ARTESIAN RESOURCES CORP
Form 5
January 24, 2014

FORM 5

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).
Form 3 Holdings Reported
Form 4 Transactions Reported

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

ANNUAL STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

1. Name and Address of Reporting Person *
Finch Jennifer Leigh

(Last) (First) (Middle)

664 CHURCHMANS ROAD

(Street)

NEWARK,Â DEÂ 19702

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
ARTESIAN RESOURCES CORP [ARTNA]

3. Statement for Issuer's Fiscal Year Ended (Month/Day/Year)
12/31/2013

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Vice President/Asst. Treasurer

6. Individual or Joint/Group Reporting

(check applicable line)

_X_ Form Filed by One Reporting Person
___ Form Filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned at end of Issuer's Fiscal Year (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
				Amount	(A) or (D)	Price			
Class A Non-voting Common Stock	12/31/2013	Â	J (1)	59	A	$ 0 (1) (2)	241	I	401k Plan (2)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 2270 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. of D Se Be O Er Is Fi (I
					(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Finch Jennifer Leigh 664 CHURCHMANS ROAD NEWARK, DE 19702	Â	Â	Â Vice President/Asst. Treasurer	Â

Signatures

Jennifer L. Finch	01/24/2014
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) reporting balance of Artesian stock held in 401K plan which was acquired through employee payroll deferrals

(2) Employee directed funds

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Revenue

Change

Change
Operating revenue
$
36.8

100.0
%

$
31.5

100.0
%

$
5.3

16.8
%

Operating expenses:

Purchased transportation
9.6

26.1

8.6

27.3

1.0

11.6

Salaries, wages and employee benefits
14.0

38.0

11.9

37.8

2.1

17.6

Operating leases
3.1

8.4

3.0

9.5

0.1

3.3

Depreciation and amortization
1.6

4.4

1.5

4.8

0.1

6.7

Insurance and claims
1.1

3.0

1.0

3.2

0.1

10.0

Fuel expense
1.2

3.3

1.1

3.5

0.1

9.1

Other operating expenses
4.6

Explanation of Responses:

12.5

4.8

15.2

(0.2
)

(4.2
)
Total operating expenses
35.2

95.7

31.9

101.3

3.3

10.3

Income from operations
$
1.6

4.3
%

$
(0.4
)

(1.3
)%

$
2.0

NM

Revenues

Pool Distribution (Pool) operating revenue increased $5.3 million, or 16.8%, to $36.8 million for the three months ended June 30, 2017 from $31.5 million for the same period in 2016. The increase was attributable to higher shipping volumes from previously existing customers and current year rate increases.

Purchased Transportation

Pool purchased transportation increased $1.0 million, or 11.6%, to $9.6 million for the three months ended June 30, 2017 compared to $8.6 million for the same period of 2016. Pool purchased transportation as a percentage of revenue was 26.1% for the three months ended June 30, 2017 compared to 27.3% for the same period of 2016. The improvement in Pool purchased transportation as a percentage of revenue was attributable to an increased utilization of owner operators over more costly third party carriers and revenue increases associated with rate increases.

Salaries, Wages, and Benefits

Pool salaries, wages and employee benefits increased $2.1 million, or 17.6%, to $14.0 million for the three months ended June 30, 2017 compared to $11.9 million for the same period of 2016. As a percentage of Pool operating revenue, salaries, wages and benefits increased to 38.0% for the three months ended June 30, 2017 compared to 37.8% for the same period in 2016. The slight increase in salaries, wages and benefits as a percentage of revenue was the result of increases in dock pay and employee incentive mostly offset by decreases in Company driver pay, administrative salaries and workers' compensation costs. These decreases benefited from the revenue volumes discussed above. Dock pay deteriorated as a percentage of revenue as increasing revenue volumes required the use of more costly contract labor.

Operating Leases

Operating leases increased $0.1 million, or 3.3%, to $3.1 million for the three months ended June 30, 2017 from $3.0 million for the same period in 2016. Operating leases were 8.4% of Pool operating revenue for the three months ended June 30, 2017 compared

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with 9.5% in the same period of 2016. Operating leases decreased as a percentage of revenue due to decreases in facility rent, as prior year included transition and relocation costs for certain terminals that did not occur in the second quarter of 2017.

Depreciation and Amortization

Pool depreciation and amortization increased $0.1 million, or 6.7%, to $1.6 million for the three months ended June 30, 2017 from $1.5 million for the same period in 2016. Depreciation and amortization expense as a percentage of Pool operating revenue was 4.4% in the second quarter of 2017 compared to 4.8% in the same period of 2016. The increase in Pool depreciation and amortization in total dollars was due to the allocation of trailer depreciation, which reflect Pool's increased utilization of our trailer fleet.

Insurance and Claims

Pool insurance and claims expense increased $0.1 million, or 10.0%, to $1.1 million for the three months ended June 30, 2017 from $1.0 million for the same period of 2016. Insurance and claims were 3.0% of operating revenue for the three months ended June 30, 2017 compared to 3.2% in the same period of 2016. The decrease as a percentage of revenue was due to decreases in cargo claims and claims related professional fees.

Fuel Expense

Pool fuel expense increased $0.1 million, or 9.1%, to $1.2 million for the second quarter of 2017 from $1.1 million in the same period of 2016. Fuel expenses were 3.3% of Pool operating revenue in the second quarter of 2017 compared to 3.5% in the second quarter of 2016. Pool fuel expenses increased in total dollars due to an increase in year-over-year fuel prices and higher revenue volumes. These increases were partially offset by increased utilization of owner operators.

Other Operating Expenses

Pool other operating expenses decreased $0.2 million, or 4.2%, to $4.6 million for the three months ended June 30, 2017 from $4.8 million in the same period of 2016. Pool other operating expenses for the second quarter of 2017 were 12.5% compared to 15.2% for the same period of 2016. The decrease in percentage of revenue is due to improved margins at agent stations and decreased legal and professional fees.

Results from Operations

Income from operations increased to $1.6 million for the second quarter of 2017 compared with a $0.4 million loss from operations for the same period in 2016. Income from operations as a percentage of Pool operating revenue was 4.3% for the three months ended June 30, 2017 compared to a loss from operations as a percentage of revenue of 1.3% for the same period of 2016. The improvement in Pool operating results was primarily the result of increased revenue volumes, current year rate increases, the reduction of cargo claims, agent station margin improvements and purchased transportation efficiencies.

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Intermodal - Three Months Ended June 30, 2017 compared to Three Months Ended June 30, 2016

The following table sets forth our historical financial data of the Intermodal segment for the three months ended June 30, 2017 and 2016 (in millions):

Intermodal Segment Information
(In millions)
(Unaudited)

	Three months ended					
	June 30, 2017	Percent of Revenue	June 30, 2016	Percent of Revenue	Change	Percent Change
Operating revenue	$35.3	100.0 %	$24.2	100.0 %	$ 11.1	45.9 %
Operating expenses:						
Purchased transportation	14.0	39.7	8.4	34.7	5.6	66.7
Salaries, wages and employee benefits	8.0	22.7	6.0	24.8	2.0	33.3
Operating leases	3.1	8.8	2.9	12.0	0.2	6.9
Depreciation and amortization	1.5	4.2	0.9	3.7	0.6	66.7
Insurance and claims	1.3	3.7	0.5	2.0	0.8	160.0
Fuel expense	0.9	2.5	0.6	2.5	0.3	50.0
Other operating expenses	3.4	9.6	2.1	8.7	1.3	61.9
Total operating expenses	32.2	91.2	21.4	88.4	10.8	50.5
Income from operations	$3.1	8.8 %	$2.8	11.6 %	$ 0.3	10.7 %

Revenues

Intermodal operating revenue increased $11.1 million, or 45.9%, to $35.3 million for the three months ended June 30, 2017 from $24.2 million for the same period in 2016. The increases in operating revenue were primarily attributable to the acquisitions of Atlantic and Triumph, the impact of increased fuel surcharges and increased storage revenues.

Purchased Transportation

Intermodal purchased transportation increased $5.6 million, or 66.7%, to $14.0 million for the three months ended June 30, 2017 from $8.4 million for the same period in 2016. Intermodal purchased transportation as a percentage of revenue was 39.7% for the three months ended June 30, 2017 compared to 34.7% for the three months ended June 30, 2016. The increase in Intermodal purchased transportation as a percentage of revenue was attributable to higher utilization of owner operators as opposed to Company-employed drivers, as Atlantic utilized more owner operators than Company drivers.

Salaries, Wages, and Benefits

Intermodal salaries, wages and employee benefits increased $2.0 million, or 33.3%, to $8.0 million for the three months ended June 30, 2017 compared to $6.0 million for the three months ended June 30, 2016. As a percentage of Intermodal operating revenue, salaries, wages and benefits decreased to 22.7% for the three months ended June 30, 2017 compared to 24.8% for the same period in 2016. The improvement in salaries, wages and employee benefits as a percentage of revenue was attributable to less reliance on Company-employed drivers as mentioned above.

Operating Leases

Operating leases increased $0.2 million, or 6.9%, to $3.1 million for the three months ended June 30, 2017 compared to $2.9 million for the same period of 2016. Operating leases were 8.8% of Intermodal operating revenue for the three months ended June 30, 2017 compared with 12.0% in the same period of 2016. Operating leases decreased as a percentage of revenue due to trailer rental revenue and charges stayed flat while intermodal linehaul revenue increased.

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Depreciation and Amortization

Depreciation and amortization increased $0.6 million, or 66.7%, to $1.5 million for the three months ended June 30, 2017 compared to $0.9 million for the same period in 2016. Depreciation and amortization expense as a percentage of Intermodal operating revenue was 4.2% in the second quarter of 2017 compared to 3.7% in the same period of 2016. The higher depreciation and amortization was due to the acquisitions of equipment and intangible assets from Atlantic and Triumph.

Insurance and Claims

Intermodal insurance and claims increased $0.8 million, or 160.0%, to $1.3 million for the three months ended June 30, 2017 from $0.5 million for the same period in 2016. Intermodal insurance and claims were 3.7% of operating revenue for the three months ended June 30, 2017 compared with 2.0% for the same period in 2016. The increase in Intermodal insurance and claims was attributable to increased vehicle liability reserves and higher insurance premiums.

Fuel Expense

Intermodal fuel expense increased $0.3 million, or 50.0%, to $0.9 million for the second quarter of 2017 from $0.6 million in the same period of 2016. Fuel expenses were 2.5% of Intermodal operating revenue in the second quarter of 2017 and 2016. Intermodal fuel expenses increased in total dollars on higher year-over-year fuel prices and revenue volumes. These increases were partially offset by higher utilization of owner operators as opposed to Company-employed drivers.

Other Operating Expenses

Intermodal other operating expenses increased $1.3 million, or 61.9%, to $3.4 million for the three months ended June 30, 2017 compared to $2.1 million for the same period of 2016. Intermodal other operating expenses for the second quarter of 2017 were 9.6% compared to 8.7% for the same period of 2016. The increase in Intermodal other operating expenses was due mostly to a $0.4 million increase in container related rental and storage charges associated with revenue increases discussed previously. The increase was also due to higher terminal expenses and other variable costs, such as maintenance and tolls, corresponding with the increases in revenue, and legal and professional fees related to the acquisition of Atlantic.

Income from Operations

Intermodal’s income from operations increased by $0.3 million, or 10.7%, to $3.1 million for the second quarter of 2017 compared with $2.8 million for the same period in 2016. Income from operations as a percentage of Intermodal operating revenue was 8.8% for the three months ended June 30, 2017 compared to 11.6% in the same period of 2016. The increase in operating income was primarily attributable to the Atlantic and Triumph acquisitions. The decrease in income from operations as a percentage of revenue was attributable to increased depreciation and amortization associated with Intermodal's acquisitions, insurance premiums and vehicle liability reserves, and acquisition related legal and professional fees.

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Other Operations

Other operating activity improved from a $1.4 million operating loss during the three months ended June 30, 2016 to a $0.3 million operating income during the three months ended June 30, 2017. Other expenses for the three months ended June 30, 2017 benefited from $0.6 million of indemnification funds received related to the Towne acquisition. This indemnification benefit was partly offset by $0.3 million of executive severance costs.

The $1.4 million in operating loss included in other operations and corporate activities for the three months ended June 30, 2016 was primarily for increases to loss development factors resulting from our bi-annual actuary analysis of our vehicle and workers' compensation claims. Our second quarter 2017 actuary analysis did not result in notable adjustments to our vehicle or workers' compensation reserves. These loss development adjustments were kept at the corporate level and not passed through to our segments.

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Results from Operations

The following table sets forth our consolidated historical financial data for the six months ended June 30, 2017 and 2016 (in millions):

	Six months ended June 30			
	2017	2016	Change	Percent Change
Operating revenue:				
Expedited LTL	$292.9	$279.1	$13.8	4.9 %
Expedited Truckload	87.0	78.1	8.9	11.4
Pool Distribution	74.6	64.7	9.9	15.3
Intermodal	63.6	48.8	14.8	30.3
Eliminations and other operations	(3.6)	(2.5)	(1.1)	44.0
Operating revenue	514.5	468.2	46.3	9.9
Operating expenses:				
Purchased transportation	218.7	195.7	23.0	11.8
Salaries, wages, and employee benefits	126.4	115.7	10.7	9.2
Operating leases	30.4	28.5	1.9	6.7
Depreciation and amortization	20.3	19.0	1.3	6.8
Insurance and claims	13.5	12.0	1.5	12.5
Fuel expense	7.3	6.0	1.3	21.7
Other operating expenses	44.9	41.8	3.1	7.4
Impairment of goodwill, intangibles and other assets	—	42.4	(42.4)	100.0
Total operating expenses	461.5	461.1	0.4	0.1
Income (loss) from operations:				
Expedited LTL	41.4	42.0	(0.6)	(1.4)
Expedited Truckload	3.6	(38.7)	42.3	NM
Pool Distribution	3.0	(0.3)	3.3	(1,100.0)
Intermodal	5.6	5.1	0.5	9.8
Other operations	(0.6)	(1.0)	0.4	(40.0)
Income from operations	53.0	7.1	45.9	646.5
Other expense:				
Interest expense	(0.5)	(1.0)	0.5	(50.0)
Other, net	—	(0.2)	0.2	(100.0)
Total other expense	(0.5)	(1.2)	0.7	(58.3)
Income before income taxes	52.5	5.9	46.6	789.8
Income taxes	18.7	2.9	15.8	544.8
Net income	$33.8	$3.0	$30.8	1,026.7 %

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Expedited LTL - Six Months Ended June 30, 2017 compared to Six Months Ended June 30, 2016

The following table sets forth our historical financial data of the Expedited LTL segment for the six months ended June 30, 2017 and 2016 (in millions):
Expedited LTL Segment Information
(In millions)
(Unaudited)

	Six months ended					
	June 30, 2017	Percent of Revenue	June 30, 2016	Percent of Revenue	Change	Percent Change
Operating revenue	$292.9	100.0 %	$279.1	100.0 %	$13.8	4.9 %
Operating expenses:						
Purchased transportation	116.4	39.8	109.2	39.1	7.2	6.6
Salaries, wages and employee benefits	71.8	24.5	68.8	24.7	3.0	4.4
Operating leases	18.3	6.3	16.5	5.9	1.8	10.9
Depreciation and amortization	11.1	3.8	10.8	3.9	0.3	2.8
Insurance and claims	7.0	2.4	6.2	2.2	0.8	12.9
Fuel expense	1.9	0.6	1.5	0.6	0.4	26.7
Other operating expenses	25.0	8.5	24.1	8.6	0.9	3.7
Total operating expenses	251.5	85.9	237.1	85.0	14.4	6.1
Income from operations	$41.4	14.1 %	$42.0	15.0 %	$(0.6)	(1.4)%

Expedited LTL Operating Statistics

	Six months ended		
	June 30, 2017	June 30, 2016	Percent Change
Operating ratio	85.9 %	85.0 %	1.1 %
Business days	128.0	128.0	—
Business weeks	25.6	25.6	—
Expedited LTL:			
Tonnage			
Total pounds [1]	1,192,219	1,169,760	1.9
Average weekly pounds [1]	46,571	45,694	1.9
Linehaul shipments			
Total linehaul	1,906,425	1,841,232	3.5
Average weekly	74,470	71,923	3.5
Forward Air Complete shipments	453,971	384,379	18.1
As a percentage of linehaul shipments	23.8 %	20.9 %	13.9

Average linehaul shipment size	625	635	(1.6)
Revenue per pound [2]			
Linehaul yield	$ 17.26	$ 17.72	(2.1)
Fuel surcharge	1.20	0.87	1.5
Forward Air Complete	3.79	3.19	2.8
Total Expedited LTL yield	$ 22.25	$ 21.78	2.2 %

[1] - In thousands
[2] - In dollars per hundred pound; percentage change is expressed as a percent of total yield.

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Revenues

Expedited LTL operating revenue increased $13.8 million, or 4.9%, to $292.9 million from $279.1 million, accounting for 56.9% of consolidated operating revenue for the six months ended June 30, 2017 compared to 59.6% for the same period in 2016. The increase in revenue is mostly the result of increases to Complete activity and fuel surcharge revenues. Linehaul revenue, which is the largest portion of Expedited LTL, decreased $1.4 million, or 0.7%, due to the decrease in linehaul yield noted in the preceding table, partly offset by the increase in tonnage. The increase in tonnage is due to a growing percentage of total volume from shipments with higher density attributes and a slightly lower length of haul than our traditional shipments, driving the decrease in average base revenue per pound. The increase in tonnage is also due to a full six months impact of our February 2016 change to our dim-factor standard.

The $13.8 million revenue increase is primarily the result of a $7.8 million, or 20.9%, increase in Complete revenue. The increase in Complete revenue was attributable to an increase in shipping volumes in our Expedited LTL network and a 13.9% increase in the attachment rate of Complete to linehaul shipments. Additionally, compared to the same period in 2016, net fuel surcharge revenue increased $4.0 million largely due to the increase in fuel prices and volume increases. Other terminal based revenues, which includes dedicated local pickup and delivery services, warehousing and terminal handling, increased $3.4 million, or 13.9%, to $27.6 million in the first six months of 2017 from $24.3 million in the same period of 2016. The increase in other terminal revenue was mainly attributable to increases in dedicated local pickup and delivery.

Purchased Transportation

LTL purchased transportation increased by $7.2 million, or 6.6%, to $116.4 million for the six months ended June 30, 2017 from $109.2 million for the six months ended June 30, 2016. As a percentage of segment operating revenue, LTL purchased transportation was 39.8% during the six months ended June 30, 2017 compared to 39.1% for the same period in 2016. The increase is mostly due to a 3.3% increase in Expedited LTL cost per mile. The higher cost per mile is due to increased utilization of third party transportation providers, which are more costly than owner operators. The increase is also due to increased Complete attachment on higher linehaul volumes. Complete purchased transportation has a higher percentage of revenue than linehaul.

Salaries, Wages, and Benefits

Salaries, wages and employee benefits of LTL increased by $3.0 million, or 4.4%, to $71.8 million for the six months ended June 30, 2017 from $68.8 million in the same period of 2016. Salaries, wages and employee benefits were 24.5% of LTL's operating revenue for the six months ended June 30, 2017 compared to 24.7% for the same period of 2016. The improvement in salaries, wages and employee benefits as a percentage of revenue was primarily attributable to a 0.4% decrease in dock pay as a percentage of revenue as well as 0.2% and 0.1% decrease in workers' compensation costs and share based compensation, respectively. These decreases were partly offset by a 0.5% increase in employee incentives as a percentage of revenue.

Operating Leases

Operating leases increased $1.8 million, or 10.9%, to $18.3 million for the six months ended June 30, 2017 from $16.5 million for the same period in 2016. Operating leases were 6.3% of LTL operating revenue for the six months ended June 30, 2017 compared to 5.9% for the same period in 2016. The increase in cost is due to $1.0 million of additional facility lease expenses and a $0.8 million increase in truck, trailer and equipment rentals and leases. Facility leases increased due to the expansion of certain facilities. Vehicle leases increased due to the replacement of older owned power equipment with leased power equipment.

Depreciation and Amortization

Depreciation and amortization increased $0.3 million, or 2.8%, to $11.1 million for the six months ended June 30, 2017 from $10.8 million in the same period of 2016. Depreciation and amortization expense as a percentage of LTL operating revenue was 3.8% in the six months ended June 30, 2017 compared to 3.9% in the same period of 2016. The decrease as a percentage of revenue was due to the increase in equipment leasing mentioned above instead of purchased equipment.

Insurance and Claims

LTL insurance and claims expense increased $0.8 million, or 12.9%, to $7.0 million for the six months ended June 30, 2017 from $6.2 million for the six months ended June 30, 2016. Insurance and claims was 2.4% of operating revenue for the six months ended June 30, 2017 compared to 2.2% for the same period of 2016. The increase in dollars was partly attributable to a $1.0 million increase in insurance premiums associated with our insurance plan renewals and a $0.6 million increase in vehicle claim reserves primarily due to current period development of a reserve for a prior period accident. These increases were partly offset by decreases in vehicle damage and cargo claims and claim related legal and professional fees.

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Fuel Expense

LTL fuel expense increased $0.4 million, or 26.7%, to $1.9 million for the six months ended June 30, 2017 from $1.5 million in the same period of 2016. Fuel expenses were 0.6% of LTL operating revenue for the six months ended June 30, 2017 and 2016. LTL fuel expenses increased due to higher year-over-year fuel prices.

Other Operating Expenses

Other operating expenses increased $0.9 million, or 3.7%, to $25.0 million for the six months ended June 30, 2017 from $24.1 million in the same period of 2016. Other operating expenses were 8.5% of LTL operating revenue in the six months ended June 30, 2017 compared to 8.6% in the same period of 2016. The decrease as percentage of revenue was primarily the result a decrease in legal fees mostly related to indemnification funds received related to the Towne acquisition.

The increase in dollars was due to a $0.3 million increase in equipment maintenance, a $0.3 million increase in facility maintenance costs and a $0.3 million increase in losses on disposed assets.

Income from Operations

Income from operations decreased by $0.6 million, or 1.4%, to $41.4 million for the six months ended June 30, 2017 compared with $42.0 million for the same period in 2016. Income from operations as a percentage of LTL operating revenue was 14.1% for the six months ended June 30, 2017 compared with 15.0% in the same period of 2016. Deterioration in income from operations was caused by an increased utilization of third party transportation providers, higher employee incentives and an increased vehicle liability reserves. These were partly offset by dock efficiencies, increased net fuel surcharge revenue and increased Complete revenue.

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Truckload Premium Services - Six Months Ended June 30, 2017 compared to Six Months Ended June 30, 2016

The following table sets forth our historical financial data of the Truckload Premium Services segment for the six months ended June 30, 2017 and 2016 (in millions):

Truckload Premium Services Segment Information
(In millions)
(Unaudited)

	Six months ended					
	June 30, 2017	Percent of Revenue	June 30, 2016	Percent of Revenue	Change	Percent Change
Operating revenue	$87.0	100.0 %	$78.1	100.0 %	$8.9	11.4 %
Operating expenses:						
Purchased transportation	62.0	71.3	53.9	69.0	8.1	15.0
Salaries, wages and employee benefits	10.2	11.7	9.5	12.2	0.7	7.4
Operating leases	0.2	0.2	0.2	0.3	—	—
Depreciation and amortization	3.1	3.6	3.5	4.5	(0.4)	(11.4)
Insurance and claims	2.3	2.7	1.9	2.4	0.4	21.1
Fuel expense	1.5	1.7	1.2	1.5	0.3	25.0
Other operating expenses	4.1	4.7	4.2	5.4	(0.1)	(2.4)
Impairment of goodwill, intangibles and other assets	—	—	42.4	54.3	(42.4)	100.0
Total operating expenses	83.4	95.9	116.8	149.6	(33.4)	(28.6)
Income (loss) from operations	$3.6	4.1 %	$(38.7)	(49.6)%	$42.3	(109.3)%

Truckload Premium Services Operating Statistics

	Six months ended		
	June 30, 2017	June 30, 2016	Percent Change
Company driver [1]	3,717	3,313	12.2 %
Owner operator [1]	24,264	24,615	(1.4)
Third party [1]	19,197	14,565	31.8
Total Miles	47,178	42,493	11.0
Revenue per mile	$1.79	$1.79	—
Cost per mile	$1.39	$1.36	2.2 %

[1] - In thousands

Revenues

TLS revenue increased $8.9 million, or 11.4%, to $87.0 million for the six months ended June 30, 2017 from $78.1 million in the same period of 2016. The increase in TLS revenue was attributable to new business wins which resulted in an 11.0% increase in miles driven to support revenue.

Purchased Transportation

Purchased transportation costs for our TLS revenue increased $8.1 million, or 15.0%, to $62.0 million for the six months ended June 30, 2017 from $53.9 million for the six months ended June 30, 2016. For the six months ended June 30, 2017, TLS purchased

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transportation costs represented 71.3% of TLS revenue compared to 69.0% for the same period in 2016. The increase in TLS purchased transportation was attributable to a 10.9% increase in non-Company miles driven and a 3.0% increase in non-Company cost per mile during the six months ended June 30, 2017 compared to the same period in 2016. The increase in TLS miles driven was attributable to new business wins discussed above. The increase in cost per mile was due to TLS utilizing third party carriers to cover the additional miles, which are more costly than our network of owner operators. This increased utilization of third party transportation providers also led to the increase in purchased transportation as a percentage of revenue.

Salaries, Wages, and Benefits

Salaries, wages and employee benefits of TLS increased by $0.7 million, or 7.4%, to $10.2 million for the six months ended June 30, 2017 from $9.5 million in the same period of 2016. Salaries, wages and employee benefits were 11.7% of TLS's operating revenue in the six months ended June 30, 2017 compared to 12.2% for the same period of 2016. The decrease in salaries, wages and employee benefits as a percentage of revenue was mostly attributable to the increase in revenue outpacing the increase in pay to Company drivers and office staff.

Depreciation and Amortization

Depreciation and amortization decreased $0.4 million, or 11.4%, to $3.1 million for the six months ended June 30, 2017 from $3.5 million in the same period of 2016. Depreciation and amortization expense as a percentage of TLS operating revenue was 3.6% in the six months ended June 30, 2017 compared to 4.5% in the same period of 2016. The decrease was due to the impairment of TQI intangible assets in the second quarter of 2016 leading to lower on-going amortization expense. This decrease was partially offset by increased trailer depreciation on trailers purchased since the second quarter of 2016.

Insurance and Claims

TLS insurance and claims expense increased $0.4 million, or 21.1%, to $2.3 million for the six months ended June 30, 2017 from $1.9 million for the six months ended June 30, 2016. Insurance and claims were 2.7% of operating revenue for the six months ended June 30, 2017 compared to 2.4% in the same period of 2016. The increase was due to higher insurance premiums associated with our insurance plan renewals and increased reserves for vehicle liability claims.

Fuel Expense

TLS fuel expense increased $0.3 million, or 25.0%, to $1.5 million for the six months ended June 30, 2017 from $1.2 million for the same period of 2016. Fuel expense as a percentage of TLS operating revenue was 1.7% for the six months ended June 30, 2017 compared to 1.5% in the same period of 2016. The increase as a percentage of revenue was mostly attributable to higher year-over-year fuel prices and the increase in Company driver miles.

Other Operating Expenses

Other operating expenses decreased $0.1 million, or 2.4%, to $4.1 million for the six months ended June 30, 2017 from $4.2 million in the same period of 2016. Other operating expenses were 4.7% of TLS operating revenue in the six months ended June 30, 2017 compared to 5.4% in the same period of 2016. The decline in other operating expenses was due to reduced legal fees.

Impairment of goodwill, intangibles and other assets

In the second quarter of 2016, we determined there were indicators of potential impairment of goodwill and other long lived assets assigned to the TQI acquisition. As a result, we performed fair value calculations as of June 30, 2016. Based on these calculations we recorded $42.4 million in total impairment charges related to TQI's goodwill and other long lived assets. During the three months ended June 30, 2017, there were no additional indicators of impairment.

Results from Operations

Results from operations increased by $42.3 million to $3.6 million in income from operations for the six months ended June 30, 2017 compared with a $38.7 million loss from operations for the same period in 2016. Excluding the impairment charges, the deterioration in results from operations was due to increased utilization of third party transportation providers which led to the increase in cost per mile outpacing the increase in revenue per mile.

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Pool Distribution - Six Months Ended June 30, 2017 compared to Six Months Ended June 30, 2016

The following table sets forth our historical financial data of the Pool Distribution segment for the six months ended June 30, 2017 and 2016 (in millions):

Pool Distribution Segment Information
(In millions)
(Unaudited)

	Six months ended					
	June 30, 2017	Percent of Revenue	June 30, 2016	Percent of Revenue	Change	Percent Change
Operating revenue	$74.6	100.0 %	$64.7	100.0 %	$ 9.9	15.3 %
Operating expenses:						
Purchased transportation	19.5	26.1	17.5	27.0	2.0	11.4
Salaries, wages and employee benefits	28.5	38.2	24.7	38.2	3.8	15.4
Operating leases	6.3	8.5	5.9	9.1	0.4	6.8
Depreciation and amortization	3.4	4.6	3.0	4.7	0.4	13.3
Insurance and claims	2.1	2.8	2.1	3.2	—	—
Fuel expense	2.4	3.2	2.1	3.3	0.3	14.3
Other operating expenses	9.4	12.6	9.7	15.0	(0.3)	(3.1)
Total operating expenses	71.6	96.0	65.0	100.5	6.6	10.2
Income (loss) from operations	$3.0	4.0 %	$(0.3)	(0.5)%	$ 3.3	(1,100.0)%

Revenues

Pool operating revenue increased $9.9 million, or 15.3%, to $74.6 million for the six months ended June 30, 2017 from $64.7 million for the same period in 2016. The increase was attributable to increased volume from previously existing customers and current year rate increases.

Purchased Transportation

Pool purchased transportation increased $2.0 million, or 11.4%, to $19.5 million for the six months ended June 30, 2017 compared to $17.5 million for the same period of 2016. Pool purchased transportation as a percentage of revenue was 26.1% for the six months ended June 30, 2017 compared to 27.0% for the same period of 2016. The improvement in Pool purchased transportation as a percentage of revenue was attributable to an increased utilization of owner operators over more costly third party carriers and revenue increases associated with rate increases.

Salaries, Wages, and Benefits

Pool salaries, wages and employee benefits increased $3.8 million, or 15.4%, to $28.5 million for the six months ended June 30, 2017 compared to $24.7 million for the same period of 2016. As a percentage of Pool operating revenue, salaries, wages and benefits was 38.2% for the six months ended June 30, 2017 and 2016. As a percentage of revenue, increases in dock pay and employee incentive were offset by decreases in Company driver pay, administrative salaries, wages and benefits and workers' compensation costs. Dock pay deteriorated as a percentage of revenue as increasing revenue volumes required the use of more costly contract labor.

Operating Leases

Operating leases increased $0.4 million, or 6.8%, to $6.3 million for the six months ended June 30, 2017 from $5.9 million for the same period in 2016. Operating leases were 8.5% of Pool operating revenue for the six months ended June 30, 2017 compared with 9.1% in the same period of 2016. Operating leases increased in total dollars due to additional truck leases and rentals used

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to provide capacity for additional business wins throughout the network. The decrease as a percentage of revenue is attributable to decreases in facility rent, as 2016 included transition and relocation costs of certain terminals that did not occur in 2017.

Depreciation and Amortization

Pool depreciation and amortization increased $0.4 million, or 13.3%, to $3.4 million for the six months ended June 30, 2017 from $3.0 million for the same period in 2016. Depreciation and amortization expense as a percentage of Pool operating revenue was 4.6% for the six months ended June 30, 2017 compared to 4.7% for the same period of 2016. The increase in Pool depreciation and amortization in total dollars was due to the allocation of trailer depreciation, which reflect Pool's increased utilization of our trailer fleet.

Insurance and Claims

Pool insurance and claims expense was $2.1 million for the six months ended June 30, 2017 and 2016. Insurance and claims were 2.8% of operating revenue for the six months ended June 30, 2017 compared to 3.2% in the same period of 2016. The decrease as a percentage of revenue was due to a decrease in cargo claims and claims related professional fees.

Fuel Expense

Pool fuel expense increased $0.3 million, or 14.3%, to $2.4 million for the six months ended June 30, 2017 from $2.1 million in the same period of 2016. Fuel expenses were 3.2% of Pool operating revenue during the six months ended June 30, 2017 compared to 3.3% for the same period of 2016. Pool fuel expenses increased in total dollars due to higher year-over-year fuel prices and higher revenue volumes. These increases were partially offset by increased utilization of owner operators.

Other Operating Expenses

Pool other operating expenses decreased $0.3 million, or 3.1%, to $9.4 million for the six months ended June 30, 2017 compared to $9.7 million for the same period of 2016. Pool other operating expenses for the six months ended June 30, 2017 were 12.6% of operating revenue compared to 15.0% for the same period of 2016. The decrease in total dollars and as a percentage of revenue is due to improved margins at agent stations on a reduction in agent station activity and decreased legal and professional fees.

Results from Operations

Results from operations increased by $3.3 million to $3.0 million in income from operations for the six months ended June 30, 2017 compared with a $0.3 million loss from operations for the same period in 2016. Income from operations as a percentage of Pool operating revenue was 4.0% for the six months ended June 30, 2017 compared to a 0.5% loss from operations in the same period of 2016. The improvement in Pool operating results was primarily the result of higher revenue volumes, current year rate increases, the reduction of cargo claims, agent station margin improvements and purchased transportation efficiencies.

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Intermodal - Six Months Ended June 30, 2017 compared to Six Months Ended June 30, 2016

The following table sets forth our historical financial data of the Intermodal segment for the six months ended June 30, 2017 and 2016 (in millions):

Intermodal Segment Information
(In millions)
(Unaudited)

	Six months ended					
	June 30, 2017	Percent of Revenue	June 30, 2016	Percent of Revenue	Change	Percent Change
Operating revenue	$63.6	100.0 %	$48.8	100.0 %	$ 14.8	30.3 %
Operating expenses:						
Purchased transportation	23.8	37.4	16.8	34.4	7.0	41.7
Salaries, wages and employee benefits	14.8	23.3	12.0	24.6	2.8	23.3
Operating leases	6.2	9.7	6.0	12.3	0.2	3.3
Depreciation and amortization	2.6	4.1	1.8	3.7	0.8	44.4
Insurance and claims	2.1	3.3	1.4	2.9	0.7	50.0
Fuel expense	1.6	2.5	1.1	2.2	0.5	45.5
Other operating expenses	6.9	10.9	4.6	9.4	2.3	50.0
Total operating expenses	58.0	91.2	43.7	89.5	14.3	32.7
Income from operations	$5.6	8.8 %	$5.1	10.5 %	$ 0.5	9.8 %

Revenues

Intermodal operating revenue increased $14.8 million, or 30.3%, to $63.6 million for the six months ended June 30, 2017 from $48.8 million for the same period in 2016. The increases in operating revenue were primarily attributable to the acquisition of Atlantic, Ace and Triumph, the impact of increased fuel surcharges and increased storage revenues.

Purchased Transportation

Intermodal purchased transportation increased $7.0 million, or 41.7%, to $23.8 million for the six months ended June 30, 2017 from $16.8 million for the same period in 2016. Intermodal purchased transportation as a percentage of revenue was 37.4% for the six months ended June 30, 2017 compared to 34.4% for the six months ended June 30, 2016. The increase in Intermodal purchased transportation as a percentage of revenue was attributable to higher utilization of owner operators as opposed to Company-employed drivers, as Atlantic utilized more owner operators than Company drivers.

Salaries, Wages, and Benefits

Intermodal salaries, wages and employee benefits increased $2.8 million, or 23.3%, to $14.8 million for the six months ended June 30, 2017 compared to $12.0 million for the six months ended June 30, 2016. As a percentage of Intermodal operating revenue, salaries, wages and benefits increased to 23.3% for the six months ended June 30, 2017 compared to 24.6% for the same period in 2016. The improvement in salaries, wages and employee benefits as a percentage of revenue is attributable to less reliance on Company-employed drivers as mentioned above.

Operating Leases

Operating leases increased $0.2 million, or 3.3%, to $6.2 million for the six months ended June 30, 2017 from $6.0 million for the same period in 2016. Operating leases were 9.7% of Intermodal operating revenue for the six months ended June 30, 2017 compared with 12.3% in the same period of 2016. Operating leases decreased as a percentage of revenue due to consistent trailer rental charges while other revenue that does not require trailer rentals increased.

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Depreciation and Amortization

Depreciation and amortization increased $0.8 million, or 44.4%, to $2.6 million for the six months ended June 30, 2017 from $1.8 million for the same period in 2016. Depreciation and amortization expense as a percentage of Intermodal operating revenue was 4.1% for the six months ended June 30, 2017 from 3.7% for the same period in 2016. The higher depreciation and amortization was due to equipment and intangible assets acquired with Atlantic, Triumph and Ace.

Insurance and Claims

Intermodal insurance and claims expense increased $0.7 million, or 50.0%, to $2.1 million for the six months ended June 30, 2017 from $1.4 million for the six months ended June 30, 2016. Intermodal insurance and claims were 3.3% of operating revenue for the six months ended June 30, 2017 compared with 2.9% for the same period in 2016. The increase in Intermodal insurance and claims was attributable to increased vehicle liability reserves and higher insurance premiums.

Fuel Expense

Intermodal fuel expense increased $0.5 million, or 45.5%, to $1.6 million for the six months ended June 30, 2017 from $1.1 million in the same period of 2016. Fuel expenses were 2.5% of Intermodal operating revenue for the six months ended June 30, 2017 compared to 2.2% in the same period of 2016. Intermodal fuel expenses increased due to higher year-over-year fuel prices and revenue volumes. These increases were partially offset by increased utilization of owner operators.

Other Operating Expenses

Intermodal other operating expenses increased $2.3 million, or 50.0%, to $6.9 million for the six months ended June 30, 2017 compared to $4.6 million for the same period of 2016. Intermodal other operating expenses for the six months ended June 30, 2017 were 10.9% compared to 9.4% for the same period of 2016. The increase in Intermodal other operating expenses was due mostly due to a $1.0 million increase in container related rental and storage charges associated with revenue increases discussed previously. The remaining increase was due to increased terminal expenses and other variable costs, such as maintenance and tolls, corresponding with the increases in revenue, and legal and professional fees related to the acquisition of Atlantic.

Income from Operations

Intermodal’s income from operations increased by $0.5 million, or 9.8%, to $5.6 million for the six months ended June 30, 2017 compared with $5.1 million for the same period in 2016. Income from operations as a percentage of Intermodal operating revenue was 8.8% for the six months ended June 30, 2017 compared to 10.5% in the same period of 2016. The increase in operating income in total dollars was primarily attributable to the Atlantic, Ace and Triumph acquisitions. The decrease in income from operations as a percentage of revenue was attributable to increased depreciation and amortization associated with Intermodal's acquisitions, higher insurance premiums and vehicle liability reserves and acquisition related legal and professional fees.

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Other Operations

Other operating activity improved from a $1.0 million operating loss during the six months ended June 30, 2016 to a $0.6 million operating loss during the six months ended June 30, 2017. The six months ended June 30, 2017, includes $0.9 million of executive severance costs and $0.3 million in reserves for vehicle and workers' compensation claims. These costs were partly offset by $0.6 million of indemnification funds received related to the Towne acquisition. These costs and benefits were kept at the corporate level and not passed through to our operating segments.

The $1.0 million in operating loss included in other operations and corporate activities for the six months ended June 30, 2016 was primarily for increases to loss development factors resulting from our bi-annual actuary analysis of our vehicle and workers' compensation claims.

Critical Accounting Policies

Our unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (“GAAP”). The preparation of financial statements in accordance with GAAP requires our management to make estimates and assumptions that affect the amounts reported in the unaudited condensed consolidated financial statements and accompanying notes. Our estimates and assumptions are based on historical experience and changes in the business environment. However, actual results may differ from estimates under different conditions, sometimes materially. Critical accounting policies and estimates are defined as those that are both most important to the portrayal of our financial condition and results and require management’s most subjective judgments. A summary of significant accounting policies is disclosed in Note 1 to the Consolidated Financial Statements included in our 2016 Annual Report on Form 10-K. Our critical accounting policies are further described under the caption “Discussion of Critical Accounting Policies” in Management’s Discussion and Analysis of Financial Condition and Results of Operations in our 2016 Annual Report on Form 10-K.

Valuation of Goodwill and Other Long Term Assets

We test our goodwill for impairment annually or more frequently if events or circumstances indicate impairment may exist. Examples of such events or circumstances could include a significant change in business climate or a loss of significant customers. We complete our annual analysis of our reporting units as of the last day of our second quarter, June 30th. We first consider our reporting unit and related components in accordance with U.S. GAAP. Goodwill is allocated to reporting units that are expected to benefit from the business combinations generating the goodwill. We have five reporting units - Expedited LTL, TLX Forward Air, Intermodal, Pool Distribution and Total Quality, Inc. ("TQI"). The TLX Forward Air and the TQI reporting units are assigned to the Truckload Premium Services reportable segment. Currently, there is no goodwill assigned to the TLX Forward Air reporting unit. In evaluating reporting units, we first assess qualitative factors to determine whether it is more likely than not that the fair value of any of its reporting units is less than its carrying amount, including goodwill. When performing the qualitative assessment, we consider the impact of factors including, but not limited to, macroeconomic and industry conditions, overall financial performance of each reporting unit, litigation and new legislation. If based on the qualitative assessments, we believe it is more likely than not that the fair value of any reporting unit is less than the reporting unit's carrying amount, or periodically as deemed appropriate by management, we will prepare an estimation of the respective reporting unit's fair value utilizing a quantitative approach. If this estimation of fair value indicates that impairment potentially exists, we will then measure the amount of the impairment, if any. Goodwill impairment exists when the calculated implied fair value of goodwill is less than its carrying value.
We determine the fair value of our reporting units based on a combination of a market approach, which considers comparable companies, and the income approach, using a discounted cash flow model. Under the market approach, valuation multiples are derived based on a selection of comparable companies and applied to projected operating data

for each reporting unit to arrive at an indication of fair value. Under the income approach, the discounted cash flow model determines fair value based on the present value of management prepared projected cash flows over a specific projection period and a residual value related to future cash flows beyond the projection period. Both values are discounted using a rate which reflects our best estimate of the weighted average cost of capital of a market participant, and is adjusted for appropriate risk factors. We believe the most sensitive estimate used in our income approach is the management prepared projected cash flows. Consequently, we perform sensitivity tests to ensure reductions of the present value of the projected cash flows by at least 10% would not adversely impact the results of the goodwill impairment tests. Historically, we have equally weighted the income and market approaches as we believed the quality and quantity of the collected information were approximately equal. The inputs used in the fair value calculations for goodwill are classified within level 3 of the fair value hierarchy as defined in the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles.

In 2017, based on our qualitative analysis of the LTL, Intermodal and Pool reporting units we determined it is more likely than not that the fair value of these reporting units exceeded their respective carrying amounts, including goodwill. However, we

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performed a fair value estimation for the TQI reporting unit due to the reporting unit's 2016 goodwill impairment and continuing operating losses. Our 2017 calculations for TQI indicated that, as of June 30, 2017, the fair value of the reporting unit exceeded its carrying value by approximately 15.0%.

For our 2017 TQI analysis the significant assumptions used in the income approach were 10 years of projected net cash flows, a discount rate of 15.5% and a long-term growth rate of 4.0%. As shown with the 2016 TQI goodwill impairment, the estimates used to calculate the fair value of each reporting unit change from year to year based on operating results, market conditions, and other factors. Changes in these estimates and assumptions could materially affect the determination of the reporting unit's fair value and goodwill impairment for the reporting unit.

Impact of Recent Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board ("FASB") issued guidance that changes the accounting for certain aspects of share-based payments to employees. The guidance requires the recognition of the income tax effects of awards in the income statement when the awards vest or are settled, thus eliminating additional paid in capital ("APIC") pools. The guidance also allows for the employer to repurchase more of an employee’s shares for tax withholding purposes without triggering liability accounting. In addition, the guidance allows for a policy election to account for forfeitures as they occur rather than on an estimated basis. We adopted this guidance in January 2017 and the elimination of APIC pools resulted in approximately $0.2 million of income tax benefit during the six months ended June 30, 2017. This guidance has been applied prospectively and no prior periods have been adjusted.

In February 2016, the FASB, issued ASU 2016-02, Leases, which introduces the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous guidance. The guidance will be effective for annual reporting periods beginning after December 15, 2018 and interim periods within those fiscal years with early adoption permitted. We are evaluating the impact of the future adoption of this standard on our consolidated financial statements.

In May 2014, the FASB issued guidance on revenue from contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. The guidance is effective for the interim and annual periods beginning on or after December 15, 2017 (early adoption is permitted for interim and annual periods beginning on or after December 15, 2016). The guidance permits the use of either a full retrospective or modified retrospective adoption approach with a cumulative effect adjustment recorded in either scenario as necessary upon transition. Based on a review of our customer shipping arrangements, we currently believe the implementation of this standard will change our revenue recognition policy from recognizing revenue upon shipment completion to recognizing revenue over time based on the progress toward completion of shipments in transit as of each period end. While the timing of revenue recognition will be accelerated, due to the short duration of our transit times the anticipated impact on our consolidated financial position, revenue, results from operations and related disclosures is expected to be minor. At this time we have not determined our transition method.

Liquidity and Capital Resources

We have historically financed our working capital needs, including capital expenditures, with cash flows from operations and borrowings under our bank lines of credit. Net cash provided by operating activities totaled approximately $52.0 million for the six months ended June 30, 2017 compared to approximately $61.2 million for the six months ended June 30, 2016. The $9.2 million decrease in cash provided by operating activities is mainly attributable to the increase in accounts receivable. Accounts receivables increased on higher revenue associated with the Atlantic acquisition that has yet to be collected.

Net cash used in investing activities was approximately $25.3 million for the six months ended June 30, 2017 compared with approximately $17.2 million during the six months ended June 30, 2016. Investing activities during the six months ended June 30, 2017 consisted primarily of $22.5 million used to acquire Atlantic and net capital expenditures of $3.3 million primarily for information technology. Investing activities during the six months ended June 30, 2016 consisted primarily of $1.7 million used to acquire Ace and net capital expenditures of $14.9 million primarily for new trailers, forklifts and information technology . The proceeds from disposal of property and equipment during the six months ended June 30, 2017 and 2016 were primarily from sales of older trailers and vehicles.

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Net cash used in financing activities totaled approximately $25.1 million for the six months ended June 30, 2017 compared with net cash used in financing activities of $55.6 million for the six months ended June 30, 2016. The $30.5 million change in cash from financing activities was attributable to $35.0 million in borrowings from our revolving credit facility partly offset by a $14.6 million increase in payments on our outstanding debt. Additionally, there was a $3.8 million increase in cash from employee stock transactions and a $8.0 million decrease in share repurchases, partly offset by a $1.7 million increase in our quarterly cash dividend.

On February 4, 2015, we entered into a five-year senior, unsecured credit facility (the "Facility") with a maximum aggregate principal amount of $275.0 million, including a revolving credit facility of $150.0 million and a term loan facility of $125.0 million. The revolving credit facility has a sublimit of $25.0 million for letters of credit and a sublimit of $15.0 million for swing line loans. The revolving credit facility is scheduled to expire in February 2020 and may be used to refinance our existing indebtedness and for working capital, capital expenditures and other general corporate purposes. Unless we elect otherwise under the credit agreement, interest on borrowings under the Facility are based on the highest of (a) the federal funds rate plus 0.5%, (b) the administrative agent's prime rate and (c) the LIBOR Rate plus 1.0%, in each case plus a margin that can range from 0.1% to 0.6% with respect to the term loan facility and from 0.3% to 0.8% with respect to the revolving credit facility depending on our ratio of consolidated funded indebtedness to earnings as set forth in the credit agreement. The Facility contains financial covenants and other covenants that, among other things, restrict our ability, without the approval of the lenders, to engage in certain mergers, consolidations, asset sales, investments, transactions or to incur liens or indebtedness, as set forth in the credit agreement. As of June 30, 2017, we had $20.5 million in borrowings outstanding under the revolving credit facility, $7.5 million utilized for outstanding letters of credit and $122.0 million of available borrowing capacity under the revolving credit facility. The interest rate on the outstanding borrowing under the revolving credit facility was 2.5% at June 30, 2017.

In March 2015, we borrowed $125.0 million on the available term loan facility. The term loan was payable in quarterly installments of 11.1% of the original principal amount of the term loan plus accrued and unpaid interest, and matured in March 2017.

On July 21, 2016, our Board of Directors approved a stock repurchase authorization for up to three million shares of the Company's common stock. During the three months ended June 30, 2017, we repurchased 42,055 for $1,999, or $47.54 per share. During the six months ended June 30, 2017, we repurchased 246,864 for $11,995, or $48.59 per share. During the three months ended June 30, 2016, we repurchased 221,441 for $9,996, or $45.14 per share. During the six months ended June 30, 2016, we repurchased 454,385 shares for $19,991, or an average of $44.00 per share. The repurchases made for the three and six months ended June 30, 2016 were made under a previous share repurchase plan approved by our Board of Directors on February 7, 2014. This plan was canceled and replaced on July 21, 2016. As of June 30, 2017, 2,519,620 shares remain to be purchased under the 2016 Plan.

During the fourth quarter of 2016 and each quarter of 2017, our Board of Directors declared a cash dividend of $0.15 per share of common stock. During the first, second and third quarter of 2016, our Board of Directors declared a cash dividend of $0.12 per share of common stock. We expect to continue to pay regular quarterly cash dividends, though each subsequent quarterly dividend is subject to review and approval by the Board of Directors.
We believe that our available cash, investments, expected cash generated from future operations and borrowings under the available credit facility will be sufficient to satisfy our anticipated cash needs for at least the next twelve months.

Forward-Looking Statements

This report contains “forward-looking statements,” as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are statements other than historical information or statements of current condition and relate to future events or our future financial performance. In this Form 10-Q, forward-looking statements include, but are not limited to, any projections of earnings, revenues, or other financial items; any statement of plans, strategies, and objectives of management for future operations; any statements regarding future insurance and claims; any statements concerning proposed or intended new services or developments; any statements regarding intended expansion through acquisition or greenfield startups; any statements regarding future economic conditions or performance; and any statements of belief and any statements of assumptions underlying any of the foregoing. Some forward-looking statements may be identified by use of such terms as “believes,” “anticipates,” “intends,” “plans,” “estimates,” “projects” or “expects.” Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The following is a list of factors, among others, that could cause actual results to differ materially from those contemplated by the forward-looking statements: economic factors such as recessions, inflation, higher interest rates and downturns in customer business cycles, our inability to maintain our historical growth rate because of a decreased volume of freight moving through our network or decreased average revenue per pound of freight moving through our network, increasing competition and pricing pressure, surplus inventories, loss of a major customer, the creditworthiness of our customers

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and their ability to pay for services rendered, our ability to secure terminal facilities in desirable locations at reasonable rates, the inability of our information systems to handle an increased volume of freight moving through our network, changes in fuel prices, claims for property damage, personal injuries or workers' compensation, employment matters including rising health care costs, enforcement of and changes in governmental regulations, environmental and tax matters, the handling of hazardous materials, the availability and compensation of qualified independent owner operators and freight handlers needed to serve our transportation needs and our inability to successfully integrate acquisitions. As a result of the foregoing, no assurance can be given as to future financial condition, cash flows or results of operations. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.
Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Our exposure to market risk related to our outstanding debt is not significant and has not changed materially since December 31, 2016.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

We maintain controls and procedures designed to ensure that we are able to collect the information required to be disclosed in the reports we file with the Securities and Exchange Commission ("SEC"), and to process, summarize and disclose this information within the time periods specified in the rules of the SEC. Based on an evaluation of our disclosure controls and procedures as of the end of the period covered by this report conducted by management, with the participation of the Chief Executive Officer and Chief Financial Officer, the Chief Executive Officer and Chief Financial Officer believe that these controls and procedures are effective to ensure that we are able to collect, process and disclose the information we are required to disclose in the reports we file with the SEC within the required time periods.

The SEC's general guidance permits the exclusion of an assessment of the effectiveness of a registrant's disclosure controls and procedures as they relate to its internal controls over financial reporting for an acquired business during the first year following such acquisition, if among other circumstances and factors there is not adequate time between the acquisition date and the date of assessment. As previously disclosed, the Company completed its acquisition of Atlantic on May 7, 2017. Atlantic represents approximately 3.5% percent of the Company's total assets as of June 30, 2017. Management's assessment and conclusion on the effectiveness of the Company's disclosure controls and procedures as of June 30, 2017 excluded an assessment of the internal control over financial reporting of Atlantic.

Changes in Internal Control

There were no changes in our internal control over financial reporting during the three and six months ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings.

From time to time, we are a party to ordinary, routine litigation incidental to and arising in the normal course of our business, most of which involve claims for personal injury and property damage related to the transportation and handling of freight, or workers' compensation. We do not believe that any of these pending actions, individually or in the aggregate, will have a material adverse effect on our business, financial condition or results of operations.

Item 1A. Risk Factors.

A summary of factors which could affect results and cause results to differ materially from those expressed in any forward-looking statements made by us, or on our behalf, are further described under the caption "Risk Factors" in the Business portion of our 2016 Annual Report on Form 10-K. There have been no changes in the nature of these factors since December 31, 2016.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Issuer Purchases of Equity Securities

On July 21, 2016, our Board of Directors approved a stock repurchase authorization for up to three million shares of the Company's common stock.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced 2016 Program	Maximum Number of Shares that May Yet Be Purchased Under the Program
April 1-30, 2017	42,055	$ 48	42,055	2,519,620
May 1-31, 2017	—	—	—	—
June 1-30, 2017	—	—	—	—
Total	42,055	$ 48	42,055	2,519,620

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

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Item 6. Exhibits.

In accordance with SEC Release No. 33-8212, Exhibits 32.1 and 32.2 are to be treated as "accompanying" this report rather than "filed" as part of the report.

No.	Exhibit
3.1	Restated Charter of the registrant (incorporated herein by reference to Exhibit 3 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 28, 1999 (File No. 0-22490))
3.2	Amended and Restated Bylaws of the registrant (incorporated herein by reference to Exhibit 3-1 to the registrant's Current Report on Form 8-K filed with the Commission on July 6, 2009 (File No. 0-22490))
4.1	Form of Forward Air Corporation Common Stock Certificate (incorporated herein by reference to Exhibit 4.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1998, filed with the Securities and Exchange Commission on November 16, 1998 (File No. 0-22490))
10.1	Forward Air Corporation 2016 Omnibus Incentive Compensation Plan
10.2	Amended and Restated Non-Employee Director Stock Plan
31.1	Certification of Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a) (17 CFR 240.13a-14(a))
31.2	Certification of Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a) (17 CFR 240.13a-14(a))
32.1	Certification of Chief 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 of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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Signatures

Pursuant to the requirements 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.

		Forward Air Corporation
Date: July 27, 2017	By:	/s/ Michael J. Morris
		Michael J. Morris
		Chief Financial Officer, Senior Vice President and Treasurer
		(Principal Financial Officer)

By:	/s/ Michael P. McLean
	Michael P. McLean
	Chief Accounting Officer, Vice President and Controller
	(Principal Accounting Officer)

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EXHIBIT INDEX

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