

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 2, 2021

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission File Number: 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)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

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 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 Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the registrant's common stock, no par value, outstanding as of November 8, 2021, was 26,919,455.

PART I – FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

UNIVERSAL LOGISTICS HOLDINGS, INC.

Unaudited Consolidated Balance Sheets

(In thousands, except share data)

	October 2, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,010	\$ 8,763
Marketable securities	7,805	6,534
Accounts receivable – net of allowance for doubtful accounts of \$6,925 and \$5,140, respectively	326,303	259,154
Other receivables	24,172	22,422
Prepaid expenses and other	23,839	23,427
Due from affiliates	1,009	1,224
Total current assets	<u>396,138</u>	<u>321,524</u>
Property and equipment – net of accumulated depreciation of \$323,264 and \$298,789, respectively	345,519	364,795
Operating lease right-of-use asset	110,772	97,820
Goodwill	170,730	170,730
Intangible assets – net of accumulated amortization of \$104,052 and \$93,574, respectively	91,758	102,236
Deferred income taxes	2,159	2,159
Other assets	3,931	3,785
Total assets	<u>\$ 1,121,007</u>	<u>\$ 1,063,049</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 112,856	\$ 97,916
Current portion of long-term debt	60,613	59,713
Current portion of operating lease liabilities	24,210	21,920
Accrued expenses and other current liabilities	41,225	39,588
Insurance and claims	29,751	25,022
Due to affiliates	15,038	17,093
Income taxes payable	2,732	11,555
Total current liabilities	<u>286,425</u>	<u>272,807</u>
Long-term liabilities:		
Long-term debt, net of current portion	382,976	400,407
Operating lease liabilities, net of current portion	90,949	78,093
Deferred income taxes	64,427	64,426
Other long-term liabilities	8,411	7,743
Total long-term liabilities	<u>546,763</u>	<u>550,669</u>
Shareholders' equity:		
Common stock, no par value. Authorized 100,000,000 shares; 30,986,702 and 30,979,827 shares issued; 26,919,455 and 26,912,580 shares outstanding, respectively	30,988	30,981
Paid-in capital	4,639	4,484
Treasury stock, at cost; 4,067,247 shares	(82,385)	(82,385)
Retained earnings	342,699	293,643
Accumulated other comprehensive (loss):		
Interest rate swaps, net of income taxes of \$(90) and \$(142), respectively	(276)	(476)
Foreign currency translation adjustments	(7,846)	(6,674)
Total shareholders' equity	<u>287,819</u>	<u>239,573</u>
Total liabilities and shareholders' equity	<u>\$ 1,121,007</u>	<u>\$ 1,063,049</u>

See accompanying notes to consolidated financial statements.

UNIVERSAL LOGISTICS HOLDINGS, INC.
Unaudited Consolidated Statements of Income
(In thousands, except per share data)

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	October 2, 2021	October 3, 2020	October 2, 2021	October 3, 2020
Operating revenues:				
Truckload services	\$ 65,458	\$ 52,212	\$ 184,040	\$ 151,633
Brokerage services	102,229	90,568	301,680	239,249
Intermodal services	121,018	94,543	331,336	287,746
Dedicated services	51,742	39,376	150,099	88,986
Value-added services	105,147	88,289	316,453	237,516
Total operating revenues	445,594	364,988	1,283,608	1,005,130
Operating expenses:				
Purchased transportation and equipment rent	212,910	177,207	600,273	486,674
Direct personnel and related benefits	118,371	88,881	336,923	243,862
Operating supplies and expenses	43,811	31,001	113,616	78,658
Commission expense	9,086	6,756	24,980	18,950
Occupancy expense	9,336	8,674	26,905	26,489
General and administrative	10,998	8,586	29,866	24,090
Insurance and claims	7,912	4,926	19,982	14,655
Depreciation and amortization	16,456	16,894	51,880	54,942
Total operating expenses	428,880	342,925	1,204,425	948,320
Income from operations	16,714	22,063	79,183	56,810
Interest income	8	13	41	37
Interest expense	(3,008)	(3,518)	(9,130)	(11,188)
Other non-operating income (expense)	(112)	(494)	6,973	(3,289)
Income before income taxes	13,602	18,064	77,067	42,370
Income tax expense	3,329	4,486	19,534	10,461
Net income	<u>\$ 10,273</u>	<u>\$ 13,578</u>	<u>\$ 57,533</u>	<u>\$ 31,909</u>
Earnings per common share:				
Basic	\$ 0.38	\$ 0.50	\$ 2.14	\$ 1.18
Diluted	\$ 0.38	\$ 0.50	\$ 2.14	\$ 1.18
Weighted average number of common shares outstanding:				
Basic	26,919	26,919	26,918	27,023
Diluted	26,928	26,922	26,932	27,023
Dividends declared per common share	<u>\$ 0.105</u>	<u>\$ -</u>	<u>\$ 0.315</u>	<u>\$ 0.105</u>

See accompanying notes to consolidated financial statements.

UNIVERSAL LOGISTICS HOLDINGS, INC.
Unaudited Consolidated Statements of Comprehensive Income
(In thousands)

	<u>Thirteen Weeks Ended</u>		<u>Thirty-nine Weeks Ended</u>	
	<u>October 2, 2021</u>	<u>October 3, 2020</u>	<u>October 2, 2021</u>	<u>October 3, 2020</u>
Net Income	\$ 10,273	\$ 13,578	\$ 57,533	\$ 31,909
Other comprehensive income (loss):				
Unrealized changes in fair value of interest rate swaps, net of income taxes of \$17, \$14, \$52 and \$(132), respectively	37	46	200	(425)
Foreign currency translation adjustments	(1,573)	(2,546)	(1,172)	(1,403)
Total other comprehensive income (loss)	(1,536)	(2,500)	(972)	(1,828)
Total comprehensive income	<u>\$ 8,737</u>	<u>\$ 11,078</u>	<u>\$ 56,561</u>	<u>\$ 30,081</u>

See accompanying notes to consolidated financial statements.

UNIVERSAL LOGISTICS HOLDINGS, INC.
Unaudited Consolidated Statements of Cash Flows
(In thousands)

	Thirty-nine Weeks Ended	
	October 2, 2021	October 3, 2020
Cash flows from operating activities:		
Net income	\$ 57,533	\$ 31,909
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	51,880	54,942
Noncash lease expense	19,557	21,972
(Gain) loss on marketable equity securities	(1,274)	3,031
Gain on disposal of property and equipment	(1,006)	(638)
Amortization of debt issuance costs	360	441
Stock-based compensation	162	195
Provision for doubtful accounts	4,610	2,351
Deferred income taxes	(49)	4,733
Change in assets and liabilities:		
Trade and other accounts receivable	(74,031)	(45,695)
Prepaid expenses and other assets	(723)	(4,739)
Principal reduction in operating lease liabilities	(18,480)	(21,360)
Accounts payable, accrued expenses and other current liabilities, insurance and claims, and income taxes payable	16,131	28,974
Due to/from affiliates, net	(1,840)	1,534
Other long-term liabilities	918	90
Net cash provided by operating activities	53,748	77,740
Cash flows from investing activities:		
Capital expenditures	(26,235)	(72,836)
Proceeds from the sale of property and equipment	5,116	2,978
Purchases of marketable securities	(114)	(361)
Proceeds from sale of marketable securities	117	—
Payment of acquisition obligations	—	(1,295)
Net cash used in investing activities	(21,116)	(71,514)
Cash flows from financing activities:		
Proceeds from borrowing - revolving debt	303,078	296,794
Repayments of debt - revolving debt	(282,220)	(298,191)
Proceeds from borrowing - term debt	8,302	54,602
Repayments of debt - term debt	(46,051)	(44,617)
Borrowings under margin account	—	256
Repayments under margin account	—	(256)
Dividends paid	(11,305)	(5,731)
Capitalized financing costs	—	(46)
Purchases of treasury stock	—	(5,000)
Net cash used in financing activities	(28,196)	(2,189)
Effect of exchange rate changes on cash and cash equivalents	(189)	(3,086)
Net increase in cash	4,247	951
Cash and cash equivalents – beginning of period	8,763	7,726
Cash and cash equivalents – end of period	<u>\$ 13,010</u>	<u>\$ 8,677</u>
Supplemental cash flow information:		
Cash paid for interest	<u>\$ 8,810</u>	<u>\$ 10,734</u>
Cash paid for income taxes	<u>\$ 29,423</u>	<u>\$ 3,108</u>

See accompanying notes to consolidated financial statements.

UNIVERSAL LOGISTICS HOLDINGS, INC.
Unaudited Consolidated Statements of Shareholders' Equity
(In thousands, except per share data)

	Common stock	Paid-in capital	Treasury stock	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balances – December 31, 2019	\$ 30,972	\$ 4,298	\$ (77,247)	\$ 251,204	\$ (4,010)	\$ 205,217
Net income	—	—	—	12,163	—	12,163
Comprehensive income (loss)	—	—	—	—	(1,128)	(1,128)
Dividends (\$0.105 per share)	—	—	—	(2,865)	—	(2,865)
Stock based compensation	9	186	—	—	—	195
Purchases of treasury stock	—	—	(4,919)	—	—	(4,919)
Balances - April 4, 2020	30,981	4,484	(82,166)	260,502	(5,138)	208,663
Net income	—	—	—	6,168	—	6,168
Comprehensive income (loss)	—	—	—	—	1,800	1,800
Purchases of treasury stock	—	—	(81)	—	—	(81)
Balances - July 4, 2020	30,981	4,484	(82,247)	266,670	(3,338)	216,550
Net income	—	—	—	13,578	—	13,578
Comprehensive income (loss)	—	—	—	—	(2,500)	(2,500)
Balances – October 3, 2020	<u>\$ 30,981</u>	<u>\$ 4,484</u>	<u>\$ (82,247)</u>	<u>\$ 280,248</u>	<u>\$ (5,838)</u>	<u>\$ 227,628</u>
Balances – December 31, 2020	\$ 30,981	\$ 4,484	\$ (82,385)	\$ 293,643	\$ (7,150)	\$ 239,573
Net income	—	—	—	21,656	—	21,656
Comprehensive income (loss)	—	—	—	—	1,200	1,200
Dividends (\$0.105 per share)	—	—	—	(2,826)	—	(2,826)
Stock based compensation	7	155	—	—	—	162
Balances - April 3, 2021	30,988	4,639	(82,385)	312,473	(5,950)	259,765
Net income	—	—	—	25,604	—	25,604
Comprehensive income (loss)	—	—	—	—	(636)	(636)
Dividends (\$0.105 per share)	—	—	—	(2,825)	—	(2,825)
Balances - July 3, 2021	30,988	4,639	(82,385)	335,252	(6,586)	281,908
Net income	—	—	—	10,273	—	10,273
Comprehensive income (loss)	—	—	—	—	(1,536)	(1,536)
Dividends (\$0.105 per share)	—	—	—	(2,826)	—	(2,826)
Balances –October 2, 2021	<u>\$ 30,988</u>	<u>\$ 4,639</u>	<u>\$ (82,385)</u>	<u>\$ 342,699</u>	<u>\$ (8,122)</u>	<u>\$ 287,819</u>

See accompanying notes to consolidated financial statements.

(1) Basis of Presentation

The accompanying unaudited consolidated financial statements of Universal Logistics Holdings, Inc. and its wholly owned subsidiaries (collectively, “Universal” or the “Company”) have been prepared by the Company’s management. In the opinion of management, the unaudited consolidated financial statements include all normal recurring adjustments necessary to present fairly the information required to be set forth therein. All intercompany transactions and balances have been eliminated in consolidation. Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted from these statements pursuant to such rules and regulations and, accordingly, should be read in conjunction with the consolidated financial statements as of December 31, 2020 and 2019 and for each of the years in the three-year period ended December 31, 2020 included in the Company’s Form 10-K filed with the Securities and Exchange Commission. The preparation of the consolidated financial statements requires the use of management’s estimates. Actual results could differ from those estimates.

Our fiscal year ends on December 31 and consists of four quarters, each with thirteen weeks.

COVID-19

In March of 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a pandemic. The Company remains committed to doing its part to protect its employees, customers, vendors and the general public from the spread of COVID-19. We will continue to adapt our operations as required to ensure safety while continuing to provide a high level of service to our customers.

The Company makes estimates and assumptions that affect reported amounts and disclosures included in its financial statements and accompanying notes and assesses certain accounting matters that require consideration of forecasted financial information. The Company’s assumptions about future conditions important to these estimates and assumptions are subject to uncertainty, including the impacts of the COVID-19 pandemic.

Although we estimate COVID-19 had the largest impact on our business during the second quarter 2020, we are unable to predict with any certainty the future impact COVID-19 may have on our operational and financial performance. The Company will continue to monitor these conditions in future periods as new information becomes available and will update its analyses accordingly.

(2) Recent Accounting Pronouncements

In March 2020, the FASB issued ASU No. 2020-04 (“ASU 2020-04”), Reference Rate Reform (Topic 848): “Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” The ASU was issued to provide optional guidance for a limited period of time to ease the potential burden in accounting for reference rate reform on financial reporting. ASU 2020-04 is effective as of March 12, 2020 through December 31, 2022. The Company has evaluated the provisions of this standard and determined that it is applicable to our primary term loan and revolving credit facility, real estate promissory notes and investment margin credit facility. The London Interbank Offered Rate (“LIBOR”) is the basis for interest charges on outstanding borrowings for both our line of credit and investment margin account. The scheduled discontinuation of LIBOR is not expected to materially alter any provisions of either of these debt instruments, except for the identification of a replacement reference rate. The Company has evaluated the new guidance and does not expect it to have a material impact on its financial condition, results of operations, or cash flows.

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. The Company is evaluating the new guidance but does not expect it to have a material impact on our consolidated financial statements.

(3) Revenue Recognition

The Company broadly groups its services into the following categories: truckload, brokerage, intermodal, dedicated and value-added. 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. Truckload services also include our final mile and ground expedited services.

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 rail and steamship containers between the railhead or port and the customer and drayage services.

Dedicated services are primarily provided in support of automotive and retail customers using van equipment. 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. 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 include 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. We have elected to use the "right to invoice" practical expedient to recognize revenue, reflecting that a customer obtains the benefit associated with value-added services as they are provided. 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 following table provides information related to contract balances associated with our contracts with customers (in thousands):

	October 2, 2021	December 31, 2020
Prepaid expenses and other - contract assets	\$ 2,106	\$ 2,520

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.

(4) Marketable Securities

The Company accounts for its marketable equity securities in accordance with ASC Topic 321 “Investments- Equity Securities.” ASC Topic 321 requires companies to measure equity investments at fair value, with changes in fair value recognized in net income. The Company’s investments in marketable securities consist of equity securities with readily determinable fair values. The cost of securities sold is based on the specific identification method, and interest and dividends on securities are included in non-operating income (expense).

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 7.

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

	October 2, 2021	December 31, 2020
Fair value	\$ 7,805	\$ 6,534
Cost	6,426	6,579
Unrealized gain (loss)	<u>\$ 1,379</u>	<u>\$ (45)</u>

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

	October 2, 2021	December 31, 2020
Gross unrealized gains	\$ 2,352	\$ 1,627
Gross unrealized losses	(973)	(1,672)
Net unrealized gains (losses)	<u>\$ 1,379</u>	<u>\$ (45)</u>

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

	Thirteen weeks ended		Thirty-nine weeks ended	
	October 2, 2021	October 3, 2020	October 2, 2021	October 3, 2020
Realized gain				
Sale proceeds	\$ —	\$ —	\$ 117	\$ —
Cost basis of securities sold	—	—	92	—
Realized gain	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 25</u>	<u>\$ —</u>
Realized gain, net of taxes	\$ —	\$ —	\$ 19	\$ —

During the thirteen-week and thirty-nine week periods ended October 2, 2021, our marketable equity securities portfolio experienced a net unrealized pre-tax (loss) gain in market value of approximately \$(110,000) and \$1,249,000, respectively, which was reported in other non-operating income (expense) for the period.

During the thirteen-week and thirty-nine week periods ended October 3, 2020, our marketable equity securities portfolio experienced a net unrealized pre-tax (loss) in market value of approximately \$(497,000) and \$(3,031,000), respectively, which was reported in other non-operating income (expense) for the period.

(5) Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities are comprised of the following (in thousands):

	<u>October 2, 2021</u>	<u>December 31, 2020</u>
Accrued payroll	\$ 15,867	\$ 11,536
Accrued payroll taxes	7,358	11,601
Driver escrow liabilities	4,156	4,045
Legal settlements and claims	3,600	3,700
Commissions, taxes and other	10,244	8,706
Total	<u>\$ 41,225</u>	<u>\$ 39,588</u>

(6) Debt

Debt is comprised of the following (in thousands):

	<u>Interest Rates at October 2, 2021</u>	<u>October 2, 2021</u>	<u>December 31, 2020</u>
Outstanding Debt:			
Credit and Security Agreement (1)			
Term Loan	1.58%	\$ 122,812	\$ 131,250
Revolver	1.58%	172,184	151,326
Equipment Financing (2)	2.25% to 5.13%	106,238	129,870
Real Estate Financing (3)	1.93% to 2.33%	43,569	49,248
Margin Facility (4)	1.18%	—	—
Unamortized debt issuance costs		(1,214)	(1,574)
		<u>443,589</u>	<u>460,120</u>
Less current portion of long-term debt		60,613	59,713
Total long-term debt, net of current portion		<u>\$ 382,976</u>	<u>\$ 400,407</u>

(1) Our 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. 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 October 2, 2021, we were in compliance with all covenants under the facility, and \$27.8 million was available for borrowing on the revolver.

(6) Debt – continued

(2) Our Equipment Financing consists of a series of promissory notes issued by a wholly owned subsidiary. The equipment notes, which are secured by liens on specific titled vehicles, include certain affirmative and negative covenants, are generally payable in 60 monthly installments and bear interest at fixed rates ranging from 2.25% to 5.13%.

(3) Our Real Estate Financing consists of a series of promissory notes issued by a wholly owned subsidiary. 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 a variable rate ranging from LIBOR plus 1.85% to LIBOR plus 2.25%. At October 2, 2021, we were in compliance with all covenants.

(4) Our 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 October 2, 2021, the maximum available borrowings under the line of credit were \$4.2 million.

The Company is also party to two interest rate swap agreements that qualify for hedge accounting. The Company executed the swap agreements to fix a portion of the interest rates on its variable rate debt that have a combined notional amount of \$11.4 million at October 2, 2021. Under the swap agreements, the Company receives interest at the one-month LIBOR rate plus 2.25% and pays a fixed rate. The first swap became effective in October 2016, has a rate of 4.16% (amortizing notional amount of \$10.0 million) and expires in July 2026. The second swap became effective in October 2016, has a rate of 3.83% (amortizing notional amount of \$1.4 million) and expires in May 2022. At October 2, 2021, the fair value of the swap agreements was a liability of \$0.4 million. 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 7 for additional information pertaining to interest rate swaps.

(7) Fair Value Measurements and Disclosures

FASB 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.

FASB 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.

(7) Fair Value Measurements and Disclosures – continued

We have segregated all financial assets and liabilities 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):

October 2, 2021				
	Level 1	Level 2	Level 3	Fair Value Measurement
Assets				
Cash equivalents	\$ 5	\$ —	\$ —	\$ 5
Marketable securities	7,805	—	—	7,805
Total	<u>\$ 7,810</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 7,810</u>
Liabilities				
Interest rate swaps	\$ —	\$ 366	\$ —	\$ 366
Total	<u>\$ —</u>	<u>\$ 366</u>	<u>\$ —</u>	<u>\$ 366</u>
December 31, 2020				
	Level 1	Level 2	Level 3	Fair Value Measurement
Assets				
Cash equivalents	\$ 9	\$ —	\$ —	\$ 9
Marketable securities	6,534	—	—	6,534
Total	<u>\$ 6,543</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,543</u>
Liabilities				
Interest rate swaps	\$ —	\$ 619	\$ —	\$ 619
Total	<u>\$ —</u>	<u>\$ 619</u>	<u>\$ —</u>	<u>\$ 619</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 to appropriately reflect both the Company's nonperformance risk and the respective counterparty's nonperformance risk.

Our Credit Agreement and our Real Estate Financing consist of variable rate borrowings. We categorize these borrowings 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 Financing, 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 these borrowings as Level 2 in the fair value hierarchy. The carrying value and estimated fair value of these promissory notes at October 2, 2021 is summarized as follows:

	Carrying Value	Estimated Fair Value
Equipment promissory notes	\$ 106,238	\$ 107,840

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

(8) Leases

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.

As of October 2, 2021, 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 October 2, 2021, 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 thirteen weeks and thirty-nine weeks ended October 2, 2021 and October 3, 2020 (in thousands):

	Thirteen weeks ended October 2, 2021		
	With Affiliates	With Third Parties	Total
Lease cost			
Operating lease cost	\$ 2,431	\$ 5,672	\$ 8,103
Short-term lease cost	15	2,497	2,512
Variable lease cost	220	609	829
Sublease income	-	(224)	(224)
Total lease cost	<u>\$ 2,666</u>	<u>\$ 8,554</u>	<u>\$ 11,220</u>

	Thirteen weeks ended October 3, 2020		
	With Affiliates	With Third Parties	Total
Lease cost			
Operating lease cost	\$ 2,696	\$ 5,825	\$ 8,521
Short-term lease cost	80	1,801	1,881
Variable lease cost	41	951	992
Sublease income	-	(1,723)	(1,723)
Total lease cost	<u>\$ 2,817</u>	<u>\$ 6,854</u>	<u>\$ 9,671</u>

(8) Leases – continued

	Thirty-nine weeks ended October 2, 2021		
	With Affiliates	With Third Parties	Total
Lease cost			
Operating lease cost	\$ 7,472	\$ 17,314	\$ 24,786
Short-term lease cost	42	6,493	6,535
Variable lease cost	640	1,997	2,637
Sublease income	-	(1,248)	(1,248)
Total lease cost	<u>\$ 8,154</u>	<u>\$ 24,556</u>	<u>\$ 32,710</u>

	Thirty-nine weeks ended October 3, 2020		
	With Affiliates	With Third Parties	Total
Lease cost			
Operating lease cost	\$ 7,966	\$ 17,625	\$ 25,591
Short-term lease cost	487	4,072	4,559
Variable lease cost	308	2,715	3,023
Sublease income	-	(3,326)	(3,326)
Total lease cost	<u>\$ 8,761</u>	<u>\$ 21,086</u>	<u>\$ 29,847</u>

The following table summarizes other lease related information as of and for the thirty-nine week periods ended October 2, 2021 and October 3, 2020 (in thousands):

	October 2, 2021		
	With Affiliates	With Third Parties	Total
Other information			
Cash paid for amounts included in the measurement of operating leases	\$ 7,173	\$ 16,741	\$ 23,914
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 10,235	\$ 24,655	\$ 34,890
Right-of-use asset change due to lease termination	\$ -	\$ (875)	\$ (875)
Future right-of-use asset change due to lease signed with a future commencement date	\$ -	\$ 10,926	\$ 10,926
Weighted-average remaining lease term (in years)	5.8	4.6	5.0
Weighted-average discount rate	6.5%	5.1%	5.6%

	October 3, 2020		
	With Affiliates	With Third Parties	Total
Other information			
Cash paid for amounts included in the measurement of operating leases	\$ 7,719	\$ 17,169	\$ 24,888
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 15,985	\$ 16,984	\$ 32,969
Right-of-use asset change due to lease termination	\$ -	\$ (1,584)	\$ (1,584)
Weighted-average remaining lease term (in years)	6.1	4.6	5.2
Weighted-average discount rate	6.7%	4.5%	5.5%

(8) Leases – continued

Future minimum lease payments under these operating leases as of October 2, 2021, are as follows (in thousands):

	With Affiliates	With Third Parties	Total
2021 (remaining)	\$ 2,212	\$ 5,495	\$ 7,707
2022	8,592	20,359	28,951
2023	8,381	17,981	26,362
2024	8,403	15,556	23,959
2025	6,879	13,268	20,147
Thereafter	13,123	13,847	26,970
Total required lease payments	<u>\$ 47,590</u>	<u>\$ 86,506</u>	<u>\$ 134,096</u>
Less amounts representing interest			(18,937)
Present value of lease liabilities			<u>\$ 115,159</u>

(9) Transactions with Affiliates

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

Universal also purchases other services from affiliates owned by our controlling shareholder, including CenTra. Following is a schedule of costs incurred and included in operating expenses for services provided by affiliates for the thirteen weeks and thirty-nine weeks ended October 2, 2021 and October 3, 2020, respectively (in thousands):

	Thirteen weeks ended		Thirty-nine weeks ended	
	October 2, 2021	October 3, 2020	October 2, 2021	October 3, 2020
Administrative support services	\$ 1,114	\$ 743	\$ 3,112	\$ 1,274
Truck fuel, tolls and maintenance	270	234	681	644
Real estate rent and related costs	2,541	4,878	8,811	11,692
Insurance and employee benefit plans	9,674	15,411	32,977	35,918
Purchased transportation and equipment rent	11	5	30	17
Total	<u>\$ 13,610</u>	<u>\$ 21,271</u>	<u>\$ 45,611</u>	<u>\$ 49,545</u>

We pay CenTra and related affiliates 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.

(9) Transactions with Affiliates - continued

We also lease 28 facilities from related parties. Our occupancy is based on either month-to-month or contractual, multi-year lease arrangements that are billed and paid monthly. Leasing properties from a related party affords us significant operating flexibility; however, we are not limited to such arrangements. See Note 8, "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 owned by our controlling shareholder. 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 October 2, 2021 and December 31, 2020, amounts due to affiliates were \$15.0 million and \$17.1 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 October 2, 2021 and December 31, 2020, there were \$14.6 million and \$13.3 million, respectively, included in each of these accounts for insured claims.

We contracted with an affiliate to provide real property improvements during the thirty-nine weeks ended October 2, 2021 totaling \$956,000. During the thirty-nine weeks ended October 3, 2020, we purchased wheels and tires from an affiliate totaling \$618,000.

Services provided by Universal to Affiliates

We periodically assist our affiliates by providing selected transportation and logistics services in connection with their specific customer contracts or purchase orders. Following is a schedule of services provided to affiliates for the thirteen weeks and thirty-nine weeks ended October 2, 2021 and October 3, 2020 (in thousands):

	Thirteen weeks ended		Thirty-nine weeks ended	
	October 2, 2021	October 3, 2020	October 2, 2021	October 3, 2020
Purchased transportation and equipment rent	\$ 247	\$ 194	\$ 505	\$ 550
Total	<u>\$ 247</u>	<u>\$ 194</u>	<u>\$ 505</u>	<u>\$ 550</u>

At October 2, 2021 and December 31, 2020, amounts due from affiliates were \$1.0 million and \$1.2 million, respectively.

(10) Stock Based Compensation

On April 23, 2014, our Board of Directors adopted our 2014 Amended and Restated Stock Incentive Plan. The Plan was approved at the 2014 annual meeting of shareholders and became effective as of the date our Board adopted it. The 2014 Plan replaced our 2004 Stock Incentive Plan and carried forward the shares of common stock that remained available for issuance under the 2004 Plan. The grants under the Plan may be made in the form of options, restricted stock awards, restricted stock purchase rights, stock appreciation rights, phantom stock units, restricted stock units or shares of unrestricted common stock.

On September 9, 2021, the Company granted 2,355 shares of restricted stock to an employee of the Company. The restricted stock award has a fair value of \$20.46 per share, based on the closing price of the Company's stock on the grant date. The shares will vest in five equal increments on each August 9 in 2022, 2023, 2024, 2025 and 2026, subject to continued employment with the Company.

On February 5, 2020, the Company granted 5,000 shares of restricted stock to our Chief Financial Officer. The restricted stock award has a fair value of \$17.74 per share, based on the closing price of the Company's stock on the grant date. The shares will vest on February 20, 2024, subject to his continued employment with the Company.

On January 10, 2020, the Company granted 60,000 shares of restricted stock to our Chief Executive Officer. The restricted stock award has a fair value of \$18.82 per share, based on the closing price of the Company's stock on the grant date. The shares 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.

On February 20, 2019, the Company granted 44,500 shares of restricted stock to certain of its employees, including 10,000 shares to our Chief Financial Officer. The restricted stock awards have a grant date fair value of \$23.56 per share, based on the closing price of the Company's stock, and any non-vested shares under the awards vest in four equal increments on each February 20 in 2020, 2021, 2022 and 2023.

(10) Stock Based Compensation - continued

The vesting of restricted stock awards to a grantee may be accelerated under certain conditions, including retirement.

The following table summarizes the status of the Company's non-vested shares and related information for the period indicated:

	<u>Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Non-vested at January 1, 2021	85,625	\$ 19.90
Granted	2,355	\$ 20.46
Vested	(6,875)	\$ 23.56
Forfeited	—	\$ -
Balance at October 2, 2021	<u>81,105</u>	<u>\$ 19.60</u>

In each of the thirty-nine week periods ended October 2, 2021 and October 3, 2020, the total grant date fair value of vested shares recognized as compensation costs was \$0.2 million. As of October 2, 2021, there was approximately \$1.6 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements. 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 \$0.2 million in each year of 2022 and 2023, \$0.4 million in 2024, \$0.1 million in 2025, \$0.3 million in 2026, and \$0.2 million in each 2027 and 2028.

(11) 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 thirteen weeks and thirty-nine weeks ended October 2, 2021, there were 8,604 and 13,433 weighted average non-vested shares of restricted stock, respectively, included in the denominator for the calculation of diluted earnings per share. For the thirteen weeks and thirty-nine weeks ended October 3, 2020, no shares of non-vested restricted stock were included in the denominator for the calculation of diluted earnings per share.

In each of the thirteen weeks and thirty-nine weeks ended October 2, 2021, we excluded 13,750 shares of non-vested restricted stock from the calculation of diluted earnings per share because such shares were anti-dilutive. In each of the thirteen weeks and thirty-nine weeks ended October 3, 2020, we excluded 85,625 shares of non-vested restricted stock from the calculation of diluted earnings per share because such shares were anti-dilutive.

(12) Dividends

On July 29, 2021, our Board of Directors declared a cash dividend of \$0.105 per share of common stock, payable on October 4, 2021 to shareholders of record at the close of business on September 6, 2021. 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.

(13) Segment Reporting

In December 2020, we changed the way we aggregate our business units and adopted a new segment reporting structure. As part of the new structure, we separated our previous transportation segment into three reportable segments: trucking, intermodal, and company-managed brokerage. In addition, we changed the name of our previous logistics segment to contract logistics. As a result, we now report our financial results in four distinct reportable segments: contract logistics, intermodal, trucking, and company-managed brokerage, which are based primarily on the services each segment provides. 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 contract logistics segment deliver value-added and/or dedicated transportation services to support in-bound logistics to original equipment manufacturers (OEMs) and major retailers on a contractual basis, generally pursuant to terms of one year or longer. Our intermodal segment is associated with local and regional drayage moves coordinated by company-managed terminals using a mix of owner-operators, company equipment and third-party capacity providers (broker carriers). Operations aggregated in our trucking segment are associated with individual freight shipments coordinated by our agents and company-managed terminals using a mix of owner-operators, company equipment and broker carriers. Our company-managed brokerage segment provides for the pick-up and delivery of individual freight shipments using broker carriers, coordinated by our company-managed operations. Other non-reportable segments are comprised of the Company's subsidiaries that provide support services to other subsidiaries.

Separate balance sheets are not prepared by segment, and we do not provide asset information by segment to the chief operating decision maker.

The following tables summarize information about our reportable segments for the thirteen week and thirty-nine week periods ended October 2, 2021 and October 3, 2020 (in thousands):

	Operating Revenues			
	Thirteen weeks ended		Thirty-nine weeks ended	
	October 2, 2021	October 3, 2020	October 2, 2021	October 3, 2020
Contract logistics	\$ 156,889	\$ 127,665	\$ 466,552	\$ 326,502
Intermodal	121,018	94,543	331,336	287,746
Trucking	107,161	82,949	301,838	237,522
Company-managed brokerage	59,221	59,573	180,758	152,301
Other	1,305	258	3,124	1,059
Total operating revenues	\$ 445,594	\$ 364,988	\$ 1,283,608	\$ 1,005,130

	Eliminated Inter-segment Revenues			
	Thirteen weeks ended		Thirty-nine weeks ended	
	October 2, 2021	October 3, 2020	October 2, 2021	October 3, 2020
Contract logistics	\$ 75	\$ 457	\$ 454	\$ 1,813
Intermodal	2,194	1,731	4,579	2,374
Trucking	2,650	1,485	8,849	3,596
Company-managed brokerage	508	528	1,488	1,482
Total operating revenues	\$ 5,427	\$ 4,201	\$ 15,370	\$ 9,265

	Income from Operations			
	Thirteen weeks ended		Thirty-nine weeks ended	
	October 2, 2021	October 3, 2020	October 2, 2021	October 3, 2020
Contract logistics	\$ 5,976	\$ 11,572	\$ 38,742	\$ 24,012
Intermodal	1,935	8,844	16,580	22,583
Trucking	6,830	4,774	18,503	12,868
Company-managed brokerage	1,770	(3,213)	4,656	(2,908)
Other	203	86	702	255
Total operating revenues	\$ 16,714	\$ 22,063	\$ 79,183	\$ 56,810

(14) Commitments and Contingencies

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

On March 17, 2021, the Company received a complaint from the National Labor Relations Board (the "NLRB") based on charges alleged by the International Brotherhood of Teamsters against four of the Company's operating subsidiaries. The charges stem from the Company's decision to close underperforming operations in California in December 2019. In April 2021, the Company answered the complaint by denying it engaged in any unfair labor practices and maintaining that the Company closed the underperforming California terminal due to financial reasons. In October 2021, the Company received an adverse ruling requiring the Company to, among other things, reinstate the terminated drivers and compensate them for back pay. The Company intends to appeal the decision. The calculation of the amount owed to the drivers will take into consideration any offsetting earnings made by terminated individuals since their separation from the Company. The Company currently estimates the possible range of financial exposure in the matter to be between \$4.3 million and \$7.2 million. Based on the Company's best estimate of the liability at this time, the Company has recorded an accrued liability for this matter of \$5.8 million. While the outcome of these claims cannot be predicted with any certainty, management does not believe the outcome of any of these matters will have a material adverse effect on our business, financial position, results of operations or cash flows.

On June 1, 2021, the Company entered into a settlement agreement with various parties, including a former agent of the Company. The agreement resolves all breach of contract, tortious interference, and other claims previously asserted by the Company against the defendants. Under the terms of the agreement, the Company agreed to accept \$6.0 million in cash payable in three equal tranches of \$2.0 million on June 21, 2021, September 30, 2021 and December 31, 2021. As a result of the settlement, during the second quarter 2021, the Company recorded a \$5.7 million gain in other non-operating income. The Company received the first two \$2.0 million payments of each on June 9, 2021 and September 30, 2021.

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 October 2, 2021, approximately 38% of our employees in the United States, Canada and Colombia, and 86% of our employees in Mexico were subject to collective bargaining agreements that are renegotiated periodically, none of which are subject to contracts that expire in 2021.

(15) Subsequent Events

On October 28, 2021, 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 December 6, 2021 and is expected to be paid on January 4, 2022. 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 2: MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Some of the statements and assumptions in this Form 10-Q are forward-looking statements. These statements identify prospective information. Important factors could cause actual results to differ, possibly materially, from those in the forward-looking statements. In some cases you can identify forward-looking statements by words such as “anticipate,” “expect,” “believe,” “targets,” “could,” “estimate,” “plan,” “intend,” “may,” “should,” “will” and “would” or other similar words. You should read statements that contain these words carefully because they discuss our future expectations, contain projections of our future results of operations or of our financial position or state other “forward-looking” information. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by which, such performance or results will be achieved. Forward-looking information is based on information available at the time and/or management’s good faith belief with respect to future events, and is subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements. The factors listed in the section captioned “Risk Factors” in Part I, Item 1A in our Form 10-K for the year ended December 31, 2020 and Part II, Item 1A of this Form 10-Q, as well as any other cautionary language in these filings, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements.

Forward-looking statements speak only as of the date the statements are made. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect thereto or with respect to other forward-looking statements.

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 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 and clients 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 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. We believe our asset-light business model is highly scalable and will continue to support our growth with comparatively modest capital expenditure requirements. Our asset-light model, combined with a disciplined approach to contract structuring and pricing, creates a highly flexible cost structure that allows us to expand and contract quickly in response to changes in demand from our customers.

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 in our intermodal, trucking and company-managed brokerage segments are associated with individual freight shipments coordinated by our agents and company-managed terminals. In contrast, our contract logistics segment delivers value-added services and/or transportation services to specific customers on a dedicated basis, generally pursuant to contract terms of one year or longer. Our segments are further distinguished by the amount of forward visibility we have into 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.

The following discussion of the Company’s financial condition and results of operations should be read in conjunction with Management’s Discussion and Analysis of Financial Condition and Results of Operations and Consolidated Financial Statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2020 and the unaudited Consolidated Financial Statements and related notes contained in this Quarterly Report on Form 10-Q.

COVID-19 Pandemic

The Company remains committed to doing its part to protect its employees, customers, vendors and the general public from the spread of the coronavirus outbreak (COVID-19). We will continue to adapt our operations as required to ensure safety while continuing to provide a high level of service to our customers.

The ultimate magnitude of COVID-19, including the extent of its impact on the Company's financial and operating results, which could be material, will be determined by the length of time the pandemic continues, its severity, government regulations imposed in response to the pandemic, and to its general effect on the economy and transportation demand.

While operating cash flows may be negatively impacted by the pandemic, the Company believes we will be able to finance our near term needs for working capital over the next twelve months, as well as any planned capital expenditures during such period, with cash balances, cash flows from operations, and loans and extensions of credit under our credit facilities and on margin against our marketable securities. Should the impact of the COVID-19 pandemic last longer than anticipated, and/or our cash flow from operations decline more than expected, we may need to obtain additional financing. The Company's ability to fund future operating expenses and capital expenditures, as well as its ability to meet future debt service obligations or refinance indebtedness will depend on future operating performance, which will be affected by general economic, financial, and other factors beyond our control.

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, while our dedicated and value-added services to specific customers on a contractual basis, generally pursuant to contract terms of one year or longer. The following table sets forth operating revenues resulting from each of these categories for the thirteen weeks and thirty-nine weeks ended October 2, 2021 and October 3, 2020, presented as a percentage of total operating revenues:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	October 2, 2021	October 3, 2020	October 2, 2021	October 3, 2020
Operating revenues:				
Truckload services	14.7%	14.3%	14.3%	15.1%
Brokerage services	22.9	24.8	23.5	23.8
Intermodal services	27.2	25.9	25.8	28.6
Dedicated services	11.6	10.8	11.7	8.9
Value-added services	23.6	24.2	24.7	23.6
Total operating revenues	100.0%	100.0%	100.0%	100.0%

Results of Operations

The following table sets forth items derived from our consolidated statements of income for the thirteen weeks and thirty-nine weeks ended October 2, 2021 and October 3, 2020, presented as a percentage of operating revenues:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	October 2, 2021	October 3, 2020	October 2, 2021	October 3, 2020
Operating revenues:	100.0%	100.0%	100.0%	100.0%
Operating expenses:				
Purchased transportation and equipment rent	47.8	48.6	46.8	48.4
Direct personnel and related benefits	26.6	24.4	26.2	24.3
Operating supplies and expenses	9.8	8.5	8.9	7.8
Commission expense	2.0	1.9	1.9	1.9
Occupancy expense	2.1	2.4	2.1	2.6
General and administrative	2.5	2.4	2.3	2.4
Insurance and claims	1.8	1.3	1.6	1.5
Depreciation and amortization	3.7	4.6	4.0	5.5
Total operating expenses	96.2	94.0	93.8	94.3
Income from operations	3.8	6.0	6.2	5.7
Interest and other non-operating income (expense), net	(0.7)	(1.1)	(0.2)	(1.5)
Income before income taxes	3.1	4.9	6.0	4.2
Income tax expense	0.8	1.2	1.5	1.0
Net income	2.3%	3.7%	4.5%	3.2%

Thirteen Weeks Ended October 2, 2021 Compared to Thirteen Weeks Ended October 3, 2020

Operating revenues. Operating revenues for the thirteen weeks ended October 2, 2021 increased \$80.6 million, or 22.1%, to \$445.6 million from \$365.0 million for the thirteen weeks ended October 3, 2020. Included in operating revenues are separately-identified fuel surcharges of \$24.9 million for the thirteen weeks ended October 2, 2021 compared to \$16.4 million for the thirteen weeks ended October 3, 2020. Consolidated income from operations decreased \$5.3 million, or 24.2%, to \$16.7 million for the third quarter 2021 compared to \$22.1 million during the same period last year. Results for the thirteen weeks ended October 2, 2021 include \$5.8 million in litigation related charges and \$7.1 million of losses incurred in connection with a recent contract logistics program launch.

In the contract logistics segment, which includes value-added and dedicated services, operating revenues increased \$29.2 million, or 22.9%, to \$156.9 million in the third quarter 2021 compared to \$127.7 million in the previous year. At the end of the third quarter 2021, Universal managed 61 value-added programs, compared to 57 programs at the end of the third quarter 2020. During the recently completed quarter, dedicated transportation load count decreased 14.7% to 137,127 from 160,694 in the third quarter 2020. Income from operations in the contract logistics segment decreased \$5.6 million to \$6.0 million for the thirteen weeks ended October 2, 2021 compared to \$11.6 million in the same period last year. Third quarter 2021 results in the contract logistics segment include \$7.1 million of losses incurred in connection with a previously announced program launch. As a percentage of revenue, operating margin in the contract logistics segment for the third quarter 2021 was 3.8% compared to 9.1% during the same period last year. Recent program awards were the primary drivers for increased revenue; however, lost production due to chip shortages, labor constraints, and an unfavorable operating environment led to compressed margins during the third quarter 2021.

In the intermodal segment, operating revenues increased \$26.5 million, or 28.0%, to \$121.0 million in the third quarter 2021 compared to \$94.5 million in the previous year. Intermodal revenues for the thirteen weeks ended October 2, 2021 included \$13.2 million in separately identified fuel surcharges, compared to \$9.4 million in the same period last year. During the third quarter 2021, Universal moved 159,428 intermodal loads compared to 182,803 in the third quarter 2020, a decrease of 12.8%, while its average operating revenue per load, excluding fuel surcharges, increased 20.9% to \$537 from \$444. Additionally, other assessorial charges such as detention, demurrage and storage increased \$13.4 million during the third quarter 2021. Income from operations in the intermodal segment decreased \$6.9 million to \$1.9 million for the thirteen weeks ended October 2, 2021 compared to \$8.8 million in the third quarter 2020. Intermodal segment results included litigation related charges totaling \$5.8 million in the third quarter 2021. As a percentage of revenue, operating margin in the intermodal segment decreased to 1.6% compared to 9.4% in the third quarter of 2020.

In the trucking segment, which includes agent-based and company-managed trucking operations, operating revenues increased \$24.2 million to \$107.2 million in the third quarter 2021 compared to \$82.9 million in the prior year period. Included in trucking segment revenues for the third quarter 2021 were \$6.5 million in separately identified fuel surcharges compared to \$3.6 million during the third quarter 2020. Income from operations in the trucking segment increased \$2.1 million to \$6.8 million for the third quarter 2021 compared to \$4.8 million in the same period last year. During the recently completed quarter, load volumes increased 12.4% to 72,549 loads compared to 64,552 during the same period last year. Universal's average operating revenue per load, excluding fuel surcharges, also increased 13.6% to \$1,417 from \$1,247 in the prior year period. As a percentage of revenue, operating margin in the trucking segment for the third quarter 2021 was 6.4% compared to 5.8% for the third quarter 2020.

In the company-managed brokerage segment, operating revenues decreased \$0.4 million, or 0.6%, to \$59.2 million in the thirteen weeks ending October 2, 2021 compared to \$59.6 million in the thirteen weeks ending October 3, 2020. Income from operations in the company-managed brokerage segment increased \$5.0 million to \$1.8 million for the third quarter 2021 from an operating loss of \$3.2 million for the third quarter 2020. Average operating revenue per load, excluding fuel surcharges, increased 18.9% to \$1,808 in the third quarter 2021 from \$1,521 in the third quarter 2020. Company-managed brokerage load volumes decreased 17.4% to 30,619 from 37,079. As a percentage of revenue, operating margin for the company-managed brokerage segment was 3.0% for the third quarter 2021 compared to (5.4%) in the same period last year.

Purchased transportation and equipment rent. Purchased transportation and equipment rental costs for the third quarter 2021 increased \$35.7 million, or 20.1%, to \$212.9 million from \$177.2 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, which includes truckload, brokerage, intermodal and to a lesser extent, dedicated services, which uses a higher mix of company-drivers compared to owner-operators. The absolute increase in purchased transportation and equipment rental costs was primarily the result of an increase in transportation-related service revenues. Third quarter 2021 transportation-related service revenues increased 23.0% compared to the third quarter of 2020. As a percentage of operating revenues, purchased transportation and equipment rent expense decreased to 47.8% compared to 48.6% during the same period last year. The decrease was due to a decrease in the mix of brokerage services revenue, where the cost of transportation is typically higher than our other transportation businesses. As a percentage of total revenues, brokerage services revenue decreased to 22.9% for the thirteen weeks ended October 2, 2021 compared to 24.8% in the same period last year.

Direct personnel and related benefits. Direct personnel and related benefits for the thirteen weeks ended October 2, 2021 increased by \$29.5 million, or 33.2%, to \$118.4 million compared to \$88.9 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. The increase was due to the launch of new business wins as well as the impact of temporary layoffs and furloughs in 2020 in response to the Covid-19 pandemic. As a percentage of operating revenues, personnel and related benefits increased to 26.6% for the thirteen weeks ended October 2, 2021, compared to 24.4% for the thirteen weeks ended October 3, 2020. 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 \$12.8 million, or 41.3%, to \$43.8 million for the thirteen weeks ended October 2, 2021 compared to \$31.0 million for the thirteen weeks ended October 3, 2020. 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 included increases of \$8.7 million in fuel expense, \$4.9 million in legal charges and professional fees, \$2.0 million in vehicle and other maintenance, and \$1.8 million in travel and entertainment.

Commission expense. Commission expense for the third quarter 2021 increased by \$2.3 million, or 34.5%, to \$9.1 million from \$6.8 million for the third quarter 2020. Commission expense increased due to increased revenue in the agency based truckload business. As a percentage of operating revenues, commission expense increased to 2.0% for the thirteen weeks ending October 2, 2021, compared to 1.9% one year earlier.

Occupancy expense. Occupancy expenses increased by \$0.7 million, or 7.6%, to \$9.3 million for the thirteen weeks ended October 2, 2021. This compares to \$8.7 million for the thirteen weeks ended October 3, 2020. The increase was attributable to an increase in building rents and property taxes.

General and administrative. General and administrative expense for the thirteen weeks ended October 2, 2021 increased by \$2.4 million to \$11.0 million from \$8.6 million in the thirteen weeks ended October 3, 2020. The increase was attributable to a \$0.9 million increase in salaries, wages, and benefits, a \$0.8 million increase in professional fees, and a \$0.6 million increase in other general and administrative expenses. As a percentage of operating revenues, general and administrative expense was 2.5% for the third quarter 2021 compared to 2.4% for the third quarter 2020.

Insurance and claims. Insurance and claims expense for the third quarter 2021 increased by \$3.0 million to \$7.9 million from \$4.9 million in the third quarter 2020. The increase was attributable to an increase in auto liability premiums and cargo and service failure claims. As a percentage of operating revenues, insurance and claims increased to 1.8% for the thirteen weeks ending October 2, 2021 compared to 1.3% for the third quarter 2020.

Depreciation and amortization. Depreciation and amortization expense for the thirteen weeks ended October 2, 2021 decreased by \$0.4 million, or 2.6%, to \$16.5 million from \$16.9 million for the third quarter 2020. Depreciation expense decreased \$0.6 million and amortization expense increased \$0.2 million.

Interest expense, net. Net interest expense was \$3.0 million for the thirteen weeks ended October 2, 2021 compared to \$3.5 million for the thirteen weeks ended October 3, 2020. The decrease in net interest expense reflects a decrease in interest rates on our outstanding borrowings. As of October 2, 2021, our outstanding borrowings totaled \$444.8 million compared to \$468.3 million at the same time last year.

Other non-operating income (expense). Other non-operating expense was \$0.1 million for the third quarter 2021 compared to other non-operating expense of \$0.5 million for the third quarter 2020. Included in other non-operating income for the third quarter 2021 was a \$0.1 million pre-tax holding loss on marketable securities due to changes in fair value recognized in income compared to a \$0.5 million pre-tax holding loss on marketable securities in the third quarter 2020.

Income tax expense. Income tax expense for the third quarter 2021 was \$3.3 million, compared to \$4.5 million for the third quarter 2020, based on an effective tax rate of 24.5% and 24.8% respectively. The decrease in income taxes in 2021 is the result of a decrease in taxable income and our effective tax rate for the thirteen weeks ended October 2, 2021 compared to the thirteen weeks ended October 3, 2020.

Thirty-nine Weeks Ended October 2, 2021 Compared to Thirty-nine Weeks Ended October 3, 2020

Operating revenues. Operating revenues for the thirty-nine weeks ended October 2, 2021 increased \$278.5 million, or 27.7%, to \$1,283.6 million from \$1,005.1 million for the thirty-nine weeks ended October 3, 2020. Included in operating revenues are separately-identified fuel surcharges of \$68.0 million for the thirty-nine weeks ended October 2, 2021 compared to \$51.9 million for the thirty-nine weeks ended October 3, 2020. Consolidated income from operations increased \$22.4 million, or 39.4%, to \$79.2 million for the first three quarters of 2021 compared to \$56.8 million during the same period last year. Results for the thirty-nine weeks ended October 3, 2020 were negatively impacted by the Covid-19 pandemic which resulted in a substantial portion of our customers being shuttered. Results for the thirty-nine weeks ended October 2, 2021 include a favorable legal settlement which resulted in a \$5.7 million pre-tax gain, \$7.6 million in legal charges, and \$13.9 million of losses incurred in connection with a recent contract logistics program launch.

In the contract logistics segment, which includes value-added and dedicated services, operating revenues increased \$140.1 million, or 42.9%, to \$466.6 million in the thirty-nine weeks ended October 2, 2021 compared to \$326.5 million in the previous year. Income from operations in the contract logistics segment increased \$14.7 million, or 61.3%, to \$38.7 million for the thirty-nine weeks ended October 2, 2021 compared to \$24.0 million in the same period last year. In the thirty-nine weeks ended October 2, 2021, Universal managed 61 value-added programs compared to 57 in the prior year period. During the thirty-nine weeks ended October 2, 2021, dedicated transportation load count increased 25.6% to 449,621 from 357,912 in the thirty-nine weeks ended October 3, 2020. Results for the thirty-nine weeks ended October 2, 2021 in the contract logistics segment include approximately \$13.9 million of losses incurred in connection with a recent program launch. Results in the contract logistics segment for the thirty-nine weeks ended October 3, 2020 were negatively impacted by the Covid-19 pandemic which resulted in a substantial portion of our customers being shuttered. As a percentage of revenue, operating margin for the contract logistics segment for the thirty-nine weeks ended October 2, 2021 was 8.3% compared to 7.4% during the same period last year.

In the intermodal segment, operating revenues increased \$43.6 million to \$331.3 million in the thirty-nine weeks ending October 2, 2021 compared to \$287.7 million in the previous year. Intermodal revenues for the thirty-nine weeks ended October 2, 2021 included \$35.2 million in separately identified fuel surcharges, compared to \$31.2 million in the same period last year. During the thirty-nine weeks ending October 2, 2021, Universal moved 508,352 intermodal loads compared to 537,365 in the thirty-nine weeks ending October 3, 2020, a decrease of 5.4%, while its average operating revenue per load, excluding fuel surcharges increased 7.8% to \$500 from \$464. In the thirty-nine weeks ending October 2, 2021 other accessorial charges such as detention, demurrage and storage increased \$29.3 million from the same period last year. Income from operations in the intermodal segment decreased \$6.0 million to \$16.6 million for the thirty-nine weeks ended October 2, 2021 compared to \$22.6 million in the thirty-nine weeks ending October 3, 2020. Intermodal segment results included litigation related charges totaling \$7.6 million in the third quarter 2021. As a percentage of revenue, operating margin in the intermodal segment was 5.0% in the thirty-nine weeks ended October 2, 2021 compared to 7.8% in the prior year period.

In the trucking segment, which includes agent-based and company-managed trucking operations, operating revenues increased \$64.3 million to \$301.8 million in the thirty-nine weeks ending October 2, 2021 compared to \$237.5 million in the prior year period. Included in trucking segment revenues for the thirty-nine weeks ending October 2, 2021 were \$17.6 million in separately identified fuel surcharges compared to \$12.4 million during the thirty-nine weeks ending October 3, 2020. Income from operations in the trucking segment increased \$5.6 million to \$18.5 million for the thirty-nine weeks ended October 2, 2021 compared to \$12.9 million in the same period last year. During the thirty-nine weeks ended October 2, 2021, load volumes increased 15.1% to 220,938 loads compared to 191,990 in the thirty-nine weeks ending October 3, 2020. Average operating revenue per load, excluding fuel surcharges, also increased 8.8% to \$1,319 from \$1,212 in the prior year period. As a percentage of revenue, operating margin in the trucking segment was 6.1% in the thirty-nine weeks ending October 2, 2021 compared to 5.4% in the same period last year.

In the company-managed brokerage segment, operating revenues increased \$28.5 million, or 18.7%, to \$180.8 million in the thirty-nine weeks ending October 2, 2021 compared to \$152.3 million in the thirty-nine weeks ending October 3, 2020. Company-managed brokerage load volumes decreased 15.3% to 94,510 from 111,622. However, average operating revenue per load, excluding fuel surcharges, increased 40.7% to \$1,807 in the thirty-nine weeks ending October 2, 2021 from \$1,284 in the thirty-nine weeks ending October 3, 2020. As a percentage of revenue, operating margin for the company-managed brokerage segment was 2.6% for the thirty-nine weeks ending October 2, 2021 compared to (1.9%) in the same period last year.

Purchased transportation and equipment rent. Purchased transportation and equipment rental costs for the thirty-nine weeks ending October 2, 2021 increased \$113.6 million, or 23.3%, to \$600.3 million from \$486.7 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, which includes truckload, brokerage, intermodal and to a lesser extent, dedicated services, which uses a higher mix of company-drivers compared to owner-operators. The absolute increase in purchased transportation and equipment rental costs was primarily the result of an increase in transportation-related service revenues. In the thirty-nine weeks ended October 2, 2021, transportation-related service revenues increased 26.0% compared to the thirty-nine weeks ended October 3, 2020. As a percentage of operating revenues, purchased transportation and equipment rent expense decreased to 46.8% compared to 48.4% during the same period last year. The decrease was due to a decrease in the mix of transportation-related service revenue. As a percentage of total revenues, transportation-related service revenue decreased to 75.3% for the thirty-nine weeks ended October 2, 2021 compared to 76.4% in the same period last year.

Direct personnel and related benefits. Direct personnel and related benefits for the thirty-nine weeks ended October 2, 2021 increased by \$93.1 million, or 38.2%, to \$336.9 million compared to \$243.9 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. The increase was due to the launch of new business wins and robust volumes in our contract logistics segment in 2021, as well as the impact of temporary layoffs and furloughs in 2020 in response to the Covid-19 pandemic. As a percentage of operating revenues, personnel and related benefits increased to 26.2% for the thirty-nine weeks ended October 2, 2021, compared to 24.3% for the thirty-nine weeks ended October 3, 2020. 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 \$35.0 million, or 44.4%, to \$113.6 million for the thirty-nine weeks ended October 2, 2021 compared to \$78.7 million for the thirty-nine weeks ended October 3, 2020. 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 included increases of \$19.9 million in fuel expense, \$6.6 million in legal charges and professional fees, \$6.6 million in vehicle and other maintenance, \$3.8 million in travel and entertainment, and \$1.2 million in operating supplies and material costs in operations supporting heavy-truck programs.

Commission expense. Commission expense for the thirty-nine weeks ended October 2, 2021 increased by \$6.0 million, or 31.8%, to \$25.0 million from \$19.0 million for the thirty-nine weeks ended October 3, 2020. Commission expense increased due to increased revenue in the agency based truckload business. As a percentage of operating revenues, commission expense was unchanged at 1.9% for both the thirty-nine weeks ending October 2, 2021 and October 3, 2020.

Occupancy expense. Occupancy expenses increased by \$0.4 million, or 1.6%, to \$26.9 million for the thirty-nine weeks ended October 2, 2021. This compares to \$26.5 million for the thirty-nine weeks ended October 3, 2020. The increase was primarily attributable to an increase in property taxes.

General and administrative. General and administrative expense for the thirty-nine weeks ended October 2, 2021 increased by \$5.8 million to \$29.9 million from \$24.1 million in the thirty-nine weeks ended October 3, 2020. The increase was attributable to a \$4.1 million increase in salaries, wages, and benefits and a \$1.4 million increase in professional fees. As a percentage of operating revenues, general and administrative expense was 2.3% for the thirty-nine weeks ended October 2, 2021 compared to 2.4% for the thirty-nine weeks ended October 3, 2020.

Insurance and claims. Insurance and claims expense for the thirty-nine weeks ended October 2, 2021 increased by \$5.3 million to \$20.0 million from \$14.7 million in the thirty-nine weeks ended October 3, 2020. The increase was attributable to increases of \$4.0 million in cargo and service failure claims and \$1.4 million in auto liability premiums and claims. As a percentage of operating revenues, insurance and claims increased to 1.6% for the thirty-nine weeks ending October 2, 2021 compared to 1.5% for the thirty-nine weeks ended October 3, 2020.

Depreciation and amortization. Depreciation and amortization expense for the thirty-nine weeks ended October 2, 2021 decreased by \$3.1 million, or 5.6%, to \$51.9 million from \$54.9 million for 2020. Depreciation expense decreased \$2.1 million and amortization expense decreased \$0.9 million.

Interest expense, net. Net interest expense was \$9.1 million for the thirty-nine weeks ended October 2, 2021 compared to \$11.2 million for the thirty-nine weeks ended October 3, 2020. The decrease in net interest expense reflects a decrease in interest rates on our outstanding borrowings. As of October 2, 2021, our outstanding borrowings totaled \$444.8 million compared to \$468.3 million at the same time last year.

Other non-operating income (expense). Other non-operating income was \$7.0 million for the thirty-nine weeks ended October 2, 2021 compared to \$3.3 million of other non-operating expense for the thirty-nine weeks ended October 3, 2020. Other non-operating income for thirty-nine weeks ended October 2, 2021 includes a \$5.7 million pre-tax gain from a favorable legal settlement. Other non-operating income for the thirty-nine weeks ended October 2, 2021 also includes a \$1.2 million pre-tax holding gain on marketable securities due to changes in fair value recognized in income compared to a pre-tax holding loss of \$3.0 million in the thirty-nine weeks ended October 3, 2020.

Income tax expense. Income tax expense for the thirty-nine weeks ended October 2, 2021 was \$19.5 million, compared to \$10.5 million for the thirty-nine weeks ended October 3, 2020, based on an effective tax rate of 25.3% and 24.7% respectively. The increase in income taxes in 2021 is the result of an increase in taxable income and our effective tax rate for the thirty-nine weeks ended October 2, 2021 compared to the thirty-nine weeks ended October 3, 2020.

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.

During the thirty-nine weeks ended October 2, 2021, our capital expenditures totaled \$26.2 million. These expenditures primarily consisted of transportation equipment 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. Through the remainder of 2021, exclusive of any acquisitions of businesses and strategic real estate purchases, we expect our capital expenditures to be in the range of 1% to 2% 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 improvements to our existing terminal yard and container facilities. Due to widespread shortages, production backlogs, and limited availability of transportation equipment in 2021, our expenditures have been, and are projected to be, somewhat lower than the customary range of 4% to 5% of our operating revenues. If equipment manufacturers identify and implement solutions enabling them to overcome these supply-side constraints, then we would expect to return to a normalized level of capital expenditures in future periods. In such an event, our capital expenditures in 2022 would likely be somewhat higher than those experienced in the current and previous periods.

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, our 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 2021. On October 28, 2021, our Board of Directors declared the regular quarterly cash dividend of \$0.105 per share of common stock payable December 6, 2021 to shareholders of record at the close of business January 4, 2022. During the first half of 2020, our Board of Directors temporarily suspended the Company's cash dividend policy due to the uncertainty caused by the Covid-19 pandemic. The policy has since been reinstated. During the year ended December 31, 2020, we paid a total of \$0.21 per common share, or \$5.7 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.

While operating cash flows may be negatively impacted by a prolonged pandemic, the Company believes we will be able to finance our near term needs for working capital over the next twelve months, as well as any planned capital expenditures during such period, with cash balances, cash flows from operations, and loans and extensions of credit under our credit facilities and on margin against our marketable securities. Should the impact of the COVID-19 pandemic last longer than anticipated, and/or our cash flow from operations decline more than expected, we may need to obtain additional financing. The Company's ability to fund future operating expenses and capital expenditures, as well as its ability to meet future debt service obligations or refinance indebtedness will depend on future operating performance, which will be affected by general economic, financial, and other factors beyond our control.

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 October 2, 2021, we were in compliance with all covenants under the Credit Facility, and \$27.8 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 specific titled vehicles, include certain affirmative and negative covenants, are generally payable in 60 monthly installments and bear interest at fixed rates ranging from 2.25% to 5.13%.

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 variable rates ranging from LIBOR plus 1.85% to LIBOR plus 2.25%. At October 2, 2021, 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 October 2, 2021, and the maximum available borrowings were \$4.2 million.

Discussion of Cash Flows

At October 2, 2021, we had cash and cash equivalents of \$13.1 million compared to \$8.8 million at December 31, 2020. Operating activities provided \$53.7 million in net cash, and we used \$21.1 million in investing activities and \$28.2 million in financing activities.

The \$53.7 million in net cash provided by operations was primarily attributed to \$57.5 million of net income, which reflects non-cash depreciation and amortization, noncash lease expense, gain on marketable equity securities, gains on equipment sales, amortization of debt issuance costs, stock-based compensation, and provisions for doubtful accounts totaling \$74.2 million, net. Net cash provided by operating activities also reflects an aggregate increase in net working capital totaling \$78.0 million. The primary drivers behind the increase in working capital were principal reductions in operating lease liabilities during the period, an increase in trade and other accounts receivable, an increase in prepaid expenses and other assets, and a decrease in income taxes payable. These were partially offset by increases in accruals for insurance and claims, trade accounts payable, and accrued expenses and other current liabilities. Affiliate transactions decreased net cash provided by operating activities by \$1.8 million. The decrease in net cash resulted from a decrease in accounts payable to affiliates of \$2.1 million and a decrease in accounts receivable from affiliates of \$0.2 million.

The \$21.1 million in net cash used in investing activities consisted of \$26.2 million in capital expenditures and \$0.1 million in marketable securities purchases. These uses were partially offset by \$5.1 million in proceeds from the sale of equipment and \$0.1 million in proceeds from the sale of marketable securities.

We used \$28.2 million in financing activities during the thirty-nine weeks ended October 2, 2021. During the period we paid cash dividends of \$11.3 million. We had outstanding borrowings totaling \$444.8 million at October 2, 2021 compared to \$461.7 million at December 31, 2020. During the period we had net borrowings on our revolving lines of credit totaling \$20.9 million and borrowed an additional \$8.3 million for new equipment. We also made term loan, and equipment and real estate note payments totaling \$46.1 million during the period.

Off Balance Sheet Arrangements

None.

Critical Accounting Policies

A summary of critical accounting policies is presented in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies," of our Form 10-K for the year ended December 31, 2020. There have been no changes in our accounting policies during the thirteen weeks ended October 2, 2021.

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. However, due to the COVID-19 pandemic and its impact on North American automotive manufacturing, we may not experience normal seasonal demand for our services supporting the automotive production and selling cycles during the current year.

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.

Prolonged adverse weather conditions, particularly in winter months, can also adversely impact margins due to productivity declines and related challenges meeting customer service requirements.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have not been any material changes to the Company's market risk during the thirteen weeks ended October 2, 2021. For additional information, please see the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

ITEM 4: CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of October 2, 2021. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives of ensuring that information we are required to disclose in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures, and is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. There is no assurance that our disclosure controls and procedures will operate effectively under all circumstances.

In connection with the preparation of our consolidated financial statements for the year ended December 31, 2020, we concluded there was a material weakness in our internal control over financial reporting resulting from the absence of formalized policies and controls designed to identify the status of and any modifications to our existing facility lease obligations. As discussed below, we are taking steps to remediate this material weakness in internal control over financial reporting; however, we are not yet able to determine whether the steps we are taking will fully remediate the material weakness.

Because of the material weakness in our internal control over financial reporting as previously disclosed, our Chief Executive Officer and Chief Financial Officer concluded that, as of October 2, 2021, our disclosure controls and procedures were not effective at the reasonable assurance level. Our management, including our Chief Executive Officer and Chief Financial Officer, has concluded that, notwithstanding the material weakness in our internal control over financial reporting, the condensed consolidated financial statements in this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with U.S. GAAP.

Management's Remediation Efforts

Starting in 2021, we commenced measures to remediate the identified material weakness. Those remediation measures are ongoing and include the following:

- Formally assessing our applicable policies and improving our procedures for the review of our existing facility leases, the approval of modifications to or extensions of such leases, and the authority for approval of entry into new facility leases;
- modifying our applicable policies and improving our procedures to include not less than a quarterly review of all existing facility leases to confirm the status of their respective terms and their anticipated dates of expiration, extension, or renewal; and
- modifying our policies and improving our procedures by requiring dual signatures on all new real property lease agreements or amendments to existing leases.

While we believe that these efforts will improve our internal control over financial reporting, the implementation of these measures is ongoing and will require validation and testing of the design and operating effectiveness of internal controls over a sustained period of financial reporting cycles.

We believe we are making progress toward achieving the effectiveness of our internal controls and disclosure controls. The actions that we are taking are subject to ongoing senior management review, as well as audit committee oversight. We will not be able to conclude whether the steps we are taking will fully remediate the material weakness in our internal control over financial reporting until we have completed our remediation efforts and subsequent evaluation of their effectiveness. We may also conclude that additional measures may be required to remediate the material weakness in our internal control over financial reporting, which may necessitate additional implementation and evaluation time. We will continue to assess the effectiveness of our internal control over financial reporting and take steps to remediate the known material weaknesses expeditiously.

Changes in Internal Control over Financial Reporting

We are taking actions to remediate the material weakness relating to our internal controls over financial reporting, as described above. Except as otherwise described herein, there was no change in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Management recognizes that a control system, no matter how well conceived 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 controls can provide absolute assurance that all control issues and instances of fraud or error, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

ITEM 1: LEGAL PROCEEDINGS

On March 17, 2021, the Company received a complaint from the National Labor Relations Board (the “NLRB”) based on charges alleged by the International Brotherhood of Teamsters against four of the Company’s operating subsidiaries. The charges stem from the Company’s decision to close underperforming operations in California in December 2019. In April 2021, the Company answered the complaint by denying it engaged in any unfair labor practices and maintaining that the Company closed the underperforming California terminal due to financial reasons. In October 2021, the Company received an adverse ruling requiring the Company to, among other things, reinstate the terminated drivers and compensate them for back pay. The Company intends to appeal the decision. The calculation of the amount owed to the drivers will take into consideration any offsetting earnings made by terminated individuals since their separation from the Company. The Company currently estimates the possible range of financial exposure in the matter to be between \$4.3 million and \$7.2 million. Based on the Company’s best estimate of the liability at this time, the Company has recorded an accrued liability for this matter of \$5.8 million. While the outcome of these claims cannot be predicted with any certainty, management does not believe the outcome of any of these matters will have a material adverse effect on our business, financial position, results of operations or cash flows.

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 1A: RISK FACTORS

Except as noted below, there have been no material changes to our risk factors as previously disclosed in Item 1A to Part 1 of our Form 10-K for the fiscal year ended December 31, 2020.

A determination that independent contractors are employees could expose us to various liabilities and additional costs.

Federal and state legislators and other regulatory authorities, as well as independent contractors themselves, have increasingly asserted that independent contractors in the transportation services industry are employees rather than independent contractors. Federal and state legislation has been introduced in the past that would make it easier for tax and other authorities to reclassify independent contractors as employees, including legislation designed to increase the recordkeeping requirements for those that engage independent contractor drivers and to increase the penalties for companies who misclassify their employees and are found to have violated employees’ overtime and/or wage requirements.

In September 2019, California enacted a new law, A.B. 5 (“AB5”), that made it more difficult for workers to be classified as independent contractors. AB5 provides that the three-pronged “ABC Test” must be used to determine worker classifications in wage order claims. Under the ABC Test, a worker is presumed to be an employee and the burden to demonstrate their independent contractor status is on the hiring company through satisfying all three of the following criteria: (a) the worker is free from control and direction in the performance of services; (b) the worker is performing work outside the usual course of the business of the hiring company; and (c) the worker is customarily engaged in an independently established trade, occupation, or business. How AB5 will be enforced is still to be determined. Although it was set to enter into effect in January 2020, a federal judge in California issued a preliminary injunction staying enforcement of AB5 on the trucking industry while the California Trucking Association (“CTA”) moved forward with its suit seeking to invalidate AB5. The U.S. Court of Appeals for the Ninth Circuit, however, reversed the judicial stay on April 28, 2021. Shortly thereafter, the CTA announced it would petition the U.S. Supreme Court to review the decision of the Ninth Circuit, and on June 28, 2021, the Ninth Circuit granted a motion to stay enforcement of AB5 pending the U.S. Supreme Court’s decision on CTA’s petition.

While the U.S. Supreme Court may decide to conduct a judicial review of the Ninth Circuit’s decision, there can be no assurance that AB5 will not be enforceable against trucking companies in the near future, that interpretations supporting the independent contractor status will not change, that other federal or state legislation will not be enacted, or that various authorities will not successfully assert a position that re-classifies independent contractors to be employees. If our independent contractors 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.

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. Those risks include but are not limited to the following:

- 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 business in Mexico, including but not limited to the following:

- Changes in Mexican law prohibiting the hiring of outsourced personnel except under specified circumstances;
- changes in Mexican law that materially modify the calculation of an employer's profit-sharing payments to employees;
- the adoption and enforcement of restrictive trade policies;
- the imposition of any import or export tariffs, taxes, duties, or fees; and
- 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 Mexican operations in a timely and cost-efficient manner, our financial position, results of operations, or cash flows could be adversely affected.

ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5: OTHER INFORMATION

None.

ITEM 6: EXHIBITS

The exhibits listed on the Exhibit Index are furnished as part of this quarterly report on Form 10-Q.

<u>Exhibit No.</u>	<u>Description</u>
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 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	Second Amended and Restated Registration Rights Agreement dated July 28, 2021 among the Registrant and the Moroun Family Holders (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed July 29, 2021)
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*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Schema Document
101.CAL*	Inline XBRL Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Labels Linkbase Document
101.PRE*	Inline XBRL Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

Universal Logistics Holdings, Inc.
(Registrant)

Date: November 12, 2021

By: /s/ Tim Phillips
Tim Phillips
Chief Executive Officer

Date: November 12, 2021

By: /s/ Jude Beres
Jude Beres
Chief Financial Officer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT**

I, Tim Phillips, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Universal Logistics Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2021

/s/ Tim Phillips

Tim Phillips

Chief Executive Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT**

I, Jude Beres, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Universal Logistics Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2021

/s/ Jude Beres

Jude Beres

Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND
CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report, or the Report, of Universal Logistics Holdings, Inc., or the Company, on Form 10-Q for the period ended October 2, 2021, as filed with the Securities and Exchange Commission on the date hereof, each of the undersigned, Tim Phillips, as Chief Executive Officer of the Company, and Jude Beres, as Chief Financial Officer of the Company, each certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, respectively, that (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 12, 2021

/s/ Tim Phillips

Tim Phillips
Chief Executive Officer

/s/ Jude Beres

Jude Beres
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.