Roadrunner Transportation Systems, Inc.

CONSOLIDATED BALANCE SHEETS

(In thousands, except par value)

	Successor December 31, 2024	Predecessor December 31, 2023
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 15,133	$ 18,814
Restricted cash	500	7,632
Accounts receivable, net of allowances of $187 and $1,358, respectively	42,261	43,491
Prepaid expenses and other current assets	9,716	7,508
Total current assets	67,610	77,445
PROPERTY AND EQUIPMENT, net of accumulated depreciation of $417 and $47,754, respectively	25,307	15,736
OTHER ASSETS:		
Operating lease right-of-use asset	50,934	57,034
Goodwill	10,628	-
Intangible assets, net	35,700	-
Other noncurrent assets	6,107	5,006
Total other assets	103,369	62,040
Total assets	$ 196,286	$ 155,221
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Current finance lease liability	$ 3,751	$ 4,725
Current operating lease liability	16,641	17,367
Accounts payable	15,504	13,003
Accrued expenses and other current liabilities	25,121	24,871
Total current liabilities	61,017	59,966
Long-term debt	15,023	29,501
Note payable to affiliate	66,363	57,853
Deferred tax liability	975	-
Long-term finance lease liability	3,085	1,247
Long-term operating lease liability	34,375	44,873
Total liabilities	180,838	193,440
COMMITMENTS AND CONTINGENCIES (Note 12)		
STOCKHOLDERS' EQUITY (DEFICIT):		
Common stock $.01 par value; 100,000 shares authorized; 38,292 and 37,264 shares issued and outstanding, respectively	383	383
Preferred Stock $.01 par value; 45,000 shares authorized; 28,581 issued and outstanding	286	49,773
Additional paid-in capital	16,869	858,213
Accumulated deficit	(2,090)	(946,588)
Total stockholders' equity (deficit)	15,448	(38,219)
Total liabilities and stockholders' equity (deficit)	$ 196,286	$ 155,221

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

Roadrunner Transportation Systems, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands)

	Successor	Predecessor	
	Period from November 21, 2024 to December 31, 2024	Period from January 1, 2024 to November 20, 2024	Year ended December 31, 2023
Revenues	$ 32,716	$ 383,983	$ 408,668
Operating expenses:			
Purchased transportation costs	20,755	235,025	278,868
Personnel and related benefits	8,351	82,358	74,944
Other operating expenses	5,305	71,734	70,548
Depreciation and amortization	717	6,525	6,858
Total operating expenses	35,128	395,642	431,218
Operating loss	(2,412)	(11,659)	(22,550)
Other expenses:			
Interest expense	1,301	9,615	7,332
Gain on debt extinguishment	(1,638)	-	-
Loss before income taxes	(2,075)	(21,274)	(29,882)
Income tax expense	15	14	71
NET LOSS	$ (2,090)	$ (21,288)	$ (29,953)

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

Roadrunner Transportation Systems, Inc.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

(In thousands, except shares)

	Series A Convertible Preferred Stock		Common Stock		Additional Paid-In	Accumulated	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Capital	Deficit	(Deficit)
Predecessor							
Balance, December 31, 2022	28,571,429	$ 49,773	38,307,506	$ 383	$ 857,689	$ (916,635)	$ (8,790)
Share-based compensation	-	-	-	-	524	-	524
Net loss	-	-	-	-	-	(29,953)	(29,953)
Balance, December 31, 2023	28,571,429	$ 49,773	38,307,506	$ 383	$ 858,213	$ (946,588)	$ (38,219)
Share-based compensation	-	-	-	-	4,118	-	4,118
Net loss	-	-	-	-	-	(21,288)	(21,288)
Balance, November 20, 2024	28,571,429	$ 49,773	38,307,506	$ 383	$ 862,331	$ (967,876)	$ (55,389)
Successor							
Balance, November 21, 2024	28,571,429	$ 286	38,307,506	$ 383	$ 16,869	$ -	$ 17,538
Net loss	-	-	-	-	-	(2,090)	(2,090)
Balance, December 31, 2024	28,571,429	$ 286	38,307,506	$ 383	$ 16,869	$ (2,090)	$ 15,448

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

Roadrunner Transportation Systems, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Successor	Predecessor	
	Period from November 21, 2024 to December 31, 2024	Period from January 1, 2024 to November 20, 2024	Year ended December 31, 2023
Cash flows from operating activities:			
Net loss	$ (2,090)	$ (21,288)	$ (29,953)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,124	6,813	7,173
Gain on debt restructuring	(1,638)	-	-
Gain on disposal of property and equipment	-	(12)	(125)
Loss on abandonment	-	92	229
Interest on Affiliate notes	699	5,533	2,795
Share-based compensation	-	4,118	524
Provision for bad debts	187	2,018	780
Changes in:			
Accounts receivable	2,346	(3,321)	(7,525)
Prepaid expenses and other assets	(3,177)	645	(901)
Accounts payable	1,385	1,116	2,199
Accrued expenses and other liabilities	1,657	(1,231)	(14,937)
Net cash provided by (used in) operating activities	493	(5,517)	(39,741)
Cash flows from investing activities:			
Capital expenditures	-	(385)	(303)
Proceeds from sale of property and equipment	-	14	638
Net cash (used in) provided by investing activities	-	(371)	335
Cash flows from financing activities:			
Borrowings from affiliate	15,000	5,000	44,964
Payments on term debt	(8,000)	-	-
Payments on debt extinguishments	(10,000)	-	-
Debt issuance costs	(532)	-	-
Proceeds from insurance premium financing	-	3,287	3,241
Payments on insurance premium financing	(366)	(3,024)	(3,411)
Payments of finance lease obligation	(442)	(6,341)	(3,458)
Net cash (used in) provided by financing activities	(4,340)	(1,078)	41,336
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,847)	(6,966)	1,930
Cash and cash equivalents:			
Beginning of period	19,480	26,446	24,516
End of period	$ 15,633	$ 19,480	$ 26,446
Supplemental cash flow information:			
Cash paid for interest	$ 105	$ 3,794	$ 3,950
Cash paid (received) for income taxes, net	(72)	73	63

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

NOTE 1 - ORGANIZATION, NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Roadrunner Transportation Systems, Inc. (the "Company") is a Less-than-Truckload ("LTL") freight services provider headquartered in Downers Grove, Illinois with operations primarily in the United States. The Company's services involve the pickup, consolidation, linehaul, deconsolidation, and delivery of LTL shipments.

Predecessor

The year ended December 31, 2023 and the period from January 1, 2024 through November 20, 2024 reflect the historical cost basis of accounting of the Company that existed prior to the Acquisition (see Note 2). This period is referred to as "Predecessor" period.

Successor

The year ended December 31, 2024 and the period from November 21, 2024 to December 31, 2024 are referred to as the "Successor" period. The successor period reflects the costs and activities as well as the recognition of assets and liabilities of the Company at their fair values pursuant to the election of pushdown accounting of the Acquisition (see Note 2).

Due to the application of acquisition accounting, the election of pushdown accounting, and the conforming of significant accounting policies, the results of operations, cash and other financial information for the Successor periods are not comparable to the Predecessor periods.

Principles of Consolidation

The accompanying audited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") pursuant to the rules and regulations of the American Institute of Certified Public Accountants ("AICPA"). All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements, in conformity with U.S. 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Material items subject to such estimates and assumptions are the allowance for credit losses, income tax reserves, shared based compensation, insurance reserves, revenue in-transit and the valuation of goodwill, intangibles, and other net assets and liabilities acquired. Actual results could differ from those estimates.

Business Combinations

The results of a business acquired in a business combination are included in the Company's financial statements from the date of acquisition with the associated purchase price allocated to the identifiable assets and liabilities of the acquired business at their acquisition date fair values. The excess of the purchase price over the amount allocated to the identifiable assets and liabilities, if any, is recorded as goodwill. Based on the nature of the businesses that the Company acquires, goodwill arising from acquisitions typically consists of synergies with previously acquired businesses and economies of scale resulting from centralizing shared service functions. Acquisition-related transaction costs are expensed in the period in which the costs are incurred.

Determining the fair value of assets acquired and liabilities assumed requires management to make significant judgments and estimates, including the selection of valuation methodologies, estimates of future revenue and cash flows, discount rates and selection of comparable companies.

For additional information regarding the Company's business combinations, see Note 2.

Cash and Cash Equivalents

Cash equivalents are defined as short-term investments that have an original maturity of three months or less at the date of purchase and are readily convertible into cash. The Company maintains cash in several banks and, at times, the balances may exceed federally insured limits.

Restricted Cash

The Company maintains a separate bank account to cash collateralize letters of credit and other banking services. The Company had a restricted cash balance of $0.5 million and $7.6 million as of December 31, 2024 and 2023, respectively.

Accounts Receivable and Concentration of Credit Risk

Accounts receivable represent trade receivables from customers and are stated net of an allowance for credit losses. Management estimates the portion of accounts receivable that will not be collected and accounts are written off when they are determined to be uncollectible. Accounts receivable are uncollateralized and are generally due 30 to 60 days from the invoice date.

The rollforward of the allowance credit losses are as follows (in thousands):

	December 31, 2024 (Successor)	December 31, 2023 (Predecessor)
Beginning balance	$ -	$ 1,750
Provision, charged to expense	187	780
Write-offs, less recoveries	-	(1,172)
Ending balance	$ 187	$ 1,358

Property and Equipment

Property and equipment are stated at cost. Maintenance and repair costs are charged to expense as incurred. For financial reporting purposes, depreciation is calculated using the straight-line method over the following estimated useful lives:

Buildings and leasehold improvements	1-15 years
Computer equipment	3-5 years
Internal use software	3-10 years
Office equipment, furniture, and fixtures	5-7 years
Dock, warehouse, and other equipment	3-10 years
Tractors and trailers	5-15 years

Leasehold improvements are amortized over the shorter of their useful lives or the remaining lease term. Accelerated depreciation methods are used for tax reporting purposes.

Property and equipment and other long-lived assets are reviewed periodically for possible impairment. The Company evaluates whether current facts or circumstances indicate that the carrying value of the assets to be held and used may not be recoverable. If such circumstances are determined to exist, an estimate of undiscounted future cash flows produced by the long-lived asset, or the appropriate grouping of assets, is compared to the carrying value to determine whether impairment exists. If an asset is determined to be impaired, the loss is measured and recorded based on quoted market prices in active markets, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including discounted value of estimated future cash flows. The Company reports an asset to be disposed of at the lower of its carrying value or its fair value less the cost to sell.

Costs incurred to develop software for internal use are capitalized and amortized over the estimated useful life of the software. Costs related to maintenance of internal-use software are expensed as incurred.

Goodwill

Goodwill is measured as a residual amount as of the acquisition date, which in most cases results in measuring goodwill as an excess of the purchase consideration transferred plus the fair value of any noncontrolling interest in the acquiree over the fair value of the net assets acquired, including any contingent consideration. The Company tests goodwill for impairment annually, or more frequently if events or circumstances indicate that the carrying value may not be recoverable. The Company's determination of fair value requires certain assumptions and estimates, such as margin expectations, market conditions, growth expectations, expected changes in working capital, etc., regarding expected future profitability and expected future cash flows. Accordingly, we may obtain the assistance of third-party valuation specialists. As a result of the acquisition dated November 21, 2024 (see Note 2), the Company applied pushdown accounting in accordance with ASC 805, *Business Combinations*, which resulted in the recognition of goodwill.

The Company determined that there were no indicators of impairment for the period ended December 31, 2024.

Intangible Assets, Net

The fair value of intangible assets is based on material judgments made by management. The Company engages third party valuation appraisal firms to assist the Company in determining the fair values and useful lives of assets acquired of a material amount. Such valuations and useful life determinations require the Company to make material estimates and assumptions. These estimates and assumptions are based on historical experience and information obtained from the management of the acquired companies and include, but are not limited to, future expected cash flows to be earned from the continued operation of the acquired business and discount rates applied in determining the present value of those cash flows. Unanticipated events and circumstances may occur that could affect the accuracy or validity of such assumptions, estimates, or actual results. Acquisition-related finite lived intangible assets are amortized on a straight-line basis over their estimated economic lives. The Company evaluates the estimated benefit periods and recoverability of its intangible assets when facts and circumstances indicate that the lives may not be appropriate and/or the carrying value of the asset may not be recoverable. If the carrying value is not recoverable, impairment is measured as the amount by which the carrying value exceeds its estimated fair value. There were no impairment charges for intangible assets for the period ended December 31, 2024.

Fair Value Measurement

Accounting guidance on fair value measurements for certain financial assets and liabilities requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs reflecting the reporting entity's own assumptions or external inputs from inactive markets.

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

The estimated fair values of the Company's financial instruments including its cash and cash equivalents, accounts receivable, notes payable and accounts payable approximate the carrying values of these instruments as they approximate the amounts for which they could be sold, and the liabilities could be settled. The estimated fair value of the Company's debt approximated carrying value as of December 31, 2024 as the debt facilities as of such dates bore interest rates based on prevailing market rates.

Issuance Costs

Debt issuance costs represent costs incurred in connection with the issuance of the Company's debt. Issuance costs associated with the Company's debt are capitalized and amortized over the expected maturity of the financing agreements using the effective interest rate method. Unamortized debt issuance costs have been classified as a reduction to debt in the consolidated balance sheets.

Share-Based Compensation

The Company's share-based payment awards are comprised of stock options. The cost for the Company's stock options is measured at fair value using the Black-Scholes option pricing model. The cost is recognized over the vesting period of the award, which is typically between three and four years.

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, the Company determines deferred tax assets and liabilities on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company recognizes deferred tax assets to the extent that it believes that these assets are more likely than not to be realized. In making such a determination, the Company generally considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. Given the Company's recent operating losses, projected future taxable income and tax-planning strategies cannot be considered as sources of future taxable income. A valuation allowance has been established related to deferred tax assets that will not "more likely than not" be realized in the future. If the Company determines that it would be able to realize its deferred tax assets in the future in excess of their net recorded amount, the Company would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

The Company records uncertain tax positions in accordance with Accounting Standards Codification 740 on the basis of a two-step process in which (1) the Company determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position, and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest amount of tax benefit that is more than 50% likely to be realized upon ultimate settlement with the related tax authority.

Revenue Recognition

The Company's revenues are derived from providing LTL transportation services domestically.

Performance Obligations - A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the basis of revenue recognition, in accordance with U.S. GAAP. A performance obligation is created once a customer agreement with an agreed upon transaction price exists. The transaction price is typically fixed and determinable and is not contingent upon the occurrence or non-occurrence of any other event. The transaction price is generally due 30 to 60 days from the date of invoice. The Company's transportation service is a promise to move freight to a customer's destination, with the transit period typically being less than one week. The Company views the transportation services it provides to its customers as a single performance obligation. This performance obligation is satisfied and recognized in revenue over the requisite transit period as the customer's goods move from origin to destination. The Company determines the period to recognize revenue in transit based upon the departure date and the delivery date, which may be estimated if delivery has not occurred as of the reporting date. Determining the transit period and the percentage of completion as of the reporting date requires management to make judgments that affect the timing of revenue recognized. The Company has determined that revenue recognition over the transit period provides a reasonable estimate of the transfer of goods and services to its customers as the Company's obligation is performed over the transit period.

Principal vs. Agent Considerations - The Company utilizes independent contractors ("ICs") and third-party carriers in the performance of some transportation services. The Company evaluates whether its performance obligation is a promise to transfer services to the customer (as the principal) or to arrange for services to be provided by another party (as the agent) using a control model. This evaluation determined that the Company is in control of establishing the transaction price, managing all aspects of the shipments process and taking the risk of loss for delivery, collection, and returns. Based on the Company's evaluation of the control model, it determined that all of the Company's major businesses act as the principal rather than the agent within their revenue arrangements and such revenues are reported on a gross basis.

Contract Balances and Costs - The Company applies the practical expedient in Topic 606 that permits the Company to not disclose the aggregate amount of transaction price allocated to performance obligations that are unsatisfied as of the end of the period as the Company's contracts have an expected length of one year or less. The Company also applies the practical expedient in Topic 606 that permits the recognition of incremental costs of obtaining contracts as an expense when incurred if the amortization period of such costs is one year or less. These costs are included in purchased transportation costs.

The Company's performance obligations represent the transaction price allocated to future reporting periods for freight services started but not completed at the reporting date. This includes the unbilled amounts and accrued freight costs for freight shipments in transit. The Company has $4.0 million and $4.7 million of unbilled amounts recorded in accounts receivable and $2.5 million and $3.3 million of accrued freight costs recorded in accounts payable as December 31, 2024 and 2023, respectively.

Insurance

The Company uses a combination of purchased insurance and self-insurance programs to provide for the cost of auto liability, general liability, cargo damage, workers' compensation claims, and benefits paid under employee health care programs. Insurance reserves are established for estimates of the loss that the Company will ultimately incur on reported claims, as well as estimates of claims that have been incurred but not yet reported.

The measurement and classification of self-insured costs requires the consideration of historical cost experience, demographic and severity factors, and judgments about the current and expected levels of cost per claim and retention levels. These methods provide estimates of the liability associated with claims incurred as of the balance sheet date, including claims not reported. The Company believes these methods are appropriate for measuring these self-insurance accruals.

Lease Purchase Guarantee

In connection with leases of certain equipment used exclusively for the Company, the Company has a guarantee to perform in the event of default by the driver. The Company estimates the costs associated with the guarantee by estimating the default rate at the inception of the lease. The Company records the liability and a corresponding asset, which is subsequently amortized over the life of the lease.

NOTE 2 - BUSINESS COMBINATION

On November 21, 2024, Prospero Stock Holdco LLC ("Prospero") acquired a 58.5% controlling interest in the Company via a stock transaction resulting in a change of control. In accordance with ASC 805, *Business Combinations,* the Company elected to apply pushdown accounting effective as of the acquisition date. This election is irrevocable and reflects the new basis of accounting established by the acquirer. As a result of applying pushdown accounting, the Company's assets and liabilities were adjusted to their fair values as of the acquisition date. The excess of the purchase consideration over the fair value of identifiable net assets acquired was recognized as goodwill.

Assets acquired and liabilities assumed in connection with the transaction were recorded at their fair values. Fair values were determined by management using the assistance of third-party valuation specialists, who utilized the income approach-relief from royalty method to determine the fair value of the tradename intangible asset and the income approach-excess earnings method for the customer relationships intangible asset. A number of assumptions and estimates were involved in the application of these valuation methods, including revenue forecasts, expected competition, costs of revenue, obsolescence, tax rates, capital spending, discount rates and working capital changes. Cash flow forecasts were generally based on pre-acquisition forecasts coupled with estimated revenues and cost synergies available.

The transaction allows for an adjustment to the purchase price to be made subsequent to the closing date based on the actual amount of working capital and cash delivered to the Company. The consideration paid and purchase price allocations disclosed reflect the effects of these adjustments.

The transaction was primarily funded through (i) cash of $31.3 million and (ii) the exchange of a note receivable between Prospero and selling shareholders of $8.1 million. The acquisition resulted in Prospero acquiring a note receivable, which reflects an obligation of the Company to repay Prospero under the agreed-upon terms, and was fair valued at $31.1 million. The corresponding note payable is recorded within the Company's long-term debt account on the consolidated balance sheets and will be repaid in accordance with the specified repayment schedule and interest terms. For additional details regarding long-term debt, refer to Note 7.

A summary of the preliminary purchase price and the opening balance sheet for the transaction at the November 21, 2024 acquisition date is presented in the following table. The preliminary opening balance sheet is subject to adjustment based on the Company's final assessment of the fair values of the acquired identifiable assets and liabilities and any associated tax-related adjustments or other items.

The following table summarizes the estimated fair value of assets acquired and liabilities assumed at the acquisition date:

Fair value of total consideration:	
Cash proceeds to seller	$ 31,330,438
Promissory note	8,102,000
Total purchase price	39,432,438
Less: fair value of note between Prospero and Company	(31,050,000)
Fair value of Company equity acquired by Prospero	8,382,438
Fair value of other shareholder equity	9,155,417
Fair value of total equity	17,537,855
Cash	19,480,258
Accounts receivable	45,461,435
Prepaid expenses and other assets	5,611,135
Property, plant and equipment	25,724,692
Operating lease assets	52,424,038
Other non-current assets	5,736,878
Intangible assets	36,000,000
Goodwill	10,628,166
Total identifiable assets	201,066,602
Accounts payable	14,118,911
Accrued expenses	23,593,193
Operating lease liabilities	52,424,038
Finance lease liabilities	7,278,692
Other long-term liabilities	974,915
Debt	85,138,998
Total identifiable liabilities	183,528,747
Net identifiable assets acquired	$ 17,537,855

NOTE 3 - PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

	December 31, 2024 (Successor)	December 31, 2023 (Predecessor)
Buildings and leasehold improvements	$ 2,362	$ 4,738
Computer equipment	108	2,516
Internal use software	5,093	14,924
Office equipment, furniture, and fixtures	736	2,117
Dock, warehouse, and other equipment	3,901	9,683
Tractors and trailers	13,524	29,512
Property and equipment, gross	25,724	63,490
Less: accumulated depreciation	(417)	(47,754)
Property and equipment, net	$ 25,307	$ 15,736

Assets not yet placed into service of $0.1 million have been included in the line items above as of both December 31, 2024 and 2023. Depreciation expense for the Successor period ended December 31, 2024 amount to $0.4 million. Depreciation expense for the Predecessor periods ended November 20, 2024 and December 31, 2023 was $6.5 million and $6.9 million, respectively.

NOTE 4 - GOODWILL

	Total
Goodwill as of December 31, 2023	$ -
Acquisitions	10,628
Goodwill as of December 31, 2024	$ 10,628

The Company did not recognize any impairment losses in 2024.

NOTE 5 - INTANGIBLES

	Useful Life	Cost	Accumulated Amortization	Net Book Value
Customer relationships	15 years	$ 31,000	$ (258)	$ 30,742
Tradename	15 years	5,000	(42)	4,958
Total		$ 36,000	$ (300)	$ 35,700

	Customer Relationships	Tradename	Total
2025	$ 2,067	$ 333	$ 2,400
2026	2,067	333	2,400
2027	2,067	333	2,400
2028	2,067	333	2,400
2029	2,067	333	2,400
Thereafter	20,407	3,293	23,700
Total	$ 30,742	$ 4,958	$ 35,700

The Company recorded $0.3 million of amortization expense and did not recognize any impairment losses in 2024.

NOTE 6 - LEASES

Amounts recognized in the consolidated balance sheets related to the Company's lease portfolio are as follows (in thousands):

	December 31, 2024 (Successor)	December 31, 2023 (Predecessor)
Assets:		
Finance lease assets, net (included in property and equipment)	$ 7,187	$ 5,610
Operating lease right-of-use asset	50,934	57,034
Total lease assets	$ 58,121	$ 62,644
Liabilities:		
Current finance lease liability	$ 3,751	$ 4,725
Current operating lease liability	16,641	17,367
Long-term finance lease liability	3,085	1,247
Long-term operating lease liability	34,375	44,873
Total lease liabilities	$ 57,852	$ 68,212

The Company discounts lease payments using an estimate of its incremental borrowing rate based on information available at lease commencement. The incremental borrowing rate is derived using multiple inputs, including the Company's credit rating, the impact of full collateralization, lease term and denominated currency.

Amounts recognized in the consolidated statements of operations related to the Company's lease portfolio for the periods from November 21, 2024 to December 31, 2024 (Successor) and January 1, 2024 to November 20, 2024 (Predecessor) and December 31, 2023 are as follows (in thousands):

Lease Component	Classification	For the Period From November 21, 2024 to December 31, 2024 (Successor)	For the Period From January 1, 2024 to November 20, 2024 (Predecessor)	Year Ended December 31, 2023 (Predecessor)
Rent expense - operating leases	Other operating expenses	$ 1,928	$ 21,353	$ 25,225
Amortization of finance lease assets	Depreciation and amortization	91	3,012	2,567
Interest on finance lease liabilities	Interest expense	45	418	413

The Company leases terminals, office space, trucks, trailers, and other equipment under noncancelable operating leases expiring on various dates through 2031. The Company incurred rent expense from operating leases for the Successor period ended December 31, 2024 of $1.9 million. Rent expense for the Predecessor periods ended November 20, 2024 and December 31, 2023 was $21.4 million and $25.2 million, respectively.

Rent expense for operating leases relates primarily to long-term operating leases, but also includes amounts for variable lease costs and short-term leases. The Company also leases trucks, trailers, and other equipment under finance leases. Certain of the Company's lease agreements for trucks, trailers and other equipment contain residual value guarantees. The Company recognized rental income for the Successor period ended December 31, 2024 of $0.2 million. Rental income for the Predecessor periods ended November 20, 2024 and December 31, 2023 was $1.6 million and $1.3 million, respectively. The rental income relates to operating leases the Company entered into with its ICs. The Company records rental income from these leases as a reduction to rent expense - operating leases. Rental income for these subleased buildings for the Predecessor periods ended November 30, 2024 and December 31, 2023 was $0.2 million and $1.3 million, respectively. The Company records sublease income as a reduction of other operating expenses. The subleases ended December 31, 2023 and November 30, 2024.

Aggregate future minimum lease payments under noncancelable operating and finance leases with an initial term in excess of one year were as follows as of December 31, 2024 (in thousands):

Year Ending:	Operating Leases	Finance Leases	Total
2025	$ 20,611	$ 4,205	$ 24,816
2026	14,759	2,086	16,845
2027	9,612	1,257	10,869
2028	6,396	-	6,396
2029	4,749	-	4,749
Thereafter	4,999	-	4,999
Total	61,126	7,548	68,674
Less: Interest	(10,110)	(712)	(10,822)
Present value of lease liabilities	$ 51,016	$ 6,836	$ 57,852

Weighted average remaining lease term and discount rate used in computing the lease liabilities as of December 31, 2024 were as follows:

Weighted average remaining lease term (in years)	
Operating leases	3.9
Finance leases	2.0
Weighted average discount rate	
Operating leases	9.5%
Finance leases	9.5%

Supplemental cash flow information related to leases for the year ended December 31, 2024 is as follows (in thousands):

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	$ 21,678
Operating cash flows for finance leases	647
Financing cash flows for finance leases	6,783
Right-of-use assets added for operating leases:	
Operating leases	$ 9,041

Lease transactions with related parties are disclosed in Note 14 – Related Party Transactions to the consolidated financial statements.

NOTE 7 - DEBT

The Company's debt consisted of the following (in thousands):

	December 31, 2024 (Successor)	December 31, 2023 (Predecessor)
ABL credit facility	$ 12,000	$ 30,000
Subordinated promissory note with affiliates	84,084	57,853
Total debt	96,084	87,853
Plus: premiums	3,188	-
Less: debt issuance costs and discount	(17,886)	(499)
Total debt, net of debt issuance costs and discount	81,386	87,354
Less: current maturities	-	-
Total debt, net of current maturities	$ 81,386	$ 87,354

ABL Credit Facility

On August 7, 2020, the Company and its direct and indirect domestic subsidiaries entered into an ABL Credit Facility with SLR Credit Solutions (formerly Crystal Financial LLC), as Administrative Agent and Lender. The ABL Credit Facility was composed of the following:

- $20 million term loan, which was drawn upon execution.
- $15 million delayed draw term loan, borrowable in $5 million increments up through August 6, 2022. As of December 31, 2023, the Company had borrowed $10 million and made no additional borrowings up through December 5, 2024.
- $10 million revolving line of credit remained undrawn as of December 5, 2024 and 2023.

On December 6, 2024, the ABL Credit Facility was amended with the following changes:

- The term loan was reduced to $12 million.
- The delayed draw term loan and original revolving line of credit were terminated.
- A new revolving line of credit of $18 million was established, with no amount being borrowed up as of December 31, 2024.
- The maturity date was extended from July 31, 2025 to the earlier of December 6, 2029 or 91 days before any subordinated debt facility.
- The interest rate changed from the greater of the Libor Rate (as defined in the ABL Credit Facility) or 1%, plus an applicable margin ranging from 6.25% to 6.75% to the greater of the 3-month SOFR rate or 2% plus an applicable margin ranging from 4.5% to 5.0%.

As part of the amendment to the Company's debt agreement, the Delayed Draw Term Loan was extinguished, resulting in a derecognition of $10 million in outstanding debt. The transaction resulted in a gain of $1.6 million, which has been recognized in other expenses on the statement of operations.

The ABL Credit Facility contains negative covenants limiting, among other things, additional indebtedness, transactions with affiliates, additional liens, sales of assets, dividends, investments and advances, prepayments of debt, mergers and acquisitions, and other matters customarily restricted in such agreements. The ABL Credit Facility also contains customary events of default, including payment defaults, breaches of representations and warranties, covenant defaults, events of bankruptcy and insolvency, failure of any guaranty or security document supporting the ABL Credit Facility to be in full force and effect, and a change of control of the Company's business.

The Company's average annualized interest rate for the ABL Credit Facility was 11.1%, 12.1% and 12.3% for the periods from November 21, 2024 to December 31, 2024 (Successor) and January 1, 2024 to November 20, 2024 (Predecessor) and December 31, 2023, respectively.

The obligations under the Company's ABL Credit Facility are guaranteed by each of its domestic subsidiaries pursuant to a guaranty included in the ABL Credit Facility. As security for the Company's and its subsidiaries' obligations under the ABL Credit Facility, each of the Company and its domestic subsidiaries have granted a first priority lien on substantially all its domestic subsidiaries' tangible and intangible personal property.

Subordinated Promissory Note with Affiliates

The Company executed a subordinated revolving promissory note (the “Ascent Note”) on November 7, 2022 with Ascent Global Logistics, Inc. (“Ascent”).

The Ascent Note provided for revolving advances up to an aggregate amount of $35.0 million with an interest rate of 9.99% per annum to be paid in cash or in kind. On August 10, 2023, the Company and Ascent executed an Operations Separation Agreement (the “OSA”), which among other things, amended the allowable revolving advances to include any net balances owed to Ascent as of December 28, 2023.

On November 21, 2024, the Company amended the Ascent Note by assigning and restating it into three separate promissory notes (the “Notes”). The amendment did not change the total outstanding balance, but assigned $40.6 million, $14.9 million and $7.3 million to Prospero Ascent Holdco LLC, Ascent, and Lyonix Holdings, LLC (“LyonIX), respectively.

The Notes mature on November 7, 2027 and do not require any principal or interest payments prior to maturity. For the Successor period ended December 31, 2024, the Company did not make any additional borrowings on the Notes. For the Predecessor periods ended November 20, 2024 and December 31, 2023, the Company drew $0 million and $55.0 million for working capital purposes, respectively. The Notes contains no affirmative or negative covenants but various customary events of default, the occurrence of which would permit the lenders to require immediate payment of all amounts outstanding. In addition, payments of interest and principal to the holders above are subordinated to the full, final and indefeasible payment in cash for the ABL Credit Facility and other obligations.

On November 21, 2024, the Company executed a subordinated promissory note (the “Prospero Note”) with Prospero Lender LLC for up to $20.0 million. It bears interest at 12.50% per annum, which is payable in kind. It matures on the earliest of February 21, 2030, or 91 days before the maturity of any other subordinated indebtedness of the Company.

For the Successor period ended December 31, 2024, the Company drew $20 million. The Prospero Note does not contain affirmative or negative covenants but includes customary events of default, including failure to pay amounts due, breach of material covenants, and bankruptcy events. If an event of default occurs, the lender may declare all outstanding amounts immediately due and payable.

The Prospero Note is subordinated to the Company’s existing senior credit facility, and the Company is restricted from making cash payments of principal or interest under the Note until senior debt obligations are satisfied. As a result of the PIK structure, interest payments are capitalized and added to the outstanding principal balance rather than being paid in cash. The Note is classified as long-term debt in the Company’s consolidated balance sheet.

Insurance Premium Financing

In July 2024 and 2023, the Company executed insurance premium financing agreements with a premium finance company in order to finance certain of its annual insurance premiums of $2.6 million and $2.5 million, respectively. Beginning on September 1 of each year, the financing agreements are payable in monthly installments of principal and interest of approximately $0.3 million for December 31, 2024 and 2023. The agreements incurred interest at 8.1% for the Successor period ended December 31, 2024. For the Predecessor periods ended November 20, 2024 and December 31, 2023 reflected an incurred interest rate at 8.1% and 8.0%, respectively.

In December 2024, the Company executed an additional insurance premium financing agreement to finance annual insurance premiums of $0.7 million with an interest rate of 8.2% and are payable in 10 installments of $0.1 million. In December 2023, the Company executed two additional insurance premium financing agreements to finance annual insurance premiums totaling $0.8 million. The agreements incurred a weighted interest of 8.1% and are payable in monthly installments of principal and interest of $0.1 million.

The balance of the insurance premium payable as of both December 31, 2024 and 2023 was $2.1 million and was recorded in accrued expenses and other current liabilities.

NOTE 8 - PREFERRED STOCK

On January 30, 2021, the Company's Board of Directors authorized the creation of a series of preferred stock, par value $0.01 per share, designated as "Series A Convertible Preferred Stock." Series A preferred shares are convertible to common stock and have voting rights in proportion to common shares.

No additional preferred shares were granted during 2024 or 2023.

NOTE 9 - STOCKHOLDERS' EQUITY (DEFICIT)

Common Stock

The Company's common stock has voting rights - one vote for each share of common stock.

On December 16, 2021, the Company filed a Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation with the State of Delaware to increase the number of authorized shares of its capital stock from 120,000,000 shares to 145,000,000 shares and to increase the number of authorized shares of its common stock from 75,000,000 shares to 100,000,000 shares.

NOTE 10 - SHARE-BASED COMPENSATION

On November 7, 2018, the Company's board of directors adopted the Roadrunner Transportation Systems, Inc. 2018 Incentive Compensation Plan (the "2018 Plan"), which was approved by the Company's stockholders on December 19, 2018 at the 2018 Annual Meeting of Stockholders. Under the 2018 Plan, the total number of shares of the Company's common stock reserved and available for delivery at any time during the term of the 2018 Plan was 120,000 shares. However, pursuant to the terms, such number of shares of the Company's common stock was increased by 7.5% of the shares issued in the rights offering (or 2,700,000 shares). Accordingly, the total number of shares of the Company's common stock reserved and available for delivery under the 2018 Plan is 2,820,000 shares. Outstanding awards granted under the 2018 Plan will continue to be governed by the terms of the 2018 Plan, but no further awards will be made under it.

On February 26, 2021, the Company's board of directors adopted a 2021 Incentive Compensation Plan (the "2021 Plan"), authorizing the issuance of options to purchase shares of Common Stock, par value $0.01 per share, of Roadrunner Transportation Systems, Inc. ("Common Stock"), and other equity or equity-based incentive awards to eligible employees, directors, consultants or other service providers selected for participation in the 2021 Plan in order to provide incentives to such eligible persons.

Stock Options

Under the 2021 Plan and 2018 Plan, the Company awarded stock options to certain key employees. With the exception of two grants partially vesting immediately, the 2021 stock options generally vest ratably over four years. The 2018 stock options generally vest ratably over a three year service period. Both the 2021 and 2018 stock options are exercisable four to seven years from the date of grant, but only to the extent vested as specified in each option agreement. Stock options awarded are valued based upon the

Black - Scholes option pricing model and the Company recognizes this value as stock compensation expense over the periods in which the options vest. Use of the Black Scholes option-pricing model requires that the Company make certain assumptions, including expected volatility, risk-free interest rate, expected dividend yield, and the expected life of the options.

A summary of the option activity for the periods from November 21, 2024 to December 31, 2024 (Successor) and January 1, 2024 to November 20, 2024 (Predecessor) and December 31, 2023 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)
Outstanding as of December 31, 2022	18,408,019	$ 2.49	5.3
Granted	-	-	
Forfeited	(4,340,000)	2.92	
Outstanding as of December 31, 2023	14,068,019	2.32	4.4
Granted	-		
Forfeited	(1,285,000)	2.68	
Outstanding as of November 21, 2024	12,783,019	2.28	0.3
Granted	-		
Forfeited	-		
Outstanding as of December 31, 2024	12,783,019	$ 2.28	0.1

Upon the change of control transaction described in Note 2, all remaining unvested options vested immediately, and the Company recognized all previously unamortized share-based compensation expense at that time. Unrecognized stock compensation expense for stock options was $0 million, $0 million and $5.6 million for the periods from November 21, 2024 to December 31, 2024 (Successor) and January 1, 2024 to November 20, 2024 (Predecessor) and December 31, 2023, respectively.

All outstanding options are non-qualified options. There were 12,783,0019 and 10,470,519 options exercisable as of December 31, 2024 and 2023, respectively. As of December 31, 2024, for exercisable options, the weighted-average exercise price was $2.28, the weighted average remaining contractual term was approximately ninety days and there was no estimated aggregate intrinsic value per share. As of December 31, 2024, no options were unvested.

Stock-based compensation expense for stock options was $0.0 million, $4.1 million and $0.5 million for the periods from November 21, 2024 to December 31, 2024 (Successor) and January 1, 2024 to November 20, 2024 (Predecessor) and December 31, 2023, respectively. The related estimated income tax benefit recognized in the accompanying consolidated statements of operations, net of estimated forfeitures, was $0 million, $0.96 million and $0.01 million for the periods from November 21, 2024 to December 31, 2024 (Successor) and January 1, 2024 to November 20, 2024 (Predecessor) and December 31, 2023, respectively. The Company recorded tax deficiencies on vested shares of $0 million, $0.1 million and $0.9 million in benefit from income taxes for the periods from November 21, 2024 to December 31, 2024 (Successor) and January 1, 2024 to November 20, 2024 (Predecessor) and December 31, 2023, respectively. Due to the Company's valuation allowance position, the impact of both the income tax benefit related to stock-based compensation expense and the income tax expense related to tax deficiencies from vested shares are offset by a corresponding adjustment through benefit from income taxes due to the change in valuation allowance for deferred tax assets.

NOTE 11 - INCOME TAXES

The following disclosures are provided with respect to income taxes related to continuing operations only.

The components of the Company's provision (benefit) from income taxes were as follows (in thousands):

	For the Period From November 21, 2024 to December 31, 2024 (Successor)	For the Period From January 1, 2024 to November 20, 2024 (Predecessor)	Year Ended December 31, 2023 (Predecessor)
Current tax benefit	$ -	$ 16	$ 71
Deferred tax benefit	-	-	-
Benefit from income taxes	$ -	$ 16	$ 71

The Company's benefit from income taxes varied from the amounts calculated by applying the 21% U.S. statutory income tax rate to the loss before income taxes, primarily due to the effect of the valuation allowance. The change (decrease) in valuation allowance was $5.8 million, $(12.1) million and $6.9 million for the periods from November 21, 2024 to December 31, 2024 (Successor) and January 1, 2024 to November 20, 2024 (Predecessor) and December 31, 2023 (Predecessor), respectively.

The Company recorded assets for refundable income taxes of $0.06 million and $0.04 million as of December 31, 2024 and 2023, respectively. These amounts were classified within prepaids and other current assets.

The Company's net deferred income tax liabilities of $1.0 million and $0.0 as of December 31, 2024 and December 31, 2023, respectively, are summarized as follows:

	December 31, 2024 (Successor)	December 31, 2023 (Predecessor)
Deferred tax assets	$ 89,965	$ 88,726
Valuation allowance	(65,344)	(71,577)
Deferred tax assets, net of valuation allowance	24,621	17,149
Deferred tax liabilities	(25,596)	(17,149)
Net deferred tax liabilities	$ (975)	$ -

The Company's deferred tax assets consist primarily of temporary differences related to allowances for bad debts, accrued expenses and other current liabilities, operating lease liabilities, as well as tax carryforwards (net operating loss and interest expense). The Company's deferred tax liabilities consist primarily of temporary differences related to prepaid expenses and other current assets, property and equipment, and operating lease right-of-use assets and intangible assets.

Management assesses available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets, including through reversals of existing cumulative temporary differences. A significant piece of objective evidence evaluated was the cumulative losses incurred over the three-year periods ended December 31, 2024 and 2023. Such objective evidence limits the ability to consider other subjective evidence, such as the Company's projections for future growth. On the basis of this evaluation, the Company has recorded a valuation allowance of $65.3 million and $71.6 million as of December 31, 2024 and 2023, respectively, related to federal and state net operating loss carryforwards, interest expense carryforwards, and other deferred tax assets that are not "more likely than not" to be realized in the future.

The Company has $240.9 million of federal net operating loss carryforwards as of December 31, 2024 ($50.6 million tax-effected), generated subsequent to January 1, 2018, which can be carried forward indefinitely. These losses can be utilized to offset taxable income in future years, to the extent of 80% of taxable income generated in those years, until exhausted. The remaining $9.4 million deferred tax asset for net operating loss carryforwards consists of tax effect of various state net operating loss carryforwards that will generally expire between 2024 and 2044. Some of the Company's net operating loss carryforward amounts are subject to an annual section 382 limitation. However, the Company does not currently expect the annual section 382 limitation to materially impact its ability to utilize the net operating loss carryforward amounts.

The Company has a $37.8 million interest expense carryforward as of December 31, 2024 ($8.8 million tax effected). Starting in 2018, annual net interest expense deductions are limited to 30% (50% for 2019 and 2020, pursuant to the 2020 CARES Act) of "adjusted taxable income" as defined in the tax code, and any interest expense not deducted in the current year due to said limitation carries forward indefinitely and can be utilized to offset taxable income in future years, to the extent of 30% of "adjusted taxable income" generated in those years, until exhausted.

The Company has no material unrecognized tax benefits as of December 31, 2024 and 2023 (including related interest or penalties). The effect of unrecognized tax benefits on the benefit from income taxes for 2023 and 2022 is also not material. Income tax related penalties and interest (including those related to unrecognized tax benefits) are included within benefit from income taxes, and were not material for the years ended December 31, 2024 and 2023.

As of December 31, 2024, the Company generally would be subject to federal tax examination for tax years after December 31, 2020 (based on a 3-year statute of limitations). Tax years 2016 and 2017 may also be subject to examination, since a portion of the net operating loss carryforward generated in those years was utilized in 2020. However, tax years 2016 through 2018 have previously been examined by the Internal Revenue Service, so such examination is unlikely.

As of December 31, 2024, the Company generally may be subject to state tax examinations for tax years after December 31, 2019 (based on an average 4-year statute of limitations). However, the Company continues to carry forward losses generated in 2013 through 2024, so tax years 2013 through 2016 could still be examined in future years in which the net operating losses are utilized.

NOTE 12 - GUARANTEES

Lease Purchase Guarantee

The Company provides a guarantee for a portion of the value of certain IC leased tractors. The potential maximum exposure under these lease guarantees was approximately $0.8 million and $1.0 million as of December 31, 2024 and 2023, respectively. Upon an IC default, the Company has the option to purchase the tractor or return the tractor to the leasing company if the residual value is greater than the Company's guarantee. Alternatively, the Company can contract another IC to assume the lease. The Company estimated the fair value of its liability under this on-going guarantee to be $0.3 million and $0.5 million as of December 31, 2024 and 2023, respectively, and it is included in accrued expenses and other current liabilities.

The Company paid $0.0 million, $0.1 million and $1.1 million under these lease guarantees for the periods from November 21, 2024 to December 31, 2024 (Successor) and January 1, 2024 to November 20, 2024 (Predecessor) and December 31, 2023, respectively.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Employee Benefit Plans

The Company sponsors a defined contribution profit sharing plan for substantially all employees of the Company and its subsidiaries. Total contributions under this plan were $0.03 million $0.3 million and $0 for the periods from November 21, 2024 to December 31, 2024 (Successor) and January 1, 2024 to November 20, 2024 (Predecessor) and December 31, 2023, respectively.

Auto, Workers Compensation, and General Liability Reserves

In the ordinary course of business, the Company is a defendant in several legal proceedings arising out of the conduct of its business. These proceedings include claims for property damage or personal injury incurred in connection with the Company's services. Although there can be no assurance as to the ultimate disposition of these proceedings, the Company does not believe, based upon the information available at this time, that these property damage or personal injury claims, in the aggregate, will have a material impact on its consolidated financial statements. The Company maintains insurance for auto liability, general liability, and cargo claims. The Company maintains a limit of $20 million including its self-insured retention on auto liability and general liability insurance. The Company maintains auto liability insurance coverage for claims in excess of $1.0 million per occurrence and cargo coverage for claims in excess of $100,000 per occurrence. The Company is self-insured up to $1.0 million per occurrence for workers compensation. The Company believes it has adequate insurance to cover losses in excess of the self-insured and deductible amount. As of for the period from November 21, 2024 to December 31, 2024 (Successor) and December 31, 2023, the Company had reserves for estimated uninsured losses of $11.0 million, and $11.3 million, respectively, included in accrued expenses and other current liabilities.

In 2024 three plaintiffs pursued independent actions in Cook County, Illinois in connection with a single rear-end chain collision that occurred on July 17, 2021 involving an IC of the Company. The plaintiffs were Galloway, Nunez, and the Estate of Semple, deceased. In consideration of a full release of claims, the Company agreed and paid settlement funds totaling $10 million of which $3 million was paid in November 2024 by Company below with the remainder paid by the Company's insurers.

Lorenzo White ("White") filed an action in the State Court of Clayton County in connection with a collision he was involved in with an IC driver of Roadrunner that occurred on or about January 11, 2018 in Rockdale County, Georgia. In consideration of a full release of claims, Roadrunner agreed and paid settlement funds totaling Seven Hundred and Fifty Thousand Dollars ($750,000.00) on the below schedule:

- Three Hundred and Fifty Thousand Dollars ($350,000) on or before December 31, 2022;
- Two Hundred Thousand Dollars ($200,000) or before March 1, 2023; and
- Two Hundred Thousand Dollars ($200,000) on or before April 1, 2023.

General Litigation Proceedings

In December 2018, a class action lawsuit was brought against the Company in the Superior Court of the State of California by Fernando Gomez, on behalf of himself and other similarly situated persons, alleging violation of California labor laws. Mr. Gomez passed away in July 2021, but a new named Plaintiff was substituted in by Counsel. The Company entered into a Joint Stipulation of Class Action Settlement and Release on February 23, 2024. The Company agreed and paid $850,000, payable in three equal installments in the months of November 2024 and January and February 2025.

On April 2, 2021, Griselda Jauregui filed a class action lawsuit against the Company in the Superior Court of the State of California. Jauregui filed the class action on behalf of herself and other similarly situated individuals employed by the Company in a non-exempt position from and after April 2, 2017, alleging various violations of California Labor Code. The Company filed an answer denying all claims and removed the case to Federal Court. The Company expects to pay $1.9 million payable in two equal payments of $925,000 in 2025 and 2026.

In September 2023, the Company received a demand letter on behalf of Expedited Freight Systems, Inc ("EFS") from the counsel representing Grossprops, the landlord of EFS' former Kenosha terminal alleging repairs needed at the facility post move out with an initial demand of $1.4 million. On June 6, 2024, a lawsuit was filed alleging the same. The Company will continue to monitor developments in the litigation and will assess the need for additional disclosure in future reporting periods.

In addition to the legal proceeding described above, the Company is a defendant in various purported class-action lawsuits alleging violations of various California labor laws. As of the periods from November 21, 2024 to December 31, 2024 (Successor) and December 31, 2023, the Company recorded a liability for settlements, litigation, and defense costs related to all labor matters of $3.8 million and $3.2 million, respectively, which are recorded in accrued expenses and other current liabilities.

Securities Litigation Proceedings

Subsequent to the Company's 2017 announcement that certain previously filed financial statements should not be relied upon, the Company was contacted by the SEC, Financial Industry Regulatory Authority ("FINRA"), and the Department of Justice ("DOJ"). The DOJ and Division of Enforcement of the SEC commenced investigations into the events giving rise to the restatement. In June 2018, two of the Company's former employees were indicted on charges of conspiracy, securities fraud, and wire fraud as part of the ongoing DOJ investigation. In April 2019, the indictment was superseded with an indictment against those two former employees as well as the Company's former Chief Financial Officer. On July 29, 2021, the Company's former Chief Financial Officer was found guilty of fraudulently influencing accountants and making false entries in a public company's books, records, and accounts, while being acquitted on other charges. The former employees were acquitted on all charges. Additionally, in April 2019, the SEC filed suit against the same three former employees. On August 31, 2023, the SEC settled the suit through orders with each former employee permanently enjoining them from continuing to violate the securities law.

The Company cooperated fully with the joint DOJ and SEC investigation. The DOJ has communicated it has closed its investigation of the Company. On February 14, 2023, the SEC announced settled proceedings against Roadrunner. Without admitting or denying the findings, Roadrunner agreed to cease and desist from committing or causing any future violations of Section 17(a) of the Securities Act of 1933 and Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934 and Rules 10b-5, 12b-20, 13a-1, 13a-11, and 13a-13 thereunder and to pay disgorgement of $7,096,092 and prejudgment interest of $2,539,820, which were deemed satisfied by the 2019 settlement payment Roadrunner made in the case In re Roadrunner Transportation Systems, Inc. Securities Litigation, Case No. 2:17-cv-00144 (E.D. Wis. Jan. 31, 2017).

NOTE 14 - RELATED PARTY TRANSACTIONS

On August 7, 2020, the Company completed the spinoff of Ascent to existing shareholders. In conjunction with the spinoff, the Company entered into a Business Services Agreement (the “Original Agreement”) with Ascent to provide the Company with certain support services, primarily related to I.T. infrastructure Upon the expiration of the Original Agreement on June 30, 2022, an Amended and Restated Business Agreement (the “BSA”) was executed to amend and restate the Original Agreement in its entirety. On August 10, 2023, the parties entered into an Operations Service Agreement (the “OSA”) whereby they agreed the BSA would be terminated, and certain services would be provided to both parties upon the sale of Ascent to another party. No payments for services were made to Ascent during 2024 or 2023.

Ascent was both a customer to the Company as well as a transportation service provider in 2023. Revenues from Ascent totaled $1.5 million for the period ended December 31, 2023.

Transportation services purchased from Ascent totaled $0.1 million for the period ended December 31, 2023.

On December 21, 2020, the Company entered into a sale-leaseback transaction with LyonIX Holdings, LLC (“LyonIX”), which is controlled by the Company’s Executive Chairman and Chief Executive Officer. Simultaneously, the Company entered into an operating lease agreement with LyonIX for transportation related equipment, such as trailers, forklifts and yard hostlers in two tranches that had termination dates in November 2025 and November 2027. On July 3, 2024, the Company executed an amended and restated lease, which altered the monthly rental cost and added a bargain purchase option converting them to finance leases. The leases have an average remaining life of 2.2 years. The Company paid an aggregate of $0.1 million, $1.4 million and $1.5 million for the periods from November 21, 2024 to December 31, 2024 (Successor) and January 1, 2024 to November 20, 2024 (Predecessor) and December 31, 2023, respectively. On November 21, 2024, the Company executed the Prospero Note with Prospero Lender LLC for up to $20.0 million. It bears interest at 12.50% per annum, which is payable in kind. It matures on the earliest of February 21, 2030, or 91 days before the maturity of any other subordinated indebtedness of the Company. See Note 7 – Debt for additional details.

NOTE 15 - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through March 30, 2025, the date these consolidated financial statements were issued. Based upon this review, the Company did not identify any subsequent events and has concluded all such events that would require recognition or disclosure have been recognized or disclosed.