherwise rely on compensation paid by other companies to determine our executive compensation. The Compensation Committee and the Board review and evaluate many factors, including:

- ULH's performance and growth;
- financial measurements such as revenue, revenue growth, net operating income and operating ratio, and trends in those measurements;
- leadership qualities;
- ability to achieve strategic objectives;
- scope and performance of business responsibilities;
- management experience and effectiveness;
- individual performance and performance as a management team;
- current compensation arrangements; and
- long-term potential to maintain and enhance value for our shareholders.

The Board members generally do not adhere to rigid formulas or react to short-term changes in business performance in determining the amount and mix of compensation elements but strive to achieve an appropriate mix between annual base salary, cash incentive compensation and long-term equity incentives to meet our objectives.

The Board members receive regular updates on our business results from management and review the quarterly financial statements and projections to assess whether executive compensation continues to be properly balanced with and supportive of our business objectives. The Board members may also review information, such as reported revenue, profit levels, market capitalization and disclosed governance practices, regarding comparably-sized companies in our industry to assess our comparative performance and organizational structure. The Board members use management updates and peer information as tools to evaluate the connection between executive compensation and our performance as a business. This information is reviewed in a subjective manner. There is no implied direct or formulaic linkage between peer information and our compensation decisions. The Board members take the view that a close connection between compensation and performance objectives encourages our executive officers to make decisions that will result in significant positive short-term and long-term returns for our business and our shareholders without providing an incentive either to take unnecessary risks or to avoid opportunities to achieve long-term benefits even though they may reduce short-term benefits for the executive officers, the business or our shareholders.

Based on this information, the Board members regularly evaluate both the short-term and long-term performance compensation for the executive officers to ensure alignment with our business objectives. The committee also works closely with management regarding long-term equity incentives, which emphasize shareholder returns while providing enhanced retention value for key executives.

#### *Risk Assessment of Compensation Programs*

We have conducted a review of our compensation programs, including our annual cash and other compensation programs. We believe that our policies and practices are designed to reward individual performance based on our overall Company performance and are aligned with the achievement of both long-term and short-term company goals. Our base salaries are consistent with similar positions at comparable companies and the two components of our bonus programs, operating ratios and revenue growth, are directly tied to the overall success of the organization. Based on our review of our programs, including the above noted items, we have concluded that our compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company.

#### *Annual Cash Compensation*

Base Salary. Each of our named executive officers receives an annual base salary to compensate him for services performed during the year. The base salary for each named executive is established based on the scope of his responsibilities, his level of experience and expertise, and his abilities to lead and direct the Company and achieve various financial and operational objectives. Our general compensation philosophy is to pay executive base salaries that are competitive with the salaries of executives in similar positions, with similar responsibilities, at comparable companies. We have not benchmarked our named executive officer base salaries against the base salaries at any particular company or group of companies. The base salaries of our named executive officers are typically established in accordance with their respective employment agreements. Base salaries are reviewed and adjusted by the Compensation Committee or the Board, as applicable, on an annual basis after taking into account individual responsibilities, performance and expectations. The base salaries paid to our named executive officers are set forth below in the “Summary Compensation Table” and the accompanying narrative disclosure.

Annual Non-Equity Incentive Compensation. The Compensation Committee’s and the Board’s practice is to award an annual cash bonus to each of the named executive officers as part of his annual compensation. Bonuses are intended to provide executives with an opportunity to receive additional cash compensation, and are based on

individual performance and the Company's performance. The Committee and the Board believe this practice provides an incentive for strong financial and operating performance and aligns the interests of management with the interests of our shareholders. The bonuses, if any, earned by Messrs. Rogers and Beres with respect to 2019 are set forth below in the "Summary Compensation Table."

#### *Other Compensation*

Long-Term Equity Incentives. Long-term equity incentives are awarded to our named executive officers under our Stock Incentive Plan (the "Plan") as part of our overall compensation package. The Plan authorizes grants to our employees, directors, and consultants of awards of stock options, restricted stock, restricted stock units, stock appreciation rights, phantom stock units, and unrestricted common stock. In recent years, the Compensation Committee and the Board have generally utilized long-term equity incentives in the form of restricted stock for our named executive officers. A total of 500,000 shares of our common stock, subject to adjustments, are reserved for the issuance of equity awards under the Plan.

The Compensation Committee and the Board believe that long-term equity incentives, such as awards of restricted stock, are consistent with the Company's philosophy and represent an additional vehicle for aligning management's interests with the interests of our shareholders. When determining the amounts and vesting conditions of long-term incentive grants to be awarded to our named executive officers, the Board members consider, among other factors, the business performance of the Company, the responsibilities and performance of the executive, and the performance of our stock price. The long-term incentive grants, if any, awarded to Messrs. Rogers and Beres with respect to 2019, 2018 and 2017 are set forth below in the "Summary Compensation Table."

Retirement and Health Benefits. We sponsor retirement savings plans for all of our eligible employees, including our executive officers. The plans qualify under section 401(k) of the Internal Revenue Code, as amended. The plans include different matching provisions depending on which subsidiary or affiliate is involved. Eligible employees, including our executive officers, are allowed to make tax deductible contributions to the plan. For employees considered highly compensated, including our executive officers, we do not match plan contributions.

We offer health, vision and dental insurance to our executive officers.

Perquisites. Our policy is to provide minimal, if any, perquisites to our executive officers. This helps set an example for all employees that personal expenses are not payable from company funds and helps to control expenses.

Post-Employment Compensation. We do not provide a defined benefit pension plan or post-retirement health insurance coverage for our executive officers or any of our other employees. We do not offer deferred compensation plans, and do not have agreements that provide compensation to our executive officers based upon the occurrence of a change in control of ULH. However, our current CEO, Mr. Tim Phillips, would be entitled to receive certain compensation if we terminate his employment based on a determination that such termination would be in our best interest. In addition, in January 2020, we entered into a separation agreement with our former CEO, Mr. Jeff Rogers, under which he is entitled to receive certain post-separation cash payments. See "Potential Payments Upon Termination or Change In Control – Payments Upon Termination Based on Our Best Interest" for more information regarding such payments.

#### *Tax Deductibility of Compensation*

Section 162(m) of the Internal Revenue Code, as amended, imposes a \$1 million limit on the amount that a public company may deduct for compensation paid to the company's chief executive officer, chief financial officer or certain of the company's other most highly compensated executive officers. Historically, there was an exception to this \$1 million limitation for compensation that meets the requirements under Section 162(m) for

“qualifying performance-based” compensation (compensation paid only if the individual’s or the company’s performance meets pre-established objective goals based on performance criteria approved by the shareholders), and compensation paid to the chief financial officer was excluded from the \$1 million limit. Effective January 1, 2018, the Tax Cuts and Jobs Act eliminated the exception for performance-based compensation, and the chief financial officer’s compensation is no longer excluded. The amendments to Section 162(m) include a grandfather clause applicable to compensation paid pursuant to a written binding contract in effect on November 2, 2017 that is not materially modified after such date. We periodically review the potential consequences of Section 162(m) but do not have a specific policy to structure the compensation for our executive officers so that it will not be subject to the deduction limitations of Section 162(m). For 2019, we were precluded by Section 162(m) from deducting a portion of compensation that we paid to Mr. Rogers.

#### *Share Ownership Guidelines*

We do not have share ownership requirements for our executive officers.

#### *Role of Executive Officers in the Compensation Process*

The elements of executive compensation are discussed at meetings of the Compensation Committee and the Board, with significant input from our Chairman of the Board and our CEO. Annual base salary is generally determined annually but may be determined for a multi-year period at the time that employment agreements are negotiated with our executive officers, if applicable. Cash incentive compensation and other bonuses and forms of stock-based compensation are discussed from time to time, but there is no set schedule for making determinations regarding these types of compensation. The committee and the Board retain considerable flexibility in deciding when to address these matters. In making its compensation decisions, the Board members will usually seek input from the executive officers. However, the Board makes the final decisions on compensation of our CEO and on equity awards to our executive officers, and the committee makes the final decisions on other compensation to our executive officers. The committee is authorized to utilize compensation consultants. Neither the committee nor the Board utilized a compensation consultant regarding 2019 executive compensation.

#### *Shareholder Approval of the Company’s Compensation Programs*

At our 2017 Annual Meeting of Shareholders, we held an advisory vote on executive compensation, commonly referred to as “say on pay.” Our shareholders overwhelmingly approved the “say on pay” resolution presented with more than 90% of the shares represented in person or by proxy at the meeting and more than 92% of votes cast voting to approve our executive compensation. The Compensation Committee and the Board reviewed these voting results and, given the strong level of support, did not make any changes to our executive compensation program or principles in response to the vote. At our 2017 Annual Meeting of Shareholders, over 75% of the shares voted (excludes abstentions and broker non-votes) were in favor of our recommendation to hold the “say on pay” vote every three years. As such, the next shareholder vote on “say on pay” is scheduled for this year and is included as Proposal Two in this proxy statement. The next shareholder vote on the frequency of future “say on pay” votes is scheduled for 2023.

## Summary Compensation Table

The following table sets forth information for the fiscal years ended December 31, 2019, 2018 and 2017 concerning the compensation of our named executive officers for 2019.

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary (\$)</u>	<u>Bonus (1) (\$)</u>	<u>Stock Awards (2) (\$)</u>	<u>All Other Compensation (3) (\$)</u>	<u>Total (\$)</u>
<b>Jeff Rogers</b> <sup>(4)</sup>	2019	583,386	—	—	151	583,537
<i>Former Chief Executive Officer and</i>	2018	471,496	525,000	282,720	151	1,279,367
<i>President</i>	2017	436,876	397,000	134,500	128	968,504
<b>Jude Beres</b>	2019	384,034	400,000	88,700	151	872,885
<i>Chief Financial Officer and</i>	2018	337,100	250,000	235,600	151	822,851
<i>Treasurer</i>	2017	325,556	125,000	—	128	450,684

- (1) Mr. Rogers did not earn a bonus award for 2019. The bonus award to Mr. Rogers for 2018 was paid at a rate of 80% in 2019, with the remaining 20% of the award to be paid in the next year. The bonus award to Mr. Rogers for 2017 was paid at a rate of 100% in the next year. The bonus awarded to Mr. Beres for 2019 includes \$300,000 paid at a rate of 20% in 2020, with the remaining 80% of the award being paid at a rate of 20% of the award during each of the next four years, plus an additional \$100,000 paid 100% in 2020. The bonus award to Mr. Beres for 2018 was paid at a rate of 20% in 2019, with the remaining 80% of the award being paid at a rate of 20% of the award during each of the next four years. The bonus award to Mr. Beres for 2017 was paid at a rate of 50% in 2018, with the remaining 50% of the award being paid in the next year.
- (2) Amounts relate to time-based restricted stock awards granted to Mr. Rogers on February 20, 2019 and February 22, 2017 and to Mr. Beres on February 5, 2020 and February 20, 2019. The dollar amount reported represents the fair value of the awards on the grant date, excluding the effect of estimated forfeitures, as computed in accordance with FASB Topic 718. Assumptions used in the valuation are discussed in Note 15 “Stock Based Compensation” to the Financial Statements included in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2019.
- (3) Amounts shown reflect represent term life insurance premiums.
- (4) Mr. Rogers served as our President and CEO until January 10, 2020.

### *Employment Agreements*

**Jeff Rogers.** We were party to an employment agreement with Mr. Rogers dated June 3, 2014. Effective June 10, 2019, his annual base salary was increased to \$650,000. Under the employment agreement, Mr. Rogers was eligible for an annual cash bonus to be determined on a discretionary basis or pursuant to performance criteria to be established by the Board. The employment agreement also provided Mr. Rogers with fringe benefits afforded by us to all of our employees in the normal course of business. The employment agreement included provisions regarding termination of employment and his non-compete, non-solicitation, and confidentiality obligations to the Company. Additional information regarding these provisions is discussed below under the heading “Potential Payments Upon Termination or Change in Control.”

**Tim Phillips.** On January 10, 2020, we entered into an employment agreement with our current CEO and President, Mr. Phillips. Pursuant to the agreement, the Company agreed to pay Mr. Phillips an initial annual salary of \$500,032. The agreement also reflects the Company making a cash bonus award to Mr. Phillips for his performance in 2019 of \$240,000. The initial 20% installment of the award is payable in March 2020 and, subject to his continued employment with the Company, each additional 20% installment of the award is payable on the first through fourth anniversary of the initial payment date. The employment agreement also contemplates a restricted stock award of 60,000 shares, which will vest in installments of 20,000 shares on January 10, 2024 and January 10, 2026, and installments of 10,000 shares on January 10, 2027 and January 10, 2028, subject to his



continued employment with the Company. The employment agreement includes provisions regarding termination of employment and his non-compete, non-solicitation and confidentiality obligations to the Company. Additional information regarding these provisions is discussed below under the heading “Potential Payments Upon Termination or Change in Control.”

**Jude Beres.** The Company does not have a written employment agreement with Mr. Beres. Effective March 25, 2019, Mr. Beres’ annual base salary was increased to \$394,836.

Our executive officers may participate in bonus and other incentive plans that are approved from time to time by our Board of Directors or Compensation Committee. The executive officers are also entitled to any fringe benefits that we may provide for our employees in the normal course of our business.

*Salary and Bonus Compared to Total Compensation*

We have not established a proportion that salary and bonus should be of our executive officers’ total compensation. As indicated in the Summary Compensation Table, the proportion for 2019 that salary and bonus were of total compensation ranged from 0% to 104% for our executive officers.

**Grants of Plan-Based Awards**

The following table shows all plan-based awards granted to the named executive officers during fiscal year 2019. As of March 13, 2020, 97,380 shares of our common stock remain available for future awards under the 2014 Amended and Restated Stock Incentive Plan.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise Price of Awards (\$/Sh.)	Grant Date Fair Value of Stock and Option Awards (\$ (1))
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Jeff Rogers	2/20/2019	—	—	—	—	—	—	12,000	—	—	282,720
Jude Beres	2/20/2019	—	—	—	—	—	—	10,000	—	—	235,600

(1) The dollar amount reported represents the fair value of the awards on the grant date, excluding the effect of estimated forfeitures, as computed in accordance with FASB Topic 718. Assumptions used in the valuation are discussed in Note 15 “Stock Based Compensation” to the Financial Statements included in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2019.

The restricted shares granted on February 20, 2019 vest in four equal annual installments 25%, beginning on the first anniversary of the grant date, subject to continued employment with the Company.

## Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information concerning the outstanding equity awards previously awarded to the named executive officers as of December 31, 2019.

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(1)	Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Jeff Rogers . . . .	—	—	—	—	—	2,500 (2)	47,400	—	—
						12,000 (3)	227,520		
Jude Beres . . . .	—	—	—	—	—	10,000 (4)	189,600	—	—

- (1) Based on the closing market price of \$18.96 per share of ULH's common stock as reported on the NASDAQ Global Market on December 31, 2019.
- (2) These shares vested as of January 10, 2020, pursuant to Mr. Rogers' separation agreement with the Company.
- (3) These shares were forfeited upon Mr. Rogers' separation from service with the Company on January 10, 2020.
- (4) This award vested as to 25% of the total shares on February 20, 2020, with an additional 25% of the total shares vesting on each February 20 in each of the next three years, subject to continued employment with the Company. This amount does not include a grant of restricted stock awards granted to Mr. Beres on February 5, 2020. On that date, the Company awarded 5,000 shares of restricted stock to Mr. Beres. The award will vest on February 20, 2024, subject to continued employment with the Company. The market value of the award, based on the closing market price of \$17.74 per share of ULH's common stock as reported on the NASDAQ Global Market on February 5, 2020, was \$88,700.

## Stock Vested in 2019

The following table contains information about restricted stock awards vested by each of our named executive officers during 2019.

Name	Option Awards		Stock Awards	
	Number of shares acquired on exercise	Value realized on exercise (\$)	Number of shares acquired on vesting	Value realized on vesting (\$)
Jeff Rogers . . . . .			5,000	72,500
Jude Beres . . . . .			—	—

## Potential Payments Upon Termination or Change In Control

Generally, the employment agreements that we enter into with our named executive officers provide for payments that may be made to the named executive officers following termination of their employment. The

potential payments under our employment agreement with our former CEO, Mr. Jeff Rogers, and other payments to which our named executive officers would have been entitled upon termination as of December 31, 2019 are discussed below and quantified in the tables that follow. We do not currently have an employment agreement in place for Mr. Beres, and we do not have any agreements or plans that provide for payments to any of our named executive officers based on the occurrence of a change in control of ULH.

*No Payments If There Is a Termination for Just Cause*

In the event that one of our named executive officers is terminated for just cause, including conviction of a crime, moral turpitude, gross negligence in the performance of duties, intentional failure to perform duties, insubordination, or dishonesty, we would have no obligation to pay base salary, bonuses or benefits beyond the last day worked.

*Payments Upon Death*

In the event of the death of one of our named executive officers, we would pay the executive officer his base salary through the date of death.

*Payments Upon Disability*

In the event that a named executive officer becomes disabled and is unable to perform his duties, we may terminate his employment. If Mr. Rogers' employment had been terminated due to disability, he would have been entitled to receive his base salary and benefits for three months following the date of disability, plus any bonus earned but not yet paid.

*Payments Upon Termination Based on Our Best Interest*

In the event that a named executive officer is terminated by our Board of Directors based upon a determination that such action would serve the Company's best interest, we would generally have no obligation to pay base salary or benefits beyond the last day worked. However, Mr. Rogers was entitled to receive his base salary and COBRA benefits for a period of six months following the termination of his employment, subject to his execution of a separation agreement with the Company within 21 days. If the Board of Directors elected to extend the covenant not to compete for one year, Mr. Rogers would have been entitled to receive base salary and COBRA benefits for a period of 12 months.

*Payments Upon Resignation, Including Retirement*

Mr. Rogers had the right to resign by providing three months written notice of his intent to resign. Following such notice, we were entitled to terminate his employment before the end of the three month notice period. In the event Mr. Rogers resigned with the required three months' notice or was terminated following such notice, Mr. Rogers would have been entitled to receive his base salary and COBRA benefits through the end of the three month notice period. Upon retirement, a named executive officer would also be entitled to receive any bonus amounts earned, but not yet paid.

*Employee Obligations*

Under his employment agreement, Mr. Rogers agreed not to compete with, or solicit or retain business that is competitive with, our business, or that of specified affiliates of our Chairman of the Board, Mr. Matthew T. Moroun, for six months after his employment with us terminates. Mr. Rogers also agreed that he will not for two years after his employment with us terminates encourage, solicit or otherwise attempt to persuade any of our employees or any employees of the specified affiliates to leave our employment or employment with the specified affiliates. If Mr. Rogers were to hire from us one of our employees, he has agreed to pay us 30% of the employee's first year's gross compensation. Under the employment agreement, Mr. Rogers also agreed to maintain the confidentiality of our proprietary information.

### *Stock Awards*

Unvested shares of restricted stock are generally forfeited at the time of termination. However, certain awards of restricted stock to our named executive officers contain provisions under which the unvested shares will automatically vest upon a termination due to death, disability, termination without cause, retirement after reaching age 65 or in other circumstances at the discretion of the Board of Directors or the Compensation Committee.

### *Rogers Separation Agreement*

Effective January 10, 2020, the Company entered into a separation agreement with our former CEO, Mr. Rogers. Under the terms of the separation agreement, Mr. Rogers is entitled to cash payments in the aggregate of \$425,000, consisting of weekly severance payments of \$12,500 for 16 weeks, an additional \$12,500 per week for 10 weeks, and \$100,000 to be paid, at Mr. Rogers' discretion, in the form of additional weekly severance payments, extended reimbursements of COBRA premiums for medical and dental insurance coverage, or a lump sum payment. The receipt of these cash payments is subject to Mr. Rogers' compliance with certain non-disclosure and non-disparagement covenants described in the separation agreement. In addition, Mr. Rogers' outstanding installment of 2,500 unvested shares of restricted stock scheduled to vest on March 5, 2020 was accelerated and vested as of January 10, 2020, and all other remaining unvested shares of restricted stock were forfeited upon his separation from service. Based on the closing market price of \$18.82 per share of our common stock as reported on the NASDAQ Global Market on January 10, 2020, the value of the shares Mr. Rogers received was \$47,050. The separation agreement also included a customary release of claims in favor of the Company, and Mr. Rogers agreed to be available for consultation with the Company for no additional compensation during the period in which he is receiving payments from the Company.

### *Phillips Employment Agreement*

As previously stated, on January 10, 2020, we entered into an employment agreement with our current CEO and President, Mr. Tim Phillips. The provisions in Mr. Phillips' employment agreement regarding termination of employment and his non-compete, non-solicitation and confidentiality obligations to the Company are substantially similar to the provisions of Mr. Rogers' employment agreement. However, in the event Mr. Phillips' employment is terminated by our Board of Directors based upon a determination that such action would serve the Company's best interest, Mr. Phillips would be entitled to receive his base salary and COBRA benefits for a period of 12 months following the termination of his employment, subject to his execution of a separation agreement with the Company within 21 days. In addition, Mr. Phillips has agreed not to compete with, or solicit or retain business that is competitive with, our business, or that of specified affiliates of our Chairman of the Board, Mr. Matthew T. Moroun, for one year after his employment with us terminates.

### *Table of Payments Upon Termination of Employment*

The following tables provide information regarding amounts payable to each of our named executive officers for 2019 in connection with a termination of his employment. The amounts shown assume that termination of employment was effective as of December 31, 2019, the last business day of our 2019 fiscal year, and include estimates of the amounts that would have been paid. Amounts payable under employment agreements would be

paid in equal installments pursuant to the Company's regularly scheduled payrolls. The actual amounts would only be determined upon an officer's termination of employment.

<b>Jeff Rogers</b>						
<b><u>Benefits and Payments Upon Termination</u></b>	<b><u>Just Cause (\$)</u></b>	<b><u>Death (\$)</u></b>	<b><u>Disability (\$)</u></b>	<b><u>Best Interest of the Company (\$)(1)</u></b>	<b><u>Resignation (\$)</u></b>	<b><u>Retirement (\$)</u></b>
Base Salary .....	—	—	165,774	331,548	165,774	—
Non-Equity Incentive Plan						
Compensation (2) .....	—	105,000	—	—	—	105,000
All Other Compensation (3) .....	—	274,920	274,920	47,400	—	274,920
Total: .....	—	379,920	440,694	378,948	165,774	379,920

- (1) Mr. Rogers was entitled to receive his base salary and benefits for a period of six months following termination in the best interest of the Company, unless the Board of Directors elected to extend his covenant not to compete for one year, in which case he would have been entitled to receive his base salary and benefits for a period of 12 months. This calculation assumes that the Board of Directors did not elect to extend Mr. Rogers' covenant not to compete for one year. If this option was exercised, the amount owed to Mr. Rogers for termination in the best interest of the Company would have been \$710,496.
- (2) Upon disability or retirement, Mr. Rogers would have been entitled to receive any bonus amounts earned but not yet paid.
- (3) Represents unvested shares of restricted stock that would have vested immediately upon termination, based on the closing market price of \$18.96 per share of ULH's common stock on December 31, 2019 as reported on the NASDAQ Global Market.

<b>Jude Beres</b>						
<b><u>Benefits and Payments Upon Termination</u></b>	<b><u>Just Cause (\$)</u></b>	<b><u>Death (\$)</u></b>	<b><u>Disability (\$)</u></b>	<b><u>Best Interest of the Company (\$)</u></b>	<b><u>Resignation (\$)</u></b>	<b><u>Retirement (\$)</u></b>
Base Salary .....	—	—	—	—	—	—
Non-Equity Incentive Plan						
Compensation (1) .....	—	—	—	—	—	275,775
All Other Compensation (2) .....	—	189,600	189,600	—	—	189,600
Total: .....	—	189,600	189,600	—	—	465,375

- (1) Upon retirement, Mr. Beres would be entitled to receive any bonus amounts earned but not yet paid.
- (2) Represents unvested shares of restricted stock that would have vested immediately upon termination, based on the closing market price of \$18.96 per share of ULH's common stock on December 31, 2019 as reported on the NASDAQ Global Market.

### *Pension Benefits Table*

We do not offer, and the named executive officers did not participate in, any pension plan during any period while employed by us.

### *Non-Qualified Deferred Compensation*

We do not offer, and the named executive officers did not participate in, any non-qualified deferred compensation programs during the fiscal year ended December 31, 2019.

### *Pay Ratio Disclosure*

The following information relates to the relationship of the annual total compensation of our employees and the annual total compensation of our former CEO, Jeff Rogers, calculated in accordance with Regulation S-K.

For 2019, our last completed fiscal year:

The median of the annual total compensation of all employees of ULH other than our CEO was \$32,218; and The annual total compensation of our CEO in 2019, as reported in the Summary Compensation Table on page 18 of this Proxy Statement, was \$583,537.

Based on this information, the ratio of the annual total compensation of our CEO to the median of the annual total compensation of all employees for 2019 was 18 to 1.

In determining the median of the annual total compensation of all employees, other than our CEO, we were required in 2019 to identify the “median employee” for 2017. Item 402(u) of Regulation S-K requires us to identify the median employee once every three years, unless a change in employee population or compensation arrangements is likely to result in a significant change in our CEO pay ratio disclosures. We determined that no such change occurred during 2019. Accordingly, for the 2019 pay ratio calculation, we used the same “median employee” identified during our 2017 analysis of our employee population.

To identify the “median employee” as of our determination date of December 31, 2017, we took the following steps:

We determined that our employee population consisted of approximately 8,231 individuals, with all of these individuals located in the United States 6,818, Mexico 1,230, Canada 39 and Colombia 144. This population consisted of our full-time, part-time and temporary employees.

We selected December 31, 2017 as the date upon which we would identify the “median employee” because it enabled us to make such identification in a reasonably efficient and economical manner.

To identify the “median employee” from our employee population, we compared the amount of salary, wages, and tips of our employees as reflected in our payroll records for 2017. During this analysis, the compensation for employees hired during the year was annualized. We excluded equity awards and bonus payments from our compensation measure because we did not widely distribute such awards and bonuses to our employees. We identified our median employee using this compensation measure, which was consistently applied to all our employees included in the calculation.

Finally, we determined the median of the annual total compensation of all employees for 2019 by identifying and calculating the elements of the median employee’s compensation for 2019 in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K.

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## Director Compensation for 2019

The following table sets forth the compensation information for the one-year period ending December 31, 2019, for each non-employee director who served during such period.

Name (1)	Fees Earned or Paid in Cash (\$)	All Other Compensation (\$)(2)	Total (\$)
Grant E. Belanger .....	39,200	—	39,200
Frederick P. Calderone .....	28,400	—	28,400
Joseph J. Casaroll (3) .....	18,400	—	18,400
Daniel J. Deane .....	34,400	—	34,400
Clarence W. Gooden .....	28,400	—	28,400
Manuel J. Moroun .....	20,000	100,000	120,000
Matthew T. Moroun .....	106,000	—	106,000
Michael A. Regan .....	28,400	—	28,400
Daniel C. Sullivan (4) .....	11,800	—	11,800
Richard P. Urban .....	44,200	—	44,200
H.E. “Scott” Wolfe .....	28,400	—	28,400

- (1) Our former CEO, Mr. Jeff Rogers, who was a director during the year ended December 31, 2019, has been omitted from this table as he was an employee of the Company and did not receive any additional compensation for serving on our Board of Directors. Mr. Rogers’ compensation is included in the Summary Compensation Table on page 18 of this Proxy Statement.
- (2) Amounts paid to Mr. Manuel Moroun for 2019 represented payments under his Consulting Agreement with the Company. Pursuant to the agreement, Mr. Manuel Moroun provided us with consultation and advice as to the management and operation of the Company, and such other consulting activities as we requested. For the services that Mr. Manuel Moroun rendered pursuant to the agreement, we paid him a consulting fee of \$100,000 per year, in quarterly installments.
- (3) Mr. Casaroll served as a non-employee director and member of the audit committee until our annual meeting of shareholders on April 25, 2019.
- (4) Mr. Sullivan served as a non-employee director until our annual meeting of shareholders on April 25, 2019.

### *Compensation Arrangements for Non-employee Directors*

Director compensation is determined by our Board of Directors. For 2019, we paid our non-employee directors an annual retainer of \$20,000 in quarterly installments. The Chairman of the Board, which is a non-officer position, was paid an annual retainer of \$100,000, and the chairman of our Audit Committee was paid an additional annual retainer of \$5,000. We pay non-employee directors a meeting fee for each Board and Committee meeting in the amount of \$1,800 for attendance in person and \$600 for attendance by phone. We reimburse our directors for expenses that they incur in attending Board and committee meetings, including expenses for food, lodging and transportation.

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## PROPOSAL TWO

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### ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

We are offering to our shareholders a non-binding advisory vote on our 2019 named executive officer compensation, including the compensation of our Chief Executive Officer, pursuant to Section 14A of the Exchange Act. While the vote is non-binding, the Board of Directors values the opinions that shareholders express through their votes and in any additional dialogue. The Board of Directors will consider the outcome of the vote when making future compensation decisions.

As discussed in the “Compensation Discussion and Analysis” section beginning on page 13, our Board of Directors generally has provided compensation programs for our named executive officers that we believe align the interests of our executives with the interests of our shareholders by rewarding performance based on the overall performance of the Company, as well as the achievement of specific personal goals, which the Committee believes will ultimately maximize shareholder value. We believe that our executive compensation program strikes the appropriate balance between utilizing responsible, measured pay practices and effectively incentivizing our executives to dedicate themselves fully to value creation for our shareholders. Additional information relevant to your vote can be found in the “Summary Compensation Table” and the related narrative and other compensation tables that follow on pages 18 to 24.

We have conducted a review of our compensation programs, including our annual cash and other compensation programs. We believe that our policies and practices are designed to reward individual performance based on our overall Company performance and are aligned with the achievement of both long-term and short-term Company goals. We believe the balance of short-term and long-term compensation continues to align our executives’ interests with those of our shareholders and discourages excessive risk taking for short-term gains. For the reasons set forth above, we ask for your advisory vote on the following resolution:

**“RESOLVED, that Universal’s shareholders hereby provide their advisory approval of the 2019 Named Executive Officer compensation as disclosed pursuant to the rules of the SEC in the Compensation Discussion and Analysis, the Summary Compensation Table, the other compensation tables and the related notes and narratives in this proxy statement.”**

Although this is an advisory vote which will not be binding on the Compensation and Stock Option Committee or the Board, we will carefully review the results of the vote. The Board and the Compensation Committee will consider stockholders’ concerns and take them into account when designing future executive compensation programs. The Board therefore recommends that you indicate your support of the Company’s executive compensation in fiscal year 2019, as outlined in the above resolution.

**Your Board of Directors Recommends that Stockholders Vote**

**FOR**

**Advisory Approval of our 2019 Named Executive Officer  
Compensation as Disclosed in This Proxy Statement**



**SECURITY OWNERSHIP OF CERTAIN  
BENEFICIAL OWNERS AND MANAGEMENT**

Under the proxy rules of the SEC, a person who directly or indirectly has or shares voting power or investment power with respect to a security is considered a beneficial owner of the security. Voting power is the power to vote or direct the voting of shares, and investment power is the power to dispose of or direct the disposition of shares. Shares as to which voting power or investment power may be acquired within 60 days are also considered as beneficially owned under the proxy rules.

The following table sets forth certain information as of March 13, 2020, regarding beneficial ownership of our Common Stock by: (i) each person who is known to us to own beneficially more than 5% of our Common Stock; (ii) each of our directors and nominees; (iii) each of the named executive officers in the Summary Compensation Table of this annual report; and (iv) the total for our current directors and named executive officers as a group.

<u>Name or Group of Beneficial Owner</u>	<u>Shares Beneficially Owned (1)</u>	<u>Percent of Class (2)</u>
<b>Directors, Nominees, and Named Executive Officers:</b>		
Matthew T. Moroun (4)(5)(6) .....	16,031,215	59.03%
Manuel J. Moroun (4)(7) .....	3,427,557	12.62%
Matthew J. Moroun (4) .....	—	—
Grant E. Belanger .....	—	—
Frederick P. Calderone .....	—	—
Daniel J. Deane .....	—	—
Clarence W. Gooden .....	—	—
Michael A. Regan .....	—	—
Richard P. Urban .....	5,000	*
H.E. “Scott” Wolfe .....	25,000	*
Jeff Rogers (8) .....	53,000	*
Jude M. Beres (9) .....	15,000	*
Directors, nominees, and named executive officers as a group .....	19,556,772	72.01%
<b>Total Outstanding Shares as of March 13, 2020 . . .</b>	<b>27,159,140</b>	

\* Denotes less than 1%.

- (1) The number of shares beneficially owned includes any shares over which the person has sole or shared voting power or investment power and also any shares that the person can acquire within 60 days of March 13, 2020, through the exercise of any stock option or other right. Unless otherwise indicated, each person has sole investment and voting power (or shares such power with his spouse) over the shares set forth in the table. Includes shares that may be acquired pursuant to restricted stock awards granted under our stock incentive plan that vest within 60 days of March 13, 2020.
- (2) The percentages shown are based on the 27,159,140 shares of our common stock outstanding as of March 13, 2020, plus the number of shares that the named person or group has the right to acquire within 60 days of March 13, 2020. For purposes of computing the percentage of outstanding shares of common stock held by each person or group, any shares the person or group has the right to acquire within 60 days of March 13, 2020 are deemed to be outstanding with respect to such person or group, but are not deemed to be outstanding for the purpose of computing the percentage of ownership of any other person or group.
- (3) The address for this person is c/o Universal Logistics Holdings, Inc., 12755 E. Nine Mile Road, Warren, Michigan 48089.

- (4) Matthew T. Moroun is the son of Manuel J. Moroun. Matthew J. Moroun is the son of Matthew T. Moroun and grandson of Manuel J. Moroun. The Morouns have agreed to vote their shares as a group, and each person disclaims beneficial ownership of the shares owned by the other person.
- (5) Includes 2,500,000 shares pledged as security.
- (6) Includes 2,000,000 shares held by the Nora M. Moroun 2019 Annuity Trust dated April 25, 2019. Voting and investment power over this trust is exercised by Matthew T. Moroun, as trustee.
- (7) Consists of shares held by the Manuel J. Moroun Revocable Trust U/A/D 3/24/77, as amended and restated on December 22, 2004. Voting and investment power over this trust is exercised by Manuel J. Moroun, as trustee.
- (8) Based on a Form 4 filed by Mr. Rogers with the SEC on February 21, 2019. Mr. Rogers served as our CEO and President until January 10, 2020.
- (9) Reflects vested and non-vested shares granted to such named executive officer as restricted stock awards by the Company. See the tables and related footnotes on page 19 of this proxy statement for a summary of the non-vested shares and vesting dates.

#### **DELINQUENT SECTION 16(a) REPORTS**

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and persons who own more than 10% of our outstanding common stock to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock. Executive officers, directors and greater than 10% shareholders are also required to furnish us with copies of the reports that they file. To our knowledge, based solely on a review of the copies of the reports furnished to us and representations received from our directors and executive officers, we believe that all reports required to be filed under Section 16(a) for 2019 were timely filed.

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**PROPOSAL THREE**

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**RATIFICATION OF APPOINTMENT OF  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The firm of BDO USA, LLP (“BDO”) served as independent registered public accountants for the year-ended December 31, 2019 and has been selected by our Audit Committee to serve as our independent registered public accounting firm for the year ending December 31, 2020.

Although the submission of this matter for approval by the shareholders is not legally required, the Board believes that such submission follows sound business practice and is in the best interests of the shareholders.

If the appointment is not ratified by the holders of a majority of the shares present in person or by proxy at the Annual Meeting, we will consider the selection of another accounting firm. If such a selection were made, it may not become effective until 2021 because of the difficulty and expense of making such a substitution.

A representative of BDO is expected to attend the Annual Meeting and will be available to respond to appropriate questions. That representative will have the opportunity to make a statement if he or she so desires.

**Your Board of Directors Recommends that Shareholders Vote**

**FOR**

**the Ratification of the Appointment of BDO USA, LLP  
as ULH’s Independent Registered Public Accounting Firm  
for the 2020 Calendar Year**

**INDEPENDENT PUBLIC ACCOUNTANTS—  
PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following table shows the fees for professional services of BDO for audit and other services they provided to us for 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Audit Fees (1) . . . . .	\$ 722,558	\$655,646
Audit-Related Fees (2) . . . . .	\$ 60,000	\$ 10,000
Tax Fees (3) . . . . .	\$ 324,524	\$255,968
All Other Fees (4) . . . . .	—	—
Total Fees . . . . .	<u>\$1,107,082</u>	<u>\$921,614</u>

- (1) Includes fees billed for professional services for the audit of our financial statements included in our Annual Report on Form 10-K, and reviews of our financial statements included in our Quarterly Reports on Form 10-Q. This category also includes fees for services that are normally provided by the independent registered public accounting firms in connection with statutory and regulatory filings or engagements, including comfort letters and consents issued in connection with SEC filings.
- (2) Includes fees billed for professional services rendered by the independent registered public accounting firm related to the performance of the audit or review of the financial statements that are not disclosed as Audit Fees. The amounts reflect fees for a stand-alone audit of a subsidiary requested by the Company and supplemental opinions required in connection with the Company’s credit facilities.

- (3) Includes fees billed for state tax consulting services.
- (4) Represents fees for all other services or products provided that are not covered by the categories above. There were no such fees for 2019 or 2018.

### **Audit Committee Approval Policies**

Our Audit Committee Charter includes procedures for the approval by the Audit Committee of all services provided by our independent registered public accountants. Our Audit Committee has the authority and responsibility to pre-approve both audit and non-audit services to be provided by our independent registered public accountants. The Audit Committee Charter sets forth the policy of the committee for such approvals. The policy allows our Audit Committee to delegate to one or more members of the Audit Committee the authority to approve the independent registered public accountants' services. The decisions of any Audit Committee member to whom authority is delegated to pre-approve services are reported to the full Audit Committee. The policy also provides that our Audit Committee will have authority and responsibility to approve and authorize payment of the independent registered public accountants' fees.

### **TRANSACTIONS WITH RELATED PERSONS**

Our Audit Committee reviews and approves related person transactions that involve us and are of the type that are required to be disclosed in our proxy statement by SEC rules. A transaction may be a related person transaction if any of our directors, executive officers, owners of more than 5% of our common stock, or their immediate family have a material interest in the transaction and the amount involved exceeds \$120,000. The Audit Committee approves a related person transaction if it determines that the transaction is at least as favorable to us as could have been obtained if the transaction had been with a person who is not related to us, or is in our best interest.

Mr. Matthew T. Moroun is Chairman of our Board of Directors, which is designated as a non-officer position, Chairman of the Compensation and Stock Option Committee and the Executive Committee of our Board of Directors, and our largest shareholder. He is the sole shareholder, Chairman and a director of CenTra, Inc., a diversified holding company based in Warren, Michigan. He is also the Chairman and controlling shareholder of Oakland Financial Corporation, an insurance holding company, and its subsidiaries, based in Sterling Heights, Michigan, and a principal stockholder in other family owned businesses engaged in, among other things, transportation services and real estate acquisition, development and management. Our director, Mr. Manuel J. Moroun, is a shareholder of Oakland Financial Corporation. Mr. Matthew J. Moroun, a nominee for director, is the son of Matthew T. Moroun and grandson of Manuel J. Moroun.

Pursuant to an amended and restated registration rights agreement we entered into with Matthew T. Moroun and trusts controlled by Mr. Moroun and his father, Manuel J. Moroun on July 25, 2012, we granted piggyback registration rights to trusts controlled by Manuel J. Moroun, Matthew T. Moroun, and their transferees. As a result of these registration rights, if we propose to register any of our securities, subject to certain exceptions and whether or not the registration is for our own account, we are required to give these shareholders the opportunity to participate in the registration. If a piggyback registration is underwritten and the managing underwriter advises us that marketing factors require a limitation on the number of shares that may be underwritten, we generally receive first priority with respect to the shares issued and sold. The registration rights are subject to conditions and limitations. We generally are required to pay the registration expenses in connection with piggyback registrations.

CenTra, Inc. and its affiliates are controlled by Matthew T. Moroun and Manuel J. Moroun, who also hold a controlling interest in Universal. CenTra and its affiliates provide administrative support services to Universal, including legal, human resources, tax, IT infrastructure and services to host our accounting system in a data center environment. The cost of these services is based on the actual or estimated utilization of the specific

services and is charged to the Company. These costs totaled \$4.1 million and \$3.1 million for 2019 and 2018, respectively.

In addition to the arrangements described above, we are currently a party to a number of arrangements with CenTra and its affiliates that we expect to continue.

We periodically carry freight for CenTra and its affiliates in the ordinary course of business at market rates. Revenue for these services for 2019 and 2018 totaled \$1.6 million and \$0.9 million, respectively. Affiliates of CenTra have also provided transportation services at market rates in the ordinary course of business. The cost of these services for 2019 and 2018 totaled \$65,000 and \$1.2 million, respectively.

We pay CenTra the direct variable cost of maintenance, fueling and other operational support costs for services delivered at our affiliate's trucking terminals that are geographically remote from our own facilities. Such costs are billed when incurred, paid on a routine basis, and reflect actual labor utilization, repair parts costs or quantities of fuel purchased. In connection with our transportation services, we also pay tolls and other fees for international bridge crossings to certain related entities which are under common control with CenTra. The cost of these services for 2019 and 2018 totaled \$0.9 million and \$2.4 million, respectively.

We currently lease 28 office, terminal and yard facilities from CenTra's affiliates based on either month-to-month or contractual, multi-year lease arrangements that are billed and paid monthly. At December 31, 2018, we leased 34 such facilities. During 2019 and 2018, we paid an aggregate of \$11.8 million and \$14.3 million, respectively, in rent and related costs to affiliates. We believe that the rent we currently pay for these properties is at market rates.

We purchase our commercial auto liability, commercial general liability, workers compensation, motor cargo liability and other insurance from an insurance company controlled by one of our majority shareholders. In addition, our employee health care benefits and 401(k) programs are provided by this affiliate. In 2019 and 2018, we paid this affiliate \$53.0 million and \$57.4 million, respectively. We believe that the rates we paid for these services reflect market rates.

During 2019, we purchased 600,000 shares of our common stock from Mr. Manuel J. Moroun, and a total of 10,000 from Mr. Jude Beres, our Chief Financial Officer and Treasurer, through a publicly announced modified "Dutch auction" tender offer for a total purchase price of \$13.5 million and \$225,000, respectively, based on final purchase price of \$22.50 per share. During 2018, we exercised our right of first refusal to acquire 10,065 shares of restricted stock from Mr. Wolfe, our director, for \$355,000 based on the closing market price on the effective date of the transaction. We also exercised our right of first refusal in 2018 to acquire 7,500 shares of restricted stock from Mr. Rogers, our former director and CEO, for \$264,000 based on the closing market price on the effective date of the transaction.

We also sold a vacant parcel of land to an affiliate for \$2.5 million during 2019. The sales price was established by an independent third party appraisal. The Company's basis in the land was \$2.4 million, resulting in a gain of \$0.1 million.

During 2018, we purchased \$466,000 of wheels and tires during 2018 for new trailering equipment from an affiliate of CenTra, and we paid an additional \$8,300 for used equipment during the same period. There were no such purchases made during 2019.

We believe that substantially all of the above transactions were entered into on terms at least as favorable to us as could have been obtained from persons who were not related to us, and each of the transactions was in our best interest. We expect to continue in 2020 certain transactions that are similar to those described above with subsidiaries of CenTra and other companies owned or controlled by our directors and director nominees who are members of the Moroun family.

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## PROPOSAL FOUR

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### ADVISORY VOTE ON MAJORITY VOTING IN UNCONTESTED DIRECTOR ELECTIONS

In accordance with SEC rules, we have set forth below a shareholder proposal, along with the supporting statement of the shareholder proponent, for which we and our Board accept no responsibility. The shareholder proposal is required to be voted upon only if properly presented at that Annual Meeting. As explained below, our Board makes no recommendation with regards to the shareholder proposal set forth below.

The Company has been notified that the California Public Employees' Retirement System, P.O. Box 942707, Sacramento, California 94229-2707, the beneficial owner of at least \$2,000 in market value of the Company's common stock on the date the proposal was submitted and for at least the preceding eighteen months, intends to present the following proposal at the Annual Meeting:

**“RESOLVED, that the shareowners at Universal Logistics Holdings, Inc. (Company) hereby request that the Board of Directors initiate the appropriate process to amend the Company’s articles of incorporation and/or bylaws to provide that directors shall be elected by the affirmative vote of the majority of votes cast at an annual meeting of shareowners in uncontested elections. A plurality vote standard, however, will apply to contested director elections; that is, when the number of director nominees exceeds the number of board seats.”**

#### Supporting Statement from Shareholder:

“Is accountability by the Board of Directors important to you? As a long-term shareowner of the Company, CalPERS thinks accountability is of paramount importance. This is why we are sponsoring this proposal. This proposal would remove a plurality vote standard for uncontested elections that effectively disenfranchises shareowners and eliminates a meaningful shareowner role in uncontested director elections.

Under the Company's current voting system, a director may be elected with as little as one affirmative vote because “withheld” votes have no legal effect. This scheme deprives shareowners of a powerful tool to hold directors accountable because it makes it impossible to defeat directors who run unopposed. Conversely, a majority voting standard allows shareowners to actually vote “against” candidates and to defeat reelection of a management nominee who is unsatisfactory to the majority of shareowners who cast votes.

A substantial number of companies have already adopted this form of majority voting. More than 90% of the companies in the S&P 500 have adopted a form of majority voting for uncontested director elections. We believe the Company should join the growing number of companies that have adopted a majority voting standard requiring incumbent directors who do not receive a favorable majority vote to submit a letter of resignation, and not continue to serve, unless the Board declines the resignation and publicly discloses its reasons for doing so.

Majority voting in director elections empowers shareowners to clearly say “no” to unopposed directors who are viewed as unsatisfactory by a majority of shareowners casting a vote. Incumbent board members serving in a majority vote system are aware that shareowners have the ability to determine whether the director remains in office. The power of majority voting, therefore, is not just the power to effectively remove poor directors, but also the power to heighten director accountability through the threat of a loss of majority support. That is what accountability is all about.

CalPERS believes that corporate governance procedures and practices, and the level of accountability they impose, are closely related to financial performance. It is intuitive that, when directors are accountable for their

actions, they perform better. We therefore ask you to join us in requesting that the Board of Directors promptly adopt the majority voting standard for uncontested director elections. We believe the Company's shareowners will substantially benefit from the increased accountability of incumbent directors and the power to reject directors shareowners believe are not acting in their best interests. Please vote FOR this proposal."

**Company Response:**

The Board of Directors has considered the above proposal and has decided neither to oppose nor support it at this time. Accordingly, the Board of Directors makes no voting recommendation to shareholders on this matter. The Board of Directors understands that there are valid arguments for and against adopting a majority vote standard in the Company's articles of incorporation or by-laws.

Approval of this proposal would not, by itself, implement majority voting. The proposal, which is advisory in nature, would constitute a recommendation to the Board of Directors if approved by shareholders. In order to implement some forms of majority voting, the Company's organizational documents would need to be amended, which in certain circumstances would involve a separate shareholder vote.

Although your vote on this proposal is not binding on Universal, the Board of Directors has consistently demonstrated its commitment to good governance and values the views of the Company's shareholders. The Board of Directors will carefully consider the results of the vote on this proposal and will take what it determines to be appropriate action, if any, in response to the vote.

**Your Board of Directors Makes No Recommendation  
in Favor of or Opposed to this Advisory Vote on  
Majority Voting in Uncontested Director Elections**

## ANNUAL REPORT TO SHAREHOLDERS AND REPORT ON FORM 10-K

Additional information concerning us, including our financial statements, is provided in our 2019 Annual Report to Shareholders that accompanies this proxy statement. Our Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the SEC, is available to shareholders who make a written request for it to our Secretary, Steven Fitzpatrick, at our principal executive office, 12755 E. Nine Mile Road, Warren, Michigan 48089. Copies of exhibits filed with that report or referenced in it will be furnished to shareholders of record upon request and payment of our expenses in furnishing such documents. The Annual Report is also available on our website at [www.universallogistics.com](http://www.universallogistics.com) under the captions of “Investor Relations” and “Corporate Governance.”

### SHAREHOLDER PROPOSALS FOR NEXT ANNUAL MEETING

If you wish to submit a proposal to be considered at the 2021 Annual Meeting, you must comply with the following procedures. Any communication to be made to our Secretary as described below should be sent to Steven Fitzpatrick, Vice President – Finance and Investor Relations, Universal Logistics Holdings, Inc., 12755 E. Nine Mile Road, Warren, Michigan 48089.

#### *Proxy Statement Proposal*

If you intend to present proposals to be included in our proxy statement for our 2021 Annual Meeting, you must give written notice of your intent to our Secretary on or before December 1, 2020. The proposals must comply with SEC regulations under Rule 14a-8 for including shareholder proposals in a company’s materials.

#### *Shareholder Recommendations for Director Nominees*

It is generally the policy of the Board to consider the shareholder recommendations of proposed director nominees, if such recommendations are serious and timely received.

To be considered timely received for inclusion in our proxy statement for our 2021 Annual Meeting, recommendations must be received in writing at our principal executive offices, 12755 E. Nine Mile Road, Warren, Michigan 48089, no later than December 1, 2020. In addition, any shareholder director nominee recommendation must include the following information: (a) the proposed nominee’s name and qualifications and the reason for such recommendation; (b) the name and record address of the shareholder proposing such nominee; (c) a statement that the person has agreed to serve if nominated and elected; and (d) a description of any financial or other relationship between the shareholder and such nominee or between the nominee and us or our subsidiaries. In order to be considered by the Board, any candidate proposed by one or more shareholders will be required to submit appropriate biographical and other information equivalent to that required of all other director candidates.

#### *Matters for Annual Meeting Agenda*

If you intend to bring a matter before next year’s meeting, other than by submitting a proposal to be included in our proxy statement, we must receive notice in accordance with our Bylaws, which state that our Secretary must receive your notice no earlier than December 1, 2020 and no later than December 31, 2020. For each matter you intend to bring before the meeting, you must include a full description of each such item; the name and address of the person proposing to bring such business before the meeting and, if different, of the shareholder on whose behalf such business is to be brought before the meeting; the number of shares held of record, held beneficially and represented by proxy by such person as of the record date for the meeting and as of the date of such notice; if any item of such business involves a nomination for director, all information regarding each such nominee that would be required to be set forth in a definitive proxy statement filed with the SEC pursuant to Section 14 of the



Exchange Act, and the written consent of each such nominee to serve if elected; and if so requested by us, all other information that would be required to be filed with the SEC if, with respect to the business proposed to be brought before the meeting, the person proposing such business was a participant in a solicitation subject to Section 14 of the Exchange Act. Unless otherwise required by law, the Board will not be obligated to include information as to any nominee for director in any proxy statement or other communication sent to shareholders.

#### **OTHER MATTERS**

We do not know of any matters to be brought before the meeting other than those described in this proxy statement. If any other matter properly comes before the meeting, the persons designated as proxies will vote on each such matter in accordance with their best judgment.

By Order of the Board of Directors

*/s/ Steven Fitzpatrick*

STEVEN FITZPATRICK  
*Vice President – Finance and Investor Relations,  
Secretary*

March 31, 2020

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**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

Commission File Number: 0-51142

**UNIVERSAL LOGISTICS HOLDINGS, INC.**

(Exact Name of Registrant as Specified in Its Charter)

Michigan  
(State or Other Jurisdiction of  
Incorporation or Organization)

38-3640097  
(I.R.S. Employer  
Identification No.)

12755 E. Nine Mile Road  
Warren, Michigan 48089  
(Address, including Zip Code of Principal Executive Offices)

(586) 920-0100  
(Registrant's telephone number, including area code)

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, no par value	ULH	The NASDAQ Stock Market LLC

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 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

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 Exchange Act Rule 12b-2). Yes  No

As of June 29, 2019, the last business day of the registrant's most recently completed second quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant, based upon the closing sale price of the common stock on June 28, 2019, as reported by The Nasdaq Stock Market, was approximately \$184.7 million (assuming, but not admitting for any purpose, that all (a) directors and executive officers of the registrant are affiliates, and (b) the number of shares held by such directors and executive officers does not include shares that such persons could have acquired within 60 days of June 29, 2019).

The number of shares of common stock, no par value, outstanding as of March 9, 2020, was 27,238,448.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Proxy Statement for the Registrant's 2020 Annual Meeting of Shareholders are incorporated by reference in Part III of this Form 10-K.

**UNIVERSAL LOGISTICS HOLDINGS, INC.**  
**2019 ANNUAL REPORT ON FORM 10-K**  
**TABLE OF CONTENTS**

**PART I**

Item 1.	Business .....	3
Item 1A.	Risk Factors .....	8
Item 1B.	Unresolved Securities & Exchange Commission Staff Comments .....	16
Item 2.	Properties .....	16
Item 3.	Legal Proceedings .....	17
Item 4.	Mine Safety Disclosures .....	17

**PART II**

Item 5.	Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities .....	18
Item 6.	Selected Financial Data .....	20
Item 7.	Management’s Discussion and Analysis of Financial Condition and Results of Operations .....	24
Item 7A.	Quantitative and Qualitative Disclosures about Market Risk .....	35
Item 8.	Financial Statements and Supplementary Data .....	37
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure .....	70
Item 9A.	Controls and Procedures .....	70
Item 9B.	Other Information .....	74

**PART III**

Item 10.	Directors, Executive Officers and Corporate Governance .....	75
Item 11.	Executive Compensation .....	75
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters .....	75
Item 13.	Certain Relationships and Related Transactions, and Director Independence .....	75
Item 14.	Principal Accounting Fees and Services .....	75

**PART IV**

Item 15.	Exhibits and Financial Statement Schedules .....	76
Signatures .....		78

EX-4.2	Description of Capital Stock	
EX-21.1	List of Subsidiaries	
EX-23.1	Consent of BDO	
EX-31.1	Section 302 CEO Certification	
EX-31.2	Section 302 CFO Certification	
EX-32.1	Section 906 CEO and CFO Certification	
EX-101.INS	XBRL Instance Document	
EX-101.SCH	XBRL Schema Document	
EX-101.CAL	XBRL Calculation Linkbase Document	
EX-101.DEF	XBRL Definition Linkbase Document	
EX-101.LAB	XBRL Labels Linkbase Document	
EX-101.PRE	XBRL Presentation Linkbase Document	

## DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (“Form 10-K”) contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. Many of the forward-looking statements are located in Part II, Item 7 of this Form 10-K under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Forward-looking statements can also be identified by words such as “future,” “anticipates,” “believes,” “estimates,” “expects,” “intends,” “will,” “would,” “could,” “can,” “may,” and similar terms. Forward-looking statements are not guarantees of future performance and the Company’s actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in Part I, Item 1A of this Form 10-K under the heading “Risk Factors,” which are incorporated herein by reference. All information presented herein is based on the Company’s fiscal calendar. Unless otherwise stated, references to particular years, quarters, months or periods refer to the Company’s fiscal years ended December 31 and the associated quarters, months and periods of those fiscal years. Each of the terms “Universal,” the “Company,” “we,” “us” and “our” as used herein refers collectively to Universal Logistics Holdings, Inc. and its subsidiaries, unless otherwise stated. The Company assumes no obligation to revise or update any forward-looking statements for any reason, except as required by law.

## PART I

### ITEM 1: BUSINESS

#### Company Background

We are a leading asset-light provider of customized transportation and logistics solutions throughout the United States, and in Mexico, Canada and Colombia. We offer our customers a broad array of services across their entire supply chain, including truckload, brokerage, intermodal, dedicated, and value-added services.

We provide a comprehensive suite of transportation and logistics solutions that allow our customers to reduce costs and manage their global supply chains more efficiently. We market and deliver our services in several ways:

- Through a direct sales and marketing network focused on selling our portfolio of services to large customers in specific industry sectors;
- Through a network of agents who solicit freight business directly from shippers; and
- Through company-managed facilities and full service freight forwarding and customs house brokerage offices.

On February 1, 2018, we acquired Fore Transportation, Inc. and certain of its affiliates (collectively, “Fore”). Fore provides its customers with intermodal solutions, including local and regional drayage services in the Chicagoland area.

On August 10, 2018, we acquired Southern Counties Express, Inc. and certain of its affiliates (collectively, “Southern Counties”). Southern Counties provides full-service harbor drayage, transloading, warehousing, and project cargo services in southern California.

On October 12, 2018, we acquired Specialized Rail Service, Inc. (“Specialized Rail”). Specialized Rail offers local and regional intermodal drayage services from its operations in Clearfield, Utah and Las Vegas, Nevada.

On December 7, 2018, we acquired Deco Logistics, Inc., d/b/a Container Connection, and Oaktree Logistics, Inc. (collectively, “Container Connection”). Based in Riverside, California, Container Connection offers harbor drayage services to the Ports of Los Angeles and Long Beach for customers primarily located within the Inland Empire and Central Valley areas.

On April 22, 2019, the Company acquired Michael’s Cartage, Inc. (“Michael’s”). Headquartered in Bridgeview, Illinois, Michael’s provides intermodal drayage services to customers primarily within a 300-mile radius of the Chicagoland area.

On November 5, 2019, the Company acquired Roadrunner Intermodal Services, LLC, Morgan Southern, Inc., Wando Trucking, LLC, and Central Cal Transportation, LLC (collectively, “Roadrunner Intermodal”). Roadrunner Intermodal is a nationwide drayage provider, servicing major port and rail locations throughout the United States.

At December 31, 2019, we had an agent network totaling approximately 313 agents, and we operated 64 company-managed terminal locations and serviced 55 value-added programs at locations throughout the United States and in Mexico, Canada and Colombia.

We were incorporated in Michigan on December 11, 2001. We have been a publicly held company since February 11, 2005, the date of our initial public offering.

Our principal executive offices are located at 12755 E. Nine Mile Road, Warren, Michigan 48089.

## **Operations**

We broadly group our revenues into the following service categories: truckload, brokerage, intermodal, dedicated and value-added services.

*Truckload.* Our truckload services include dry van, flatbed, heavy-haul and refrigerated operations. Truckload services represented approximately \$251.6 million, or 16.6%, of our operating revenues in 2019. We transport a wide variety of general commodities, including automotive parts, machinery, building materials, paper, food, consumer goods, furniture, steel and other metals on behalf of customers in various industries. Our transportation services are provided through a network of owner-operators and employee drivers.

*Brokerage.* We provide customers freight brokerage services by utilizing third-party transportation providers to transport goods. Brokerage services also include full service domestic and international freight forwarding, and customs brokerage. In 2019, brokerage services represented approximately \$354.9 million, or 23.5%, of our operating revenues.

*Intermodal.* Intermodal operations include steamship-truck, rail-truck, and support services. Intermodal support services represented \$390.3 million, or 25.8%, of our operating revenues in 2019. Our intermodal support services are primarily short-to-medium distance delivery of both international and domestic containers between the port or railhead and the customer and drayage services.

*Dedicated.* Our dedicated services are primarily provided in support of automotive customers using van equipment. Dedicated services also include our final mile and ground expedited services. In 2019, dedicated services represented approximately \$138.7 million, or 9.2%, of our operating revenues. Our dedicated services are primarily short run or round-trip moves within a defined geographic area provided through a network of union and non-union employee drivers, owner-operators, and contract drivers.

*Value-Added.* Our value-added services, which are typically dedicated to individual customer requirements, include material handling, consolidation, sequencing, sub-assembly, cross-dock services, kitting, repacking, warehousing and returnable container management. Value-added services represented approximately \$376.5 million, or 24.9%, of our operating revenues in 2019. Our facilities and services are often directly integrated into the production processes of our customers and represent a critical piece of their supply chains.

## **Business and Growth Strategy**

The key elements of our strategy are as follows:

*Make strategic acquisitions.* The transportation and logistics industry is highly fragmented, with hundreds of small and mid-sized competitors that are either specialized in specific vertical markets, specific service offerings, or limited to local and regional coverage. We expect to selectively evaluate and pursue acquisitions that will enhance our service capabilities, expand our geographic network and/or diversify our customer base.

*Expand our network of agents and owner-operators.* Increasing the number of agents and owner-operators has been a driver of our historical growth in transactional transportation services. We intend to continue to recruit qualified agents and owner-operators in order to penetrate new markets, and expand our operations in existing markets. Our agents typically focus on a small number of shippers in a particular market and are attuned to the specific transportation needs of that core group of shippers, while remaining alert to growth opportunities.

*Continue to capitalize on strong industry fundamentals and outsourcing trends.* We believe long-term industry growth will be supported by manufacturers seeking to outsource non-core logistics functions to cost-effective third-party providers that can efficiently manage increasingly complex global supply chains. We intend to leverage our integrated suite of transportation and logistics services, our network of facilities, our long-term customer relationships, and our reputation for operational excellence to capitalize on favorable industry fundamentals and growth expectations.

*Target further penetration of key customers in the North American automotive industry.* The automotive industry is one of the largest users of global outsourced logistics services, providing us growth opportunities with both existing and new customers. Of our customers generating revenues greater than \$100,000 per year, this sector comprised approximately 27% of operating revenues in 2019. We intend to capitalize on anticipated continued growth in outsourcing of higher value logistics services in the automotive sector such as sub-assembly and sequencing, which link directly into production lines and require specialized capabilities, technological expertise and strict quality controls.

*Continue to expand penetration in other vertical markets.* We have a history of providing highly complex value-added logistics services to automotive and other industrial customers. We have developed standardized, modular systems for material handling processes and have extensive experience in rapid implementation and workforce training. These capabilities and our broad portfolio of logistics services are transferable across vertical markets. We believe we can leverage the expertise we initially developed in the automotive sector. In addition to automotive, our targeted industries include aerospace, energy, government services, healthcare, industrial retail, consumer goods, and steel and metals.

## **Competition and Industry**

The transportation and logistics service industry is highly competitive and extremely fragmented. We compete based on quality and reliability of service, price, breadth of logistics solutions, and IT capabilities. We compete with asset and non-asset based truckload and less-than-truckload carriers, intermodal transportation, logistics providers and, in some aspects of our business, railroads. We also compete with other motor carriers for owner-operators and agents.

Our customers may choose not to outsource their logistics operations and, rather, to retain or restore such activities as their own internal operations. In our largest vertical market, the automotive industry, we compete more frequently with a relatively small number of privately-owned firms or with subsidiaries of large public companies. These vendors have the scope and capabilities to provide the breadth of services required by the large and complex supply chains of automotive original equipment manufacturers (OEMs).

We also encounter competition from regional and local third-party logistics providers, integrated transportation companies that operate their own aircraft, cargo sales agents and brokers, surface freight forwarders and carriers, airlines, associations of shippers organized to consolidate their members' shipments to obtain lower freight rates, and internet-based freight exchanges.

In December 2017, federal regulations mandated the use of electronic logging devices (ELDs) across our industry. In December 2019, the next phase of the ELD mandate went into effect requiring carriers previously grandfathered-in for the use of automatic on-board recording devices to switch to ELDs for logging hours of service. These devices have arguably reduced effective industry capacity to date by more strictly enforcing a driver's hours of service and, as a result, miles that can be driven each day. We are using ELDs in our entire fleet and have adapted our network and customer base to the utilization constraints.

The transportation industry is continuously impacted by new rules and regulations intended to improve the overall safety of the industry. Compliance with such increasingly complex rules continues to constrain the supply of qualified drivers. We believe that our industry will continue to be hindered by an insufficient quantity of qualified drivers which creates significant competition for this declining pool.

## **Customers**

Revenue is generated from customers throughout the United States, and in Mexico, Canada and Colombia. Our customers are largely concentrated in the automotive, steel, oil and gas, alternative energy and manufacturing industries.

A significant percentage of our revenues is derived from the domestic auto industry. Of our customers generating revenues greater than \$100,000 per year, aggregate sales in the automotive industry totaled 27%, 36% and 40% of revenues during the fiscal years ended December 31, 2019, 2018 and 2017, respectively. During 2019, 2018 and 2017, General Motors accounted for approximately 12%, 13% and 16% of our total operating revenues, respectively. Sales to our top 10 customers, including General Motors, totaled 39% in 2019. A significant percentage of our revenue also results from our providing capacity to other transportation companies that aggregate loads from a variety of shippers in these and other industries.

## Independent Contractor Network

We utilize a network of agents and owner-operators located throughout the United States and in Ontario, Canada. These agents and owner-operators are independent contractors.

A significant percentage of the interaction with our shippers is provided by our agents. Our agents solicited and controlled approximately 32% of the freight we hauled in 2019, with the balance of the freight being generated by company-managed terminals, full service freight forwarding and customs house brokerage offices. Our top 100 agents in 2019 generated approximately 21% of our annual operating revenues. Our agents typically focus on three or four shippers within a particular market and solicit most of their freight business from this core group. By focusing on a relatively small number of shippers, each agent is acutely aware of the specific transportation needs of that core group of shippers, while remaining alert to growth opportunities.

We also contract with owner-operators to provide greater flexibility in responding to fluctuations in customer demand. Owner-operators provide their own trucks and are contractually responsible for all associated expenses, included financing costs, fuel, maintenance, insurance, and taxes, among other things. They are also responsible for maintaining compliance with Federal Motor Carrier Safety Administration regulations.

## Revenue Equipment

The following table represents our equipment used to provide transportation services as of December 31, 2019:

Type of Equipment	Company-owned or Leased	Owner-Operator Provided	Total
Tractors .....	1,514	3,517	5,031
Yard Tractors .....	217	-	217
Trailers .....	3,932	1,782	5,714
Chassis .....	3,293	1	3,294
Containers .....	738	-	738

## Employees and Contractors

As of December 31, 2019, we had 6,541 employees. During the year ended December 31, 2019, we also engaged, on average, the full-time equivalency of 1,487 individuals on a contract basis. As of December 31, 2019, approximately 29% of our employees in the United States, Canada and Colombia and 86% of our employees in Mexico were members of unions and subject to collective bargaining agreements. We believe our union and employee relationships are good.

## Risk Management and Insurance

Our customers and federal regulations generally require that we provide insurance for auto liability and general liability claims up to \$1.0 million per occurrence. Accordingly, in the United States, we purchase such insurance from a licensed casualty insurance carrier, which is a related party, providing a minimum \$1.0 million of coverage for individual auto liability and general liability claims. We are generally self-insured for auto and general liability claims above \$1.0 million, unless riders are sought to satisfy individual customer or vendor contract requirements. In certain of our businesses, we have secured additional auto liability coverage where we are self-insured for claims above \$7.0 million. In Mexico, our operations and investment in equipment are insured through an internationally recognized, third-party insurance underwriter.

We typically self-insure for the risk of motor cargo liability claims and material handling claims. Accordingly, we establish financial reserves for anticipated losses and expenses related to motor cargo liability and material handling claims, and we periodically evaluate and adjust those reserves to reflect our experience. Any such adjustments could have a materially adverse effect on our operations and financial results.

To reduce our exposure to claims incurred while a vehicle is being operated without a trailer attached or is being operated with an attached trailer which does not contain or carry any cargo, we require our owner-operators to maintain non-trucking use liability coverage (which the industry refers to as deadhead bobtail coverage) of \$2.0 million per occurrence.



In brokerage arrangements, our exposure to liability associated with accidents incurred by other third-party carriers who haul freight on our behalf is reduced by various factors, including the extent to which the third party providers maintain their own insurance coverage.

## **Technology**

We use multifaceted software tools and hardware platforms that support seamless integration with the IT networks of our customers and vendors through electronic data exchange systems. These tools enhance our relationships and ability to effectively communicate with customers and vendors. Our tools and platforms provide real-time, web-based visibility into the supply chains of our customers.

In our logistics segment, we customize our proprietary Warehouse Management System (WMS) to meet the needs of individual customers. Our WMS allows us to send our customers an advance shipping notice through a simple, web-based interface that can be used by a variety of vendors. It also enables us to clearly identify and communicate to the customer any vendor-related problems that may cause delays in production. We also use cross-dock and container-return-management applications that automate the cycle of material receipt and empty container return.

Our proprietary and third-party transportation management system allows full operational control and visibility from dispatch to delivery, and from invoicing to receivables collections. For our employee drivers, the system provides automated dispatch to hand-held devices, satellite tracking for quality control and electronic status broadcasts to customers when requested. Our international and domestic air freight and ocean forwarding services use similar systems with added functionalities for managing air and ocean freight transportation requirements. All of these systems have customer-oriented web interfaces that allow for full shipment tracking and visibility, as well as for customer shipment input. We also provide systems that allow agents to list pending freight shipments and owner-operators with available capacity, and track particular shipments at various points in the shipping route.

We believe that these tools improve our services and quality controls, strengthen our relationships with our customers, and enhance our value proposition. Any significant disruption or failure of these systems could have a materially adverse effect on our operations and financial results.

## **Government Regulation**

Our operations are regulated and licensed by various U.S. federal and state agencies, as well as comparable agencies in Mexico, Canada, and Colombia. Interstate motor carrier operations are subject to the broad regulatory powers, to include drug and alcohol testing, safety and insurance requirements, prescribed by the Federal Motor Carrier Safety Administration (FMCSA), which is an agency of the U.S. Department of Transportation (DOT). Matters such as weight and equipment dimensions also are subject to United States federal and state regulation. We operate in the United States under operating authority granted by the DOT. We are also subject to regulations relating to testing and specifications of transportation equipment and product handling requirements. In addition, our drivers and owner-operators must have a commercial driver's license and comply with safety and fitness regulations promulgated by the FMCSA, including those relating to drug and alcohol testing.

Our international operations, which include not only facilities in Mexico, Canada and Colombia but also transportation shipments managed by our specialized service operations, are impacted by a wide variety of U.S. government regulations and applicable international treaties. These include regulations of the U.S. Department of State, U.S. Department of Commerce, and the U.S. Department of Treasury. Regulations also cover specific commodities, destinations and end-users. Part of our specialized services operations is engaged in the arrangement of imported and exported freight. As such, we are subject to the regulations of the U.S. Customs and Border Protection, which include significant notice and registration requirements. In various Canadian provinces, we operate transportation services under authority granted by the Ministries of Transportation and Communications.

Transportation-related regulations are greatly affected by U.S. national security legislation and related regulations. We believe we are in compliance with applicable material regulations and that the costs of regulatory compliance are an ordinary operating cost of our business that we may not be able to recoup from rates charged to customers.

## **Environmental Regulation**

We are subject to various federal, state and local environmental laws and regulations that focus on, among other things: the emission and discharge of hazardous materials into the environment or their presence at our properties or in our vehicles; fuel storage tanks; transportation of certain materials; and the discharge or retention of storm water. Under specific environmental laws, we could also be held responsible for any costs relating to contamination at our past or present facilities and at third-party waste disposal sites, as well as costs associated with cleanup of accidents involving our vehicles. We do not believe that the cost of future compliance with current

environmental laws or regulations will have a material adverse effect on our operations, financial condition, competitive position or capital expenditures for fiscal year 2019. However, future changes to laws or regulations may adversely affect our operations and could result in unforeseen costs to our business.

### **Seasonality**

Generally, demand for our value-added services delivered to existing customers increases during the second calendar quarter of each year as a result of the automotive industry's spring selling season. Conversely, such demand generally decreases during the third quarter of each year due to the impact of scheduled OEM customer plant shutdowns in July for vacations and changeovers in production lines for new model years.

Our value-added services business is also impacted in the fourth quarter by plant shutdowns during the December holiday period. Prolonged adverse weather conditions, particularly in winter months, can also adversely impact margins due to productivity declines and related challenges meeting customer service requirements.

Our transportation services business is generally impacted by decreased activity during the post-holiday winter season and, in certain states, during hurricane season. At these times, some shippers reduce their shipments, and inclement weather impedes trucking operations or underlying customer demand.

### **Available Information**

We make available free of charge on or through our website, [www.universallogistics.com](http://www.universallogistics.com), our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission (SEC). The contents of our website are not incorporated into this filing.

## **ITEM 1A: RISK FACTORS**

Set forth below, and elsewhere in this Report and in other documents we file with the SEC, are risks and uncertainties that could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this Report.

### **Risks Related to Our Business**

*Our business is subject to general economic and business factors that are largely beyond our control, any of which could have a material adverse effect on our operating results.*

Our business is dependent upon a number of general economic and business factors that may adversely affect our results of operations. These factors include significant increases or rapid fluctuations in fuel prices, excess capacity in the transportation and logistics industry, surpluses in the market for used equipment, interest rates, fuel taxes, license and registration fees, insurance premiums, self-insurance levels, and difficulty in attracting and retaining qualified drivers and independent contractors.

We operate in a highly competitive and fragmented industry, and our business may suffer if we are unable to adequately address any downward pricing pressures or other factors that may adversely affect our ability to compete with other carriers.

Further, we are affected by recessionary economic cycles and downturns in customers' business cycles, particularly in market segments and industries, such as the automotive industry, where we have a significant concentration of customers. Economic conditions may also adversely affect our customers and their ability to pay for our services.

Deterioration in the United States and world economies could exacerbate any difficulties experienced by our customers and suppliers in obtaining financing, which, in turn, could materially and adversely impact our business, financial condition, results of operations and cash flows.

***We operate in the highly competitive and fragmented transportation and logistics industry, and our business may suffer if we are unable to adequately address factors that may adversely affect our revenue and costs relative to our competitors.***

Numerous competitive factors could impair our ability to maintain our current profitability. These factors include the following:

- we compete with many other truckload carriers and logistics companies of varying sizes, some of which have more equipment, a broader coverage network, a wider range of services and greater capital resources than we do;
- some of our competitors periodically reduce their rates to gain business, especially during times of reduced growth rates in the economy, which may limit our ability to maintain or increase rates, maintain our operating margins or maintain significant growth in our business;
- many customers reduce the number of carriers they use by selecting so-called “core carriers” as approved service providers, and in some instances we may not be selected;
- some companies hire lead logistics providers to manage their logistics operations, and these lead logistics providers may hire logistics providers on a non-neutral basis which may reduce the number of business opportunities available to us;
- many customers periodically accept bids from multiple carriers and providers for their shipping and logistic service needs, and this process may result in the loss of some of our business to competitors and/or price reductions;
- the trend toward consolidation in the trucking and third-party logistics industries may create other large providers with greater financial resources and other competitive advantages relating to their size and with whom we may have difficulty competing;
- advances in technology require increased investments to remain competitive, and our customers may not be willing to accept higher rates to cover the cost of these investments;
- competition from Internet-based and other brokerage companies may adversely affect our relationships with our customers and freight rates;
- economies of scale that may be passed on to smaller providers by procurement aggregation providers may improve the ability of smaller providers to compete with us;
- some areas of our service coverage requires trucks with engines no older than 2011 in order to comply with environmental rules; and
- an inability to continue to access capital markets to finance equipment acquisition could put us at a competitive disadvantage.

***Our revenue is largely dependent on North American automotive industry production volume, and may be negatively affected by future downturns in North American automobile production.***

A significant portion of our larger customers are concentrated in the North American automotive industry. For customers generating annual revenues over \$100,000, 27% of our revenues were derived from customers in the North American automotive industry during 2019. Our business and growth largely depend on continued demand for its services from customers in this industry. Any future downturns in North American automobile production, which also impacts our steel and metals customers, could similarly affect our revenues in future periods.

***Our business derives a large portion of revenue from a few major customers, and the loss of any one or more of them as customers, or a reduction in their operations, could have a material adverse effect on our business.***

A large portion of our revenue is generated from a limited number of major customers concentrated in the automotive, steel and metals, and energy industries. Our top 10 customers accounted for approximately 39% of our operating revenues during 2019. Our contracts with customers generally contain cancellation clauses, and there can be no assurance that these customers will continue to utilize our services or that they will continue at the same levels. Further, there can be no assurance that these customers will not be affected by a future downturn in demand, which would result in a reduction in their operations and corresponding need for our services. Moreover, our customers may individually lose market share, apart from general economic trends. If our major customers lose U.S. market share, they may have less need for services. A reduction in or termination of services by one or more of our major customers could have a material adverse effect on our business and results of operations.

***We may be adversely impacted by fluctuations in the price and availability of diesel fuel.***

Diesel fuel represents a significant operating expense for the Company, and we do not currently hedge against the risk of diesel fuel price increases. An increase in diesel fuel prices or diesel fuel taxes, or any change in federal or state regulations that results in such an increase, could have a material adverse effect on our operating results to the extent we are unable to recoup such increases from customers in the form of increased freight rates or through fuel surcharges. Historically, we have been able to offset, to a certain extent, diesel fuel price increases through fuel surcharges to our customers, but we cannot be certain that we will be able to do so in the future. We continuously monitor the components of our pricing, including base freight rates and fuel surcharges, and address individual account profitability issues with our customers when necessary. While we have historically been able to adjust our pricing to help offset changes to the cost of diesel fuel through changes to base rates and/or fuel surcharges, we cannot be certain that we will be able to do so in the future.

***Difficulty in attracting drivers could affect our profitability and ability to grow.***

The transportation industry routinely experiences difficulty in attracting and retaining qualified drivers, including independent contractors, resulting in intense competition for drivers. We have from time to time experienced under-utilization and increased expenses due to a shortage of qualified drivers. If we are unable to attract drivers when needed or contract with independent contractors when needed, we could be required to further adjust our driver compensation packages, increase driver recruiting efforts, or let trucks sit idle, any of which could adversely affect our growth and profitability.

***If we are unable to retain our key employees, our business, financial condition and results of operations could be harmed.***

We are highly dependent upon the services of our key employees and executive officers. The loss of any of their services could have a material adverse effect on our operations and future profitability. We must continue to develop and retain a core group of managers if we are to realize our goal of expanding our operations and continuing our growth. We cannot assure that we will be able to do so.

***A significant labor dispute involving us or one or more of our customers, or that could otherwise affect our operations, could reduce our revenues and harm our profitability.***

A substantial number of our employees and of the employees of our largest customers are members of industrial trade unions and are employed under the terms of collective bargaining agreements. Each of our unionized facilities has a separate agreement with the union that represents the workers at only that facility. During 2019, a labor strike by the United Auto Workers of its employees at the facilities of our largest customer, General Motors, caused an extended shutdown of General Motors' manufacturing operations and, in turn, materially and adversely impacted our operating results during the third and fourth quarters of 2019. Any future labor disputes involving either us or our customers could similarly affect our operations. If the UAW and our automotive customers and their suppliers are unable to negotiate new contracts in the future and our customers' plants experience slowdowns or closures as a result, our revenue and profitability could be negatively impacted. A labor dispute involving another supplier to our customers that results in a slowdown or closure of our customers' plants to which we provide services could also have a material adverse effect on our business. Significant increases in labor costs as a result of the renegotiation of collective bargaining agreements could also be harmful to our business and our profitability. As of December 31, 2019, approximately 29% of our employees in the United States, Canada and Colombia, and 86% of our employees in Mexico were members of unions and subject to collective bargaining agreements.

In addition, strikes, work stoppages and slowdowns by our employees may affect our ability to meet our customers' needs, and customers may do more business with competitors if they believe that such actions may adversely affect our ability to provide service. We may face permanent loss of customers if we are unable to provide uninterrupted service. The terms of our future collective bargaining agreements also may affect our competitive position and results of operations.

***Ongoing insurance and claims expenses could significantly reduce our earnings and cash flows.***

Our future insurance and claims expenses might exceed historical levels, which could reduce our earnings and cash flows. The Company is self-insured for health and workers' compensation insurance coverage up to certain limits. If medical costs continue to increase, or if the severity or number of claims increase, and if we are unable to offset the resulting increases in expenses with higher freight rates, our earnings could be materially and adversely affected.

***We face litigation risks that could have a material adverse effect on the operation of our business.***

We face litigation risks regarding a variety of issues, including without limitation, accidents involving our trucks and employees, alleged violations of federal and state labor and employment laws, securities laws, environmental liability and other matters. These proceedings may be time-consuming, expensive and disruptive to normal business operations. The defense of such lawsuits could result in significant expense and the diversion of our management's time and attention from the operation of our business. In recent years, several insurance companies have stopped offering coverage to trucking companies as a result of increases in the severity of automobile liability claims and higher costs of settlements and verdicts. Recent jury awards in the trucking industry have reached into the tens and even hundreds of millions of dollars. Trends in such awards, commonly referred to as nuclear verdicts, could adversely affect our ability to obtain suitable insurance coverage or could significantly increase our cost for obtaining such coverage, which would adversely affect our financial condition, results of operations, liquidity and cash flows. Costs we incur to defend or to satisfy a judgment or settlement of these claims may not be covered by insurance or could exceed the amount of that coverage or increase our insurance costs and could have a material adverse effect on our financial condition, results of operations, liquidity and cash flows.

***Purchase price increases for new revenue equipment and/or decreases in the value of used revenue equipment could have an adverse effect on our results of operations, cash flows and financial condition.***

During the last decade, the purchase price of new revenue equipment has increased significantly as equipment manufacturers recover increased materials costs and engine design costs resulting from compliance with increasingly stringent EPA engine emission standards. Additional EPA emission mandates in the future could result in higher purchase prices of revenue equipment which could result in higher than anticipated depreciation expenses. If we were unable to offset any such increase in expenses with freight rate increases, our cash flows and results of operations could be adversely affected. If the market price for used equipment continues to decline, then we could incur substantial losses upon disposition of our revenue equipment which could adversely affect our results of operations and financial condition.

***We have significant ongoing capital requirements that could affect our liquidity and profitability if we are unable to generate sufficient cash from operations or obtain sufficient financing on favorable terms.***

The transportation and logistics industry is capital intensive. If we are unable to generate sufficient cash from operations in the future, we may have to limit our growth, enter into unfavorable financing arrangements, or operate our revenue equipment for longer periods, any of which could have a material adverse effect on our profitability.

***We have a significant amount of debt, which could restrict our growth, place us at a competitive disadvantage or otherwise materially adversely affect our financial health.***

Our significant debt levels could have important consequences such as the following:

- impair our ability to obtain additional future financing for working capital, capital expenditures, acquisitions or general corporate expenses;
- limit our ability to use operating cash flow in other areas of our business due to the necessity of dedicating a substantial portion of these funds for payments on our indebtedness;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- make it more difficult for us to satisfy our obligations;
- increase our vulnerability to general adverse economic and industry conditions; and
- place us at a competitive disadvantage compared to our competitors.

Our ability to make scheduled payments on, or to refinance, our debt and other obligations will depend on our financial and operating performance, which, in turn, is subject to our ability to implement our strategic initiatives, prevailing economic conditions and certain financial, business and other factors beyond our control. If our cash flow and capital resources are insufficient to fund our debt service and other obligations, we may be forced to reduce or delay expansion plans and capital expenditures, sell material assets or operations, obtain additional capital or restructure our debt. We cannot provide any assurance that our operating performance, cash flow and capital resources will be sufficient to pay our debt obligations when they become due. We also cannot provide assurance that we would be able to dispose of material assets or operations or restructure our debt or other obligations if necessary or, even if we were able to take such actions, that we could do so on terms that are acceptable to us.

***Disruptions in the credit markets may adversely affect our business, including the availability and cost of short-term funds for liquidity requirements and our ability to meet long-term commitments, which could adversely affect our results of operations, cash flows and financial condition.***

If cash from operations is not sufficient, we may be required to rely on the capital and credit markets to meet our financial commitments and short-term liquidity needs. Disruptions in the capital and credit markets, as have been experienced during recent years, could adversely affect our ability to draw on our revolving credit facilities. Our access to funds under the credit facilities is dependent on the ability of banks to meet their funding commitments. A bank may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests from other borrowers within a short period of time.

Longer term disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation, reduced alternatives, or failures of significant financial institutions could adversely affect our access to liquidity needed for our business. Any disruption could require us to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for our business needs can be arranged, which could adversely affect our growth and profitability.

***We have substantial fixed costs and, as a result, our operating income fluctuates disproportionately with changes in our net sales.***

A significant portion of our expenses are fixed costs that neither increase nor decrease proportionately with sales. There can be no assurance that we would be able to reduce our fixed costs proportionately in response to a decline in our sales and therefore our competitiveness could be significantly impacted. As a result, a decline in our sales would result in a higher percentage decline in our income from operations and net income.

***We operate in a highly regulated industry and increased costs of compliance with, or liability for violation of, existing or future regulations could have a material adverse effect on our business.***

The U.S. Federal Motor Carrier Safety Administration, or FMCSA, and various state and local agencies exercise broad powers over our business, generally governing such activities as authorization to engage in motor carrier operations, drug and alcohol testing, safety and insurance requirements. Our owner-operators must comply with the safety and fitness regulations promulgated by the FMCSA, including those relating to drug and alcohol testing and hours-of-service. There also are regulations specifically relating to the trucking industry, including testing and specifications of equipment and product handling requirements. These measures could disrupt or impede the timing of our deliveries and we may fail to meet the needs of our customers. The cost of complying with these regulatory measures, or any future measures, could have a materially adverse effect on our business or results of operations.

***A determination that owner-operators are employees, rather than independent contractors, could expose us to various liabilities and additional costs.***

Federal and state legislation as well as tax and other regulatory authorities often seek to assert that independent contractors in the transportation service industry, such as our owner-operators, are employees rather than independent contractors. For example, on September 18, 2019, the state of California passed Assembly Bill 5 (AB5) which codified a standard test for determining a worker's status as an employee or independent contractor for purposes of determining employee benefits such as paid vacation, sick leave, meals and rest breaks, and overtime, known as the ABC test. The ABC test is generally thought to lower the threshold for classifying a worker as an employee as opposed to an independent contractor. AB 5 was scheduled to go into effect on January 1, 2020; however, a California Federal District judge issued a preliminary injunction enjoining California from enforcing AB 5 as to motor carriers. California can appeal the decision to grant the preliminary injunction.

While new in California, versions of the ABC test have existed in a number of other states over the years and have been challenged in various courts as violating the federal government's exclusive right to regulate motor carriers in interstate commerce. There can be no assurance that these interpretations and tax laws that consider these persons independent contractors will not change, that other federal or state legislation will not be enacted or that various authorities will not successfully assert a position that reclassifies independent contractors to be employees. If our owner-operators are determined to be our employees, that determination could materially increase our exposure under a variety of federal and state tax, workers' compensation, unemployment benefits, labor, employment and tort laws, as well as our potential liability for employee benefits. In addition, such changes may be applied retroactively, and if so, we may be required to pay additional amounts to compensate for prior periods. Any of the above increased costs would adversely affect our business and operating results.

***Further changes in U.S. tax laws and regulations may impact our effective tax rate and may adversely affect our business, financial condition, and operating results.***

The Tax Cuts and Jobs Act had a favorable impact on our effective tax rate and our net income for 2018. We also have benefited from certain other tax provisions, such as those relating to capital expenditure deductions. However, future changes in the U.S. tax laws, including any changes related to capital expenditure deductions or any significant changes to federal tax rates, interest expense deductions, or the taxation of business entities, could have a materially adverse effect on our growth opportunities, business, and results of operations.

***Our results of operations may be affected by seasonal factors.***

Our productivity may decrease during the winter season when severe winter weather impedes operations. Also, some shippers may reduce their shipments after the winter holiday season. At the same time, operating expenses may increase and fuel efficiency may decline due to engine idling during periods of inclement weather. Harsh weather conditions generally also result in higher accident frequency, increased freight claims, and higher equipment repair expenditures. Generally, demand for our value-added services delivered to existing customers increases during the second calendar quarter of each year as a result of the automotive industry's spring selling season and decreases during the third quarter of each year due to the impact of scheduled OEM customer plant shutdowns in July for vacations and changeovers in production lines for new model years. Our value-added services business is also impacted in the fourth quarter by plant shutdowns during the December holiday period.

***Our operations are subject to various environmental laws and regulations, the violation of which could result in substantial fines or penalties.***

We are subject to various environmental laws and regulations dealing with the handling of hazardous materials, underground fuel storage tanks, and discharge and retention of storm-water. We operate in industrial areas, where truck terminals and other industrial activities are located, and where groundwater or other forms of environmental contamination could occur. In prior years, we also maintained bulk fuel storage and fuel islands at two of our facilities. Our operations may involve the risks of fuel spillage or seepage, environmental damage, and hazardous waste disposal, among others. If we are involved in a spill or other accident involving hazardous substances, or if we are found to be in violation of applicable laws or regulations, it could have a materially adverse effect on our business and operating results. If we should fail to comply with applicable environmental regulations, we could be subject to substantial fines or penalties and to civil and criminal liability.

***We may incur additional operating expenses or liabilities as a result of potential future requirements to address climate change issues.***

Federal, state and local governments, as well as some of our customers, are beginning to respond to global warming issues. This increased focus on sustainability may result in new legislation or regulations and customer requirements that could negatively affect us as we may incur additional costs or be required to make changes to our operations in order to comply with any new regulations or customer requirements. Legislation or regulations that potentially impose restrictions, caps, taxes, or other controls on emissions of greenhouse gases such as carbon dioxide, a by-product of burning fossil fuels such as those used in the Company's trucks, could adversely affect our operations and financial results. More specifically, legislative or regulatory actions related to climate change could adversely impact the Company by increasing our fuel costs and reducing fuel efficiency and could result in the creation of substantial additional capital expenditures and operating costs in the form of taxes, emissions allowances, or required equipment upgrades. Any of these factors could impair our operating efficiency and productivity and result in higher operating costs. In addition, revenues could decrease if we are unable to meet regulatory or customer sustainability requirements. These additional costs, changes in operations, or loss of revenues could have a material adverse effect on our business, financial condition and results of operations.

***Our business may be disrupted by natural disasters and severe weather conditions causing supply chain disruptions.***

Natural disasters such as earthquakes, tsunamis, hurricanes, tornadoes, floods or other adverse weather and climate conditions, whether occurring in the United States or abroad, could disrupt our operations or the operations of our customers or could damage or destroy infrastructure necessary to transport products as part of the supply chain. Specifically, these events may damage or destroy or assets, disrupt fuel supplies, increase fuel costs, disrupt freight shipments or routes, and affect regional economies. As a result, these events could make it difficult or impossible for us to provide logistics and transportation services; disrupt or prevent our ability to perform functions at the corporate level; and/or otherwise impede our ability to continue business operations in a continuous manner consistent with the level and extent of business activities prior to the occurrence of the unexpected event, which could adversely affect our business and results of operations or make our results more volatile.

***Our information technology systems are subject to certain cyber risks and disasters that are beyond our control.***

We depend heavily on the proper functioning and availability of our information, communications, and data processing systems, including operating and financial reporting systems, in operating our business. Our systems and those of our technology and communications providers are vulnerable to interruptions caused by natural disasters, power loss, telecommunication and internet failures, cyber-attack, and other events beyond our control. Accordingly, information security and the continued development and enhancement of the controls and processes designed to protect our systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority for us.

Although our information systems are protected through physical and software security as well as redundant backup systems, they remain susceptible to cyber security risks. Some of our software systems are utilized by third parties who provide outsourced processing services which may increase the risk of a cyber-security incident.

A successful cyber-attack or catastrophic natural disaster could significantly affect our operating and financial systems and could temporarily disrupt our ability to provide required services to our customers, impact our ability to manage our operations and perform vital financial processes, any of which could have a materially adverse effect on our business.

***We are subject to certain risks arising from doing business in Mexico.***

As we continue to grow our business in Mexico, we are subject to greater risks of doing business internationally, including fluctuations in foreign currencies, changes in the economic strength of Mexico, difficulties in enforcing contractual obligations and intellectual property rights, burdens of complying with a wide variety of international and U.S. export and import laws, and social, political, and economic instability. We also face additional risks associated with our Mexico business, including potential restrictive trade policies and imposition of any import or export tariffs, taxes, duties or fees, as well as potential disruptions or delays at border crossings due to immigration-related issues or other factors. If we are unable to address business concerns related to our international operations in a timely and cost efficient manner, our financial position, results of operations or cash flows could be adversely affected. The agreement permitting cross border movements for both United States and Mexican based carriers in the United States and Mexico presents additional risks in the form of potential increased competition and the potential for increased congestion in our lanes that cross the border between countries.

***Our business may be harmed by public health crises, terrorist attacks, future war or anti-terrorism measures.***

The rapid spread of a contagious illness such as the coronavirus, or fear of such an event, could significantly disrupt global and domestic supply chains for our customers or result in various travel restrictions, any of which could have a material adverse effect on our business and results of operations. It is unknown how extensive supply chains may be affected by the currently developing situation with the coronavirus. In addition, in order to prevent terrorist attacks, federal, state and municipal authorities have implemented and continue to follow various security measures, including checkpoints and travel restrictions on large trucks. Our international operations in Canada and Mexico may be affected significantly if there are any disruptions or closures of border traffic due to security measures. Such measures may have costs associated with them, which, in connection with the transportation services we provide, we or our owner-operators could be forced to bear. Further, a public health crisis, terrorist attack, war, or risk of such an event also may have an adverse effect on the economy. A decline in economic activity could adversely affect our revenue or restrict our future growth. Instability in the financial markets as a result of a health pandemic, terrorism or war also could affect our ability to raise capital. In addition, the insurance premiums charged for some or all of the coverage currently maintained by us could increase dramatically or such coverage could be unavailable in the future.

***We may be unable to successfully integrate businesses we acquire into our operations.***

Integrating businesses we acquire may involve unanticipated delays, costs or other operational or financial problems. Successful integration of the businesses we acquire depends on a number of factors, including our ability to transition acquired companies to our management information systems. In integrating businesses we acquire, we may not achieve expected economies of scale or profitability or realize sufficient revenues to justify our investment. We also face the risk that an unexpected problem at one of the companies we acquire will require substantial time and attention from senior management, diverting management's attention from other aspects of our business. We cannot be certain that our management and operational controls will be able to support us as we grow.



***Discontinuation, reform or replacement of LIBOR may adversely affect our variable rate debt.***

Borrowings under our credit facilities are at variable rates of interest, primarily based on London Interbank Offered Rate (“LIBOR”). LIBOR tends to fluctuate based on general interest rates, rates set by the U.S. Federal Reserve Board and other central banks, the supply of and demand for credit in the London interbank market, and general economic conditions. In July 2017, the Financial Conduct Authority in the U.K. announced a desire to phase out LIBOR as a benchmark by the end of 2021. Financial industry working groups are developing replacement rates and methodologies to transition existing agreements that depend on LIBOR as a reference rate; however, we can provide no assurance that market-accepted rates and transition methodologies will be available and finalized at the time of LIBOR cessation. If clear market standards and transition methodologies have not been developed by the time LIBOR becomes unavailable, we may have difficulty reaching agreement on acceptable replacement rates under our credit facilities. If we are unable to negotiate replacement rates on favorable terms, it could have a material adverse effect on our earnings and cash flows.

**Risks Related to Our Common Stock**

***Because Matthew T. Moroun and Manuel J. Moroun hold a controlling interest in us, the influence of our public shareholders over significant corporate actions is limited, and we are not subject to certain corporate governance standards that apply to other publicly traded companies.***

As of December 31, 2019, Matthew T. Moroun, the Chairman of our Board of Directors, and Manuel J. Moroun, a member of our Board of Directors, together own approximately 71% of our outstanding common stock. As a result, the Moroun family has the power to:

- control all matters submitted to our shareholders;
- elect our directors;
- adopt, extend or remove any anti-takeover provisions that are available to us; and
- exercise control over our business, policies and affairs.

This concentration of ownership could limit the price that some investors might be willing to pay for shares of our common stock. Our ability to engage in significant transactions, such as a merger, acquisition or liquidation, will require the consent of the Moroun family. Conflicts of interest could arise between us and the Moroun family, and any conflict of interest may be resolved in a manner that does not favor us. Accordingly, the Moroun family could cause us to enter into transactions or agreements of which our other shareholders would not approve or make decisions with which they may disagree. Because of the level of ownership held by the Moroun family, we have elected to be treated as a controlled company in accordance with the rules of the NASDAQ Stock Market. Accordingly, we are not required to comply with NASDAQ Stock Market rules which would otherwise require a majority of our board to be comprised of independent directors and require our board to have a compensation committee and a nominating and corporate governance committee comprised of independent directors.

The Moroun family may continue to retain control of us for the foreseeable future and may decide not to enter into a transaction in which shareholders would receive consideration for our common stock that is much higher than the then-current market price of our common stock. In addition, the Moroun family could elect to sell a controlling interest in us to a third-party and our other shareholders may not be able to participate in such transaction or, if they are able to participate in such a transaction, such shareholders may receive less than the then current fair market value of their shares. Any decision regarding their ownership of us that the Moroun family may make at some future time will be in their absolute discretion, subject to applicable laws and fiduciary duties.

***Our stock trading volume may not provide adequate liquidity for investors.***

Although shares of our common stock are traded on the NASDAQ Global Market, the average daily trading volume in our common stock is less than that of other larger transportation and logistics companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of a sufficient number of willing buyers and sellers of the common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which we have no control. Given the daily average trading volume of our common stock, significant sales of the common stock in a brief period of time, or the expectation of these sales, could cause a decline in the price of our common stock. Additionally, low trading volumes may limit a shareholder’s ability to sell shares of our common stock.

***Our ability to pay regular dividends on our common stock is subject to the discretion of our Board of Directors and will depend on, among other things, our financial condition, results of operations, capital requirements, any covenants included in our credit facilities any legal or contractual restrictions on the payment of dividends and other factors the Board of Directors deems relevant.***

We have adopted a cash dividend policy which anticipates a total annual dividend of \$0.42 per share of common stock. However, the payment of future dividends will be at the discretion of our Board of Directors and will depend, among other things, on our financial condition, results of operations, capital requirements, any covenants included in our credit facilities, any legal or contractual restrictions on the payment of dividends and other factors the Board of Directors deem relevant. As a consequence of these limitations and restrictions, we may not be able to make, or may have to reduce or eliminate, the payment of dividends on our common stock. Additionally, any change in the level of our dividends or the suspension of the payment thereof could adversely affect the market price of our common stock.

***Our articles of incorporation and bylaws have, and under Michigan law are subject to, provisions that could deter or prevent a change of control.***

Our articles of incorporation and bylaws contain provisions that might enable our management to resist a proposed takeover of our Company. These provisions could discourage, delay or prevent a change of control of our Company or an acquisition of our Company at a price that our shareholders may find attractive. These provisions also may discourage proxy contests and make it more difficult for our shareholders to elect directors and take other corporate actions. The existence of these provisions could limit the price that investors might be willing to pay in the future for shares of our common stock. These provisions include:

- a requirement that special meetings of our shareholders may be called only by our Board of Directors, the Chairman of our Board of Directors, our Chief Executive Officer or the holders of a majority of our outstanding common stock;
- advance notice requirements for shareholder proposals and nominations;
- the authority of our Board of Directors to issue, without shareholder approval, preferred stock with such terms as the Board of Directors may determine, including in connection with our implementation of any shareholders rights plan; and
- an exclusive forum bylaw provision requiring that any derivative action brought on behalf of the corporation, any action asserting a claim of breach of a legal or fiduciary duty and any similar claim under the Michigan Business Corporation Act or our articles of incorporation must be brought exclusively in the Circuit Court of the County of Macomb in the State of Michigan or the United States District Court for the Eastern District of Michigan, Southern Division.

In addition, certain provisions of Michigan law that apply to us could discourage or prevent a change of control or acquisition of our Company.

#### **ITEM 1B: UNRESOLVED SECURITIES & EXCHANGE COMMISSION STAFF COMMENTS**

None.

#### **ITEM 2: PROPERTIES**

We are headquartered and maintain our corporate administrative offices in Warren, Michigan. We own our corporate administrative offices, as well as 23 terminal yards and other properties in the following locations: Dearborn, Michigan; Romulus, Michigan; Jacksonville, Florida; Garden City, Georgia; Harvey, Illinois; Gary, Indiana; Louisville, Kentucky; Albany, Missouri; Rural Hall, North Carolina; South Kearny, New Jersey; Cleveland, Ohio; Columbus, Ohio; Reading, Ohio; Latty, Ohio; York County, Pennsylvania; Wall, Pennsylvania; Mount Pleasant, South Carolina; Memphis, Tennessee; Dallas, Texas; Houston, Texas; Millwood, West Virginia and Clearfield, Utah.

As of December 31, 2019, we also leased 113 operating, terminal and yard, and administrative facilities in various U.S. cities located in 25 states, in Milton, Ontario; Windsor, Ontario; and in San Luis Potosí, Mexico. Generally, our facilities are utilized by both of our operating segments for various administrative, transportation-related or value-added services. We also deliver value-added services under our logistics segment inside or linked to 29 facilities provided by customers. Certain of our leased facilities are leased from entities controlled by our majority shareholders. These facilities are leased on either a month-to-month basis or extended terms. For more information on our lease arrangements, see Part II, Item 8: Notes 11, 13 and 16 to the Consolidated Financial Statements.

### **ITEM 3: LEGAL PROCEEDINGS**

The Company was plaintiff in a lawsuit that was filed on June 11, 2015 against, among others, Dalton Logistics, Inc. (“Dalton”) in the United States District Court for the Southern District of Texas. The Company was seeking approximately \$1.9 million in damages from a debtor relating to unpaid freight charges. In response to the filing of the complaint, the shareholders of Dalton filed a counterclaim against the Company alleging that the Company, in connection with certain unrelated negotiations with the defendant, breached an alleged agreement to acquire Dalton. The respective claims proceeded to trial and, on July 21, 2017, a jury returned two separate verdicts: one in favor of Universal for \$1.9 million, and a second in favor of the defendant for approximately \$5.7 million. On October 30, 2017, the court entered a judgment against Universal for the \$5.7 million, but ignored the \$1.9 million jury award in favor of Universal. The Company filed an appeal with the United States Court of Appeals for the Fifth Circuit to overturn the verdict and the judgment. On January 3, 2020, the appellate court upheld the verdict and the judgement against Universal. In connection with the ruling, the Company recorded a pre-tax charge to net income of \$2.9 million in the fourth quarter of 2019. The Company expects to fund the \$5.7 million judgement, plus \$0.8 million of accrued interest, in the first quarter of 2020.

As previously disclosed, a predecessor to a subsidiary of the Company was a party to a legal proceeding captioned Denton v. UACL, et al. (the “Denton Litigation”). The Company resolved the Denton Litigation on September 24, 2019 (the “Final Denton Settlement”). Under the terms of the Final Denton Settlement, the Company agreed to pay plaintiffs \$36 million in cash, exclusive of amounts previously paid, based on an opinion issued by the Appellate Court of Illinois First Judicial District on September 24, 2019 affirming the trial court judgment. In connection with the Final Denton Settlement, the Company recorded a pre-tax charge to net income of \$24.8 million in the third quarter of 2019. On October 23, 2019, the Company funded the \$36.0 million payment. The Company’s participation in the Final Denton Settlement does not constitute an admission by the Company of any fault or liability, and the Company does not admit any fault or liability.

The Company is involved in certain other claims and pending litigation arising from the ordinary conduct of business. We also provide accruals for claims within our self-insured retention amounts. Based on the knowledge of the facts, and in certain cases, opinions of outside counsel, in the Company’s opinion the resolution of these claims and pending litigation will not have a material effect on our financial position, results of operations or cash flows. However, if we experience claims that are not covered by our insurance or that exceed our estimated claim reserve, it could increase the volatility of our earnings and have a materially adverse effect on our financial condition, results of operations or cash flows.

### **ITEM 4: MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

### ITEM 5: MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### Market Information

Our common stock is traded on The NASDAQ Global Market under the symbol ULH.

As of March 9, 2020, there were approximately 14 record holders of our common stock, based upon data available to us from our transfer agent. We believe, however, that we have a significantly greater number of shareholders because a substantial number of our common shares are held at The Depository Trust & Clearing Corporation on behalf of our shareholders.

#### Dividends

On February 21, 2018, our Board of Directors approved an increase in the Company's annual cash dividend policy from \$0.28 per share to \$0.42 per share beginning in 2018. In addition, under our current dividend policy, after taking into account the regular quarterly dividends made during the year, the Board of Directors also evaluates the potential declaration of an annual special dividend payable in the first quarter of each year. The Board of Directors did not declare a special dividend in the first quarter of 2020.

Currently, we anticipate continuing to pay cash dividends on a quarterly basis, but we cannot guarantee that such dividends will be paid in the future. Future dividend policy and the payment of dividends, if any, will be determined by the Board of Directors in light of circumstances then existing, including our earnings, financial condition and other factors deemed relevant by the Board of Directors.

Limitations on our ability to pay dividends are described under the section captioned "Liquidity and Capital Resources – Revolving Credit, Promissory Notes and Term Loan Agreements" in Item 7 of this Form 10-K.

#### Securities Authorized for Issuance under Equity Compensation Plans

See Part III, Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters" of this Annual Report for a presentation of compensation plans under which equity securities of the Company are authorized for issuance.

#### Purchases of Equity Securities by the Issuer

On June 30, 2014, the Company announced that it had been authorized to purchase up to 800,000 shares of its common stock from time to time in the open market. As of December 31, 2019, the Company may purchase 751,153 shares of its common stock under this authorization. No specific expiration date has been assigned to the authorization.

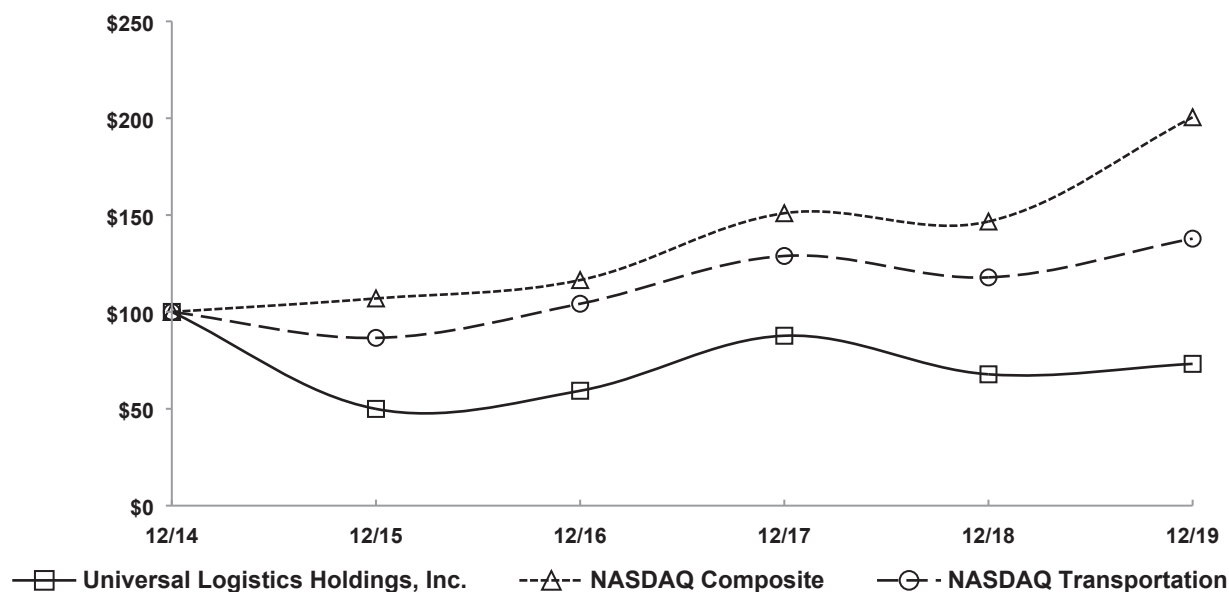
There were no purchases of our equity securities by or on behalf of us or any affiliated purchaser within the fourth quarter of 2019.

## Performance Graph

The graph below matches Universal Logistics Holdings, Inc.'s cumulative 5-year total shareholder return on common stock with the cumulative total returns of the NASDAQ Composite index and the NASDAQ Transportation index. The graph tracks the performance of a \$100 investment in our common stock and in each index (with the reinvestment of all dividends) from December 31, 2014 to December 31, 2019.

### COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\*

Among Universal Logistics Holdings, Inc., the NASDAQ Composite Index  
and the NASDAQ Transportation Index



\*\$100 invested on 12/31/14 in stock or index, including reinvestment of dividends.  
Fiscal year ending December 31.

	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>
Universal Logistics Holdings, Inc. ....	100.00	49.94	59.30	87.71	67.80	73.20
NASDAQ Composite.....	100.00	106.96	116.45	150.96	146.67	200.49
NASDAQ Transportation.....	100.00	86.61	104.22	128.89	117.83	137.84

*The stock price performance included in this graph is not necessarily indicative of future stock price performance.*

**ITEM 6: SELECTED FINANCIAL DATA**

The following table sets forth the selected historical financial and operating data as of and for the periods presented. The selected historical balance sheet data at December 31, 2019, 2018, 2017, 2016 and 2015 and the selected historical statement of income data for the years ended December 31, 2019, 2018, 2017, 2016 and 2015 have been derived from our audited consolidated financial statements. The selected historical financial and operating data presented below should be read in conjunction with the information included under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included elsewhere in this Form 10-K. The following financial and operating data may not be indicative of our future performance.

	<b>Years ended December 31,</b>				
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	(In thousands, except per share information, operating data and percentages)				
<b>Statements of Income Data:</b>					
Operating revenues.....	\$ 1,511,998	\$ 1,461,708	\$ 1,216,665	\$ 1,072,751	\$ 1,128,773
Operating expenses:					
Purchased transportation and equipment rent.....	723,079	716,019	577,485	509,775	567,558
Direct personnel and related benefits.....	368,243	354,654	314,364	265,316	222,454
Operating supplies and expenses.....	120,767	122,736	115,420	103,013	113,545
Commission expense.....	31,204	37,381	33,213	32,350	37,844
Occupancy expense.....	36,645	30,701	30,575	31,923	27,004
General and administrative (1).....	44,497	31,523	31,518	29,368	30,687
Insurance and claims (1).....	47,418	30,475	41,881	17,724	21,413
Depreciation and amortization.....	74,765	54,425	46,995	36,702	34,873
Total operating expenses.....	<u>1,446,618</u>	<u>1,377,914</u>	<u>1,191,451</u>	<u>1,026,171</u>	<u>1,055,378</u>
Income from operations.....	65,380	83,794	25,214	46,580	73,395
Interest income.....	73	76	92	157	55
Interest expense.....	(17,085)	(14,669)	(9,538)	(8,266)	(9,235)
Other non-operating income.....	1,818	188	1,373	934	790
Income before for income taxes.....	50,186	69,389	17,141	39,405	65,005
Income tax (benefit) expense.....	12,600	17,211	(11,012)	15,161	25,004
Net income.....	<u>\$ 37,586</u>	<u>\$ 52,178</u>	<u>\$ 28,153</u>	<u>\$ 24,244</u>	<u>\$ 40,001</u>
Earnings per common share:					
Basic.....	\$ 1.34	\$ 1.84	\$ 0.99	\$ 0.85	\$ 1.37
Diluted.....	\$ 1.34	\$ 1.84	\$ 0.99	\$ 0.85	\$ 1.37
Weighted average number of common shares outstanding:					
Basic.....	28,069	28,383	28,425	28,411	29,233
Diluted.....	28,070	28,390	28,428	28,411	29,235
Dividends declared per common share.....	<u>\$ 0.42</u>	<u>\$ 0.53</u>	<u>\$ 0.28</u>	<u>\$ 0.28</u>	<u>\$ 0.28</u>
<b>Balance Sheet Data (at end of period):</b>					
Cash and cash equivalents.....	\$ 7,726	\$ 5,727	\$ 1,672	\$ 1,755	\$ 12,930
Total assets.....	\$ 987,997	\$ 843,147	\$ 610,592	\$ 570,457	\$ 503,155
Total debt.....	\$ 459,729	\$ 403,155	\$ 249,239	\$ 262,850	\$ 234,913

**Years ended December 31,**

	2019	2018	2017	2016	2015
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(In thousands, except per share information, operating data and percentages)

**Other Data:**

EBITDA (2) .....	\$ 141,963	\$ 138,407	\$ 73,582	\$ 84,216	\$ 109,058
Adjusted EBITDA (2).....	\$ 171,955	\$ 147,407	\$ 90,937	\$ 84,216	\$ 109,058
Operating margin (3).....	4.3%	5.7%	2.1%	4.3%	6.5%
Adjusted operating margin (2) (3) .....	6.3%	6.3%	3.5%	4.3%	6.5%
EBITDA margin (2) (3) .....	9.4%	9.5%	6.0%	7.9%	9.7%
Adjusted EBITDA margin (3) .....	11.4%	10.1%	7.5%	7.9%	9.7%
Return on average assets (4) .....	4.1%	7.2%	4.8%	4.5%	7.8%
Average number of employees .....	6,438	7,283	7,253	5,573	4,397
Average number of full time equivalents.....	1,487	1,405	1,731	2,172	1,606
Average number of tractors .....	4,690	4,057	3,996	4,335	4,142
Number of value-added programs .....	55	50	50	47	49
Number of agents (5) .....	211	230	232	253	264
Operating revenues per loaded mile (6).....	\$ 3.70	\$ 3.38	\$ 2.89	\$ 2.72	\$ 2.96
Operating revenues per load (6).....	\$ 657	\$ 859	\$ 822	\$ 730	\$ 809
Average length of haul (in miles) (6).....	177	254	284	269	274
Fuel surcharge revenues (where separately identified).....	\$ 89,646	\$ 85,061	\$ 59,511	\$ 50,869	\$ 75,743

- (1) See Item 8, Note 16 to the Consolidated Financial Statements for further information on settled legal matters.
- (2) Non-GAAP financial measure. See “Non-GAAP Financial Measures” below for a discussion of our non-GAAP financial measures and a reconciliation of such measures to the most comparable GAAP measure.
- (3) Operating margin, adjusted operating margin, EBITDA margin, and adjusted EBITDA margin are computed by dividing income from operations, adjusted income from operations, EBITDA, and adjusted EBITDA, respectively, by total operating revenues for each of the periods indicated.
- (4) Net income divided by total average assets during the period. Average assets are the sum of our total assets at the end of the fiscal year and our total assets at the end of the prior fiscal year divided by two.
- (5) Includes only those agents who generated at least \$100,000 in operating revenues during the period indicated.
- (6) Includes fuel surcharges, where separately identifiable, and excludes data from our freight forwarding division in order to improve the relevance of the statistical data related to our brokerage services and improve the comparability to our peer companies. Also excludes final mile delivery and shuttle service loads.

## Non-GAAP Financial Measures

In addition to providing consolidated financial statements based on generally accepted accounting principles in the United States of America (GAAP), we are providing additional financial measures that are not required by or prepared in accordance with GAAP (non-GAAP). We present adjusted income from operations; earnings before interest, taxes, depreciation and amortization expenses (EBITDA); adjusted EBITDA; adjusted operating margin; EBITDA margin; and adjusted EBITDA margin as supplemental measures of our performance. We define adjusted income from operations as income from operations adjusted to eliminate the impact of certain items that we do not consider indicative of our ongoing operating performance, including charges related to certain litigation taken in 2019, 2018 and 2017. We define EBITDA as net income plus (i) interest expense, net, (ii) provision for income taxes and (iii) depreciation and amortization. Adjusted EBITDA is further adjusted to eliminate the impact of certain items that we do not consider indicative of our ongoing operating performance, including charges taken related to certain litigation in 2019, 2018 and 2017. Adjusted operating margin, EBITDA margin, and adjusted EBITDA margin are computed by dividing adjusted income from operations, EBITDA, and adjusted EBITDA, respectively, by total operating revenues. The comparable GAAP measure, operating margin, is computed by dividing income from operations by total operating revenues.

The calculations of adjusted income from operations, EBITDA, and adjusted EBITDA are itemized below. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating adjusted income from operations, EBITDA and adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of adjusted income from operations, EBITDA and adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

In accordance with the requirements of Regulation G issued by the Securities and Exchange Commission, we are presenting the most directly comparable GAAP financial measure and reconciling the non-GAAP financial measure to the comparable GAAP measure. Set forth below is a reconciliation of income from operations, the most comparable GAAP measure, to adjusted income from operations; and of net income, the most comparable GAAP measure, to EBITDA and adjusted EBITDA for each of the periods indicated:

	Years ended December 31,				
	2019	2018	2017	2016	2015
	(In thousands, except per share information, operating data and percentages)				
<b>Adjusted income from operations</b>					
Income from operations .....	\$ 65,380	\$ 83,794	\$ 25,214	\$ 46,580	\$ 73,395
Litigation charges (1) .....	29,992	9,000	17,355	—	—
Adjusted income from operations .....	<u>\$ 95,372</u>	<u>\$ 92,794</u>	<u>\$ 42,569</u>	<u>\$ 46,580</u>	<u>\$ 73,395</u>
<b>Adjusted EBITDA</b>					
Net income .....	\$ 37,586	\$ 52,178	\$ 28,153	\$ 24,244	\$ 40,001
Income tax (benefit) expense .....	12,600	17,211	(11,012)	15,161	25,004
Interest expense, net .....	17,012	14,593	9,446	8,109	9,180
Depreciation and amortization .....	74,765	54,425	46,995	36,702	34,873
EBITDA .....	141,963	138,407	73,582	84,216	109,058
Litigation charges (1) .....	29,992	9,000	17,355	—	—
Adjusted EBITDA .....	<u>\$ 171,955</u>	<u>\$ 147,407</u>	<u>\$ 90,937</u>	<u>\$ 84,216</u>	<u>\$ 109,058</u>

(1) Represents charges recorded in 2019, 2018 and 2017 related to certain litigation.

We present adjusted income from operations, EBITDA and adjusted EBITDA, and the related metrics of adjusted operating margin, EBITDA margin and adjusted EBITDA margin, in this Form 10-K because we believe they assist investors and analysts in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance.

These performance metrics have limited utility as analytical tools. Some of these limitations are:

- Adjusted income from operations and adjusted EBITDA do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- Adjusted income from operations and adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted income from operations and adjusted EBITDA do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and adjusted EBITDA does not reflect any cash requirements for such replacements;



- Adjusted income from operations and adjusted EBITDA do not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; and
- Other companies in our industry may calculate adjusted income from operations, EBITDA and adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, adjusted income from operations, EBITDA and adjusted EBITDA, and the related metrics of adjusted operating margin, EBITDA margin and adjusted EBITDA margin, should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and using these non-GAAP metrics as secondary, supplemental measures.

## ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Overview

We are a leading asset-light provider of customized transportation and logistics solutions throughout the United States, and in Mexico, Canada and Colombia. We provide a comprehensive suite of transportation and logistics solutions that allow our customers to reduce costs and manage their global supply chains more efficiently. We market our services through a direct sales and marketing network focused on selling our portfolio of services to large customers in specific industry sectors, through a contract network of agents who solicit freight business directly from shippers, and through company-managed facilities and full-service freight forwarding and customs house brokerage offices.

Our network of agents and owner-operators is located throughout the United States and in Ontario, Canada, and we operate, manage or provide services at 119 logistics locations in the United States, Mexico, Canada and Colombia. Twenty-nine of our value-added service operations are located inside customer plants or distribution operations; the other facilities are generally located close to our customers' plants to optimize the efficiency of their component supply chains and production processes. Our facilities and services are often directly integrated into the production processes of our customers and represent a critical piece of their supply chains. To support our asset-light business model, we generally coordinate the duration of real estate leases associated with our value-added services with the end date of the related customer contract associated with such facility, or use month-to-month leases, in order to mitigate exposure to unrecovered lease costs.

We offer our customers a wide range of transportation services by utilizing a diverse fleet of tractors and trailing equipment provided by us, our owner-operators and third-party transportation companies. Our owner-operators provided us with 3,517 tractors and 1,782 trailers. We own 1,731 tractors, 3,932 trailers, 3,293 chassis and 738 containers. Our agents and owner-operators are independent contractors who earn a fixed commission calculated as a percentage of the revenue or gross profit they generate for us and who bring an entrepreneurial spirit to our business. Our transportation services are provided through a network of both union and non-union employee drivers, owner-operators, contract drivers, and third-party transportation companies.

As of December 31, 2019, we employed 6,541 people in the United States, Mexico, Canada, and Colombia, including 2,174 employees subject to collective bargaining agreements. We also engaged contract staffing vendors to supply an average of 1,487 additional personnel on a full-time-equivalent basis.

Our use of agents, owner-operators, third-party providers and contract staffing vendors allows us to maintain both a highly flexible cost structure and a scalable business operation, while reducing investment requirements. These benefits are passed on to our customers in the form of cost savings and increased operating efficiency, while enhancing our cash generation and the returns on our invested capital and assets.

We believe that our flexible business model also offers us substantial opportunities to grow through a mixture of organic growth and acquisitions. We intend to continue our organic growth by recruiting new agents and owner-operators, expanding into new industry verticals and targeting further penetration of our key customers. We believe our integrated suite of transportation and logistics services, our network of facilities in the United States, Mexico, Canada, and Colombia, our long-term customer relationships and our reputation for operational excellence will allow us to capitalize on these growth opportunities. We also expect to continue to make strategic acquisitions of companies that complement our asset light business model, as well as companies that derive a portion of their revenues from asset based operations.

### Factors Affecting Our Revenues

*Operating Revenues.* We generate substantially all of our revenues through fees charged to customers for the transportation of freight and for the customized logistics services we provide. We also derive revenue from fuel surcharges, where separately identifiable, loading and unloading activities, equipment detention, container management and storage and other related services. Operations aggregated in our transportation segment are associated with individual freight shipments coordinated by our agents, company-managed terminals and specialized services operations. In contrast, operations aggregated in our logistics segment deliver value-added services and transportation services to specific customers on a dedicated basis, generally pursuant to contract terms of one year or longer. Our segments are distinguished by the amount of forward visibility we have in regards to pricing and volumes, and also by the extent to which we dedicate resources and company-owned equipment. Fees charged to customers by our full service international freight forwarding and customs house brokerage are based on the specific means of forwarding or delivering freight on a shipment-by-shipment basis.

Our transportation revenues are primarily influenced by fluctuations in freight volumes and shipping rates. The main factors that affect these are competition, available truck capacity, and economic market conditions. Our value-added contract business is substantially driven by the level of demand for outsourced logistics services. Major factors that affect our revenues include changes in manufacturing supply chain requirements, production levels in specific industries, pricing trends due to levels of competition and resource costs in logistics and transportation, and economic market conditions.

We recognize revenue as control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration the Company expects to receive in exchange for its services. For our transportation services businesses, which include truckload, brokerage, intermodal and dedicated services, revenue is recognized over-time as the performance obligations on the in-transit services are completed. For the Company's value-added service businesses, we have elected to use the "right to invoice" practical expedient, reflecting that a customer obtains the benefit associated with value-added services as they are provided. For additional information on revenue recognition, see Item 8, Note 3 to the Consolidated Financial Statements.

### **Factors Affecting Our Expenses**

*Purchased transportation and equipment rent.* Purchased transportation and equipment rent represents the amounts we pay to our owner-operators or other third party equipment providers to haul freight and, to the extent required to deliver certain logistics services, the cost of equipment leased under short-term contracts from third parties. The amount of the purchased transportation we pay to our owner-operators is primarily based on a contractually agreed-upon percentage of our revenue for each load hauled, net of any rental income we receive by leasing our trailers to owner-operators. The expense also includes the amount of fuel surcharges, where separately identifiable, that we receive from our customers and pass through to our owner-operators. Our strategy is to maintain a highly flexible business model that employs a cost structure that is mostly variable in nature. As a result, purchased transportation and equipment rent is the largest component of our costs and increases or decreases proportionately with changes in the amount of revenue generated by our owner-operators and other third party providers and with the production volumes of our customers. We recognize purchased transportation and equipment rent as the services are provided.

*Direct personnel and related benefits.* Direct personnel and related benefits include the salaries, wages and fringe benefits of our employees, as well as costs related to contract labor utilized in selling and operating activities. These costs are a significant component of our cost structure and increase or decrease proportionately with the expansion, addition or closing of operating facilities. As of December 31, 2019, approximately 29% of our employees in the United States, Canada and Colombia, and 86% of our employees in Mexico were subject to collective bargaining agreements. Any changes in union agreements will affect our personnel and related benefits cost. The operations in the United States, Mexico and Canada that are subject to collective bargaining agreements have separate, individualized agreements with several different unions that represent employees in these operations. While there are some facilities with multiple unions, each collective bargaining agreement with each union covers a single facility for that union. Such agreements have expiration dates that are generally independent of other collective bargaining agreements and include economics and operating terms tailored to the specific operational requirements of a customer. Our operation in Mexico provides competitive compensation within the Mexican statutory framework for managerial and supervisory personnel.

*Operating supplies and expenses.* These expenses include items such as fuel, tires and parts repair items primarily related to the maintenance of company owned/leased tractors, trailers and lift equipment, as well as licenses, dock supplies, communication, utilities, operating taxes and other general operating expenses. Because we maintain a flexible business model, our operating expenses generally relate to equipment utilization, fluctuations in customer demand and the related impact on our operating capacity. Our transportation services provided by company owned equipment depend on the availability and pricing of diesel fuel. Although we often include fuel surcharges in our billing to customers to offset increases in fuel costs, other operating costs have been, and may continue to be, impacted by fluctuating fuel prices. We recognize these expenses as they are incurred and the related income as it is earned.

*Commission expense.* Commission expense represents the amount we pay our agents for generating shipments on our behalf. The commissions we pay to our agents are generally established through informal oral agreements and are based on a percentage of revenue or gross profit generated by each load hauled. Traditionally, commission expense increases or decreases in proportion to the revenues generated through our agents. We recognize commission expense at the time we recognize the associated revenue.

*Occupancy expense.* Occupancy expense includes all costs related to the lease and tenancy of terminals and operating facilities, except utilities, unless such costs are otherwise covered by our customers. Although occupancy expense is generally related to fluctuations in overall customer demand, our contracting and pricing strategies help mitigate the cost impact of changing production volumes. To minimize potential exposure to inactive or underutilized facilities that are dedicated to a single customer, we strive where possible to enter into lease agreements that are coterminous with individual customer contracts, and we seek contract pricing terms that recover fixed occupancy costs, regardless of production volume. Occupancy expense may also include certain lease termination and related occupancy costs that are accelerated for accounting purposes into the fiscal year in which such a decision was implemented.

*General and administrative expense.* General and administrative expense includes the salaries, wages and benefits of administrative personnel, related support costs, taxes (other than income and property taxes), adjustments due to foreign currency transactions, bad debt expense, and other general expenses, including gains or losses on the sale or disposal of assets. These expenses are generally not directly related to levels of operating activity and may contain other expenses related to general business operations. We recognize general and administrative expense when it is incurred.

*Insurance and claims.* Insurance and claims expense represents our insurance premiums and the accruals we make for claims within our self-insured retention amounts. Our insurance premiums are generally calculated based on a mixture of a percentage of line-haul revenue and the size of our fleet. Our accruals have primarily related to cargo and property damage claims. We may also make accruals for personal injuries and property damage to third parties, physical damage to our equipment, general liability and workers' compensation claims if we experience a claim in excess of our insurance coverage. To reduce our exposure to non-trucking use liability claims (claims incurred while the vehicle is being operated without a trailer attached or is being operated with an attached trailer which does not contain or carry any cargo), we require our owner-operators to maintain non-trucking use liability coverage, which the industry refers to as deadhead bobtail coverage, of \$2.0 million per occurrence. Our exposure to liability associated with accidents incurred by other third party providers who haul freight on our behalf is reduced by various factors including the extent to which they maintain their own insurance coverage. Our insurance expense varies primarily based upon the frequency and severity of our accident experience, insurance rates, our coverage limits and our self-insured retention amounts.

*Depreciation and amortization.* Depreciation and amortization expense relates primarily to the depreciation of owned tractors, trailers, computer and operating equipment, and buildings as well as the amortization of the intangible assets recorded for our acquired customer contracts and customer and agent relationships. We estimate the salvage value and useful lives of depreciable assets based on current market conditions and experience with past dispositions.

## Operating Revenues

We broadly group our services into the following categories: truckload services, brokerage services, intermodal services, dedicated services and value-added services. Our truckload, brokerage and intermodal services associated with individual freight shipments coordinated by our agents and company-managed terminals are generally aggregated into our reportable transportation segment, while our dedicated and value-added services to specific customers on a contractual basis make up our logistics segment. The following table sets forth operating revenues resulting from each of these service categories for the years ended December 31, 2019, 2018 and 2017, presented as a percentage of total operating revenues:

	Years ended December 31,		
	2019	2018	2017
Operating revenues:			
Truckload services .....	16.6%	21.5%	24.9%
Brokerage services.....	23.5%	25.1%	22.9%
Intermodal services.....	25.8%	17.2%	12.6%
Dedicated services .....	9.2%	9.9%	9.8%
Value-added services .....	24.9%	26.3%	29.8%
Total operating revenues .....	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

## Results of Operations

The following table sets forth items derived from our Consolidated Statements of Income for the years ended December 31, 2019, 2018 and 2017, presented as a percentage of operating revenues:

	Years ended December 31,		
	2019	2018	2017
Operating revenues .....	100.0%	100.0%	100.0%
Operating expenses:			
Purchased transportation and equipment rent.....	47.8	49.0	47.5
Direct personnel and related benefits .....	24.4	24.3	25.8
Operating supplies and expenses .....	8.0	8.4	9.5
Commission expense .....	2.1	2.6	2.7
Occupancy expense .....	2.4	2.1	2.5
General and administrative .....	2.9	2.2	2.6
Insurance and claims .....	3.1	2.1	3.4
Depreciation and amortization.....	4.9	3.7	3.9
Total operating expenses.....	95.7	94.3	97.9
Income from operations .....	4.3	5.7	2.1
Interest and other non-operating income (expense), net.....	(1.0)	(0.9)	(0.7)
Income before for income taxes.....	3.3	4.7	1.4
Income tax (benefit) expense .....	0.8	1.1	(0.9)
Net income .....	2.5%	3.6%	2.3%

### 2019 Compared to 2018

*Operating revenues.* Operating revenues for 2019 increased \$50.3 million, or 3.4%, to \$1,512.0 million from \$1,461.7 million in 2018. The increase in operating revenues is primarily the result of incremental revenues from Universal's recent intermodal acquisitions. Included in operating revenues are separately-identified fuel surcharges of \$89.6 million in 2019 compared to \$85.1 million in 2018. Consolidated income from operations decreased \$18.4 million, or 22.0%, to \$65.4 million for 2019 compared to \$83.8 million during the same period last year. Included in 2019 income from operations were \$30.0 million in litigation related charges compared to \$9.0 million in 2018. Revenues from our transportation segment increased \$64.3 million, or 6.8%, while income from operations decreased \$31.4 million, or 60.8%, compared to the same period last year. The increase in operating revenues was attributable to Universal's recent intermodal acquisitions, while the decrease in operating income was primarily the result of \$24.8 million in litigation charges in our transportation segment during 2019. The transportation segment was further impacted by a soft transportation rate environment throughout the year. In our logistics segment, revenues decreased \$13.6 million, or 2.7%, over the same period last year primarily due to the adverse impact of the United Auto Workers ("UAW") strike at Universal's largest customer during the third and fourth quarters of 2019. Despite the impacts from the strike, income from operations in our logistics segment increased \$16.6 million or 53.2% due to improved operating performance in our dedicated transportation businesses as well as our operations supporting Class 8 heavy-truck production. Additionally, included in 2018 operating income in our logistics segment were \$9.0 million in litigation charges.

Operating revenues from truckload services decreased \$62.2 million to \$251.6 million during 2019, compared to \$313.8 million for the same period last year. Included in truckload revenues during 2019 were \$26.3 million in separately-identified fuel surcharges compared to \$34.3 million during the same period last year. During the year, Universal's average operating revenue per load, excluding fuel surcharges, decreased 1.0% to \$965. There was also an 18.7% decrease in the number of loads hauled. During 2019, Universal hauled 233,829 loads compared to 287,782 during the same period last year.

Revenues during 2019 from brokerage services decreased \$12.6 million, or 3.4%, to \$354.9 million compared to \$367.6 million during the same period last year. The decrease reflects a 10.0% decrease in average operating revenue per load, which was partially offset by an increase in the number of brokerage loads moved. The number of brokerage loads moved during 2019 increased 8.3% to 228,203 compared to 210,713 during the same period last year.

Intermodal services revenues increased \$139.2 million to \$390.3 million during 2019, up from \$251.1 million during the same period last year. Intermodal revenues included \$150.4 million of incremental revenues related to Universal's recent acquisitions. Intermodal revenues for 2019 also included \$47.1 million in separately identified fuel surcharges, compared to \$30.3 million in the same period last year. During 2019, Universal moved 671,184 intermodal loads compared to 455,752 in 2018, an increase of 47.3%, while also increasing its average operating revenue per load, excluding fuel surcharges, by 5.2%.

Operating revenues from dedicated services decreased \$5.7 million in 2019 to \$138.7 million compared to \$144.3 million in the prior year. Included in dedicated revenues in 2019 were \$16.1 million in separately-identified fuel surcharges compared to \$17.9 million during the same period last year. The decrease in operating revenues was primarily attributable to the impact the UAW labor strike had on operations supporting General Motors.

Value-added services revenues decreased \$8.4 million to \$376.5 million during 2019 compared to \$384.9 million in the same period last year. Operations supporting passenger vehicle programs declined during the period due to extended plant shut-downs and reduced production levels during a plant ramp up, as well as halted production during the UAW labor strike. The impact was partially offset by strong growth in our operations supporting heavy-truck production where 2019 revenues increased \$6.7 million compared to the previous year.

*Purchased transportation and equipment rent.* Purchased transportation and equipment rental costs for 2019 increased by \$7.1 million, or 1.0%, to \$723.1 million from \$716.0 million during the same period last year. Purchased transportation and equipment rent generally increases or decreases in proportion to the revenues generated through owner-operators and other third party providers, and is generally correlated with changes in demand for transportation-related services, including truckload, brokerage, intermodal and to a lesser extent, dedicated services. The absolute increase in purchased transportation and equipment rental costs was primarily the result of an increase in transportation-related service revenues. Universal's 2019 transportation-related service revenues increased 5.4% compared to the same period last year. As a percentage of operating revenues, purchased transportation and equipment rent expense decreased to 47.8% compared to 49.0% in 2018. The decrease was primarily attributable to an increase in the mix of intermodal revenues, where the cost of transportation is typically lower than our other transportation businesses. As a percentage of revenues, intermodal services increased to 25.8% in 2019 compared to 17.2% in 2018. Also contributing to the decrease as a percentage was an increase in the mix of company drivers used in our dedicated operations compared to the use of owner-operators in prior periods.

*Direct personnel and related benefits.* Direct personnel and related benefits for 2019 increased by \$13.6 million, or 3.8%, to \$368.2 million compared to \$354.7 million during the same period last year. Trends in these expenses are generally correlated with changes in operating facilities and headcount requirements and, therefore, increase and decrease with the level of demand for our value-added services and staffing needs of our operations. However, in 2019, we experienced extended plant shut-downs in operations supporting passenger vehicles, and thus value-added revenues associated with those operations were lower compared to the prior year. Increases in direct personnel and related benefits were primarily driven by increases in labor costs in our dedicated transportation business as well as company-managed brokerage operations. A portion of the increase was also attributable to incremental personnel and related benefits from acquired companies, which totaled \$19.3 million. As a percentage of operating revenues, personnel and related benefits slightly increased to 24.4% for 2019, compared to 24.3% for 2018. The percentage is derived on an aggregate basis from both existing and new programs, and from customer operations at various stages in their lifecycles. Individual operations may be impacted by additional production shifts or by overtime at selected operations. While generalizations about the impact of personnel and related benefits costs as a percentage of total revenue are difficult, we manage compensation and staffing levels, including the use of contract labor, to maintain target economics based on near-term projections of demand for our services.

*Operating supplies and expenses.* Operating supplies and expenses decreased by \$2.0 million, or 1.6%, to \$120.8 million for 2019 compared to \$122.7 million for 2018. These expenses include items such as fuel, maintenance, cost of materials, communications, utilities and other operating expenses, and generally relate to fluctuations in customer demand. The main elements of the decrease included decreases of \$4.6 million in operating supplies and material costs in operations supporting heavy-truck programs, \$1.5 million in fuel expense on company tractors, \$0.9 million in professional fees, \$0.3 million in utilities, and \$0.3 million in plate expenses. These decreases were partially offset by increases of \$2.2 million in bad debt expense, \$1.7 million in vehicle and other maintenance, \$0.7 million in permit expenses, \$0.6 million in travel and entertainment, and \$0.6 million in communications expenses.

*Commission expense.* Commission expense for 2019 decreased by \$6.2 million, or 16.5%, to \$31.2 million from \$37.4 million for 2018. Commission expense decreased due to decreased revenue in the agency based truckload business. As a percentage of operating revenues, commission expense decreased to 2.1% for 2019, compared to 2.6% one year earlier.

*Occupancy expense.* Occupancy expenses increased by \$5.9 million, or 19.4%, to \$36.6 million for 2019. This compares to \$30.7 million for 2018. The increase was primarily attributable to an increase in building rents due to new locations added from recent acquisitions as well as a redundant facility temporarily kept open in preparation of a relocation at of one of our operations supporting heavy-truck production.

*General and administrative.* General and administrative expense for 2019 increased by \$13.0 million to \$44.5 million from \$31.5 million in 2018. The increase was attributable to a \$7.0 million increase in professional fees and a \$5.9 million increase in salaries, wages, and benefits. Included in the increase in professional fees was a \$5.1 million charge for a previously disclosed legal matter. As a percentage of operating revenues, general and administrative expense was 2.9% for 2019 compared to 2.2% for 2018.

*Insurance and claims.* Insurance and claims expense for 2019 increased by \$16.9 million to \$47.4 million from \$30.5 million in 2018. As a percentage of operating revenues, insurance and claims increased to 3.1% for 2019 compared to 2.1% for 2018. Included in 2019 were \$24.8 million in pre-tax charges for the settlement of a legal matter. 2018 included \$9.0 million in similar charges. Excluding these items, insurance and claims expense was \$22.6 million in 2019 and \$21.5 million in 2018. The increase in insurance and claims expense, excluding the legal settlements, is primarily due to \$4.0 million of increases in insurance premiums partially offset by \$2.9 million in decrease in cargo claims.

*Depreciation and amortization.* Depreciation and amortization expense for 2019 increased by \$20.3 million, or 37.4%, to \$74.8 million from \$54.4 million for 2018. Depreciation expense increased \$10.3 million in 2019 and amortization expense increased \$10.0 million. The increase in depreciation expense is attributable to additional cost from the continued recapitalization of our fleet, while the increase in amortization expense is attributable to amortization of intangible assets acquired in connection with Universal's recent acquisitions.

*Interest expense, net.* Net interest expense was \$17.0 million for 2019 compared to \$14.6 million for 2018. The increase of net interest expense reflects an increase in outstanding borrowing. As of December 31, 2019, our outstanding borrowings totaled \$459.7 million compared to \$403.2 million at the same time last year.

*Other non-operating income.* Other non-operating income was \$1.8 million for 2019 compared to \$0.2 million for 2018. Included in other non-operating income during 2019 were \$1.5 million of gains on marketable securities compared to \$1.3 million of losses in 2018. Additionally, included in other non-operating income in 2018 were gains of \$1.0 million from life insurance policies.

*Income tax (benefit) expense.* Income tax expense for 2019 was \$12.6 million, compared to \$17.2 million for 2018, based on an effective tax rate of 25.1% and 24.8% respectively. The decrease in income tax expense in 2019 is primarily the result of a decrease in taxable income.

## **2018 Compared to 2017**

*Operating revenues.* Operating revenues for 2018 increased \$245.0 million, or 20.1%, to \$1,461.7 million from \$1,216.7 million during 2017. Operating revenues increased due to several factors including significant operations in support of heavy-truck programs, a strong pricing environment across our transportation services and an increase in fuel surcharges. Included in operating revenues are separately-identified fuel surcharges of \$85.1 million for 2018 compared to \$59.5 million for 2017. Also included in operating revenues are \$70.9 million of revenues attributable to the acquisitions of Fore Transportation, Southern Counties, Specialized Rail Services, and Container Connection in 2018. Operating income increased by \$58.6 million to \$83.8 million compared to \$25.2 million during 2017. Included in the 2017 results were \$17.4 million of charges associated with on-going litigation. Operating results for 2018 included \$9.0 million of pre-tax charges for the settlement of a legal matter. The increase in operating income was due to improved performance in both our transportation and logistics segments as well as \$5.1 million of operating income attributable to the acquisitions of Fore Transportation, Southern Counties, Specialized Rail Services, and Container Connection. Revenues from our transportation segment increased \$198.9 million, or 26.5%, and income from operations increased \$37.1 million. The increase in income was primarily attributable to increased revenues and improved operating margins in several of our transportation segment businesses as well as \$5.1 million of operating income attributable to our acquisitions. In our logistics segment, revenues increased \$45.8 million, or 9.9% over 2017, while income from operations increased \$20.5 million. The increase was primarily due to operations supporting heavy truck programs as well as an increase in both shuttle moves and over-the-road loads hauled in our dedicated services. Operating income in our logistics segment was negatively impacted in 2017 by certain large underperforming value-added operations, including a program we ultimately exited in Mexico.

Operating revenues from truckload services increased \$10.9 million to \$313.8 million during 2018, compared to \$302.9 million for 2017. Included in truckload revenues during 2018 were \$34.3 million in separately-identified fuel surcharges compared to \$28.4 million during 2017. During the year, Universal's average operating revenue per load, excluding fuel surcharges, increased 11.6% to \$975, primarily due to an increase in revenue per mile. These increases were partially offset by an 8.5% decrease in the number of loads hauled. During 2018, Universal hauled 287,782 loads compared to 314,530 during 2017.

Revenues during 2018 from brokerage services increased \$89.4 million, or 32.1%, to \$367.6 million compared to \$278.2 million during 2017. The growth is due to increases in the average operating revenue per load and in the number of loads hauled. Overall, Universal's average operating revenue per load from brokerage services during 2018 increased 17.3% to \$1,665, up from \$1,420 in 2017. The number of brokerage loads hauled during 2018 increased 13.4% to 210,713 compared to 185,892 during 2017.

Intermodal services revenues increased \$97.4 million to \$251.1 million during 2018, up from \$153.7 million during 2017. Intermodal revenues included \$70.9 million of revenues from Universal's acquisitions of Fore Transportation, Southern Counties, Specialized

Rail Services, and Container Connection in 2018. The increase reflects a \$14.3 million increase in fuel surcharges and an increase in the number of loads hauled. Compared to 2017, the number of intermodal loads hauled during 2018 increased by 31.3%. The growth is also due to a 21.7% increase in the average operating revenue per load, excluding fuel surcharges, to \$482 per load in 2018, compared to \$396 per load in 2017.

Operating revenues from dedicated services in 2018 increased \$24.6 million to \$144.3 million compared to \$119.8 million in the prior year. Included in dedicated revenues in 2018 were \$17.9 million in separately-identified fuel surcharges compared to \$12.9 million during 2017. The increase was primarily attributable to increases in both shuttle moves and in the number of over-the-road loads hauled.

Value-added services revenues increased \$22.8 million to \$384.9 million during 2018 compared to \$362.1 million in 2017. Operations supporting passenger vehicle programs declined during the period, while those supporting heavy-truck production continued to record strong growth. Operations supporting the heavy truck market continued to positively impact value-added services contributing \$19.9 million of incremental revenues in 2018. Overall, value-added services grew by 6.3% compared to the prior year.

*Purchased transportation and equipment rent.* Purchased transportation and equipment rental costs for 2018 increased by \$138.5 million, or 24.0%, to \$716.0 million from \$577.5 million during 2017. Purchased transportation and equipment rent generally increases or decreases in proportion to the revenues generated through owner-operators and other third party providers, and is generally correlated with changes in demand for transportation-related services, which includes truckload, brokerage, intermodal and dedicated services. The absolute increase in purchased transportation and equipment rental costs was primarily the result of an increase in transportation-related service revenues. Transportation-related service revenues in 2018 increased 26.0% compared to 2017. As a percentage of operating revenues, purchased transportation and equipment rent expense increased to 49.0% compared to 47.5% during the prior year. The increase as a percentage of operating revenue is due to a change in business mix, primarily the increase of brokerage services, which typically pay higher purchased transportation rates. As a percent of revenue, brokerage services increased to 25.1% in 2018 compared to 22.9% in 2017. Transportation-related revenues increased to 73.7% of operating revenue in 2018 compared to 70.2% in 2017.

*Direct personnel and related benefits.* Direct personnel and related benefits for 2018 increased by \$40.3 million, or 12.8%, to \$354.7 million compared to \$314.4 million during 2017. Trends in these expenses are generally correlated with changes in operating facilities and headcount requirements and, therefore, increase and decrease with the level of demand for our value-added services and staffing needs of our operations. A portion of the increase was also attributable to \$6.0 million of personnel and related benefits attributable to the acquisitions of Fore Transportation, Southern Counties, Specialized Rail Services, and Container Connection. As a percentage of operating revenues, personnel and related benefits decreased to 24.3% for 2018, compared to 25.8% for 2017. The percentage is derived on an aggregate basis from both existing and new programs, and from customer operations at various stages in their lifecycles. Individual operations may be impacted by additional production shifts or by overtime at selected operations. While generalizations about the impact of personnel and related benefits costs as a percentage of total revenue are difficult, we manage compensation and staffing levels, including the use of contract labor, to maintain target economics based on near-term projections of demand for our services.

*Operating supplies and expenses.* Operating supplies and expenses increased by \$7.3 million, or 6.3%, to \$122.7 million for 2018 compared to \$115.4 million for 2017. These expenses include items such as fuel, maintenance, cost of materials, communications, utilities and other operating expenses, and generally relate to fluctuations in customer demand. The main elements of the increase are increases of \$7.6 million in fuel expense on company equipment, \$2.1 million in operating supplies and material costs in operations supporting heavy-truck programs, \$1.9 million in professional fees, \$0.9 million in permits, \$0.5 million in license plate expense, and \$0.5 million in communications expense. Partially offsetting the increase in operating supplies and expenses were \$6.1 million of decreases in travel and entertainment. This was primarily due to higher meals costs in 2017 related to extended implementation and higher than anticipated customer production schedules at value-added programs in 2017.

*Commission expense.* Commission expense for 2018 increased by \$4.2 million, or 12.7%, to \$37.4 million from \$33.2 million for 2017. Commission expense generally increases or decreases in proportion to our transportation-related services, except in cases where we generate a higher proportion of our revenues at company-managed terminals where no commissions are paid. As a percentage of operating revenues, commission expense decreased slightly to 2.6% for 2018, compared to 2.7% one year earlier.

*Occupancy expense.* Occupancy expenses increased by \$0.1 million, or 0.3%, to \$30.7 million for 2018. This compares to \$30.6 million for 2017. Occupancy expense remained relatively stable, while we experienced a \$0.5 million increase in property taxes which was partially offset by a \$0.4 million decrease in building rents.



*General and administrative.* General and administrative expense for 2018 remained at \$31.5 million. As a percentage of operating revenues, general and administrative expense was 2.2% for 2018 compared to 2.6% for 2017, as a result of our efforts to keep overhead expenditures stable while growing the business.

*Insurance and claims.* Insurance and claims expense for 2018 decreased by \$11.4 million to \$30.5 million from \$41.9 million in 2017. As a percentage of operating revenues, insurance and claims decreased to 2.1% for 2018 compared to 3.4% for 2017. Included in 2018 were \$9.0 million in pre-tax charges for the settlement of a legal matter, while 2017 included a \$15.6 million charge for an ongoing legal matter. Excluding these items, insurance and claims expense was \$21.5 million in 2018 compared to \$26.3 million in 2017. The decrease in insurance and claims expense, excluding the previously mentioned legal items, is primarily due to a \$2.0 million decrease in premiums and a \$3.6 million decrease in cargo claims.

*Depreciation and amortization.* Depreciation and amortization expense for 2018 increased by \$7.4 million, or 15.7%, to \$54.4 million from \$47.0 million for 2017. Depreciation expense increased \$7.6 million in 2018 due to elevated levels of capital expenditures in recent years. The overall increase in depreciation and amortization expense was partially offset by reductions in amortization expense as certain intangible assets became fully amortized. The reduction in amortization was partially offset by \$1.9 million of amortization of intangibles related to the Fore Transportation, Southern Counties, Specialized Rail Services, and Container Connection acquisitions in 2018.

*Interest expense, net.* Net interest expense was \$14.6 million for 2018 compared to \$9.4 million for 2017. The increase of net interest expense reflects an increase in outstanding borrowing and in interest rates on our variable rate debt. As of December 31, 2019, our outstanding borrowings totaled \$403.2 million compared to \$249.2 million at the same time last year.

*Other non-operating income.* Other non-operating income was \$0.2 million for 2018 compared to \$1.4 million for 2017. Included in other non-operating income during 2018 were \$1.3 million of losses on marketable securities and \$1.0 million of life insurance gains. This compares to \$0.9 million of gains on marketable securities in 2017 and no life insurance proceeds in 2017.

*Income tax (benefit) expense.* Income tax expense for 2018 was \$17.2 million, compared to a tax benefit of \$11.0 million for 2017, based on an effective tax rate of 24.8% and (64.2%), respectively. The increase in income taxes is due to an increase in operating income in 2018, in addition to a \$18.2 million income tax benefit recorded in the fourth quarter of 2017 as a result of the Tax Cuts and Jobs Act.

## **Liquidity and Capital Resources**

Our primary sources of liquidity are funds generated by operations, loans and extensions of credit under our credit facilities, on margin against our marketable securities and from installment notes, and proceeds from the sales of marketable securities. We use secured, asset lending to fund a substantial portion of purchases of tractors, trailers and material handling equipment.

We employ an asset-light operating strategy which we believe lowers our capital expenditure requirements. In general, our facilities used in our value-added services are leased on terms that are either substantially matched to our customer's contracts, are month-to-month or are provided to us by our customers. We also utilize owner-operators and third-party carriers to provide a significant portion of our transportation and specialized services. A significant portion of the tractors and trailers used in our business are provided by our owner-operators. In addition, our use of agents reduces our overall need for large terminals. As a result, our capital expenditure requirements are limited in comparison to most large transportation and logistics service providers, which maintain significant properties and sizable fleets of owned tractors and trailers.

In 2019, our capital expenditures totaled \$79.8 million. These expenditures primarily consisted of transportation equipment, property and investments in support of our value-added service operations. Our asset-light business model depends somewhat on the customized solutions we implement for specific customers. As a result, our capital expenditures will depend on specific new contracts and the overall age and condition of our owned transportation equipment. In 2020, exclusive of acquisitions of businesses, we expect our capital expenditures to be in the range of 4% to 5% of operating revenues. We expect to make these capital expenditures for the acquisition of transportation equipment, to support our new and existing value-added service operations, and for the acquisition of real property and improvements to our existing terminal yard and container facilities.

We have a cash dividend policy that anticipates a regular dividend of \$0.42 per share of common stock, payable in quarterly increments of \$0.105 per share of common stock. After taking into account the regular quarterly dividends made during the year, the Board of Directors also evaluates the potential declaration of an annual special dividend payable in the first quarter of each year. The Board of Directors did not declare a special dividend in the first quarter of 2020. On February 6, 2020, our Board of Directors declared the regular quarterly cash dividend of \$0.105 per share of common stock payable April 6, 2020 to shareholders of record at the close of business on March 2, 2020. During the year ended December 31, 2019, we paid a total of \$0.53 per common share, or

\$15.0 million. Future dividend policy and the payment of dividends, if any, will be determined by the Board of Directors in light of circumstances then existing, including our earnings, financial condition and other factors deemed relevant by the Board of Directors.

The Company was a party to a legal proceeding captioned Dalton which was resolved on January 3, 2020. In connection with the ruling, the Company expects to fund the \$5.7 million judgement, plus \$0.8 million of accrued interest in the first quarter of 2020.

We expect that our cash flows from operations, working capital and available borrowings will be sufficient to meet our capital commitments, to fund our operational needs for at least the next twelve months, and to fund mandatory debt repayments. Based on the availability of borrowings under our credit facilities, against our marketable security portfolio and other financing sources, and assuming the continuation of our current level of profitability, we do not expect that we will experience any liquidity constraints in the foreseeable future.

We continue to evaluate business development opportunities, including potential acquisitions that fit our strategic plans. There can be no assurance that we will identify any opportunities that fit our strategic plans or will be able to execute any such opportunities on terms acceptable to us. Depending on prospective consideration to be paid for an acquisition, any such opportunities would be financed first from available cash and cash equivalents and availability of borrowings under our credit facilities.

### ***Revolving Credit, Promissory Notes and Term Loan Agreements***

Our secured credit facility (the “Credit Facility”) provides for maximum borrowings of \$350 million in the form of a \$150 million term loan and a \$200 million revolver at a variable rate of interest based on LIBOR or a base rate and matures on November 26, 2023. The Credit Facility, which is secured by cash, deposits, accounts receivable, and selected other assets of the applicable borrowers, includes customary affirmative and negative covenants and events of default, as well as financial covenants requiring minimum fixed charge coverage and leverage ratios, and customary mandatory prepayments provisions. Our Credit Facility includes an accordion feature which allows us to increase availability by up to \$100 million upon our request. At December 31, 2019, we were in compliance with all covenants under the Credit Facility, and \$48.8 million was available for borrowing.

A wholly-owned subsidiary issued a series of promissory notes in order to finance transportation equipment (the “Equipment Financing”). The notes issued in connection with the Equipment Financing, which are secured by liens on selected titled vehicles, include certain affirmative and negative covenants, are generally payable in 60 monthly installments and bear interest at fixed rates ranging from 3.09% to 5.13%. At December 31, 2019, we were in compliance with all covenants.

A wholly-owned subsidiary issued a series of promissory notes in order to finance certain purchases of real property (the “Real Estate Financing”). The promissory notes, which are secured by first mortgages and assignment of leases on specific parcels of real estate and improvements, include certain affirmative and negative covenants and are generally payable in 120 monthly installments. Each of the notes bears interest at LIBOR plus 2.25%. At December 31, 2019, we were in compliance with all covenants.

We also maintain a short-term line of credit secured by our portfolio of marketable securities (the “Margin Facility”). It bears interest at LIBOR plus 1.10%. The amount available under the Margin Facility is based on a percentage of the market value of the underlying securities. We did not have any amounts advanced against the line as of December 31, 2019, and the maximum available borrowings were \$4.8 million.

### ***Discussion of Cash Flows***

At December 31, 2019, we had cash and cash equivalents of \$7.7 million compared to \$5.7 million at December 31, 2018. Operating activities provided \$128.0 million in net cash and financing activities provided an additional \$16.7 million. During 2019, we used \$143.1 million in investing activities.

The \$128.0 million in net cash provided by operations was primarily attributed to \$37.6 million of net income, which reflects non-cash depreciation and amortization, noncash lease expense, gains on marketable equity securities and equipment sales, amortization of debt issuance costs, stock-based compensation, provisions for doubtful accounts and a change in deferred income taxes totaling \$112.8 million, net. Net cash provided by operating activities also reflects an aggregate increase in net working capital totaling \$22.4 million. The primary drivers behind the increase in working capital were principal reductions in operating lease liabilities during the period, decreases in accruals for insurance and claims, trade accounts payable, accrued expenses and other current liabilities, and increases in prepaid expenses and other assets. These were partially offset by a decrease in trade and other accounts receivables and affiliated transactions. Affiliate transactions increased net cash provided by operating activities by \$0.6 million resulting from a decrease in accounts receivable from affiliates of \$3.5 million and decrease in accounts payable to affiliates of \$2.9 million.

The \$143.1 million in net cash used in investing activities consisted of \$79.8 million in capital expenditures and \$76.0 million for the acquisition of Michael's Cartage and Roadrunner Intermodal, and payment of acquisition related liabilities. These uses were partially offset by \$11.2 million in proceeds from the sale of equipment and \$1.6 million in proceeds from the sale of marketable securities.

Financing activities provided \$16.7 million in net cash during 2019. We paid \$24.8 million for purchases of common stock through a "Dutch auction" tender offer and cash dividends \$15.0 million. At December 31, 2019, we had outstanding borrowings of \$459.7 million compared to \$403.2 million at December 31, 2018. During the period, we had net borrowings on our revolving lines of credit and margin facility totaling \$70.1 million and borrowed an additional \$56.5 million for new equipment. We also made term loan, and equipment and real estate note payments totaling \$70.0 million during the period.

### Contractual Obligations

The following summarizes our contractual obligations at December 31, 2019, and the effect such obligations are expected to have on our liquidity and cash flow in future periods (in thousands):

	Total	Payments due by period			
		Less Than 1 Year	1 – 3 Years	3 – 5 Years	More Than 5 Years
Long-term debt .....	459,729	60,062	96,699	293,004	9,964
Interest on debt (1).....	50,790	15,512	24,819	9,777	682
Operating lease obligations (2).....	106,984	31,785	33,673	16,977	24,549
Purchase obligations .....	32,218	32,218	—	—	—
Legal settlement.....	6,548	6,548	—	—	—
Total .....	<u>\$ 656,269</u>	<u>\$ 146,125</u>	<u>\$ 155,191</u>	<u>\$ 319,758</u>	<u>\$ 35,195</u>

- (1) Interest payments on debt include fixed rate interest and variable rate interest based on the debt balance and applicable rate at December 31, 2019. Total interest reported includes \$9.9 million of fixed rate interest and \$40.9 million of variable rate interest.
- (2) Certain operating lease obligations in a currency other than the U.S. dollar will be affected by the exchange rate in effect at the time each cash payment is made.

At December 31, 2019, the total amount of gross unrecognized tax benefits was \$0.3 million. This amount is not included in the above table as the Company cannot reasonably estimate the timing of cash settlements, if any, with taxing authorities. At December 31, 2019, the Company has insurance and claims liabilities of \$23.0 million, of which \$9.9 million are covered by insurance. These amounts are not included in the above table as the Company cannot reasonably estimate the timing of cash settlements on these liabilities.

### Off-Balance Sheet Arrangements

None.

### Legal Matters

We are subject to various legal proceedings and other contingencies, the outcomes of which are subject to significant uncertainty. We accrue for estimated losses if it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. We use judgment and evaluate, with the assistance of legal counsel, whether a loss contingency arising from litigation should be disclosed or recorded. The outcome of legal proceedings is inherently uncertain, so typically a loss cannot be precisely estimated. Accordingly, if the outcome of legal proceedings is different than is anticipated by us, we would have to record the matter at the actual amount at which it was resolved, in the period resolved, impacting our results of operations and financial position for the period. See Item 8, Note 16 to the Consolidated Financial Statements.

### Critical Accounting Policies

Our financial statements have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, operating revenues and operating expenses.

Critical accounting policies are those that are both (1) important to the portrayal of our financial condition and results of operations and (2) require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the possible future resolution

of the uncertainties increase, those judgments become even more subjective and complex. In order to provide an understanding about how our management forms its judgments about future events, including the variables and assumptions underlying the estimates, and the sensitivity of those judgments to different circumstances, we have identified our critical accounting policies below.

### ***Revenue Recognition***

We recognize revenue as control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration the Company expects to receive in exchange for its services. For our transportation services businesses, which include truckload, brokerage, intermodal and dedicated services, revenue is recognized over-time as the performance obligations on the in-transit services are completed. For the Company's value-added service businesses, we have elected to use the "right to invoice" practical expedient, reflecting that a customer obtains the benefit associated with value-added services as they are provided. For additional information on revenue recognition, see Item 8, Note 3 to the Consolidated Financial Statements.

### ***Allowance for Uncollectible Receivables***

The allowance for potentially uncollectible receivables is based on a combination of historical data, cash payment trends, specific customer issues, write-off trends, general economic conditions and other factors. Management continuously monitors these factors to arrive at the estimate of accounts receivable that may be ultimately uncollectible. The receivables analyzed include trade receivables, as well as loans and advances made to owner-operators. All other balances are reviewed on a pooled basis. This analysis requires us to make significant estimates. Changes in the facts and circumstances that these estimates are based upon and changes in the general economic environment could result in a material change to the allowance for uncollectible receivables. These changes include, but are not limited to, deterioration of customers' financial position, changes in our relationships with our customers, agents and owner-operators and unforeseen issues relating to individual receivables. Based on our 2019 allowance for uncollectible receivables, a 10% increase in the allowance would increase our bad debt expense by \$0.3 million.

### ***Insurance and Claim Costs***

We maintain auto liability, workers compensation and general liability insurance with licensed insurance carriers. We are self-insured for all cargo and equipment damage claims. Insurance and claims expense represents premiums paid by us and the accruals made for claims within our self-insured retention amounts. A liability is recognized for the estimated cost of all self-insured claims including an estimate of incurred but not reported claims based on historical experience and for claims expected to exceed our policy limits. In addition, legal expenses related to auto liability claims are covered under our policy. We are responsible for all other legal expenses related to claims.

We establish reserves for anticipated losses and expenses related to cargo and equipment damage claims and auto liability claims. The reserves consist of specific reserves for all known claims and an estimate for claims incurred but not reported, and losses arising from known claims ultimately settling in excess of insurance coverage using loss development factors based upon industry data and past experience. In determining the reserves, we specifically review all known claims and record a liability based upon our best estimate of the amount to be paid. In making our estimate, we consider the amount and validity of the claim, as well as our past experience with similar claims. In establishing the reserve for claims incurred but not reported, we consider our past claims history, including the length of time it takes for claims to be reported to us. Based on our past experience, the time between when a claim occurs and when it is reported to us is short. As a result, we believe that the number of incurred but not reported claims at any given point in time is small. These reserves are periodically reviewed and adjusted to reflect our experience and updated information relating to specific claims. As of December 31, 2019, we did not have any reserves for workers' compensation or general liability claims. If we experience claims that are not covered by our insurance or that exceed our estimated claim reserve, it could increase the volatility of our earnings and have a materially adverse effect on our financial condition, results of operations or cash flows. Based on our 2019 reserve for claims incurred but not reported, a 10% increase in claims incurred but not reported, would increase our insurance and claims expense by approximately \$0.5 million.

### ***Valuation of Long-Lived Assets, including Goodwill and Intangible Assets***

We are required to test goodwill for impairment annually or more frequently, whenever events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit with goodwill below its carrying amount. We annually test goodwill impairment during the third quarter. Goodwill represents the excess purchase price over the fair value of assets acquired in connection with our acquisitions. We continually assess whether any indicators of impairment exist, which requires a significant amount of judgment. Such indicators may include a sustained significant decline in our share price and market capitalization; a decline in our expected future cash flows; a significant adverse change in legal factors or in the business climate; unanticipated competition; overall weaknesses in our industry; and slower growth rates. Adverse changes in these factors could have a significant impact on the recoverability of goodwill and could have a material impact on our consolidated financial statements. The Company has the option to

first assess qualitative factors such as current performance and overall economic conditions to determine whether or not it is necessary to perform a quantitative goodwill impairment test. If we choose that option, then we would not be required to perform a quantitative goodwill impairment test unless we determine that, based on a qualitative assessment, it is more likely than not that the fair value of a reporting unit is less than its carrying value. If we determine that it is more likely than not, or if we choose not to perform a qualitative assessment, we then proceed with the quantitative assessment. Under the quantitative test, if the fair value of a reporting unit exceeds its carrying amount, then goodwill of the reporting unit is considered to not be impaired. If the carrying amount of the reporting unit exceeds its fair value, then an impairment loss is recognized in an amount equal to the excess, up to the value of the goodwill. During the third quarter of 2019, we completed our goodwill impairment testing by performing a quantitative assessment. Based on the results of this test, no impairment loss was recognized. We estimate that a 10% decrease in the fair value of our reporting units would not have caused an impairment loss to be recognized.

We evaluate the carrying value of long-lived assets, other than goodwill, for impairment by analyzing the operating performance and anticipated future cash flows for those assets, whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. We evaluate the need to adjust the carrying value of the underlying assets if the sum of the expected cash flows is less than the carrying value. Our projection of future cash flows, the level of actual cash flows, the methods of estimation used for determining fair values and salvage values can impact impairment. Any changes in management's judgments could result in greater or lesser annual depreciation and amortization expense or impairment charges in the future. Depreciation and amortization of long-lived assets is calculated using the straight-line method over the estimated useful lives of the assets.

### **Recently Issued Accounting Pronouncements Not Currently Effective**

See Item 8: Note 2 to the Consolidated Financial Statements for discussion of new accounting pronouncements.

## **ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### **Interest Rate Risk**

Our principal exposure to interest rate risk relates to outstanding borrowing under our Credit Facility, Real Estate Financing and Margin Facility, all of which charge interest at floating rates. Borrowings under the credit agreements with each of the banks bear interest at LIBOR or a base rate, plus an applicable margin. Our Margin Facility bears interest at a floating rate equal to LIBOR plus 1.10%. As of December 31, 2019, we had total variable interest rate borrowings of \$331.2 million. Assuming variable rate debt levels remain at \$331.2 million for a full year, a 100 basis point increase in interest rates on our variable rate debt would increase interest expense approximately \$3.3 million annually.

In connection with the Real Estate Financing, we entered into interest rate swap agreements to fix a portion of the interest rates on our variable rate debt that has a combined notional amount of \$15.5 million at December 31, 2019. Under the swap agreements, the Company receives interest at the one-month LIBOR rate plus 2.25%, and pays a fixed rate. The March 2016 swap (swap A) became effective October 2016, has a rate of 4.16% (amortizing notional amount of \$10.0 million) and expires July 2026, and an additional March 2016 swap (swap B) became effective October 2016, has a rate of 3.83% (amortizing notional amount of \$5.5 million) and expires May 2022. At December 31, 2019, the fair value of the two swap agreements was a liability of \$0.1 million. Since these swap agreements qualify for hedge accounting, the changes in fair value are recorded in other comprehensive income (loss), net of tax.

Included in cash and cash equivalents is approximately \$18,000 in short-term investment grade instruments. The interest rates on these instruments are adjusted to market rates at least monthly. In addition, we have the ability to put these instruments back to the issuer at any time. Accordingly, any future interest rate risk on these short-term investments would not be material.

### **Commodity Price Risk**

Fluctuations in fuel prices can affect our profitability by affecting our ability to retain or recruit owner-operators. Our owner-operators bear the costs of operating their tractors, including the cost of fuel. The tractors operated by our owner-operators consume large amounts of diesel fuel. Diesel fuel prices fluctuate greatly due to economic, political and other factors beyond our control. To address fluctuations in fuel prices, we seek to impose fuel surcharges on our customers and pass these surcharges on to our owner-operators. Historically, these arrangements have not fully protected our owner-operators from fuel price increases. If costs for fuel escalate significantly it could make it more difficult to attract additional qualified owner-operators and retain our current owner-operators. If we lose the services of a significant number of owner-operators or are unable to attract additional owner-operators, it could have a materially adverse effect on our financial condition, results of operations and cash flows.

Exposure to market risk for fluctuations in fuel prices also relates to a small portion of our transportation service contracts for which the cost of fuel is integral to service delivery and the service contract does not have a mechanism to adjust for increases in fuel prices. Increases and decreases in the price of fuel are generally passed on to our customers for which we realize minimal changes in

profitability during periods of steady market fuel prices. However, profitability may be positively or negatively impacted by sudden increases or decreases in market fuel prices during a short period of time as customer pricing for fuel services is established based on market fuel costs. We believe the exposure to fuel price fluctuations would not materially impact our results of operations, cash flows or financial position. Based upon our 2019 fuel consumption, a 10% increase in the average annual price per gallon of diesel fuel would increase our annual fuel expense on company owned tractors by approximately \$2.1 million.

### **Equity Securities Risk**

We hold certain actively traded marketable equity securities, which subjects the Company to fluctuations in the fair market value of its investment portfolio based on current market price. The recorded value of marketable equity securities increased to \$9.4 million at December 31, 2019 from \$9.3 million at December 31, 2018. The increase resulted from an increase in market value of the portfolio of approximately \$1.2 million and purchases of approximately \$0.1 million, offset by sales of marketable equity securities of approximately \$1.6 million, with realized gains on sales of \$0.3 million. A 10% decrease in the market price of our marketable equity securities would cause a corresponding 10% decrease in the carrying amounts of these securities, or approximately \$0.9 million. For additional information with respect to the marketable equity securities, see Item 8, Note 5 to the Consolidated Financial Statements.

### **Foreign Exchange Risk**

In the years ended December 31, 2019 and 2018, 2.1% and 2.4%, respectively, of our revenues were derived from services provided outside the United States, principally in Mexico, Canada and Colombia. Exposure to market risk for changes in foreign currency exchange rates relates primarily to selling services and incurring costs in currencies other than the local currency and to the carrying value of net investments in foreign subsidiaries. As a result, we are exposed to foreign currency exchange rate risk due primarily due to translation of the accounts of our Mexican, Canadian and Colombian operations from their local currencies into U.S. dollars and also to the extent we engage in cross-border transactions. The majority of our exposure to fluctuations in the Mexican peso, Canadian dollar, and Colombian peso is naturally hedged, since a substantial portion of our revenues and operating costs are denominated in each country's local currency. Based on 2019 expenditures denominated in foreign currencies, a 10% decrease in the exchange rates would increase our annual operating expenses by approximately \$1.8 million. Historically, we have not entered into financial instruments for trading or speculative purposes. Short-term exposures to fluctuating foreign currency exchange rates are related primarily to intercompany transactions. The duration of these exposures is minimized by ongoing settlement of intercompany trading obligations.

The net investments in our Mexican, Canadian and Colombian operations are exposed to foreign currency translation gains and losses, which are included as a component of accumulated other comprehensive income in our statement of shareholders' equity. Adjustments from the translation of the net investment in these operations increased equity by approximately \$1.4 million for the year ended December 31, 2019.

## **ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

### **Report of Independent Registered Public Accounting Firm**

Shareholders and Board of Directors  
Universal Logistics Holdings, Inc.  
Warren, Michigan

#### **Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheets of Universal Logistics Holdings, Inc. (the “Company”) as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, cash flows and shareholders’ equity for each of the three years in the period ended December 31, 2019 and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of their operations and their 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 *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated March 16, 2020 expressed an unqualified opinion thereon.

#### **Change in Accounting Principles**

As discussed in Note 2, the Company changed its method of accounting for leases in 2019 and its methods of accounting for i) revenue from contracts with customers and ii) investments in equity securities in 2018.

#### **Basis for Opinion**

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated 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 consolidated 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 consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated 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 consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BDO USA, LLP

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

Troy, Michigan  
March 16, 2020

**UNIVERSAL LOGISTICS HOLDINGS, INC.**

Consolidated Balance Sheets  
December 31, 2019 and 2018  
(In thousands, except share data)

<b>Assets</b>	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents .....	\$ 7,726	\$ 5,727
Marketable securities .....	9,369	9,333
Accounts receivable – net of allowance for doubtful accounts of \$2,545 and \$1,772, respectively .....	210,534	215,991
Other receivables .....	19,065	19,130
Prepaid expenses and other .....	19,676	19,830
Due from affiliates .....	1,705	5,247
Prepaid income taxes .....	3,768	—
Total current assets .....	271,843	275,258
Property and equipment, net .....	339,823	303,234
Operating lease right-of-use asset .....	87,209	—
Goodwill .....	168,451	145,152
Intangible assets – net of accumulated amortization of \$78,366 and \$62,624, respectively .....	116,111	113,775
Deferred income taxes .....	1,460	2,549
Other assets .....	3,100	3,179
Total assets .....	\$ 987,997	\$ 843,147
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable .....	\$ 91,909	\$ 92,019
Current portion of long-term debt .....	59,476	51,903
Current portion of operating lease liabilities .....	27,484	—
Accrued expenses and other current liabilities .....	34,825	25,126
Insurance and claims .....	23,039	31,679
Due to affiliates .....	14,842	17,764
Income taxes payable .....	—	2,678
Total current liabilities .....	251,575	221,169
Long-term liabilities:		
Long-term debt, net of current portion .....	398,136	348,549
Operating lease liability, net of current portion .....	61,674	—
Deferred income taxes .....	65,692	59,228
Other long-term liabilities .....	5,703	4,902
Total long-term liabilities .....	531,205	412,679
Shareholders' equity:		
Common stock, no par value. Authorized 100,000,000 shares; 30,970,452 and 30,965,452 shares issued; 27,282,230 and 28,378,827 shares outstanding, respectively .....	30,972	30,967
Paid-in capital .....	4,298	4,230
Treasury stock, at cost; 3,688,222 and 2,586,625 shares, respectively .....	(77,247)	(52,462)
Retained earnings .....	251,204	231,525
Accumulated other comprehensive income (loss):		
Interest rate swaps, net of income taxes of \$(32) and \$94, respectively .....	(105)	298
Foreign currency translation adjustments .....	(3,905)	(5,259)
Total shareholders' equity .....	205,217	209,299
Total liabilities and shareholders' equity .....	\$ 987,997	\$ 843,147

**See accompanying notes to consolidated financial statements.**



**UNIVERSAL LOGISTICS HOLDINGS, INC.**

Consolidated Statements of Income

Years ended December 31, 2019, 2018 and 2017

(In thousands, except per share data)

	2019	2018	2017
Operating revenues:			
Truckload services, including related party amounts of \$1,636, \$900 and \$1,100, respectively .....	\$ 251,574	\$ 313,811	\$ 302,914
Brokerage services .....	354,940	367,579	278,187
Intermodal services .....	390,299	251,074	153,726
Dedicated services .....	138,664	144,348	119,760
Value-added services .....	376,521	384,896	362,078
Total operating revenues .....	1,511,998	1,461,708	1,216,665
Operating expenses:			
Purchased transportation and equipment rent, including related party amounts of \$65, \$1,240 and \$35, respectively .....	723,079	716,019	577,485
Direct personnel and related benefits, including related party amounts of \$31,932, \$38,811 and \$35,743, respectively .....	368,243	354,654	314,364
Operating supplies and expenses, including related party amounts of \$895, \$2,428 and \$2,652, respectively .....	120,767	122,736	115,420
Commission expense .....	31,204	37,381	33,213
Occupancy expense, including related party amounts of \$11,794, \$14,295 and \$17,046, respectively .....	36,645	30,701	30,575
General and administrative, including related party amounts of \$7,633, \$7,407 and \$6,742, respectively .....	44,497	31,523	31,518
Insurance and claims, including related party amounts of \$17,570, \$14,246 and \$16,281, respectively .....	47,418	30,475	41,881
Depreciation and amortization .....	74,765	54,425	46,995
Total operating expenses .....	1,446,618	1,377,914	1,191,451
Income from operations .....	65,380	83,794	25,214
Interest income .....	73	76	92
Interest expense .....	(17,085)	(14,669)	(9,538)
Other non-operating income .....	1,818	188	1,373
Income before income taxes .....	50,186	69,389	17,141
Income tax expense (benefit) .....	12,600	17,211	(11,012)
Net income .....	\$ 37,586	\$ 52,178	\$ 28,153
Earnings per common share:			
Basic .....	\$ 1.34	\$ 1.84	\$ 0.99
Diluted .....	\$ 1.34	\$ 1.84	\$ 0.99
Weighted average number of common shares outstanding:			
Basic .....	28,069	28,383	28,425
Diluted .....	28,070	28,390	28,428
Dividends declared per common share .....	\$ 0.42	\$ 0.53	\$ 0.28

**See accompanying notes to consolidated financial statements.**

**UNIVERSAL LOGISTICS HOLDINGS, INC.**  
Consolidated Statements of Comprehensive Income  
Years ended December 31, 2019, 2018 and 2017  
(In thousands, except per share data)

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Net Income .....	\$ 37,586	\$ 52,178	\$ 28,153
Other comprehensive income (loss):			
Unrealized changes in fair value of interest rate swaps, net of income taxes of \$(126), \$31 and \$1, respectively .....	(403)	101	98
Foreign currency translation adjustments .....	1,354	(526)	672
Unrealized holding gains on available-for-sale securities arising during the period, net of income taxes of \$0, \$0 and \$(38), respectively (1) .....	—	—	1,683
Realized gains on available-for-sale securities reclassified into income, net of income taxes of \$0, \$0 and \$384, respectively (1) .....	—	—	(539)
Total other comprehensive income (loss) .....	951	(425)	1,914
Total comprehensive income .....	\$ 38,537	\$ 51,753	\$ 30,067

(1) In accordance with the adoption of ASU 2016-01 on January 1, 2018 (see Note 2), unrealized holding gains and losses on equity securities have been reclassified to income for the current period and to retained earnings for historical amounts recorded in Accumulated Other Comprehensive Income at December 31, 2017.

**See accompanying notes to consolidated financial statements.**

**UNIVERSAL LOGISTICS HOLDINGS, INC.**  
Consolidated Statements of Cash Flows  
Years ended December 31, 2019, 2018 and 2017  
(In thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:			
Net income .....	\$ 37,586	\$ 52,178	\$ 28,153
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization .....	74,765	54,425	46,995
Noncash lease expense .....	29,904	—	—
Amortization of debt issuance costs .....	586	1,329	321
(Gain) loss on marketable equity securities .....	(1,540)	1,306	(923)
(Gain) loss on disposal of property and equipment .....	(1,245)	(354)	(10)
Gain on life insurance policies .....	—	(1,025)	—
Write-off of debt issuance costs .....	—	366	—
Stock-based compensation .....	73	413	414
Provision for doubtful accounts .....	3,133	924	1,533
Deferred income taxes .....	7,161	6,583	(19,014)
Change in assets and liabilities:			
Trade and other accounts receivable .....	21,798	(26,466)	(29,398)
Prepaid income taxes, prepaid expenses and other assets .....	(2,230)	2,509	8,051
Accounts payable, accrued expenses, accrued income taxes, insurance and claims and other current liabilities .....	(13,791)	(2,139)	40,633
Principal reduction in operating lease liabilities .....	(29,061)	—	—
Due to/from affiliates, net .....	623	3,238	7,192
Other long-term liabilities .....	274	1,614	(98)
Net cash provided by operating activities .....	<u>128,036</u>	<u>94,901</u>	<u>83,849</u>
Cash flows from investing activities:			
Capital expenditures .....	(79,753)	(66,585)	(63,360)
Proceeds from the sale of property and equipment .....	11,152	3,897	1,211
Purchases of marketable securities .....	(92)	(1,228)	(401)
Proceeds from sale of marketable securities .....	1,596	5,733	1,261
Proceeds from life insurance policies .....	—	2,583	—
Acquisitions of businesses .....	(75,963)	(173,599)	—
Net cash used in investing activities .....	<u>(143,060)</u>	<u>(229,199)</u>	<u>(61,289)</u>
Cash flows from financing activities:			
Proceeds from borrowing - revolving debt .....	379,458	488,571	316,458
Repayments of debt - revolving debt .....	(308,821)	(477,667)	(320,833)
Proceeds from borrowing - term debt .....	56,494	255,169	39,069
Repayments of debt - term debt .....	(70,016)	(112,157)	(48,305)
Repayments under margin account .....	(541)	—	—
Dividends paid .....	(15,042)	(10,930)	(7,960)
Payment of capital lease obligations .....	—	(92)	(100)
Purchases of treasury stock .....	(24,785)	(930)	(1,488)
Capitalized financing costs .....	—	(3,137)	—
Net cash provided by (used in) financing activities .....	<u>16,747</u>	<u>138,827</u>	<u>(23,159)</u>
Effect of exchange rate changes on cash and cash equivalents .....	276	(474)	516
Net increase (decrease) in cash .....	<u>1,999</u>	<u>4,055</u>	<u>(83)</u>
Cash and cash equivalents – January 1 .....	<u>5,727</u>	<u>1,672</u>	<u>1,755</u>
Cash and cash equivalents – December 31 .....	<u>\$ 7,726</u>	<u>\$ 5,727</u>	<u>\$ 1,672</u>

**See accompanying notes to consolidated financial statements.**

**UNIVERSAL LOGISTICS HOLDINGS, INC.**  
 Consolidated Statements of Cash Flows - Continued  
 Years ended December 31, 2019, 2018 and 2017  
 (In thousands)

	2019	2018	2017
<b>Supplemental cash flow information:</b>			
Cash paid for interest.....	\$ 16,349	\$ 13,323	\$ 9,104
Cash paid for income taxes.....	\$ 12,459	\$ 4,792	\$ 2,207

**Non-cash operating and financing activities:**

During the year ended December 31, 2019, the Company had non-cash activities resulting from \$2.9 million of declared dividends that were unpaid as of the end of the year.

**See accompanying notes to consolidated financial statements.**

**UNIVERSAL LOGISTICS HOLDINGS, INC.**  
Consolidated Statements of Shareholders' Equity  
Years ended December 31, 2019, 2018 and 2017  
(In thousands)

	Common stock	Paid-in capital	Treasury stock	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balances – December 31, 2016 .....	\$ 30,919	\$ 3,451	\$ (50,044)	\$ 166,033	\$ (2,627)	\$ 147,732
Net income .....	—	—	—	28,153	—	28,153
Comprehensive loss .....	—	—	—	—	1,914	1,914
Dividends paid (\$0.28 per share) .....	—	—	—	(7,960)	—	(7,960)
Stock based compensation .....	24	390	—	—	—	414
Purchases of treasury stock .....	—	—	(1,488)	—	—	(1,488)
Balances – December 31, 2017 .....	\$ 30,943	\$ 3,841	\$ (51,532)	\$ 186,226	\$ (713)	\$ 168,765
Net income .....	—	—	—	52,178	—	52,178
Comprehensive loss .....	—	—	—	—	(425)	(425)
Dividends paid (\$0.385 per share) .....	—	—	—	(10,930)	—	(10,930)
Cumulative effect adjustment - ASU 2014-09 revenue recognition .....	—	—	—	228	—	228
Cumulative effect adjustment - ASU 2016-01 financial instruments .....	—	—	—	3,823	(3,823)	—
Stock based compensation .....	24	389	—	—	—	413
Purchases of treasury stock .....	—	—	(930)	—	—	(930)
Balances – December 31, 2018 .....	\$ 30,967	\$ 4,230	\$ (52,462)	\$ 231,525	\$ (4,961)	\$ 209,299
Net income .....	—	—	—	37,586	—	37,586
Comprehensive income .....	—	—	—	—	951	951
Dividends paid (\$0.530 per share) .....	—	—	—	(15,042)	—	(15,042)
Dividends payable (\$0.105 per share) .....	—	—	—	(2,865)	—	(2,865)
Stock based compensation .....	5	68	—	—	—	73
Purchases of treasury stock .....	—	—	(24,785)	—	—	(24,785)
Balances – December 31, 2019 .....	<u>\$ 30,972</u>	<u>\$ 4,298</u>	<u>\$ (77,247)</u>	<u>\$ 251,204</u>	<u>\$ (4,010)</u>	<u>\$ 205,217</u>

**See accompanying notes to consolidated financial statements.**

## UNIVERSAL LOGISTICS HOLDINGS, INC.

Notes to Consolidated Financial Statements

December 31, 2019, 2018 and 2017

### (1) Summary of Significant Accounting Policies

#### *(a) Business*

Universal Logistics Holdings, Inc. (“Universal” or the “Company”), through its subsidiaries, is a leading asset-light provider of customized transportation and logistics solutions throughout the United States, and in Mexico, Canada and Colombia. We provide our customers with supply chain solutions that can be scaled to meet their changing demands. We offer our customers a broad array of services across their entire supply chain, including truckload, brokerage, intermodal, dedicated and value-added services. Our customized solutions and flexible business model are designed to provide us with a highly variable cost model.

#### *(b) Basis of Presentation*

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions relating to these entities have been eliminated.

Our fiscal year consists of four quarters, each with thirteen weeks.

Certain immaterial reclassifications have been made to the prior consolidated financial statements in order for them to conform to the December 31, 2019 presentation. These reclassifications had no effect on reported consolidated net income, comprehensive income, earnings per common share, cash flows, total assets, or stockholders' equity as previously reported.

#### *(c) Use of Estimates*

The preparation of the consolidated financial statements requires management of the Company to make a number of estimates and assumptions related to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the fair value of assets and liabilities acquired in business combinations; carrying amounts of property and equipment and intangible assets; marketable securities; valuation allowances for receivables; and liabilities related to insurance and claim costs. Actual results could differ from those estimates.

#### *(d) Cash and Cash Equivalents*

We consider all highly liquid investments, purchased with a maturity of three months or less, to be cash equivalents. Accounts at banks with an aggregate excess of the amount of checks issued over cash balances are included as accounts payable in current liabilities in the consolidated balance sheets, and changes in such accounts are reported as cash flows from operating activities in the consolidated statements of cash flows.

#### *(e) Marketable Securities*

Marketable equity securities are measured at fair value, with changes in fair value recognized in net income. At December 31, 2019 and 2018, the Company's marketable securities, all of which are available-for-sale, consist of common and preferred stocks with readily determinable fair values. The cost of securities sold is based on the specific identification method, and interest and dividends are included in non-operating income (expense). See Note 5 “Marketable Securities” for further information on our portfolio.

#### *(f) Accounts Receivable*

Accounts receivable are recorded at the net invoiced amount, net of an allowance for doubtful accounts, and do not bear interest. They include unbilled amounts for services rendered in the respective period but not yet billed to the customer until a future date, which typically occurs within one month. In order to reflect customer receivables at their estimated net realizable value, we record charges against revenue based upon current information. These charges generally arise from rate changes, errors, and revenue adjustments that may arise from contract disputes or differences in calculation methods employed by the customer. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing accounts receivable. We determine the allowance based on historical write-off experience and the aging of our outstanding accounts receivable. Balances are considered past due based on invoiced terms. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. We do not have any off-balance-sheet credit exposure related to our customers. Accounts receivable from affiliates are shown separately and include trade receivables from the sale of services to affiliates.

**UNIVERSAL LOGISTICS HOLDINGS, INC.**  
Notes to Consolidated Financial Statements – (Continued)  
December 31, 2019, 2018 and 2017

**(1) Summary of Significant Accounting Policies—continued**

***(g) Inventories***

Included in prepaid expenses and other is inventory used in a portion of our value-added service operations. Inventories are stated at net realizable value. Cost is determined using the first-in, first-out method. Provisions for excess and obsolete inventories are based on our assessment of excess and obsolete inventory on a product-by-product basis.

At December 31, inventory consists of the following (in thousands):

	<u>2019</u>	<u>2018</u>
Finished goods .....	\$ 5,776	\$ 4,920
Raw materials and supplies.....	1,387	1,831
Total.....	<u>\$ 7,163</u>	<u>\$ 6,751</u>

***(h) Property and Equipment***

Property and equipment, including leasehold improvements, are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

<u>Description</u>	<u>Life in Years</u>
Transportation equipment.....	3 - 15
Other operating assets.....	3 - 15
Information technology equipment.....	3 - 5
Buildings and related assets.....	10 - 39

The amounts recorded for depreciation expense were \$59.0 million, \$48.7 million, and \$41.0 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Tire repairs, replacement tires, replacement batteries, consumable tools used in our logistics services, and routine repairs and maintenance on vehicles are expensed as incurred. Parts and fuel inventories are included in prepaid expenses and other. We capitalize certain costs associated with vehicle repairs and maintenance that materially extend the life or increase the value of the vehicle or pool of vehicles.

**UNIVERSAL LOGISTICS HOLDINGS, INC.**  
Notes to Consolidated Financial Statements – (Continued)  
December 31, 2019, 2018 and 2017

**(1) Summary of Significant Accounting Policies—continued**

**(i) Intangible Assets**

Intangible assets subject to amortization consist of agent and customer relationships, customer contracts, tradenames, and non-competition agreements that have been acquired in business combinations. These assets are amortized either over the period of economic benefit or on a straight-line basis over the estimated useful lives of the related intangible asset. The estimated useful lives of these intangible assets range from three to nineteen years. The useful lives of acquired trademarks are indefinite and, therefore, not subject to amortization.

Our identifiable intangible assets as of December 31, 2019 and 2018 are as follows (in thousands):

	2019			2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite Lived Intangibles:						
Agent and customer relationships .....	\$ 164,657	\$ 55,880	\$ 108,777	\$ 150,189	\$ 41,947	\$ 108,242
Customer contracts .....	20,600	20,600	—	20,600	20,600	—
Tradenames .....	4,000	1,333	2,667	2,000	—	2,000
Non-compete agreements .....	2,720	553	2,167	1,110	77	1,033
Indefinite Lived Intangibles:						
Trademarks .....	2,500	—	2,500	2,500	—	2,500
<b>Total Identifiable Intangible Assets .....</b>	<b><u>\$ 194,477</u></b>	<b><u>\$ 78,366</u></b>	<b><u>\$ 116,111</u></b>	<b><u>\$ 176,399</u></b>	<b><u>\$ 62,624</u></b>	<b><u>\$ 113,775</u></b>

Estimated amortization expense by year is as follows (in thousands):

2020 .....	\$ 16,137
2021 .....	14,604
2022 .....	12,190
2023 .....	11,313
2024 .....	10,285
Thereafter .....	49,082
<b>Total .....</b>	<b><u>\$ 113,611</u></b>

The amounts recorded for amortization expense were \$15.7 million, \$5.7 million, and \$6.0 million for the years ended December 31, 2019, 2018 and 2017, respectively.



**UNIVERSAL LOGISTICS HOLDINGS, INC.**  
Notes to Consolidated Financial Statements – (Continued)  
December 31, 2019, 2018 and 2017

**(1) Summary of Significant Accounting Policies—continued**

**(j) Goodwill**

Goodwill represents the excess purchase price over the fair value of assets acquired in connection with the Company’s acquisitions. Under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification, or ASC, Topic 350 “Intangibles – Goodwill and Other”, we are required to test goodwill for impairment annually (in our third fiscal quarter) or more frequently, whenever events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit with goodwill below its carrying amount. We have the option to first assess qualitative factors such as current performance and overall economic conditions to determine whether or not it is necessary to perform a quantitative goodwill impairment test. If we choose that option, then we would not be required to perform a quantitative goodwill impairment test unless we determine that, based on a qualitative assessment, it is more likely than not that the fair value of a reporting unit is less than its carrying value. If we determine that it is more likely than not, or if we choose not to perform a qualitative assessment, we then proceed with the quantitative assessment. Under the quantitative test, if the fair value of a reporting unit exceeds its carrying amount, then goodwill of the reporting unit is considered to not be impaired. If the carrying amount of the reporting unit exceeds its fair value, then an impairment loss is recognized in an amount equal to the excess, up to the value of the goodwill. During the third quarter of 2019, we completed our goodwill impairment testing by performing a quantitative assessment. Based on the results of this test, no impairment loss was recognized.

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

Balance as of January 1, 2018 .....	\$	74,484
Business acquisitions .....		70,668
Balance as of December 31, 2018 .....		145,152
Business acquisitions .....		16,520
Purchase accounting adjustments .....		6,779
Balance as of December 31, 2019 .....	\$	168,451

During 2019, the Company made purchase accounting adjustments to the preliminary purchase price allocations of the Company’s December 7, 2018 acquisition of Deco Logistics, Inc., d/b/a Container Connection, and Oaktree Logistics, Inc., October 12, 2018 acquisition of Specialized Rail Service, Inc. and August 10, 2018 acquisition of Southern Counties Express, Inc. The adjustments resulted in an increase in goodwill of \$6.8 million, \$1.3 million in current liabilities, and \$1.2 million in deferred tax liabilities, with offsetting decreases in intangible assets of \$3.6 million, \$3.4 million in property and equipment, \$1.2 million in other assets and \$0.1 million in current assets. The Company also paid an additional \$1.0 million in cash.

At December 31, 2019 and 2018, \$112.2 million and \$88.9 million of goodwill was recorded in our transportation segment, respectively. At both December 31, 2019 and 2018, \$56.3 million of goodwill was recorded in our logistics segment.

**(k) Long-Lived Assets**

Long-lived assets, other than goodwill and indefinite lived intangibles such as property and equipment and purchased intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group may not be recoverable. If circumstances require a long-lived asset to be tested for possible impairment, we first compare the undiscounted cash flows expected to be generated by a long-lived asset or group to its carrying value. If the carrying value of the long-lived asset or group is deemed to not be recoverable on an undiscounted cash flow basis, an impairment charge is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market prices and independent third-party appraisals. Changes in management’s judgment relating to salvage values and/ or estimated useful lives could result in greater or lesser annual depreciation expense or impairment charges in the future. Indefinite lived intangibles are tested for impairment annually by comparing the carrying value of the assets to their fair value.

**(l) Contingent Consideration**

Contingent consideration arrangements granted in connection with a business combination are evaluated to determine whether contingent consideration is, in substance, additional purchase price of an acquired enterprise or compensation for services, use of property or profit sharing. Additional purchase price is added to the fair value of consideration transferred in the business combination and compensation is included in operating expenses in the period it is incurred. Contingent consideration related to additional purchase price is measured to fair value at each reporting date until the contingency is resolved. None of the acquired companies in 2018 or 2019 had contingent consideration arrangements.

**(1) Summary of Significant Accounting Policies—continued**

**(m) Fair Value of Financial Instruments**

For cash equivalents, accounts receivables, accounts payable, and accrued expenses, the carrying amounts are reasonable estimates of fair value as the assets are readily redeemable or short-term in nature and the liabilities are short-term in nature. Marketable securities, consisting of equity securities, are carried at fair market value as determined by quoted market prices. Our revolving credit and term loan agreements consist of variable rate borrowings. The carrying value of these borrowings approximates fair value because the applicable interest rates are adjusted frequently based on short-term market rates. For our equipment promissory notes, the fair values are estimated using discounted cash flow analyses, based on our current incremental borrowing rates for similar types of borrowing arrangements. See Note 10 “Fair Value Measurement and Disclosures” for further information.

**(n) Deferred Compensation**

Deferred compensation relates to our bonus plans. Annual bonuses may be awarded to certain operating, sales and management personnel based on overall Company performance and achievement of specific employee or departmental objectives. Such bonuses are typically paid in annual installments over a five-year period. All bonus amounts earned by and due to employees in the current year are included in accrued expenses and other current liabilities. Those that are payable in subsequent years are included in other long-term liabilities.

**(o) Closing Costs**

Our customers may discontinue or alter their business activity in a location earlier than anticipated, prompting us to exit a customer-dedicated facility. We recognize exit costs associated with operations that close or are identified for closure as an accrued liability in the Consolidated Balance Sheets. Such charges include lease termination costs, employee termination charges, asset impairment charges, and other exit-related costs associated with a plan approved by management. If we close an operating facility before its lease expires, costs to terminate a lease are recognized when an early termination provision is exercised, or we record a liability for non-cancellable lease obligations based on the fair value of remaining lease payments, reduced by any existing or prospective sublease rentals. Employee termination costs are recognized in the period that the closure is communicated to affected employees. The recognition of exit and disposal charges requires us to make certain assumptions and estimates as to the amount and timing of such charges. Subsequently, adjustments are made for changes in estimates in the period in which the change becomes known.

**(p) Revenue Recognition**

Revenue is recognized as control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration the Company expects to receive in exchange for its services.

For our transportation services businesses, which include truckload, brokerage, intermodal and dedicated services, the adoption of the standard changed the timing of revenue recognition from “at delivery” to “over-time” as the performance obligations on the in-transit services are completed. A performance obligation is created when a customer submits a bill of lading for the transportation of goods from origin to destination. Performance obligations are satisfied as the shipments move from origin to destination, and transportation revenue is recognized based on the percentage of the service that has been completed at the end of the reporting period.

Value-added services, which are typically dedicated to individual customer requirements, include material handling, consolidation, sequencing, sub-assembly, cross-dock services, kitting, repacking, warehousing and returnable container management. For our value-added service businesses, the adoption of the standard did not change the timing of revenue recognition. We have elected to use the “right to invoice” practical expedient, reflecting that a customer obtains the benefit associated with value-added services as they are provided.

We are the primary obligor when rendering services, and assume the corresponding credit risk with customers. We have discretion in setting sales prices and, as a result, our earnings may vary. In addition, we have discretion to choose and negotiate terms with our multiple suppliers for the services ordered by our customers. This includes owner-operators with whom we contract to deliver our transportation services. As such, revenue and the related purchased transportation and commissions are recognized on a gross basis. Fuel surcharges, where separately identifiable, of \$89.6 million, \$85.1 million and \$59.5 million for the years ended December 31, 2019, 2018 and 2017, respectively, are included in operating revenues.

See Note 3, “Revenue Recognition,” for more information on revenue recognition.

**(1) Summary of Significant Accounting Policies—continued**

***(q) Insurance & Claims***

Insurance and claims expense represents charges for premiums and the accruals made for claims within our self-insured retention amounts. The accruals are primarily related to auto liability, general liability, cargo and equipment damage, and service failure claims. A liability is recognized for the estimated cost of all self-insured claims including an estimate of incurred but not reported claims based on historical experience and for claims expected to exceed our policy limits. We may also make accruals for personal injury and property damage to third parties, and workers' compensation claims if a claim exceeds our insurance coverage. Such accruals are based upon individual cases and estimates of ultimate losses, incurred but not reported losses, and losses arising from known claims ultimately settling in excess of insurance coverage using loss development factors based upon industry data and past experience. Since the reported accrual is an estimate, the ultimate liability may be materially different from the amount recorded.

If adjustments to previously established accruals are required, such amounts are included in operating expenses in the current period. We maintain insurance with licensed insurance carriers. Legal expenses related to auto liability claims are covered under our insurance policy. We are responsible for all other legal expenses related to claims.

In brokerage arrangements, our exposure to liability associated with accidents incurred by other third-party carriers, who haul freight on our behalf, is reduced by various factors including the extent to which the third party providers maintain their own insurance coverage.

Our insurance expense varies primarily based upon the frequency and severity of our accident experience, insurance rates, coverage limits, and self-insured retention amounts.

***(r) Stock Based Compensation***

We record compensation expense for the grant of stock based awards. Compensation expense is measured at the grant date, based on the calculated fair value of the award, and recognized as an expense over the requisite service period (generally the vesting period of the grant). See Note 15 "Stock Based Compensation" for further information.

***(s) Income Taxes***

Deferred income taxes are provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

We are no longer subject to U.S. federal income tax examinations by tax authorities for years before 2016. In addition, we file income tax returns in various state, local and foreign jurisdictions. Historically, we have been responsible for filing separate state, local and foreign income tax returns for our self and our subsidiaries. We are no longer subject to state or foreign jurisdiction income tax examinations for years before 2015 and 2014, respectively.

We recognize the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. We recognize interest related to unrecognized tax benefits in income tax expense and penalties in other operating expenses.

***(t) Foreign Currency Translation***

The financial statements of the Company's subsidiaries operating in Mexico, Canada and Colombia are prepared to conform to U.S. GAAP and translated into U.S. Dollars by applying a current exchange rate. The local currency has been determined to be the functional currency. Items appearing in the Consolidated Statements of Income are translated using average exchange rates during each period. Assets and liabilities of international operations are translated at period-end exchange rates. Translation gains and losses are reported in accumulated other comprehensive income (loss) as a component of shareholders' equity.

**(1) Summary of Significant Accounting Policies—continued**

***(u) Segment Information***

We report our financial results in two reportable segments, the transportation segment and the logistics segment, based on the nature of the underlying customer commitment and the types of investments required to support these commitments. This presentation reflects the manner in which management evaluates our operating segments, including an evaluation of economic characteristics and applicable aggregation criteria.

Operations aggregated in our transportation segment are associated with individual freight shipments coordinated by our agents, company-managed terminals and specialized services operations. In contrast, operations aggregated in our logistics segment deliver value-added services or transportation services to specific customers on a dedicated basis, generally pursuant to contract terms of one year or longer. Other non-reportable operating segments are comprised of the Company's subsidiaries that provide support services to other subsidiaries and to owner-operators, including shop maintenance and equipment leasing.

***(v) Concentrations of Credit Risk***

Financial instruments, which potentially subject us to concentrations of credit risk, consist principally of cash and cash equivalents, marketable securities and accounts receivable. We maintain our cash and cash equivalents and marketable securities with high quality financial institutions. We perform ongoing credit evaluations of our customers and generally do not require collateral. Our customers are generally concentrated in the automotive, retail and consumer goods, wind energy, building materials, machinery and metals industries. During the fiscal years ended December 31, 2019, 2018 and 2017, aggregate sales in the automotive industry totaled 27%, 36% and 40% of revenue, respectively. In 2019, 2018 and 2017, General Motors accounted for approximately 12%, 13% and 16% of our total operating revenues, respectively. In 2019, sales to our top 10 customers, including General Motors, totaled 39%.

**(2) Recent Accounting Pronouncements**

On January 1, 2019, the Company adopted Accounting Standards Update (“ASU”) 2016-02, *Leases*. The ASU requires a lessee to recognize the assets and liabilities that arise from leases, including operating leases. Under the new requirements, a lessee will recognize in the statement of financial position a liability to make lease payments (the lease liability) and the right-of-use asset representing the right to the underlying asset for the lease term. For leases with a term of 12 months or less, the lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In July 2018, the FASB issued additional authoritative guidance providing companies with the option to apply this ASU to new and existing leases within the scope of the guidance as of the beginning of the period of adoption. We elected this transition method of applying the new lease standard on January 1, 2019. In doing so, we also elected the package of practical expedients provided under the guidance; however, we did not elect the hindsight practical expedient when determining the lease term for existing leases. The practical expedient package applies to leases that commenced prior to adoption of the new standard and permits companies not to reassess whether existing or expired contracts are or contain a lease, the lease classification, and any initial direct costs. Upon adoption of the standard, we recorded offsetting lease assets and lease liabilities, resulting in an \$88.8 million increase in total assets, a \$26.0 million increase in total current liabilities and a \$62.8 million increase in total long-term liabilities in our consolidated balance sheet. Subsequent to the adoption on January 1, 2019, the Company identified and recorded an additional ROU asset and corresponding lease liability of \$5.0 million in the quarter ended June 30, 2019 and \$2.5 million in the quarter ended December 31, 2019, respectively, as an out of period adjustment, although each lease was entered into prior to December 31, 2018. The amount of accrued rent as of adoption was not material. Prior period amounts were not adjusted and are reported under the accounting standards in effect for those periods. The adoption of the standard did not have a material impact on our results of operations or cash flows. See Note 13“Leases” for additional information pertaining to leases.

On January 1, 2019, the Company adopted ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which amends existing guidance for reporting comprehensive income to reflect changes resulting from the Tax Cuts and Jobs Act of 2017. The amendment provides the option to reclassify stranded tax effects within accumulated other comprehensive income (AOCI) to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Act is recorded. The adoption of this standard did not have a material impact on our financial condition, results of operations, or cash flows.

**UNIVERSAL LOGISTICS HOLDINGS, INC.**  
Notes to Consolidated Financial Statements – (Continued)  
December 31, 2019, 2018 and 2017

**(2) Recent Accounting Pronouncements - continued**

In June 2016, the FASB issued ASU 2016-13, (“ASU 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 standard also amends the impairment model for available-for-sale debt securities and requires estimated credit losses to be recorded as allowances instead of reductions to amortized cost of the securities. The new standard will become effective for us beginning with the first quarter 2023, and is not expected to have a material impact on our consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes* (Topic 740): “Simplifying the Accounting for Income Taxes.” The ASU simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The ASU also clarifies and amends existing guidance to improve consistent application among reporting entities. This ASU is effective for fiscal years beginning after December 15, 2020, including interim periods within that reporting period; however, early adoption is permitted. We are currently evaluating the impact of this standard on our consolidated financial statements.

**(3) Revenue Recognition**

On January 1, 2018, the Company adopted Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*, using the modified retrospective transition method with a cumulative adjustment to retained earnings of approximately \$0.2 million. Our transportation services businesses include truckload, brokerage, intermodal and dedicated services. The adoption of ASU 2014-09 changed the timing of revenue recognition for transportation services from at delivery to over-time as the performance obligations on the in-transit services are completed. The following table shows the amount by which financial statement lines were affected by the adoption of the new standard.

	<u>Year Ended December 31, 2018</u>		
	<u>Under ASC</u>		
<u>Consolidated Statement of Income</u>	<u>605</u>	<u>Adjustment</u>	<u>As Reported</u>
Truckload services revenue .....	\$ 309,884	\$ 3,927	\$ 313,811
Brokerage services revenue .....	364,644	2,935	367,579
Intermodal services revenue .....	250,165	909	251,074
Dedicated services revenue .....	143,977	371	144,348
Purchased transportation and equipment rent expense.....	709,628	6,391	716,019
Commission expense .....	37,181	200	37,381
Income tax expense .....	16,826	385	17,211
Net income .....	51,012	1,166	52,178

	<u>As of December 31, 2018</u>		
	<u>Under ASC</u>		
<u>Consolidated Balance Sheet</u>	<u>605</u>	<u>Adjustment</u>	<u>As Reported</u>
Prepaid expenses and other .....	\$ 17,929	\$ 1,901	\$ 19,830
Accounts payable .....	90,596	1,423	92,019
Income taxes payable .....	2,293	385	2,678
Retained earnings .....	230,359	1,166	231,525

The Company broadly groups its services into the following categories: truckload services, brokerage services, intermodal services, dedicated services and value-added services. We disaggregate these categories and report our service lines separately on the Consolidated Statements of Income.

Truckload services include dry van, flatbed, heavy-haul and refrigerated operations. We transport a wide variety of general commodities, including automotive parts, machinery, building materials, paper, food, consumer goods, furniture, steel and other metals on behalf of customers in various industries.

To complement our available capacity, we provide customers freight brokerage services by utilizing third-party transportation providers to move freight. Brokerage services also include full service domestic and international freight forwarding, and customs brokerage.

Intermodal services include rail-truck, steamship-truck and support services. Our intermodal support services are primarily short-to-medium distance delivery of both international and domestic containers between the port or railhead and the customer and drayage services.

**UNIVERSAL LOGISTICS HOLDINGS, INC.**  
Notes to Consolidated Financial Statements – (Continued)  
December 31, 2019, 2018 and 2017

**(3) Revenue Recognition—continued**

Dedicated services are primarily provided in support of automotive and retail customers using van equipment. Dedicated services also include our final mile and ground expedited services. Our dedicated services are primarily short run or round-trip moves within a defined geographic area.

Transportation services are short-term in nature; agreements governing their provision generally have a term of less than one year. They do not contain significant financing components. In accordance with ASU 2014-09, the Company recognizes revenue over the period transportation services are provided to the customer, including service performed as of the end of the reporting period for loads currently in-transit, in order to recognize the value that is transferred to a customer over the course of the transportation service.

We determine revenue in-transit using the input method, under which revenue is recognized based on the duration of time that has lapsed from the departure date (start of transportation services) to the arrival date (completion of transportation services). Measurement of revenue in-transit requires the application of significant judgment. We calculate the estimated percentage of an order’s transit time that is complete at period end, and we apply that percentage of completion to the order’s estimated revenue.

Value-added services, which are typically dedicated to individual customer requirements, include material handling, consolidation, sequencing, sub-assembly, cross-dock services, kitting, repacking, warehousing and returnable container management. Value-added revenues are substantially driven by the level of demand for outsourced logistics services. Major factors that affect value-added service revenue includes changes in manufacturing supply chain requirements and production levels in specific industries, particularly the North American automotive and Class-8 heavy-truck industries.

Revenue is recognized as control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration the Company expects to receive in exchange for its services.

For the Company’s value-added service businesses, the adoption of ASU 2014-09 did not change the timing of revenue recognition. The contracts in our value-added services businesses are negotiated agreements, which contain both fixed and variable components. The variability of revenues is driven by volumes and transactions, which are known as of an invoice date. Value-added service contracts typically have terms that extend beyond one year, and they do not include financing components. The timing of revenue recognition for value-added services will remain the same, as we have elected to use the “right to invoice” practical expedient, reflecting that a customer obtains the benefit associated with value-added services as they are provided.

The following table provides information related to contract balances associated with our contracts with customers (in thousands):

	December 31, 2019	December 31, 2018
Prepaid expenses and other - contract assets .....	\$ 1,156	\$ 1,901

We generally receive payment for performance obligations within 45 days of completion of transportation services and 65 days for completion of value-added services. Contract assets in the table above generally relate to revenue in-transit at the end of the reporting period.

***Practical expedients***

The Company elected to use the following practical expedients that are available under ASC 606: (i) to apply the new revenue standard to a portfolio of contracts (or performance obligations) with similar characteristics, as we reasonably expect that the effects on the financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts; (ii) to recognize commission expense when incurred, which we consider to be a cost to obtain a contract, because the amortization period is less than one year; and (iii) to recognize revenue in the value-added services portfolio in the amount of consideration to which we have a right to invoice, that corresponds directly with the value to the customer of the service completed to date.

The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed.

See also Note 19 for additional information on revenue reported by segment and by geographic region.

**UNIVERSAL LOGISTICS HOLDINGS, INC.**  
Notes to Consolidated Financial Statements – (Continued)  
December 31, 2019, 2018 and 2017

**(4) Acquisitions**

**2019 Acquisitions**

On November 5, 2019, the Company acquired Roadrunner Intermodal Services, LLC, Morgan Southern, Inc., Wando Trucking, LLC, and Central Cal Transportation, LLC (collectively, “Roadrunner Intermodal”) from Roadrunner Transportation Systems, Inc. Roadrunner Intermodal is a nationwide drayage provider, servicing major port and rail locations throughout the United States. The total cash purchase price was \$54.9 million, subject to post-closing adjustments. The Company used available cash and borrowings on its revolving credit facility to finance the acquisition, and is in the process of finalizing the purchase accounting for this transaction. Approximately \$0.3 million of transaction related costs were incurred in the acquisition.

On April 22, 2019, the Company acquired Michael’s Cartage, Inc. (“Michael’s”). Headquartered in Bridgeview, Illinois, Michael’s provides intermodal drayage services to customers primarily within a 300-mile radius of the Chicagoland area. The total cash purchase price was \$22.0 million, subject to post-closing adjustments. The Company used available cash and borrowings on its revolving credit facility to finance the acquisition, and is in the process of finalizing the purchase accounting for this transaction. Approximately \$0.4 million of transaction related costs were incurred in the acquisition.

The Company accounted for the acquisitions in accordance with ASC 805, “*Business Combinations*.” Assets acquired and liabilities assumed were recorded at their estimated fair value at acquisition, with the remaining unallocated purchase price recorded as goodwill. The goodwill recorded is included in our transportation segment, and is non-deductible for income tax purposes. For each acquisition, the purchase price was allocated to major classes of assets acquired and liabilities assumed at estimated fair values as of the acquisition date. These values are based, in part, upon 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. The preliminary allocation of the purchase price in each transaction is as follows (in thousands):

	<b>Michael's</b>	<b>Roadrunner Intermodal</b>
Current assets .....	\$ 4,474	\$ 16,002
Property and equipment .....	2,831	26,414
Goodwill .....	4,795	11,725
Intangible assets .....	9,000	12,668
Other assets .....	1,499	3,599
Current liabilities .....	(979)	(11,315)
Long-term liabilities .....	-	(2,439)
Deferred tax liabilities, net .....	-	(3,280)
	\$ 21,620	\$ 53,374

The intangible assets represent the acquired company’s customer relationships and non-competition agreements. The acquired customer relationships are being amortized over a period of 11 years and the non-competition agreements are being amortized over a period of five years. The Company used the discounted cash flow method to estimate the fair value of these acquired intangible assets.

**2018 Acquisitions**

On December 7, 2018, the Company acquired all of the outstanding shares of Deco Logistics, Inc., d/b/a Container Connection, and Oaktree Logistics, Inc. (collectively, “Container Connection”). Based in Riverside, California, Container Connection offers harbor drayage services to the Ports of Los Angeles and Long Beach for customers primarily located within the Inland Empire and Central Valley areas. Container Connection also offers warehousing, secured parking and yard space. The total purchase price was \$61.5 million. To finance the acquisition, the Company used loan proceeds under its credit and security agreement. Approximately \$0.4 million of transaction related costs were incurred in the acquisition, which are reflected in general and administrative expenses in the Consolidated Statements of Income.

On October 12, 2018, the Company acquired all of the outstanding shares of Specialized Rail Service, Inc. (“Specialized Rail”). Specialized Rail offers local and regional intermodal drayage services, as well as transloading, cross-docking, warehousing and distribution, and intermodal facility management. Specialized Rail operates a fleet of over 140 tractors and has facilities in Clearfield, Utah and Las Vegas, Nevada. The total cash purchase price was \$12.7 million. To finance the acquisition, the Company used loan proceeds under an amended revolving credit facility. Approximately \$0.3 million of transaction related costs were incurred in the acquisition, which are reflected in general and administrative expenses in the Consolidated Statements of Income.

**UNIVERSAL LOGISTICS HOLDINGS, INC.**  
Notes to Consolidated Financial Statements – (Continued)  
December 31, 2019, 2018 and 2017

**(4) Acquisitions—continued**

On August 10, 2018, the Company acquired all of the outstanding shares of Southern Counties Express, Inc. and certain of its affiliates (collectively, “Southern Counties”). Southern Counties provides full-service harbor drayage, transloading, warehousing, and project cargo services in southern California. The total purchase price was \$65.4 million. To finance the acquisition, the Company used loan proceeds under an amended and restated revolving credit and term loan agreement. Approximately \$0.6 million of transaction related costs were incurred in the acquisition, which are reflected in general and administrative expenses in the Consolidated Statements of Income.

On February 1, 2018, the Company acquired all of the outstanding shares of Fore Transportation, Inc. and certain of its affiliates (collectively, “Fore”). Fore provides its customers with intermodal solutions, including local and regional drayage services. One of the acquired companies owns and leases real property and improvements, including a 28-acre terminal that serves as Fore’s corporate headquarters and a container storage facility. The total cash purchase price was \$35.1 million. To fund the acquisition, the Company used a combination of cash and loan proceeds under its margin credit facility, revolving credit facility and secured real estate financing. Approximately \$0.2 million of transaction related costs were incurred in the acquisition, which are reflected in general and administrative expenses in the Consolidated Statements of Income.

We believe that each acquisition strategically enhances our service offerings in specific geographic regions, and we expect each of them to further diversify our customer base.

The Company accounted for the acquisitions in accordance with ASC 805, “*Business Combinations*.” Assets acquired and liabilities assumed were recorded at their estimated fair value at acquisition, with the remaining unallocated purchase price recorded as goodwill. The goodwill recorded is included in our transportation segment, and is non-deductible for income tax purposes. For each acquisition, the purchase price was allocated to major classes of assets acquired and liabilities assumed at estimated fair values as of the acquisition date. These values are based, in part, upon 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. The allocation of the purchase price in each transaction is as follows (in thousands):

	<u>Container Connection</u>	<u>Specialized Rail</u>	<u>Southern Counties</u>	<u>Fore</u>
Current assets .....	\$ 6,458	\$ 4,054	\$ 5,359	\$ 6,077
Property and equipment .....	50	2,710	4,598	10,864
Goodwill.....	31,699	4,130	31,204	10,414
Intangible assets .....	31,510	5,342	35,690	12,108
Other assets .....	-	109	262	-
Current liabilities.....	(1,102)	(1,992)	(3,027)	(1,234)
Deferred tax liabilities, net.....	(7,086)	(1,676)	(8,690)	(3,123)
	<u>\$ 61,529</u>	<u>\$ 12,677</u>	<u>\$ 65,396</u>	<u>\$ 35,106</u>

The intangible assets represent the acquired companies’ customer relationships, trade names, and non-competition agreements. The acquired customer relationships are being amortized over a period of seven years to 12 years, tradenames are being amortized over a period of three years, and the non-competition agreements are being amortized over a period of five years. The Company used the discounted cash flow method to estimate the fair value of these acquired intangible assets, and comparable land sales and replacement cost methodology to value land and buildings, respectively.



**UNIVERSAL LOGISTICS HOLDINGS, INC.**  
Notes to Consolidated Financial Statements – (Continued)  
December 31, 2019, 2018 and 2017

**(4) Acquisitions—continued**

The following unaudited pro forma results of operations present consolidated information of the Company as if the 2018 and 2019 Acquisitions were acquired on January 1, 2018 (in thousands, except per share data):

	<b>Pro Forma Twelve Month Ended</b>	
	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Operating revenues .....	\$ 1,624,219	\$ 1,731,702
Income from operations .....	\$ 65,013	\$ 103,085
Net income .....	\$ 36,036	\$ 60,697
Earnings per common share:		
Basic .....	\$ 1.28	\$ 2.14
Diluted .....	\$ 1.28	\$ 2.14

The unaudited pro forma consolidated results are presented for illustrative purposes and do not purport to represent what the results of operations would actually have been had we acquired the 2018 and 2019 acquisitions on January 1, 2018. Further, the financial information does not purport to project the future operating results of the Company on a consolidated basis.

For the year ended December 31, 2019, actual revenue and operating income of the 2019 acquired companies was \$32.1 million and \$0.1 million, respectively. For the year ended December 31, 2018, actual revenue and operating income of the 2018 acquired companies was \$70.9 million and \$5.1 million, respectively.

**(5) Marketable Securities**

Marketable equity securities are carried at fair value, with gains and losses in fair market value included in the determination of net income. The fair value of marketable equity securities is determined based on quoted market prices in active markets, as described in Note 10.

The following table sets forth market value, cost, and unrealized gains (losses) on equity securities at December 31 (in thousands):

	<b>2019</b>	<b>2018</b>
Fair value .....	\$ 9,369	\$ 9,333
Cost .....	8,136	11,143
Unrealized gains (losses) .....	<u>\$ 1,233</u>	<u>\$ (1,810)</u>

The following table sets forth the gross unrealized gains and losses on the Company's marketable securities at December 31 (in thousands):

	<b>2019</b>	<b>2018</b>
Gross unrealized gains .....	\$ 1,337	\$ 89
Gross unrealized losses .....	(104)	(1,899)
Net unrealized gains (losses) .....	<u>\$ 1,233</u>	<u>\$ (1,810)</u>

The following table shows the Company's net realized gains on marketable equity securities (in thousands):

	<b>2019</b>	<b>2018</b>	<b>2016</b>
Realized gain			
Sale proceeds .....	\$ 1,596	\$ 5,733	\$ 1,261
Cost of securities sold .....	1,289	5,229	338
Realized gain .....	<u>\$ 307</u>	<u>\$ 504</u>	<u>\$ 923</u>
Realized gain, net of taxes .....	\$ 230	\$ 379	\$ 1,516

During the years ended December 31, 2019 and 2018, our marketable equity securities portfolio experienced a net unrealized pre-tax gain (loss) in market value of approximately \$1,233,000 and \$(1,810,000), respectively, which were reported in other non-operating income (expense) for the period.

**UNIVERSAL LOGISTICS HOLDINGS, INC.**  
Notes to Consolidated Financial Statements – (Continued)  
December 31, 2019, 2018 and 2017

**(6) Accounts Receivable**

Accounts receivable amounts appearing in the consolidated financial statements include both billed and unbilled receivables. We bill customers in accordance with contract terms, which may result in a brief timing difference between when revenue is recognized and when invoices are rendered. Unbilled receivables, which usually are billed within one month, totaled \$29.1 million and \$28.8 million at December 31, 2019 and 2018, respectively.

Accounts receivable are presented net of an allowance for doubtful accounts. Following is a summary of the activity in the allowance for doubtful accounts for the years ended December 31 (in thousands):

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Balance at beginning of year.....	\$ 1,772	\$ 1,330	\$ 1,613
Provision for doubtful accounts.....	3,133	924	1,533
Acquisition of businesses .....	350	253	-
Uncollectible accounts written off.....	<u>(2,710)</u>	<u>(735)</u>	<u>(1,816)</u>
Balance at end of year.....	<u>\$ 2,545</u>	<u>\$ 1,772</u>	<u>\$ 1,330</u>

**(7) Property and Equipment**

Property and equipment at December 31 consists of the following (in thousands):

	<u>2019</u>	<u>2018</u>
Transportation equipment .....	\$ 333,899	\$ 267,094
Land, buildings and related assets.....	129,819	128,805
Other operating assets .....	116,191	104,559
Information technology equipment.....	29,880	26,135
Construction in process.....	96	7,960
Total property and equipment .....	609,885	534,553
Less accumulated depreciation.....	<u>(270,062)</u>	<u>(231,319)</u>
Total property and equipment, net .....	<u>\$ 339,823</u>	<u>\$ 303,234</u>

**(8) Accrued Expenses and Other Current Liabilities**

Accrued expenses consist of the following items at December 31 (in thousands):

	<u>2019</u>	<u>2018</u>
Payroll related items.....	\$ 14,390	\$ 11,476
Driver escrow liabilities .....	5,249	3,923
Legal settlements.....	6,948	—
Commissions, taxes and other.....	8,238	9,727
Total.....	<u>\$ 34,825</u>	<u>\$ 25,126</u>

**UNIVERSAL LOGISTICS HOLDINGS, INC.**  
Notes to Consolidated Financial Statements – (Continued)  
December 31, 2019, 2018 and 2017

**(9) Debt**

Debt is comprised of the following (in thousands):

	<u>Interest Rates at December 31, 2019</u>	<u>December 31,</u>	
		<u>2019</u>	<u>2018</u>
Outstanding Debt:			
Credit and Security Agreement (1)			
Term Loan .....	3.26%	\$ 142,500	\$ 150,000
Revolver.....	3.26%	151,225	80,588
Equipment Financing (2).....	3.09% to 5.13%	128,512	126,162
Real Estate Financing (3).....	4.01%	37,492	45,864
Margin Facility (4).....	2.86%	—	541
Unamortized debt issuance costs.....		<u>(2,117)</u>	<u>(2,703)</u>
		457,612	400,452
Less current portion of long-term debt.....		<u>59,476</u>	<u>51,903</u>
Total long-term debt, net of current portion.....		<u>\$ 398,136</u>	<u>\$ 348,549</u>

(1) The Credit and Security Agreement (the “Credit Agreement”) provides for maximum borrowings of \$350 million in the form of a \$150 million term loan and a \$200 million revolver. Term loan proceeds were advanced on November 27, 2018 and mature on November 26, 2023. The term loan will be repaid in consecutive quarterly installments, as defined in the Credit Agreement, commencing March 31, 2019, with the remaining balance due at maturity. Borrowings under the revolving credit facility may be made until and mature on November 26, 2023. At closing, proceeds from the Credit Agreement were used to pay off certain existing indebtedness and to pay fees and expenses associated with the Credit Agreement. Borrowings under the Credit Agreement bear interest at LIBOR or a base rate, plus an applicable margin for each based the Company’s leverage ratio. The Credit Agreement is secured by a first priority pledge of the capital stock of applicable subsidiaries, as well as first priority perfected security interest in cash, deposits, accounts receivable, and selected other assets of the applicable borrowers. The Credit Agreement includes customary affirmative and negative covenants and events of default, as well as financial covenants requiring minimum fixed charge coverage and leverage ratios, and customary mandatory prepayments provisions. At December 31, 2019, we were in compliance with all covenants under the facility, and \$48.8 million was available for borrowing on the revolver.

(2) The Equipment Financing consists of a series of promissory notes issued by a wholly-owned subsidiary in order to finance transportation equipment. The equipment notes, which are secured by liens on selected titled vehicles, include certain affirmative and negative covenants and are generally payable in 60 monthly installments and bear interest at fixed rates ranging from 3.09% to 5.13%. At December 31, 2019, we were in compliance with all covenants.

**UNIVERSAL LOGISTICS HOLDINGS, INC.**  
Notes to Consolidated Financial Statements – (Continued)  
December 31, 2019, 2018 and 2017

**(9) Debt—continued**

(3) The Real Estate Financing consists of a series of promissory notes issued by a wholly-owned subsidiary in order to finance certain real property. The promissory notes, which are secured by first mortgages and assignment of leases on specific parcels of real estate and improvements, include certain affirmative and negative covenants and are generally payable in 120 monthly installments. Each of the notes bears interest at LIBOR plus 2.25%. At December 31, 2019, we were in compliance with all covenants.

(4) The Margin Facility is a short-term line of credit secured by our portfolio of marketable securities. It bears interest at LIBOR plus 1.10%. The amount available under the line of credit is based on a percentage of the market value of the underlying securities. At December 31, 2019 and 2018, the maximum available borrowings under the line of credit were \$4.8 million and \$5.0 million, respectively.

The following table reflects the maturities of our principal repayment obligations as of December 31, 2019 (in thousands):

Years Ending December 31	Term	Revolver	Equipment Financing	Real Estate Financing	Margin Facility	Total
2020.....	11,250	\$ —	\$ 43,301	\$ 5,511	\$ —	\$ 60,062
2021.....	11,250	—	32,824	5,511	—	49,585
2022.....	15,000	—	26,603	5,511	—	47,114
2023.....	105,000	151,225	18,158	5,511	—	279,894
2024.....	—	—	7,598	5,512	—	13,110
Thereafter.....	—	—	28	9,936	—	9,964
Total.....	<u>\$ 142,500</u>	<u>\$ 151,225</u>	<u>\$ 128,512</u>	<u>\$ 37,492</u>	<u>\$ —</u>	<u>\$ 459,729</u>

The Company is also party to two interest rate swap agreements that qualify for hedge accounting. The swap agreements were executed to fix a portion of the interest rates on its variable rate debt that have a combined notional amount of \$15.5 million at December 31, 2019. Under the swap agreements, the Company receives interest at the one-month LIBOR rate plus 2.25%, and pays a fixed rate. The March 2016 swap (swap A) became effective October 2016, has a rate of 4.16% (amortizing notional amount of \$10.0 million) and expires July 2026, and an additional March 2016 swap (swap B) became effective October 2016, has a rate of 3.83% (amortizing notional amount of \$5.5 million) and expires May 2022. At December 31, 2019 and 2018, the fair value of the two swap agreements was a liability of \$0.1 million and an asset of \$0.4 million, respectively. Since these swap agreements qualify for hedge accounting, the changes in fair value are recorded in other comprehensive income (loss), net of tax. See Note 10, “Fair Value Measurement and Disclosures” for additional information pertaining to interest rate swaps.

**(10) Fair Value Measurement and Disclosures**

ASC Topic 820, “Fair Value Measurements and Disclosures,” defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date and expanded disclosures with respect to fair value measurements.

ASC Topic 820 also establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

**UNIVERSAL LOGISTICS HOLDINGS, INC.**  
Notes to Consolidated Financial Statements – (Continued)  
December 31, 2019, 2018 and 2017

**(10) Fair Value Measurement and Disclosures—continued**

We have segregated all financial assets that are measured at fair value on a recurring basis into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date in the tables below (in thousands):

	December 31, 2019			Fair Value Measurement
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Cash equivalents.....	\$ 18	\$ —	\$ —	\$ 18
Marketable securities.....	9,369	—	—	9,369
Total Assets.....	<u>\$ 9,387</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 9,387</u>
<b>Liabilities</b>				
Interest rate swaps.....	\$ —	\$ 137	\$ —	\$ 137
Total Liabilities.....	<u>\$ —</u>	<u>\$ 137</u>	<u>\$ —</u>	<u>\$ 137</u>
<b>December 31, 2018</b>				
	Level 1	Level 2	Level 3	Fair Value Measurement
<b>Assets</b>				
Marketable securities.....	\$ 9,333	\$ —	\$ —	\$ 9,333
Interest rate swaps.....	—	392	—	392
Total Assets.....	<u>\$ 9,333</u>	<u>\$ 392</u>	<u>\$ —</u>	<u>\$ 9,725</u>

The valuation techniques used to measure fair value for the items in the tables above are as follows:

- Cash equivalents – This category consists of money market funds which are listed as Level 1 assets and measured at fair value based on quoted prices for identical instruments in active markets.
- Marketable securities – Marketable securities represent equity securities, which consist of common and preferred stocks, are actively traded on public exchanges and are listed as Level 1 assets. Fair value was measured based on quoted prices for these securities in active markets.
- Interest rate swaps – The fair value of our interest rate swaps is determined using a methodology of netting the discounted future fixed cash payments (or receipts) and the discounted expected variable cash receipts (or payments). The variable cash receipts (or payments) are based on the expectation of future interest rates (forward curves) derived from observed market interest rate curves. The fair value measurement also incorporates credit valuation adjustments reflecting both the Company’s nonperformance risk and the respective counterparty’s nonperformance risk.

Our revolving credit and term loan agreements and our real estate promissory notes all consists of variable rate borrowings. We categorize borrowings under these credit agreements as Level 2 in the fair value hierarchy. The carrying value of these borrowings approximate fair value because the applicable interest rates are adjusted frequently based on short-term market rates.

For our equipment promissory notes with fixed rates, the fair values are estimated using discounted cash flow analyses, based on our current incremental borrowing rates for similar types of borrowing arrangements. We categorize borrowings under this credit agreement as Level 2 in the fair value hierarchy. The carrying values and estimated fair values of these promissory notes at December 31, 2019 is summarized as follows:

	2019	
	Carrying Value	Estimated Fair Value
Equipment promissory notes.....	\$ 128,512	\$ 130,929

We have not elected the fair value option for any of our financial instruments.

**UNIVERSAL LOGISTICS HOLDINGS, INC.**  
Notes to Consolidated Financial Statements – (Continued)  
December 31, 2019, 2018 and 2017

**(11) Transactions with Affiliates**

CenTra, Inc. (“CenTra”), an affiliate of the Company that is owned by our controlling shareholders, provides administrative support services to Universal in the ordinary course of business, including legal, human resources, tax, and IT infrastructure and related services. The cost of these services is based on the actual or estimated utilization of the specific service.

Universal also purchases other services from CenTra and other affiliates under common control with CenTra. Following is a schedule of cost incurred and included in operating expenses for services provided by affiliates for the years ended December 31 (in thousands):

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Administrative support services .....	\$ 4,085	\$ 3,094	\$ 2,771
Truck fuel, tolls and maintenance .....	895	2,428	2,652
Real estate rent and related costs .....	11,794	14,295	17,046
Insurance and employee benefit plans .....	53,050	57,370	55,995
Contracted transportation services .....	65	1,240	35
Total .....	<u>\$ 69,889</u>	<u>\$ 78,427</u>	<u>\$ 78,499</u>

We pay CenTra the direct variable cost of maintenance, fueling and other operational support costs for services delivered at our affiliate’s trucking terminals that are geographically remote from our own facilities. Such costs are billed when incurred, paid on a routine basis, and reflect actual labor utilization, repair parts costs or quantities of fuel purchased. In connection with our transportation services, we also pay tolls and other fees for international bridge crossings to certain related entities which are under common control with CenTra.

A significant number of our operating locations are located in facilities leased from affiliates. At 28 facilities, occupancy is based on either month-to-month or contractual, multi-year lease arrangements which are billed and paid monthly. Leasing properties provided by an affiliate that owns a substantial commercial property portfolio affords us significant operating flexibility. However, we are not limited to such arrangements. See Note 13, “Leases” for further information regarding the cost of leased properties.

We purchase workers’ compensation, property and casualty, cargo, warehousing and other general liability insurance from an insurance company controlled by our majority shareholders. Our employee health care benefits and 401(k) programs are also provided by this affiliate.

Other services from affiliates, including contracted transportation services, are delivered to us on a per-transaction-basis or pursuant to separate contractual arrangements provided in the ordinary course of business. At December 31, 2019 and 2018, amounts due to affiliates were \$14.8 million and \$17.8 million, respectively. In our Consolidated Balance Sheets, we record our insured claims liability and the related recovery from an affiliate insurance provider in insurance and claims, and other receivables. At December 31, 2019 and 2018, there were \$9.9 million and \$10.5 million, respectively, included in each of these accounts for insured claims.

During 2018, we made purchases of used equipment from an affiliate totaling \$8,300, and purchased wheels and tires from an affiliate for new trailering equipment totaling \$466,000 during the same period. There were no such purchases made during 2019.

*Services provided by Universal to Affiliates*

We periodically assist CenTra and other affiliates under common control with CenTra by providing selected transportation and logistics services in connection with their specific customer contracts or purchase orders. Truck fueling and administrative expenses are presented net in operating expense. Following is a schedule of services provided to CenTra and affiliates for the years ended December 31 (in thousands):

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Purchased transportation and equipment rent .....	\$ 1,636	\$ 900	\$ 1,100
Total .....	<u>\$ 1,636</u>	<u>\$ 900</u>	<u>\$ 1,100</u>

At December 31, 2019 and 2018, amounts due from affiliates were \$1.7 million and \$5.2 million, respectively.

**UNIVERSAL LOGISTICS HOLDINGS, INC.**  
Notes to Consolidated Financial Statements – (Continued)  
December 31, 2019, 2018 and 2017

**(11) Transactions with Affiliates—continued**

During 2019, we also sold a vacant parcel of land to an affiliate for \$2.5 million. The sales price was established by an independent third party appraisal. The Company’s basis in the land was \$2.4 million, resulting in a gain of \$0.1 million.

In August 2019, our Board of Directors authorized the repurchase of up to 600,000 shares of our common stock through a “Dutch auction” tender offer. Subject to certain limitations and legal requirements, we could repurchase up to an additional 2% of our outstanding shares. Following the expiration of the tender offer, we accepted 1,101,597 shares tendered through this offer for purchase at a final purchase price of \$22.50 per share, for a total purchase price of approximately \$24.8 million. The tender offer expired on September 13, 2019. The total amount of shares purchased in the tender offer includes 600,000 shares tendered by a director of the Company, Mr. Manuel J. Moroun, and 10,000 shares tendered by the Company’s Chief Financial Officer, Mr. Jude Beres. We used funds borrowed under our existing line of credit and from our available cash and cash equivalents to fund the purchase of the accepted shares.

**(12) Income Taxes**

A summary of income (loss) related to U.S. and non-U.S. operations are as follows (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Operations			
U.S. Domestic.....	\$ 50,102	\$ 71,441	\$ 28,360
Foreign.....	84	(2,052)	(11,219)
Total pre-tax income.....	\$ 50,186	\$ 69,389	\$ 17,141

The provision (benefit) for income taxes attributable to income from continuing operations for the years ended December 31 consists of the following (in thousands):

	2019	2018	2017
Current:			
U.S. Federal.....	\$ 2,772	\$ 7,266	\$ 5,394
State.....	2,450	3,556	2,227
Foreign.....	294	427	688
Total current.....	5,516	11,249	8,309
Deferred:			
U.S. Federal.....	6,392	5,873	(14,264)
State.....	(440)	(855)	(1,113)
Foreign.....	1,132	944	(3,944)
Total deferred.....	7,084	5,962	(19,321)
Total.....	\$ 12,600	\$ 17,211	\$ (11,012)

On December 22, 2017, the Tax Cuts and Jobs Act was signed into law, significantly changing the U.S. tax code by providing for, among other things, lower corporate income tax rates and requiring companies to pay a one-time transition tax on deemed repatriated earnings of foreign subsidiaries. Effective January 1, 2018, the Tax Cuts and Jobs Act permanently reduced the U.S. corporate income tax rate from 35% to 21%. In accordance with U.S. GAAP, the reduction in the enacted rate caused the Company to revalue its ending net deferred tax assets and liabilities and caused the Company to record a provisional tax benefit of \$18.2 million in its consolidated financial statements for the year ended December 31, 2017. With respect to the transition tax on deemed repatriated foreign earnings, the Company determined that, based upon information currently available, the transition tax did not have a material impact on its results of operations, financial position or cash flows.

**UNIVERSAL LOGISTICS HOLDINGS, INC.**  
Notes to Consolidated Financial Statements – (Continued)  
December 31, 2019, 2018 and 2017

**(12) Income Taxes—continued**

Deferred income tax assets and liabilities at December 31 consist of the following (in thousands):

	2019	2018
Domestic deferred tax assets:		
Allowance for doubtful accounts .....	\$ 602	\$ 425
Other assets.....	3,355	4,561
Accrued expenses .....	4,132	4,982
Total domestic deferred tax assets.....	\$ 8,089	\$ 9,968
Domestic deferred tax liabilities:		
Prepaid expenses .....	\$ 782	\$ 696
Marketable securities.....	1,014	1,004
Intangible assets .....	20,578	25,907
Property and equipment.....	51,407	41,589
Total domestic deferred tax liabilities.....	\$ 73,781	\$ 69,196
Net domestic deferred tax liabilities .....	\$ 65,692	\$ 59,228
Foreign deferred tax assets		
Net operating losses.....	\$ 3,543	\$ 3,499
Other assets.....	102	927
Valuation allowance - foreign .....	(2,185)	(1,877)
Total foreign deferred tax asset.....	\$ 1,460	\$ 2,549
Net deferred tax liability.....	\$ 64,232	\$ 56,679

In assessing whether deferred tax assets may be realized in the future, management considers whether it is more likely than not that some portion of such tax assets will not be realized. The deferred tax assets and liabilities were reviewed separately by jurisdictions when measuring the need for valuation allowances. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income (both ordinary income and taxable capital gains) during the periods in which those temporary differences reverse. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Valuation allowances are established when necessary to reduce deferred tax assets when it is more likely than not that a portion or all of the deferred tax assets will not be realized. Based upon the level of historical taxable income, reversal of existing taxable temporary differences, projections for future taxable income over the periods in which the domestic deferred tax assets are expected to reverse, and our ability to generate future capital gains, management believes it is more likely than not that we will realize the benefits of these deductible differences. Thus, no valuation allowance has been established for the domestic deferred tax assets. We had foreign net operating loss carryforward associated with our Mexican subsidiary with a tax effect of \$1.4 million as of December 31, 2019. The net operating loss carryforward will expire in 2027. Although realization is not assured, the Company has concluded that it is more likely than not that the deferred tax asset will be fully realized and as such no valuation allowance has been provided. At December 31, 2019, we also had foreign net operating loss carryforwards associated with our Canadian and German subsidiaries with a tax effect of \$2.2 million. Based on the anticipated earnings projections, management has recorded a full valuation allowance for the deferred tax assets associated with these entities.



**UNIVERSAL LOGISTICS HOLDINGS, INC.**  
Notes to Consolidated Financial Statements – (Continued)  
December 31, 2019, 2018 and 2017

**(12) Income Taxes—continued**

Income tax expense attributable to income from continuing operations differs from the statutory rates as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Federal statutory rate .....	21%	21%	35%
Change in tax law .....	0%	0%	-106%
Non-deductible expense.....	0%	0%	2%
State, net of federal benefit.....	3%	3%	4%
Foreign.....	2%	2%	1%
Other .....	-1%	-1%	0%
Effective tax rate .....	<u>25%</u>	<u>25%</u>	<u>-64%</u>

As of December 31, 2019, the total amount of unrecognized tax benefit representing uncertainty in certain tax positions was \$0.3 million. These uncertain tax positions are based on recognition thresholds and measurement attributes for the financial statement recognition and measurements of a tax position taken or expected to be taken in a tax return. Any prospective adjustments to our accrual for uncertain tax positions will be recorded as an increase or decrease to the provision for income taxes and would impact our effective tax rate. At December 31, 2019, there are no positions for which it is reasonably possible that the total amounts of unrecognized tax benefits would significantly increase or decrease within 12 months. As of December 31, 2019, the amount of accrued interest and penalties was \$0.1 million and \$0.1 million, respectively.

The changes in our gross unrecognized tax benefits during the years ended December 31 are as follows (in thousands):

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Unrecognized tax benefit – beginning of year .....	\$ 331	\$ 367	\$ 416
Increases related to prior year tax positions.....	20	26	22
Increases related to current year tax positions .....	29	30	9
Decreases related to prior year tax positions.....	(101)	(92)	(80)
Unrecognized tax benefit – end of year .....	<u>\$ 279</u>	<u>\$ 331</u>	<u>\$ 367</u>

**(13) Leases**

We lease office space, warehouses, freight distribution centers, terminal yards and equipment under non-cancelable operating lease arrangements. Except where we deliver services within facilities provided by our customers, we lease warehouse and freight distribution centers used in our logistics operations, often in connection with a specific customer program. Where facilities are substantially dedicated to a single customer and our lease is with an independent property owner, we attempt to align lease terms with the expected duration of the underlying customer program. In most cases, we expect our facility leases will be renewed or replaced by other leases in the ordinary course of business. Where possible, we contractually secure the recovery of certain occupancy costs, including rent, during the term of a customer program.

On January 1, 2019, we adopted ASU 2016-02, Leases, which required us to recognize a right-of-use asset and a corresponding lease liability on our balance sheet for most leases classified as operating leases under previous guidance. Right-of-use assets represent our right to use an underlying asset over the lease term and lease liabilities represent the obligation to make lease payments resulting from the lease agreement. We recognize a right-of-use asset and a lease liability on the effective date of a lease agreement.

We initially record these assets and liabilities based on the present value of lease payments over the lease term using our incremental borrowing rate applicable to the leased asset or the implicit rate in the lease if it is readily determinable. Most of our leases did not provide a readily determinable implicit rate, and therefore we estimated our incremental borrowing rate based on information available at lease commencement. The incremental borrowing rate is defined as the rate of interest that we would have to pay to borrow, on a collateralized basis and over a similar term, an amount equal to the lease payments in a similar economic environment. We elected to utilize a portfolio approach and applied the rates to a portfolio of leases with similar underlying assets and terms. Upon adoption of the new lease standard, discount rates used for existing leases were established at January 1, 2019. ASU 2016-02 was adopted as of the effective date, and as such prior period amounts are reported under the accounting standards in effect for those periods (ASC 840).

**UNIVERSAL LOGISTICS HOLDINGS, INC.**  
Notes to Consolidated Financial Statements – (Continued)  
December 31, 2019, 2018 and 2017

**(13) Leases - continued**

As of December 31, 2019, our obligations under operating lease arrangements primarily related to the rental of office space, warehouses, freight distribution centers, terminal yards and equipment. Our lease obligations typically do not include options to purchase the leased property, nor do they contain residual value guarantees or material restrictive covenants. Options to extend or terminate an agreement are included in the lease term when it becomes reasonably certain the option will be exercised. As of December 31, 2019, we were not reasonably certain of exercising any renewal or termination options, and as such, no adjustments were made to the right-of-use lease assets or corresponding liabilities.

We did not separate lease and nonlease components of contracts for purposes of determining the right-of use lease asset and corresponding liability. Variable lease components that do not depend on an index or a rate, and variable nonlease components were also not contemplated in the calculation of the right-of-use asset and corresponding liability. For facility leases, variable lease costs include the costs of common area maintenance, taxes, and insurance for which we pay the lessors an estimate that is adjusted to actual expense on a quarterly or annual basis depending on the underlying contract terms. For equipment leases, variable lease costs may include additional fees associated with using equipment in excess of estimated amounts. Leases with an initial term of 12 months or less, short-term leases, are not recorded on the balance sheet. Lease expense for short-term and long-term operating leases is recognized on a straight-line basis over the lease term.

The following table summarizes our lease costs for the year ended December 31, 2019 and related information (in thousands):

	<u>With Affiliates</u>	<u>With Third Parties</u>	<u>Total</u>
<b>Lease cost</b>			
Operating lease cost .....	\$ 10,611	\$ 23,464	\$ 34,075
Short-term lease cost .....	380	3,592	3,972
Variable lease cost .....	824	2,769	3,593
Sublease income .....	-	(2,760)	(2,760)
Total lease cost .....	<u>\$ 11,815</u>	<u>\$ 27,065</u>	<u>\$ 38,880</u>

The following table summarizes other lease related information as of and for the year ended December 31, 2019 (in thousands):

	<u>With Affiliates</u>	<u>With Third Parties</u>	<u>Total</u>
<b>Other information</b>			
Cash paid for amounts included in the measurement of operating leases .....	\$ 11,628	\$ 21,530	\$ 33,158
Right-of-use asset change due to acquisition of new business .....	-	\$ 3,661	\$ 3,661
Right-of-use asset change due to lease termination .....	\$ (15,533)	\$ -	\$ (15,533)
Right-of-use assets obtained in exchange for new operating lease liabilities....	\$ 20,956	\$ 18,847	\$ 39,803
Weighted-average remaining lease term (in years) .....	6.9	4.1	5.1
Weighted-average discount rate .....	8.0%	4.7%	6.1%

Future minimum lease payments under these operating leases as of December 31, 2019, are as follows (in thousands):

	<u>With Affiliates</u>	<u>With Third Parties</u>	<u>Total</u>
Year one .....	\$ 9,368	\$ 22,417	\$ 31,785
Year two .....	6,919	13,784	20,703
Year three .....	4,703	8,267	12,970
Year four .....	3,712	5,760	9,472
Year five .....	3,573	3,932	7,505
Thereafter .....	16,616	7,933	24,549
Total required lease payments .....	<u>\$ 44,891</u>	<u>\$ 62,093</u>	<u>\$ 106,984</u>
Less amounts representing interest .....			(17,826)
Present value of lease liabilities .....			<u>\$ 89,158</u>

**UNIVERSAL LOGISTICS HOLDINGS, INC.**  
Notes to Consolidated Financial Statements – (Continued)  
December 31, 2019, 2018 and 2017

**(13) Leases – continued**

Under ASC 840, future minimum lease payments with initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2018 were as follows:

<u>Years Ending December 31</u>	<u>With Affiliates</u>	<u>With Third Parties</u>	<u>Total</u>
2019 .....	\$ 9,501	\$ 12,841	\$ 22,342
2020 .....	6,604	10,456	17,060
2021 .....	5,408	3,928	9,336
2022 .....	3,919	1,331	5,250
2023 .....	3,592	833	4,425
Thereafter .....	8,331	—	8,331
Total required payments.....	<u>\$ 37,355</u>	<u>\$ 29,389</u>	<u>\$ 66,744</u>

During 2019, the Company determined that the future minimum lease payment schedule included in the 2018 Annual Report on Form 10-K excluded certain lease commitments (see Note 2 “Recent Accounting Pronouncements”). The table understated our lease payments by \$7.5 million in total (\$0.4 million in 2019, \$3.8 million in 2020, \$1.2 million in 2021, \$1.3 million in 2022, and \$0.8 million in 2023). The table above has been revised to reflect the corrected amounts.

Rental expense for facilities, vehicles and other equipment leased from third parties under operating leases was \$22.6 million and \$17.9 million for the years ended December 31, 2018 and 2017, respectively.

**(14) Retirement Plans**

We offer 401(k) defined contribution plans to our employees. The plans are administered by a company controlled by our principal shareholders and include different matching provisions depending on which subsidiary or affiliate is involved. In the plans available to certain employees not subject to collective bargaining agreements, we matched contributions up to \$600 annually for each employee who is not considered highly compensated through December 31, 2008, after which some matching contributions were suspended as a response to market conditions at certain subsidiaries. Three other 401(k) plans are provided to employees of specific operations and offer matching contributions that range from zero to \$2,080 per participant annually. The total expense for contributions for 401(k) plans, including plans related to collective bargaining agreements, was \$0.7 million, \$0.6 million and \$0.5 million for the years ended December 31, 2019, 2018 and 2017, respectively.

In connection with a collective bargaining agreement that covered 11 Canadian employees at December 31, 2019, we are required to make defined contributions into the Canada Wide Industrial Pension Plan. At December 31, 2019 and 2018, the required contributions totaled approximately \$36,000 and \$39,000, respectively.

**(15) Stock Based Compensation**

On April 23, 2014, our Board of Directors adopted the 2014 Amended and Restated Stock Incentive Plan, or the Plan. The Plan was approved by our shareholders at the 2014 Annual Meeting and became effective as of the date it was adopted by the Board of Directors. The Plan replaced our 2004 Stock Incentive Plan and carried forward the shares of common stock that remained available for issuance under the 2004 Stock Incentive Plan. The grants may be made in the form of stock options, restricted stock bonuses, restricted stock purchase rights, stock appreciation rights, phantom stock units, restricted stock units or unrestricted common stock. Restricted stock awards currently outstanding under the 2004 Stock Incentive Plan will remain outstanding in accordance with the terms of that plan.

On February 22, 2017 and February 24, 2016, the Company granted 10,000 and 10,000 shares, respectively, of restricted stock to our former Chief Executive Officer. The restricted stock grants have fair values of \$13.45 per share and \$15.55 per share, respectively, based on the closing price of the Company’s stock on each grant date. For each award, 25% of the shares vested immediately on the grant dates, and the remaining shares vest in three equal installments with the final vesting of the 2017 award to occur on March 5, 2020, in each case subject to continued employment with the Company.

On February 20, 2019, the Company granted 44,500 shares of restricted stock to certain of its employees, including 12,000 shares to our former Chief Executive Officer and 10,000 shares to our Chief Financial Officer. The restricted stock grants have a grant date fair value of \$23.56 per share, based on the closing price of the Company’s stock, and will vest in four equal increments on each February 20 in 2020, 2021, 2022 and 2023, in each case subject to continued employment with the Company.

**UNIVERSAL LOGISTICS HOLDINGS, INC.**  
Notes to Consolidated Financial Statements – (Continued)  
December 31, 2019, 2018 and 2017

**(15) Stock Based Compensation - continued**

A grantee’s vesting of restricted stock awards may be accelerated under certain conditions, including retirement.

A summary of the status of our non-vested shares as of December 31, 2019, and changes during the year ended December 31, 2019, is presented below:

	Shares	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2018.....	7,500	\$ 14.15
Granted .....	44,500	\$ 23.56
Vested .....	(5,000)	\$ 14.50
Forfeited.....	(5,000)	\$ 23.56
Balance at December 31, 2019 .....	42,000	\$ 22.96

During the years ended December 31, 2019, 2018 and 2017, the total grant date fair value of vested shares recognized as compensation cost was \$73,000, \$413,000, and \$414,000, respectively. As of December 31, 2019, there was \$1.0 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized on a straight-line basis over the remaining vesting period. That cost is expected to be recognized on a straight-line basis over the remaining vesting period. As a result, the Company expects to recognize stock-based compensation expense of approximately \$0.3 million in 2020, and \$0.2 million in each year of 2021, 2022 and 2023.

**(16) Commitments and Contingencies**

Our principal commitments relate to long-term real estate leases and payment obligations to equipment vendors.

The Company was plaintiff in a lawsuit filed on June 11, 2015 against, among others, Dalton Logistics, Inc. (“Dalton”) in the United States District Court for the Southern District of Texas. The Company was seeking approximately \$1.9 million in damages from a debtor relating to unpaid freight charges. In response to the filing of the complaint, the shareholders of Dalton filed a counterclaim against the Company alleging that the Company, in connection with certain unrelated negotiations with the defendant, breached an alleged agreement to acquire Dalton. The respective claims proceeded to trial and, on July 21, 2017, a jury returned two separate verdicts: One in favor of Universal for \$1.9 million, and a second in favor of the defendant for approximately \$5.7 million. On October 30, 2017, the court entered a judgment against Universal for the \$5.7 million, but ignored the \$1.9 million jury award in favor of Universal. The Company filed an appeal with the United States Court of Appeals for the Fifth Circuit to overturn the verdict and the judgment. On January 3, 2020, the appellate court upheld the verdict and the judgement against Universal. In connection with the ruling, the Company recorded a pre-tax charge to net income of \$2.9 million in the fourth quarter of 2019. As of December 31, 2019, the \$5.7 million judgement, plus \$0.8 million of interest has been accrued. The Company expects to fund the judgement and accrued interest in the first quarter of 2020.

As previously disclosed, a predecessor to a subsidiary of the Company was a party to a legal proceeding captioned Denton v. UACL, et al. (the “Denton Litigation”). The Company resolved the Denton Litigation on September 24, 2019 (the “Final Denton Settlement”). Under the terms of the Final Denton Settlement, the Company agreed to pay plaintiffs \$36.0 million in cash, exclusive of amounts previously paid, based on an opinion issued by the Appellate Court of Illinois First Judicial District on September 24, 2019 affirming the trial court judgment. In connection with the Final Denton Settlement, the Company recorded a pre-tax charge to net income of \$24.8 million in the third quarter of 2019. On October 23, 2019, the Company funded the \$36.0 million payment.

The Company is involved in certain other claims and pending litigation arising from the ordinary conduct of business. We also provide accruals for claims within our self-insured retention amounts. Based on the knowledge of the facts, and in certain cases, opinions of outside counsel, in the Company’s opinion the resolution of these claims and pending litigation will not have a material effect on our financial position, results of operations or cash flows. However, if we experience claims that are not covered by our insurance or that exceed our estimated claim reserve, it could increase the volatility of our earnings and have a materially adverse effect on our financial condition, results of operations or cash flows.

At December 31, 2019, approximately 29% of our employees in the United States, Canada and Colombia are subject to collective bargaining agreements that are renegotiated periodically, of which 21% are subject to contracts that expire in 2020. Of our employees in Mexico, 92% are subject to such collective bargaining agreements, and our contract expiring in 2020 is currently being negotiated.

**UNIVERSAL LOGISTICS HOLDINGS, INC.**  
Notes to Consolidated Financial Statements – (Continued)  
December 31, 2019, 2018 and 2017

**(17) Earnings Per Share**

Basic earnings per common share amounts are based on the weighted average number of common shares outstanding, excluding outstanding non-vested restricted stock. Diluted earnings per common share include dilutive common stock equivalents determined by the treasury stock method. For the years ended December 31, 2019, 2018 and 2017, there were 910, 6,912 and 2,922 weighted average non-vested shares of restricted stock, respectively, included in the denominator for the calculation of diluted earnings per share.

For the year ended December 31, 2019 and 2017, 44,500 and 2,500 shares, respectively, were excluded from the calculation of diluted earnings per share because such shares were anti-dilutive. For the year ended December 31, 2018, no shares were excluded from the calculation of diluted earnings per share.

**(18) Quarterly Financial Data (unaudited)**

	<b>2019</b>			
	<u>1<sup>st</sup> quarter</u>	<u>2<sup>nd</sup> quarter</u>	<u>3<sup>rd</sup> quarter</u>	<u>4<sup>th</sup> quarter</u>
	(in thousands, except per share information)			
Operating revenue .....	\$ 377,406	\$ 383,175	\$ 375,486	\$ 375,931
Operating income .....	26,513	30,716	(7,352)	15,503
Income before income taxes .....	23,097	26,714	(11,268)	11,643
Income tax expense .....	5,800	6,742	(2,848)	2,906
Net income.....	<u>\$ 17,297</u>	<u>\$ 19,972</u>	<u>\$ (8,420)</u>	<u>\$ 8,737</u>
Earnings per common share:				
Basic.....	\$ 0.61	\$ 0.70	\$ (0.30)	\$ 0.32
Diluted.....	\$ 0.61	\$ 0.70	\$ (0.30)	\$ 0.32
Weighted average number of common shares outstanding:				
Basic.....	28,380	28,383	28,263	27,282
Diluted.....	28,381	28,385	28,264	27,283
	<b>2018</b>			
	<u>1<sup>st</sup> quarter</u>	<u>2<sup>nd</sup> quarter</u>	<u>3<sup>rd</sup> quarter</u>	<u>4<sup>th</sup> quarter</u>
	(in thousands, except per share information)			
Operating revenue .....	\$ 335,113	\$ 365,925	\$ 374,292	\$ 386,378
Operating income (loss) .....	17,104	26,252	22,530	17,908
Income (loss) before income taxes .....	14,156	23,634	19,973	11,626
Income tax (benefit) expense.....	3,722	5,965	4,918	2,606
Net income (loss).....	<u>\$ 10,434</u>	<u>\$ 17,669</u>	<u>\$ 15,055</u>	<u>\$ 9,020</u>
Earnings per common share:				
Basic.....	\$ 0.37	\$ 0.62	\$ 0.53	\$ 0.32
Diluted.....	\$ 0.37	\$ 0.62	\$ 0.53	\$ 0.32
Weighted average number of common shares outstanding:				
Basic.....	28,386	28,395	28,382	28,370
Diluted.....	28,393	28,402	28,392	28,374

**UNIVERSAL LOGISTICS HOLDINGS, INC.**  
Notes to Consolidated Financial Statements – (Continued)  
December 31, 2019, 2018 and 2017

**(19) Segment Reporting**

We report our financial results in two reportable segments, the transportation segment and the logistics segment, based on the nature of the underlying customer commitment and the types of investments required to support these commitments. This presentation reflects the manner in which management evaluates our operating segments, including an evaluation of economic characteristics and applicable aggregation criteria.

Operations aggregated in our transportation segment are associated with individual freight shipments coordinated by our agents, company-managed terminals and specialized services operations. In contrast, operations aggregated in our logistics segment deliver value-added services or transportation services to specific customers on a dedicated basis, generally pursuant to contract terms of one year or longer. Other non-reportable operating segments are comprised of the Company's subsidiaries that provide support services to other subsidiaries and to owner-operators, including shop maintenance and equipment leasing.

The following tables summarize information about our reportable segments as of and for the fiscal years ended December 31, 2019, 2018 and 2017 (in thousands):

<b>2019</b>	<b>Transportation</b>	<b>Logistics</b>	<b>Other</b>	<b>Total</b>
Operating revenues .....	\$ 1,013,548	\$ 497,315	\$ 1,135	\$ 1,511,998
Eliminated inter-segment revenues .....	(1,921)	(835)	—	(2,756)
Depreciation and amortization .....	39,239	33,670	1,856	74,765
Income from operations.....	20,226	47,694	(2,540)	65,380
Capital expenditures .....	18,830	58,547	2,376	79,753
Total assets .....	618,931	348,972	20,094	987,997
<b>2018</b>	<b>Transportation</b>	<b>Logistics</b>	<b>Other</b>	<b>Total</b>
Operating revenues .....	\$ 949,242	\$ 510,918	\$ 1,548	\$ 1,461,708
Eliminated inter-segment revenues .....	(1,673)	(12,451)	—	(14,124)
Depreciation and amortization .....	27,128	26,125	1,172	54,425
Income from operations.....	51,634	31,136	1,024	83,794
Capital expenditures .....	32,267	33,312	1,006	66,585
Total assets .....	525,906	298,455	18,786	843,147
<b>2017</b>	<b>Transportation</b>	<b>Logistics</b>	<b>Other</b>	<b>Total</b>
Operating revenues .....	\$ 750,302	\$ 465,070	\$ 1,293	\$ 1,216,665
Eliminated inter-segment revenues .....	(1,064)	(8,095)	—	(9,159)
Depreciation and amortization .....	17,661	29,136	198	46,995
Income from operations.....	14,512	10,597	105	25,214
Capital expenditures .....	12,330	50,597	433	63,360
Total assets .....	291,736	293,773	25,083	610,592

We provide a portfolio of transportation and logistics services to a wide range of customers throughout the United States and in Mexico, Canada and Colombia. Revenues attributed to geographic areas are as follows (in thousands):

	<b>Year Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
United States .....	\$ 1,480,637	\$ 1,426,897	\$ 1,179,115
Mexico .....	16,100	18,716	24,346
Canada.....	13,552	14,188	11,538
Colombia.....	1,709	1,907	1,666
Total .....	<u>\$ 1,511,998</u>	<u>\$ 1,461,708</u>	<u>\$ 1,216,665</u>

**UNIVERSAL LOGISTICS HOLDINGS, INC.**  
Notes to Consolidated Financial Statements – (Continued)  
December 31, 2019, 2018 and 2017

**(19) Segment Reporting—continued**

Net long-lived property and equipment assets by geographic area are presented in the table below (in thousands):

	<u>Year Ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
United States .....	\$ 319,348	\$ 284,321
Mexico .....	19,587	18,612
Canada .....	242	295
Colombia.....	646	6
Total.....	<u>\$ 339,823</u>	<u>\$ 303,234</u>

**(20) Subsequent Events**

On February 6, 2020, our Board of Directors declared the regular quarterly cash dividend of \$0.105 per share of common stock, payable to shareholders of record at the close of business on March 2, 2020 and is expected to be paid on April 6, 2020. Declaration of future cash dividends is subject to final determination by the Board of Directors each quarter after its review of our financial condition, results of operations, capital requirements, any legal or contractual restrictions on the payment of dividends and other factors the Board of Directors deems relevant.

**ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES**

None.

**ITEM 9A: CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

Based on an evaluation under the supervision and with the participation of the Company's management, the Company's principal executive officer and principal financial officer have concluded that the Company's 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") were effective as of December 31, 2019 to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

**Inherent Limitations over Internal Controls**

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles ("GAAP"). The Company's internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and
- (iii) 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.

Management, including the Company's Chief Executive Officer and Chief Financial Officer, does not expect that the Company's internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, any evaluation of the effectiveness of controls in future periods are subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Changes in Internal Control over Financial Reporting**

There were no changes in the Company's internal control over financial reporting during the fourth quarter of 2019, which were identified in connection with management's evaluation required by paragraph (d) of rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.



## **Management’s Annual Report on Internal Control over Financial Reporting**

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Management conducted an assessment of the effectiveness of the Company’s internal control over financial reporting based on the criteria set forth in *Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission*, which is commonly referred to as the 2013 framework.

The scope of management’s assessment as of December 31, 2019 did not include an assessment of the internal controls over financial reporting during 2019 for Roadrunner Intermodal Services, LLC, Morgan Southern, Inc., Wando Trucking, LLC, or Central Cal Transportation, LLC (collectively, “Roadrunner Intermodal”) or Michael’s Cartage, Inc. (collectively the “Acquired Companies”), each of which was acquired during 2019. Management has excluded from its assessment of the effectiveness of the Company’s internal control over financial reporting as of December 31, 2019 the Acquired Companies’ internal control over financial reporting associated with total assets of \$83.5 million, operating revenues of \$32.1 million and net income of \$0.1 million, all of which are included in the consolidated financial statements Universal Logistics Holdings, Inc. as of and for the year ended December 31, 2019. For the fiscal year ending December 31, 2020, the scope of management’s assessment on internal control over financial reporting will include the Acquired Companies’ operations.

Based on the Company’s assessment, management has concluded that its internal control over financial reporting was effective as of December 31, 2019. The Company’s independent registered public accounting firm, BDO USA LLP, has issued an audit report on the Company’s internal control over financial reporting, which appears below.

## **Report of Independent Registered Public Accounting Firm**

Shareholders and Board of Directors  
Universal Logistics Holdings, Inc.  
Warren, Michigan

### **Opinion on Internal Control over Financial Reporting**

We have audited Universal Logistics Holdings, Inc.'s (the "Company's") internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, cash flows and shareholders' equity for each of the three years in the period ended December 31, 2019, and the related notes and our report dated March 16, 2020 expressed an unqualified opinion thereon.

### **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 "Item 9A, 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 U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting 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, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

As indicated in the accompanying "Item 9A, Management's Annual Report on Internal Control Over Financial Reporting", management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Roadrunner Intermodal Services, LLC, Morgan Southern, Inc., Wando Trucking, LLC, or Central Cal Transportation, LLC (collectively, "Roadrunner Intermodal") or Michael's Cartage, Inc. (collectively the "Acquired Companies"), which were acquired in 2019 and which are included in the consolidated balance sheet of Universal Logistics Holdings, Inc. as of December 31, 2019, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the year then ended. The Acquired Companies had \$83.5 million of total assets as of December 31, 2019, and \$32.1 million and \$0.1 million of revenues and net income, respectively, for the year then ended. Management did not assess the effectiveness of internal control over financial reporting of the Acquired Companies because of the timing of the acquisitions which were completed on various dates in 2019. Our audit of internal control over financial reporting of Universal Logistics Holdings, Inc. also did not include an evaluation of the internal control over financial reporting of the Acquired Companies.

### **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/ BDO USA, LLP

Troy, Michigan  
March 16, 2020

**ITEM 9B: OTHER INFORMATION**

None.

### PART III

Portions of the information required by Part III of Form 10-K are, pursuant to General Instruction G(3) of Form 10-K, incorporated by reference from our definitive Proxy Statement to be filed pursuant to Regulation 14A for our Annual Meeting of Shareholders to be held on April 30, 2020. We will, within 120 days of the end of our fiscal year, file with the Securities and Exchange Commission a definitive proxy statement pursuant to Regulation 14A.

#### ITEM 10: DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A for our Annual Meeting of Shareholders to be held on April 30, 2020.

#### ITEM 11: EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A for our Annual Meeting of Shareholders to be held on April 30, 2020.

#### ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A for our Annual Meeting of Shareholders to be held on April 30, 2020.

The following table presents information about equity plans under which equity securities of the Company are authorized for issuance at December 31, 2019:

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance</u>
Equity compensation plans approved by security holders.....	42,000	\$ — (1)	162,380
Equity compensation plans not approved by security holders.....	—	\$ —	—
Total.....	<u>42,000</u>	<u>\$ — (1)</u>	<u>162,380</u>

(1) Reflects shares to be issued under restricted stock bonus awards, which do not have an exercise price. As of December 31, 2019, the Company has no outstanding options, warrants or rights that require payment of an exercise price.

#### ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A for our Annual Meeting of Shareholders to be held on April 30, 2020.

#### ITEM 14: PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A for our Annual Meeting of Shareholders to be held on April 30, 2020.

## PART IV

### ITEM 15: EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

#### (1) Financial Statements

	Page
Report of Independent Registered Public Accounting Firm.....	37
Consolidated Balance Sheets.....	38
Consolidated Statements of Income.....	39
Consolidated Statements of Comprehensive Income.....	40
Consolidated Statements of Cash Flows.....	41
Consolidated Statements of Shareholders' Equity.....	43
Notes to Consolidated Financial Statements.....	44

#### (2) Financial Statement Schedules

Financial statement schedules have been omitted since they are either not required, not applicable, or the information is otherwise included elsewhere in this Form 10-K.

#### (3) Exhibits

Exhibit No.	Description
2.1	Stock Purchase Agreement dated as of August 10, 2018 among Mason Dixon Intermodal, Inc., The Brian and Rocio Griley Family Trust u/t/d March 18, 2008 and Donald Griley Irrevocable Trust f/b/o Patrick Griley u/t/d March 1, 2008 (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on August 16, 2018)
2.2	Stock Purchase Agreement dated as of December 7, 2018 among Mason Dixon Intermodal, Inc., James H. Horvitz, Robert Sweet, The Horvitz Family Special Needs Gift Trust, dated July 18, 2014, (each a "Seller" and collectively the "Sellers"), Robin L. Horvitz, and J. Horvitz in his capacity as representative of the Sellers (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on December 11, 2018)
3.1	Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-1 filed on November 15, 2004)
3.2	Amendment to Restated Articles of Incorporation (incorporated by reference to Exhibit 3(i)-1 and 3(i)-2 to the Registrant's Current Report on Form 8-K filed on November 1, 2012)
3.3	Certificate of Amendment to Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on May 2, 2016)
3.4	Fifth Amended and Restated Bylaws, effective December 13, 2019 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on December 16, 2019)
4.1	Specimen Common Share Certificate (incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-1 filed on November 15, 2004)
4.2*	Description of Capital Stock of the Registrant
4.3	Amended and Restated Registration Rights Agreement among the Registrant, Matthew T. Moroun, the Manuel J. Moroun Revocable Trust and the M.J. Moroun 2012 Annuity Trust (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed July 26, 2012)
10.1+	Consulting Agreement between the Registrant and Manuel J. Moroun (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on April 26, 2013)
10.2+	Amendment No. 1 to Consulting Agreement, dated April 26, 2018, with Manuel J. Moroun (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on April 27, 2018)
10.3+	Employment Agreement between the Registrant and Jeff Rogers (incorporated by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-K filed on March 16, 2015)

Exhibit No.	Description
10.4	Service Level Agreement between the Registrant and Data System Services, LLC (incorporated by reference to Exhibit 10.7 to the Registrant's Annual Report on Form 10-K filed on March 16, 2015)
10.5+	2014 Amended and Restated Stock Option and Incentive Plan (incorporated by reference to Appendix A to the Registrant's Schedule 14A filed on April 29, 2014)
10.6+	Form of Restricted Stock Bonus Award Agreement under the 2014 Amended and Restated Stock Option and Incentive Plan (incorporated by reference to Exhibit B of Appendix A to the Registrant's Schedule 14A filed on April 29, 2014)
10.7	Credit and Security Agreement dated as of November 27, 2018 among Universal Management Services, Inc., Cavalry Logistics, LLC, Fore Transportation, Inc., Logistics Insight Corp., Mason Dixon Intermodal, Inc., Southern Counties Express, Inc., Specialized Rail Service, Inc., Universal Logistics Solutions International, Inc., Universal Specialized, Inc., Universal Truckload, Inc., Westport Axle Corp., and Westport Machining, LLC, as borrowers, certain subsidiaries of Universal Logistics Holdings, Inc., as guarantors, and KeyBank National Association as administrative agent and lender (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on November 29, 2018)
10.8	Loan and Financing Agreement dated as of February 1, 2018 between UTSI Finance and Flagstar (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on February 6, 2018)
10.9	Promissory Note dated as of February 1, 2018 by UTSI Finance in favor of Flagstar (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on February 6, 2018)
10.10	Commercial Mortgage dated as of February 1, 2018 between UTSI Finance and Flagstar (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed on February 6, 2018)
10.11	Amendment No. 2 to Master Security Agreement, dated as of April 24, 2018, with Key Equipment Finance, a division of KeyBank National Association (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on April 27, 2018)
10.12+	Employment Agreement between the Registrant and Tim Phillips (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on January 14, 2020)
10.13+*	Separation Agreement between the Registrant and Jeff Rogers
21.1*	Subsidiaries of the Registrant
23.1*	Consent of BDO USA LLP, independent registered public accounting firm
24*	Powers of Attorney (see signature page)
31.1*	Chief Executive Officer certification, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Chief Financial Officer certification, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Chief Executive Officer and Chief Financial Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Schema Document
101.CAL*	XBRL Calculation Linkbase Document
101.DEF*	XBRL Definition Linkbase Document
101.LAB*	XBRL Labels Linkbase Document
101.PRE*	XBRL Presentation Linkbase Document

+ Indicates a management contract, compensatory plan or arrangement.

\* Filed herewith.

\*\* Furnished herewith.

## 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 on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

**Universal Logistics Holdings, Inc.**  
(Registrant)

By: /s/ Jude Beres  
Jude Beres, Chief Financial Officer

Date: March 16, 2020

## POWER OF ATTORNEY

Know all persons by these presents, that each person whose signature appears below constitutes and appoints Tim Phillips and Jude Beres, jointly and severally, his attorneys-in-fact, each with the power of substitution, for him in any and all capacities, to sign any amendments to this Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitutes, may do or cause to be done by virtue hereof.

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

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Tim Phillips</u> Tim Phillips	Chief Executive Officer (Principal Executive Officer)	March 16, 2020
<u>/s/ Jude Beres</u> Jude Beres	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	March 16, 2020
<u>/s/ Matthew T. Moroun</u> Matthew T. Moroun	Chairman of the Board	March 16, 2020
<u>/s/ Manuel J. Moroun</u> Manuel J. Moroun	Director	March 16, 2020
<u>/s/ Grant Belanger</u> Grant Belanger	Director	March 16, 2020
<u>/s/ Frederick P. Calderone</u> Frederick P. Calderone	Director	March 16, 2020
<u>/s/ Daniel J. Deane</u> Daniel J. Deane	Director	March 16, 2020
<u>/s/ Clarence W. Gooden</u> Clarence W. Gooden	Director	March 16, 2020
<u>/s/ Michael A. Regan</u> Michael A. Regan	Director	March 16, 2020
<u>/s/ Richard P. Urban</u> Richard P. Urban	Director	March 16, 2020
<u>/s/ H.E. "Scott" Wolfe</u> H. E. "Scott" Wolfe	Director	March 16, 2020



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## UNIVERSAL LOGISTICS HOLDINGS, INC.

Universal Logistics Holdings, Inc. is a leading asset-light provider of customized transportation and logistics solutions throughout the United States, and in Mexico, Canada, and Colombia. We provide our customers with supply chain solutions that can be scaled to meet their changing demands and volumes. We offer our customers a broad array of services across their entire supply chain, including truckload, brokerage, intermodal, dedicated, and value-added services. Our customized solutions and flexible business model are designed to provide us with a highly variable cost structure.

### CORPORATE INFORMATION

#### Board of Directors

Matthew T. Moroun  
Chairman of the Board,  
Vice Chairman  
CenTra, Inc.

Manuel J. Moroun  
Chief Executive Officer  
CenTra, Inc.

Tim Phillips  
Chief Executive Officer  
Universal Logistics Holdings,  
Inc.

Grant E. Belanger  
Principal  
G. Belanger Consultants, LLC

Frederick P. Calderone  
Former Vice President  
CenTra, Inc.

Daniel J. Deane  
President  
Nicholson Terminal & Dock  
Company

Clarence W. Gooden  
Former President  
CSX Corporation

Michael A. Regan  
Chief Relationship Development  
Officer  
TranzAct Technologies, Inc.

Richard P. Urban  
Former Consultant  
Urban Logistics, Inc.

H.E. "Scott" Wolfe  
Former Chief Executive Officer  
Universal Logistics Holdings,  
Inc.

#### Executive Officers

Tim Phillips  
Chief Executive Officer

Jude Beres  
Chief Financial Officer and  
Treasurer

#### Shareholder Information

Inquiries concerning lost stock certificates, changes of address, account status or other questions regarding your stock should be directed to the Company's Transfer Agent

#### Transfer Agent

Computershare, Inc.  
PO Box 43078  
Providence, RI 02940

**The Company's annual reports on Form 10-K and quarterly reports on Form 10-Q filed with the SEC are available without charge upon request by accessing the Company's website at [www.universallogistics.com](http://www.universallogistics.com) or by contacting:**

#### Investor Relations

Universal Logistics Holdings, Inc.  
12755 E. Nine Mile Road  
Warren, Michigan 48089  
(586) 920-0100





***[www.UniversalLogistics.com](http://www.UniversalLogistics.com)***

***UNIVERSAL LOGISTICS HOLDINGS, INC.***

**Corporate Headquarters**

**12755 E. 9 Mile Road | Warren, Michigan 48089 | 586-920-0100**