

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

FORM 10-K

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

For the fiscal year ended December 31, 2024

OR

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

Commission File Number 001-42035

PROFICIENT AUTO LOGISTICS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

12276 San Jose Blvd.
Suite 426
Jacksonville, Florida

(Address of principal executive offices)

93-1869180

(I.R.S. Employer
Identification No.)

32223

(Zip code)

Registrant's telephone number, including area code: (904) 506-7918

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, \$0.01 par value per share	PAL	The NASDAQ Stock Market LLC

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

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

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

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

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

Large accelerated filer

Non-accelerated filer

Emerging growth company

Accelerated filer

Smaller reporting company

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

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

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of June 30, 2024, the aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant was approximately \$362 million based on the price at which such common stock was last sold, \$16.06 on June 28, 2024.

As of March 25, 2025, the registrant had 27,069,114 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: Part III incorporates by reference portions of the registrant's definitive proxy statement for the annual meeting of stockholders, which will be filed within 120 days after the close of the 2024 fiscal year.

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

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EXPLANATORY NOTE

On May 13, 2024, Proficient Auto Logistics, Inc. (“Proficient”) completed the initial public offering (the “IPO”) of its common stock. Prior to the IPO, Proficient had entered into agreements (the “Combination Agreements”) to acquire in multiple, separate acquisitions (the “Combinations”) five operating businesses and their respective affiliated entities, as applicable, operating under the following names: (a) Delta Automotive Services, Inc. (which converted to Delta Automotive Services, LLC in an F-reorganization on April 29, 2024), doing business as Delta Auto Transport, Inc. (“Delta”), (ii) Deluxe Auto Carriers, Inc. (“Deluxe”), (iii) Sierra Mountain Group, Inc. (“Sierra”), (iv) Proficient Auto Transport, Inc. (“Proficient Transport”), and (v) Tribeca Automotive Inc. (“Tribeca” and, together with Delta, Deluxe, Sierra, and Proficient Transport, the “Founding Companies”). On May 13, 2024, in connection with the closing of the IPO, Proficient also completed the acquisitions of all the Founding Companies.

For accounting and reporting purposes, Proficient has been identified as the designated accounting acquirer (“Successor”) of each of the Founding Companies and Proficient Transport has been identified as the designated accounting predecessor (“Predecessor”) to the Company (as defined below). The Successor financial information presented herein includes results of operations from the period May 13, 2024 to December 31, 2024 from the acquired businesses as well as expenses from the acquiring entity for the twelve months ended December 31, 2024. As a result, the audited condensed consolidated financial statements as of, and for the twelve months ended, December 31, 2024 for Proficient (Successor) and for the period from January 1, 2024 to May 12, 2024 and the twelve months ended December 31, 2023 and 2022 for Proficient Transport (Predecessor) are included in this Annual Report on Form 10-K. The Company is not required to provide, and this Annual Report does not contain, pro forma financial data giving effect to the completion of the Combinations and the completion of the IPO and the use of the proceeds therefrom.

Because Proficient was formed on June 13, 2023 and had no material transactions in the period from formation through December 31, 2023, no comparative information for the twelve month period ended December 31, 2023 is provided in this Annual Report on Form 10-K.

Unless the context requires otherwise, references in this Annual Report on Form 10-K to “Proficient” refers solely to Proficient Auto Logistics, Inc. prior to the Combinations, and references to the “Company,” “we,” “us,” and “our” refer to Proficient Auto Logistics, Inc. and its subsidiaries after giving effect to the Combinations.

Part I

FORWARD-LOOKING STATEMENTS

Special Note Regarding Forward-Looking Statements

Unless otherwise indicated, the terms the “Company,” “we,” “us” and “our” refer to Proficient Auto Logistics, Inc. and its subsidiaries as a whole, after giving effect to the Combinations.

This Annual Report on Form 10-K (the “Annual Report”) contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to possible or assume future results of our business, financial condition, results of operations, liquidity, plans and objectives. You can generally identify forward-looking statements because they contain words such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these terms or other similar expressions that concern our expectations, strategy, plans or intentions. We have based these forward-looking statements largely on our current expectations and projections regarding future events and trends that we believe may affect our business, financial condition and results of operations. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section entitled “Risk Factors” in this Annual Report and elsewhere in this Annual Report. Accordingly, you should not rely upon forward-looking statements as predictions of future events. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those projected in the forward-looking statements. Forward-looking statements contained in this Annual Report include, but are not limited to, statements regarding:

- the economic conditions in the global markets in which we operate;
- our ability to successfully implement our business strategy, effectively respond to changes in market dynamics and customer preferences, and achieve the anticipated benefits and associated cost savings of such strategies and actions;
- our ability to recruit and retain qualified drivers, independent contractors and third-party auto transportation and logistics companies;
- our expectations regarding the successful implementation of the Combinations and other acquisitions;
- geopolitical developments and additional changes in international trade policies and relations;
- the effect of any international conflicts or terrorist activities, including the current conflict between Russia and Ukraine, on the United States and global economies in general, the transportation industry, or us in particular, and what effects these events will have on our costs and the demand for our services;
- our ability to manage our network capacity and cost structure for capital expenditures and operating expenses, and match it to shifting and future customer volume levels;
- our ability to compete effectively against current and future competitors;
- our dependence on the automotive industry, which is directly affected by such external factors as general economic conditions in the United States, Canada and Mexico, trade policies, including tariffs, unemployment rates, labor shortages or strikes, consumer confidence, government policies, continuing activities of war, terrorist activities and the availability of affordable new car financing;
- our ability to maintain our profitability despite quarterly fluctuations in our results, whether due to seasonality, large cyclical events, or other causes; and our future financial and operating results;
- our expectations regarding the period during which we will qualify as an emerging growth company under the JOBS Act; and
- the sufficiency of our existing cash to fund our future operating expenses and capital expenditure requirements.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Annual Report. In addition, in light of certain risks and uncertainties, the matters referred to in the forward-looking statements contained in this Annual Report may not occur. The forward-looking statements made in this document relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. We do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

ITEM 1. BUSINESS

Business Overview

We are a leading specialized freight company focused on providing auto transportation and logistics services. Formed in connection with the IPO through the combination of five industry-leading operating companies, we operate one of the largest auto transportation fleets in North America based upon information obtained from leadership of the Auto Haulers Association of America, utilizing roughly 1,145 auto transport vehicles and trailers on a daily basis, including approximately 845 Company-owned transport vehicles and trailers, and employing 671 dedicated employees as of December 31, 2024. From our 50 strategically located facilities across the United States, we offer a broad range of auto transportation and logistics services, primarily focused on transporting finished vehicles from automotive production facilities, marine ports of entry or regional rail yards to auto dealerships around the country. We have developed a differentiated business model due to our scale, breadth of geographic coverage and embedded customer relationships with leading auto original equipment manufacturing companies (“OEMs”). Our customers include nearly all of the global auto manufacturing companies, including General Motors Company (“General Motors”), Bayerische Motoren Werke Aktiengesellschaft (“BMW”), Stellantis N.V. (“Stellantis”), and Mercedes-Benz among others. Additional customers include auto dealers, auto auctions, rental car companies and auto leasing companies.

Description of the Combinations

On December 21, 2023, Proficient Auto Logistics, Inc. entered into agreements to acquire in multiple, separate acquisitions five operating businesses and their respective affiliated entities, as applicable: (i) Delta, (ii) Deluxe, (iii) Sierra, (iv) Proficient Transport, and (v) Tribeca. On May 13, 2024, the Company completed its IPO of its common stock, and in connection with the closing of the IPO, the Company also completed the acquisitions of all of the Founding Companies. The Founding Companies were acquired for approximately \$178.5 million in cash and 6,978,191 shares of our common stock (provided, that 541,866 of these shares of common stock were held back and were not issued at the closing of the Combinations to satisfy the indemnification obligations of certain of the Founding Companies for a period of twelve months following the closing of the Company’s IPO), using an initial public offering price of \$15.00 per share. The Combinations are accounted for as business combinations under ASC 805. Under this method of accounting, Proficient Auto Logistics, Inc. is treated as the “accounting acquirer.”

Proficient Auto Logistics, Inc. has been identified as the designated accounting acquirer (“Successor”) of each of the Founding Companies and Proficient Transport has been identified as the designated accounting predecessor (“Predecessor”) to the Company. As a result, Management’s Discussion and Analysis of Results of Operations and Financial Condition for the twelve months ended December 31, 2024 for each of Proficient and Proficient Transport are included in this Annual Report on Form 10-K. A black-line between the Successor and Predecessor periods has been placed in the financial tables below to highlight the lack of comparability between these two periods. Please refer to Note 3 of the Notes to Consolidated Financial Statements — “Business Combinations.”

Operations and Services Provided

We provide new and used auto transportation and logistics services to automobile manufacturing companies, leasing companies, automobile dealers, automobile auction companies, long-distance transporters, brokers and individuals. Services typically are provided as needed by particular customers and charged according to pre-set rates based on auto size, weight and mileage. We transport large numbers of vehicles from auto manufacturing sites, marine ports and rail hubs to individual auto dealers. On the used car transport side, cars are picked up and delivered primarily to rental car locations and automobile auctions. In addition, we provide transport services for dealers that transfer new cars from one region to another based on demand.

We operate a dispatch system to assign individual transport vehicles to particular cars that require delivery. We also have computerized positioning systems which identify and track vehicle location and status, thereby decreasing response times and increasing asset utilization.

Our initial integration efforts after the Combinations focused on consolidating route planning and dispatch software of the Founding Companies, which was completed during the third quarter of fiscal year 2024.

We began integrating and implementing accounting systems across the Founding Companies to enable us to centralize our accounting and financial reporting activities at our headquarters in Jacksonville, Florida. We anticipate that we will need to upgrade and expand our information technology systems on an ongoing basis as we expand our operations and complete acquisitions.

Segments

Our business is organized into two reportable operating segments, Company Drivers and Brokered. The Company Drivers segment offers automobile transport and dedicated services under an asset-based model. The Company's dedicated service offering devotes the use of Company equipment to specific customers and provides transportation services through long-term contracts. The Company's Brokered segment offers transportation services utilizing an asset-light model focusing on outsourcing transportation of loads to third-party carriers.

Company Drivers Segment

In our Company Drivers Segment, we generate revenue by transporting autos for our customers in our OEM contract and spot arrangements, secondary market auto moves, and our contract services arrangements. Our OEM contract and spot arrangements provide auto transportation and logistics services through movements of autos over routes across the United States. Secondary market auto moves are for customers other than OEMs. Our contract services offering devotes the use of equipment to specific customers and provides services through long-term contracts. Our Company Drivers segment provides services that are geographically diversified but have similar economic and other relevant characteristics, as they all provide Company Drivers carrier services of automobiles. The main factors that affect operating revenue in the Company Drivers Segment are the average revenue per unit received from customers and the number of vehicles transported.

We are typically paid a predetermined rate per unit for our Company Drivers services. Our executed contracts contain fixed terms and rates and are often used by our customers with high-service and high-priority freight. We continually strive to increase our revenues derived from fixed term contracts as a percentage of total revenue by continuing to build upon our existing relations and acquire new relations with OEMs.

Our contracts with customers in the Company Drivers segment generally include a fuel surcharge to account for fluctuating fuel prices. Built into our predetermined contract rates with each customer is a baseline fuel price and when fuel prices rise above this baseline price our customers compensate us for the variance in the form of additional revenue. If fuel prices drop below the baseline price, we may in turn owe our customers this variance and record a discount. This additional revenue/discount is represented on the Fuel Surcharge and Other Reimbursements line in our condensed consolidated financial statements.

In our Company Drivers segment, our most significant operating expenses vary with miles traveled and include (i) fuel, and (ii) driver-related expenses, such as wages, benefits, training and recruitment. Expenses that have both fixed and variable components include maintenance and tire expense and our total cost of insurance and claims. These expenses generally vary with the miles we travel, but also have a controllable component based on safety, fleet age, efficiency and other factors. Our main fixed costs include depreciation of long-term assets, such as trucks and trailers (to which we refer as revenue equipment) and service center facilities, the compensation of non-driver personnel and other general and administrative expenses.

Our Company Drivers segment requires substantial capital expenditures for purchase of new revenue equipment. We use a combination of financing leases and secured long-term debt to acquire revenue equipment. When we finance revenue equipment acquisitions with either finance leases or long-term debt, the asset and liability are recorded on our consolidated balance sheet, and we record expense under “Depreciation” and “Interest expense.” We expect our depreciation and interest expense will be impacted by changes in the percentage of our revenue equipment acquired in any given year.

Brokered Segment

In our Brokerage Segment, we generate revenue by utilizing our independent owner operators (who run under our DOT) and independent third-party carriers to assist in transporting autos for our customers in our OEM contract and spot arrangements, and secondary market auto moves. We maintain the customer relationship, including billing and collection, but outsource the transportation of the loads. The main factors that affect operating revenue in our Brokered segment are our customers’ excess inventory needs, the rates we obtain from customers, the auto volumes we ship through the brokered segment and our ability to secure these carriers. We generally do not have contracted long-term rates for the cost of third-party carriers, and we cannot assure that our results of operations will not be adversely impacted in the future if our ability to obtain third-party carriers changes or the rates of such providers increase.

The most significant expense of our Brokered segment, which is primarily variable, is the cost of purchased transportation that we pay to third-party carriers and is included in the “Purchased transportation” line item. This expense generally varies directly with the amount of Brokered revenue, rates charged by third party carriers, which includes their cost of fuel, and current demand and customer shipping needs. Other operating expenses are generally fixed and primarily include the compensation and benefits of non-driver personnel (which are recorded in the “Salaries, wages and benefits” line item).

The primary performance indicator in our Brokered segment is operating margin (brokered operating revenue, less brokered operating expenses, as a percentage of brokered operating revenue). Operating margin can be impacted by the rates charged to customers and the rates charged by third-party carriers.

Strategy

Our strategy is to be one of the nation’s leading providers of auto transportation and logistics services by focusing on broadening our platform and expanding our service offerings while maintaining the high quality of our existing services and increasing our operational efficiency. We intend to achieve this objective by executing the following business strategies:

Operating Strategy

Drive Organic Growth by Offering Committed Capacity and Consistently High-Quality Service to Expand Existing Relationships. We believe that the ability to commit transportation equipment capacity and timely, professional and dependable service at a reasonable price are the most important factors in maintaining and expanding customer relationships in the auto transportation and logistics industry. We intend to use our scale to offer customers committed transportation equipment capacity and our financial strength to consistently invest in our capacity. We are continuing the proven practices of the Founding Companies throughout our operations in areas such as dispatching technology, driver training and professionalism, preventive maintenance and safety. We cross-sell the consistently high-quality service across our platform to existing customers of our various Founding Companies.

Expand Service Offerings to Further Entrench Existing Customer Relationships and Win New Customers. We have strategically identified select customers looking for additional related services that would expand our relationships with these customers. For example, there is an opportunity to further expand our operations of regional auto storage yards on behalf of major automotive OEMs, which we believe will lead to future revenue opportunities. We believe that our expanded scale and other resources will permit us to acquire new customers that require greater auto transportation and logistics capacity and storage capabilities than those possessed by smaller operators. We also intend to utilize our geographic diversity to pursue additional business from existing customers that operate on a regional or national basis, such as auto OEMs, leasing companies, insurance companies and automobile auction companies.

Achieve Operating Efficiencies. While the Founding Companies operate under their existing names, we seek to achieve operating efficiencies through improved asset utilization. Increased route density and backhaul opportunities lead to improved profitability, which we intend to achieve through the combination of the Founding Companies. We operate all operations under one integrated transportation management and route planning software, allowing us to have enhanced visibility and improve equipment utilization. The integration began immediately upon the closing of the Combinations, initially focused on consolidating route planning and dispatch software. These efforts did not and are not expected to have significant associated expenses as we utilized software already used by some of the Founding Companies. Such integration may incur financial benefits as administrative redundancies are removed. We also believe there will be, and have experienced, opportunities to use our purchasing power to seek improved pricing in areas such as purchased transportation, fuel, vehicles, and parts, and have created a position tasked with overseeing collective purchasing.

Maintain Local Expertise. Members of management of the our subsidiaries have, and companies to be acquired in the future will, maintain local control of their regional operations and work in coordination with each other, rather than compete, for business opportunities in their local markets. We believe this approach enables us to take advantage of the local and regional market knowledge, name recognition and customer relationships possessed by each acquired company while still allowing us to bring greater operating efficiency to the larger platform. We believe this structure will be attractive to owners who desire to benefit from being part of a larger platform and the efficiencies of that structure. We hired a vice president who will be responsible for overseeing and approving the pricing and bids of each of our subsidiaries, such that the subsidiaries will not be competing against each other despite maintaining existing regional operations.

Optimize Asset Flexibility. We own and operate a meaningful percentage of the tractors and trailers we utilize in our daily operations, as opposed to predominantly outsourcing to owner-operators or sub-haulers. For the years ended December 31, 2024 (successor) and December 31, 2023 (predecessor), 36%, and 32%, respectively, of our combined revenue came from company-operated vehicles and we expect those percentages to increase in the future. We believe this approach allows us to maximize our profitability because it permits us to manage down underlying operating costs versus paying a higher fixed percentage of revenue to third-party haulers. This approach also provides more certainty to our customers because of the Company's ability to provide guaranteed capacity in an increasingly complex market. By combining companies, we believe we have more favorable purchasing opportunities with our vendors that allow us to add more Company trucks and Company drivers. At the same time, we utilize a diversified approach to securing additional capacity to service our customers where we do not currently possess significant network density.

Acquisition Strategy

Expand Within Existing Geographic Markets and Select New Markets. The auto transportation and logistics industry is highly fragmented, with the majority of the industry represented by smaller, regional providers representing attractive tuck-in acquisition opportunities. We see opportunity with regional providers that overlap with our geographic footprint that would improve our network density in select geographies and add new customers. We believe there will be significant opportunities to acquire and integrate these smaller acquisition candidates into our existing infrastructure, providing opportunities for cost synergies and cross-selling. In addition, we may seek to vertically integrate our operations by acquiring companies that offer complementary services that we do not currently offer. There are several new geographic regions where we have expanded and can expand our footprint via acquisition of smaller regional providers. When pursuing an acquisition, we intend to acquire established, high-quality companies in markets where we can establish a leading market position to serve as core businesses into which additional operations may be consolidated.

Customers

We believe that the commitment to consistent, high-quality service demonstrated by the Founding Companies has produced long-term relationships with many existing customers and positions us to expand market penetration through the use of enhanced sales and marketing efforts. The chart below indicates the tenure (i.e., the maximum number of years the customer has been served by one of the Founding Companies) of our top 12 customers:

Customer	Tenure	Customer	Tenure
Mercedes-Benz	33	Hyundai	17
Ford	29	Porsche	16
General Motors	28	Volkswagen	14
Stellantis	26	Land Rover	12
Toyota	20	Tesla	8
Nissan	20	BMW	7

We generally focus our marketing efforts on large commercial accounts, including auto manufacturers, rental car companies, auto auctions, and auto dealerships. We have augmented the capabilities and contacts of the Founding Companies with a sales program designed to identify significant target customers and expand working relationships with existing customers.

Although we generally have a diverse customer base, four customers, General Motors, Glovis (the logistics arm of Hyundai and Kia), BMW and Ford account for roughly 49.6% of our combined operating revenue in 2024. Our business with these five companies, like all other new car delivery contracts, generally run from three to five years within a certain geographic region, though more recently, some OEM customers are agreeing to longer five-to-ten-year contracts. We currently operate under 125 individual contracts with our customers, with no single contract representing more than 7% of our 2024 combined revenue. Historically, all contracts have required public re-bidding upon termination of the contract; however, if the service levels are good, there is a high likelihood that the incumbent carrier will retain the business. Today, many contracts include automatic extensions and OEMs are generally more open to private rate negotiations with incumbent carriers as opposed to a public bidding process. As an industry leader, we should benefit from these changes in contract structure and process. We expect that our existing customers will continue to account for a significant percentage of our revenue for the foreseeable future. The loss of a significant customer, including any of the top five, could have a material adverse effect on our business, financial condition and results of operations.

Competition

The provision of auto transportation and logistics services is competitive. Competition for the delivery of auto transportation and logistics services is based primarily on quality, service, timeliness, price, and geographic proximity. We compete with certain large auto transportation and logistics companies on a regional and local basis, some of which may have greater financial and marketing resources than us. We also compete with many smaller local companies, which may have lower overhead cost structures than us and may, therefore, be able to provide their services at lower rates than us. We believe that we can compete effectively because of our high-quality service, geographic scope, broad range of services offered, experienced management and operational economies of scale. We differentiate ourselves from our competition in terms of service and quality by investing in training, systems and equipment and by offering a broad range of products and services, and in terms of timeliness and geographic proximity by establishing facilities and vehicles in targeted geographic markets so that we are positioned to provide timely deliveries in response to orders from the auto companies.

We may also face competition for acquisition candidates from companies which are attempting, or may attempt in the future, to consolidate towing and transport service providers. Some of our current or future competitors may be better positioned than us to finance acquisitions, to pay higher prices for acquisition candidates pursued by us, or to finance their internal operations.

Seasonality

We expect to experience significant fluctuations in quarterly operating results due to a number of factors, including the timing of auto production and sales and acquisitions and related costs; our success in integrating acquired companies; the loss of significant customers or contracts; the timing of expenditures for new equipment and the disposition of used equipment; price changes in response to competitive factors; and general economic conditions. As a result of these fluctuations, results for any one quarter should not be relied upon as being indicative of performance in future quarters.

Government Regulation and Environmental Matters

Auto transportation and logistics services are subject to various federal, state and local laws and regulations regarding equipment, driver certification, training and recordkeeping, and workplace safety. Our vehicles and facilities are subject to periodic inspection by the U.S. Department of Transportation and similar state and local agencies. Our failure to comply with such laws and regulations could subject us to substantial fines and could lead to the closure of operations that are not in compliance. In addition, certain government contracting laws and regulations may impact our ability to acquire complementary businesses in a given city or county. We have numerous federal, state and local licenses and permits for the conduct of their respective businesses. Any failure by us to obtain such licenses and permits or delay in our receipt of such licenses and permits could have a material adverse effect on our business, financial condition and results of operations.

Our operations are subject to a number of federal, state and local laws and regulations relating to the storage of petroleum products, hazardous materials and impounded vehicles, as well as safety regulations relating to the upkeep and maintenance of our vehicles. In particular, our operations are subject to federal, state and local laws and regulations governing leakage from salvage vehicles, waste disposal, the handling of hazardous substances, environmental protection, remediation, workplace exposure and other matters. We believe that we are in substantial compliance with all such laws and regulations and do not currently anticipate that we will be required to expend any substantial amounts in the foreseeable future in order to meet current environmental or workplace health and safety requirements. It is possible that an environmental claim could be made against us or any of the Founding Companies or that one or more of them could be identified by the Environmental Protection Agency, a state agency, or one or more third parties as a potentially responsible party under federal or state environmental laws. If we or any of the Founding Companies were to be named a potentially responsible party, we could be forced to incur substantial investigation, legal and remediation costs, which could have a material adverse effect on our business, financial condition and results of operations.

Safety and Training

We are committed to focusing on and emphasizing safety and training. We utilize a variety of programs to improve safety, including regular driver training and certification, drug testing and safety bonuses. We utilize these and other proven practices throughout our operations to ensure that all employees comply with safety standards established by us, our insurance carriers and federal, state and local laws and regulations. In addition, we promote an emphasis on an accident-free environment. We believe that our emphasis on safety and training will assist us in attracting and retaining quality employees.

Facilities and Vehicles

We operate 50 leased facilities that are used to park, repair and maintain transport vehicles. All of our facilities are leased from other parties and, in three cases, those parties are former owners or affiliates of the Founding Companies. See Note 17 “Related Party Transactions.” Many of our facilities are capable of being utilized at higher capacities, if necessary. We will seek to consolidate facilities and vehicle storage capacity in the future.

We operated a fleet of roughly 1,145 auto transport vehicles and trailers as of December 31, 2024. Our fleet consists both of Company-owned tractors and trailers and those run by owner-operators and sub-haulers. We intend to own and operate a significant percentage of the tractors and trailers we utilize in our daily operations, as opposed to primarily outsourcing to owner-operators or sub-haulers. When needed, we have access to a vast network of sub-haulers to fulfill client needs. We believe these vehicles are generally well-maintained and adequate for our current operations.

Risk Management, Insurance and Litigation

The primary risks in our operations include bodily injury, property damage, workers’ compensation claims and, potentially, environmental and land use claims. Following the Combinations, we began consolidating insurance on a Company-wide basis, subject to customary deductibles. We have been, from time to time, parties to litigation arising in the ordinary course of their respective businesses, most of which involves claims for personal injury or property damage incurred in connection with their operations. The Company is not currently involved in any litigation that the Company believes will have a material adverse effect on our business, financial condition or results of operations, except as set forth below.

Employees

As of December 31, 2024, we had approximately 671 employees and an extensive network of independent contractors and sub-haulers. None of our employees are subject to collective bargaining agreements.

We recognize that our continued ability to attract, retain and motivate exceptional employees is vital to ensuring our long-term competitive advantage. Our employees are critical to our long-term success and are essential to helping us meet our goals. Among other things, we support and incentivize our employees in the following ways:

- **Talent Development, Compensation and Retention.** We strive to provide our employees with a rewarding work environment, including the opportunity for growth, success and professional development. We provide our employees with competitive salaries and bonuses, development programs that enable continued learning and growth and a robust employment package — all designed to attract and retain a skilled and diverse workforce.
- **Health and Safety.** The safety and well-being of our employees is our top priority. We support the health and safety of our employees by providing health care, retirement planning, paid time off and other benefits, which are intended to assist employees to manage their well-being.

Information about our Executive Officers

The following table summarizes information about each one of our executive officers as of December 31, 2024.

Name	Age	Position(s)
Richard O'Dell	63	Chief Executive Officer, Director
Amy Rice	46	President, Chief Operating Officer
Brad Wright	64	Chief Financial Officer, Secretary

Richard D. O'Dell — Mr. O'Dell has served as our Chief Executive Officer and a member of our Board of Directors since our IPO. Mr. O'Dell has served as the Non-Executive Chairman of the Board of Directors of Saia since April 2020. Mr. O'Dell served as Chief Executive Officer of Saia from December 2006 until his retirement in April 2020. Mr. O'Dell joined Saia in 1997 and served in various executive and financial positions until his appointment as Chief Executive Officer. Mr. O'Dell also has experience in public accounting as a certified public accountant. Mr. O'Dell graduated with a bachelor's degree in Accounting from the University of Kansas.

Amy Rice — Ms. Rice has served as our President and Chief Operating Officer since August 2024. Ms. Rice served in various roles at CSX, a Class I freight railroad and transportation provider, from 2011 – 2019, including as Vice President, Coal and Intermodal Operations from 2018 – 2019, Vice President, Strategic Planning from 2017-2018, Vice President of Operations Planning and Performance in 2017 and Vice President of Finance in 2017. More recently, Ms. Rice served as the chief executive officer of Sy-Klone International, a private manufacturer of fine dust filtration systems, from 2019 to 2023. Ms. Rice has been a board member of Firan Technology Group Corporation since 2022. Ms. Rice has a Masters of Business Administration from the Ross School of Business of the University of Michigan and an undergraduate business degree from Emory University.

Brad Wright — Mr. Wright has served as our Chief Financial Officer and Secretary since our IPO. Mr. Wright was most recently the Chief Financial Officer and a member of the Board of Directors of PMC Consolidated Holdings, LLC, the parent company of Protect My Car, a Crestview Partners portfolio company (until its sale that closed in August 2023) providing extended auto warranty plans to consumers, since September 2018. From September 2017 through March 2018, Mr. Wright was the interim Chief Financial Officer of Eurasia Group, a global consultancy firm. From February 2008 through July 2017, Mr. Wright served as Executive Vice President, Chief Financial Officer and Chief Administrative Officer of FBR & Co., the NASDAQ-listed parent company of Friedman, Billings Ramsey Capital Markets & Co., an investment banking and institutional brokerage firm. Mr. Wright earned a bachelor's degree in Business Administration with an emphasis in Accounting from Nebraska Wesleyan University (1982).

Available Information

The Company maintains a website at the following address: <http://www.proficientautologistics.com>. The information on the Company's website is not incorporated by reference in this Annual Report.

We make available on or through our website reports and amendments to those reports that we file with or furnish to the SEC in accordance with the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These include our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and amendments to these reports. We make this information available on our website free of charge as soon as reasonably practicable after we electronically file the information available with, or furnish it to, the SEC. The SEC also maintains a website at the following address, through which this information is available: <http://www.sec.gov>.

ITEM 1A. RISK FACTORS

Our business is subject to various risks and uncertainties. The following summary highlights some of the risks the Company is exposed to in the normal course of its business activities. If any of these risks actually occur, the Company's business, financial condition or results of operations could be materially and adversely affected. This summary is not complete and the risks summarized below are not the only risks the Company faces. You should review and consider carefully the risks and uncertainties described in more detail following this summary in this Item 1A of Part I of this Annual Report, which includes a more complete discussion of the risks summarized below, as well as a discussion of other risks related to the Company's business and an investment in its common stock.

- Increased competition in the auto transportation and logistics industry could result in a loss of our market share or a reduction in our rates, which could have a material adverse effect on our operations.
- We are highly dependent on the automotive industry, and a decline in the automotive industry could have a material adverse effect on our operations.
- We are dependent on a small number of customers for a large portion of our revenue.
- Our business depends upon compliance with numerous government regulations.
- Arrangements with independent contractors expose us to risks that we do not face with employees.
- Any unionization efforts or labor regulation changes in certain jurisdictions in which we operate could divert management's attention and could have a materially adverse effect on our operating results or limit our operational flexibility.
- Increases in driver compensation or difficulties attracting and retaining qualified drivers could have a materially adverse effect on our profitability and the ability to maintain or grow our business.
- We will need to integrate information technology systems, and our business may be seriously harmed if we fail to maintain, upgrade, enhance, protect, and integrate our information technology systems.
- Operational risks, including the risk of cyberattacks, may disrupt our business and could have a material adverse effect on our operations.

Risks Related to Our Business and Operations

Increased competition in the auto transportation and logistics industry could result in a loss of our market share or a reduction in our rates, which could have a material adverse effect on our operations.

The auto transportation and logistics market is a highly competitive and fragmented industry. We currently compete with other auto carriers of varying sizes, logistics, brokerage and transportation services providers of varying sizes, as well as with railroads and independent owner-operators. Competition for the freight we transport or manage is based primarily on service, efficiency, available capacity and, to some degree, on freight rates alone. Our competitors periodically reduce their freight rates to gain business, especially when adverse economic conditions negatively impact customer shipping volumes, truck capacities, or operating costs. In addition, certain of the Company's customers may develop new methods for hauling vehicles, such as using local drive-away services to facilitate local delivery of products. Railroads, which specialize in long-haul transportation, may be able to provide delivery services at costs to customers that are less than the long-haul truck delivery cost of our services. Additionally, the continuing trend toward consolidation in the trucking industry may result in more large carriers with greater financial resources, and the development of new methods or technologies for hauling vehicles could lead to increased investments to remain competitive, either of which may lead to new market entrants and increased competition overall. If we lose market share to these competitors or have to reduce our rates in order to retain our market share, our financial condition and results of operations could be materially and adversely affected.

We are highly dependent on the automotive industry and a decline in the automotive industry could have a material adverse effect on our operations.

The automotive transportation market in which we operate is dependent upon the volume of new automobiles, sport utility vehicles ("SUVs"), and light trucks manufactured, imported and sold by the automotive industry in the United States, Canada, and Mexico. The automotive industry is highly cyclical, and the demand for new automobiles, SUVs and light trucks is directly affected by such external factors as general economic conditions in the United States, Canada and Mexico, unemployment rates, labor shortages or strikes, consumer confidence, government policies, including tariffs, continuing activities of war, terrorist activities and the availability of affordable new car financing. As a result, our results of operations could be adversely affected by downturns in the general economy and in the automotive industry, and by changing consumer preferences in purchasing new automobiles, SUVs and light trucks or the overall financial condition of our major customers. A significant decline in the volume of automobiles, SUVs and light trucks manufactured, imported and sold in the United States could have a material adverse effect on our operations.

We are dependent on a small number of customers for a large portion of our revenue.

Historically, a small group of our customers have made up a majority of our revenue. Specifically, for the year ended December 31, 2024 our top four customers accounted for 49.6%, and for the year ended December 31, 2023 our top five customers accounted for 59.6% of our combined operating revenue, and our top ten customers accounted for 70.9% and 84.3% of our combined total operating revenue during the same periods, respectively. General Motors Company accounted for 22% of our combined operating revenue for the year ended December 31, 2024. There is no assurance any of our customers, including this select group of customers, will continue to utilize our services, renew our existing contracts, or continue at the same volume levels. Despite the existence of contractual arrangements, certain of our customers may engage in competitive bidding processes that could negatively impact our contractual relationships. A loss of any of these customers would have a material adverse effect on the Company's results of operations and financial condition.

Our business depends upon compliance with numerous government regulations.

Our operations are regulated and licensed by various federal, state, and local transportation agencies in the United States. We are subject to licensing and regulation by the U.S. Department of Transportation (the "DOT") for the transportation of property. The DOT prescribes qualifications for acting in this capacity, including certain surety bonding requirements. We also have and maintain other licenses as required by law. In addition to the DOT, various federal and state agencies exercise broad regulatory powers over the transportation industry, generally governing such activities as operations of and authorization to engage in motor carrier freight transportation, safety, contract compliance, insurance requirements, tariff and trade policies, taxation, and financial reporting.

We are audited periodically by the DOT to ensure that we are in compliance with various safety, hours-of-service, and other rules and regulations. If we were found to be out of compliance or receive an unsatisfactory DOT safety rating, the DOT could restrict or otherwise materially adversely impact our business, financial conditions and results of operations.

We could become subject to new or more restrictive regulations, such as regulations relating to U.S. Environmental Protection Agency mandated engine emissions requirements, drivers' hours of service, occupational safety and health, ergonomics, cargo security, collective bargaining, and other matters affecting safety or operating methods. Our drivers also must comply with the safety and fitness regulations promulgated by the DOT, including those relating to drug and alcohol testing and hours of service. Compliance with all such regulations could substantially require changes in our operating practices, influence the demand for auto transportation and logistics services, reduce equipment and driver productivity and our load factor, and the costs of compliance could incur significant additional expenses.

Any such change in an applicable regulation or ruling in a judicial proceeding could have a material adverse effect on our business.

We cannot predict the impact that future regulations may have on our business. Our failure to maintain required permits or licenses, or to comply with applicable regulations, could result in substantial fines or revocation of our operating permits and licenses.

Our engagement of owner-operators to provide a portion of our capacity exposes us to different risks than we face with our company drivers.

We face a complex and increasingly stringent regulatory and statutory scheme relating to wages, classification of employees and alternate work arrangements. Tax and other regulatory authorities, as well as owner-operators themselves, have increasingly asserted that owner-operators within our industry are employees, rather than independent contractors. Automotive transportation companies have been, and may continue to be, subject to lawsuits alleging that their drivers were misclassified as independent contractors rather than employees. Further, class actions and other lawsuits have been filed against us and others in our industry seeking to reclassify owner-operators as employees for a variety of purposes, including workers' compensation and health care coverage. If any such cases are judicially determined in a manner adverse to us or our businesses, there could be an adverse impact on our operations in the effected jurisdictions. Taxing and other regulatory authorities and courts apply a variety of standards in their determination of independent contractor status. If the owner-operators we contract with are deemed employees, we could incur additional exposure under laws for federal and state tax, workers' compensation, unemployment benefits, labor, employment and tort. The exposure could include prior period compensation, as well as potential liability for employee benefits and tax withholdings. For example, Sierra and Deluxe, in 2022 and 2020, respectively, reclassified their owner-operators in California as sub-haulers and employees, as appropriate. While the entities experienced increased expenses associated with additional employees, the reclassification did not impact revenue recognition. We continue to evaluate the classification of drivers to ensure compliance with all relevant laws. While we continue to engage owner-operators where permissible and do not believe any future reclassifications would be material, we cannot guarantee an immaterial impact. Any such change in applicable regulation or ruling in a judicial proceeding could have a material adverse effect on our business.

In addition, our lease contracts with owner-operators are governed by federal leasing regulators, which impose specific requirements on us and owner-operators retained by us. Litigation alleging violations of lease agreements or contractual terms could result in adverse decisions against us.

We may be adversely impacted by fluctuations in the price and availability of fuel and our ability to collect fuel surcharges.

We must purchase large quantities of fuel to operate our business, which is a significant operating expense. The price and availability of fuel can be highly volatile and can be impacted by factors beyond our control, such as natural disasters, adverse weather conditions, political events or international conflicts, price and supply decisions by oil producing countries, or changes to trade agreements. An increase in fuel prices or diesel fuel taxes, or any change in federal or state regulations that results in such an increase, could have an adverse effect on our operating results.

We typically are able to pass through a portion of our fuel costs to our customers. Changes in fuel costs will not result in a direct offset to fuel surcharges due to the nature of the calculation of fuel surcharges, which is customer-specific and fluctuates as a result of miles driven, changes in the number and types of units hauled per customer, as well as the relationship of the national average cost of fuel (the national average diesel price index) or other contractually determined customer index benchmarks compared to actual fuel prices paid at the pump. In addition, depending on the base rate and fuel surcharge levels agreed upon by our customers, there could be a delay in reflecting increases in our surcharges to customers resulting from a rapid and significant change in the cost of diesel fuel, which could also have a material adverse effect on our operating results.

We may not be able to secure additional financing on favorable terms, or at all, to meet our future capital needs.

We require substantial amounts of cash to cover operating expenses as well as to fund capital expenditures, working capital changes, principal and interest payments on debt obligations, lease payments and tax payments. In the future, we may require additional capital to cover such expenses. Any debt financing obtained by us in the future may contain certain restrictive covenants that limit our ability, among other things, to engage in certain activities that are in our long-term best interests, including our ability to:

- incur additional indebtedness;
- incur certain liens;
- consolidate, merge or sell or otherwise dispose of our assets;

- make investments, loans, advances, guarantees and acquisitions;
- enter into swap agreements;
- redeem, repurchase or refinance our other indebtedness; and
- amend or modify our governing documents.

Such covenants may make it more difficult for us to operate our business, obtain additional capital and pursue business opportunities, including potential acquisitions. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to grow or support our business and respond to business challenges could be significantly limited.

Our operations expose us to potential environmental liabilities.

Our operations are subject to a number of federal, state and local laws and regulations relating to the storage of petroleum products and hazardous materials, as well as safety regulations relating to the upkeep and maintenance of our vehicles. In particular, our operations are subject to federal, state and local laws and regulations governing leakage from salvage vehicles, waste disposal, the handling of hazardous substances, environmental protection, remediation, workplace exposure and other matters. It is possible that an environmental claim could be made against us or that we could be identified by the Environmental Protection Agency, a state agency or one or more third parties as a potentially responsible party under federal or state environmental laws. If we were to be named a potentially responsible party, we could be forced to incur substantial investigation, legal and remediation costs, which could have a material adverse effect on our business, financial condition and results of operations.

We may be adversely impacted by work stoppages and other labor matters.

A substantial number of the employees of our largest customers are members of trade unions and are employed under the terms of collective bargaining agreements. For example, during 2023, labor strikes by the United Auto Workers of its employees at certain facilities of Ford, General Motors and Stellantis caused a 45-day shutdown of the affected manufacturing operations. Future work stoppages at our automotive customers or their suppliers could negatively impact our revenues and profitability.

Any unionization efforts or labor regulation changes in certain jurisdictions in which we operate could divert management's attention and could have a materially adverse effect on our operating results or limit our operational flexibility.

We consider our relationship with our employees to be satisfactory, and none of our employees are represented by a union in collective bargaining with us. However, efforts could be made by employees and third parties from time to time to unionize portions of our workforce. Any unionization efforts, collective bargaining agreements or work stoppages could have a materially adverse effect on our operating results or limit our operational flexibility.

Sustained periods of severe abnormal weather can have a material adverse effect on our business.

Certain weather conditions can disrupt our operations, which will negatively affect revenues on a particular business day that may not be recouped in the future. Inefficiencies in our loading, unloading and transit times associated with cleaning snow off of our rigs before use and cleaning snow off of vehicles being transported before and after transporting them, increased lodging costs due to hours of service restrictions for our drivers and premium (overtime) pay required in order to complete the unit movements over weekends to make up for the inefficiencies caused by delayed delivery of on-ground customer inventories may also have a negative impact on earnings.

There can be no assurance that we will continue to manage our business effectively when influenced by severe weather events or that severe weather events will not have a material adverse effect on our business, financial condition and results of operations.

Our growth strategy includes acquisitions, diversification into new specialty transportation businesses and expansion into new geographic markets. We are subject to various risks in pursuing this growth strategy and we may have difficulty in integrating businesses we acquire and may be subject to unexpected liabilities.

Our business strategy includes a growth strategy partly dependent on acquisitions, diversification into specialty transportation businesses and expansion into new geographic markets.

However, we may not be able to identify suitable acquisition candidates in the future, and we may never realize expected business opportunities and growth prospects from acquisitions. Acquisitions involve numerous risks, including, but not limited to: difficulties in integrating the operations, technologies and products acquired; the diversion of our management's attention from other business concerns; current operating and financial systems and controls may be inadequate to deal with our growth; and the risks of entering markets in which we have limited or no prior experience and the loss of key employees. Furthermore, even if we are able to identify attractive acquisition candidates, we may not be able to obtain the financing to complete such acquisitions.

If these factors limit our ability to integrate the operations of our acquisitions, successfully or on a timely basis, our expectations of future results of operations may not be met. In addition, our growth and operating strategies for any business we acquire may be different from the strategies that such business currently is pursuing. If our strategies are not the appropriate strategies for a company we acquire, it could have a material adverse effect on our business, financial condition and results of operations. Further, there can be no assurance that we will be able to maintain or enhance the profitability of any acquired business or consolidate the operations of any acquired business to achieve cost savings.

Furthermore, there may be liabilities that we do not discover in the course of performing due diligence investigations on each company or business we have already acquired or may acquire in the future. Such liabilities could include those arising from employee benefits contribution obligations of a prior owner or noncompliance with, or liability pursuant to, applicable federal, state or local environmental requirements by prior owners for which we, as a successor owner, may be responsible. In addition, there may be additional costs relating to acquisitions including, but not limited to, possible purchase price adjustments. Rights to indemnification by sellers of assets to us, even if obtained, may not be enforceable, collectible or sufficient in amount, scope or duration to fully offset the possible liabilities associated with the business or property acquired. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business.

We currently intend to finance future acquisitions by using a combination of common stock, cash and debt. To the extent we issue shares of common stock to finance future acquisitions, the interests of existing stockholders will be diluted. If the common stock does not maintain a sufficient market value, or if potential acquisition candidates are unwilling to accept common stock as part of the consideration for the sale of their businesses, we may be required to utilize more of our cash resources, if available, in order to pursue our acquisition program. If we do not have sufficient cash resources, our growth could be limited unless we are able to obtain additional capital through debt or equity financings. There can be no assurance that we will be able to obtain the financing we will need for our acquisition program on acceptable terms, or at all.

We currently generate most of our revenue from the transportation of vehicles. However, we may grow our business by diversifying and entering into new specialty transportation businesses. To the extent we enter into such businesses, we will face numerous risks and uncertainties, including risks associated with the possibility that we have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk, the required investment of capital and other resources and the loss of existing clients due to the perception that we are no longer focusing on our core business. Entry into certain new specialty transportation businesses may also subject us to new laws and regulations with which we are not familiar, or from which we are currently exempt, and may lead to increased litigation and regulatory risk. If a new specialty transportation business generates insufficient revenue or if we are unable to efficiently manage our expanded operations, our results of operations could be materially adversely affected.

Technological advances are facilitating the development of driverless vehicles, which may materially harm our business.

Driverless vehicles are being developed for the transportation and automotive industries that, if widely adopted, may materially harm our business. The eventual timing of availability of driverless vehicles is uncertain due to regulatory requirements, additional technological requirements, and uncertain consumer acceptance of these vehicles. The effect of driverless vehicles on the transportation and automotive industries is uncertain and could include changes in the level of new and used vehicles sales, the price of new vehicles, and the demand for our services, any of which could materially and adversely affect our business.

Because we have operated as a combined company for less than one year, we do not have a long-term reputation of success.

As we have only operated as a combined company since May 2024, we do not have the long-term reputation of success that other well-established companies have. Particularly in the transportation market, in which trust is important, the absence of a proven reputation could make it more difficult to establish new customers. As a result, we rely more heavily on the brand value and reputation of the individual Founding Companies.

The transportation infrastructure continues to be a target of terrorists.

Because transportation assets continue to be a target of terrorists, governments around the world are adopting or are considering adopting stricter security requirements that will increase operating costs and potentially slow service for businesses, including those in the transportation industry. These security requirements are not static, but change periodically as the result of regulatory and legislative requirements, imposing additional security costs and creating a level of uncertainty for our operations.

Ongoing insurance and claims expenses could result in significant expenditures and reduce, and cause volatility in, our earnings.

We, by the nature of our operations, are exposed to the potential for a variety of claims, including personal injury claims, vehicular collisions and accidents, alleged violations of federal and state labor and employment laws, such as class-action lawsuits alleging wage and hour violations and improper pay, commercial and contract disputes, cargo loss and property damage claims. We maintain insurance coverage with established insurance companies at levels deemed to be adequate. The trucking business has experienced significant increases in the cost of liability insurance, in the size of jury verdicts in personal injury cases arising from trucking accidents and in the cost of settling such claims. If the number or severity of future claims increases, claims expenses might exceed historical levels or could exceed the amounts of our insurance coverage or the amount of our reserves for self-insured claims or deductible levels, which could materially adversely affect our financial condition, results of operations, liquidity and cash flows.

In recent years, several insurance companies have completely stopped offering coverage to trucking companies or have significantly reduced the amount of coverage they offer or have significantly raised premiums as a result of increases in the severity of automobile liability claims and sharply higher costs of settlements and verdicts. To the extent that the third-party insurance companies propose increases to their premiums for coverage of commercial trucking claims, we may decide to pay such increased premiums or increase our financial exposure on an aggregate or per occurrence basis, including by increasing the amount of its self-insured retention or reducing the amount of total coverage. This trend could adversely affect our ability to obtain suitable insurance coverage, could significantly increase our cost for obtaining such coverage, or could subject us to significant liabilities for which no insurance coverage is in place, which could materially adversely affect our financial condition, results of operations, liquidity and cash flows.

Our self-insured retention limits can make our insurance and claims expense higher and/or more volatile. We accrue for the estimated costs of the uninsured portion of pending claims based on the nature and severity of individual claims and historical claims development trends. Estimating the number and severity of claims, as well as related judgment or settlement amounts is inherently difficult. This, along with legal expenses associated with claims, incurred but not reported claims, and other uncertainties can cause unfavorable differences between actual self-insurance costs and our reserve estimates.

In addition, any accident or incident for which we are liable, even if fully insured, could negatively affect our standing with our customers and the public, thereby making it more difficult for us to compete effectively, and could significantly impact the cost and availability of adequate insurance in the future.

Increases in driver compensation or difficulties attracting and retaining qualified drivers, independent contractors or third party capacity providers could have a materially adverse effect on our profitability.

Difficulty in attracting and retaining sufficient numbers of qualified drivers, independent contractors, and third-party capacity providers, could have a materially adverse effect on our growth and profitability. The transportation industries are subject to a shortage of qualified drivers. Such shortage is exacerbated during periods of economic expansion, in which there may be alternative employment opportunities, or during periods of economic downturns, in which unemployment benefits might be extended and financing is limited for independent contractors who seek to purchase equipment or for students who seek financial aid for driving school. Furthermore, capacity at driving schools may be limited by other future outbreaks similar to COVID-19 and any governmental imposed lockdown or other attempts to reduce the spread of such an outbreak may reduce the pool of potential drivers available to us. Regulatory requirements could further reduce the number of eligible drivers. Our inability to engage a sufficient number of drivers and independent contractors may negatively affect our operations. Further, our driver compensation and independent contractor expenses are subject to market conditions, and we may find it necessary to increase driver and independent contractor rates in future periods.

In connection with the preparation of the Company's audited financial statements for the year ended December 31, 2024, a material weakness in the Company's internal controls over financial reporting was identified and, if our remediation is not effective, or if we fail to maintain an effective system of internal controls over financial reporting in the future, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect investor confidence and profitability.

We have identified a material weakness in the Company's internal controls over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal controls over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness identified was related to IT general controls in Company's financial systems and closing processes including account reconciliations and review surrounding the close process.

Remediation steps are being taken designed to improve the Company's internal controls over financial reporting to address the underlying causes, including: designing and implementing increased controls, increased oversight and review of technical systems and engaging third-parties. We continue to work on other remediation initiatives.

While we believe that these efforts will improve the Company's internal controls 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. If the steps we take do not remediate the material weaknesses in a timely manner, there could continue to be a reasonable possibility that these control deficiencies or others could result in a material misstatement of our annual or interim financial statements that would not be prevented or detected on a timely basis. If we are unable to successfully remediate our existing or any future material weakness, the accuracy of our financial reporting may be adversely affected, which could cause investors to lose confidence in our financial reporting and our share price and profitability may decline as a result.

Increased prices for new equipment, trucks and their parts, and the decreased availability of new equipment or the failure of manufacturers to meet their sale obligations could have a materially adverse effect on our business, profitability and operations.

We are subject to risk with respect to increased prices for new trucking equipment, including due to new or increased tariffs, and decreased vendor output. Any decrease in vendor or manufacturer output could have an adverse effect on our ability to sustain our desired growth rate and maintain our trucking fleet.

We are sensitive to the used equipment market and fluctuations in prices and demand for trucking equipment. The market for used equipment is affected by several factors, including the demand for freight, the supply of new and used equipment, the availability and terms of financing, the presence of buyers for export to foreign countries, and commodity prices for scrap metal.

Our success depends in part on the contributions of our executives and managers, including those who were employees of the Founding Companies.

We are highly dependent upon our senior management team. In particular, the loss of the services of Richard O'Dell, Amy Rice or Brad Wright could have a material adverse effect on our business, financial condition and results of operations. We do not presently maintain "key man" life insurance with respect to members of senior management. In addition, our operating facilities are managed by regional and local managers who have an average of 15 years of auto transportation and logistics experience and substantial knowledge of the local markets served, including certain former owners and employees of the Founding Companies. We believe these employees' knowledge of the industry and our business model, coupled with their invaluable relationships with customers and vendors, may be highly difficult to replicate. The loss of one or more of these managers may have a material adverse effect on our business, financial condition and results of operations in the event that we are unable to find a suitable replacement in a timely manner.

The timely, professional and dependable service required by auto transportation and logistics customers requires an adequate supply of skilled dispatchers, drivers and support personnel. Accordingly, our success will depend on our ability to employ, train and retain the personnel necessary to meet our service requirements. From time to time, and in particular areas, there are shortages of skilled personnel, and there can be no assurance that we will be able to maintain an adequate skilled labor force necessary to operate efficiently, that our labor expenses will not increase as a result of a shortage in the supply of skilled personnel or that we will not have to curtail our planned growth as a result of labor shortages.

Our business may be seriously harmed if we fail to maintain, upgrade, enhance, protect, and integrate our information technology systems.

We must ensure that our information technology systems remain competitive. If our systems are unable to maintain high volumes with reliability, accuracy and speed as the information technology systems are centralized and we continue to grow, our service levels and operating efficiencies may decline. Additionally, if we fail to enhance our systems to meet customer needs, our results of operations could be harmed.

Information technology risks, including the risk of cyberattacks, may disrupt our business, result in losses or limit our growth.

We rely heavily on our financial, accounting, treasury, communications and other data processing systems and a continued and efficient operation of such systems. Such systems may fail to operate properly or become disabled because of tampering or a breach of the network security systems or otherwise. In addition, such systems are from time to time subject to cyberattacks which may continue to increase in sophistication and frequency in the future.

Cyber security incidents and cyber-attacks have been occurring globally at a more frequent and severe levels and will likely continue to increase in frequency in the future. Our information and technology systems may be vulnerable to damage or interruption from cyber security breaches, computer viruses or other malicious code, network failures, computer and telecommunication failures, infiltration by unauthorized persons and other security breaches, usage errors by their respective professionals or service providers, power, communications or other service outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Cyberattacks and other security threats could originate from a wide variety of sources, including cyber criminals, nation state hackers, hacktivists and other outside parties. If successful, these types of attacks on our network or other systems could have a material adverse effect on our business and results of operations, due to, among other things, the loss of proprietary data, interruptions or delays in the operation of our business and damage to our reputation. There can be no assurance that measures we take to evaluate the integrity of our systems will provide protection, especially because cyberattack techniques used change frequently or are not recognized until successful.

Our risk management systems could prove to be inadequate and, if compromised, could become inoperable for extended periods of time, cease to function properly or fail to adequately secure private information. We do not control the cyber security plans and systems put in place by third-party service providers, and such third-party service providers may have limited indemnification obligations to us. Breaches such as those involving covertly introduced malware, impersonation of authorized users and industrial or other espionage may not be identified even with sophisticated prevention and detection systems, potentially resulting in further harm and preventing them from being addressed appropriately. The failure of these systems or of disaster recovery plans for any reason could cause significant interruptions in our operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to stockholders and material nonpublic information. We could be required to make a significant investment to remedy the effects of any such failures, harm to our reputations, legal claims we may be subjected to, regulatory action or enforcement arising out of applicable privacy and other laws, adverse publicity and other events that may affect our business and financial performance.

Our contractual agreements with our owner-operators expose us to risks that we do not face with company drivers.

Our reliance on independent owner-operators creates numerous risks for our business. For example, if our independent owner-operators fail to meet our contractual obligations or otherwise fail to perform in a manner consistent with our requirements, we may be required to utilize alternative service providers at potentially higher prices or with some degree of disruption of the services that we provide to customers. If we fail to deliver on time, if the contractual obligations are not otherwise met, or if the costs of our services increase, then our profitability and customer relationships could be harmed.

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

We are directly affected by the state of the global economy and geopolitical developments.

The transportation industry is susceptible to trends in economic activity. As our business is to transport automobiles, our business levels are directly tied to the purchase and production of goods and the rate of growth of global trade — key macroeconomic measurements influenced by, among other things, inflation and deflation, supply chain disruptions, interest rates and currency exchange rates, labor costs and unemployment rates, labor shortages or strikes, fuel and energy prices, public health crises, inventory levels, buying patterns and disposable income, debt levels, and credit availability. In addition, the current presidential administration has stated its intention to impose new or increased tariffs on imported goods — specifically automobiles — from countries that include Canada, Mexico and the European Union. Such trade policies and tariff implementations, and any related retaliatory trade policies and tariff implementations by foreign governments may result in decreased shipping volumes and increased product costs, and could have a material adverse effect on our revenues and results of operations.

Our quarterly results may fluctuate significantly and may not fully reflect the underlying performance of our business.

We expect to experience significant fluctuations in quarterly operating results due to a number of factors, including the timing of auto production and sales and acquisitions and related costs; our success in integrating acquired companies; the loss of significant customers or contracts; the timing of expenditures for new equipment and the disposition of used equipment; variation in the level of self-insured claims costs; price changes in response to competitive factors; and general economic conditions. As a result of these fluctuations, results for any one quarter should not be relied upon as being indicative of performance in future quarters.

Our business and operating results are subject to seasonal fluctuations, which could result in fluctuations in our operating results and stock price.

The provision of auto transportation and logistics services is subject to seasonal variations. Specifically, there are times when auto manufacturing plants have maintenance time off which impacts the auto delivery cycle. Auto transportation and logistics tends to be strongest in the months with the mildest weather because inclement weather tends to slow the delivery of vehicles.

Our stockholders and management will have significant control over stockholder matters.

Approximately 24.3% of our outstanding common stock is beneficially owned by the executive officers and directors and the former stockholders of the Founding Companies, including their respective affiliates. Accordingly, these persons, if acting in concert, will hold sufficient voting power to enable them to significantly influence the election of all of the directors and the outcome of all issues submitted to a vote of our stockholders. Such concentration of ownership may have the effect of delaying, deferring or preventing a change in control of the Company, including transactions in which the holders of common stock might receive a premium for their shares over prevailing market prices.

Risks Related to the Securities Markets and Ownership of Our Common Stock

An active and liquid trading market for our common stock may not be sustained and the lack of an active and liquid market could affect a shareholder's ability to sell shares of the Company's common stock or the price at which they may be sold.

Prior to May 2024, no market for shares of our common stock existed. Our common stock is listed on the Nasdaq Global Market under the symbol "PAL." An active or liquid trading market for our common stock may not be sustained. The lack of an active market may also reduce the fair market value of shares of our common stock. Furthermore, an inactive market may also impair our ability to raise capital by selling shares of our common stock in the future and may impair our ability to enter into strategic collaborations or acquire companies by using our shares of common stock as consideration.

Our stock price may be volatile, which could cause you to lose all or part of your investment in our common stock.

The market price of our common stock may be volatile and could fluctuate widely in response to many factors, some of which are beyond our control. These fluctuations could cause you to lose all or part of your investment in our common stock since you might be unable to sell your shares at or above the price you paid for such shares. The following factors, in addition to other factors included elsewhere in this Annual Report, may have a significant impact on the market price of our common stock:

- volatility and instability in the financial and capital markets;
- our operating and financial performance, quarterly or annual earnings relative to similar companies;
- announcements by competitors that impact our competitive outlook;
- publication of news stories about us, our competitors or our industry;
- the public's reaction to our press releases, our other public announcements and our filings with the SEC;
- announcements relating to strategic transactions, including acquisitions, collaborations, or similar arrangements;

- sales of our common stock by the Company, our insiders, or other stockholders, or issuances by the Company of shares of our common stock in connection with strategic transactions;
- regulatory developments or legal developments;
- litigation or arbitration;
- changes in accounting standards, policies, guidance, interpretations or principles;
- general economic, political and market conditions and other factors; and
- the occurrence of any of the risks described in this section titled “Risk Factors.”

If securities or industry analysts discontinue publishing research or reports about our business, or if they publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock will be influenced in part by the research and reports that industry or securities analysts publish about us or our business. We do not have any control over the industry or securities analysts, or the content and opinions included in their reports and may never obtain research coverage by securities and industry analysts. If securities or industry analysts discontinue coverage of us, we could lose visibility in the financial markets, and the trading price for our common stock could be impacted negatively. If any of the analysts who cover us publish inaccurate or unfavorable research or opinions regarding us, our business model, or our stock performance, our stock price would likely decline.

Sales of a substantial number of our shares of common stock in the public market could cause our stock price to fall.

Our common stock price could decline as a result of sales of a large number of shares of common stock or the perception that these sales could occur. These sales, or the possibility that these sales may occur, might also make it more difficult for the Company to sell equity securities in the future at a time and price that the Company deems appropriate.

As of December 31, 2024, we had 27,069,114 shares of common stock outstanding, all of which were freely tradable without restriction or further registration under the Securities Act of 1933, as amended (the “Securities Act”), unless held by our “affiliates” as defined in Rule 144 under the Securities Act.

In addition, in the future, the Company may issue additional shares of common stock, or other equity or debt securities convertible into common stock, in connection with a financing, acquisition, employee arrangement or otherwise. Any such issuance could result in substantial dilution to our existing stockholders and could cause the price of our common stock to decline.

Anti-takeover provisions in our charter documents and under Delaware law could prevent or delay an acquisition of us that may be beneficial to our stockholders, and may prevent attempts by our stockholders to replace or remove our current management.

Our restated certificate of incorporation and our amended and restated bylaws contain provisions that could depress the market price of our common stock by acting to discourage, delay or prevent a change in control of the Company. These provisions could also make it difficult for stockholders to elect directors who are not nominated by current members of our Board of Directors (the “Board”) or take other corporate actions, including effecting changes in our management. These provisions:

- permit only the Board to establish the number of directors and fill vacancies on the board of directors;
- provide that directors may only be removed “for cause” and only with the approval of two-thirds of our stockholders;

- require super-majority voting to amend some provisions in our restated certificate of incorporation and amended and restated bylaws;
- authorize the issuance of “blank check” preferred stock that our board of directors could use to implement a stockholder rights plan;
- eliminate the ability of our stockholders to call special meetings of stockholders;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- prohibit cumulative voting; and
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

In addition, Section 203 of the Delaware General Corporation Law (the “DGCL”) prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder, generally a person which together with its affiliates owns, or within the last three years has owned, 15% of our voting stock, for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the transaction is approved in a prescribed manner.

Any provision of our certificate of incorporation, amended and restated bylaws or Delaware law that has the effect of delaying or preventing a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock.

The exclusive forum provisions in our organizational documents may limit a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, or employees, which may discourage lawsuits with respect to such claims.

Our amended and restated certificate of incorporation, to the fullest extent permitted by law, provides that the Court of Chancery of the State of Delaware (or, if such court does not have subject matter jurisdiction thereof, the federal district court of the District of Delaware or other state courts of the State of Delaware) is the exclusive forum for: any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the DGCL, our restated certificate of incorporation, or our amended and restated bylaws; or any action asserting a claim that is governed by the internal affairs doctrine. This exclusive forum provision does not apply to suits brought to enforce a duty or liability created by the Exchange Act.

This choice of forum provision may limit a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, or other employees, which may discourage lawsuits with respect to such claims. Alternatively, if a court were to find the choice of forum provisions contained in our restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, financial condition, results of operations and prospects.

Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all claims brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Our amended and restated bylaws provide that the federal district courts of the United States of America will, to the fullest extent permitted by law, be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act (the “Federal Forum Provision”), including for all causes of action asserted against any defendant named in such complaint. For the avoidance of doubt, this provision is intended to benefit and may be enforced by us, and our officers and directors. Our decision to adopt a Federal Forum Provision followed a decision by the Supreme Court of the State of Delaware holding that such provisions are facially valid under Delaware law. While federal or other state courts may not follow the holding of the Delaware Supreme Court or may determine that the Federal Forum Provision should be enforced in a particular case, application of the Federal Forum Provision means that suits brought by our stockholders to enforce any duty or liability created by the Securities Act must be brought in federal court and cannot be brought in state court, and our stockholders cannot waive compliance with the federal securities laws and the rules and regulations thereunder. Section 27 of the Exchange Act creates exclusive federal jurisdiction over all claims brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. In addition, neither the exclusive forum provision nor the Federal Forum Provision applies to suits brought to enforce any duty or liability created by the Exchange Act. Accordingly, actions by our stockholders to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder must be brought in federal court, and our stockholders cannot waive compliance with the federal securities laws and the rules and regulations thereunder.

Any person or entity purchasing or otherwise acquiring or holding any interest in any of our securities shall be deemed to have notice of and consented to our exclusive forum provisions in our amended and restated bylaws, including the Federal Forum Provision. These provisions may limit a stockholders’ ability to bring a claim, and may result in increased costs for a stockholder to bring such a claim, in a judicial forum of their choosing for disputes with us or our directors, officers, other employees or agents, which may discourage lawsuits against us and our directors, officers, other employees or agents.

Our Board is authorized to issue and designate shares of our preferred stock without stockholder approval.

Our amended and restated certificate of incorporation authorizes our Board, without the approval of our stockholders, to issue shares of preferred stock, subject to limitations prescribed by applicable law, rules and regulations and the provisions of our amended and restated certificate of incorporation, and to establish from time to time the number of shares of preferred stock to be included in each such series and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof. The powers, preferences and rights of these additional series of convertible preferred stock may be senior to or on parity with our common stock, which may reduce our common stock’s value.

Because we do not anticipate paying any dividends on our capital stock in the foreseeable future, capital appreciation, if any, will be your sole source of gain.

We have never declared nor paid dividends on our capital stock. We currently intend to retain all of our future earnings, if any, to finance the growth and development, operation and expansion of our business and we do not anticipate declaring or paying any dividends in the foreseeable future. As a result, capital appreciation of our common stock, which may never occur, will be your sole source of gain on your investment for the foreseeable future.

General Risk Factors

The requirements of being a public company may strain our resources, result in more litigation and divert management’s attention.

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), the listing requirements of the Nasdaq Global Market and other applicable securities rules and regulations. Complying with these rules and regulations has increased and will increase our legal and financial compliance costs, make some activities more difficult, time consuming or costly and increase demand on our systems and resources. The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and results of operations. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are required to disclose changes made in our internal control and procedures on a quarterly basis. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management’s attention may be diverted from other business concerns, which could adversely affect our business and results of operations. We may also need to hire additional employees or engage outside consultants to comply with these requirements, which will increase our costs and expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us, and our business may be adversely affected.

These new rules and regulations may make it more expensive for us to obtain director and officer liability insurance and, in the future, we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our Board, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

By disclosing information in this Annual Report and in future filings required of a public company, our business and financial condition will become more visible, which we believe may result in threatened or actual litigation, including by competitors and other third parties. If those claims are successful, our business could be seriously harmed. Even if the claims do not result in litigation or are resolved in our favor, the time and resources needed to resolve them could divert our management's resources and seriously harm our business.

We are an "emerging growth company" and we cannot be certain if the reduced reporting requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an "emerging growth company" as defined in the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including (i) not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, (ii) reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and (iii) exemptions from the requirements of holding nonbinding advisory stockholder votes on executive compensation and stockholder approval of any golden parachute payments not approved previously.

We could be an emerging growth company for up to five years following the completion of the IPO, although circumstances could cause us to lose that status earlier, including if we are deemed to be a "large accelerated filer," or if we have total annual gross revenue of \$1.235 billion or more during any fiscal year before that time, in which cases we would no longer be an emerging growth company as of the December 31 of such year, or if we issue more than \$1.0 billion in non-convertible debt during any three-year period before that time, in which case we would no longer be an emerging growth company immediately.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to take advantage of the benefits of this extended transition period. Our financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards. Until the date that we are no longer an "emerging growth company" or affirmatively and irrevocably opt out of the exemption provided by Section 7(a)(2)(B) of the Securities Act, upon issuance of a new or revised accounting standard that applies to our financial statements and that has a different effective date for public and private companies, we will disclose the date on which adoption is required for non-emerging growth companies and the date on which we will adopt the recently issued accounting standard.

If we fail to maintain an effective system of internal controls over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, stockholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our common stock.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404, or any subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

We will be required to disclose changes made in our internal controls and procedures on a quarterly basis and once we are no longer “an emerging growth company,” management will be required to assess the effectiveness of these controls annually. An independent assessment of the effectiveness of our internal controls over financial reporting could detect problems that our management’s assessment might not. Undetected material weaknesses in our internal controls over financial reporting could lead to restatements of our financial statements and require us to incur the expense of remediation.

Unstable economic and market conditions may have serious adverse consequences on our business, financial condition and stock price.

Global economic and business activities continue to face widespread uncertainties, and global credit and financial markets have experienced extreme volatility and disruptions in the past several years, including severely diminished liquidity and credit availability, rising inflation and monetary supply shifts, rising interest rates, labor shortages, declines in consumer confidence, declines in economic growth, increases in unemployment rates, recession risks, and uncertainty about economic and geopolitical stability (e.g., related to the ongoing Russia-Ukraine conflict and Israel-Palestine conflict). The extent of the impact of these conditions on our operational and financial performance, including our ability to execute our business strategies and initiatives in the expected timeframe, as well as that of third parties upon whom we rely, will depend on future developments which are uncertain and cannot be predicted. There can be no assurance that further deterioration in economic or market conditions will not occur, or how long these challenges will persist. If the current equity and credit markets further deteriorate, or do not improve, it may make any necessary debt or equity financing more difficult, more costly, and more dilutive. Furthermore, our stock price may decline due in part to the volatility of the stock market and the general economic downturn.

The success of our business is dependent on our brand equity.

Negative press coverage, lawsuits, regulatory investigations, unfavorable publicity, or allegations of wrongdoings could affect our reputation and result in a loss of brand equity. Any assertion of wrongdoing by a Company executive, associate, or hired independent contractor, despite a lack of factual basis, may affect our brand image and reputation. If we fail to maintain and affirmatively protect our brand value, demand for our services could wane and we may fail to attract qualified candidates for open positions. Such events may cause us to devote additional resources to repairing our brand value and reputation. Any negative effect on our brand value may cause an adverse effect on our financial condition, liquidity, and results of operations.

We are subject to risks associated with climate change, including increased regulation of our emissions, and the potential increased impacts of severe weather events on our operations.

Concern over climate change, including the effect of global warming, has led to significant U.S. and international legislative and regulatory efforts to limit emissions, including vehicle engine emissions. Increasingly, state and local governments are also considering greenhouse gas regulatory (“GHG”) requirements. Compliance with such regulation and the associated potential cost is complicated by the fact that various countries and regions are following different approaches to the regulation of climate change. Increased regulation regarding GHG emissions, vehicle engine emissions, could impose substantial costs on us. These costs include an increase in the cost of the fuel and other energy we purchase to transport vehicles. Until the timing, scope, and extent of such possible regulation becomes known, we cannot predict its effect on our cost structure or our operating results. It is reasonably possible, however, that it could materially increase our operating expenses and have an adverse direct or indirect effect on our business, if instituted.

Additionally, the potential acute and chronic physical effects of climate change, such as increased frequency and severity of storms, floods, fires, sea-level rise, excessive heat, longer-term changes in weather patterns and other climate-related events, could affect our operations, infrastructure and financial results. Operational impacts, such as more frequent delays in our ability to transport cargo, could result in loss of revenue. We could incur significant costs to improve the climate resiliency of our infrastructure and otherwise prepare for, respond to, and mitigate such physical effects of climate change. We are not able to predict accurately the materiality of any potential losses or costs associated with the physical effects of climate change.

We may be subject to securities litigation, which is expensive and could divert management attention.

As described above, the market price of our common stock is likely to be volatile. The stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies. In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation (including the cost to defend against, and any potential adverse outcome resulting from any such proceeding) can be expensive, time-consuming, damage our reputation and divert our management's attention from other business concerns, which could seriously harm our business.

Developments in applicable tax laws may adversely impact our business, results of operations and financial condition. Our effective tax rate could also be adversely affected as a result of various evolving factors, including changes in the scope of our operations.

New tax laws, statutes, rules or regulations may be enacted at any time, or interpreted, changed, modified or applied to us, any of which could have an adverse impact on our business, results of operations and financial condition. We are currently unable to predict whether such changes will occur. If such changes are enacted or implemented or changes in the scope of our operations occur, including expansion to new geographies, such changes could adversely affect our effective tax rate and our operating results.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Risk management and strategy.

While no organization can eliminate cybersecurity risk, the Company employs a cybersecurity strategy that is designed to mitigate cybersecurity and information technology risk. The Company and its contracted providers have implemented practices consistent with the National Institute of Standards and Technology (NIST) methodology for security. These efforts are designed to protect against, and mitigate the effects of, among other things, cybersecurity incidents where unauthorized parties attempt to access confidential, sensitive, or personal information; potentially hold such information for ransom; destroy data; disrupt or delay our operations or systems; or otherwise cause harm to the Company, our customers, employees, vendors, or other key stakeholders.

Managing Material Risks & Integrated Overall Risk Management

Cybersecurity is part of the Company's enterprise risk management scope. In addition, the Company has comprehensive monitoring and employee training, underscored by a set of policies and procedures that directly or indirectly relate to cybersecurity, such as policies related to encryption standards, antivirus protection, remote access, multifactor authentication, confidential information and the use of the internet, social media, email and wireless devices. Members of the Company's management work closely with the IT department and its contracted providers to continuously evaluate and address cybersecurity risks and policies in alignment with the Company's business objectives and operational needs.

Use of Third Parties

The Company engages cybersecurity consultants and service providers to assess and enhance its cybersecurity practices, and to monitor its infrastructure in real time for threats. These third parties conduct penetration testing and risk assessments to identify weaknesses and recommend improvements. Additionally, the Company leverages a number of third-party tools, training and technologies as part of its efforts to enhance cybersecurity functions. This includes a managed security service provider to augment the Company's dedicated security operations team, an endpoint detection and response system for continuous monitoring, detection, and response capabilities, and a security information and event management solution to automate real-time threat detection, investigation, and prioritization.

We also rely on technology integration with third party vendors to support and conduct our business and operations, which may include processing of confidential and other sensitive data. We require contractually and operationally that appropriate data security and cybersecurity practices are in place. Despite our efforts, it's important to note that service providers are ultimately responsible to establish and uphold their respective cybersecurity programs. We have limited ability to monitor the cybersecurity practices of our service providers and there can be no assurance that we can prevent or mitigate the risk of any compromise or failure in the information systems, software, networks, or other assets owned or controlled by outside service providers, which could have an adverse effect on the security of our information systems.

Monitoring and Response to Cybersecurity Incidents

The Company's IT security stakeholders regularly monitor alerts and meet to discuss threat levels, trends, and remediation. The team prepares a monthly report on cybersecurity threats and risk areas and conducts an annual risk assessment. This ongoing knowledge acquisition and continuing education is crucial for the effective prevention, detection, mitigation, and remediation of cybersecurity incidents. If a security event is alerted, upper management and the incident response team are notified and the steps identified in the Incident Response Plan, or IRP, are initiated. This plan includes immediate actions to mitigate the impact and long-term strategies for remediation and prevention of future incidents.

Risks from Cybersecurity Threats

The Company faces risks from cybersecurity threats that could have a material adverse effect on its business, financial condition, results of operations, cash flows or reputation. For more information about the cybersecurity risks the company faces, see the risk factor entitled “Information technology risks, including the risk of cyberattacks, may disrupt our business, result in losses or limit our growth.” in Item 1A., Risk Factors. The Company has not encountered cybersecurity challenges that have materially impaired its operations or financial standing.

Cybersecurity Governance

The Board is acutely aware of the critical nature of managing risks associated with cybersecurity threats and recognizes the significance of these threats to the Company’s operational integrity and shareholder confidence.

Risk Management Personnel

The Company’s Chief Operating Officer and Director of IT are responsible for developing and implementing the Company’s information security program. Additionally, the Vice President of Safety and Risk Management leads the enterprise risk management (ERM) for the Company and guides the handling of all material risks, including cybersecurity. The Chief Operating Officer and VP of Safety and Risk Management have overseen risk management programs in multiple environments and the Director of IT has represented companies in IT integration, SaaS businesses, data, application and server security.

Board of Directors Oversight

The Audit Committee is central to the Board’s oversight of cybersecurity risks and bears the primary responsibility for this domain. The Audit Committee is composed of board members with diverse expertise including risk management and finance, equipping them to oversee this scope effectively.

Management’s Role Managing Risk and Reporting to the Board

The Chief Operating Officer has primary interface with the Audit Committee on cybersecurity risks, supported by management and its contracted experts. Briefings to the Audit Committee take place on a regular basis, with a minimum frequency of once per year to cover topics, including:

- Current cybersecurity landscape and emerging threats;
- Actions being taken by the Company to minimize or address such threats;
- Status of ongoing cybersecurity initiatives and strategies;
- Incident reports and learnings from any cybersecurity events, if any; and
- Compliance with regulatory requirements and industry standards.

The Audit Committee will conduct an annual review of the Company’s cybersecurity posture and the effectiveness of its risk management strategies. This review helps in identifying areas for improvement and ensuring the alignment of cybersecurity efforts within the overall risk management framework.

ITEM 2. PROPERTIES

We operate 50 leased facilities that are used to park, repair and maintain transport vehicles. All of our facilities are leased from other parties and, in three cases, those parties are former owners or affiliates of the Founding Companies. Many of our facilities are capable of being utilized at higher capacities, if necessary. We will seek to consolidate facilities and vehicle storage capacity in the future.

ITEM 3. LEGAL PROCEEDINGS

The Company is involved from time to time in various legal proceedings and governmental and regulatory proceedings that arise in the ordinary course of business. The Company does not believe that such litigation, claims, and administrative proceedings will have a material adverse impact on the Company’s financial position or results of operations. See Note 18 “Commitments and Contingencies.”

ITEM 4. MINE SAFETY DISCLOSURES

This section is not applicable.

Part II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

(a) Market Information

Our common stock is listed on The Nasdaq Stock Market under the symbol “PAL.”

(b) Holders

As of March 25, 2025, there were 21 holders of record of our common stock.

Common Stock

As of December 31, 2024, we had 50,000,000 common shares authorized at a par value of \$0.01, of which 27,069,114 shares were outstanding.

Preferred Stock

As of December 31, 2024, we had 10,000,000 preferred shares authorized at a par value of \$0.01, of which no shares were outstanding.

(c) Dividends

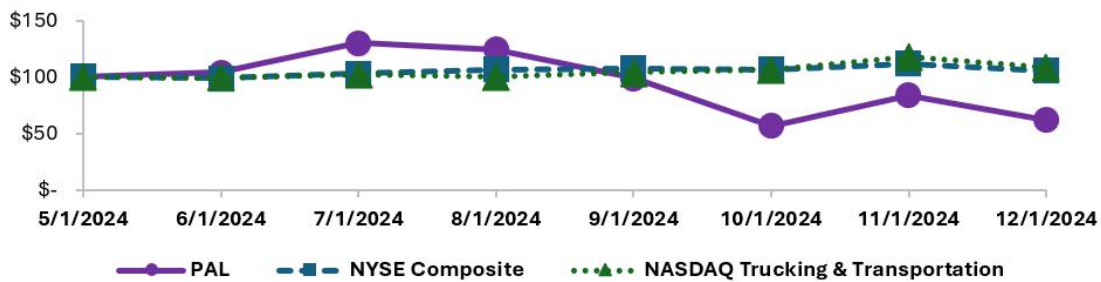
We have never declared or paid cash dividends on our common stock, and we intend to retain our future earnings, if any, to fund the growth of our business. We therefore do not anticipate paying any cash dividends on our common stock in the foreseeable future. Our future decisions concerning the payment of dividends on our common stock will depend upon our results of operations, financial condition and capital expenditure plans, as well as any other factors that the Board, in its sole discretion, may consider relevant.

(d) Securities Authorized for Issuance Under Equity Compensation Plan

For a description of securities authorized under our equity compensation plans, see Part III, Item 12 of this Annual Report.

(e) Stock Performance Graph

The following graph compares the cumulative return to stockholders for \$100 invested in our common stock relative to the cumulative total returns of the NYSE Composite and NASDAQ Truck & Transportation for the last fiscal year. In calculating total annual stockholder return, reinvestment of dividends, if any, is assumed. The indices are included for comparative purposes only. This graph is not “soliciting material,” is not deemed filed with the SEC and is not to be incorporated by reference in any of our filings under the Securities Act or the Exchange Act whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.



The stock price performance included in the graph above is not necessarily indicative of future stock price performance.

(f) Recent Sales of Unregistered Securities

On December 21, 2023, the Company entered into the Combination Agreements with the equity owners of the Founding Companies pursuant to which the Company agreed to acquire the Founding Company for a combination of cash and shares of the Company's common stock. The consideration paid in the Combinations (which closed on May 13, 2024) consisted of cash (including certain amounts payable as bonuses to certain key employees and certain amounts payable to reimburse certain Founding Companies for pre-closing capital expenditures) of approximately \$178.5 million (subject to certain adjustments), and 6,978,191 shares of the Company's common stock (provided, that 541,866 of these shares of common stock were held back to satisfy the indemnification obligations of certain of the Founding Companies for a period of 12 months following the closing of the IPO). All such shares were issued in private offerings pursuant to Section 4(a)(2) of the Securities Act and applicable state securities laws.

The Registration Statement was declared effective by the SEC on May 8, 2024 and the IPO closed on May 13, 2024. Stifel, Nicolaus & Company, Incorporated, Raymond James & Associates, Inc. and William Blair & Company, L.L.C. acted as joint book-running managers representatives for the IPO. Proficient sold 14,333,333 shares of its common stock in the IPO at a public offering price of \$15.00 per share. Proficient also granted the underwriters a 30-day option to purchase up to an additional 2,149,999 shares of common stock from Proficient at the initial public offering price, less the underwriting discount. On June 4, 2024, the underwriters purchased 1,435,000 shares of common stock pursuant to their overallotment option. The net proceeds from the IPO (including the net proceeds from the partial exercise of the IPO underwriters' overallotment option) were approximately \$215.2 million, after payment by the Company of underwriting discounts and commission of approximately \$16.6 million and expenses of approximately \$4.75 million. Approximately \$178.5 million was used to pay the cash portion of the Combinations consideration payable to the equity holders of the Founding Companies and approximately \$3.0 million was used to pay expenses incurred in connection with the Combinations. The remaining net proceeds were used for general corporate purposes, which included working capital and future acquisitions.

Prior to the IPO, the Company entered into various subscription agreements with certain natural persons pursuant to which they agreed to purchase an aggregate of 2,939,130 shares of common stock, made in a private offering pursuant to Section 4(a)(2) of the Securities Act and applicable state securities laws.

On August 16, 2024, pursuant to an Agreement and Plan of Merger (the "Merger Agreement"), between PAL Stock Acquiror, Inc. and PAL Merger Sub, LLC, subsidiaries of the Company, on the one hand, and Auto Transport Group, LC, ("ATG"), each seller identified therein and Chris Baldwin, solely in his capacity as the representative of the Sellers, on the other hand, the Company completed the acquisition (the "ATG Transaction") of ATG. ATG provides vehicle transportation and shipping services in the Mountain Western region utilizing a fleet of 76 tractors and 76 trailers.

In connection with the ATG Transaction, the Company paid the sellers cash consideration of approximately \$28.9 million (after certain pre-closing adjustments) and issued to the sellers approximately 1.07 million shares of the Company's Common Stock, approximately 105,000 of which have been held back to secure certain of the seller's post-closing adjustment and indemnification obligations. The purchase price is subject to customary post-closing adjustments. The cash portion of the ATG Transaction consideration was funded by cash on the Company's consolidated balance sheet and borrowings under available credit facilities.

(g) Issuer Purchases of Equity Securities

The Company did not repurchase any shares of its common stock during the year ended December 31, 2024.

ITEM 6. [RESERVED]

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

The following discussion should be read in conjunction with the consolidated financial statements and the notes to those statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in this Annual Report. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. See Part I, "Forward-Looking Statements" and Part I, Item 1A, "Risk Factors" for a discussion of the uncertainties, risks, and assumptions associated with these statements. Actual results could differ materially from the results referenced in forward-looking statements.

Business Overview

We are a leading specialized freight company focused on providing auto transportation and logistics services. Formed in connection with the IPO through the combination of five industry-leading operating companies, we operate one of the largest auto transportation fleets in North America based upon information obtained from leadership of the Auto Haulers Association of America, utilizing roughly 1,145 auto transport vehicles and trailers on a daily basis, including approximately 845 Company-owned transport vehicles and trailers, and employing 671 dedicated employees as of December 31, 2024. Prior to the completion of the IPO, we had not operated as a combined company. From our 50 strategically located facilities across the United States, we offer a broad range of auto transportation and logistics services, primarily focused on transporting finished vehicles from automotive production facilities, marine ports of entry or regional rail yards to auto dealerships around the country. We have developed a differentiated business model due to our scale, breadth of geographic coverage and embedded customer relationships with leading auto OEMs. Our customers range from large, global auto companies, such as General Motors, BMW, Stellantis, and Mercedes-Benz, to EV producers, such as Tesla and Rivian. Additional customers include auto dealers, auto auctions, rental car companies and auto leasing companies.

Description of the Combinations

On December 21, 2023, Proficient Auto Logistics, Inc. entered into agreements to acquire in multiple, separate acquisitions five operating businesses and their respective affiliated entities, as applicable: (i) Delta, (ii) Deluxe, (iii) Sierra, (iv) Proficient Transport, and (v) Tribeca. On May 13, 2024, the Company completed its IPO of its common stock, and in connection with the closing of the IPO, the Company also completed the acquisitions of all of the Founding Companies. The Founding Companies were acquired for approximately \$178.5 million in cash and 6,978,191 shares of our common stock (provided, that 541,866 of these shares of common stock were held back and were not be issued at the closing of the Combinations to satisfy the indemnification obligations of certain of the Founding Companies for a period of twelve months following the closing of the Company's IPO). Thereafter, on August 16, 2024, the Company acquired ATG for approximately \$28.9 million in cash and 1,069,346 shares of our common stock. Subsequently on November 1, 2024, the Company acquired Utah Truck & Trailer Repair, LLC, ("UTT"), a repair facility located at the ATG headquarters terminal in Ogden, Utah for \$4.5 million in cash. These acquisitions expanded the Company's geographic presence and services offered. The Combinations and subsequent acquisitions are accounted for as business combinations under ASC 805. Under this method of accounting, Proficient Auto Logistics, Inc. is treated as the "accounting acquirer."

Proficient Auto Logistics, Inc. has been identified as the designated accounting acquirer ("Successor") of each of the Founding Companies and Proficient Transport has been identified as the designated accounting predecessor ("Predecessor") to the Company. As a result, the Management's Discussion and Analysis of Results of Operations and Financial Condition for the twelve months ended December 31, 2024 for each of Proficient and Proficient Transport are included in this Annual Report. A black-line between the Successor and Predecessor periods has been placed in the financial tables below to highlight the lack of comparability between these two periods. Please refer to Note 3, "Business Combinations."

Financial Statement Components

Revenue

We generate revenue by transporting autos for our customers in our OEM contract and spot arrangements, secondary market auto moves, and our contract services arrangements. Our OEM contract and spot arrangements provide auto transportation and logistics services through movements of autos over routes across the United States. Secondary market auto moves are for customers other than OEMs. Our contract services offering devotes the use of equipment to specific customers and provides services through long-term contracts. Our business provides services that are geographically diversified but have similar economic and other relevant characteristics, as they all provide transportation and logistics of automobiles.

We are typically paid a predetermined rate per unit for our Company Drivers services. Consistent with industry practice, our typical customer contracts do not guarantee load levels or tractor availability. This gives us and our customers a certain degree of flexibility in response to changes in auto demand and truck capacity.

Generally, we receive fuel surcharges on the miles moved for which we are compensated by customers. Fuel surcharges revenue mitigates the effect of price increases over a negotiated base rate per gallon of fuel; however, these revenues may not fully protect us from all fuel price increases.

We monitor as key operating metrics average revenue per unit and average revenue per loaded mile, as applicable to the portions of our business that contract on each of these bases.

Operating Expenses

Our most significant operating expenses vary with miles traveled and include (i) fuel and fuel taxes, (ii) driver related expenses, such as salaries, wages, benefits, training and recruitment, (iii) the cost of purchased transportation that we pay to third-party carriers and (iv) maintenance of our fleet. Expenses that have both fixed and variable components include maintenance and tire expense and our total cost of insurance and claims. These expenses generally vary with the miles we travel, but also have a controllable component based on safety, fleet age, efficiency and other factors. Our main fixed costs include depreciation of long-term assets, such as revenue equipment and service center facilities, the compensation of non-driver personnel and other general and administrative expenses.

Critical Accounting Policies and Estimates

In the ordinary course of business, we have made a number of estimates and assumptions relating to the reporting of results of operations and financial position in the preparation of our financial statements in conformity with GAAP. Actual results could differ significantly from those estimates under different conditions. We believe that the following discussion addresses our most critical accounting policies, which are those that are most important to the portrayal of our financial condition and results of operations and require management's most subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. See Note 2 of the accompanying condensed consolidated financial statements of the Company for additional information about our critical accounting policies and estimates.

Property and equipment

Property and equipment are carried at cost. Depreciation of property and equipment is computed using the straight-line method for financial reporting purposes and accelerated methods for tax purposes over the estimated useful lives of the related assets (net of estimated salvage value or trade-in value). We generally use estimated useful lives of five to ten years for trucks and trailers, classified as transportation equipment. The depreciable lives of our revenue equipment represent the estimated usage period of the equipment, which may be less than the economic lives.

Periodically, we evaluate the useful lives and salvage values of our revenue equipment and other long-lived assets based upon, but not limited to, our experience with similar assets including gains or losses upon dispositions of such assets, conditions in the used equipment market and prevailing industry practices. Changes in useful lives or salvage value estimates, or fluctuations in market values that are not reflected in our estimates, could have a material impact on our financial results. We review our property and equipment whenever events or circumstances indicate the carrying amount of the asset may not be recoverable. An impairment loss equal to the excess of carrying amount over fair value would be recognized if the carrying amount of the asset is not recoverable.

Business Combinations — The Company accounts for business combinations using the acquisition method pursuant to ASC 805, Business Combinations. For each acquisition, the Company recognizes the assets acquired and liabilities assumed at their respective fair values as of the acquisition date. Valuations of certain assets acquired, including customer relationships, developed technology and trade names involve significant judgment and estimation. The Company uses independent valuation specialists to help determine fair value of certain assets and liabilities. Valuations utilize significant estimates, such as forecasted revenues and profits. Changes in these estimates could significantly impact on the value of certain assets and liabilities. ASC 805 establishes a measurement period to provide the Company with a reasonable amount of time to obtain the information necessary to identify and measure various items in a business combination and cannot extend beyond one year from the acquisition date. Measurement period adjustments are recognized in the reporting period in which the adjustments are determined and calculated as if the accounting had been completed as of the acquisition date. The Company expects to complete the final fair value determination of the assets acquired and liabilities assumed as soon as practicable within the measurement period, but not to exceed one year from the acquisition date.

Goodwill — Goodwill is recorded when the purchase price paid in a business combination exceeds the fair value of assets acquired and liabilities assumed. Goodwill is reviewed for impairment on an annual basis, or upon an occurrence of an event or changes in circumstances that indicate that the carrying value may not be recoverable. In the absence of any indications of potential impairment, the evaluation of goodwill is performed during the fourth quarter of each year.

Goodwill impairment is the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. When testing goodwill for impairment, the Company may first perform a qualitative assessment to determine whether the fair value of a reporting unit is less than its carrying amount. The Company then completes a quantitative impairment test if the qualitative assessment indicates that it is more likely than not that the reporting unit's fair value is less than the carrying value of its assets. If the estimated fair value of the reporting unit exceeds the carrying value, goodwill is not considered impaired, and no additional steps are needed. If, however, the fair value of the reporting unit is less than its carrying value, then the amount of the impairment loss is the amount by which the reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill.

Income taxes — Income taxes are accounted for under the asset-and-liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income or expense in the period that includes the enactment date.

We evaluate the need for a valuation allowance on deferred tax assets based on whether we believe that it is more likely than not all deferred tax assets will be realized. A consideration of future taxable income is made as well as on-going prudent feasible tax planning strategies in assessing the need for valuation allowances. In the event it is determined all or part of a deferred tax asset would not be able to be realized, management would record an adjustment to the deferred tax asset and recognize a charge against income at that time.

Our estimates of the potential outcome of any uncertain tax issue is subject to our assessment of relevant risks, facts and circumstances existing at that time. We account for uncertain tax positions in accordance with Accounting Standards Codification ("ASC") 740, Income Taxes, and record a liability when such uncertainties meet the more likely than not recognition threshold. Potential accrued interest and penalties related to unrecognized tax benefits are recognized as a component of income tax expense.

Reportable Segments

Our business is organized into two reportable segments, Company Drivers and Brokered. The Company Drivers segment offers automobile transport and contract services under an asset-based model. The Company's dedicated service offering devotes the use of equipment to specific customers and provides transportation services through long-term contracts. The Company's Brokered segment offers transportation services utilizing an asset-light model focusing on outsourcing transportation of loads to third-party carriers.

Company Drivers Segment

In our Company Drivers Segment, we generate revenue by transporting autos for our customers in our OEM contract and spot arrangements, secondary market auto moves, and our contract services arrangements. Our OEM contract and spot arrangements provide auto transportation and logistics services through movements of autos over routes across the United States. Secondary market auto moves are for customers other than OEMs. Our contract services offering devotes the use of equipment to specific customers and provides services through long-term contracts. Our Company Drivers segment provides services that are geographically diversified but have similar economic and other relevant characteristics, as they all provide Company Drivers carrier services of automobiles. The main factors that affect operating revenue in the Company Drivers Segment are the average revenue per unit received from customers and the number of vehicles transported.

We are typically paid a predetermined rate per unit for our Company Drivers services. Our executed contracts contain fixed terms and rates and are often used by our customers with high-service and high-priority freight. We continually strive to increase our revenues derived from contracts as a percentage of total revenue by continuing to build upon our existing relations and acquire new relations with OEMs.

Our contracts with customers in the Company Drivers segment generally include a fuel surcharge to account for fluctuating fuel prices. Built into our predetermined contract rates with each customer is a baseline fuel price and when fuel prices rise above this baseline price our customers compensate us for the variance in the form of additional revenue. If fuel prices drop below the baseline price, we may in turn owe our customers this variance and record a discount. This additional revenue/discount is represented on the Fuel Surcharge and Other Reimbursements line in our condensed consolidated financial statements.

In our Company Drivers segment, our most significant operating expenses vary with miles traveled and include (i) fuel, and (ii) driver related expenses, such as wages, benefits, training and recruitment. Expenses that have both fixed and variable components include maintenance and tire expense and our total cost of insurance and claims. These expenses generally vary with the miles we travel, but also have a controllable component based on safety, fleet age, efficiency and other factors. Our main fixed costs include depreciation of long-term assets, such as trucks and trailers (to which we refer as revenue equipment) and service center facilities, the compensation of non-driver personnel and other general and administrative expenses.

Our Company Drivers segment requires substantial capital expenditures for purchase of new revenue equipment. We use a combination of financing leases and secured long-term debt to acquire revenue equipment. When we finance revenue equipment acquisitions with either finance leases or long-term debt, the asset and liability are recorded on our consolidated balance sheet, and we record expense under "Depreciation" and "Interest expense." We expect our depreciation and interest expense will be impacted by changes in the percentage of our revenue equipment acquired in any given year.

Brokered Segment

In our Brokerage Segment, we generate revenue by utilizing our independent owner operators (who run under our DOT) and independent third-party carriers to assist in transporting autos for our customers in our OEM contract and spot arrangements, and secondary market auto moves. We maintain the customer relationship, including billing and collection, but outsource the transportation of the loads. The main factors that affect operating revenue in our Brokered segment are our customers' excess inventory needs, the rates we obtain from customers, the auto volumes we ship through the brokered segment and our ability to secure these carriers. We generally do not have contracted long-term rates for the cost of third-party carriers, and we cannot assure that our results of operations will not be adversely impacted in the future if our ability to obtain third-party carriers changes or the rates of such providers increase.

The most significant expense of our Brokered segment, which is primarily variable, is the cost of purchased transportation that we pay to third-party carriers and is included in the “Purchased transportation” line item. This expense generally varies directly with the amount of Brokered revenue, rates charged by third party carriers and current demand and customer shipping needs. Other operating expenses are generally fixed and primarily include the compensation and benefits of non-driver personnel (which are recorded in the “Salaries, wages and benefits” line item).

The primary performance indicator in our Brokered segment is operating margin (brokered operating revenue, less brokered operating expenses, as a percentage of brokered operating revenue). Operating margin can be impacted by the rates charged to customers and the rates paid to third-party carriers.

Our Brokered segment does not require significant capital expenditures and is not asset-intensive like our Company Drivers segment.

Non-GAAP Financial Measures

We report our financial results in accordance with accounting principles GAAP. However, management believes that EBITDA and Operating Ratio provide useful information in measuring our operating performance, generating future operating plans and making strategic decisions regarding allocation of capital. Management believes this information presents helpful comparisons of financial performance between periods by excluding the effect of certain non-recurring items.

EBITDA and Operating Ratio do not have a standardized meaning prescribed by GAAP and therefore they may not be comparable to similarly titled measures presented by other companies, and it should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

EBITDA is defined as net income (loss) for the period adjusted for interest expense, income tax expense (benefit) and depreciation expense and intangible amortization expense.

Adjusted EBITDA represents net income (loss) plus interest expense, income tax expense (benefit), depreciation expense, intangible amortization expense, and share-based compensation expenses.

The following table provides a reconciliation of net income, the most closely comparable GAAP financial measure, to EBITDA and Adjusted EBITDA:

	Successor	Predecessor		
	Twelve months ended December 31, 2024	Period from January 1, 2024 to May 12, 2024	Twelve months ended December 31, 2023	Twelve months ended December 31, 2022
Total operating revenue	\$ 240,854,527	\$ 41,217,688	\$ 135,755,993	\$ 130,160,074
Net (loss) income	\$ (8,475,268)	\$ (15,384,676)	\$ 7,156,170	\$ 10,399,119
Add Back:				
Interest expense	4,007,661	717,431	953,667	1,163,508
Income tax expense (benefit)	(1,245,384)	(6,350,642)	2,243,617	3,130,964
Depreciation	15,699,025	934,988	2,523,971	2,289,026
Intangible amortization	5,709,360	—	—	—
EBITDA	<u>\$ 15,695,394</u>	<u>\$ (20,082,899)</u>	<u>\$ 12,877,425</u>	<u>\$ 16,982,617</u>
EBITDA Margin	6.5%	(48.7)%	9.5%	13.0%
Add Back:				
Stock-based compensation	8,883,142	—	—	—
Adjusted EBITDA	<u>\$ 24,578,536</u>	<u>\$ (20,082,899)</u>	<u>\$ 12,877,425</u>	<u>\$ 16,982,617</u>
Adjusted EBITDA Margin	10.2%	(48.7)%	9.5%	13.0%

Operating ratio is calculated as total operating expenses as a percentage of operating revenue.

Adjusted operating ratio is calculated as total operating expenses reduced for share-based compensation expense and amortization of intangibles as a percentage of operating revenue.

The following table provides a reconciliation of total operating revenue and operating (loss) income, to operating margin and adjusted operating margin:

	Successor	Predecessor		
	Twelve months ended December 31, 2024	Period from January 1, 2024 to May 12, 2024	Twelve months ended December 31, 2023	Twelve months ended December 31, 2022
Total operating revenue	\$ 240,854,528	\$ 41,217,688	\$ 135,755,993	\$ 130,160,074
Total operating expenses	248,747,069	62,237,653	125,402,539	115,466,483
Operating (loss) income	(7,892,541)	(21,019,965)	10,353,454	14,693,591
Operating Ratio	103.3%	151.0%	92.4%	88.7%
Add Back:				
Stock-based compensation	8,883,142	—	—	—
Intangible amortization	5,709,360	—	—	—
Adjusted Total Operating Expenses	\$ 234,154,566	\$ 62,237,653	\$ 125,402,539	\$ 115,466,483
Adjusted Operating Ratio	97.2%	151.0%	92.4%	88.7%

Results of Operations for the Twelve Months Ended December 31, 2024 (Successor), Period from January 1, 2024 to May 12, 2024 (Predecessor), Twelve Months Ended December 31, 2023 (Predecessor), and Twelve Months Ended December 31, 2022 (Predecessor)

	Successor	Predecessor		
	Proficient Auto Logistics, Inc. Twelve months ended December 31, 2024	Proficient Auto Transport, Inc. Period from January 1, 2024 to May 12, 2024	Proficient Auto Transport, Inc. Twelve months ended December 31, 2023	Proficient Auto Transport, Inc. Twelve months ended December 31, 2022
Operating revenue				
Revenue, before fuel surcharge	92.2%	94.5%	93.1%	89.2%
Fuel surcharge and other reimbursements	6.8%	5.0%	6.9%	10.8%
Other revenue	0.6%	—	—	—
Lease revenue	0.4%	0.5%	—	—
Total operating revenue	100.0%	100.0%	100.0%	100.0%
Operating Expenses				
Salaries, wages and benefits	18.9%	66.7%	15.1%	17.6%
Stock-based compensation	3.7%	—	—	—
Fuel and fuel taxes	6.7%	2.7%	3.3%	5.5%
Purchased transportation	49.8%	63.1%	61.8%	54.0%
Truck expenses	5.4%	4.6%	5.2%	5.4%
Depreciation	6.5%	2.3%	1.9%	1.8%
Intangible amortization	2.4%	—	—	—
Loss (Gain) on sale of equipment	(0.1)%	(0.6)%	(0.1)%	—
Insurance premiums and claims	5.6%	2.7%	2.3%	2.0%
General, selling, and other operating expenses	4.4%	9.6%	2.9%	2.4%
Total Operating Expenses	103.3%	151.0%	92.4%	88.7%
Operating (loss) income	(3.3)%	(51.0)%	7.6%	11.3%
Other income and expense				
Interest expense	(1.7)%	(1.7)%	(0.7)%	(0.9)%
Acquisition Costs	(0.5)%	—	—	—
Earn Out Contingency Gain	1.3%	—	—	—
Other income (expense), net	0.1%	0.0%	—	—
Total other income (expense)	(0.8)%	(1.7)%	(0.7)%	(0.9)%
(Loss) Income before income taxes	(4.0)%	(52.7)%	6.9%	10.4%
Income tax expense (benefit)	(0.5)%	(15.4)%	1.7%	2.4%
Net (loss) income	(3.5)%	(37.3)%	5.2%	8.0%

Operating Revenue — The Company generates revenue from two primary sources: transporting freight for customers, including related fuel surcharge revenue and other reimbursements (Company Drivers), and arranging for the transportation of customer freight by third-party carriers (Brokered). Company Drivers revenue, before fuel surcharges and other reimbursements, is primarily generated through trucking services provided by the Company's Company Drivers service offerings to OEMs and the secondary market. Brokered revenue before fuel surcharges and other reimbursements is primarily generated through brokering freight to third-party carriers. Fuel surcharges and other reimbursements represent additional revenue the Company earns based on mileage driven and other reimbursable costs incurred for which it is compensated by its customers.

The Company's total operating revenue is affected by, among other things, the general level of economic activity in the United States, customer inventory levels, specific customer demand, the level of capacity in the truckload and brokerage industry, the success of its marketing and sales efforts and the availability of drivers and third-party carriers.

The Company disaggregates revenue from contracts with its customers for Company Drivers and Brokered operations between (1) revenue, before fuel surcharges and reimbursements and (2) fuel surcharges and reimbursements. A summary of the Company's revenue generated by type for the periods indicated is as follows:

	Successor	Predecessor		
	Twelve months ended December 31, 2024	Period from January 1, 2024 to May 12, 2024	Twelve months ended December 31, 2023	Twelve months ended December 31, 2022
Operating Revenue:				
Revenue, before fuel surcharge and other reimbursements	\$ 222,055,006	\$ 38,947,787	\$ 126,437,360	\$ 116,108,865
Fuel surcharges and other reimbursements	16,302,886	2,073,087	9,318,633	14,051,209
Other Revenue	1,509,218	—	—	—
Lease Interest Income	987,417	196,814	—	—
Total operating revenue	\$ 240,854,527	\$ 41,217,688	\$ 135,755,993	\$ 130,160,074

The increases in total operating revenue and revenue before fuel surcharge, were primarily due to the Successor period including revenues from the acquired entities from May 13, 2024 to December 31, 2024

In 2024, approximately 49.6% of the Company's operating revenue was derived from its four largest customers, General Motors, Glovis (the logistics arm of Hyundai and Kia), BMW and Ford.

A summary of the Company's revenue generated by segment for the periods indicated is as follows:

	Successor	Predecessor		
	Twelve months ended December 31, 2024	Period from January 1, 2024 to May 12, 2024	Twelve months ended December 31, 2023	Twelve months ended December 31, 2022
Operating Revenue:				
Company Driver	\$ 80,364,399	\$ 6,749,129	\$ 38,475,802	\$ 33,268,483
Company Driver fuel surcharge and other reimbursements	5,907,191	819,998	4,927,753	6,297,435
Lease Revenue	—	—	—	—
Other Revenue	995,507	—	—	—
Total Company Driver revenue	87,267,097	7,569,127	43,403,555	39,565,918
Brokerage	141,690,607	32,198,658	87,961,559	82,840,382
Brokerage fuel surcharge and other reimbursements	10,395,695	1,253,089	4,390,879	7,753,774
Lease Revenue	513,711	—	—	—
Other Revenue	987,417	196,813	—	—
Total Brokerage revenue	153,587,430	33,468,560	92,352,438	90,594,156
Total operating revenue	\$ 240,854,527	\$ 41,217,687	\$ 135,755,993	\$ 130,160,074

Results of Operations for the years ended December 31, 2024 (Successor) and 2023 (Predecessor)

In the Company Driver segment, operating revenues increased by \$43.9 million, or 101.1%, to \$87.3 million in 2024 compared to \$43.4 million in 2023. The increase in the Company Driver segment's revenue was driven by the Successor period including revenue from the acquired entities. Additionally, we leveraged our expanded company drivers to replace historical brokered lanes and secured new contracts, along with contract renewal pricing increases.

During the first quarter of 2025, market conditions and other competitive pressures resulted in the cessation of business by one of the Company's largest competitors. The immediate result of this development has been a redistribution among market participants of a significant amount of OEM contract business. New contract business in place at the Company is expected to ramp during 2025 to a run rate that would represent an approximate 15% increase to pro forma combined revenue in 2024 and with contribution margins consistent with the remainder of the contract portfolio.

In the Brokered segment, operating revenues increased by \$61.2 million, or 66.3%, to \$153.6 million in 2024 compared to \$92.4 million in 2023. The increase in the Brokerage segment's revenue was driven by the Successor period including revenue from the acquired entities, as well as synergies from sharing subhauler resources, new contracts and spot buy opportunities.

Salaries, wages and benefits — Salaries, wages, and benefits consist primarily of compensation for all employees. Salaries, wages, and benefits are primarily affected by the amount paid to company drivers, which is a function of the amount of freight hauled and units delivered. Salaries, wages and benefits are also affected by employee benefits such as health care and workers' compensation, and to a lesser extent by the number of, and compensation and benefits paid to, non-driver employees.

Salaries, wages and benefits increased by \$25.2 million, or 123.5%, to \$45.6 million in 2024 compared to \$20.4 million in 2023. The increase is primarily related to the Successor period which includes expenses from the acquired entities. Additionally, we expanded our Corporate Leadership Team to ensure we have the expertise and experience needed to support our growth as a public company.

Stock-based compensation— Stock-based compensation consists primarily of compensation for certain employees, officers, and directors as a key component of our overall compensation strategy.

Stock-based compensation increased to \$8.9 million in 2024 compared to \$0 in 2023. The increase is due to the result of stock-based compensation being offered following the Company's IPO during 2024.

Fuel and fuel taxes — Fuel and fuel taxes consist primarily of diesel fuel expense and fuel taxes for the Company's company-owned equipment. The primary factors affecting the Company's fuel and fuel taxes expense are the cost of fuel per mile and the number of miles driven by company drivers.

Fuel and fuel taxes increased by \$11.6 million, or 257.8%, to \$16.1 million in 2024 compared to \$4.5 million in 2023. The increase in fuel and fuel taxes was driven primarily by the Successor period including expenses from the acquired entities.

Purchased transportation — Purchased transportation consists of the payments the Company makes to owner-operators and third-party carriers.

Purchased transportation increased by \$36.1 million, or 43.1%, to \$119.9 million in 2024 compared to \$83.8 million in 2023. The increase in purchased transportation was driven by the Successor period includes expenses from the acquired entities, as well as the expansion of our subhauler database, revenue from new contracts and spot buy opportunities.

Truck Expenses — Truck expenses consist of operating expenses and supplies incurred for ordinary vehicle repairs and maintenance costs, driver on-the-road expenses and tolls.

Truck expenses and supplies are primarily affected by the age of the Company's company-owned and leased fleet of trucks and trailers, the number of miles driven in a period and driver turnover. Truck expenses increased 85.7% to \$13.0 million in 2024 compared to \$7.0 million in 2023. This is primarily due to the Successor period including expenses from the acquired entities.

Depreciation and amortization — Depreciation and amortization consist primarily of depreciation for owned trucks and trailers and to a lesser extent computer software amortization. The primary factors affecting these expense items include the size and age of the Company's truck and trailer fleets, the cost of new equipment and the relative percentage of owned revenue equipment and equipment acquired through debt or finance leases.

Depreciation and amortization and the gain on sale of equipment increased by \$13.2 million, or 528.0%, to \$15.7 million in 2024 compared to \$2.5 million in 2023. The increase in depreciation and amortization and the gain on sale of equipment was driven by the Successor period including expenses from the acquired entities.

Intangible Amortization — Intangible amortization is the amortization of our intangible assets, including customer relationships and trade names, recognized during each acquisition, as applicable.

Intangible amortization increased \$5.7 million in 2024 compared to \$0 in 2023. This is due to the Predecessor not having any intangible assets.

Insurance premiums and claims — Insurance premiums and claims consist primarily of retained amounts for liability (personal injury and property damage), physical damage and cargo damage, as well as insurance premiums. The primary factors affecting the Company’s insurance premiums and claims are the frequency and severity of accidents, trends in the development factors used in the Company’s actuarial accruals and developments in large, prior year claims. The number of accidents tends to increase with the miles we travel. With our significant retained amounts, insurance claims expense may fluctuate significantly and impact the cost of insurance premiums and claims from period-to-period, and any increase in frequency or severity of claims or adverse loss development of prior period claims would adversely affect the Company financial condition and results of operations.

Insurance premiums and claims increased by \$10.2 million, or 318.8%, to \$13.4 million in 2024 compared to \$3.2 million in 2023. The increase in insurance premiums and claims was driven by the Successor period includes expenses from the acquired entities. We are working toward consolidating our insurance plans into a single policy, which will benefit the company by not only providing cost savings relative to similar coverage levels spread across numerous carriers, but also simplifying administration, streamlining the claims process, and ensuring better coverage consistency.

General, selling, and other operating expenses — General, selling, and other operating expenses consist primarily of legal and professional services fees, occupancy and other costs. General, selling, and other operating expenses increased by \$6.5 million, or 158.6%, to \$10.6 million in 2024 compared to \$4.1 million in 2023. The increase in general, selling, and other operating expenses was primarily due to the Successor period includes expenses from the acquired entities.

Interest expense, net — Interest expense, net consists of cash interest, amortization of deferred financing fees, net of any interest income received from financial institutions. Interest expense, net increased by \$3.0 million, or 300.0%, to \$4.0 million in 2024 compared to \$1.0 million in 2023. The increase was primarily due to the Successor period includes interest expense from the acquired entities.

Operating ratio — Operating ratio is calculated as total operating expenses as a percentage of operating revenue. The Company’s operating ratio increased by 10.9% to 103.3% in 2024 as compared to 92.4% in 2023. The increase in costs was primarily due to expenses that the Predecessor did not incur, including stock compensation expense (\$8.9 million) and intangible amortization expense (\$5.7 million). Excluding these expenses, the operating ratio for 2024 would be 97.2%. We are working to achieve synergies across all operating companies, which should help reduce the operating ratio over time. See “Non-GAAP Financial Measure” section for the Company’s calculation of operating ratio.

EBITDA — EBITDA increased by \$2.8 million, or 21.7%, to \$15.7 million in 2024 compared to \$12.9 million in 2023. The increase was due to the Successor period having more revenue from the acquired entities. See “Non-GAAP Financial Measure” section for the Company’s calculation of EBITDA.

Adjusted EBITDA — Adjusted EBITDA represents net income (loss) plus interest expense, income tax expense (benefit), depreciation expense, intangible amortization expense, and share-based compensation expenses. Adjusted EBITDA increased by \$11.7 million, or 90.7%, to \$24.6 million in 2024 compared to \$12.9 million in 2023. The increase was due to was primarily due to Predecessor not incurring any stock compensation expense or intangible amortization expense. See “Non-GAAP Financial Measure” section for the Company’s calculation of Adjusted EBITDA.

Results of Operations for the Period from June 13, 2023 (Inception) through December 31, 2023 (Successor)

Results of Operations

Revenue — Proficient did not generate any revenue for the period from June 13, 2023 through December 31, 2023.

Operating Expenses — Proficient’s general and administrative expenses for the period from June 13, 2023 through December 31, 2023 totaled \$0.6 million. The expenses were incurred for various legal and accounting services in preparation of this offering and the Combinations.

Net Loss — Proficient’s net loss was \$0.6 million for the period from June 13, 2023 through December 31, 2023.

Liquidity and Capital Resources — Proficient’s source of funding was capital raises of \$0.9 million of cash through December 31, 2023 from a small group of investors. Proficient may obtain additional financing as needed.

Net cash used in operating activities totaled \$0.5 million for the period from June 13, 2023 through December 31, 2023, which resulted in \$0.4 million of the cash capital raise left on hand as of December 31, 2023.

Proficient Transport's Results of Operations for the years ended December 31, 2023 to 2022

The following table sets forth items derived from Proficient Transport's Consolidated Statements of Comprehensive Income for the years ended December 31, 2023 and 2022 presented as a percentage of operating revenues:

	For the years ended December 31,	
	2023	2022
Operating revenue		
Revenue, before fuel surcharges	93.1%	89.2%
Fuel surcharges and reimbursements	6.9%	10.8%
Total operating revenue	100.0%	100.0%
Operating expenses		
Salaries, wages, and benefits	15.1%	17.6%
Fuel and fuel taxes	3.3%	5.5%
Purchased transportation	61.8%	54.0%
Truck expenses	5.2%	5.4%
Depreciation and amortization	1.9%	1.8%
Gain on sale of equipment	(0.1)%	0.0%
Insurance premiums and claims	2.3%	2.0%
Operating taxes and licenses	0.2%	0.1%
General, selling, and other operating expenses	2.7%	2.3%
Total operating expenses	92.4%	88.7%
Total operating income	7.6%	11.3%
Other expense		
Interest expense, net	(0.7)%	(0.9)%
Total other expense	(0.7)%	(0.9)%
Income before income taxes	6.9%	10.4%
Income tax expense	1.7%	2.4%
Net income	5.2%	8.0%

Fiscal year 2023 compared to Fiscal year 2022

Operating Revenue — Proficient Transport generates revenue from two primary sources: transporting freight for its customers (including related fuel surcharge revenue and other reimbursements) and arranging for the transportation of customer freight by third-party carriers. Proficient Transport has two reportable segments: its Truckload segment and its Brokerage segment. Truckload revenue, before fuel surcharges and other reimbursements, is primarily generated through trucking services provided by Proficient Transport's two Truckload service offerings: OEM transports and contract. Brokerage revenue before fuel surcharges and other reimbursements is primarily generated through brokering freight to third-party carriers. Fuel surcharges and other reimbursements represent additional revenue Proficient Transport earns based on mileage driven and other reimbursable costs incurred for which it is compensated by its customers.

Proficient Transport's total operating revenue is affected by, among other things, the general level of economic activity in the United States, customer inventory levels, specific customer demand, the level of capacity in the truckload and brokerage industry, the success of our marketing and sales efforts and the availability of drivers and third-party carriers.

Proficient Transport disaggregates revenue from contracts with its customers for Truckload and Brokerage operations between (1) revenue, before fuel surcharges and reimbursements and (2) fuel surcharges and reimbursements. A summary of Proficient Transport's revenue generated by type for the periods indicated is as follows:

	2023	2022
Operating revenue:		
Revenue, before fuel surcharge and other reimbursements	\$ 126,437,360	\$ 116,108,865
Fuel surcharges and other reimbursements	9,318,633	14,051,209
Total operating revenue	135,755,993	130,160,074

The increases in total operating revenue and revenue before fuel surcharge, were primarily due to the increases in volume of activity (in the Truckload Segment) and secondarily due to increases in Proficient Transport's contract pricing. In 2023, Proficient Transport delivered 296,352 units (174,434 Truckload Segment) compared to 297,204 units (168,938 in the Truckload Segment) in 2022. The increases in volume in the Truckload Segment were primarily driven by the reduction in backlog of undelivered cars that had built up over 2021 and 2022. In 2021, Proficient Transport's OEMs experienced significant microchip supply shortages which resulted in new automobiles being only partially manufactured and not ready for shipment. This shortage continued, albeit to a lesser extent, into 2022. Once the microchip supply shortages were resolved, OEMs completed the production of unfinished cars, creating a need to deliver the excess automobile inventory. Proficient Transport serviced the OEMs' excess inventory through company-owned vehicles as well as Proficient Transport's Brokerage segment.

In 2023, approximately 81.5% of Proficient Transport's operating revenue was derived from its four largest customers, General Motors, Glovis (the logistics arm of Hyundai and Kia), Ford and Mercedes Benz.

A summary of Proficient Transport's revenue generated by segment for the periods indicated is as follows:

	<u>2023</u>	<u>2022</u>
Operating revenue:		
Truckload	\$ 38,475,802	\$ 33,268,483
Truckload fuel surcharge and other reimbursements	4,927,753	6,297,435
Total Truckload revenue	<u>43,403,555</u>	<u>39,565,918</u>
Brokerage	87,961,559	82,840,382
Brokerage fuel surcharge and other reimbursements	4,390,879	7,753,774
Total Brokerage revenue	<u>92,352,438</u>	<u>90,594,156</u>
Total operating revenue	<u>\$ 135,755,993</u>	<u>\$ 130,160,074</u>

In the Truckload segment, operating revenues increased by \$3.8 million, or 9.7%, to \$43.4 million in 2023 compared to \$39.6 million in 2022. Average revenue per unit increased to \$220 from \$197 in 2022. The increase in the Truckload segment's revenue was driven by a \$5.2 million increase in truckload services and a \$1.4 million decrease in fuel surcharges and other reimbursements. The \$5.2 million increase in truckload services was comprised of contractual increases in revenue per unit hauled and the utilization of additional owner operators. The decrease in Proficient Transport's Truckload fuel surcharge and other reimbursements primarily related to the decrease in fuel prices, which resulted in lower fuel surcharge compensation from Proficient Transport's customers, as well as fewer reimbursements Proficient Transport earned from the contracts that expired mid-year.

In the Brokerage segment, operating revenues increased by \$1.7 million, or 1.9%, to \$92.4 million in 2023 compared to \$90.6 million in 2022. The increase in the Brokerage segment's revenue was driven by a \$5.1 million increase in brokerage services offset by a \$3.4 million decrease in fuel surcharges and other reimbursements. The primary factors driving the increase in brokerage services revenue was Proficient Transport's ability to expand services under its contract service arrangements to third-party carriers as well as the need for timely transportation of the excess inventory of Proficient Transport's OEMs.

Salaries, wages and benefits — Salaries, wages, and benefits consist primarily of compensation for all employees. Salaries, wages, and benefits are primarily affected by the amount paid to company drivers, which is a function of the amount of freight hauled and includes units delivered. Salaries, wages and benefits are also affected by employee benefits such as health care and workers' compensation, and to a lesser extent by the number of, and compensation and benefits paid to, non-driver employees.

Salaries, wages and benefits decreased by \$2.5 million, or 10.7%, to \$20.4 million in 2023 compared to \$22.9 million in 2022. The decrease is primarily related to Proficient Transport's smallest contract expiring in June of 2023, which resulted in the termination of approximately 30 drivers. Additionally, approximately 20 drivers transitioned from company drivers to owner-operators during 2023.

Fuel and fuel taxes — Fuel and fuel taxes consist primarily of diesel fuel expense and fuel taxes for Proficient Transport's company-owned equipment. The primary factors affecting Proficient Transport's fuel and fuel taxes expense are the cost of fuel per mile and the number of miles driven by company drivers.

Fuel and fuel taxes decreased by \$2.7 million, or 38.2%, to \$4.5 million in 2023 compared to \$7.2 million in 2022. The decrease in fuel and fuel taxes was driven primarily by the decrease in price per gallon for diesel fuel, which declined from an annual average of \$4.99 per gallon in 2022 to \$4.21 per gallon in 2023, according to the Department of Energy. For 2023, the average cost of fuel per mile was \$0.79 compared to \$1.11 in 2022 and the total number of miles driven in 2023 was 10 million compared to 9.2 million in 2022. Additionally, the expiration of Proficient Transport's smallest fleet contract mid-year resulted in less fuel being purchased in 2023.

Purchased transportation — Purchased transportation consists of the payments Proficient Transport makes to owner-operators and third-party carriers.

Purchased transportation increased by \$13.5 million, or 19.2%, to \$83.8 million in 2023 compared to \$70.3 million in 2022. The increase in purchased transportation was driven by two factors: Proficient Transport had approximately 20 company drivers become owner-operators during 2023 and Proficient Transport added third-party carriers to its contract service arrangement.

Truck Expenses — Truck expenses consist of operating expenses and supplies incurred for ordinary vehicle repairs and maintenance costs, driver on-the-road expenses and tolls.

Operating expenses and supplies are primarily affected by the age of Proficient Transport's company-owned and leased fleet of trucks and trailers, the number of miles driven in a period and driver turnover. Truck expenses decreased 0.4% to \$7.0 million in 2023 compared to \$7.1 million in 2022. Truck expenses as a percentage of operating revenue decreased from 5.4% in 2022 to 5.2% in 2023 due to the disproportional increase in Brokerage segment activity, which operates under an asset-light model and does not incur truck expenses.

Depreciation and amortization — Depreciation and amortization consist primarily of depreciation for owned trucks and trailers and to a lesser extent computer software amortization. The primary factors affecting these expense items include the size and age of Proficient Transport's truck and trailer fleets, the cost of new equipment and the relative percentage of owned revenue equipment and equipment acquired through debt or finance leases.

Depreciation and amortization and the gain on sale of equipment increased by \$0.1 million, or 4.9%, to \$2.3 million in 2023 compared to \$2.2 million in 2022. The increase in depreciation and amortization and the gain on sale of equipment was driven by an increase in the average depreciation offset by gains recognized on sold equipment.

Insurance premiums and claims — Insurance premiums and claims consist primarily of retained amounts for liability (personal injury and property damage), physical damage and cargo damage, as well as insurance premiums. The primary factors affecting Proficient Transport's insurance premiums and claims are the frequency and severity of accidents, trends in the development factors used in Proficient Transport's actuarial accruals and developments in large, prior year claims. The number of accidents tends to increase with the miles we travel. With our significant retained amounts, insurance claims expense may fluctuate significantly and impact the cost of insurance premiums and claims from period-to-period, and any increase in frequency or severity of claims or adverse loss development of prior period claims would adversely affect Proficient Transport's financial condition and results of operations.

Insurance premiums and claims increased by \$0.6 million, or 23.8%, to \$3.2 million in 2023 compared to \$2.6 million in 2022. The increase in insurance premiums and claims was driven by an increase in Proficient Transport's premiums.

Operating taxes and licenses — Operating taxes and licenses consist of property and use taxes. Operating taxes and licenses increased by \$114,599 or 83.5%, to \$251,789 in 2023 compared to \$137,190 in 2022. The increase in operating taxes and licenses was driven by the increase in operating revenue.

General, selling, and other operating expenses — General, selling, and other operating expenses consist primarily of legal and professional services fees, general and administrative expenses, and other costs. General, selling, and other operating expenses increased by \$0.8 million, or 27.6%, to \$3.9 million in 2023 compared to \$3.0 million in 2022. The increase in general, selling, and other operating expenses was primarily due to increased legal fees, as well as the overall increase in general expenses such as repairs and maintenance at our owned facility, operations, and utilities.

Interest expense, net — Interest expense, net consists of cash interest, amortization of deferred financing fees, net of any interest income received from financial institutions. Interest expense, net decreased by \$0.2 million, or 18.0%, to \$1.0 million in 2023 compared to \$1.2 million in 2022. The decrease was primarily due to the interest income earned from the Lease to Purchase program with our owner-operators.

Operating ratio — Operating ratio is calculated as total operating expenses as a percentage of operating revenue. Proficient Transport’s operating ratio increased by 3.7% to 92.4% in 2023 as compared to 88.7% in 2022. The increase in costs was primarily due to the increase in purchase transportation activity in Proficient Transport’s Brokerage segment.

EBITDA — EBITDA decreased by \$4.1 million, or 24.2%, to \$12.9 million in 2023 compared to \$17.0 million in 2022. The decrease was primarily due to the \$3.2 million decrease in net income as well as the \$0.9 million decrease in income taxes, which is an add back for the EBITDA calculation. See “Non-GAAP Financial Measure” section below for Proficient Transport’s calculation of EBITDA.

Non-GAAP Financial Measure

EBITDA

EBITDA is a supplemental non-GAAP financial measure used by management of Proficient Transport. Proficient Transport defines EBITDA as net income (loss) before (i) interest expense, net, (ii) tax expense (benefit), and (iii) depreciation and amortization expense. Proficient Transport believes that EBITDA is useful because it provides a more effective evaluation of Proficient Transport’s operating performance and allows comparison of Proficient Transport’s results of operations from period to period without regard to Proficient Transport’s financing methods or other items that impact comparability of financial results from period to period such as fluctuations in interest expense or effective tax rates, levels of depreciation and amortization, or any unusual items. EBITDA should not be considered as an alternative to, or more meaningful than, net income, operating ratio, or any other measure as determined in accordance with GAAP. Proficient Transport’s computation of EBITDA may not be comparable to EBITDA of other companies. Proficient Transport presents EBITDA because management believes these metrics provide useful information regarding the factors affecting Proficient Transport’s operations.

The following table presents a reconciliation of EBITDA to the GAAP financial measure of net income for each of the periods indicated.

	2023	2022
Net income	\$ 7,156,170	\$ 10,399,119
Interest expense, net	953,667	1,163,508
Income tax expense	2,243,617	3,130,964
Depreciation and amortization expense	2,523,971	2,289,026
EBITDA	<u>\$ 12,877,425</u>	<u>\$ 16,982,617</u>

Liquidity and Capital Resources

Overview

Our business requires substantial amounts of cash to cover operating expenses as well as to fund capital expenditures, working capital changes, principal and interest payments on our debt obligations, lease payments and tax payments when we generate taxable income. Recently, we have financed our capital requirements with cash flows from operating activities, direct equipment financing, and proceeds from our IPO. We intend to spend between \$5 - \$10 million per year on new revenue equipment to maintain our desired average age of the fleet. We plan to finance the purchases through a combination of operating cash flows and direct equipment financing. Additional purchases of revenue equipment in a given year will depend on new business added as well as management’s desire to shift delivery volume away from subhauers in favor of company drivers which will require growth in the aggregate fleet.

We believe we can fund our expected cash needs in the short-term, including debt repayment and the capital purchases described above, with projected cash flows from operating activities, borrowings under our credit facility and direct debt and lease financing we believe to be available for at least the next 12 months. Over the long-term, we expect that we will continue to have significant capital requirements, which may require us to seek additional borrowings or lease financing. The availability of financing will depend upon our financial condition and results of operations as well as prevailing market conditions.

Sources of liquidity

In May 2024, we raised money in the capital markets through an IPO and then subsequently in June sold additional shares through an over-allotment option. The approximately \$30 million remaining after acquiring the Founding Companies was used to support operations for 2024 and to partially fund strategic acquisitions. We anticipate that our cash flows from operations and available direct equipment financing will provide adequate liquidity for our planned capital expenditures during fiscal year 2025. For any new capital expenditures in 2025 and beyond that exceed our cash flow from operations, we have negotiated credit agreements with financial institutions in amounts sufficient to fund planned purchases. While we generally control the timing and extent of our capital expenditures, there is no assurance that we can obtain financing arrangements on terms acceptable to the Company.

Pinnacle Loan Agreement

On November 8, 2024, the Company and certain of its subsidiaries, as borrowers, entered into a Loan and Security Agreement (the “Loan Agreement”) with Pinnacle Bank, as lender (the “Lender”). The Loan Agreement provides for (i) a delayed draw term loan facility of up to an aggregate principal amount of \$25 million (the “Term Loan Facility”) and (ii) a revolving credit facility of up to an aggregate principal amount of \$20 million at any time outstanding (the “Revolving Credit Facility”), in each case, subject to the terms of the Loan Agreement. Proceeds of the Term Loan Facility may be used to refinance existing indebtedness of the Company, to finance certain permitted acquisitions and fees and expenses related thereto, and to pay fees and transaction expenses associated with the Loan Agreement. Proceeds of the Revolving Credit Facility may be used for general working capital, to pay the fees and transaction expenses associated with the Loan Agreement, and to pay any of the Company’s obligations thereunder. The loans under the Loan Agreement may be voluntarily prepaid at any time, in whole or in part, without premium or penalty. The maturity date of the Term Loan Facility is May 8, 2031, and the maturity date of the Revolving Credit Facility is November 8, 2029.

Borrowings under the Loan Agreement bear interest at a rate per annum equal to Term SOFR for an interest period equal to one month plus a margin of (x) 2.50% per annum with respect to any loan under the Term Loan Facility and (y) 2.20% per annum with respect to any loan under the Revolving Credit Facility. In addition, the Company is required to pay an unused line fee on the unutilized commitments with respect to the Revolving Credit Facility at the rate of 0.15% per annum.

The Loan Agreement contains customary affirmative and negative covenants, including covenants that restrict the ability of the Company and its subsidiaries to, among other things, incur debt, grant liens on their respective assets, engage in mergers and other fundamental changes, make investments, enter into transactions with affiliates, pay dividends and make other restricted payments, prepay other indebtedness and sell assets, in each case subject to certain exceptions set forth in the Loan Agreement. The Loan Agreement also requires the Company to maintain (i) a Fixed Charge Coverage Ratio (as defined in the Loan Agreement) of greater than or equal to 1.25 to 1.00 and (ii) a Funded Debt to Adjusted EBITDA Ratio (as defined in the Loan Agreement) of less than or equal to 3.00 to 1.00, in each case, as of the end of each fiscal quarter, commencing with the fiscal quarter ending March 31, 2025.

All obligations under the Loan Agreement and the guarantees of those obligations are secured, subject to certain exceptions, by a security interest on substantially all of the property of the Company and its subsidiaries.

Upon closing, the Company drew \$16.0 million from the available term debt, a portion of which was used to repay and terminate the Proficient Transport line of credit. As of December 31, 2024, there was \$16.0 million outstanding under the Loan Agreement.

Cash Flows

For the twelve months ended December 31, 2024, cash flows from operating activities of \$ 10,718,960, was down slightly from the twelve months ended December 31, 2023.

For the twelve months ended December 31, 2024, cash flows used in investing activities was \$(205,033,308). This decrease of \$(205,227,563) compared to December 31, 2023 is mainly due to the cash paid to acquire the Founding Companies, ATG and UTT as discussed above in Note 3 — Business Combinations.

For the twelve months ended December 31, 2024, cash flows provided by financing activities was \$209,254,829, which was an increase of \$220,181,913 compared to the twelve months ended December 31, 2023. This increase is due to our issuance of common stock in the Company's IPO plus proceeds from debt.

	Successor	Predecessor		
	Twelve months ended December 31, 2024	Period from January 1, 2024 to May 12, 2024	Twelve months ended December 31, 2023	Twelve months ended December 31, 2022
Cash flows provided by operating activities	\$ 10,718,960	\$ 7,996,542	\$ 10,733,478	\$ 5,948,650
Cash flows provided by (used in) investing activities	(205,033,308)	(51,093)	194,255	(447,142)
Cash flows provided by (used in) financing activities	209,254,829	(5,597,522)	(10,927,084)	(5,552,434)
Net increase (decrease) in cash, cash equivalents, and restricted cash	<u>\$ 14,940,481</u>	<u>\$ 2,347,927</u>	<u>\$ 649</u>	<u>\$ (50,926)</u>
Cash, cash equivalents, and restricted cash, beginning of period	<u>\$ 458,233</u>	<u>\$ 4,273</u>	<u>\$ 3,624</u>	<u>\$ 54,550</u>
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 15,398,714</u>	<u>\$ 2,352,200</u>	<u>\$ 4,273</u>	<u>\$ 3,624</u>

Contractual obligations

The table below summarizes the Company's contractual obligations as of December 31, 2024:

	1 year or less	2 - 3 years	4 - 5 years	Thereafter	Total
Long-term debt obligations	\$ 19,122,009	\$ 30,328,005	\$ 22,428,888	\$ 3,861,630	\$ 75,740,532
Finance lease obligations	96,134	8,011	—	—	104,145
Operating lease obligations	2,517,743	3,401,264	3,071,335	5,285,601	14,275,943
Total contractual obligations	<u>\$ 21,735,886</u>	<u>\$ 33,737,280</u>	<u>\$ 25,500,223</u>	<u>\$ 9,147,231</u>	<u>\$ 90,120,620</u>

Emerging Growth Company Status

We qualify as an "emerging growth company," as defined in the JOBS Act. As an emerging growth company, we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable generally to public companies. These provisions include: (i) reduced disclosure about our executive compensation arrangements; (ii) not being required to hold advisory votes on executive compensation or to obtain stockholder approval of any golden parachute arrangements not previously approved; (iii) an exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002; and (iv) an exemption from compliance with the requirements of the Public Company Accounting Oversight Board regarding the communication of critical audit matters in the auditor's report on the financial statements.

We may take advantage of these exemptions for up to five years or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company on the date that is the earliest of (i) the last day of the fiscal year in which we have total annual gross revenues of \$1.235 billion or more; (ii) the last day of our fiscal year following the fifth anniversary of the date of the completion of the IPO; (iii) the date on which we have issued more than \$1.0 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC. We may choose to take advantage of some but not all of these exemptions. We have taken advantage of reduced reporting requirements in this Quarterly Report. Accordingly, the information contained herein may be different from the information you receive from other public companies in which you hold stock. Additionally, the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to avail ourselves of this exemption and, therefore, while we are an emerging growth company, we will not be subject to new or revised accounting standards at the same time that they become applicable to other public companies that are not emerging growth companies. As a result of this election, our financial statements may not be comparable to those of other public companies that comply with new or revised accounting pronouncements as of public company effective dates. We may choose to early adopt any new or revised accounting standards whenever such early adoption is permitted for private companies.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Inflation and Fuel Cost

Most of the Company's operating expenses are inflation-sensitive, with inflation generally producing increased costs of operations. Historically, the Company has limited the effects of inflation on its business through increases in freight rates and certain cost controls. The most relevant items impacted by inflation to the Company are the cost to insure and maintain the fleet. Significant inflation has been experienced in insurance and claims costs related to health insurance and claims as well as auto liability insurance and claims. Significant price increases in revenue equipment have impacted the cost for the Company to acquire new equipment. The cost increases have also impacted the cost of parts for equipment repairs and maintenance, inclusive of tires. Over the long term, general economic growth and industry supply and demand conditions have allowed increases in rates charged to customers, although these rate increases have significantly lagged the increases in tractor prices and related depreciation expense.

In addition to inflation, significant fluctuations in fuel prices can adversely affect the Company's operating results and profitability. The Company has attempted to limit the effects of increases in fuel prices through certain cost control efforts and its fuel surcharge program. The Company receives fuel surcharges on all Company Driver accounts. Although the Company historically has been able to pass through most long-term increases in fuel prices and operating taxes to customers in the form of surcharges and higher rates, these arrangements generally do not fully protect the Company from short-term fuel price increases or continued rising price environments like the Company experienced throughout 2023 and 2024. These arrangements may also prevent the Company from receiving the full benefit of any fuel price decreases. Additionally, the Company generally does not receive fuel surcharge on empty miles.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements and supplementary data are included as a separate section of this Annual Report on Form 10-K commencing on page F-1 and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

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 of December 31, 2024. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, are controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the Securities and Exchange Commission (the “SEC”). Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on this evaluation of our disclosure controls and procedures as of December 31, 2024, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective due to the material weakness in internal controls over financial reporting described below.

Notwithstanding the material weakness in our internal control over financial reporting, our Chief Executive Officer and Chief Financial Officer have concluded that our Condensed Consolidated Financial Statements present fairly, in all material respects, our financial position, results of operations and cash flows in accordance with GAAP.

In connection with the preparation of the Company’s audited financial statements for the year ended December 31, 2024, a material weakness in the Company’s internal controls over financial reporting was identified and, if our remediation is not effective, or if we fail to maintain an effective system of internal controls over financial reporting in the future, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect investor confidence and profitability.

We have identified a material weakness in the Company’s internal controls over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal controls over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness identified was related to IT general controls in Company’s financial systems and closing processes including account reconciliations and review surrounding the close process.

Remediation steps are being taken designed to improve the Company’s internal controls over financial reporting to address the underlying causes, including: designing and implementing increased controls, increased oversight and review of technical systems and engaging third-parties. We continue to work on other remediation initiatives.

While we believe that these efforts will improve the Company’s internal controls 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. If the steps we take do not remediate the material weaknesses in a timely manner, there could continue to be a reasonable possibility that these control deficiencies or others could result in a material misstatement of our annual or interim financial statements that would not be prevented or detected on a timely basis. If we are unable to successfully remediate our existing or any future material weakness, the accuracy of our financial reporting may be adversely affected, which could cause investors to lose confidence in our financial reporting and our share price and profitability may decline as a result.

Management's Report on Internal Control Over Financial Reporting

This Annual Report does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of the company's registered public accounting firm due to a transition period established by rules of the SEC for newly public companies.

Changes in Internal Control Over Financial Reporting

Except for the enhancements to controls to address the material weakness discussed above, there were no changes to our internal control over financial reporting during the twelve months ended December 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION

Rule 10b5-1 Plans

None of our officers or directors, as defined in Rule 16a-1(f), adopted, modified, or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as defined in Item 408 of Regulation S-K, during the three months ended December 31, 2024.

2025 Annual Meeting of Stockholders

We currently plan to hold our 2025 Annual Meeting of Stockholders (the "2025 Annual Meeting") on May 6, 2025. The time and location of the 2025 Annual Meeting, and the matters to be considered, will be as set forth in our definitive proxy statement for the 2025 Annual Meeting to be filed with the SEC.

In order for a stockholder to submit a proposal for inclusion in the Company's proxy materials for the 2025 Annual Meeting, the stockholder must comply with the requirements set forth in the Company's amended and restated bylaws and Rule 14a-8, including with respect to the subject matter of the proposal, and must deliver the proposal and all required documentation to the Company no later than April 7, 2025. The public announcement of an adjournment or postponement of the date of the 2025 Annual Meeting will not commence a new time period (or extend any time period) for submitting a proposal pursuant to Rule 14a-8.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

Part III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table summarizes information about each one of our executive officers as of December 31, 2024.

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>
Richard O'Dell	63	Chief Executive Officer
Amy Rice	46	President and Chief Operating Officer
Brad Wright	64	Chief Financial Officer and Secretary

Information required to be furnished in response to this Item 10 can be found in the Company's proxy statement for the 2025 annual meeting of stockholders, which will be filed within 120 days after the close of the 2024 fiscal year (the "Proxy Statement") under the headings "Proposal No. 1: Item 1 - Election of the Board of Directors," "Other Matters - Delinquent Section 16(a) Reports," "Stockholder Engagement – Stockholder Recommendations and Nominations of Director Candidates" and "Proposal No. 1: Item 1 - Election of the Board of Directors- Board of Directors – Audit Committee," That information is incorporated into this report by reference.

Code of Ethics and Business Conduct

We have adopted a code of ethics that applies to all of our employees, including our principal executive officer, our principal financial officer and our principal accounting officer. This code of ethics can be found on the investor relations portion of our website, at www.proficientautologistics.com. We intend to disclose any amendment to, or waiver from, a provision of this code of ethics by posting such information on the investor relations portion of our website. Information found on our website is not part of this Annual Report or any other report filed with the SEC.

Insider Trading Policies

The Company has adopted an insider trading policy that governs the purchase, sale, and/or other transactions of our securities by our directors, officers and employees. A copy of our insider trading policy is filed as Exhibit 19.1 to this Annual Report. In addition, with regard to the Company's trading in its own securities, it is the Company's policy to comply with the federal securities laws and the applicable exchange listing requirements.

ITEM 11. EXECUTIVE COMPENSATION

Information required to be furnished in response to this Item 11 can be found in the Proxy Statement under the headings "Compensation discussion and analysis," "Compensation Committee report," "Corporate governance - Compensation Committee Interlocks and Insider Participation," "Executive compensation" and "Director compensation." That information is incorporated into this report by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Additional information in response to this Item 12 can be found in the Proxy Statement under the heading "Security ownership of certain beneficial owners and management." That information is incorporated into this Annual Report by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information in response to this Item 13 can be found in the Proxy Statement under the headings "Corporate governance - Director independence," "Corporate Governance - Committee member qualifications" and "Certain relationships and related transactions." That information is incorporated into this Annual Report by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information in response to this Item 14 can be found in the Proxy Statement under the headings "Audit Committee report and payment of fees to auditor - Fees to independent auditor" and "Audit Committee report and payment of fees to auditor - Administration of engagement of independent auditor." That information is incorporated into this Annual Report by reference.

Part IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENTS

(a) Financial Statements and Notes to the Consolidated Financial Statements

See Index to Consolidated Financial Statements on page F-1 at beginning of attached financial statements.

(b) Exhibits

Exhibit Number	Description
2.1	<u>Stock Purchase Agreement, dated as of December 21, 2023, by and among the Company, PAL Stock Acquiror, Inc., Leonel Munoz, Ramon Munoz and Tribeca Automotive Inc. (filed as Exhibit 10.8 to the Company's Registration Statement on Form S-1 filed on April 11, 2024, and incorporated herein by reference).</u>
2.2	<u>Contribution Agreement, dated as of December 21, 2023, by and among the Company, Leonel Munoz, Ramon Munoz and Tribeca Truck Leasing LLC (filed as Exhibit 10.9 to the Company's Registration Statement on Form S-1 filed on April 11, 2024, and incorporated herein by reference).</u>
2.3	<u>Agreement and Plan of Merger, dated as of December 21, 2023, by and among the Company, ELI Merger Sub, Inc., Jesus Holguin, Raul Silva and Excel Leasing, Inc. (filed as Exhibit 10.10 to the Company's Registration Statement on Form S-1 filed on April 11, 2024, and incorporated herein by reference).</u>
2.4	<u>Stock Purchase Agreement, dated as of December 21, 2023, by and among the Company, PAL Stock Acquiror, Inc., Jesus Holguin, Raul Silva, and Deluxe Auto Carriers, Inc. (filed as Exhibit 10.11 to the Company's Registration Statement on Form S-1 filed on April 11, 2024, and incorporated herein by reference).</u>
2.5	<u>Contribution Agreement, dated as of December 21, 2023, by and among the Company, Proficient Auto Transport, Inc., the shareholder listed thereto and BOCF, LLC (filed as Exhibit 10.12 to the Company's Registration Statement on Form S-1 filed on April 11, 2024, and incorporated herein by reference).</u>
2.6	<u>Stock Purchase Agreement, dated as of December 21, 2023, by and among the Company, PAL Stock Acquiror, Inc., Proficient Auto Transport, Inc., the shareholder listed thereto and BOCF, LLC (filed as Exhibit 10.13 to the Company's Registration Statement on Form S-1 filed on April 11, 2024, and incorporated herein by reference).</u>
2.7	<u>Agreement and Plan of Merger, dated as of December 21, 2023, by and among the Company, WCL Merger Sub, Inc., William E. Scanlon, Trustee of the William E. Scanlon Living Trust Utd 7/29/05 and West Coast Leasing Company, Inc. (filed as Exhibit 10.14 to the Company's Registration Statement on Form S-1 filed on April 11, 2024, and incorporated herein by reference).</u>
2.8	<u>Stock Purchase Agreement, dated as of December 21, 2023, by and among the Company, PAL Stock Acquiror, Inc., William E. Scanlon Living Trust Utd 7/29/05 and Sierra Mountain Group, Inc. (filed as Exhibit 10.15 to the Company's Registration Statement on Form S-1 filed on April 11, 2024, and incorporated herein by reference).</u>
2.9	<u>Contribution Agreement, dated as of December 21, 2023, by and among the Company, John Skiadas, Delta Auto Brokers, LLC, North East Fleet Services, Inc., Delta Automotive Services, Inc. and the sellers listed thereto (filed as Exhibit 10.16 to the Company's Registration Statement on Form S-1 filed on April 11, 2024, and incorporated herein by reference).</u>
2.10	<u>Amendment No. 1 to Contribution Agreement, dated as of April 26, 2024, by and among the Company, John Skiadas, Delta Auto Brokers, LLC, North East Fleet Services, Inc., Delta Automotive Services, Inc. and the sellers listed thereto (filed as Exhibit 10.21 to the Company's Registration Statement on Form S-1 filed on April 29, 2024, and incorporated herein by reference).</u>
2.11	<u>Purchase Agreement, dated as of December 21, 2023, by and among the Company, PAL Stock Acquiror, Inc., John Skiadas, Delta Automotive Services, Inc. and the sellers listed thereto (filed as Exhibit 10.17 to the Company's Registration Statement on Form S-1 filed on April 11, 2024, and incorporated herein by reference).</u>
3.1	<u>Third Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 15, 2024, and incorporated herein by reference).</u>
3.2	<u>Amended and Restated Bylaws of the Company (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed on May 15, 2024, and incorporated herein by reference).</u>
4.1	<u>Description of the Company's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934</u>
4.2	<u>Form of Common Stock Certificate (filed as Exhibit 4.1 to the Company's Registration Statement on Form S-1 filed on April 29, 2024, and incorporated herein by reference).</u>
10.1*	<u>Form of Indemnification Agreement, between the Company and its directors and officers (filed as Exhibit 10.1 to the Company's Registration Statement on Form S-1 filed on April 23, 2024, and incorporated herein by reference).</u>
10.2*	<u>Proficient Auto Logistics, Inc. 2024 Long-Term Incentive Plan, and forms of award agreements (filed as Exhibit 10.2 to the Company's Registration Statement on Form S-1 filed on April 23, 2024, and incorporated herein by reference).</u>
10.3*	<u>2024 Non-Employee Director Compensation Policy (filed as Exhibit 10.3 to the Company's Registration Statement on Form S-1 filed on April 23, 2024, and incorporated herein by reference).</u>
10.4*	<u>Executive Employment Agreement, dated as of November 30, 2023, by and between Brad Wright and the Company (filed as Exhibit 10.5 to the Company's Registration Statement on Form S-1 filed on April 23, 2024, and incorporated herein by reference).</u>

10.5*	Executive Employment Agreement, dated as of April 22, 2024, by and between Richard O'Dell and the Company (filed as Exhibit 10.7 to the Company's Registration Statement on Form S-1 filed on April 29, 2024, and incorporated herein by reference).
10.6*	Executive employment agreement, dated August 14, 2024, between Proficient Auto Logistics, Inc. and Amy Rice (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 14, 2024, and incorporated herein by reference).
10.7	Registration Rights Agreement (filed as Exhibit 4.2 to the Company's Registration Statement on Form S-1 filed on April 23, 2024, and incorporated herein by reference).
10.8	Loan Agreement, dated November 8, 2024, by and among Proficient Auto Logistics, Inc. and certain of its subsidiaries, as the borrower, and Pinnacle Bank, as lender (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 14, 2024, and incorporated herein by reference).
10.9*+	Consulting Agreement, dated January 26, 2025, by and among Proficient Auto Logistics, Inc., Delta Automotive Services, LLC (d/b/a Delta Transport), and John Skiadas (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 30, 2025, and incorporated herein by reference).
19.1	Insider Trading Policy
21.1	Subsidiaries of the Registrant
23.1	Consent of Grant Thornton LLP, independent registered public accountants
31.1	Certification by principal executive officer pursuant to Rule 13A-14(a) or 15D-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by principal financial officer pursuant to Rule 13A-14(a) or 15D-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
97.1	Clawback Policy
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Indicates a management contract or compensatory plan or arrangement.

+ Information in this exhibit has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

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

PROFICIENT AUTO LOGISTICS, INC.

March 28, 2025

By: /s/ Richard O'Dell
Richard O'Dell
Chief Executive Officer
(Principal Executive Officer)

March 28, 2025

By: /s/ Brad Wright
Brad Wright
Chief Financial Officer and Secretary
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities on March 28, 2025.

<u>Name</u>	<u>Position(s)</u>
<u>/s/ Richard O'Dell</u> Richard O'Dell	Chief Executive Officer (Principal Executive Officer); Director
<u>/s/ Brad Wright</u> Brad Wright	Chief Financial Officer (Principal Financial and Accounting Officer)
<u>/s/ Charles A. Alutto</u> Charles A. Alutto	Director
<u>/s/ Douglas L. Col</u> Douglas L. Col	Director
<u>/s/ Brenda R. Frank</u> Brenda R. Frank	Director
<u>/s/ James B. Gattoni</u> James B. Gattoni	Director
<u>/s/ Steve Lux</u> Steve Lux	Director
<u>/s/ John F. Schraudenbach</u> John F. Schraudenbach	Director
<u>/s/ John Skaidas</u> John Skaidas	Director

Proficient Auto Logistics, Inc.
Form 10-K
For the Fiscal Year Ended December 31, 2024
Item 8, and Item 15(a)
Index to Financial Statements and Schedule

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Proficient Auto Logistics, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheet of Proficient Auto Logistics, Inc. (Successor) (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2024 and the consolidated balance sheet of Proficient Auto Transport, Inc. (Predecessor) (a Delaware corporation) and subsidiaries as of December 31, 2023; the related consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows for the year ended December 31, 2024 (Successor), the period from January 1, 2024 to May 12, 2024 (Predecessor), and the years ended December 31, 2023 and December 31, 2022 (Predecessor); and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 (Successor) and of the Predecessor as of December 31, 2023, and the results of their operations and their cash flows for the year ended December 31, 2024 (Successor), the period from January 1, 2024 to May 12, 2024 (Predecessor), and the years ended December 31, 2023 and December 31, 2022 (Predecessor), in conformity with accounting principles generally accepted in the United States of America.

Basis for opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2023.

Tulsa, Oklahoma
March 28, 2025

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	Successor December 31, 2024	Predecessor December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 15,398,714	\$ 4,273
Accounts receivable, less allowance for credit losses (2024 - \$134,372; 2023 - \$634,913)	37,394,656	19,799,044
Net investment in leases, current portion	266,447	32,374
Maintenance supplies	1,356,814	822,855
Assets held for sale	265,900	—
Income tax receivable	2,944,742	—
Prepaid expenses and other current assets	10,060,169	2,769,005
Total current assets	<u>67,687,442</u>	<u>23,427,551</u>
Property and equipment, net of accumulated depreciation (2024 - \$15,541,572; 2023 - \$16,211,133)	122,636,636	17,998,750
Operating lease right-of-use assets	10,970,536	4,457
Net investment in leases, less current portion	175,330	2,681
Deposits	4,676,679	1,033,642
Goodwill	169,056,675	—
Intangible assets, net of accumulated amortization (2024 - \$5,709,360; 2023 - \$0)	132,490,640	—
Other long-term assets	393,006	527,952
Total assets	<u>\$ 508,086,944</u>	<u>\$ 42,995,033</u>
Liabilities, mezzanine equity, and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 9,829,355	\$ 2,539,198
Book overdraft	—	891,410
Accrued liabilities	21,826,519	7,803,359
Income tax payable	—	1,174,959
Finance lease liabilities, current portion	89,184	1,306,024
Operating lease liabilities, current portion	1,825,970	4,456
Long-term debt, current portion	19,052,903	1,599,699
Total current liabilities	<u>52,623,931</u>	<u>15,319,105</u>
Long-term liabilities:		
Line of credit	7,000,000	3,450,129
Finance lease liabilities, less current portion	8,343	273,096
Operating lease liabilities, less current portion	9,258,234	—
Long-term debt, less current portion	56,336,911	5,035,478
Deferred tax liability, net	42,638,079	2,283,833
Other long-term liabilities	2,241,923	—
Total liabilities	<u>170,107,421</u>	<u>26,361,641</u>
Commitments and contingencies (Note 18)		
Mezzanine equity:		
Series A convertible, redeemable, preferred stock, \$0.01 par value; 10,000,000 shares authorized; 0 and 3,066,923 shares issued and outstanding as of December 31, 2024 and December 31, 2023 respectively	—	8,880,672
Stockholders' equity:		
Common stock, \$0.01 par value; 50,000,000 shares authorized; 27,069,114 and 0 shares issued and outstanding as of December 31, 2024 and December 31, 2023 respectively	270,691	—
Common stock, \$0.01 par value; 10,000,000 shares authorized; 392,825 shares issued and outstanding	—	3,928
Additional paid in capital	346,756,929	—
(Accumulated deficit) retained earnings	(9,048,097)	7,748,792
Total stockholders' equity	<u>337,979,523</u>	<u>7,752,720</u>
Total liabilities, mezzanine equity and stockholders' equity	<u>\$ 508,086,944</u>	<u>\$ 42,995,033</u>

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

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Successor	Predecessor		
	December 31, 2024	Period from January 1, 2024 to May 12, 2024	December 31, 2023	December 31, 2022
Operating revenue				
Revenue, before fuel surcharge	\$ 222,055,006	\$ 38,947,787	\$ 126,437,360	\$ 116,108,865
Fuel surcharge and other reimbursements	16,302,886	2,073,087	9,318,633	14,051,209
Other Revenue	1,509,218	—	—	—
Lease Revenue	987,417	196,814	—	—
Total operating revenue	240,854,527	41,217,688	135,755,993	130,160,074
Operating Expenses				
Salaries, wages and benefits	45,640,725	27,483,771	20,435,466	22,893,321
Stock-based compensation	8,883,142	—	—	—
Fuel and fuel taxes	16,128,862	1,119,549	4,461,319	7,213,180
Purchased transportation	119,908,760	25,995,763	83,843,297	70,337,687
Truck expenses	12,952,229	1,886,793	7,038,663	7,063,977
Depreciation	15,699,025	934,988	2,523,971	2,289,026
Intangible amortization	5,709,360	—	—	—
Gain on sale of equipment	(149,683)	(235,081)	(173,859)	(47,847)
Insurance premiums and claims	13,396,730	1,107,047	3,161,673	2,554,731
General, selling, and other operating expenses	10,577,918	3,944,823	4,112,009	3,162,408
Total Operating Expenses	248,747,068	62,237,653	125,402,539	115,466,483
Operating (loss) income	(7,892,541)	(21,019,965)	10,353,454	14,693,591
Other income and (expense)				
Interest expense	(4,007,661)	(717,431)	(953,667)	(1,163,508)
Acquisition Costs	(1,226,915)	—	—	—
Adjustment of Earn Out Contingency	3,095,114	—	—	—
Other income, net	311,351	2,078	—	—
Total other expense, net	(1,828,111)	(715,353)	(953,667)	(1,163,508)
(Loss) Income before income taxes	(9,720,652)	(21,735,318)	9,399,787	13,530,083
Income tax (benefit) expense	(1,245,384)	(6,350,642)	2,243,617	3,130,964
Net (loss) income	\$ (8,475,268)	\$ (15,384,676)	\$ 7,156,170	\$ 10,399,119
Loss Per Share				
Basic & Diluted	\$ (0.47)			
Weighted Average Shares				
Basic & Diluted	17,937,853			

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

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

Successor

	Common Stock		Additional Paid in Capital	Accumulated Deficit	Total Equity
	Shares	Amount			
Balance, December 31, 2023	2,939,130	\$ 29,391	\$ 932,609	\$ (572,829)	\$ 389,171
Issuance of shares through IPO	15,768,333	157,683	212,134,166	—	212,291,849
Issuance of shares for business combinations	7,957,474	79,575	123,784,522	—	123,864,097
Other	—	—	1,026,532	—	1,026,532
Issuance of restricted shares	404,177	—	—	—	—
Stock-based compensation	—	4,042	8,879,100	—	8,883,142
Net loss	—	—	—	(8,475,268)	(8,475,268)
Balance, December 31, 2024	<u>27,069,114</u>	<u>\$ 270,691</u>	<u>\$ 346,756,929</u>	<u>\$ (9,048,097)</u>	<u>\$ 337,979,523</u>

Predecessor

	Common stock		Retained earnings	Total Equity
	Shares	Amount		
Balance, December 31, 2021	392,825	\$ 3,928	\$ (7,874,003)	\$ (7,870,075)
Accrued and unpaid dividends on Series A preferred stock	—	—	(984,914)	(984,914)
Net income	—	—	10,399,119	10,399,119
Balance, December 31, 2022	392,825	\$ 3,928	\$ 1,540,202	\$ 1,544,130
Accrued and unpaid dividends on Series A preferred stock	—	—	(947,580)	(947,580)
Net income	—	—	7,156,170	7,156,170
Balance, December 31, 2023	392,825	\$ 3,928	\$ 7,748,792	\$ 7,752,720
Accrued and unpaid dividends on Series A preferred stock	—	—	(260,526)	(260,526)
Net loss	—	—	(15,384,676)	(15,384,676)
Balance, May 12, 2024	<u>392,825</u>	<u>\$ 3,928</u>	<u>\$ (7,896,410)</u>	<u>\$ (7,892,482)</u>

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

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Successor	Predecessor		
	December 31, 2024	Period from January 1, 2024 to May 12, 2024	December 31, 2023	December 31, 2022
Cash flows from operating activities:				
Net (loss) income	\$ (8,475,268)	\$ (15,384,676)	\$ 7,156,170	\$ 10,399,119
Adjustments to reconcile net (loss) income to net cash flows provided by operating activities:				
Stock-based compensation	8,883,142	—		
Provision for credit losses	134,372	53,000	298,000	(9,712)
Depreciation and amortization expense	21,408,385	934,988	2,523,971	2,289,026
Gain on sale of equipment	(149,683)	(235,081)	(173,859)	(47,847)
Sales-type lease revenue	—	—	(25,000)	(60,094)
Interest income	(19,679)	(273)	(2,488)	(3,448)
Amortization of debt issuance costs	92,559	4,795	13,115	38,392
Deferred income tax expense (benefit)	(1,406,439)	(3,697,804)	857,606	1,650,312
Operating lease expense	1,064,232	25,404	28,918	177,742
Adjustment of Earn Out Contingency	(3,095,114)	—	—	—
Change in operating assets and liabilities:				
Accounts receivable	2,524,336	7,745,840	(1,617,276)	(8,323,632)
Net investment in leases	151,005	11,515	110,469	94,942
Maintenance supplies	(261,676)	305,619	(153,927)	(315,287)
Income tax receivable	(304,615)	(2,640,127)	—	—
Prepaid expenses and other assets	(2,686,326)	1,029,275	(273,031)	245,612
Deposits	(274,761)	42,954	(122,454)	(543,046)
Accounts payable	(5,767,241)	(159,661)	798,800	617,760
Book overdraft	—	(891,410)	(243,716)	684,549
Accrued liabilities	(69,006)	22,055,094	1,498,411	1,191,160
Income tax payable	(78,700)	(1,174,959)	89,083	1,065,449
Settlement liability	—	—	—	(3,025,000)
Operating lease liabilities	(950,563)	(27,951)	(29,314)	(177,347)
Net cash flows provided by operating activities	<u>10,718,960</u>	<u>7,996,542</u>	<u>10,733,478</u>	<u>5,948,650</u>
Cash flows from investing activities:				
Proceeds from sale of equipment	1,581,123	252,441	709,916	195,844
Purchases of property and equipment	(6,176,910)	(303,534)	(515,661)	(642,986)
Business combinations, net of cash acquired	(200,437,521)	—	—	—
Net cash flows (used in) provided by investing activities	<u>(205,033,308)</u>	<u>(51,093)</u>	<u>194,255</u>	<u>(447,142)</u>
Cash flows from financing activities:				
Proceeds from line of credit	20,918,664	13,265,526	134,931,841	119,103,397
Proceeds from long-term debt	20,422,522	—	—	—
Repayments of line of credit	(16,830,384)	(16,715,655)	(137,737,169)	(122,655,418)
Repayments of long-term debt	(23,268,572)	(719,572)	(1,877,266)	(845,088)
Repayment of SBA Loan	(3,838,654)	—	—	—
Repayments of finance lease obligations	(53,771)	(1,427,821)	(1,244,490)	(1,137,709)
Payment of finance fees	(386,825)	—	—	(17,616)
Dividend Paid on Series A Preferred Stock	—	—	(5,000,000)	—
Common stock issued at IPO	212,291,849	—	—	—
Net cash flows provided by (used in) financing activities	<u>209,254,829</u>	<u>(5,597,522)</u>	<u>(10,927,084)</u>	<u>(5,552,434)</u>
Net change in cash and cash equivalents	14,940,481	2,347,927	649	(50,926)
Cash and cash equivalents, beginning of period	458,233	4,273	3,624	54,550
Cash and cash equivalents, end of period	<u>\$ 15,398,714</u>	<u>\$ 2,352,200</u>	<u>\$ 4,273</u>	<u>\$ 3,624</u>
Supplemental disclosure of cash flow information:				
Cash paid for interest	<u>\$ 3,697,314</u>	<u>\$ 786,925</u>	<u>\$ 1,118,976</u>	<u>\$ 1,150,854</u>
Cash paid for taxes	<u>\$ 1,958,965</u>	<u>\$ 1,187,370</u>	<u>\$ 1,254,412</u>	<u>\$ 415,203</u>
Noncash investing and financing activity:				
Addition of right-of-use asset upon adoption of ASC 842	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 211,117</u>
Right of use assets obtained in exchange for lease liability	<u>\$ 12,034,768</u>	<u>\$ 328,489</u>	<u>\$ —</u>	<u>\$ —</u>
Equipment financed through long-term debt	<u>\$ 22,230,556</u>	<u>\$ —</u>	<u>\$ 4,842,685</u>	<u>\$ 303,740</u>

Accrued and unpaid dividends	<u>\$ —</u>	<u>\$ 260,526</u>	<u>\$ 947,580</u>	<u>\$ 984,914</u>
Issuance of shares for business combinations	<u>\$ 123,864,097</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Nature of operations

AH Acquisition Corp. was formed on June 13, 2023, pursuant to the laws of the State of Delaware to become a holding company for the consolidation of several operating companies within the automobile transportation industry. Subsequently, on October 17, 2023, AH Acquisition Corp. legally changed its name to Proficient Auto Logistics, Inc (“Proficient,” the “Company,” or “We”).

Proficient is an industry leading specialized freight company focused on providing auto transportation and logistics services. The Company offers a broad range of auto transportation and logistics services, primarily focused on transporting finished vehicles from automotive production facilities, marine ports of entry, or regional rail yards to auto dealerships around the country. We have developed a differentiated business model due to our scale, breadth of geographic coverage, and embedded customer relationships with leading auto original equipment manufacturing companies (“OEMs”). Our customers range from large, global auto companies, such as General Motors, BMW, Stellantis, and Mercedes Benz, to electric vehicle (“EV”) producers, such as Tesla and Rivian. Additional customers include auto dealers, auto auctions, rental car companies, and auto leasing companies. Proficient operates an asset-based Company Drivers service (“Company Drivers”) on behalf of the manufacturers as well as various third-party logistics management companies or brokers. In addition, Proficient provides third party logistics to other transportation companies under an asset-light freight model (“Brokered”).

Note 2 — Summary of significant accounting policies

Basis of Presentation — The consolidated financial statements and footnotes have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

On May 13, 2024, Proficient Auto Logistics, Inc. (“Proficient”) completed the initial public offering (the “IPO”) of its common stock. Prior to the IPO, Proficient had entered into agreements (the “Combination Agreements”) to acquire in multiple, separate acquisitions (the “Combinations”) five operating businesses and their respective affiliated entities, as applicable, operating under the following names: (i) Delta Automotive Services, Inc. (which converted to Delta Automotive Services, LLC in an F-reorganization on April 29, 2024), doing business as Delta Auto Transport, Inc. (“Delta”), (ii) Deluxe Auto Carriers, Inc. (“Deluxe”), (iii) Sierra Mountain Group, Inc. (“Sierra”), (iv) Proficient Auto Transport, Inc. (“Proficient Transport”), and (v) Tribeca Automotive Inc. (“Tribeca” and, together with Delta, Deluxe, Sierra, and Proficient Transport, the “Founding Companies”). On May 13, 2024, in connection with the closing of the IPO, Proficient also completed the acquisitions of all the Founding Companies.

Thereafter, on August 16, 2024, the Company acquired Auto Transport Group, LC, (“ATG”) for approximately \$28.9 million in cash and 1,069,346 shares of our common stock. Subsequently on November 1, 2024, the Company acquired Utah Truck & Trailer Repair, LLC, (“UTT”), a repair facility located at the ATG headquarters terminal in Ogden, Utah for \$4.5 million in cash. These acquisitions expanded the Company’s geographic presence and services offered.

The Combinations and subsequent acquisitions are accounted for as business combinations under ASC 805. Under this method of accounting, Proficient Auto Logistics, Inc. is treated as the “accounting acquirer.”

Proficient has been identified as the designated accounting acquirer (“Successor”) of each of the Founding Companies and Proficient Transport has been identified as the designated accounting predecessor (“Predecessor”) to the Company. As a result, the consolidated financial statements as of, and for period ended, December 31, 2024 for Proficient (which includes results of operations from the period May 13, 2024 to December, 2024 from the acquired businesses as well as expenses from the acquiring entity for the year ended December 31, 2024) and consolidated financial statements for the period January 1, 2024 through May 12, 2024 for Proficient Transport are included in this Annual Report on Form 10-K. A black-line between the Successor and Predecessor periods has been placed in the Consolidated Balance Sheets, Consolidated Statements of Operations, Consolidated Statements of Stockholders’ Equity (Deficit), Consolidated Statements of Cash Flows and in the tables to the notes to the consolidated financial statements to highlight the lack of comparability between these two periods. Please refer to Note 3, “Business Combinations.”

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

Principles of Consolidation — The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and accounts have been eliminated.

Use of Estimates – The preparation of these consolidated financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and such differences could be material. Significant estimates include the accrual for insurance and claims liabilities; litigation and loss contingency claims; initial value and ongoing adjustments to earn out contingencies; income tax liabilities; and several aspects of property and equipment and intangible assets including determining useful lives, upfront purchase price allocation valuation of these assets, and ongoing assessments of impairment.

Cash and Cash Equivalents – Cash includes all highly liquid investment instruments with an original maturity of three months or less. Cash balances with institutions may be in excess of Federal Deposit Insurance Corporation (“FDIC”) limits or may be invested in sweep accounts that are not insured by the institution, the FDIC, or any other government agency. As of December 31, 2024, and 2023, the Company had cash balances in excess of \$250,000 FDIC insured limits of \$12,124,330, and \$0, respectively.

Accounts Receivable — Accounts receivable represents customer obligations due under normal trade terms. At the beginning of the year ended December 31, 2022 (Predecessor), the balance of Accounts Receivable, net of provisions of \$345,506, was \$10,146,424. Accounts receivable originating in the normal course of business are recorded at cost, and balances acquired from business combinations are recorded at fair value which approximates their net book value due to the short term nature of the balances. The Company reviews accounts receivable on a continuing basis to determine if any receivables are potentially uncollectible. The Company writes off uncollectible receivables based on specifically identified amounts determined to be uncollectible. Actual write-offs could differ from management’s estimate. The Company maintains allowances for credit losses on its trade receivables. The Company estimates the allowance for credit losses by applying a loss rate based on historical write-offs, factors surrounding the credit risk of specific customers, and forecasts of future economic conditions. To gather information regarding these trends and factors, the Company performs ongoing credit evaluations of customers, an analysis of accounts receivable aging by business segment, and an analysis of future economic conditions at period end. Provisions for estimated credit losses are recorded within the “General, selling, and other operating expenses”. The following is roll forward of the allowance:

	Successor	Predecessor		
	December 31, 2024	Period from January 1, 2024 to May 12, 2024	December 31, 2023	December 31, 2022
Beginning Balance	\$ -	\$ 634,913	\$ 342,576	\$ 345,506
Provision	134,372	53,000	298,000	6,782
Recoveries	-	-	(5,663)	(9,712)
Other ¹	-	(687,913)	-	-
Ending Balance	\$ 134,372	\$ -	\$ 634,913	\$ 342,576

¹ The Other row for the Predecessor period ending May 12, 2024 reflects the impact of the recognition of Accounts Receivable at fair value as a result of the Combination Agreements. Refer to Note 3 for further information.

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

Maintenance Supplies – Maintenance supplies consist primarily of parts, materials and supplies for servicing the Company’s revenue and service equipment that are held for maintenance on the Company’s transportation equipment and are not available for sale to the general public.

Deposits - The Company maintains deposits in a financial institution that, at times, exceed the \$250,000 insured by the FDIC. The Company believes there is no significant risk with respect to these deposits. As of December 31, 2024, and 2023, deposit balances in excess of \$250,000 FDIC insured limits of \$3,423,331, and \$0, respectively.

Property and Equipment – Property and equipment is stated at cost. The Company depreciates its property and equipment using the straight-line method over the following estimated useful lives:

Asset Group	Useful Lives
Buildings and improvements	5-39 years
Furniture and equipment	2-7 years
Machinery and equipment	5-7 years
Software and computer equipment	3-5 years
Transportation equipment	5-10 years

Leasehold improvements are amortized over the lesser of the estimated useful lives or the length of the lease. At December 31, 2024, the weighted-average remaining lease term was 7.2 years.

Significant renewals and betterments are capitalized, while expenditures for normal repairs and maintenance are charged to expense as incurred.

Upon the retirement of property and equipment, the related asset cost and accumulated depreciation are removed from the accounts and any gain or loss is recorded in the Company’s consolidated statements of Operations.

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

Claims and Insurance Accruals - Claims and insurance accruals consist of cargo loss, physical damage, group health, liability (personal injury and property damage) and workers' compensation claims and associated legal and other expenses within the Company's established retention levels. Claims in excess of retention levels are generally covered by insurance in amounts the Company considers adequate. Claims accruals represent the uninsured portion of the loss and if we are the primary obligor, the insured portion of pending claims at December 31, 2024, and 2023, plus an estimated liability for incurred but not reported claims and the associated expense.

Accruals for cargo loss, physical damage, group health, liability and workers' compensation claims are estimated based on the Company's evaluation of the type and severity of individual claims and future development based on historical trends. As of December 31, 2024, and 2023, the Company recorded total claims and insurance accruals of \$5,721,891 and \$2,209,173, respectively, within accrued liabilities on the consolidated balance sheet. Proficient Transport is the only entity that is self-insured for its group health insurance plan. The amount recorded for the Proficient Transport's group health accrual as of December 31, 2024 and 2023, was based in part upon actuarial studies performed by a third-party actuary.

Revenue Recognition – The Company generates revenue primarily from shipments of automobiles through the Company's Company Drivers and Brokered operations. These shipments represent the Company's single performance obligation for each delivery arising from contracts entered into with customers who are mostly automobile manufacturers. Revenue is recognized in an amount that reflects the consideration that is expected to be received in exchange for the transportation and logistical services performed, which are based on fixed contractual cash payments. Revenue is recognized when the performance obligation is satisfied, which occurs over time with the transit of the shipments from origin to destination. Revenue is recognized based on the miles driven compared to the total miles scheduled for each delivery. The Company estimates the number of miles driven as the basis for determining the amount of revenue to be recognized for partially fulfilled obligations as of the reporting period. Accessorial charges for fuel surcharges as well as other reimbursements are part of the consideration we receive for the single performance obligation of delivering shipments.

The Company has elected to utilize the practical expedient in ASC 606-10-32-18 and does not account for the effects of a significant financing component if the period between when the Company transfers a good or service to the customer and when the customer pays for that good or service is one year or less. Contracts entered with our customers do not contain any material financing components as standard payment terms range from 30 to 60 days. Payment terms in the Company's contracts vary by the type and location of the Company's customer and services offered.

In some instances, the Company outsources the transportation of the loads to third-party carriers. The Company is a principal in these arrangements, as we have the primary responsibility to meet the customer's requirements and have discretion over the pricing of the services charged to the customer. In these instances, the Company records the revenue collected on a gross basis, and recognizes the corresponding costs incurred within purchased transportation on the consolidated statements of operations.

The Company's revenue disaggregation is presented on the consolidated statements of operations and within Note 15 Segment reporting.

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

The Company has elected to use the practical expedient in ASC 340-40-25-4 and recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that would have been recognized is one year or less. The Company does not typically incur incremental costs in obtaining a contract from its customers, however, if the Company did, the costs would be expensed as incurred as its sales contracts have a duration of less than one year. Such costs would be included in the General, selling, and other operating expenses caption of the consolidated statements of operations.

Defined contribution plans –The Company and its subsidiaries have defined contribution 401(k) plans that cover substantially all employees. The plans permit eligible participants to defer a portion of their eligible compensation, defined by each subsidiaries plan, ranging from 90% to 100%, not to exceed \$69,000 as determined under Section 401(k) of the IRC. For our Safe Harbor Plans, the Company matches 100% of participant contributions up to the first 4% of annual compensation. For the non-safe harbor plans, matching is discretionary. The Company’s matching expense for the 401(k) plans totaled \$357,161, \$87,740, \$283,000 and \$287,000 for period year-ended December 31, 2024 (Successor), for the period from January 1, 2024 to May 12, 2024 (Predecessor) and for the years ended December 31, 2023 and December 31, 2022 (Predecessor), respectively. Our plans have various vesting schedules ranging from three to six years of service.

Leases – The Company determines if an arrangement is a lease or contains a lease at inception and performs an analysis to determine whether the lease is an operating lease or a finance lease. The Company measures right-of-use (“ROU”) assets and lease liabilities at the lease commencement date based on the present value of the remaining lease payments. The Company uses the implicit rate when readily determinable. When the implicit rate is not readily determinable, the Company estimates an incremental borrowing rate based on the credit quality of the Company and by comparing interest rates available in the market for similar borrowings, and adjusting this amount based on the impact of collateral over the term of each lease. These rates are used to discount the remaining lease payments in measuring the ROU asset and lease liability.

Lease expense for operating leases is recognized on a straight-line basis over the lease term. For finance leases, the Company recognizes depreciation expense from the depreciation of the ROU asset and interest expense on the related lease liability. The Company does not separate lease and non-lease components of contracts. The nature of the non-lease components in the Company’s leases include common area maintenance and related services as part of its building leases. Leases with an initial term of twelve months or less are not recorded on the consolidated balance sheet and lease expense is recognized on a straight-line basis over the lease term.

Advertising Costs – Advertising costs are expensed when incurred. Advertising costs totaled \$31,117, \$2,859, \$6,800 and \$32,089 for the years ended December 31, 2024, for the period from January 1, 2024 to May 12, 2024 (Predecessor), for the years ended December 31, 2023 and December 31, 2022 (Predecessor), respectively, and are included in general, selling and other operating expenses on the consolidated statements of operations.

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

Income Taxes – Income taxes are accounted for under the asset-and-liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income or expense in the period that includes the enactment date.

The Company evaluates the need for a valuation allowance on deferred tax assets based on whether it believes that it is more likely than not all deferred tax assets will be realized. A consideration of future taxable income is made as well as on-going prudent feasible tax planning strategies in assessing the need for valuation allowances. In the event it is determined all or part of a deferred tax asset would not be able to be realized, management would record an adjustment to the deferred tax asset and recognize a charge against income at that time.

The Company's estimate of the potential outcome of any uncertain tax issue is subject to its assessment of relevant risks, facts and circumstances existing at that time. The Company accounts for uncertain tax positions in accordance with Accounting Standards Codification ("ASC") 740, Income Taxes, and records a liability when such uncertainties meet the more likely than not recognition threshold. Potential accrued interest and penalties related to unrecognized tax benefits are recognized as a component of income tax expense.

Concentration of Credit Risks – For the year ended December 31, 2024 (Successor), our largest customer accounted for approximately 22% of operating revenue. As of December 31, 2024, our largest customer had accounted for approximately 24% of net accounts receivable. The monitors the credit risk of its customers, offering normal payment terms without collateral held or available for the balances owed.

For the year ended December 31, 2023 (Predecessor), two of our largest customers accounted for approximately 62.7% of operating revenue. As of December 31, 2023, our largest two customers had accounted for approximately 73% of gross accounts receivable.

For the year ended December 31, 2022(Predecessor), two of our largest customers accounted for approximately 66.0% of operating revenue.

Labor concentration – At December 31, 2024 (Successor) or December 31, 2023 (Predecessor), the Company's employees are not subject to union or other collective bargaining agreements.

Business Combinations — The Company accounts for business combinations using the acquisition method pursuant to ASC 805, Business Combinations. For each acquisition, the Company recognizes the assets acquired and liabilities assumed at their respective fair values as of the acquisition date. Valuations of certain assets acquired, including customer relationships, and trade names involve significant judgment and estimation. The Company uses independent valuation specialists to help determine fair value of certain assets and liabilities. Valuations utilize significant estimates, such as forecasted revenues and profits. Changes in these estimates could significantly impact on the value of certain assets and liabilities. ASC 805 establishes a measurement period to provide the Company with a reasonable amount of time to obtain the information necessary to identify and measure various items in a business combination and cannot extend beyond one year from the acquisition date. Measurement period adjustments are recognized in the reporting period in which the adjustments are determined and calculated as if the accounting had been completed as of the acquisition date. The Company expects to complete the final fair value determination of the assets acquired and liabilities assumed as soon as practicable within the measurement period, but not to exceed one year from the acquisition date.

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

Goodwill — Goodwill is recorded when the purchase price paid in a business combination exceeds the fair value of assets acquired and liabilities assumed. Goodwill is reviewed for impairment on an annual basis, or upon an occurrence of an event or changes in circumstances that indicate that the carrying value may not be recoverable.

Goodwill impairment is the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. When testing goodwill for impairment, the Company may first perform a qualitative assessment to determine whether the fair value of a reporting unit is less than its carrying amount. The Company then completes a quantitative impairment test if the qualitative assessment indicates that it is more likely than not that the reporting unit's fair value is less than the carrying value of its assets. If the estimated fair value of the reporting unit exceeds the carrying value, goodwill is not considered impaired, and no additional steps are needed. If, however, the fair value of the reporting unit is less than its carrying value, then the amount of the impairment loss is the amount by which the reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill.

Intangible Assets, Net — The Company's intangible assets consist of acquired customer relationships and trade names. Intangible assets with finite lives are amortized over their estimated useful lives using the straight-line method. Intangible assets historically have been acquired through business combinations and recorded at their purchase date estimated fair value – see Note 3.

When determining the fair value of acquired intangible assets, management makes significant estimates and assumptions, including, but not limited to, expected long-term market growth, customer retention, future expected operating expenses, costs of capital and appropriate discount rates. Finite-lived intangible assets are amortized using the straight-line method over their respective estimated useful lives. The Company amortizes its intangible assets using the straight-line method over their estimated useful lives of 15 years for customer relationships, and 10 years for trade names.

Stock-Based Compensation — Restricted Stock Units ("RSUs") have been granted to eligible employees and independent board members of the Company. As the requirement to remain employed for the necessary service period and the performance vesting criteria are based on the performance of the Company. The Company has recorded the compensation expense within stock-based compensation in the consolidated statement of operations. In accounting for stock-based compensation awards, the Company measures and recognizes the cost of employee services received in exchange for awards of equity instruments based on the grant date fair value of those awards. Compensation expense for time-vesting awards is recognized ratably using the straight-line attribution method over the vesting period, which is considered to be the requisite service period. The estimated fair value of the RSU's was determined using the fair value of the Company's common stock on the grant date.

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

Fair Value Measurements — The Company determines fair value based upon the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, as determined by either the principal market or the most advantageous market in which it transacts. The Company applies fair value accounting for all the financial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 – Observable inputs such as unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

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. These inputs are based on the Company’s own assumptions about current market conditions and require significant management judgment or estimation.

As of December 31, 2024 and December 31, 2023, the carrying value of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, and other current assets and liabilities approximates fair value due to the short maturities of these instruments. Interest rates on borrowings under long-term debt and finance lease obligations approximate the interest rates that would currently be available to the Company under similar terms, and as such, carrying value approximates fair value. Certain assets, including goodwill, intangible assets and other long-lived assets, are also subject to measurement at fair value on a nonrecurring basis (1) when they are acquired during a business combination as discussed in Note 3, and (2) if they are deemed to be impaired as a result of an impairment review.

The earn-out liability relates to the acquisition of Deluxe as discussed in Note 3 and is contingent consideration that is measured at the estimated fair value as of the date of acquisition, with subsequent changes in fair value recorded in the consolidated statements of operations. Contingent consideration is measured at fair value using a discounted cash flow model utilizing significant unobservable inputs including the probability of achieving each of the potential milestones, making it a Level 3 fair value measurement. The Company reassesses the actual consideration earned and the probability-weighted future earn-out payments at each balance sheet date. Any adjustment to the contingent consideration will be recorded in the consolidated statements of operations. On September 30, 2024, the Company evaluated the earn-out and determined the probability of payment was remote and therefore recorded a gain of \$3,095,114 in the consolidated statements of operations to fully derecognize the amount initially recorded at the acquisition date as the agreement expired in the fourth quarter of 2024 resulting in no amounts owed by the Company. The earn out liability was previously recorded in Accrued expenses on the consolidated balance sheets from the May 2024 acquisition date until the derecognition was recorded in the third quarter of 2024.

Segment Reporting — In accordance with ASC 280, *Segment Reporting*, operating segments are defined as components of an enterprise for which separate financial information is available and are regularly reviewed by the chief operating decision maker (“CODM”) in deciding how to allocate resources and in assessing performance. The CODM primarily evaluates performance based on operational results from the services provided by Company Drivers and Brokered, which represent the Company’s operating segments for the period ended December 31, 2024 (Successor), for the period from January 1, 2024 to May 12, 2024 (Predecessor), for the periods ended December 31, 2023 and December 31, 2022 (Predecessor), respectively. The Company’s CODM has been identified to collectively include the Company’s Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer.

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

The CODM uses the Segment Operating profit or loss measure to evaluate the profitability and operational efficiency of each segment, identify areas for improvement, and make informed decisions about resource allocation, strategic planning, and performance targets. This measure of segment profit or loss is consistent with the measurement principles used in the consolidated financial statements. The CODM reviews the segment Operating profit or loss on a quarterly basis during executive meetings and uses this information to assess segment performance (analyzing margins, revenue changes, and expense management), allocate resources (capital deployment and personnel allocation to executive strategic initiatives), strategic planning (setting short and longer term goals for expansion), and performance targets (establishing key performance indicators, monitoring progress, and revising plans).

Adopted Accounting Pronouncements — In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires enhanced disclosures about significant segment expenses and information used to assess segment performance. This standard is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company adopted the amendment on a retrospective basis for the 2024 annual reporting period with the impact limited to incremental disclosures in our consolidated financial statements, with conforming presentation for 2023 in Note 15 – Segment reporting.

Accounting Pronouncements Not Yet Adopted – In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which would require additional transparency for income tax disclosures, including the income tax rate reconciliation table and cash taxes paid both in the United States and foreign jurisdictions. This standard is effective for annual periods beginning after December 15, 2024. The Company is currently assessing the impact this standard will have on its disclosures.

In March 2024, the SEC adopted final rules under SEC Release Nos. 33-11275 and 33-99678, *The Enhancement and Standardization of Climate-Related Disclosures for Investors*, that will require registrants to provide certain climate-related information in their registration statements and annual reports. Subsequent to issuance, the rules became the subject of litigation, and the SEC has issued a stay to allow the legal process to proceed. The Company is currently assessing the impact this standard will have on its disclosures.

In November 2024, the FASB issued ASU 2024-03, *Disaggregation of Income Statement Expenses (Topic 220)*, which requires additional disclosure about certain costs and expenses. The ASU is effective for fiscal years beginning after December 15, 2026, while early adoption is permitted. The Company is currently assessing the impact this standard will have on its disclosures.

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

Note 3 — Business combinations

Acquisition of the Founding Companies

On December 21, 2023, Proficient Auto Logistics, Inc. entered into agreements to acquire in multiple, separate acquisitions five operating businesses and their respective affiliated entities to found the Company, as applicable: (i) Delta, (ii) Deluxe, (iii) Sierra, (iv) Proficient Transport, and (v) Tribeca. The closing of the acquisitions occurred concurrently with the closing of the Company's IPO of its common stock on May 13, 2024.

The various agreements to acquire the Founding Companies are briefly described below:

- The Company entered into a Membership Interest Purchase Agreement and a Contribution Agreement to acquire all of the outstanding equity of Delta for cash and shares of common stock. Delta's main business is transporting vehicles for automobile manufacturers to their dealers from the manufacturing site, marine port or rail hub, but it also derives a non-insignificant portion of its revenue from delivering used cars from and to auction companies, leasing companies, automobile dealers, manufacturers and individuals, primarily in the Southeast and East Coast of the United States.
- The Company entered into a Stock Purchase Agreement and a Merger Agreement to acquire all of the outstanding equity of Deluxe for cash, shares of common stock and contingent consideration in the form of an earn-out provision. The earn-out provision which provided that the Company would make earn-out payments, fifty percent (50%) in cash and fifty percent (50%) in shares of common stock, to Deluxe under certain terms and conditions related to Deluxe's EBITDA for the period commencing on January 1, 2024 and ending on December 31, 2024. No earnout payment was ultimately due under this agreement. Deluxe's primary business is transporting vehicles for automobile manufacturers to their dealers from the manufacturing site, marine port or rail hub, but it also derives a non-insignificant portion of its revenue from delivering used cars from and to auction companies, leasing companies, automobile dealers, manufacturers and individuals, primarily in the West Coast and South of the United States.
- The Company entered into a Stock Purchase Agreement and a Contribution Agreement to acquire all of the outstanding equity of Proficient Transport for cash and shares of common stock. Proficient Transport's primary business is transporting vehicles for automobile manufacturers to their dealers from the manufacturing site, marine port or rail hub, but it also derives a non-insignificant portion of its revenue from delivering used cars from and to auction companies, leasing companies, automobile dealers, manufacturers and individuals, primarily in the South, Southeast and East Coast of the United States.
- The Company entered into a Stock Purchase Agreement and a Merger Agreement to acquire all of the outstanding equity of Sierra for cash and shares of common stock. Sierra Mountain's primary business is transporting vehicles for automobile manufacturers to their dealers from the manufacturing site, marine port or rail hub, but it also derives a non-insignificant portion of its revenue from delivering used cars from and to auction companies, leasing companies, automobile dealers, manufacturers and individuals, primarily in the West Coast and the Midwest of the United States.
- The Company entered into a Stock Purchase Agreement and a Contribution Agreement to acquire all of the outstanding equity of Tribeca for cash and shares of common stock. Tribeca's primary business is transporting vehicles for automobile manufacturers to their dealers from the manufacturing site, marine port or rail hub, but it also derives a non-insignificant portion of its revenue from delivering used cars from and to auction companies, leasing companies, automobile dealers, manufacturers and individuals, primarily in the East Coast and Southeast of the United States.

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

The acquisitions were accounted for using the acquisition method of accounting, in accordance with ASC 805, *Business Combinations*. Proficient Auto Logistics, Inc was the accounting acquirer. The tables below present the consideration transferred and the allocation of the total consideration to tangible and intangible assets acquired and liabilities assumed from the acquisition of the Founding Companies based on the respective fair values as of May 13, 2024.

The preliminary purchase price allocation was based upon a preliminary valuation, and the Company's estimates and assumptions are subject to change within the measurement period (defined as one year following the acquisition date). As a result of further refining its estimates and assumptions since the date of the acquisition, the Company recorded measurement period adjustments to the initial opening balance sheet as shown in the tables below. Adjustments were primarily made to property and equipment, operating lease right-of-use assets, goodwill, and deferred income taxes. The property and equipment fair value revision had an impact to depreciation expense and an adjustment to reduce depreciation by \$848,000 was recorded in depreciation on the consolidated statements of operations.

Delta

	Acquisition Date Amounts Recognized	Adjustments	Acquisition Date Amounts Recognized, As Adjusted
Purchase consideration			
Cash consideration paid	\$ 31,580,792	\$ -	\$ 31,580,792
Stock consideration issued	32,888,947	-	32,888,947
Total purchase price	\$ 64,469,739	\$ -	\$ 64,469,739
Allocation of purchase price			
Cash and cash equivalents	3,928,492	300	3,928,792
Accounts receivable	3,928,804	-	3,928,804
Prepaid expenses and other current assets	1,219,052	(300)	1,218,752
Property and equipment	24,114,360	(1,046,000)	23,068,360
Operating right-of-use asset	3,429,317	(2,848,030)	581,287
Deposits	48,041	-	48,041
Intangible assets	36,000,000	-	36,000,000
Accounts payable	(1,938,014)	(22,170)	(1,960,184)
Insurance payable	(614,809)	(403,999)	(1,018,808)
Operating lease liabilities	(3,429,316)	2,848,030	(581,286)
Long-term debt	(16,854,781)	-	(16,854,781)
Deferred tax liability	(8,182,907)	(3,264,331)	(11,447,238)
Fair value of net assets acquired	\$ 41,648,239	\$ (4,736,500)	\$ 36,911,739
Goodwill	\$ 22,821,500	\$ 4,736,500	\$ 27,558,000

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

Deluxe

	Acquisition Date Amounts Recognized	Adjustments	Acquisition Date Amounts Recognized, As Adjusted
Purchase consideration			
Cash consideration paid	\$ 40,233,554	\$ (3,599,373) ¹	\$ 36,634,181
Stock consideration issued	20,907,990	-	20,907,990
Contingent consideration – earn-out	3,095,114	-	3,095,114 ²
Total purchase price	\$ 64,236,658	\$ (3,599,373)	\$ 60,637,285
Allocation of purchase price			
Cash and cash equivalents	153,838	-	153,838
Accounts receivable	9,668,217	(35,000)	9,633,217
Maintenance supplies	479,012	-	479,012
Prepaid expenses and other current assets	1,309,219	-	1,309,219
Property and equipment	24,070,980	(2,461,198)	21,609,782
Operating right-of-use asset	1,455,919	-	1,455,919
Net investment in leases	63,389	(36,000)	27,389
Deposits	2,205,923	71,000	2,276,923
Intangible assets	19,300,000	-	19,300,000
Accounts payable	(5,313,958)	-	(5,313,958)
Accrued liabilities	(5,975,871)	334,494	(5,641,377)
Line of credit	(2,911,720)	-	(2,911,720)
Operating lease liabilities	(1,455,919)	-	(1,455,919)
Long-term debt	(7,301,372)	188,185	(7,113,187)
Deferred tax liability	(6,161,897)	1,447,280	(4,714,617)
Long-term liabilities	-	(2,241,923)	(2,241,923)
Fair value of net assets acquired	\$ 29,585,760	\$ (2,733,162)	\$ 26,852,598
Goodwill	\$ 34,650,898	\$ (866,211)	\$ 33,784,687

¹ As of October 9, 2024, as part of the Stock Purchase Agreement and a Merger Agreement to acquire all of the outstanding equity of Deluxe, the Company and Deluxe acknowledged and agreed to the final calculation of the tangible and intangible assets acquired and liabilities assumed of Deluxe as defined in the Stock Purchase Agreement and a Merger Agreement. As a result, the final consideration is less than the estimated closing consideration. Accordingly, the Company reduced the purchase consideration paid to Deluxe by \$3,599,373 as a measurement period adjustment. Payment was received from Deluxe's sellers on October 11, 2024.

² On September 30, 2024, the Company evaluated the earn-out and determined the probability of payment was remote and therefore recorded a gain of \$3,095,114 in the consolidated statements of operations. There is no remaining earn-out liability expected to be settled as at December 31, 2024.

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

Proficient Transport

	Acquisition Date Amounts Recognized	Adjustments	Acquisition Date Amounts Recognized, As Adjusted
Purchase consideration			
Cash consideration paid	\$ 82,185,183	\$ -	\$ 82,185,183
Stock consideration issued	26,575,928	-	26,575,928
Total purchase price	\$ 108,761,111	\$ -	\$ 108,761,111
Allocation of purchase price			
Cash and cash equivalents	2,352,200	-	2,352,200
Accounts receivable	12,108,207	(108,002)	12,000,205
Maintenance supplies	765,110	(247,875)	517,235
Assets held for sale	-	74,600	74,600
Income Tax Receivable	-	2,640,127	2,640,127
Prepaid expenses and other current assets	1,899,520	(112,008)	1,787,512
Property and equipment	21,268,990	(2,457,302)	18,811,688
Operating right-of-use asset	305,163	-	305,163
Net investment in leases	23,813	-	23,813
Deposits	1,045,911	(55,223)	990,688
Other long-term assets	480,170	-	480,170
Intangible assets	36,900,000	-	36,900,000
Accounts payable	(2,379,536)	-	(2,379,536)
Accrued liabilities	(6,482,594)	(205,589)	(6,688,183)
Income tax payable	(508,891)	508,891	-
Finance lease liabilities	(151,298)	-	(151,298)
Operating lease liabilities	(305,163)	-	(305,163)
Long-term debt	(5,920,400)	-	(5,920,400)
Deferred tax liability	(7,320,667)	(2,617,343)	(9,938,010)
Fair value of net assets acquired	\$ 54,080,535	\$ (2,579,724)	\$ 51,500,811
Goodwill	\$ 54,680,576	\$ 2,579,724	\$ 57,260,300

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

Sierra

	Acquisition Date Amounts Recognized	Adjustments	Acquisition Date Amounts Recognized, As Adjusted
Purchase consideration			
Cash consideration paid	\$ 18,763,279	\$ (1,320,883) ¹	\$ 17,442,396
Stock consideration issued	13,359,045	589,995	13,949,040
Total purchase price	\$ 32,122,324	\$ (730,888)	\$ 31,391,436
Allocation of purchase price			
Cash and cash equivalents	2,963,120	-	2,963,120
Accounts receivable	5,270,200	-	5,270,200
Assets held for sale	533,587	-	533,587
Prepaid expenses and other current assets	451,624	-	451,624
Property and equipment	26,642,670	(4,024,458)	22,618,212
Operating right-of-use asset	805,316	-	805,316
Other long-term assets	829,489	-	829,489
Intangible assets	19,200,000	-	19,200,000
Accounts payable	(2,347,239)	-	(2,347,239)
Accrued liabilities	(5,279,472)	(264,085)	(5,543,557)
Income Tax Payable	(78,700)	-	(78,700)
Owner operator deposits	(1,245,163)	-	(1,245,163)
Lease deposits	(349,126)	-	(349,126)
Equipment obligations	(15,113,309)	-	(15,113,309)
Operating lease liabilities	(805,316)	-	(805,316)
Deferred tax liability	(8,543,273)	1,675,797	(6,867,476)
Fair value of net assets acquired	\$ 22,934,408	\$ (2,612,746)	\$ 20,321,662
Goodwill	\$ 9,187,916	\$ 1,881,858	\$ 11,069,774

¹ In November 2024, the Company used escrow funds to partially pay for litigation settlement. Further discussion on the settlement can be found in Note 18, Commitments and Contingencies.

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

Tribeca

	Acquisition Date Amounts Recognized	Adjustments	Acquisition Date Amounts Recognized, As Adjusted
Purchase consideration			
Cash consideration paid	\$ 10,685,499	\$ -	\$ 10,685,499
Stock consideration issued	9,000,055	-	9,000,055
Total purchase price	<u>\$ 19,685,554</u>	<u>\$ -</u>	<u>\$ 19,685,554</u>
Allocation of purchase price			
Cash and cash equivalents	1,721,106	(59,496)	1,661,610
Accounts receivable	5,538,205	59,496	5,597,701
Prepaid expenses and other current assets	1,788,257	-	1,788,257
Property and equipment	15,770,351	(2,605,233)	13,165,118
Operating right-of-use asset	8,173,047	(30,247)	8,142,800
Deposits	540,422	(285,000)	255,422
Intangible assets	3,500,000	-	3,500,000
Accounts payable	(1,988,465)	(949,595)	(2,938,060)
Accrued liabilities	(59,506)	(232,112)	(291,618)
Operating lease liabilities	(8,173,047)	30,247	(8,142,800)
Long-term debt	(11,101,904)	666,062	(10,435,842)
Deferred tax liability	(2,110,144)	(937,329)	(3,047,473)
Fair value of net assets acquired	\$ 13,598,322	\$ (4,343,207)	\$ 9,255,115
Goodwill	\$ 6,087,232	\$ 4,343,207	\$ 10,430,439

Total Acquisition Date Amounts Recognized

	Delta	Deluxe	Proficient Transport	Sierra	Tribeca	Total
Purchase consideration						
Cash consideration paid	\$ 31,580,792	\$ 40,233,554	\$ 82,185,183	\$ 18,763,279	\$ 10,685,499	\$ 183,448,307
Stock consideration issued	32,888,947	20,907,990	26,575,928	13,359,045	9,000,055	102,731,965
Contingent consideration – earn-out	-	3,095,114	-	-	-	3,095,114
Total purchase price	<u>\$ 64,469,739</u>	<u>\$ 64,236,658</u>	<u>\$ 108,761,111</u>	<u>\$ 32,122,324</u>	<u>\$ 19,685,554</u>	<u>\$ 289,275,386</u>
Allocation of purchase price						
Fair value of net assets acquired	\$ 41,648,239	\$ 29,585,760	\$ 54,080,535	\$ 22,934,408	\$ 13,598,322	\$ 161,847,264
Goodwill	\$ 22,821,500	\$ 34,650,898	\$ 54,680,576	\$ 9,187,916	\$ 6,087,232	\$ 127,428,122

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

Total Acquisition Date Amounts Recognized, As Adjusted

	Delta	Deluxe	Proficient Transport	Sierra	Tribeca	Total
Purchase consideration						
Cash consideration paid	\$ 31,580,792	\$ 36,634,181	\$ 82,185,183	\$ 17,442,396	\$ 10,685,499	\$ 178,528,051
Stock consideration issued	32,888,947	20,907,990	26,575,928	13,949,040	9,000,055	103,321,960
Contingent consideration – earn-out	-	3,095,114	-	-	-	3,095,114
Total purchase price	\$ 64,469,739	\$ 60,637,285	\$ 108,761,111	\$ 31,391,436	\$ 19,685,554	\$ 284,945,125
Allocation of purchase price						
Fair value of net assets acquired	\$ 36,911,739	\$ 26,852,598	\$ 51,500,811	\$ 20,321,662	\$ 9,255,115	\$ 144,841,925
Goodwill	\$ 27,558,000	\$ 33,784,687	\$ 57,260,300	\$ 11,069,774	\$ 10,430,439	\$ 140,103,200

The Company recognized intangible assets as follows, none of which are expected to have a residual value at the end of their estimated useful lives:

	Useful Life	Delta	Deluxe	Proficient Transport	Sierra	Tribeca	Total
Customer relationships	15 years	\$ 34,200,000	\$ 16,700,000	\$ 32,600,000	\$ 16,800,000	\$ 2,200,000	\$ 102,500,000
Trade names	10 years	1,800,000	2,600,000	4,300,000	2,400,000	1,300,000	12,400,000
Total		\$ 36,000,000	\$ 19,300,000	\$ 36,900,000	\$ 19,200,000	\$ 3,500,000	\$ 114,900,000

The Combinations resulted in \$140,103,200 of goodwill consisting largely of the expected synergies from combining operations as well as the value of the workforce. As a result of the types of acquisitions the Company engaged in 2024, asset, stock acquisitions, and stock acquisitions with the 338(h)(10) election made, the Company expects approximately \$120.4 million of the total goodwill reported will be tax deductible. During the measurement period, which is up to one year from the acquisition date, the Company may record adjustments to the fair value of assets acquired and liabilities assumed with the corresponding offset to goodwill. At December 31, 2024, the values are substantially complete with the exception of identifiable other intangible assets, property, income taxes and goodwill which remain open pending final review and valuations. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings. The Company recorded remeasurement adjustments of the Founding Companies as indicated in the respective entity table columns above.

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

Earn-out liability

As part of the Company's acquisition of Deluxe, the purchase price consideration included an earn-out provision which provided that the Company would make earn-out payments, fifty percent (50%) in cash and fifty percent (50%) in shares of common stock, to Deluxe under certain terms and conditions related to Deluxe Auto's EBITDA for the period commencing on January 1, 2024 and ending December 31, 2024. The earn-out liability associated with the Deluxe Business Combination was remeasured in the period ending September 30, 2024 based upon the best and most available information that exists as of the balance sheet date concluding the probability of the payment was remote and therefore the Company recorded a gain of \$3,095,114 in the consolidated statements of operations. The earn-out liability expired December 31, 2024 with the Company owing no amounts under the agreement.

Auto Transport Group Acquisition

On August 8, 2024, PAL Stock Acquiror, Inc. and PAL Merger Sub, LLC, subsidiaries of the Company, executed an Agreement and Plan of Merger (the "Merger Agreement") with Auto Transport Group, LC, ("ATG") pursuant to which the Company acquired all of the outstanding equity of ATG to expand the Company's geographic presence and services offered. ATG provides vehicle transportation and shipping services in the Mountain Western region. The transaction closed on August 15, 2024. The acquisition was accounted for using the acquisition method of accounting, in accordance with ASC 805, *Business Combinations*. Proficient Auto Logistics, Inc was the accounting acquirer, and the Company elected to apply pushdown accounting. The table below presents the consideration transferred and the allocation of the total consideration to tangible and intangible assets acquired and liabilities assumed from the acquisition of ATG based on the respective fair values as of August 15, 2024 as well as the measurement period adjustments recorded as of December 31, 2024:

	Acquisition Date Amounts Recognized	Adjustments	Acquisition Date Amounts Recognized, As Adjusted
Purchase consideration			
Cash consideration paid	\$ 28,938,295	\$ -	\$ 28,938,295
Stock consideration issued	20,542,136	-	20,542,136
Total purchase price	49,480,431	-	49,480,431
Allocation of purchase price			
Cash and cash equivalents	472,862	-	472,862
Accounts receivable	3,339,052	-	3,339,052
Prepaid expenses and other current assets	704,396	-	704,396
Property and equipment	11,724,000	-	11,724,000
Operating right-of-use asset	297,050	-	297,050
Net investment in leases	521,901	-	521,901
Deposits	16,355	-	16,355
Intangible assets	23,300,000	-	23,300,000
Accounts payable	(1,134,536)	-	(1,134,536)
Accrued liabilities	(296,229)	(4,352)	(300,581)
Operating lease liabilities	(297,050)	-	(297,050)
Long-term debt	(4,700,710)	-	(4,700,710)
Deferred Tax Liability	(7,129,446)	(1,926,791)	(9,056,237)
Fair value of net assets acquired	\$ 26,817,645	\$ (1,931,143)	\$ 24,886,502
Goodwill	\$ 22,662,786	\$ 1,931,143	\$ 24,593,929

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

The Company recognized intangible assets as follows:

	Useful Life	Auto Transport Group
Customer relationships	15 years	\$ 22,200,000
Trade names	10 years	1,100,000
Total		\$ 23,300,000

The acquisition of ATG resulted in \$24,593,929 goodwill, consisting largely of the expected synergies from combining operations as well as the value of the workforce. As a result of this asset acquisition the Company engaged in 2024, no portion of the total goodwill reported will be tax deductible. During the measurement period, which is up to one year from the acquisition date, the Company may record adjustments to the fair value of assets acquired and liabilities assumed with the corresponding offset to goodwill. At December 31, 2024, the values are substantially complete with the exception of identifiable other intangible assets, property, income taxes and goodwill which remain open pending final review and valuations. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings. The Company recorded remeasurement adjustments of the ATG Goodwill, Deferred Tax Liability and Accrued Liabilities as indicated in the respective entity table columns above.

Utah Truck & Trailer Acquisition

On November 1, 2024, PAL Stock Acquiror, Inc. purchased Utah Truck & Trailer Repair, LLC, (“UTT”), a repair facility located at the ATG headquarters terminal in Ogden, Utah. The Company purchased UTT for \$4,515,004 in an all-cash transaction to expand the Company’s ability to maintain its revenue generating fleet in the Western region of the country. In connection with this acquisition, the Company recognized \$155,458 in net tangible assets and \$4,359,546 in Goodwill consisting largely of the expected synergies from combining operations as well as the value of the workforce. As a result of this asset acquisition the Company engaged in 2024, the Company expects all of the goodwill reported will be tax deductible. During the measurement period, which is up to one year from the acquisition date, the Company may record adjustments to the fair value of assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

Unaudited Proforma and Revenue and Earnings of Acquirees from Acquisition Date through December 31, 2024

The amounts shown below reflect the unaudited proforma summary combined financial results of the five Founding Companies, ATG, and UTT for the full twelve-month periods presented without any pro forma adjustments that would give effect to the completion of the IPO or any related transaction expenses or adjustments recognized as a result of the IPO and concurrent Combinations. The results of Proficient (acquiror entity) are included in the year ended December 31, 2024; however, they reflect only those operating expenses incurred following the closing of the IPO and concurrent Combinations (May 13 – December 31, 2024). There are no comparative expenses of Proficient during the year ended December 31, 2023.

	Unaudited Proforma		
	Year Ended December 31,		
	2024	2023	2022
Total operating revenue	\$ 388,761,808	\$ 418,267,000	\$ 406,602,017
Total operating income	\$ 10,943,431	\$ 32,237,999	\$ 29,242,841

Total Operating revenue and Operating income of acquirees of the five Founding Companies, ATG, and UTT incorporated within the consolidated financial results of Proficient (acquiror entity) since their acquisition dates comprise the following:

	Successor December 31, 2024
Total Operating Revenue	\$ 240,854,527
Total Operating Income	\$ 8,086,898

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

Note 4 — Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following:

	Successor December 31, 2024	Predecessor December 31, 2023
Prepaid Insurance	\$ 7,878,950	\$ 1,795,218
Other Current Assets	2,181,219	973,787
	<u>\$ 10,060,169</u>	<u>\$ 2,769,005</u>

Note 5 — Goodwill

The changes in the carrying amount of goodwill and allocation to reportable segment are as follows:

	Company Drivers	Brokered	Consolidated
Balance – December 31, 2023	\$ -	\$ -	\$ -
Additions	87,434,455	81,622,220	169,056,675
Balance – December 31, 2024	<u>\$ 87,434,455</u>	<u>\$ 81,622,220</u>	<u>\$ 169,056,675</u>

Note 6 — Intangible assets, net

	December 31, 2024		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Customer relationships	\$ 124,700,000	\$ (4,882,778)	\$ 119,817,222
Trade names	13,500,000	(826,582)	12,673,418
Total	<u>\$ 138,200,000</u>	<u>\$ (5,709,360)</u>	<u>\$ 132,490,640</u>

There were no intangible assets, accumulated amortization or amortization expense prior to the Founding Companies acquisitions in May 2024 as discussed in Note 3 above. In the year ended December 31, 2024, amortization expense was \$4,882,778 for Customer relationships and \$826,582 for Trade names. Amortization expense related to finite lived intangible assets is included in intangible amortization expenses in the consolidated statement of operations.

As of December 31, 2024, the expected amortization expense associated with the Company's identifiable intangible assets with estimable useful lives over the next five years was as follows:

2025	\$ 9,663,333
2026	9,663,333
2027	9,663,333
2028	9,663,333
2029	9,663,333
Thereafter	84,173,975
Total	<u>\$ 132,490,640</u>

As of December 31, 2024, the weighted average amortization period for all intangible assets was 13.9 years, with 14.3 years for Customer relationships and 9.3 years for Trade names.

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

Note 7 — Property and equipment

Property and equipment, net of accumulated depreciation, consists of the following

	Successor December 31, 2024	Predecessor December 31, 2023
Land	\$ 2,220,000	\$ 417,909
Buildings and improvements	1,667,565	1,258,919
Furniture and equipment	403,920	180,363
Machinery and equipment	1,171,785	301,960
Software and computer equipment	844,410	788,664
Transportation equipment	131,870,528	31,262,068
	<u>138,178,208</u>	<u>34,209,883</u>
Less accumulated amortization and depreciation	(15,541,572)	(16,211,133)
Property and equipment, net	<u>\$ 122,636,636</u>	<u>\$ 17,998,750</u>

The Company recorded a gain on the disposal of equipment of \$149,683, \$235,081, \$173,859, and \$47,847 in the consolidated statements of operations for the year ended December 31, 2024 (Successor), for the period from January 1, 2024 to May 12, 2024 (Predecessor), for the year ended December 31, 2023 (Predecessor), and for the year ended December 31, 2022 (Predecessor), respectively.

Note 8 — Accrued liabilities

Accrued liabilities consist of the following:

	Successor December 31, 2024	Predecessor December 31, 2023
Claims, insurance and litigation reserves	\$ 5,721,891	\$ 2,209,173
Accrued purchased transportation	3,149,849	2,111,527
Deferred leased to purchase payments	4,578,301	348,134
Salaries, wages and benefits	2,888,204	700,349
Owner Operator Deposits	2,315,214	-
Customer Deposits	-	444,421
Other accrued expenses	3,173,060	1,989,755
Accrued liabilities	<u>\$ 21,826,519</u>	<u>\$ 7,803,359</u>

Accrued purchased transportation represents obligations to external carriers, including subhauler expenses, outside carrier and driver expenses, and in-transit purchased transport. Owner-operator deposits consist of truck escrow payments and damage repair fund. Other accrued expenses primarily include costs incurred but not yet invoiced, and estimates for property, sales and other taxes.

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

Note 9 — Income taxes

Deferred income tax assets and liabilities consist of the following as of December 31:

	Successor December 31, 2024	Predecessor December 31, 2023
Deferred tax assets:		
Accrued Liabilities	\$ 450,984	\$ 356,298
Accounts Receivable and other Reserves	653,752	145,995
Operating Lease Liabilities	2,743,518	—
NOL and other tax attributes	7,160,150	—
Deductible Goodwill	9,256,955	—
Stock Compensation	912,337	—
Other Deferred Assets	1,086,422	—
Total deferred tax asset	<u>\$ 22,264,118</u>	<u>\$ 502,293</u>
Deferred tax liabilities:		
Prepaid Expenses	\$ (2,381,137)	\$ (41,143)
Property and equipment, net	(28,734,778)	(2,744,983)
Intangibles, net	(33,720,352)	—
Other deferred liabilities	(65,930)	—
Total deferred tax liability	<u>\$ (64,902,197)</u>	<u>\$ (2,786,126)</u>
Net deferred tax liability	<u>\$ (42,638,079)</u>	<u>\$ (2,283,833)</u>

The Company has a Federal Net Operating Loss (NOL) of \$11.2 million at December 31, 2024 and acquired Federal NOL of \$14.2 million from the Predecessor. The net operating losses relate to years after 2017 and are not subject to expiration. The acquired NOL is subject to limitation on use under IRC 382. However, based on the calculations, the cumulative limitation applicable for 2025 and forward would allow for unrestricted use as needed in future periods.

There are accompanying State jurisdiction NOLs that vary in amount and carryforward period from the Federal NOL discussion above. There are also State level applications of IRC 382 in certain jurisdictions. In general, there is approximately \$11.1 M of gross State NOLs from the current period and \$10.6M of acquired NOLs from Predecessor that are subject to expiration between 15- and 20-year periods depending upon the State jurisdiction. Additionally, many states have legislated an annual limitation on use in addition to any IRC 382 considerations.

Income tax expense consists of the following:

	Successor	Predecessor		
	Twelve months ended December 31, 2024	Period from January 1, 2024 to May 12, 2024	Twelve months ended December 31, 2023	Twelve months ended December 31, 2022
Current income taxes:				
Federal	\$ —	\$ (2,741,786)	\$ 1,136,505	\$ 1,315,090
State	137,178	88,653	249,571	165,562
Total current income taxes	<u>137,178</u>	<u>(2,653,133)</u>	<u>1,386,076</u>	<u>1,480,652</u>
Deferred income taxes:				
Federal	(785,648)	(2,891,551)	769,530	1,592,900
State	(596,914)	(805,958)	88,011	57,412
Total deferred income taxes (benefit)	<u>(1,382,562)</u>	<u>(3,697,509)</u>	<u>857,541</u>	<u>1,650,312</u>
Total income tax expense	<u>\$ (1,245,384)</u>	<u>\$ (6,350,642)</u>	<u>\$ 2,243,617</u>	<u>\$ 3,130,964</u>

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

The income tax provision differs from the amount determined by applying the U.S. federal tax rate as follows:

	Successor	Predecessor		
	Twelve months ended December 31, 2024	Period from January 1, 2024 to May 12, 2024	Twelve months ended December 31, 2023	Twelve months ended December 31, 2022
Federal (benefit) tax at statutory rate (21%)	\$ (2,041,337)	\$ (4,564,417)	\$ 1,973,955	\$ 2,841,317
State taxes, net of federal benefit	(476,051)	(574,715)	284,762	219,563
Change in effective income tax rate				39,033
Permanent differences to return ¹	1,272,004	149,456	18,432	30,660
Other Discrete	—	(1,360,966)	(33,532)	391
Total income tax (benefit) expense	<u>\$ (1,245,384)</u>	<u>\$ (6,350,642)</u>	<u>\$ 2,243,617</u>	<u>\$ 3,130,964</u>

(1) For the period twelve months ending December 31, 2024, stock-based compensation deduction limitation accounts for \$1.2 million of the permanent item above.

The Founding Companies' tax years 2019 and forward remain subject to examination by federal and state jurisdictions. The Founding Companies are not currently under an IRS examination as of the date these financials were available to be issued.

The Company has no uncertain tax positions.

Note 10 — Line of credit

At December 31, 2023, Proficient Transport had an outstanding balance on the revolving line of credit of \$3,450,129. The revolving line of credit for Proficient Transport was with a financial institution which provided for borrowings up to \$18,000,000 subject to a borrowing base calculation of Qualified Accounts Receivable plus Qualified Rolling Stock (trucks, tractors, and trailers that transport goods in interstate commerce purchased on the line). Interest was payable monthly at the Prime Rate plus 0.75% per annum, but no less than 4% per annum (9.25% as of December 31, 2023). Borrowings against the line of credit was secured by all assets of Proficient Transport. The line of credit required Proficient Transport to comply with certain restrictive covenants, including but not limited to a debt service coverage ratio, tangible net worth plus subordinated debt, and liabilities to tangible net worth plus subordinated debt ratio. Proficient Transport was in compliance with all covenants as December 31, 2023. On July 9, 2024, Proficient Transport terminated its revolving line of credit.

In June 2024, Proficient Transport entered into a revolving line of credit agreement with a financial institution which provides for borrowing up to \$12,000,000 subject to a borrowing base calculation of Qualified Accounts Receivable. Interest is payable monthly at the Prime Rate but no less than 3% per annum. Borrowings against the line of credit are secured by all of Proficient Transport's assets and matures in June 2026, when all accrued interest and unpaid principal is due. This line of credit was repaid and terminated on November 8, 2024. At the time of termination, the revolving line of credit had an outstanding balance of \$9,514,907 including interest.

In May 2024, Deluxe entered into a line of credit agreement with a bank. Under this agreement, Deluxe, or any of its subsidiaries or affiliates, may request the issuance of letters of credit by the bank or any bank affiliate, subject to the bank's approval and the terms of the agreement. The agreement established a credit facility (the "Facility") with a maximum borrowing base of \$6,000,000. In May 2024, the agreement was amended and extended to August 2024. The line of credit was paid off and terminated on August 8, 2024.

On November 8, 2024, Proficient entered into a credit facility with a commercial bank that includes up to \$25 million in term debt and up to another \$20 million in a revolving line of credit with a maturity date of November 8, 2029. The term debt portion bears interest at the Secured Overnight Financing Rate ("SOFR"), plus 2.50%, with interest only payments for the first six months and the balance at the end of six months with principal amortizing over the ensuing five years with 60 monthly payments. Drawn balances from the revolving line of credit bear interest at SOFR, plus 2.20%, with all principal and interest to be repaid at the end of five years. The amount available to be drawn from the line of credit at any point in time is based on a percentage of consolidated accounts receivable and inventory reported by Proficient and its subsidiaries subject to certain conditions, including limitations on the ageing of invoices over 90 days, and maximum customer concentration. The amount available to be drawn under the line of credit was \$13 million on December 31, 2024. At December 31, 2024, there was \$7,000,000 outstanding on the revolving line of credit. The term debt includes financial covenants that include maximum leverage (debt / adjusted EBITDA) and debt service coverage ratio (total principal and interest / adjusted EBITDA), both measured quarterly starting from March 2025. Collateral for the facility includes Accounts Receivable balances owed to the Company, and truck maintenance inventory. Upon closing, the Company drew \$16.0 million from the available term debt, a portion of which was used to repay and terminate the Proficient Transport line of credit. Balances outstanding on the term debt are included in the Long-term debt, less current portion caption on the consolidated balance sheets.

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

Note 11 — Long-term debt

Long-term debt consists of the following:

Predecessor

	December 31, 2023
Equipment notes payable to financial institutions, requiring monthly principal and interest payments totaling \$43,359. The notes bear interest ranging from 4.99% to 9.32%, mature between November 2024 November 2026 and are secured by the Company's transportation equipment.	\$ 991,676
Note payable to a financial institution requiring monthly principal and interest payment of \$6,751 and a balloon payment at maturity, bears interest at 6%, maturing December 2025. The note is secured by a mortgage on real property.	693,836
Equipment notes payable to a financial institution, requiring monthly principal and interest payments totaling \$128,733. One note payable was used to refinance existing capital lease obligations in 2022. The notes bear interest ranging from 3.95% to 6.80%, mature between June 2024 and December 2028, and are secured by transportation equipment.	4,966,298
	6,651,810
Less: unamortized debt issuance costs	(16,633)
Less: current maturities	(1,599,699)
Total long-term debt	\$ 5,035,478

Successor

	December 31, 2024
Equipment and vehicle notes payable to financial institutions, requiring monthly principal and interest payments totaling \$1,909,332. The notes bear interest ranging from 1.9% to 13.0%, mature between January 2025 to December 2030 and are secured by the Company's transportation equipment and vehicles.	\$ 59,740,532
Term Loan payable to Pinnacle Bank, requiring principal payments of \$266,667 per month commencing June 2025. The notes bear interest at SOFR (Currently 4.49%) +2.5% margin per month and mature April 2031. ¹	16,000,000
	75,740,532
Less: unamortized debt issuance costs	(350,718)
Less: current maturities	(19,052,903)
Total long-term debt	\$ 56,336,911

(1) The Term Loan and Line of Credit includes financial covenants that include maximum leverage (debt / adjusted EBITDA) and debt service coverage ratio (total principal and interest / adjusted EBITDA), both measured quarterly starting from March 2025.

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

Future maturities of long-term debt are as follows:

For the years ending December 31:

2025	\$ 19,122,009
2026	15,960,020
2027	14,367,985
2028	12,362,183
2029 and Thereafter	10,066,705 3,861,630
Total	\$ 75,740,532

The Company capitalized debt issuance costs of \$386,825 during the period ended December 31, 2024 (Successor) and none in the period December 31, 2023 (Predecessor), respectively. Amortization expense related to the debt issuance costs totaled \$92,559, \$4,795, \$13,115, and \$38,392 for period ended December 31, 2024 (Successor), for the for the period from January 1, 2024 to May 12, 2024 (Predecessor), for the period ended December 31, 2023 (Predecessor), and for the period ended December 31, 2022 (Predecessor), respectively, and was recorded within interest expense on the consolidated statements of operations.

As of December 31, 2024 and 2023, the assets that are pledged as collateral related to our debt obligations are \$69,620,421 and \$7,467,232, respectively and were recorded within property and equipment, net on the consolidated balance sheet.

Note 12 — Leases

Lessee — The Company leases real estate and transportation-related equipment under operating and finance leases. The real estate operating leases, which generally have fixed payments with expiration dates ranging from one to three years and primarily include office buildings and trailers. The operating leases and finance leases for equipment generally have fixed payments with expiration dates ranging from four to six years and include transportation equipment, such as trucks and trailers. The Company’s leases can include an option to extend the lease, or to terminate the lease early, which may include a termination penalty. The Company includes these options to extend or terminate the lease in the lease term when the Company is reasonably certain to exercise these options. The Company has leases with related parties – see discussion at Note 17 Related party transactions.

The Company has certain leases which have initial terms of twelve months or less (“short-term leases”). The Company elected to exclude these leases from recognition, and these leases have not been included in the Company’s recognized ROU assets and operating lease liabilities. The Company records rent expense related to the short-term leases within general, selling, and other operating expense on the consolidated statements of operations.

The following table presents certain information related to lease costs for finance and operating leases as of:

	Successor	Predecessor		
	December 31, 2024	Period from January 1, 2024 to May 12, 2024	December 31, 2023	December 31, 2022
Operating lease cost	\$ 1,506,424	\$ 27,951	\$ 28,918	\$ 177,742
Finance lease costs:				
Amortization of finance lease assets	20,671	160,032	483,731	483,731
Interest on lease liabilities	3,362	132,062	201,072	323,420
Short-term lease costs	577,265	99,533	145,923	177,066
Total lease costs	<u>\$ 2,107,722</u>	<u>\$ 419,578</u>	<u>\$ 859,644</u>	<u>\$ 1,161,959</u>

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

As of December 31, 2024 (Successor) and December 31, 2023 (Predecessor), the weighted-average discount rate for operating leases was 6.88% and 0.86%, respectively. The weighted-average remaining lease term as of December 31, 2024 (Successor) and December 31, 2023 (Predecessor), was 7.2 years and less than a year respectively. As of December 31, 2024 (Successor) and December 31, 2023 (Predecessor), the weighted-average discount rate for finance leases was 12.08% and 9.26%, respectively and the weighted-average remaining lease term was 1.05 years and 1.07 years, respectively.

As of December 31, 2024, future maturities of the lease liabilities were as follows:

	Operating leases	Finance leases
For the year ending December 31:		
2025	\$ 2,517,743	\$ 96,134
2026	1,885,483	8,011
2027	1,515,781	-
2028	1,569,744	-
2029	1,501,591	-
Thereafter	5,285,602	-
Total undiscounted cash flows	14,275,944	104,145
Less: present value factor	(3,191,740)	(6,618)
Total lease liabilities	11,084,204	97,527
Less: current portion –	(1,825,970)	(89,184)
Total long-term lease liabilities	<u>\$ 9,258,234</u>	<u>\$ 8,343</u>

As of December 31, 2024 and 2023, the right-of-use assets net book value related to the Company's finance lease obligations totaled \$201,501 and \$3,535,854, respectively, and were recorded within property and equipment, net on the consolidated balance sheet.

Lessor — The Company finances various types of transportation-related equipment to independent third parties under lease contracts which are generally for a term of one to eight years and contain an option for the lessee to return or purchase the equipment at a bargain purchase price. The Company classifies these leases as a sales-type lease. The Company assesses a third party's ability to pay based on the financial capacity and intention to pay, considering all relevant facts and circumstances, including past experiences with that third party or similar third parties. For those leases classified as sales-type leases where collectability is not probable at lease commencement, the Company does not derecognize the underlying asset, and the payments received for these leases are recorded as deposit liabilities. Deposit liabilities of \$4,578,301 and \$348,134 were reported in accrued liabilities on the consolidated balance sheet as of December 31, 2024 (Successor) and December 31, 2023 (Predecessor), respectively. The determination of collectability is an ongoing assessment, at the time that collectability is determined probable, including in instances where a lease is terminated where collectability is determined probable, the liability and assets will be derecognized with a corresponding earnings recognition.

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

Lease receivables are carried at the aggregate of lease payments receivable plus the estimated residual value of the leased assets and any initial direct costs incurred to originate these leases, less unearned income, which is accreted to interest income over the lease term using the interest method. Lease receivables of \$441,177 and \$35,055 are reported as net investment in leases on the consolidated balance sheet as of December 31, 2024 (Successor) and December 31, 2023 (Predecessor), respectively.

For the period ended December 31, 2024 (Successor), for the period from January 1, 2024 to May 12, 2024 (Predecessor), for the period ended December 31, 2023 (Predecessor), and for the period December 31, 2022 (Predecessor), the Company recorded sales-type lease revenue of \$887,357, \$196,814, \$25,000, and \$60,094, respectively, within operating revenue on the consolidated statement of operations.

For the period ended December 31, 2024 (Successor), for the period from January 1, 2024 to May 12, 2024 (Predecessor), for the period December 31, 2023 (Predecessor), and for the period December 31, 2022 (Predecessor), the Company recorded interest income of \$24,466, \$0, \$2,488, and \$3,488, respectively, within interest expense, net on the consolidated statements of operations.

As of December 31, 2024, future minimum lease payments expected to be collected were as follows:

For the year ending December 31:

2025	\$	303,771
2026		157,755
2027		29,880
Total undiscounted cash payments		491,406
Less: present value factor		<u>(49,629)</u>
Total net investment in lease		441,777
Less: current portion		<u>266,447</u>
Total net investment in lease, less current portion	\$	<u><u>175,330</u></u>

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

Note 13 — Stockholders' Equity (Deficit) and Preferred Stock

Series A preferred stock (Predecessor)

Proficient Transport was authorized to issue 10,000,000 shares of Series A preferred stock, with a par value of \$0.01 per share. The holders of Series A preferred stock were entitled to vote as common shareholders and had certain liquidation preferences to every other class or series of stock. The Series A preferred stock was redeemable at the option of the Series A preferred stockholders at the greater of the fair market value of the Series A preferred stock at the date of redemption or a value determined using a discounted cash flow model, as defined. The Series A preferred stock was converted to shares of common stock of the Company in connection with the IPO and business combinations (Note 3) on May 13, 2024.

The Series A preferred stock earned a cumulative preferred return equal to 8% per annum on the sum of \$1.00 per share invested plus accrued and unpaid Series A returns. The Series A returns accrue on a quarterly basis and will be fully cumulative, whether or not declared by Proficient Transport's Board of Directors.

Since the holder of the Series A preferred stock has the option to redeem their shares at any time, the Series A preferred stock is considered contingently redeemable, and accordingly, is classified as mezzanine equity on the consolidated balance sheet as of December 31, 2023.

The Series A preferred stock is recorded at its redemption value of \$8,880,672 as of December 31, 2023. The accumulated but undistributed preferred returns were \$0 and \$5,813,749 as of December 31, 2024 and 2023, respectively.

Activity related to the Series A preferred stock is as follows:

Balance as of December 31, 2021	\$ 11,948,178
Accrued and unpaid dividend	984,914
Balance as of December 31, 2022	<u>\$ 12,933,092</u>
Accrued and unpaid dividend	947,580
Dividend Paid	<u>(5,000,000)</u>
Balance as of December 31, 2023	\$ 8,880,672
Accrued and unpaid dividend	<u>177,752</u>
Balance as of March 31, 2024	9,058,424
Accrued and unpaid dividend	<u>82,774</u>
Balance as of May 12, 2024	<u><u>\$ 9,141,198</u></u>

Stockholders' Equity (Successor)

The Company is authorized to issue 50,000,000 shares of common stock, which has a par value of \$0.01 per share.

In May 2024, the Company completed its IPO of its common stock and issued 14,333,333 shares of its common stock at a price of \$15.00 per share for total gross proceeds of \$215,000,000 and net proceeds of \$ 192,273,599 after underwriting fees and transaction costs.

The Company issued 6,888,128 shares of its common stock to the Founding Companies in connection with the Combinations and 1,069,346, common shares to the ATG Sellers. Please see Note 3 for additional information.

In May 2024, the Company issued 404,177 shares of common stock for vested RSU's.

In connection with its IPO, the Company granted the underwriters of its IPO a customary 30-day over-allotment option to buy up to an additional 2,149,999 shares of common stock from the Company at the IPO price, less underwriting discounts and commissions. In June 2024, the Company issued 1,435,000 shares of its common stock pursuant to the partial exercise of the over-allotment option. The shares were sold at the initial public offering price of \$15.00 per share for total gross proceeds of \$21,500,000 and net proceeds of \$20,018,250 after underwriting fees and transaction costs. All of the shares of common stock were sold by the Company.

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

Note 14 — Stock-based compensation

In May 2024, the Company adopted its 2024 Long-Term Incentive Plan (“the 2024 Plan”). The 2024 Plan provides for the grant of incentive stock options (“ISOs”) to employees, including employees of any parent or subsidiary, and for the grant of nonstatutory stock options (“NSOs”), stock appreciation rights, restricted stock awards, restricted stock unit awards, performance awards and other forms of stock awards to employees and directors, including employees of our affiliates. After taking into account restricted stock units granted in connection with the IPO in concurrent business combinations (Note 3), the maximum number of shares of our common stock that may be issued under our 2024 Plan is 3,260,000 shares.

The awards under the 2024 Plan vest over periods ranging between one (1) and five (5) years after the grant date. The Company uses straight line vesting to record compensation expense. All awards granted are settled in common stock.

If an employee terminates employment with the Company prior to awards vesting, the unvested awards are forfeited, and the historical compensation expense is reversed in the period of termination.

Shares subject to stock awards granted under the 2024 Plan that expire or terminate do not reduce the number of shares available for issuance under the 2024 Plan. Additionally, shares become available for future grants under the 2024 Plan if they were stock awards issued under the 2024 Plan, and we repurchase them or they are forfeited. This includes shares used to pay the exercise price of a stock award or to satisfy the tax withholding obligations related to a stock award. At December 31, 2024, there were 1,043,656 remaining shares available to be issued under the 2024 Plan.

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

Restricted Stock Units (Successor)

Total compensation expense related to these restricted stock awards was \$8.8 million for the year ended December 31, 2024, respectively. As of December 31, 2024, there was a total of \$16,221,092 of unrecognized compensation expense related to these restricted stock awards, which is expected to be recognized over the next four years. The fair value of restricted stock awards are valued at the closing price of the Company’s common stock on the date of grant.

A summary of all restricted stock/units outstanding as of December 31, 2024 and activity during the year ended December 31, 2024 is presented below:

	Number of Shares	Weighted Average Grant Date Fair Value	Total Grant Date Fair Value	Weighted Average Remaining Contractual Life (years)
Outstanding, December 31, 2023	-		\$ -	
Granted	1,827,969	\$ 15.04	27,493,913	
Vested	(404,177)	\$ 15.00	(6,062,655)	
Canceled/Forfeited	(159,333)	\$ 15.00	(2,389,995)	
Outstanding, December 31, 2024	<u>1,264,459</u>	<u>\$ 15.06</u>	<u>\$ 19,041,263</u>	<u>3.72</u>

Phantom Stock Plan (Predecessor) — In June 2018, Proficient Transport granted a phantom stock award of 565,463 units (the “Units”), of which 188,488 Units vested immediately, to a member of the Board of Directors of Proficient Transport. The remaining 376,975 Units vested in connection with the business combination (Note 3) on May 13, 2024.

Note 15 — Segment reporting

The Company’s business is organized into two operating segments, which represent the Company’s reportable segments. The Company Drivers segment offers automobile transport and contract services under an asset-based model. The Company’s contract service offering devotes the use of equipment to specific customers and provides transportation services through long-term contracts. The Company’s Brokered segment offers transportation services utilizing an asset-light model focusing on outsourcing transportation of loads to third-party carriers.

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

The following table summarizes information about our reportable segments:

Successor

Year ended December 31, 2024	Company Drivers	Brokered	Total
Revenue			
Revenue, before fuel surcharge	\$ 80,364,399	\$ 141,690,607	\$ 222,055,006
Fuel surcharge and other reimbursements	5,907,191	10,395,695	16,302,886
Other Revenue	995,507	513,711	1,509,218
Lease Revenue	-	987,417	987,417
Segment Revenue	\$ 87,267,097	\$ 153,587,430	\$ 240,854,527
Total consolidated			\$ 240,854,527
Less:			
Salaries, wages and benefits	30,842,256	11,903,783	42,746,039
Fuel and fuel taxes	16,128,862	-	16,128,862
Purchased transportation	-	119,908,760	119,908,760
Truck expenses	12,952,229	-	12,952,229
Depreciation	11,282,400	4,411,237	15,693,637
Other segment items(1)	10,582,496	9,046,245	19,628,741
Segment Operating profit/(loss)	\$ 5,478,854	\$ 8,317,405	\$ 13,796,259
<i>Reconciliation of segment operating profit to income before income taxes:</i>			
Other profit/(loss)(2)			\$ (21,688,800)
Interest Expense			(4,007,661)
Acquisition Costs			(1,226,915)
Earn Out Contingency Gain / Loss			3,095,114
Other Income, net			311,351
Income Before Income Taxes			\$ (9,720,652)
Other Segment Disclosures:			
Depreciation and amortization(3)	\$ 11,282,400	\$ 4,411,237	\$ 15,693,637
Intangible amortization(2)			5,714,748
Consolidated Depreciation and Amortization			\$ 21,408,385

(1) Other segment items for each reportable segment include General, selling, and other operating expenses, Gain on sale of equipment and Insurance premiums and claims.

(2) Other profit/(loss) relates to items not included within the Company's measure of Segment Operating profit / (loss), these include corporate and unallocated expenses which were not included within the measures of segment profitability regularly reviewed by the CODM. These include \$2,894,687 in Salaries, wages and benefits, \$8,883,142 in Stock Based Compensation, \$5,388 in Depreciation and amortization, \$5,709,360 in Intangible Amortization, \$757,028 in Insurance Premiums and Claims, and \$3,439,195 in General Selling, and other Operating expenses.

(3) The amounts of depreciation and amortization disclosed by reportable segment are included within the other segment items captions.

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

Predecessor

For the period from January 1 to May 12, 2024	Company Drivers	Brokered	Total
Revenue			
Revenue, before fuel surcharge	\$ 6,749,129	\$ 32,198,658	\$ 38,947,787
Fuel surcharge and other reimbursements	819,998	1,253,089	2,073,087
Other Revenue	-	-	-
Lease Revenue	-	196,814	196,814
Segment Revenue	\$ 7,569,127	\$ 33,648,561	\$ 41,217,688
Total consolidated			\$ 41,217,688
Less:			
Salaries, wages and benefits	5,328,667	22,155,104	27,483,771
Fuel and fuel taxes	1,119,549	-	1,119,549
Purchased transportation	-	25,995,763	25,995,763
Truck expenses	1,886,793	-	1,886,793
Depreciation & Amortization	872,783	62,205	934,988
Other segment items ⁽¹⁾	986,536	3,830,253	4,816,789
Segment Operating profit/(loss)	\$ (2,625,201)	\$ (18,394,764)	\$ (21,019,965)
<i>Reconciliation of segment operating profit to income before income taxes:</i>			
Interest Expense			(717,431)
Other Income, net			2,078
Income Before Income Taxes			\$ (21,735,318)
Other Segment Disclosures:			
Depreciation and amortization ⁽³⁾	\$ 872,783	\$ 62,205	\$ 934,988
Consolidated Depreciation and Amortization			\$ 934,988

(1) Other segment items for each reportable segment include General, selling, and other operating expenses, Gain on sale of equipment and Insurance premiums and claims.

(2) The amounts of depreciation and amortization disclosed by reportable segment are included within the other segment items captions.

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

Predecessor

Year ended December 31, 2023	Company Drivers	Brokered	Total
Revenue			
Revenue, before fuel surcharge	\$ 38,475,802	\$ 87,961,558	\$ 126,437,360
Fuel surcharge and other reimbursements	4,927,753	4,390,880	9,318,633
Other Revenue	-	-	-
Lease Revenue	-	-	-
Segment Revenue	\$ 43,403,555	\$ 92,352,438	\$ 135,755,993
Total consolidated			\$ 135,755,993
Less:			
Salaries, wages and benefits	14,410,374	6,025,092	20,435,466
Fuel and fuel taxes	4,461,319	-	4,461,319
Purchased transportation	11,326,888	72,516,409	83,843,297
Truck expenses	7,038,979	(316)	7,038,663
Depreciation	2,347,084	176,887	2,523,971
Other segment items ⁽¹⁾	3,529,522	3,570,301	7,099,823
Segment Operating profit/(loss)	\$ 289,389	\$ 10,064,065	\$ 10,353,454
<i>Reconciliation of segment operating profit to income before income taxes:</i>			
Interest Expense			(953,667)
Income Before Income Taxes			\$ 9,399,787
Other Segment Disclosures:			
Depreciation and amortization ⁽³⁾	\$ 2,347,084	\$ 176,887	\$ 2,523,971
Consolidated Depreciation and Amortization			\$ 2,523,971

(1) Other segment items for each reportable segment include General, selling, and other operating expenses, Gain on sale of equipment and Insurance premiums and claims.

(2) General, selling, and other operating expenses not attributable to operating segments. These amounts relate to corporate overhead and other activities not attributable to a reporting segment.

(3) The amounts of depreciation and amortization disclosed by reportable segment are included within the other segment items captions.

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

Predecessor

Year ended December 31, 2022	Company Drivers	Brokered	Total
Revenue			
Revenue, before fuel surcharge	\$ 33,268,483	\$ 82,840,382	\$ 116,108,865
Fuel surcharge and other reimbursements	6,297,435	7,753,774	14,051,209
Other Revenue	-	-	-
Lease Revenue	-	-	-
Segment Revenue	\$ 39,565,918	\$ 90,594,156	\$ 130,160,074
Total consolidated			\$ 130,160,074
Less:			
Salaries, wages and benefits	15,915,240	6,978,081	22,893,321
Fuel and fuel taxes	7,213,180	-	7,213,180
Purchased transportation	-	70,337,687	70,337,687
Truck expenses	7,057,649	6,328	7,063,977
Depreciation	2,230,791	58,235	2,289,026
Other segment items ⁽¹⁾	3,834,880	1,834,412	5,669,292
Segment Operating profit/(loss)	\$ 3,314,178	\$ 11,379,413	\$ 14,693,591
<i>Reconciliation of segment operating profit to income before income taxes:</i>			
Interest Expense			(1,163,508)
Income Before Income Taxes			\$ 13,530,083
Other Segment Disclosures:			
Depreciation and amortization ⁽³⁾	\$ 2,230,791	\$ 58,235	\$ 2,289,026
Consolidated Depreciation and Amortization			\$ 2,289,026

- (1) Other segment items for each reportable segment include General, selling, and other operating expenses, Gain on sale of equipment and Insurance premiums and claims.
- (2) General, selling, and other operating expenses not attributable to operating segments. These amounts relate to corporate overhead and other activities not attributable to a reporting segment.
- (3) The amounts of depreciation and amortization disclosed by reportable segment are included within the other segment items captions.

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

Assets and other balance sheet information are not disclosed by reportable segment as the Company does not track assets by reportable segment and certain assets are not specific to any reportable segment.

Significant segment expenses listed above include Salaries, wages and benefits, Fuel and fuel taxes, Purchased transportation, Truck Expenses, Depreciation and Intangible Amortization, and the CODM monitors these expenses as part of assessing the efficiency and performance of the Company Drivers and Brokered Segments.

Note 16 — Loss per share

Basic loss per share is based upon the weighted average common shares outstanding during each year. Diluted loss per share is based on the basic weighted earnings per share with additional weighted common shares for common stock equivalents. During the period ended December 31, 2024, the Company had outstanding restricted shares of common stock to certain of our employees and directors, under the Company's restricted stock award plans. The diluted shares include the dilutive effect of restricted stock units based on the treasury stock method.

A reconciliation of the numerator (net loss) and denominator (weighted average number of shares outstanding of the basic loss per share) for the period ended December 31, 2024 and is as follows:

	December 31, 2024
Numerator:	
Net Loss	\$ (8,475,268)
Denominator:	
Weighted-Average Number of Shares of Common Stock	17,937,853
Basic Loss per Share	\$ (0.47)

The Company excluded 1,264,459 of unvested RSU's from the computation of weighted-average number of shares of common stock in computing the diluted loss per share for the periods presented because including them would have had an anti-dilutive effect for the period ended December 31, 2024.

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

Note 17 — Related Party Transactions

The Company has entered into related party transactions with entities associated with, and under control of, the selling owners of Founding Companies and other businesses acquired by the Company (see Note 3). Management believes these transactions were conducted on terms equivalent to those prevailing in an arm's-length transaction. See below for a description of transactions with related parties.

Leases from Related Parties

Certain officers, employees of the Company, and selling owners of Founding companies are lessors of real property to the company for Office space. Total Lease liability and rent paid at December 31, 2024 (Successor) was \$10,813,041 and \$1,461,661, respectively. We had no related party leases for the Predecessor for the period January 1, 2024 to May 12, 2024, the period ending December 31, 2023, or the period ending December 31, 2022:

The following table is a schedule of future payments at December 31, 2024:

2025	\$ 2,441,006
2026	1,808,746
2027	1,439,044
2028	1,493,007
2029 and thereafter	6,787,192
Total undiscounted cash payments	<u>13,968,995</u>

Other Transactions with Related Parties

At December 31, 2024, we had debt with a related party of \$1,073,635 recorded on our consolidated balance sheet. The debt bears an interest rate of 6% and matures in April 2028. Our recurring monthly principal and interest payments are \$29,681.

In agreement with our Deluxe purchase price agreement, we have agreed to pay the sellers the collateral insurance deposit of \$2,241,923 associated with their cargo captive once returned from the insurance provider. This amount is expected to be received in 2026 and is long term liabilities on the consolidated balance sheet.

Note 18 — Commitments and contingencies

The Company is involved in certain claims and pending litigation primarily arising in the normal course of business. The majority of these claims relate to workers compensation, auto collision and liability, and physical and cargo damage. The Company expenses legal fees as incurred and accrues for the uninsured portion of contingent losses from these and other pending claims when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. It is at least reasonably possible that the effect on the financial statements of significant estimates involving contingencies will change within one year of the date of the financial statements due to one or more future confirming events. If such changes occur, they could be material to the financial statements. The Company has disclosed all significant estimates and assumptions that could potentially be affected by future confirming events.

PROFICIENT AUTO LOGISTICS, INC. AND SUBSIDIARIES

Independent Contractors Misclassification Class Action

In May 2020, a Brokered employee filed claim against Sierra Mountain Group, Inc. and an officer of the Company in Sacramento County Superior Court in California. The putative class alleges that Sierra misclassified owner/operators as independent contractors, not as employees, in violation of the California Labor Code applicable to employees (meal and rest breaks, minimum wage, etc.). Sierra denies liability and filed a counterclaim against the Plaintiff for costs and attorneys' fees.

In August 2023, all parties reached an agreement on material settlement terms and signed a Memorandum of Understanding pursuant to which the defined class would be paid approximately \$4,000,000 pending approval of a long-term settlement agreement currently in process. On October 16, 2024, the court signed and entered the final approval order for the class action for \$3,947,725, which the Company paid on November 20, 2024. An indemnity escrow established at the time of the Combinations included amounts to cover this liability.

Former Employee Class Action

In May 2024, a former employee filed claim against Deluxe Auto Carriers, Inc., in Riverside County Superior Court in California. The putative class alleges that Deluxe failed to pay for meal and rest periods for time worked, off the clock work, overtime, business expenses, itemized wage statements, among other things. The Company is still evaluating this contingency and has included its best estimate of potential liability within accrued liabilities on the consolidated balance sheet as of December 31, 2024. We believe we are entitled to indemnification from the sellers of Deluxe for the potential liability relating to this contingency.

Delinquent Filings with Department of Labor

Deluxe Auto Carriers, Inc. was delinquent in its filings with the Department of Labor (DOL) with respect to its Retirement Plan Information Returns for plan years 2019 through 2022. As of December 31, 2024, all delinquent filings had been made. These delinquencies could result in penalties and interest from the DOL and the Internal Revenue Service (IRS). We have not received any notices from the DOL or the IRS regarding the delinquent filings, therefore, the Company does not have a reasonable estimate for any additional potential penalties or interest. We believe we are entitled to indemnification from the sellers of Deluxe for the potential liability relating to this contingency.

Note 19 — Subsequent events

During the first quarter of 2025, market conditions and other competitive pressures resulted in the cessation of business by one of the Company's largest competitors. The immediate result of this development has been a redistribution among market participants of a significant amount of OEM contract business. New contract business in place at Proficient is representative of the Company's overall market share and is expected to ramp up over the remainder of 2025.

**DESCRIPTION OF SECURITIES REGISTERED
PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

The following is a summary of the rights of the common stock, par value \$0.01 per share (the “Common Stock”), of Proficient Auto Logistics, Inc. (the “Company,” “we,” or “our”), which is the only class of securities of the Company that is registered under Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). This description is based upon our Third Amended and Restated Certificate of Incorporation (the “Certificate of Incorporation”), Amended and Restated Bylaws (the “Bylaws”), and provisions of applicable law. We encourage you to read our Certificate of Incorporation and Bylaws, each of which is filed as an exhibit to our Annual Report on Form 10-K, and the applicable provisions of the Delaware General Corporation Law (the “DGCL”) for additional information.

General

We are authorized to issue 200,000,000 shares of Common Stock and 10,000,000 shares of preferred stock, par value \$0.01 per share.

Common Stock

All outstanding shares of our Common Stock are validly issued, fully paid and nonassessable.

Voting Rights

Each holder of our Common Stock is entitled to one vote for each share on all matters submitted to a vote of the stockholders, including the election of directors. The affirmative vote of holders of at least 66-2/3% of the voting power of all of the then-outstanding shares of Common Stock, voting as a single class, is required to amend certain provisions of our Certificate of Incorporation, including provisions relating to amending our Bylaws, the size of our Board of Directors (the “Board”), removal of directors, director liability, vacancies on our Board, special meetings, stockholder notices, actions by written consent and exclusive forum.

Economic Rights

Except as otherwise expressly provided in our Certificate of Incorporation or required by applicable law, all shares of our Common Stock have the same rights and privileges and rank equally, share ratably and be identical in all respects for all matters, including those described below.

Dividends. Subject to preferences that may be applicable to any then-outstanding preferred stock, holders of our Common Stock are entitled to receive ratably those dividends, if any, as may be declared from time to time by the Board out of legally available funds.

Liquidation Rights. In the event of our liquidation, dissolution or winding up, holders of our Common Stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities and the satisfaction of any liquidation preference granted to the holders of any then-outstanding shares of preferred stock.

No Preemptive or Similar Rights

Holders of our Common Stock have no preemptive, conversion or subscription rights and there are no redemption or sinking fund provisions applicable to our Common Stock. The rights, preferences and privileges of the holders of our Common Stock are subject to, and may be adversely affected by, the right of the holders of shares of any series of preferred stock that we may designate in the future.

Preferred Stock

Our Board is authorized, subject to any limitations prescribed by law, without stockholder approval, to issue from time to time up to 10,000,000 shares of preferred stock, in one or more series, each series to have such rights and preferences, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences as our Board determines.

Our Board may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our Common Stock. The purpose of authorizing our Board to issue preferred stock and determine its rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in control of us and may adversely affect the market price of our Common Stock and the voting and other rights of the holders of our Common Stock. It is not possible to state the actual effect of the issuance of any shares of preferred stock on the rights of holders of Common Stock until the Board determines the specific rights attached to that preferred stock.

Registration Rights

Effective as of the closing of our Initial Public Offering on May 13, 2024 (the “Offering”) and subject to the lock-up agreements entered into in connection with the Offering and federal securities laws, certain holders of shares of our Common Stock are entitled to certain rights with respect to registration of such shares under the Securities Act of 1933, as amended (the “Securities Act”). These shares are referred to as registrable securities. The holders of these registrable securities possess registration rights pursuant to the terms of our amended and restated investors’ rights agreement and are described in additional detail below. The registration of shares of our Common Stock pursuant to the exercise of the registration rights described below would enable the holders to trade these shares without restriction under the Securities Act when the applicable registration statement is declared effective. We will pay the registration expenses, other than underwriting discounts, selling commissions, stock transfer taxes and certain costs related to disbursement of counsel for holders of these registrable securities of the shares registered pursuant to the demand, piggyback and Form S-3 registrations described below.

Generally, in an underwritten offering, the managing underwriter, if any, has the right, subject to specified conditions and limitations, to limit the number of shares the holders may include. The demand, piggyback and Form S-3 registration rights described below will expire upon the earlier to occur of (i) five years after the closing of the Offering, and (ii) with respect to any holder, (1) when such holder of registrable securities (together with its affiliates) holds less than 1% of our outstanding capital stock, and (2) when Rule 144 or another similar exemption under the Securities Act is available for the sale of all of such holder’s shares, without limitation, during a three-month period.

Demand Registration Rights

Effective as of the closing of the Offering, holders of an aggregate of shares of our registrable securities are entitled to certain demand registration rights. At any time beginning 180 days after the closing of the Offering, the holders of at least \$50 million of these shares then outstanding may request that we register all or a portion of their shares. Such request for registration must describe the amount of type of securities to be included and the intended method of distribution.

Piggyback Registration Rights

Effective as of the closing of the Offering, the holders of an aggregate of shares of our registrable securities are entitled to certain piggyback registration rights. In the event that we propose to register any of our securities under the Securities Act, either for our own account or for the account of other security holders, the holders of these shares will be entitled to certain piggyback registration rights allowing the holder to include their shares in such registration, subject to certain marketing and other limitations.

Form S-3 Registration Rights

Effective as of the closing of the Offering, holders of an aggregate 5,758,963 of shares of registrable securities are entitled to certain Form S-3 registration rights. Holders of shares then outstanding can make a request that we register their shares on Form S-3 if we are qualified to file a registration statement on Form S-3 and if the reasonably anticipated aggregate offering size to the public is \$50 million; provided, however, that we shall not be obligated to effect such request through an underwritten offering. We will not be required to effect (i) if a Form S-3 is not available for such offering or (ii) the holders of the shares, together with holders of any other equity entitled to inclusion in such registration, propose to sell at any aggregate price to the public of less than \$50 million.

Anti-Takeover Provisions

Section 203 of the Delaware General Corporation Law

We are subject to Section 203 of the DGCL, which prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years after the date that such stockholder became an interested stockholder, with the following exceptions:

- before such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction began, excluding for purposes of determining the voting stock outstanding, but not the outstanding voting stock owned by the interested stockholder, those shares owned (i) by persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or after such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least 66-2/3% of the outstanding voting stock that is not owned by the interested stockholder.

In general, Section 203 defines a “business combination” to include the following:

- any merger or consolidation involving the corporation or any direct or indirect majority-owned subsidiary of the corporation and the interested stockholder;
- any sale, lease, exchange, mortgage, pledge, transfer or other disposition of 10% or more of the assets of the corporation or of any direct or indirect majority-owned subsidiary involving the interested stockholder (in one transaction or a series of transactions);
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation or by any direct or indirect majority-owned subsidiary of the corporation of any stock of the corporation or of such subsidiary to the interested stockholder;
- any transaction involving the corporation or any direct or indirect majority-owned subsidiary of the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation or any such subsidiary beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits by or through the corporation or any direct or indirect majority-owned subsidiary.

In general, Section 203 of the DGCL defines an “interested stockholder” as an entity or person who, together with the person’s affiliates and associates, beneficially owns, or within three years prior to the time of determination of interested stockholder status did own, 15% or more of the outstanding voting stock of the corporation.

Choice of Forum

Our Certificate of Incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if such court does not have subject matter jurisdiction thereof, the federal district court of the District of Delaware or other state courts of the State of Delaware) will be the sole and exclusive forum for the following types of actions or proceedings under Delaware statutory or common law:

- any derivative action or proceeding brought on our behalf;
- any action asserting a breach of fiduciary duty owed by any of our directors, officers, employees, agents or stockholders;
- any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our Certificate of Incorporation, or our Bylaws; or
- any action asserting a claim against us that is governed by the internal affairs doctrine.

The provision does not apply to suits brought to enforce a duty or liability created by the Exchange Act. Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims.

To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our Certificate of Incorporation also provides that unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act.

While Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our Certificate of Incorporation. This may require significant additional costs associated with resolving such action in other jurisdictions and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions. These exclusive forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers and other employees. If a court were to find either exclusive-forum provision in our Certificate of Incorporation to be inapplicable or unenforceable in an action, we may incur further significant additional costs associated with resolving the dispute in other jurisdictions, all of which could seriously harm our business.

Our Certificate of Incorporation further provides that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act, subject to and contingent upon a final adjudication in the State of Delaware of the enforceability of such exclusive forum provision.

Exchange Listing

Our Common Stock is currently on the Nasdaq Global Market under the symbol "PAL."

Transfer Agent and Registrar

The transfer agent and registrar for our Common Stock is Continental Stock Transfer and Trust Company. The transfer agent's address is 1 State Street, 30th floor, New York, NY 10004, and its telephone number is (917) 262-2373.



Proficient Auto Logistics, Inc.

Insider Trading Policy

May 6, 2024

INSIDER TRADING POLICY

Introduction

The securities laws of the United States and the various states impose important restrictions on employees, officers, directors and temporary contract workers (“Covered Persons”) of Proficient Auto Logistics, Inc. and its affiliates (“Proficient”) with respect to sales, purchases, exercises of options or other similar transactions involving securities. This policy reviews these restrictions concerning securities transactions by Proficient and Covered Persons. It is important to note that the securities laws are both far-reaching and frequently changing. Therefore, while the following review provides a useful overview, it is not a comprehensive attempt to deal with all potential restrictions. In general, it will help you identify potential problems and be aware of areas where caution is warranted and advice should be sought.

This policy also establishes specific procedures, designed to ensure compliance with the securities laws, to be followed by Proficient and Covered Persons engaging in transactions in Proficient’s securities and, in certain circumstances, securities of third parties. Compliance with this Policy is necessary to protect Proficient’s business and reputation, to prevent violations of law by you and by Proficient and to avoid the appearance of impropriety.

If you encounter a problem or have any doubts about your transactions in securities, you should consult with the Legal Department, so that the proper advice can be given and the proper actions can be taken.

General Restrictions and Policies

Insider Trading

It is unlawful for an “insider” (as defined below) to trade in securities on the basis of material information known to that individual but not to the public (“material non-public information”), or to transmit material non-public information to any other person who may trade on the basis of such information. Violation of this prohibition is a serious federal offense and the penalties can include a prison term and disgorgement of any profits. The fact that the insider did not intend to defraud anyone may not insulate the insider from liability. It is Proficient’s policy that it and its employees comply with this prohibition. In particular, Covered Persons are prohibited from using material non-public information in connection with:

- the purchase or sale of securities for their own accounts or for the accounts in which they have a direct or indirect beneficial interest or over which they have the power, directly or indirectly, to make investment decisions;
- the solicitation of client orders to purchase or sell securities; or
- the issuance of research reports, recommendations or comments that could be construed as recommendations.

In addition, when a Covered Person is in possession of material non-public information about Proficient, the Covered Person may not pass (or “tip”) that information to others or recommend to anyone the purchase or sale of the relevant securities.

The foregoing restrictions apply to securities and information of Proficient as well as to the securities and information of another company (e.g., a proposed acquisition target) to the extent material non-public information regarding the other company is obtained through a Covered Person’s relationship with Proficient. See “*Applicability of Policy to Material Non-Public Information Regarding Other Companies*” below.

An “insider” is any person who has access to material non-public information. Insiders include all individuals who have access to such information, including, among others, legal and financial personnel, secretaries, administrative assistants, file personnel and any person (a “tippee”) to whom they relate such insider information. An immediate family member, defined as a child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law and any person (other than a tenant or employee) sharing the household of the specified person may also be deemed to be insiders. In addition, Proficient may become a temporary insider of a client it advises or for which it performs other services. If a client expects Proficient to keep its non-public information confidential and the relationship implies such a duty, then Proficient will be considered an insider.

Trading on the basis of “material non-public information” is forbidden. This term is subject to many interpretations, but for your purposes, you should assume that it includes any non-public information which a reasonable investor is likely to consider important in determining whether to buy, sell or hold securities. Moreover, the fact that an insider (or a tippee of an insider) has traded on the basis of particular information which has not been made public may itself be regarded as evidence that the information is material. Either good or bad information could be material.

Examples of the types of information concerning an issuer that are likely to be deemed “material” include, but are not limited to the following:

- earnings and other financial results (or material changes thereto);
- guidance on earnings estimates or other financial information;
- significant expansion or curtailment of operations, such as the purchase or sale of property or assets;
- significant increase or decline in revenues;
- changes in dividend policies or the declaration of a stock split or the offering of additional securities;
- significant merger or acquisition proposals or agreements, including tender offers;
- significant new products or plans to enter significant new businesses;
- extraordinary borrowing;

- gain or loss of a substantial customer;
- environmental or permitting problems affecting Proficient's property;
- the institution of significant litigation or regulatory proceedings or investigations;
- significant cybersecurity incidents;
- significant management developments; and,
- impending bankruptcy or financial liquidity problems.

If you are unsure whether the information is material, you should assume that it is material rather than risk violating the securities laws by trading while possessing information.

Securities transactions by insiders in possession of material information, provided they are otherwise consistent with the procedures set forth in this policy, should be made only when the insider is certain that such information has been sufficiently publicized by official announcements. Information is not public merely because it is reflected by rumors or other unofficial statements in the marketplace. Moreover, the insider may not attempt to "beat the market" by trading simultaneously with, or shortly after, the official release of such information. Information is considered to be available to the public only (1) *after* it has been released to the public through appropriate channels (*e.g.*, by means of a press release or Securities and Exchange Commission ("SEC") filing) *and* (2) enough time has elapsed to permit the investment market to absorb and evaluate the information. Depending on the circumstances then, information normally should not be regarded as public until at least 24 hours after it has been disseminated through a national news medium.

Except where otherwise expressly indicated, this policy does not apply under the following circumstances:

- Securities transactions by a Covered Person's immediate family member made in connection with his or her principal occupation and that are not for the benefit of the Covered Person or any member of his or her immediate family or any of their relatives, so long as the Covered Person has not shared material non- public information about the issuer of the securities in question with the immediate family member making the transaction. For the purpose of this exclusion, the fact that the immediate family member may earn a fee or commission in connection with the transaction does not render the transaction as being one for the benefit of the immediate family member.
- Purchase or sales of securities that comply with Proficient's rules relating to Rule 10b5-1 trading plans as discussed below under "*Rule 10b5-1 Trading Plan Guidelines*".
- Securities transactions if the counterparty is the issuer of the securities. For example, the policy would not apply if the Covered Person wishes to exercise an employee stock option provided it is not a broker-assisted cashless exercise (*i.e.*, with any sale of shares to cover the exercise price or tax obligations), participate in an automatic stock purchase program not involving market transactions, or participate in an issuer tender offer.

Questions

Whenever you have any doubt as to the materiality or non-public nature of any information known to you, you should consult with and receive clearance from the Legal Department before trading in such securities for your own account or for the account of an advisory client (including a Fund), or disclosing the information to others. The process of consultation and clearance in advance should serve to avoid potential liability or other serious consequences (*i.e.*, exposure to costly investigations or litigation).

Trading Restrictions

General Restrictions

In order to prevent the misuse of material, inside information and to avoid potential liability to Proficient and its officers, directors and employees under the federal securities laws, the following restrictions on trading in Proficient stock and other securities, generally, are to be observed by **all** Covered Persons:

- Covered Persons may not buy or sell stock or conduct any other transaction in Proficient securities for personal or “related” accounts while in possession of material non-public information. Examples of personal and related accounts include retail brokerage, IRA, 401(k), Keogh and similar accounts and accounts of a spouse, child or other relative that you have the ability to control. The restrictions described above also apply to the securities of any other company for which you possess material non-public information.
- Covered Persons must pre-clear all Proficient security transactions. Proficient’s directors and officers who are subject to Section 16 of the Securities Exchange Act of 1934, as amended (“Reporting Persons”) must pre-clear with the Proficient Legal Department all Proficient security transactions (including transactions by others where the Reporting Person has a beneficial interest in the security involved). This includes sales of Proficient common stock acquired upon exercise of stock options and elections to purchase or sell Proficient stock in Proficient’s 401(k) plans.
- Nothing in this policy prohibits your exercise of stock options provided that you are not exercising stock options in a broker-assisted cashless exercise (*i.e.*, with any sale of shares to cover the exercise price or tax obligations). If you are exercising stock options in a cashless exercise that involves a sale of shares to cover the exercise price or tax obligations, then you must operate under this Policy to determine the permissible times within which you or your broker may sell Proficient stock. Similarly, your initial election to invest in Proficient stock through Proficient’s self-directed 401(k) plan and any subsequent elections you make to increase or decrease the amount you invest in Proficient stock must be in compliance with this policy.

Limits on Trades In Proficient's Securities — "Blackout" Periods.

A "blackout" period is a period during which a Covered Person may not execute transactions in Proficient's securities, including related accounts, other than through an outstanding 10b5-1 trading plan. Even if a blackout period is not then in effect, a Covered Person may not trade in Proficient's securities if the Covered Person is aware of material non-public information about Proficient, other than through an outstanding 10b5-1 trading plan. For example, if Proficient issues a quarterly earnings press release and a Covered Person is aware of other material non-public information concerning Proficient not disclosed in the earnings press release, the Covered Person may not trade in Proficient's securities. The prohibition on trading while being aware of material non-public information about Proficient extends to sales of shares issued upon exercise of stock options or upon vesting of restricted stock units granted under a Firm stock incentive plan.

- Quarterly Earnings Blackout Periods. Covered Persons may not buy or sell Proficient's securities during the period beginning with the close of business on the last business day of a fiscal quarter or year and ending at the open of business on the third business day after the date of the public release of the financial results for the fiscal quarter or year (for example, by means of a press release or a government filing). In accordance with this Policy, Proficient will from time to time advise interested parties of the expected timing of its earnings press releases.
- Event-Specific Blackout Periods. Proficient reserves the right to impose trading blackout periods from time to time when, in the judgment of the Company's chief legal officer or his/her designee, a blackout period is warranted. A blackout period may be imposed for any reason, including Proficient's involvement in a material transaction or other material public announcements. The existence of an event-specific blackout period may not be announced, or may be announced only to those who are aware of the transaction or event giving rise to the blackout period. If a Covered Person is made aware of the existence of an event-specific blackout period, that Covered Person should not disclose the existence of such blackout period to any other person. Individuals that are subject to event-specific blackout periods will be contacted when these periods are instituted from time to time.

Rules Regarding Stock Options and Other Stock-Related Awards

Covered Persons may exercise stock options during a blackout period if none of the shares issued upon the exercise are sold during the blackout period. Accordingly, a Covered Person may exercise stock options during a blackout period if he or she pays the exercise price, tax withholding, and any other exercise-related fees in cash and not through a broker-assisted "cashless exercise" where a broker sells shares issued upon exercise to raise those funds.

The use of share withholding that does not involve a market transaction in order to satisfy exercise price or tax obligations related to the vesting of an award made under any of Proficient's stock-based incentive plans is not prohibited by this policy.

Other Trading Restrictions Applicable to Proficient's Securities

Proficient considers it improper and inappropriate for Covered Persons to engage in short-term or speculative transactions in Proficient's securities or in other transactions in Proficient's securities that may lead to inadvertent violations of insider trading laws. Accordingly, transactions in Proficient's securities by Covered Persons are subject to the following.

- Short Sales. Covered Persons may not engage in short sales of Proficient's securities (sales of securities that are not then owned), including a "sale against the box" (a sale with delayed delivery).
- Publicly Traded Options. Covered Persons may not engage in transactions in publicly traded options on Proficient's securities (such as puts, calls, and other derivative securities) on an exchange or in any other organized market.
- Hedging. In addition to Short Sales and Publicly Traded Options discussed above, certain forms of hedging or monetization transactions, such as zero- cost collars and forward sale contracts, allow a Covered Person to lock in much of the value of his or her holdings in Proficient securities, often in exchange for all or part of the potential for upside appreciation. These transactions would allow a Covered Person to continue to own the covered Proficient securities, but without the full risks and rewards of ownership. When that occurs, their interests and the interests of Proficient and its shareholders may be misaligned and may signal a message to the trading market that may not be in the best interests of the Company and its shareholders at the time it is conveyed. Accordingly, unless otherwise specifically addressed in this Policy, hedging transactions and all other similar forms of monetization transactions are prohibited. For purposes of this Policy, hedging includes the purchase of financial instruments (including prepaid variable forward contracts, equity swaps, collars and exchange funds), or engaging in any other transaction, that hedge or offset, or are designed to hedge or offset, any decrease in the market value of Proficient securities.
- Standing Orders. Standing orders (other than stock option limit orders or orders pursuant to a pre-approved trading plan that complies with SEC Rule 10b5-1) should be used only for a brief period of time. A standing order placed with a broker to sell or purchase stock at a specified price leaves the seller with no control over the timing of the transaction. A standing order transaction executed by the broker when a Covered Person is aware of material non-public information may result in unlawful insider trading even if the standing order was placed at a time when the Covered Person did not possess material non-public information.
- Margin Accounts and Pledges. Securities held in a margin account or pledged as collateral for a loan may be sold by the broker if a Covered Person fails to meet a margin call or by the lender in foreclosure if the Covered Person defaults on the loan. Covered Persons may not have control over these transactions as the securities may be sold at certain times without the Covered Person's consent. A margin or foreclosure sale that occurs when a Covered Person is aware of material non-public information may, under some circumstances, result in unlawful insider trading. For these reasons, Covered Persons are prohibited from holding Proficient's securities in a margin account or pledging Proficient's securities as collateral for a loan.

Applicability of Policy to Material Non-Public Information Regarding Other Companies

This Policy and the guidelines described herein also apply to material non-public information relating to other companies, including Proficient's clients, vendors or suppliers ("business partners"), when that information is obtained in the course of employment with, or other services performed on behalf of, Proficient. The Consequences for Violations discussed below may result from trading on material non-public information regarding Proficient's business partners. All Covered Persons should treat material non-public information about Proficient's business partners with the same care required with respect to information related directly to Proficient.

Rule 10b5-1 Trading Plan Guidelines

Rule 10b5-1 under the Securities Exchange Act of 1934 (the "Exchange Act") provides an affirmative defense against a claim of insider trading for transactions made pursuant to a pre-existing Rule 10b5-1 trading plan (a "10b5-1 Plan") which meets the required conditions set forth below. Covered Persons may establish written programs which (i) permit automatic trading of Proficient's stock through a third-party broker or (ii) trading of Proficient's stock by an independent person (*e.g.*, an investment broker) who is not aware of material non-public information at the time of the trade. Once a program is implemented in accordance with Rule 10b5-1, trades pursuant to such program will not be subject to the limitations and restrictions set forth in other sections of this Policy.

A 10b5-1 Plan must have the below characteristics:

- *Company Approval.* The 10b5-1 Plan has been reviewed and approved in writing prior to entry into the Plan by the Company's chief legal officer (or if revised or amended, such revisions or amendments have been reviewed and approved in advance by the Company's chief legal officer);
- *Adoption.* At the time of adoption, the Covered Person may not be aware of any material non-public information about Proficient or its securities and must adopt the plan in good faith and not as part of a plan or scheme to evade the prohibitions of Exchange Act Section 10b and Rule 10b-5, and the 10b5-1 Plan must contain a certification by the Covered Person to that effect;
- *No Subsequent Influence.* The 10b5-1 Plan must (1) specify the amount of securities to be purchased or sold and the price at which and the date on which the securities are to be purchased or sold, (2) include a written formula or algorithm, or computer program, for determining the amount of securities to be purchased or sold and the price at which and the date on which the securities are to be purchased or sold or (3) not permit the Covered Person to exercise any subsequent influence over how, when or whether to effect purchases or sales and, in addition, any other person who, pursuant to the contract, instruction or plan did exercise such influence, must not have been aware of material nonpublic information when doing so;

- *Single Trade Plans.* The 10b5-1 Plan meets the twelve-month limitation on single transaction plans set forth in Rule 10b5-1, subject to certain exceptions (*i.e.*, to permit sell-to-cover plans);
- *Duration.* The 10b5-1 Plan has a minimum duration of 6 months and a maximum duration of 18 months;
- *One Plan at a Time.* No Covered Person may adopt more than one 10b5-1 Plan at a time, except as specifically permitted by Rule 10b5-1; and
- *Cooling-Off Periods.* When establishing or amending a 10b5-1 Plan by a Reporting Person, no purchases or sales pursuant to a plan may occur until the expiration of a cooling-off period ending on the later of 90 days after the adoption or modification of the plan, and 2 business days following the disclosure of Proficient's financial results on a Form 10-Q or Form 10-K for the completed fiscal quarter in which the plan was adopted or modified; provided, however, that in no event shall the required cooling-off period exceed 120 days. When establishing or amending a 10b5-1 Plan by all other Covered Persons, no purchases or sales may occur until the expiration of a cooling off period that is 30 days after the adoption or modification of a 10b5-1 Plan. An amendment or change to a 10b5-1 Plan that is treated as a termination of such plan and adoption of a new plan under Rule 10b5-1 shall be treated similarly for purposes of these requirements (including with respect to cooling-off periods).

Consequences for Violations

Upon determining that a violation or possible insider trading violation has occurred, the Legal Department will report his/her recommendation for resolution of the violation to the Covered Person's supervisor and the Company's chief legal officer. After consultation, the supervisor and the Legal Department will discuss the matter with the Covered Person believed to have violated the Policy. The matter will then be reported to the Chief Executive Officer, who may impose sanctions against the Covered Person, as he or she deems appropriate under the circumstances.

Internal Sanctions for Violations

Appropriate sanctions imposed by the Chief Executive Officer may include without limitation:

- The immediate unwinding of the transaction.
- Forfeiture of any profit from the transaction.
- Termination of employment.
- For insider trading violations, notification by Proficient to the SEC or other local authority, if deemed appropriate, of the alleged violation and cooperation with the SEC or other local authority in any enforcement action and/or prosecution of the individual(s) involved.

Regulatory Sanctions

If a Covered Person trades in Proficient securities or in the securities of Proficient's business partners while in possession of material non-public information, it could subject the Covered Person to potential criminal and civil liability under applicable securities laws.

In addition, liability may also be imposed for improper transactions by any person (commonly referred to as a "tippee") to whom a Covered Person has disclosed material non-public information or to whom a Covered Person has made recommendations or expressed opinions on the basis of such information as to trading in securities of Proficient or one of its business partners. Both the disclosing person (i.e., the "tipper") and the tippee can be held liable for violations of this nature.

Post-Employment Transactions

If a Covered Person is aware of material non-public information concerning Proficient when the Covered Person's employment or service relationship terminates, the Covered Person may not trade in Proficient's securities until that information has been publicly released, notwithstanding the termination of the Covered Person's employment or service relationship.

Annual Review of Policy

The Board of Directors shall review this policy and make changes as appropriate on an annual basis.

Subsidiaries of Registrant*

Name	Jurisdiction of Incorporation
Auto Transport Group, LLC	Delaware
Delta Auto Brokers, LLC	New Jersey
Delta Automotive Services, LLC	New Jersey
Deluxe Auto Carriers, Inc.	California
Excel Leasing, Inc.	California
North East Fleet Services, Inc.	New Jersey
PAL Stock Acquiror, Inc.	Delaware
Proficient Auto Transport, Inc.	Florida
Proficient Repair Services, LLC	Delaware
PROFleet LLC	Delaware
Sierra Mountain Express, Inc.	Nevada
Sierra Mountain Group, Inc.	Delaware
Sierra Mountain Logistics, Inc.	Delaware
Sierra Mountain Transport, Inc.	Delaware
Tribeca Automotive Inc.	New Jersey
Tribeca Truck Leasing LLC	New Jersey
West Coast Leasing Company, Inc.	Nevada

* Inclusion on the list above is not an admission that any of the above entities, individually or in the aggregate, constitutes a significant subsidiary within the meaning of Rule 1-02(w) of Regulation S-X and Item 601(b)(21)(ii) of Regulation S-K.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated March 28, 2025, with respect to the consolidated financial statements included in the Annual Report of Proficient Auto Logistics, Inc. on Form 10-K for the year ended December 31, 2024. We consent to the incorporation by reference of said report in the Registration Statement of Proficient Auto Logistics, Inc. on Form S-8 (File No. 333-279346).

/s/ GRANT THORNTON LLP

Tulsa, Oklahoma
March 28, 2025

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Richard O'Dell, certify that:

1. I have reviewed this annual report on Form 10-K of Proficient Auto Logistics, 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 (or persons performing the equivalent functions):
 - (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: March 28, 2025

/s/ Richard O'Dell

Name: Richard O'Dell

Title: Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Brad Wright, certify that:

1. I have reviewed this annual report on Form 10-K of Proficient Auto Logistics, 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 (or persons performing the equivalent functions):
 - (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: March 28, 2025

/s/ Brad Wright

Name: Brad Wright

Title: Chief Financial Officer and Secretary

**CERTIFICATION 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 Annual Report of Proficient Auto Logistics, Inc. (the "Company") on Form 10-K for the period ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard O'Dell, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 28, 2025

/s/ Richard O'Dell

Name: Richard O'Dell

Title: Chief Executive Officer

**CERTIFICATION 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 Annual Report of Proficient Auto Logistics, Inc. (the "Company") on Form 10-K for the period ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brad Wright, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 28, 2025

/s/ Brad Wright

Name: Brad Wright

Title: Chief Financial Officer and Secretary



**Proficient Auto Logistics, Inc.
Clawback Policy**

Effective date: May 6, 2024

1. Statement of Intent

The Board of Directors ("Board") of Proficient Auto Logistics, Inc. ("Proficient") believes that it is in the best interest of Proficient and its stockholders to encourage outstanding leadership, accountability, and responsible management that benefits the growth of Proficient and its subsidiaries (collectively, the "Company"). Accordingly, the Board has adopted this Clawback Policy (the "Policy") effective as of the Effective Date set forth above. This Policy is intended to comply with, and as applicable to be administered and interpreted consistent with, and subject to the exceptions set forth in, Listing Rule 5608 adopted by the Nasdaq Stock Market to implement Rule 10D-1 under the Securities Exchange Act of 1934, as amended (collectively, "Rule 10D-1").

This Policy shall operate in addition to any other remedies or rights of recovery that may be available to the Company pursuant to the terms of any other policy, an employment agreement, or plan or award terms, and any other legal remedies available to the Company under applicable law.

2. Definitions

For purposes of this Policy, the following definitions shall apply:

"Acknowledgment" is defined in Section 5.

"Board" is defined in Section 1.

"Company" is defined in Section 1.

"Excess Incentive Compensation" is defined in Section 2.

"Executive Officer" means any "executive officer" of the Company as defined under Rule 10D-1.

"Financial Reporting Measure" means a measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures that are derived wholly or in part from any such measure. Stock price and total stockholder return are also Financial Reporting Measures. A Financial Reporting Measure need not be presented within the financial statements or included in a filing with the SEC.

“Financial Restatement” means any accounting restatement of the Company’s financial statements (including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period) due to material non-compliance with any financial reporting requirement under the U.S. federal securities laws. The Board shall take into consideration any applicable interpretations and clarifications of the SEC in determining whether an accounting restatement qualifies as a Financial Restatement for purposes of this Policy. The date that the Company is required to prepare a Financial Restatement will be determined in accordance with Rule 10D-1.

“Incentive Compensation” is defined in Section 2. Incentive Compensation is deemed to be “Received” in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive Compensation award is attained, even if the payment or grant of the Incentive Compensation occurs after the end of that period.

“Proficient” is defined in Section 1.

“Policy” is defined in Section 1.

“Rule 10D-1” is defined in Section 1.

“SEC” means the United States Securities and Exchange Commission.

3. Forfeiture and/or Reimbursement

In the event of a Financial Restatement, the Company will require the forfeiture and/or reimbursement on a reasonably prompt basis of any compensation that:

- was paid, granted, vested, or earned based wholly or in part upon the achievement of a Financial Reporting Measure (such compensation, “Incentive Compensation”); and
- was Received during the three completed fiscal years immediately preceding the date that the Company is required to prepare a Financial Restatement; provided that the recipient served as an Executive Officer at any time during the performance period applicable to the Incentive Compensation in question,

which exceeds the amount that otherwise would have been Received had it been determined based upon the Financial Restatement (such amount, the “Excess Incentive Compensation”).

For Incentive Compensation based on stock price or total stockholder return, the Board will determine the amount based on a reasonable estimate of the effect of the Financial Restatement on the relevant stock price or total stockholder return and will maintain documentation of the determination of that reasonable estimate and provide such documentation to the Nasdaq Stock Market. For the avoidance of doubt, the amount of Excess Incentive Compensation will be computed without regard to any taxes paid by the recipient.

4. Effectiveness; Exclusions

This Policy applies to all Incentive Compensation Received on or after the Effective Date and any “transition period” as prescribed under Rule 10D-1. For the avoidance of doubt, the following forms of compensation will not be considered Incentive Compensation for purposes of this Policy:

- Base salaries;
- Bonuses/awards paid solely upon the completion of a specified employment period; and
- Equity awards for which the grant or vesting of the award is not contingent upon achieving any specified Financial Reporting Measure and vesting is contingent solely upon completion of a specified employment period and/or attaining one or more non-Financial Reporting Measures.

5. Other Remedies

To the extent that an employee (or former employee) does not make a required reimbursement to the Company under this Policy within a reasonable time following demand by the Company, or any shares of Proficient common stock subject to recovery under this Policy have been sold by such person, the Company shall have the right to reduce, cancel, or withhold against future cash compensation or outstanding, unvested, vested, or future equity-based compensation, or require a substitute form of reimbursement, all as determined in the discretion of the Board and to the extent permitted under applicable law. The Company need not recover Excess Incentive Compensation if and to the extent that the Board determines that such recovery is impracticable and not required under Rule 10D-1, including if the Board determines that the direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered after making a reasonable attempt to recover such amount (in which case the Company shall document such reasonable attempt(s) to recover, and provide that documentation to the Nasdaq Stock Market).

6. Authority and Interpretation

This Policy generally will be administered and interpreted by the Board. Any determination by the Board with respect to this Policy shall be final, conclusive and binding on all interested parties, subject only to any restrictions under applicable law. The determinations of the Board under this Policy need not be uniform with respect to all employees (or former employees) who are subject to the terms of this Policy. The Board may from time to time delegate any or all of its rights, authority, and obligations under this Policy to a Committee of the Board. In the event of any such delegation, all authority granted under this Policy in the discretion of the Board shall include and be a reference to the discretion of such Committee. The Board shall have the right from time to time to re-assume any such rights, authority, or obligations so delegated.

This Policy is intended to comply with, shall be interpreted to comply with, and shall be deemed automatically amended to the extent necessary to comply with, Section 954 of Dodd-Frank Wall Street Reform and Consumer Protection Act, as it may be amended from time to time, Rule 10D-1, and any related rules or regulations promulgated by the SEC or Nasdaq Stock Market, including any additional or new requirements that become effective after the Effective Date.

To the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted, if any, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to applicable law. The invalidity or unenforceability of any provision of this Policy shall not affect the validity or enforceability of any other provision of this Policy.

The Company shall not (i) indemnify any employee against any liability or loss incurred by such employee in connection with or as a result of any action taken by the Company to enforce this Policy (a "Clawback Proceeding," including, without limitation, the loss of any Excess Incentive Compensation pursuant to this Policy, any payment or reimbursement for the cost of third-party insurance purchased by such employee to fund potential recovery obligations under this Policy, and any judgments, fines, taxes, penalties, or amounts paid in settlement by, or on behalf of, such employee, or (ii) provide any indemnification or advancement of expenses (including attorneys' fees) incurred by such employee in connection with any such Clawback Proceeding.

At the request of the Company, each employee who is subject to the terms of this Policy shall execute an Acknowledgment, Consent, and Agreement substantially in the form attached hereto (an "Acknowledgment"). Any failure by such person to execute an Acknowledgment shall not affect the applicability or enforceability of this Policy against such person or the status of such person under this Policy.

The rights of the Company under this Policy to seek forfeiture and/or reimbursement are not exclusive remedies and do not preclude any other recourse by the Company.

Acknowledgment, Consent, and Agreement

I acknowledge that I have received and reviewed a copy of the Proficient Auto Logistics, Inc. Clawback Policy (as may be amended from time to time, the "Policy") and effective as of [effective date - hire/promotion date into eligible level], agree to be bound by and subject to its terms and conditions, which include the forfeiture and/or reimbursement in certain circumstances of compensation that I received or may receive in the future. I further acknowledge and agree that (i) I will not be entitled to indemnification for any liability, loss or expenses or to any advancement of expenses (including attorneys' fees) incurred as a result of any action by or on behalf of Proficient, Inc. pursuant to the Policy, and (ii) I knowingly and intentionally waive and agree not to assert any claim for indemnification or advancement of expenses against the Company or any subsidiary of the Company to which I am now, or may become, entitled notwithstanding any other agreement or provision therefor.

I further hereby acknowledge and agree that this Acknowledgment, Consent, and Agreement constitutes my specific agreement that any compensation that is paid, granted, vested, or earned based on specified Proficient, Inc. financial results shall be subject to the Policy, to the extent applicable.

Signed: _____

Print Name: [Executive Name]

Date: _____