
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2018

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number 000-19969

ARCBEST CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

71-0673405

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

**8401 McClure Drive
Fort Smith, Arkansas 72916
(479) 785-6000**

(Address, including zip code, and telephone number, including
area code, of the registrant's principal executive offices)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report.)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at August 3, 2018
Common Stock, \$0.01 par value	25,684,118 shares

ARCBEST CORPORATION

INDEX

	<u>Page</u>
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
Consolidated Balance Sheets — June 30, 2018 and December 31, 2017	3
Consolidated Statements of Operations — For the Three Months and Six Months Ended June 30, 2018 and 2017	4
Consolidated Statements of Comprehensive Income — For the Three Months and Six Months Ended June 30, 2018 and 2017	5
Consolidated Statement of Stockholders' Equity — For the Six Months Ended June 30, 2018	6
Consolidated Statements of Cash Flows — For the Six Months Ended June 30, 2018 and 2017	7
Notes to Consolidated Financial Statements	8
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	31
Item 3. Quantitative and Qualitative Disclosures About Market Risk	57
Item 4. Controls and Procedures	57
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	58
Item 1A. Risk Factors	58
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	58
Item 3. Defaults Upon Senior Securities	58
Item 4. Mine Safety Disclosures	58
Item 5. Other Information	58
Item 6. Exhibits	59
SIGNATURES	60

**PART I.
FINANCIAL INFORMATION**

ITEM 1. FINANCIAL STATEMENTS

**ARCBEST CORPORATION
CONSOLIDATED BALANCE SHEETS**

	June 30 2018	December 31 2017
	(Unaudited)	
	(in thousands, except share data)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 159,307	\$ 120,772
Short-term investments	68,013	56,401
Accounts receivable, less allowances (2018 – \$8,057; 2017 – \$7,657)	309,112	279,074
Other accounts receivable, less allowances (2018 – \$952; 2017 – \$921)	19,548	19,491
Prepaid expenses	19,912	22,183
Prepaid and refundable income taxes	4,665	12,296
Other	9,509	12,132
TOTAL CURRENT ASSETS	590,066	522,349
PROPERTY, PLANT AND EQUIPMENT		
Land and structures	338,902	344,224
Revenue equipment	818,674	793,523
Service, office, and other equipment	190,109	179,950
Software	131,139	129,589
Leasehold improvements	9,131	8,888
	<u>1,487,955</u>	<u>1,456,174</u>
Less allowances for depreciation and amortization	896,738	865,010
PROPERTY, PLANT AND EQUIPMENT, net	591,217	591,164
GOODWILL	108,320	108,320
INTANGIBLE ASSETS, net	71,206	73,469
DEFERRED INCOME TAXES	6,226	5,965
OTHER LONG-TERM ASSETS	65,261	64,374
TOTAL ASSETS	\$ 1,432,296	\$ 1,365,641
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 176,034	\$ 129,099
Income taxes payable	511	324
Accrued expenses	221,880	211,237
Current portion of long-term debt	51,562	61,930
TOTAL CURRENT LIABILITIES	449,987	402,590
LONG-TERM DEBT, less current portion	198,070	206,989
PENSION AND POSTRETIREMENT LIABILITIES	36,169	39,827
OTHER LONG-TERM LIABILITIES	38,456	15,616
DEFERRED INCOME TAXES	41,099	49,157
STOCKHOLDERS' EQUITY		
Common stock, \$0.01 par value, authorized 70,000,000 shares; issued 2018: 28,541,578 shares; 2017: 28,495,628 shares	285	285
Additional paid-in capital	322,895	319,436
Retained earnings	449,442	438,379
Treasury stock, at cost, 2018: 2,857,460 shares; 2017: 2,851,578 shares	(86,265)	(86,064)
Accumulated other comprehensive loss	(17,842)	(20,574)
TOTAL STOCKHOLDERS' EQUITY	668,515	651,462
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,432,296	\$ 1,365,641

See notes to consolidated financial statements.

ARCBEST CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
	(Unaudited)			
	(in thousands, except share and per share data)			
REVENUES	\$ 793,350	\$ 720,368	\$ 1,493,351	\$ 1,371,456
OPERATING EXPENSES	790,194	694,601	1,477,470	1,355,589
OPERATING INCOME	3,156	25,767	15,881	15,867
OTHER INCOME (COSTS)				
Interest and dividend income	714	285	1,240	559
Interest and other related financing costs	(2,013)	(1,389)	(4,072)	(2,704)
Other, net	(1,123)	(528)	(3,324)	(2,234)
	(2,422)	(1,632)	(6,156)	(4,379)
INCOME BEFORE INCOME TAXES	734	24,135	9,725	11,488
INCOME TAX PROVISION (BENEFIT)	(499)	8,358	(1,462)	3,118
NET INCOME	\$ 1,233	\$ 15,777	\$ 11,187	\$ 8,370
EARNINGS PER COMMON SHARE				
Basic	\$ 0.05	\$ 0.61	\$ 0.43	\$ 0.32
Diluted	\$ 0.05	\$ 0.60	\$ 0.42	\$ 0.32
AVERAGE COMMON SHARES OUTSTANDING				
Basic	25,670,325	25,767,791	25,656,674	25,726,363
Diluted	26,699,549	26,291,641	26,653,282	26,378,436
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.08	\$ 0.08	\$ 0.16	\$ 0.16

See notes to consolidated financial statements.

ARCBEST CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2018	2017	2018	2017
	(Unaudited) (in thousands)			
NET INCOME	\$ 1,233	\$ 15,777	\$ 11,187	\$ 8,370
OTHER COMPREHENSIVE INCOME (LOSS), net of tax				
Pension and other postretirement benefit plans:				
Net actuarial gain (loss), net of tax of: (2018 – Three-month period \$450, Six-month period \$1,349; 2017 – Three-month period \$64, Six-month period \$999)	1,300	(98)	3,890	(1,569)
Pension settlement expense, net of tax of: (2018 – Three-month period \$111, Six-month period \$279; 2017 – Three-month period \$290, Six-month period \$1,051)	320	454	806	1,650
Amortization of unrecognized net periodic benefit costs, net of tax of: (2018 – Three-month period \$171, Six-month period \$390; 2017 – Three-month period \$352, Six-month period \$753)				
Net actuarial loss	511	581	1,160	1,241
Prior service credit	(18)	(29)	(35)	(58)
Interest rate swap and foreign currency translation:				
Change in unrealized income on interest rate swap, net of tax of: (2018 – Three-month period \$7, Six-month period \$275; 2017 – Three-month period \$52, Six-month period \$140)	343	81	779	216
Change in foreign currency translation, net of tax of: (2018 – Three-month period \$78, Six-month period \$103; 2017 – Three-month period \$134, Six-month period \$58)	(220)	(208)	(292)	(89)
OTHER COMPREHENSIVE INCOME, net of tax	2,236	781	6,308	1,391
TOTAL COMPREHENSIVE INCOME	\$ 3,469	\$ 16,558	\$ 17,495	\$ 9,761

See notes to consolidated financial statements.

ARCBEST CORPORATION
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>		<u>Accumulated Other Comprehensive Loss</u>	<u>Total Equity</u>
	<u>Shares</u>	<u>Amount</u>			<u>Shares</u>	<u>Amount</u>		
	(Unaudited) (in thousands)							
Balance at December 31, 2017	28,496	\$ 285	\$ 319,436	\$ 438,379	2,852	\$ (86,064)	\$ (20,574)	\$ 651,462
Adjustments to beginning retained earnings for adoption of accounting standards:				3,992			(3,576)	416
Balance at January 1, 2018	28,496	285	319,436	442,371	2,852	(86,064)	(24,150)	651,878
Net income				11,187				11,187
Other comprehensive income, net of tax							6,308	6,308
Issuance of common stock under share- based compensation plans	46	—	—					—
Tax effect of share-based compensation plans				(85)				(85)
Share-based compensation expense			3,544					3,544
Purchase of treasury stock					5	(201)		(201)
Dividends declared on common stock				(4,116)				(4,116)
Balance at June 30, 2018	28,542	\$ 285	\$ 322,895	\$ 449,442	2,857	\$ (86,265)	\$ (17,842)	\$ 668,515

See notes to consolidated financial statements.

ARCBEST CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended	
	June 30	
	2018	2017
	(Unaudited)	
	(in thousands)	
OPERATING ACTIVITIES		
Net income	\$ 11,187	\$ 8,370
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	51,409	48,332
Amortization of intangibles	2,264	2,271
Pension settlement expense	1,085	2,701
Share-based compensation expense	3,544	3,599
Provision for losses on accounts receivable	1,069	1,053
Deferred income tax benefit	(10,818)	2,687
Gain on sale of property and equipment	(166)	(412)
Changes in operating assets and liabilities:		
Receivables	(31,281)	(21,091)
Prepaid expenses	2,393	(2,549)
Other assets	2,018	(3,100)
Income taxes	8,024	458
Multiemployer pension fund withdrawal liability	37,922	—
Accounts payable, accrued expenses, and other liabilities	40,914	9,007
NET CASH PROVIDED BY OPERATING ACTIVITIES	119,564	51,326
INVESTING ACTIVITIES		
Purchases of property, plant and equipment, net of financings	(24,763)	(27,123)
Proceeds from sale of property and equipment	2,074	2,751
Purchases of short-term investments	(26,006)	(6,223)
Proceeds from sale of short-term investments	14,647	9,065
Capitalization of internally developed software	(5,997)	(4,323)
NET CASH USED IN INVESTING ACTIVITIES	(40,045)	(25,853)
FINANCING ACTIVITIES		
Borrowings under accounts receivable securitization program	—	10,000
Payments on long-term debt	(33,694)	(34,948)
Net change in book overdrafts	(2,888)	(2,478)
Deferred financing costs	—	(275)
Payment of common stock dividends	(4,116)	(4,144)
Purchases of treasury stock	(201)	(3,611)
Payments for tax withheld on share-based compensation	(85)	(2,690)
NET CASH USED IN FINANCING ACTIVITIES	(40,984)	(38,146)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		
	38,535	(12,673)
Cash and cash equivalents and restricted cash at beginning of period	120,772	115,242
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	\$ 159,307	\$ 102,569
NONCASH INVESTING ACTIVITIES		
Equipment financed	\$ 14,407	\$ 38,593
Accruals for equipment received	\$ 8,649	\$ 3,179

See notes to consolidated financial statements.

ARCBEST CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE A – ORGANIZATION AND DESCRIPTION OF THE BUSINESS AND FINANCIAL STATEMENT PRESENTATION

ArcBest Corporation (the “Company”) is the parent holding company of businesses providing integrated logistics solutions. The Company’s operations are conducted through its three reportable operating segments: Asset-Based, which consists of ABF Freight System, Inc. and certain other subsidiaries (“ABF Freight”); ArcBest[®], the Company’s asset-light logistics operation; and FleetNet. References to the Company in this Quarterly Report on Form 10-Q are primarily to the Company and its subsidiaries on a consolidated basis.

The Asset-Based segment represented approximately 69% of the Company’s total revenues before other revenues and intercompany eliminations for the six months ended June 30, 2018. As of June 2018, approximately 82% of the Asset-Based segment’s employees were covered under a collective bargaining agreement, the ABF National Master Freight Agreement (the “ABF NMFA”), with the International Brotherhood of Teamsters (the “IBT”), which was extended through July 31, 2018 to allow for the ratification process of the new agreement to take place. On May 10, 2018, a new collective bargaining agreement, the ABF National Master Freight Agreement (the “2018 ABF NMFA”), was ratified by a majority of ABF’s IBT member employees who chose to vote. A majority of the supplements to the 2018 ABF NMFA also passed. Following ratification of the remaining supplements, the 2018 ABF NMFA was implemented on July 29, 2018, effective retroactive to April 1, 2018, and will remain in effect through June 30, 2023.

The major economic provisions of the 2018 ABF NMFA include restoration of one week of vacation which begins accruing on anniversary dates on or after April 1, 2018, with the new vacation eligibility schedule being the same as the applicable 2008 to 2013 supplemental agreements; wage rate increases in each year of the contract, beginning July 1, 2018; ratification bonuses for qualifying employees; profit-sharing bonuses upon the Asset-Based segment’s achievement of certain annual operating ratios for any full calendar year under the contract; and changes to purchased transportation provisions with certain protections for road drivers as specified in the contract. The 2018 ABF NMFA and the related supplemental agreements provide for contributions to multiemployer pension plans frozen at the current rates for each fund, continuation of existing health coverage, and annual contribution rate increases to multiemployer health and welfare plans maintained for the benefit of ABF’s employees who are members of the IBT. Under the 2018 ABF NMFA, the contractual wage and benefits costs, including the ratification bonuses and vacation restoration, are estimated to increase approximately 2.0% on a compounded annual basis through the end of the agreement.

Financial Statement Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and applicable rules and regulations of the Securities and Exchange Commission (the “SEC”) pertaining to interim financial information. Accordingly, these interim financial statements do not include all information or footnote disclosures required by accounting principles generally accepted in the United States for complete financial statements and, therefore, should be read in conjunction with the audited financial statements and accompanying notes included in the Company’s 2017 Annual Report on Form 10-K and other current filings with the SEC. In the opinion of management, all adjustments (which are of a normal and recurring nature) considered necessary for a fair presentation have been included.

As previously disclosed in our 2017 Annual Report on Form 10-K, the Company modified the presentation of segment expenses allocated from shared services during the third quarter of 2017. Previously, expenses allocated from company-wide functions were categorized in individual segment expense line items by type of expense. Allocated expenses are now presented on a single shared services line within the Company’s operating segment disclosures. Reclassifications have been made to the prior period operating segment expenses to conform to the current year presentation. There was no impact on each segment’s total expenses as a result of the reclassifications.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual amounts may differ from those estimates.

Accounting Policies

The Company's accounting policies are described in Note B to the consolidated financial statements included in Part II, Item 8 of the Company's 2017 Annual Report on Form 10-K. The following policies have been updated during the six months ended June 30, 2018 for the adoption of accounting standard updates disclosed within this Note.

Goodwill: Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. Goodwill is not amortized, but rather is evaluated for impairment annually or more frequently if indicators of impairment exist. The Company's measurement of goodwill impairment involves a comparison of the estimated fair value of a reporting unit to its carrying value. Fair value is derived using a combination of valuation methods, including earnings before interest, taxes, depreciation, and amortization (EBITDA) and revenue multiples (market approach) and the present value of discounted cash flows (income approach). For annual and interim impairment tests, the Company is required to record an impairment charge, if any, by the amount a reporting unit's fair value is exceeded by the carrying value of the reporting unit, limited to the carrying value of goodwill included in the reporting unit. The Company's annual impairment testing is performed as of October 1.

Revenue Recognition: Revenues are recognized when or as control of the promised services is transferred to the customer, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services.

Asset-Based Segment

Asset-Based segment revenues primarily consist of less-than-truckload freight delivery. Performance obligations are satisfied upon final delivery of the freight to the specified destination. Revenue is recognized based on the relative transit time in each reporting period with expenses recognized as incurred. A bill-by-bill analysis is used to establish estimates of revenue in transit for recognition in the appropriate period. Because the bill-by-bill methodology utilizes the approximate location of the shipment in the delivery process to determine the revenue to recognize, management believes it to be a reliable method.

Certain contracts may provide for volume-based or other discounts which are accounted for as variable consideration. The Company estimates these amounts based on the expected discounts earned by customers and revenue is recognized based on the estimates. Revenue adjustments may also occur due to rating or other billing adjustments. The Company estimates revenue adjustments based on historical information and revenue is recognized accordingly at the time of shipment. Management believes that actual amounts will not vary significantly from estimates of variable consideration.

Revenue, purchased transportation expense, and third-party service expenses are reported on a gross basis for certain shipments and services where the Company utilizes a third-party carrier for pickup, linehaul, delivery of freight, or performance of services but remains primarily responsible for fulfilling delivery to the customer and maintains discretion in setting the price for the services.

ArcBest Segment

ArcBest segment revenues consist primarily of asset-light logistics services using third-party vendors to provide transportation services. ArcBest segment revenue is generally recognized based on the relative transit time in each reporting period using estimated standard delivery times for freight in transit at the end of the reporting period. Purchased transportation expense is recognized as incurred consistent with the recognition of revenue.

Revenue and purchased transportation expense are reported on a gross basis for shipments and services where the Company uses a third-party carrier for pickup and delivery but remains primarily responsible to the customer for delivery and has discretion in setting the price for the service.

FleetNet Segment

FleetNet segment revenues consist of service fee revenue, roadside repair revenue and routine maintenance services. Service fee revenue for the FleetNet segment is recognized upon response to the service event. Repair revenue for the FleetNet segment is recognized upon completion of the service by third-party vendors.

Revenue and expense from repair and maintenance services performed by third-party vendors are reported on a gross basis as FleetNet controls the services prior to transfer to the customer and remains primarily responsible to the customer for completion of the services.

Other Recognition and Disclosure

The Company records deferred revenue when cash payments are received or due in advance of performance under the contract. Deferred revenues totaled \$3.6 million and \$0.6 million at June 30, 2018 and December 31, 2017, respectively, and are recorded in accrued expenses in the consolidated balance sheet.

Payment terms with customers may vary depending on the service provided, location or specific agreement with the customer. The term between invoicing and when payment is due is not significant. For certain services, payment is required before the services are provided to the customer.

The Company expenses sales commissions when incurred because the amortization period is one year or less.

The Company has elected to apply the practical expedient to not disclose the value of unsatisfied performance obligations for contracts with an original length of one year or less or contracts for which revenue is recognized at the amount to which the Company has the right to invoice for services performed.

Adopted Accounting Pronouncements

Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers*, (“ASC Topic 606”) provides a single comprehensive revenue recognition model for all contracts with customers and contains principles to apply to determine the measurement of revenue and the timing of when it is recognized. On January 1, 2018, the Company adopted ASC Topic 606 using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under ASC Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Company’s historic method of accounting under ASC Topic 605, *Revenue Recognition*, (“ASC Topic 605”). The Company’s major service lines for presentation of disaggregated revenues from contracts with customers are consistent with the Company’s reportable operating segments as presented in Note J.

The primary impact of adopting ASC Topic 606 was to recognize ArcBest segment revenue over time instead of at final delivery of the shipment. As a result, revenue will generally be recorded earlier under ASC Topic 606 compared to ASC Topic 605. Asset-Based and FleetNet segment revenues were not impacted.

The Company recorded a net increase to opening retained earnings of \$0.4 million as of January 1, 2018 due to the cumulative impact of adopting ASC Topic 606. The impact to revenues for the three and six months ended June 30, 2018 was an increase of \$1.1 million and \$0.8 million, respectively, and the impact to purchased transportation expense was an increase of \$0.8 million and \$0.5 million, respectively, as a result of applying ASC Topic 606.

Effective January 1, 2018, the Company adopted an amendment to ASC Topic 715, *Compensation – Retirement Benefits*, (“ASC Topic 715”) which requires changes to the financial statement presentation of certain components of net periodic benefit cost related to pension and other postretirement benefits accounted for under ASC Topic 715. The amendment requires the service cost component of net periodic benefit cost to continue to be included in the same line item as other compensation costs arising from services rendered by the related employees, but requires the other components of net periodic benefit cost, including pension settlement expense, to be presented separately from the service cost component and outside of the subtotal of income from operations. The provisions of the amendment are required to be applied retrospectively and were effective for the Company beginning January 1, 2018.

The Company has not incurred service cost under its nonunion defined benefit pension plan or its supplemental benefit plan (the “SBP”) since the accrual of benefits under the plans were frozen on July 1, 2013 and December 31, 2009, respectively; however, the Company incurs service cost under its postretirement health benefit plan which will continue to be reported within operating expenses in the consolidated statements of operations. The other components of net periodic benefit cost (including pension settlement charges) of the nonunion defined benefit pension plan, the SBP, and the postretirement health benefit plan are reported within the other line item of other income (costs) beginning in first quarter 2018. As a result of retrospectively applying the provisions of the amendment, \$1.0 million and \$3.4 million was reclassified from operating expenses to other income (costs) for the three and six months ended June 30, 2017, respectively. There was no change to consolidated net income (loss) or earnings (loss) per share as a result of the change in presentation under the new standard.

In February 2018, the Financial Accounting Standards Board (the “FASB”) issued an amendment to ASC Topic 220, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, (“ASC Topic 220”) which allows a reclassification from accumulated other comprehensive income to retained earnings for the stranded tax effects resulting from the Tax Cuts and Jobs Act (the “Tax Reform Act”). The Company early adopted this amendment for first quarter 2018 and adjusted the tax effect of items within accumulated other comprehensive income to reflect the appropriate tax rate under the Tax Reform Act in the period of adoption. As a result of applying the provisions of the amendment, the Company elected to reclassify \$3.6 million of stranded income tax effects from accumulated other comprehensive loss to retained earnings as of January 1, 2018.

Amounts recognized in other comprehensive income or loss related to the Company’s nonunion defined benefit pension plan, supplemental benefit plan, and postretirement health benefit plan are subsequently expensed as components of net periodic benefit cost by amortizing unrecognized net actuarial losses over the average remaining active service period of the plan participants and amortizing unrecognized prior service credits over the remaining years of service until full eligibility of the active participants at the time of the plan amendment which created the prior service credit. A corridor approach is not used for determining the amounts of net actuarial losses to be amortized. Amounts recognized in other comprehensive income or loss related to the change in unrealized gain or loss on the Company’s interest rate swap agreements are reclassified out of accumulated other comprehensive loss into income (loss) in the period during which the hedged transaction affects earnings.

Effective January 1, 2018, the Company early adopted an amendment to ASC Topic 350, *Intangibles – Goodwill and Other, Simplifying the Test of Goodwill Impairment*, which removes Step 2 of the goodwill impairment test. For annual and interim impairment tests, the Company is required to record an impairment charge, if any, by the amount a reporting unit’s fair value is exceeded by the carrying value of the reporting unit, limited to the carrying value of goodwill included in the reporting unit. The adoption of the amendment did not have an impact on the consolidated financial statements for the six months ended June 30, 2018.

Accounting Pronouncements Not Yet Adopted

ASC Topic 842, *Leases*, (“ASC Topic 842”) which is effective for the Company beginning January 1, 2019, requires lessees to recognize right-of-use assets and lease liabilities for operating leases with terms greater than 12 months. The standard also requires additional qualitative and quantitative disclosures designed to assess the amount, timing, and uncertainty of cash flows arising from leases. In July 2018, the FASB issued an amendment to ASC Topic 842 which provides an optional transition method that will give companies the option to use the effective date as the date of initial application upon transition. The Company plans to elect this transition method and, as a result, will not adjust comparative period financial information or make the new required lease disclosures for periods before the effective date. The Company has established an implementation team which is in the process of implementing the new accounting standard, including accumulating necessary information, assessing the current lease portfolio, and implementing software to meet the new reporting requirements. The Company is also evaluating current processes and controls and identifying necessary changes to support the adoption of the new standard. The Company anticipates it will exclude short-term leases from accounting under ASC Topic 842 and plans to elect the package of practical expedients upon transition that will retain lease classification and other accounting conclusions made in the assessment of existing lease contracts. Management expects the new standard to have a material impact on the Company’s consolidated balance sheets related to the addition of the right-of-use asset and associated lease liabilities; however, the impact on the consolidated statements of operations is

expected to be minimal, if any. As the impact of this standard is non-cash in nature, no impact is expected on the Company's consolidated statements of cash flows.

ASC Topic 815, *Derivatives and Hedging*, was amended to change the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results to simplify hedge accounting treatment and better align an entity's risk management activities and financial reporting for hedging relationships. The amendment is effective for the Company beginning January 1, 2019 and is not expected to have a significant impact on the consolidated financial statements.

Management believes there is no other new accounting guidance issued but not yet effective that is relevant to the Company's current financial statements.

NOTE B – FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Financial Instruments

The following table presents the components of cash and cash equivalents and short-term investments:

	<u>June 30</u> <u>2018</u>	<u>December 31</u> <u>2017</u>
	(in thousands)	
Cash and cash equivalents		
Cash deposits ⁽¹⁾	\$ 106,924	\$ 86,510
Variable rate demand notes ⁽¹⁾⁽²⁾	15,041	19,744
Money market funds ⁽³⁾	37,342	14,518
Total cash and cash equivalents	\$ 159,307	\$ 120,772
Short-term investments		
Certificates of deposit ⁽¹⁾	\$ 68,013	\$ 56,401

⁽¹⁾ Recorded at cost plus accrued interest, which approximates fair value.

⁽²⁾ Amounts may be redeemed on a daily basis with the original issuer.

⁽³⁾ Recorded at fair value as determined by quoted market prices (see amounts presented in the table of financial assets and liabilities measured at fair value within this Note).

The Company's long-term financial instruments are presented in the table of financial assets and liabilities measured at fair value within this Note.

Concentrations of Credit Risk of Financial Instruments

The Company is potentially subject to concentrations of credit risk related to its cash, cash equivalents, and short-term investments. The Company reduces credit risk by maintaining its cash deposits primarily in FDIC-insured accounts and placing its short-term investments primarily in FDIC-insured certificates of deposit. However, certain cash deposits and certificates of deposit may exceed federally insured limits. At June 30, 2018 and December 31, 2017, cash and cash equivalents totaling \$92.6 million and \$61.1 million, respectively, were not FDIC insured.

Fair Value Disclosure of Financial Instruments

Fair value disclosures are made in accordance with the following hierarchy of valuation techniques based on whether the inputs of market data and market assumptions used to measure fair value are observable or unobservable:

- Level 1 — Quoted prices for identical assets and liabilities in active markets.
- Level 2 — Quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Unobservable inputs (Company's market assumptions) that are significant to the valuation model.

Fair value and carrying value disclosures of financial instruments are presented in the following table:

	June 30 2018		December 31 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Credit Facility ⁽¹⁾	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Accounts receivable securitization borrowings ⁽²⁾	45,000	45,000	45,000	45,000
Notes payable ⁽³⁾	134,258	132,522	153,441	152,131
	<u>\$ 249,258</u>	<u>\$ 247,522</u>	<u>\$ 268,441</u>	<u>\$ 267,131</u>

- (1) The revolving credit facility (the "Credit Facility") carries a variable interest rate based on LIBOR, plus a margin, that is considered to be priced at market for debt instruments having similar terms and collateral requirements (Level 2 of the fair value hierarchy).
- (2) Borrowings under the Company's accounts receivable securitization program carry a variable interest rate based on LIBOR, plus a margin. The borrowings are considered to be priced at market for debt instruments having similar terms and collateral requirements (Level 2 of the fair value hierarchy).
- (3) Fair value of the notes payable was determined using a present value income approach based on quoted interest rates from lending institutions with which the Company would enter into similar transactions (Level 2 of the fair value hierarchy).

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents the assets and liabilities that are measured at fair value on a recurring basis:

	June 30, 2018			
	Total	Fair Value Measurements Using		
		Quoted Prices In Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in thousands)			
Assets:				
Money market funds ⁽¹⁾	\$ 37,342	\$ 37,342	\$ —	\$ —
Equity, bond, and money market mutual funds held in trust related to the Voluntary Savings Plan ⁽²⁾	2,453	2,453	—	—
Interest rate swaps ⁽³⁾	1,535	—	1,535	—
	<u>\$ 41,330</u>	<u>\$ 39,795</u>	<u>\$ 1,535</u>	<u>\$ —</u>
Liabilities:				
Contingent consideration ⁽⁴⁾	\$ 4,092	\$ —	\$ —	\$ 4,092
	<u>\$ 4,092</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,092</u>
	December 31, 2017			
	Total	Fair Value Measurements Using		
		Quoted Prices In Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in thousands)			

Assets:				
Money market funds ⁽¹⁾	\$ 14,518	\$ 14,518	\$ —	\$ —
Equity, bond, and money market mutual funds held in trust related to the Voluntary Savings Plan ⁽²⁾	2,359	2,359	—	—
Interest rate swaps ⁽³⁾	481	—	481	—
	<u>\$ 17,358</u>	<u>\$ 16,877</u>	<u>\$ 481</u>	<u>\$ —</u>
Liabilities:				
Contingent consideration ⁽⁴⁾	\$ 6,970	\$ —	\$ —	\$ 6,970
	<u>\$ 6,970</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,970</u>

(1) Included in cash and cash equivalents.

(2) Nonqualified deferred compensation plan investments consist of U.S. and international equity mutual funds, government and corporate bond mutual funds, and money market funds which are held in a trust with a third-party brokerage firm. Included in other long-term assets, with a corresponding liability reported within other long-term liabilities.

(3) Included in other long-term assets. The fair values of the interest rate swaps were determined by discounting future cash flows and receipts based on expected interest rates observed in market interest rate curves (Level 2 inputs) adjusted for estimated credit valuation considerations reflecting nonperformance risk of the Company and the counterparty, which are considered to be in Level 3 of the fair value hierarchy. The Company assessed Level 3 inputs as insignificant to the valuation at June 30, 2018 and December 31, 2017 and considers the interest rate swap valuations in Level 2 of the fair value hierarchy.

(4) Included in accrued expenses as of June 30, 2018 and included in accrued expenses and other long-term liabilities based on when expected payouts become due as of December 31, 2017. The estimated fair value of contingent consideration for an earn-out agreement related to the September 2016 acquisition of LDS was determined by assessing Level 3 inputs with a discounted cash flow approach using various probability-weighted scenarios. The Level 3 assessments utilize a Monte Carlo simulation with inputs including scenarios of estimated revenues and gross margins to be achieved for the applicable performance periods, probability weightings assigned to the performance scenarios, and the discount rate applied, which was 12.0% and 12.5% as of June 30, 2018 and December 31, 2017, respectively. Subsequent changes to the fair value as a result of recurring assessments will be recognized in operating income.

The following table provides the changes in fair value of the liabilities measured at fair value using inputs categorized in Level 3 of the fair value hierarchy:

	<u>Contingent Consideration</u> (in thousands)
Balances at December 31, 2017	\$ 6,970
Payments ⁽¹⁾	(3,528)
Change in fair value included in operating expenses	650
Balances at June 30, 2018	<u>\$ 4,092</u>

⁽¹⁾ Payments released from escrow account reported in other current assets in the consolidated balance sheet.

NOTE C – GOODWILL AND INTANGIBLE ASSETS

Goodwill represents the excess of cost over the fair value of net identifiable tangible and intangible assets acquired. Goodwill by reportable operating segment consisted of \$107.7 million and \$0.6 million reported in the ArcBest and FleetNet segments, respectively, for both June 30, 2018 and December 31, 2017.

Intangible assets consisted of the following:

	Weighted-Average Amortization Period (in years)	June 30, 2018			December 31, 2017		
		Cost	Accumulated Amortization (in thousands)	Net Value	Cost	Accumulated Amortization (in thousands)	Net Value
Finite-lived intangible assets							
Customer relationships	14	\$ 60,431	\$ 21,938	\$ 38,493	\$ 60,431	\$ 19,745	\$ 40,686
Driver network	3	3,200	3,200	—	3,200	3,200	—
Other	9	1,032	619	413	1,032	549	483
	13	64,663	25,757	38,906	64,663	23,494	41,169
Indefinite-lived intangible assets							
Trade name	N/A	32,300	N/A	32,300	32,300	N/A	32,300
Total intangible assets	N/A	\$ 96,963	\$ 25,757	\$ 71,206	\$ 96,963	\$ 23,494	\$ 73,469

The future amortization for intangible assets and acquired software as of June 30, 2018 were as follows:

	Total	Intangible Assets (in thousands)	Acquired Software ⁽¹⁾
2018	\$ 3,318	\$ 2,257	\$ 1,061
2019	5,463	4,482	981
2020	4,471	4,454	17
2021	4,418	4,412	6
2022	4,385	4,385	—
Thereafter	18,916	18,916	—
Total amortization	\$ 40,971	\$ 38,906	\$ 2,065

⁽¹⁾ Acquired software is reported in property, plant and equipment.

NOTE D – INCOME TAXES

On December 22, 2017, H.R. 1/Public Law 115-97 which includes tax legislation titled *Tax Cuts and Jobs Act* (the “Tax Reform Act”) was signed into law. Effective January 1, 2018, the Tax Reform Act reduced the U.S. federal corporate tax rate from 35% to 21%. As a result of the Tax Reform Act, the Company recorded a provisional reduction of net deferred income tax liabilities of approximately \$24.5 million at December 31, 2017, pursuant to the provisions of ASC Topic 740, *Income Taxes*, which requires the impact of tax law changes to be recognized in the period in which the legislation is enacted. An additional provisional reduction of net deferred income tax liabilities of less than \$0.1 million and \$2.6 million was recognized in the three and six months ended June 30, 2018, respectively. The additional reductions relate to the reversal of temporary differences through the Company’s fiscal tax year end of February 28, 2018. State tax rates vary among states and average approximately 6.0% to 6.5%, although some state rates are higher and a small number of states do not impose an income tax. The effective tax benefit rate was 68.0% and 15.0% for the three and six months ended June 30, 2018, respectively, compared to an effective tax rate of 34.6% and 27.1% for the three and six months ended June 30, 2017, respectively.

In addition to the provisional effect on net deferred tax liabilities, the Company recorded a provisional reduction in current income tax expense of approximately \$1.3 million at December 31, 2017, as a result of the Tax Reform Act, to reflect the Company’s use of a fiscal year rather than a calendar year for U.S. income tax filing. Due to the fact that the Company’s current fiscal tax year includes the effective date of the rate change under the Tax Reform Act, taxes are required to be calculated by applying a blended rate to the taxable income for the current taxable year ending February 28, 2018. The blended rate is calculated based on the ratio of days in the fiscal year prior to and after the effective date of the rate change. In computing total tax expense for the three and six months ended June 30, 2018, a 32.74% blended federal statutory rate was applied to the two months ended February 28, 2018, and a projected combined tax rate of 26.5% (based on the federal statutory rate of 21% plus applicable state tax rates) was applied to the months of March 2018 through June 2018.

For the six months ended June 30, 2018, the difference between the Company’s effective tax rate and the federal statutory rate primarily results from the \$2.6 million provisional reduction of net deferred income tax liabilities, as previously discussed, and the \$1.2 million alternative fuel tax credit related to the year ended December 31, 2017 which was recognized in first quarter 2018 due to the February 2018 passage of the *Bipartisan Budget Act of 2018* which retroactively reinstated the alternative fuel tax credit that had previously expired on December 31, 2016. For the three and six months ended June 30, 2018 and 2017, the difference between the Company’s effective tax rate and the federal statutory rate also resulted from state income taxes, nondeductible expenses, changes in tax valuation allowances, deferred tax benefit related to future state rate changes, the tax benefit from the vesting of stock awards, and changes in the cash surrender value of life insurance.

As of June 30, 2018, the Company’s deferred tax liabilities, which will reverse in future years, exceeded the deferred tax assets. The Company evaluated the total deferred tax assets at June 30, 2018 and concluded that, other than for certain deferred tax assets related to state net operating loss and contribution carryforwards, the assets did not exceed the amount for which realization is more likely than not. In making this determination, the Company considered the future reversal of existing taxable temporary differences, future taxable income, and tax planning strategies. Valuation allowances for deferred tax assets totaled \$0.7 million and \$0.8 million at June 30, 2018 and December 31, 2017, respectively.

The Company established a reserve for uncertain tax positions of less than \$0.1 million at December 31, 2016, and maintained the reserve at June 30, 2018, due to uncertainty of how the IRS will interpret regulations related to research and development credits claimed on the Company’s 2015 federal return. The Company established a reserve for an uncertain tax position of \$0.9 million at March 31, 2018, and maintained the reserve at June 30, 2018, due to credits taken on amended federal returns.

The Company paid state and foreign income taxes of \$2.5 million and \$0.4 million during the six months ended June 30, 2018 and 2017, respectively. During the six months ended June 30, 2018 and 2017, the Company received refunds of \$1.1 million and \$0.1 million, respectively, of federal and state income taxes that were paid in prior years.

NOTE E – LONG-TERM DEBT AND FINANCING ARRANGEMENTS

Long-Term Debt Obligations

Long-term debt consisted of borrowings outstanding under the Company’s revolving credit facility and accounts receivable securitization program, both of which are further described in Financing Arrangements within this Note, and notes payable and capital lease obligations related to the financing of revenue equipment (tractors and trailers used primarily in Asset-Based segment operations), real estate, and certain other equipment as follows:

	June 30 2018	December 31 2017
	(in thousands)	
Credit Facility (interest rate of 3.6% ⁽¹⁾ at June 30, 2018)	\$ 70,000	\$ 70,000
Accounts receivable securitization borrowings (interest rate of 2.9% at June 30, 2018)	45,000	45,000
Notes payable (weighted-average interest rate of 2.9% at June 30, 2018)	134,258	153,441
Capital lease obligations (weighted-average interest rate of 5.6% at June 30, 2018)	374	478
	<u>249,632</u>	<u>268,919</u>
Less current portion	51,562	61,930
Long-term debt, less current portion	<u>\$ 198,070</u>	<u>\$ 206,989</u>

⁽¹⁾ The interest rate swap mitigates interest rate risk by effectively converting \$50.0 million of borrowings under the Credit Facility from variable-rate interest to fixed-rate interest with a per annum rate of 3.35% based on the margin of the Credit Facility as of June 30, 2018.

Scheduled maturities of long-term debt obligations as of June 30, 2018 were as follows:

	Total	Credit Facility ⁽¹⁾	Accounts Receivable Securitization Program ⁽¹⁾	Notes Payable	Capital Lease Obligations ⁽²⁾
	(in thousands)				
Due in one year or less	\$ 59,036	\$ 2,771	\$ 1,507	\$ 54,521	\$ 237
Due after one year through two years	80,391	3,069	46,271	30,908	143
Due after two years through three years	29,575	3,097	—	26,471	7
Due after three years through four years	25,258	3,076	—	22,177	5
Due after four years through five years	77,443	70,050	—	7,393	—
Due after five years	225	—	—	225	—
Total payments	<u>271,928</u>	<u>82,063</u>	<u>47,778</u>	<u>141,695</u>	<u>392</u>
Less amounts representing interest	22,296	12,063	2,778	7,437	18
Long-term debt	<u>\$ 249,632</u>	<u>\$ 70,000</u>	<u>\$ 45,000</u>	<u>\$ 134,258</u>	<u>\$ 374</u>

⁽¹⁾ The future interest payments included in the scheduled maturities due are calculated using variable interest rates based on the LIBOR swap curve, plus the anticipated applicable margin.

⁽²⁾ Minimum payments of capital lease obligations include maximum amounts due under rental adjustment clauses contained in the capital lease agreements.

Assets securing notes payable or held under capital leases were included in property, plant and equipment as follows:

	June 30 2018	December 31 2017
	(in thousands)	
Revenue equipment	\$ 257,827	\$ 269,950
Land and structures (service centers)	1,794	1,794
Software	486	486
Service, office, and other equipment	101	100
Total assets securing notes payable or held under capital leases	<u>260,208</u>	<u>272,330</u>
Less accumulated depreciation and amortization ⁽¹⁾	<u>92,558</u>	<u>87,691</u>
Net assets securing notes payable or held under capital leases	<u>\$ 167,650</u>	<u>\$ 184,639</u>

⁽¹⁾ Amortization of assets under held capital leases and depreciation of assets securing notes payable are included in depreciation expense.

Financing Arrangements

Credit Facility

The Company has a revolving credit facility (the “Credit Facility”) under its second amended and restated credit agreement (the “Credit Agreement”) with an initial maximum credit amount of \$200.0 million, including a swing line facility in an aggregate amount of up to \$20.0 million and a letter of credit sub-facility providing for the issuance of letters of credit up to an aggregate amount of \$20.0 million. The Company may request additional revolving commitments or incremental term loans thereunder up to an aggregate additional amount of \$100.0 million, subject to certain additional conditions as provided in the Credit Agreement. As of June 30, 2018, the Company had available borrowing capacity of \$130.0 million under the Credit Facility.

Principal payments under the Credit Facility are due upon maturity of the facility on July 7, 2022; however, borrowings may be repaid, at the Company’s discretion, in whole or in part at any time, without penalty, subject to required notice periods and compliance with minimum prepayment amounts. Borrowings under the Credit Agreement can either be, at the Company’s election: (i) at an alternate base rate (as defined in the Credit Agreement) plus a spread; or (ii) at a Eurodollar rate (as defined in the Credit Agreement) plus a spread. The applicable spread is dependent upon the Company’s adjusted leverage ratio (as defined in the Credit Agreement). The Credit Agreement contains conditions, representations and warranties, events of default, and indemnification provisions that are customary for financings of this type, including, but not limited to, a minimum interest coverage ratio, a maximum adjusted leverage ratio, and limitations on incurrence of debt, investments, liens on assets, certain sale and leaseback transactions, transactions with affiliates, mergers, consolidations, purchases and sales of assets, and certain restricted payments. The Company was in compliance with the covenants under the Credit Agreement at June 30, 2018.

Interest Rate Swaps

The Company has a five-year interest rate swap agreement with a \$50.0 million notional amount maturing on January 2, 2020. The Company receives floating-rate interest amounts based on one-month LIBOR in exchange for fixed-rate interest payments of 1.85% over the life of the agreement. The interest rate swap mitigates interest rate risk by effectively converting \$50.0 million of borrowings under the Credit Facility from variable-rate interest to fixed-rate interest with a per annum rate of 3.35% based on the margin of the Credit Facility as of June 30, 2018. The fair value of the interest rate swap of \$0.5 million and \$0.1 million was recorded in other long-term assets in the consolidated balance sheet at June 30, 2018 and December 31, 2017, respectively.

In June 2017, the Company entered into a forward-starting interest rate swap agreement with a \$50.0 million notional amount which will start on January 2, 2020 upon maturity of the current interest rate swap agreement, and mature on June 30, 2022. The Company will receive floating-rate interest amounts based on one-month LIBOR in exchange for fixed-rate interest payments of 1.99% over the life of the agreement. The interest rate swap mitigates interest rate risk by effectively converting \$50.0 million of borrowings under the Credit Facility from variable-rate interest to fixed-rate interest with a per annum rate of 3.49% based on the margin of the Credit Facility as of June 30, 2018. The fair value of the interest rate swap of \$1.0 million and \$0.4 million was recorded in other long-term assets in the consolidated balance sheet at June 30, 2018 and December 31, 2017, respectively.

The unrealized gain or loss on the interest rate swap instruments was reported as a component of accumulated other comprehensive loss, net of tax, in stockholders' equity at June 30, 2018 and December 31, 2017, and the change in the unrealized income (loss) on the interest rate swaps for the three months ended June 30, 2018 and 2017 was reported in other comprehensive loss, net of tax, in the consolidated statements of comprehensive income. The interest rate swaps are subject to certain customary provisions that could allow the counterparty to request immediate payment of the fair value liability upon violation of any or all of the provisions. The Company was in compliance with all provisions of the interest rate swap agreements at June 30, 2018.

Accounts Receivable Securitization Program

The Company's accounts receivable securitization program, which matures on April 1, 2020, allows for cash proceeds of \$125.0 million to be provided under the facility and has an accordion feature allowing the Company to request additional borrowings up to \$25.0 million, subject to certain conditions. Under this program, certain subsidiaries of the Company continuously sell a designated pool of trade accounts receivables to a wholly owned subsidiary which, in turn, may borrow funds on a revolving basis. This wholly owned consolidated subsidiary is a separate bankruptcy-remote entity, and its assets would be available only to satisfy the claims related to the lender's interest in the trade accounts receivables. Borrowings under the accounts receivable securitization program bear interest based upon LIBOR, plus a margin, and an annual facility fee. The securitization agreement contains representations and warranties, affirmative and negative covenants, and events of default that are customary for financings of this type, including a maximum adjusted leverage ratio covenant. As of June 30, 2018, \$45.0 million was borrowed under the program. The Company was in compliance with the covenants under the accounts receivable securitization program at June 30, 2018.

The accounts receivable securitization program includes a provision under which the Company may request and the letter of credit issuer may issue standby letters of credit, primarily in support of workers' compensation and third-party casualty claims liabilities in various states in which the Company is self-insured. The outstanding standby letters of credit reduce the availability of borrowings under the program. As of June 30, 2018, standby letters of credit of \$17.7 million have been issued under the program, which reduced the available borrowing capacity to \$62.3 million.

In August 2018, the Company amended and extended its accounts receivable securitization program to modify certain covenants and conditions and extend the maturity date of the program to October 1, 2021.

Letter of Credit Agreements and Surety Bond Programs

As of June 30, 2018, the Company had letters of credit outstanding of \$18.3 million (including \$17.7 million issued under the accounts receivable securitization program). The Company has programs in place with multiple surety companies for the issuance of surety bonds in support of its self-insurance program. As of June 30, 2018, surety bonds outstanding related to the self-insurance program totaled \$53.1 million.

Notes Payable and Capital Leases

The Company has financed the purchase of certain revenue equipment, other equipment, and software through promissory note arrangements, including \$14.3 million and \$14.4 million for revenue equipment and software during the three and six months ended June 30, 2018, respectively.

The Company financed the purchase of an additional \$19.9 million of revenue equipment through promissory note arrangements as of August 1, 2018.

NOTE F – PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

Nonunion Defined Benefit Pension, Supplemental Benefit, and Postretirement Health Benefit Plans

The following is a summary of the components of net periodic benefit cost:

	Three Months Ended June 30					
	Nonunion Defined Benefit Pension Plan		Supplemental Benefit Plan		Postretirement Health Benefit Plan	
	2018	2017	2018	2017	2018	2017
	(in thousands)					
Service cost	\$ —	\$ —	\$ —	\$ —	\$ 91	\$ 122
Interest cost	1,108	1,149	27	25	210	265
Expected return on plan assets	(378)	(2,054)	—	—	—	—
Amortization of prior service credit	—	—	—	—	(24)	(48)
Pension settlement expense	431	744	—	—	—	—
Amortization of net actuarial loss ⁽¹⁾	592	757	20	21	76	174
Net periodic benefit cost	<u>\$ 1,753</u>	<u>\$ 596</u>	<u>\$ 47</u>	<u>\$ 46</u>	<u>\$ 353</u>	<u>\$ 513</u>

	Six Months Ended June 30					
	Nonunion Defined Benefit Pension Plan		Supplemental Benefit Plan		Postretirement Health Benefit Plan	
	2018	2017	2018	2017	2018	2017
	(in thousands)					
Service cost	\$ —	\$ —	\$ —	\$ —	\$ 183	\$ 244
Interest cost	2,123	2,389	54	51	419	530
Expected return on plan assets	(779)	(4,221)	—	—	—	—
Amortization of prior service credit	—	—	—	—	(47)	(95)
Pension settlement expense	1,085	2,701	—	—	—	—
Amortization of net actuarial loss ⁽¹⁾	1,370	1,643	40	41	152	347
Net periodic benefit cost	<u>\$ 3,799</u>	<u>\$ 2,512</u>	<u>\$ 94</u>	<u>\$ 92</u>	<u>\$ 707</u>	<u>\$ 1,026</u>

⁽¹⁾ The Company amortizes actuarial losses over the average remaining active service period of the plan participants and does not use a corridor approach.

Nonunion Defined Benefit Pension Plan

The Company's nonunion defined benefit pension plan covers substantially all noncontractual employees hired before January 1, 2006. In June 2013, the Company amended the nonunion defined benefit pension plan to freeze the participants' final average compensation and years of credited service as of July 1, 2013. The plan amendment did not impact the vested benefits of retirees or former employees whose benefits have not yet been paid from the plan. Effective July 1, 2013, participants of the nonunion defined benefit pension plan who were active employees of the Company became eligible for the discretionary defined contribution feature of the Company's nonunion 401(k) and defined contribution plan in which all eligible noncontractual employees hired subsequent to December 31, 2005 also participate.

In November 2017, an amendment was executed to terminate the nonunion defined benefit pension plan with a termination date of December 31, 2017. The plan has filed for a determination letter from the IRS regarding the qualification of the plan termination. Following receipt of a favorable determination letter, benefit election forms will be provided to plan participants and they will have an election window in which they can choose any form of payment allowed by the plan for immediate commencement of payment or defer payment until a later date. Until a favorable determination letter is received and the benefit election forms are distributed to participants, the methodologies for establishing plan assumptions will continue to be consistent with those used prior to the amendment to terminate the plan. Pension settlement charges related to the plan termination, including settlements for lump sum benefit distributions and the cost to purchase an annuity contract to settle the pension obligation related to benefits for which participants elect to defer payment until a later date, may occur in 2018. However, the timing of recognizing these settlements in the consolidated financial statements is highly dependent on when and if the plan receives the favorable determination letter from the IRS.

The Company recognized pension settlement expense as a component of net periodic benefit cost of the nonunion defined benefit pension plan for the three and six months ended June 30, 2018 of \$0.4 million (pre-tax), or \$0.3 million (after-tax), and \$1.1 million (pre-tax), or \$0.8 million (after-tax), respectively, related to \$3.7 million and \$8.5 million of lump-sum benefit distributions from the plan for the three and six months ended June 30, 2018, respectively. For the three and six months ended June 30, 2017, pension settlement expense of \$0.7 million (pre-tax), or \$0.5 million (after-tax), and \$2.7 million (pre-tax), or \$1.7 million (after-tax) was recognized related to \$4.9 million and \$9.7 million of lump-sum distributions from the plan for the three and six months ended June 30, 2017, respectively, which included a \$7.6 million nonparticipating annuity contract purchased from an insurance company during the first quarter 2017 to settle the pension obligation related to the vested benefits of approximately 50 plan participants and beneficiaries receiving monthly benefit payments at the time of the contract purchase. Upon recognition of pension settlement expense, a corresponding reduction in the unrecognized net actuarial loss of the plan is recorded. The remaining pre-tax unrecognized net actuarial loss will continue to be amortized over the average remaining future years of service of the active plan participants. The Company will incur additional quarterly settlement expense related to lump-sum distributions from the nonunion defined benefit pension plan during the remainder of 2018.

The following table discloses the changes in benefit obligations and plan assets of the nonunion defined benefit pension plan for the six months ended June 30, 2018:

	Nonunion Defined Benefit Pension Plan
	(in thousands)
Change in benefit obligations	
Benefit obligations at December 31, 2017	\$ 137,417
Interest cost	2,123
Actuarial gain ⁽¹⁾	(4,924)
Benefits paid	(8,578)
Benefit obligations at June 30, 2018	<u>126,038</u>
Change in plan assets	
Fair value of plan assets at December 31, 2017	124,831
Actual return on plan assets	1,093
Benefits paid	(8,578)
Fair value of plan assets at June 30, 2018	<u>117,346</u>
Funded status at period end⁽²⁾	<u>\$ (8,692)</u>
Accumulated benefit obligation	<u>\$ 126,038</u>

⁽¹⁾ Primarily related to the impact of an increase in the discount rate at the June 30, 2018 remeasurement upon settlement compared to the discount rate at the December 31, 2017 measurement date.

⁽²⁾ Noncurrent liability recognized within pension and postretirement liabilities in the accompanying consolidated balance sheet at June 30, 2018.

Based upon currently available actuarial information, and except for the impact of funding for plan termination, the Company does not expect to have cash outlays for required minimum contributions to its nonunion defined benefit pension plan in 2018. The plan's preliminary adjusted funding target attainment percentage ("AFTAP") is 112.97% as of the January 1, 2018 valuation date. The AFTAP is determined by measurements prescribed by the Internal Revenue Code, which differ from the funding measurements for financial statement reporting purposes.

Multiemployer Plans

ABF Freight System, Inc. and certain other subsidiaries reported in the Company's Asset-Based operating segment ("ABF Freight") contribute to multiemployer pension and health and welfare plans, which have been established pursuant to the Taft-Hartley Act, to provide benefits for its contractual employees. ABF Freight's contributions generally are based on the time worked by its contractual employees, in accordance with the 2018 ABF NMFA and other related supplemental agreements. ABF Freight recognizes as expense the contractually required contributions for each period and recognizes as a liability any contributions due and unpaid.

The 25 multiemployer pension plans to which ABF Freight contributes vary greatly in size and in funded status. Contribution obligations to these plans are generally specified in the 2018 ABF NMFA, which will remain in effect through June 30, 2023. The funding obligations to the pension plans are intended to satisfy the requirements imposed by the Pension Protection Act of 2006, which was permanently extended by the Multiemployer Pension Reform Act (the “Reform Act”) included in the Consolidated and Further Continuing Appropriations Act of 2015. Provisions of the Reform Act include, among others, providing qualifying plans the ability to self-correct funding issues, subject to various requirements and restrictions, including applying to the U.S. Department of the Treasury for the reduction of certain accrued benefits. Through the term of its current collective bargaining agreement, ABF Freight’s contribution obligations generally will be satisfied by making the specified contributions when due. However, the Company cannot determine with any certainty the contributions that will be required under future collective bargaining agreements for ABF Freight’s contractual employees. If ABF Freight was to completely withdraw from certain multiemployer pension plans, under current law, ABF Freight would have material liabilities for its share of the unfunded vested liabilities of each such plan.

Approximately one half of ABF Freight’s total contributions to multiemployer pension plans are made to the Central States, Southeast and Southwest Areas Pension Plan (the “Central States Pension Plan”). ABF Freight received an Actuarial Certification of Plan Status for the Central States Pension Plan dated March 30, 2018, in which the plan’s actuary certified that, as of January 1, 2018, the plan is in critical and declining status, as defined by the Reform Act. Critical and declining status is applicable to critical status plans that are projected to become insolvent anytime within the next 14 plan years, or if the plan is projected to become insolvent within the next 19 plan years and either the plan’s ratio of inactive participants to active participants exceeds two to one or the plan’s funded percentage is less than 80%.

On July 9, 2018, ABF Freight reached a tentative agreement with the Teamster bargaining representatives for the Northern and Southern New England Supplemental Agreements on terms for new supplemental agreements for 2018-2023 (the “New England Supplemental Agreements”). The New England Supplemental Agreements were ratified by the local unions in the region covered by the supplements on July 25, 2018. In accordance with the New England Supplemental Agreements, ABF Freight’s multiemployer pension plan obligation with the New England Teamsters and Trucking Industry Pension Fund (the “New England Pension Fund”) was restructured under a transition agreement effective on August 1, 2018. The New England Pension Fund is a multiemployer pension plan in critical and declining status to which ABF Freight made approximately 3% of its total multiemployer pension contributions in 2017. The New England Pension Fund was previously restructured to utilize a “two pool approach,” which effectively subdivides the plan assets and liabilities between two groups of beneficiaries. In accordance with ABF Freight’s transition agreement with the New England Pension Fund, ABF Freight agreed to withdraw from the original pool to which it has historically been a participant (“Existing Employer Pool”) and transition to the direct attribution liability pool (“New Employer Pool”), which does not have an associated unfunded liability. The terms of the transition are pursuant to the Second Chance Policy on Retroactive Withdrawal Liability, as recently adopted by the New England Pension Fund.

ABF Freight’s transition agreement with the New England Pension Fund triggered a withdrawal liability settlement which satisfies ABF Freight’s existing potential withdrawal liability obligations to the Existing Employer Pool and minimizes the potential for future increases in withdrawal liability under the New Employer Pool. ABF Freight will transition to the New Employer Pool at a lower pension contribution rate than its current contribution rate under the Existing Employer Pool, and the new contribution rate will be frozen for a period of 10 years.

ABF Freight recognized a one-time charge of \$37.9 million (pre-tax) to record the withdrawal liability in June 2018 when the transition agreement was determined to be probable. The withdrawal liability is equal to the present value of the future withdrawal liability payments, discounted at a 4.5% interest rate. The discount rate was determined using the 20-year U.S. Treasury rate plus a spread, which is the rate that would be available to ABF Freight for long-term financing of a similar maturity (Level 2 of the fair value hierarchy). The withdrawal liability will be settled through the initial lump sum cash payment of \$15.1 million, which is recorded in accounts payable and is expected to be made in third quarter 2018, plus monthly payments to the New England Pension Fund over a period of 23 years with an aggregate present value of \$22.8 million, which is recorded in other long-term liabilities. In accordance with current tax law, these payments are deductible for income taxes when paid.

The multiemployer plan administrators have provided to the Company no other significant changes in information related to multiemployer plans from the information disclosed in the Company’s 2017 Annual Report on Form 10-K.

NOTE G – STOCKHOLDERS' EQUITY

Accumulated Other Comprehensive Loss

Components of accumulated other comprehensive loss were as follows:

	June 30 2018	December 31 2017
	(in thousands)	
Pre-tax amounts:		
Unrecognized net periodic benefit costs	\$ (17,929)	\$ (25,768)
Interest rate swap	1,535	481
Foreign currency translation	(2,289)	(1,894)
Total	<u>\$ (18,683)</u>	<u>\$ (27,181)</u>
After-tax amounts:		
Unrecognized net periodic benefit costs	\$ (17,285)	\$ (19,715)
Interest rate swap	1,134	292
Foreign currency translation	(1,691)	(1,151)
Total	<u>\$ (17,842)</u>	<u>\$ (20,574)</u>

The following is a summary of the changes in accumulated other comprehensive loss, net of tax, by component for the six months ended June 30, 2018 and 2017:

	Total	Unrecognized Net Periodic Benefit Costs	Interest Rate Swap	Foreign Currency Translation
	(in thousands)			
Balances at December 31, 2017	\$ (20,574)	\$ (19,715)	\$ 292	\$ (1,151)
Adjustment to beginning balance of accumulated other comprehensive loss for adoption of accounting standard ⁽¹⁾	(3,576)	(3,391)	63	(248)
Balances at January 1, 2018	<u>(24,150)</u>	<u>(23,106)</u>	<u>355</u>	<u>(1,399)</u>
Other comprehensive income (loss) before reclassifications	4,377	3,890	779	(292)
Amounts reclassified from accumulated other comprehensive loss	1,931	1,931	—	—
Net current-period other comprehensive income (loss)	<u>6,308</u>	<u>5,821</u>	<u>779</u>	<u>(292)</u>
Balances at June 30, 2018	<u>\$ (17,842)</u>	<u>\$ (17,285)</u>	<u>\$ 1,134</u>	<u>\$ (1,691)</u>
Balances at December 31, 2016	\$ (23,417)	\$ (21,886)	\$ (329)	\$ (1,202)
Other comprehensive income (loss) before reclassifications	(1,442)	(1,569)	216	(89)
Amounts reclassified from accumulated other comprehensive loss	2,833	2,833	—	—
Net current-period other comprehensive income	<u>1,391</u>	<u>1,264</u>	<u>216</u>	<u>(89)</u>
Balances at June 30, 2017	<u>\$ (22,026)</u>	<u>\$ (20,622)</u>	<u>\$ (113)</u>	<u>\$ (1,291)</u>

⁽¹⁾ The Company elected to reclassify the stranded income tax effects in accumulated other comprehensive loss to retained earnings as of January 1, 2018 as a result of adopting an amendment to ASC Topic 220 (see Note A).

The following is a summary of the significant reclassifications out of accumulated other comprehensive loss by component:

	Unrecognized Net Periodic Benefit Costs⁽¹⁾⁽²⁾	
	Six Months Ended June 30	
	2018	2017
	(in thousands)	
Amortization of net actuarial loss	\$ (1,562)	\$ (2,031)
Amortization of prior service credit	47	95
Pension settlement expense	(1,085)	(2,701)
Total, pre-tax	(2,600)	(4,637)
Tax benefit	669	1,804
Total, net of tax	<u>\$ (1,931)</u>	<u>\$ (2,833)</u>

(1) Amounts in parentheses indicate increases in expense or loss.

(2) These components of accumulated other comprehensive loss are included in the computation of net periodic benefit cost (see Note F).

Dividends on Common Stock

The following table is a summary of dividends declared during the applicable quarter:

	2018		2017	
	Per Share	Amount	Per Share	Amount
	(in thousands, except per share data)			
First quarter	\$ 0.08	\$ 2,058	\$ 0.08	\$ 2,066
Second quarter	\$ 0.08	\$ 2,058	\$ 0.08	\$ 2,078

On July 27, 2018, the Company's Board of Directors declared a dividend of \$0.08 per share to stockholders of record as of August 10, 2018.

Treasury Stock

The Company has a program to repurchase its common stock in the open market or in privately negotiated transactions. The program has no expiration date but may be terminated at any time at the Board of Directors' discretion. Repurchases may be made using the Company's cash reserves or other available sources. As of December 31, 2017, the Company had \$31.7 million remaining under the program for repurchases of its common stock. During the six months ended June 30, 2018, the Company purchased 5,882 shares for an aggregate cost of \$0.2 million, leaving \$31.5 million available for repurchase of common stock under the program.

NOTE H – SHARE-BASED COMPENSATION

Stock Awards

As of June 30, 2018 and December 31, 2017, the Company had outstanding restricted stock units granted under the 2005 Ownership Incentive Plan (the "2005 Plan"). The 2005 Plan, as amended, provides for the granting of 3.1 million shares, which may be awarded as incentive and nonqualified stock options, stock appreciation rights, restricted stock, or restricted stock units ("RSUs").

Restricted Stock Units

A summary of the Company's restricted stock unit award program is presented below:

	Units	Weighted-Average Grant Date Fair Value
Outstanding – January 1, 2018	1,459,260	\$ 22.98
Granted	2,400	\$ 33.85
Vested	(48,039)	\$ 22.76
Forfeited ⁽¹⁾	(5,611)	\$ 24.27
Outstanding – June 30, 2018	<u>1,408,010</u>	<u>\$ 23.00</u>

¹⁾ Forfeitures are recognized as they occur.

NOTE I – EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
	(in thousands, except share and per share data)			
Basic				
Numerator:				
Net income	\$ 1,233	\$ 15,777	\$ 11,187	\$ 8,370
Effect of unvested restricted stock awards	(4)	(65)	(31)	(50)
Adjusted net income	<u>\$ 1,229</u>	<u>\$ 15,712</u>	<u>\$ 11,156</u>	<u>\$ 8,320</u>
Denominator:				
Weighted-average shares	<u>25,670,325</u>	25,767,791	<u>25,656,674</u>	25,726,363
Earnings per common share	<u>\$ 0.05</u>	\$ 0.61	<u>\$ 0.43</u>	\$ 0.32
Diluted				
Numerator:				
Net income	\$ 1,233	\$ 15,777	\$ 11,187	\$ 8,370
Effect of unvested restricted stock awards	(4)	(64)	(30)	(50)
Adjusted net income	<u>\$ 1,229</u>	<u>\$ 15,713</u>	<u>\$ 11,157</u>	<u>\$ 8,320</u>
Denominator:				
Weighted-average shares	<u>25,670,325</u>	25,767,791	<u>25,656,674</u>	25,726,363
Effect of dilutive securities	<u>1,029,224</u>	523,850	<u>996,608</u>	652,073
Adjusted weighted-average shares and assumed conversions	<u>26,699,549</u>	<u>26,291,641</u>	<u>26,653,282</u>	<u>26,378,436</u>
Earnings per common share	<u>\$ 0.05</u>	\$ 0.60	<u>\$ 0.42</u>	\$ 0.32

Under the two-class method of calculating earnings per share, dividends paid and a portion of undistributed net income, but not losses, are allocated to unvested RSUs that receive dividends, which are considered participating securities. Beginning with 2015 grants, the RSU agreements were modified to remove dividend rights; therefore, the RSUs granted subsequent to 2015 are not participating securities. For each of the three- and six-month periods ended June 30, 2017 and 2018, outstanding stock awards of 0.1 million were not included in the diluted earnings per share calculation because their inclusion would have the effect of increasing the earnings per share.

NOTE J – OPERATING SEGMENT DATA

The Company uses the “management approach” to determine its reportable operating segments, as well as to determine the basis of reporting the operating segment information. The management approach focuses on financial information that the Company’s management uses to make operating decisions. Management uses revenues, operating expense categories, operating ratios, operating income, and key operating statistics to evaluate performance and allocate resources to the Company’s operations.

As disclosed in the Company’s 2017 10-K, the Company modified the presentation of segment expenses allocated from shared services, during the third quarter of 2017. Previously, expenses related to company-wide functions were allocated to segment expense line items by type of expense. Allocated expenses are now presented on a single shared services line within the Company’s operating segment disclosures. Reclassifications have been made to the prior period operating segment expenses to conform to the current year presentation. There was no impact on each segment’s total expenses as a result of the reclassifications.

Shared services represent costs incurred to support all segments, including sales, pricing, customer service, marketing, capacity sourcing functions, human resources, financial services, information technology, legal, and other company-wide services. Certain overhead costs are not attributable to any segment and remain unallocated in “Other and eliminations.” Included in unallocated costs are expenses related to investor relations, legal, the ArcBest Board of Directors, and certain executive compensation. Shared services costs attributable to the operating segments are predominantly allocated based upon estimated and planned resource utilization-related metrics such as estimated shipment levels, number of pricing proposals, or number of personnel supported. The bases for such charges are modified and adjusted by management when necessary or appropriate to reflect fairly and equitably the actual incidence of cost incurred by the operating segments. Management believes the methods used to allocate expenses are reasonable.

Effective January 1, 2018, the Company retrospectively adopted an amendment to ASC Topic 715 which requires changes to the financial statement presentation of certain components of net periodic benefit cost related to pension and other postretirement benefits accounted for under ASC Topic 715. As a result of adopting this amendment, the service cost component of net periodic benefit cost continues to be included in operating expenses in the consolidated financial statements, but the other components of net periodic benefit cost, including pension settlement expense, are presented in other income (costs) for the three and six months ended June 30, 2018 and 2017. The adoption of this accounting policy is further discussed in Note A and the detail of net periodic benefit costs is presented in Note F.

The Company’s reportable operating segments are impacted by seasonal fluctuations which affect tonnage, shipment levels, and demand for services, as described below; therefore, operating results for the interim periods presented may not necessarily be indicative of the results for the fiscal year.

The Company’s reportable operating segments are as follows:

- Asset-Based, which includes the results of operations of ABF Freight System, Inc. and certain other subsidiaries (“ABF Freight”). The operations include national, inter-regional, and regional transportation of general commodities through standard, expedited, and guaranteed LTL services. In addition, the segment operations include freight transportation related to certain consumer household goods self-move services.

Freight shipments and operating costs of the Asset-Based segment can be adversely affected by inclement weather conditions. The second and third calendar quarters of each year usually have the highest tonnage levels while the first quarter generally has the lowest, although other factors, including the state of the U.S. and global economies, may influence quarterly freight tonnage levels.

- The ArcBest segment includes the results of operations of the Company's expedite, truckload, and truckload-dedicated businesses as well as its premium logistics services; international freight transportation with air, ocean, and ground service offerings; household goods moving services to consumer, commercial, and government customers; warehousing management and distribution services; and managed transportation solutions. Under the Company's enhanced marketing approach to offer customers a single source of end-to-end logistics, the service offerings of the ArcBest segment continue to become more integrated. As such, management's operating decisions have become more focused on the segment's combined operations, rather than on individual service offerings within the segment's operations.

ArcBest segment operations are influenced by seasonal fluctuations that impact customers' supply chains. The second and third calendar quarters of each year usually have the highest shipment levels while the first quarter generally has the lowest, although other factors, including the state of the U.S. and global economies, may impact quarterly business levels. Shipments of the ArcBest segment may decline during winter months because of post-holiday slowdowns, but expedite shipments can be subject to short-term increases depending on the impact of weather disruptions to customers' supply chains. Plant shutdowns during summer months may affect shipments for automotive and manufacturing customers of the ArcBest segment, but severe weather events can result in higher demand for expedite services. Moving services of the ArcBest segment are impacted by seasonal fluctuations, generally resulting in higher business levels in the second and third quarters as the demand for household goods moving services is typically stronger in the summer months.

- FleetNet includes the results of operations of FleetNet America, Inc. and certain other subsidiaries that provide roadside assistance and maintenance management services for commercial vehicles through a network of third-party service providers. FleetNet also provides services to the Asset-Based and ArcBest segments.

Emergency roadside service events of the FleetNet segment are favorably impacted by extreme weather conditions that affect commercial vehicle operations and the segment's results of operations will be influenced by seasonal variations in service event volume.

The Company's other business activities and operating segments that are not reportable include ArcBest Corporation and certain other subsidiaries. Certain costs incurred by the parent holding company and the Company's shared services subsidiary are allocated to the reporting segments. The Company eliminates intercompany transactions in consolidation. However, the information used by the Company's management with respect to its reportable segments is before intersegment eliminations of revenues and expenses.

Further classifications of operations or revenues by geographic location are impracticable and, therefore, are not provided. The Company's foreign operations are not significant.

The following tables reflect reportable operating segment information:

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
	(in thousands)			
REVENUES				
Asset-Based	\$ 559,239	\$ 514,537	\$ 1,041,354	\$ 978,893
ArcBest	199,987	175,929	381,920	328,805
FleetNet	46,792	36,501	94,551	76,739
Other and eliminations	(12,668)	(6,599)	(24,474)	(12,981)
Total consolidated revenues	<u>\$ 793,350</u>	<u>\$ 720,368</u>	<u>\$ 1,493,351</u>	<u>\$ 1,371,456</u>
OPERATING EXPENSES⁽¹⁾				
Asset-Based				
Salaries, wages, and benefits	\$ 286,750	\$ 286,904	\$ 556,529	\$ 566,284
Fuel, supplies, and expenses	65,040	58,541	127,233	116,931
Operating taxes and licenses	11,910	12,191	23,666	24,014
Insurance	7,979	7,602	14,607	14,720
Communications and utilities	4,135	4,168	8,656	8,685
Depreciation and amortization	21,362	20,716	42,292	41,234
Rents and purchased transportation	63,253	53,189	109,386	99,615
Shared services ⁽²⁾	56,825	46,600	102,432	90,104
Multiemployer pension fund withdrawal liability charge ⁽³⁾	37,922	—	37,922	—
(Gain) loss on sale of property and equipment	(266)	25	(399)	(592)
Other	948	1,673	2,247	3,178
Restructuring costs ⁽⁴⁾	—	33	—	173
Total Asset-Based	<u>555,858</u>	<u>491,642</u>	<u>1,024,571</u>	<u>964,346</u>
ArcBest				
Purchased transportation	162,920	139,432	311,292	261,419
Supplies and expenses	3,538	3,742	6,768	7,412
Depreciation and amortization	3,597	3,230	7,005	6,496
Shared services ⁽²⁾	23,536	20,658	45,404	40,244
Other	2,546	2,873	4,427	5,338
Restructuring costs ⁽⁴⁾	143	65	152	875
Total ArcBest	<u>196,280</u>	<u>170,000</u>	<u>375,048</u>	<u>321,784</u>
FleetNet	45,763	35,754	92,001	74,971
Other and eliminations	(7,707)	(2,795)	(14,150)	(5,512)
Total consolidated operating expenses	<u>\$ 790,194</u>	<u>\$ 694,601</u>	<u>\$ 1,477,470</u>	<u>\$ 1,355,589</u>

⁽¹⁾ As previously discussed in this Note, the Company retrospectively adopted an amendment to ASC Topic 715, effective January 1, 2018, which requires the components of net periodic benefit cost other than service cost to be presented within other income (costs) in the consolidated financial statements and, therefore, these costs are no longer classified within operating expenses within this table.

⁽²⁾ Certain reclassifications have been made to the prior year's operating segment data to conform to the current year presentation, reflecting the modified presentation of segment expenses allocated from shared services as previously discussed in this Note.

⁽³⁾ ABF Freight recorded a one-time charge in June 2018 for the multiemployer pension plan withdrawal liability resulting from the transition agreement it entered into with the New England Teamsters and Trucking Industry Pension Fund (see Note F).

⁽⁴⁾ Restructuring costs relate to the realignment of the Company's corporate structure (see Note K).

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
(in thousands)				
OPERATING INCOME⁽¹⁾				
Asset-Based	\$ 3,381	\$ 22,895	\$ 16,783	\$ 14,547
ArcBest	3,707	5,929	6,872	7,021
FleetNet	1,029	747	2,550	1,768
Other and eliminations	(4,961)	(3,804)	(10,324)	(7,469)
Total consolidated operating income	\$ 3,156	\$ 25,767	\$ 15,881	\$ 15,867
OTHER INCOME (COSTS)				
Interest and dividend income	\$ 714	\$ 285	\$ 1,240	\$ 559
Interest and other related financing costs	(2,013)	(1,389)	(4,072)	(2,704)
Other, net ⁽¹⁾⁽²⁾	(1,123)	(528)	(3,324)	(2,234)
Total other income (costs)	(2,422)	(1,632)	(6,156)	(4,379)
INCOME BEFORE INCOME TAXES	\$ 734	\$ 24,135	\$ 9,725	\$ 11,488

⁽¹⁾ As previously discussed in this Note, for the three and six months ended June 30, 2018 and 2017, the components of net periodic benefit cost other than service cost are presented within other income (costs) rather than within operating income (loss) in accordance with an amendment to ASC Topic 715, which the Company adopted retrospectively effective January 1, 2018.

⁽²⁾ Includes proceeds and changes in cash surrender value of life insurance policies.

The following table presents operating expenses by category on a consolidated basis:

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
(in thousands)				
OPERATING EXPENSES				
Salaries, wages, and benefits	\$ 355,913	\$ 349,200	\$ 684,670	\$ 681,790
Rents, purchased transportation, and other costs of services	253,540	216,237	477,296	416,108
Fuel, supplies, and expenses	84,884	68,451	163,530	141,113
Depreciation and amortization ⁽¹⁾	27,187	25,209	53,673	50,603
Other	30,408	35,141	59,663	63,981
Multiemployer pension fund withdrawal liability charge ⁽²⁾	37,922	—	37,922	—
Restructuring costs ⁽³⁾	340	363	716	1,994
	\$ 790,194	\$ 694,601	\$ 1,477,470	\$ 1,355,589

⁽¹⁾ Includes amortization of intangible assets.

⁽²⁾ ABF Freight recorded a one-time charge in June 2018 for the multiemployer pension plan withdrawal liability resulting from the transition agreement it entered into with the New England Teamsters and Trucking Industry Pension Fund (see Note F).

⁽³⁾ Restructuring costs relate to the realignment of the Company's corporate structure (see Note K).

NOTE K – RESTRUCTURING CHARGES

On November 3, 2016, the Company announced its plan to implement an enhanced market approach to better serve its customers. The enhanced market approach unified the Company's sales, pricing, customer service, marketing, and capacity sourcing functions effective January 1, 2017, and allows the Company to operate as one logistics provider under the ArcBest brand. As a result of the restructuring, the Company recorded \$0.3 million and \$0.7 million of restructuring charges in operating expenses during the three and six months ended June 30, 2018, respectively, and recorded \$0.4 million and \$2.0 million, primarily for employee-related costs, during the three and six months ended June 30, 2017, respectively.

The Company estimates it will incur restructuring charges of approximately \$1.0 million during 2018 primarily for consulting fees related to continued integration of systems and processes to further implement its enhanced market approach.

NOTE L – LEGAL PROCEEDINGS, ENVIRONMENTAL MATTERS, AND OTHER EVENTS

The Company is involved in various legal actions arising in the ordinary course of business. The Company maintains liability insurance against certain risks arising out of the normal course of its business, subject to certain self-insured retention limits. The Company routinely establishes and reviews the adequacy of reserves for estimated legal, environmental, and self-insurance exposures. While management believes that amounts accrued in the consolidated financial statements are adequate, estimates of these liabilities may change as circumstances develop. Considering amounts recorded, routine legal matters are not expected to have a material adverse effect on the Company's financial condition, results of operations, or cash flows.

Environmental Matters

The Company's subsidiaries store fuel for use in tractors and trucks in 62 underground tanks located in 18 states. Maintenance of such tanks is regulated at the federal and, in most cases, state levels. The Company believes it is in substantial compliance with all such regulations. The Company's underground storage tanks are required to have leak detection systems. The Company is not aware of any leaks from such tanks that could reasonably be expected to have a material adverse effect on the Company.

The Company has received notices from the Environmental Protection Agency and others that it has been identified as a potentially responsible party under the Comprehensive Environmental Response Compensation and Liability Act, or other federal or state environmental statutes, at several hazardous waste sites. After investigating the Company's involvement in waste disposal or waste generation at such sites, the Company has either agreed to de minimis settlements or determined that its obligations, other than those specifically accrued with respect to such sites, would involve immaterial monetary liability, although there can be no assurances in this regard.

At June 30, 2018 and December 31, 2017, the Company's reserve, which was reported in accrued expenses, for estimated environmental cleanup costs of properties currently or previously operated by the Company totaled \$0.6 million and \$0.4 million, respectively. Amounts accrued reflect management's best estimate of the future undiscounted exposure related to identified properties based on current environmental regulations, management's experience with similar environmental matters, and testing performed at certain sites.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

ArcBest Corporation® (together with its subsidiaries, the “Company,” “we,” “us,” and “our”) provides a comprehensive suite of freight transportation services and integrated logistics solutions. Our operations are conducted through our three reportable operating segments: Asset-Based, which consists of ABF Freight System, Inc. and certain other subsidiaries (“ABF Freight”); ArcBest, our asset-light logistics operation; and FleetNet. The ArcBest and the FleetNet reportable segments combined represent our Asset-Light operations. References to the Company, including “we,” “us,” and “our,” in this Quarterly Report on Form 10-Q are primarily to the Company and its subsidiaries on a consolidated basis.

As previously disclosed in our 2017 Annual Report on Form 10-K, we modified the presentation of segment expenses allocated from shared services during the third quarter of 2017. Shared services represent costs incurred to support all segments, including sales, pricing, customer service, marketing, capacity sourcing functions, human resources, financial services, information technology, legal, and other company-wide services. Certain overhead costs are not attributable to any segment and remain unallocated in “Other and eliminations.” Previously, expenses related to company-wide functions were allocated to segment expense line items by type of expense. Allocated expenses are now presented on a single shared services line within our operating segment disclosures. Reclassifications have been made to the prior period operating segment expenses to conform to the current year presentation. There was no impact on each segment’s total expenses as a result of the reclassifications. See additional descriptions of our segments and the reclassifications made to certain prior year operating segment data in Note J to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Effective January 1, 2018, the Company retrospectively adopted an amendment to Accounting Standards Codification (“ASC”) Topic 715, *Compensation – Retirement Benefits*, (“ASC Topic 715”), which requires changes to the financial statement presentation of certain components of net periodic benefit cost related to pension and other postretirement benefits accounted for under ASC Topic 715. As a result of adopting this amendment, the service cost component of net periodic benefit cost continues to be included in operating expenses in our consolidated financial statements, but the other components of net periodic benefit cost, including pension settlement expense, are presented in other income (costs) for the three and six months ended June 30, 2018 and 2017. There was no change to consolidated net income (loss) or earnings (loss) per share as a result of the change in presentation under the new standard. The adoption of this accounting policy is further discussed in Note A to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q and the detail of our net periodic benefit costs are presented in Note F to the consolidated financial statements included in Part I, Item I of this Quarterly Report on Form 10-Q.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) describes the principal factors affecting our results of operations, liquidity and capital resources, and critical accounting policies. This discussion should be read in conjunction with the accompanying quarterly unaudited consolidated financial statements and the related notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q and with our Annual Report on Form 10-K for the year ended December 31, 2017. Our 2017 Annual Report on Form 10-K includes additional information about significant accounting policies, practices, and the transactions that underlie our financial results, as well as a detailed discussion of the most significant risks and uncertainties to which our financial and operating results are subject.

Labor Contract Agreement

As of June 2018, approximately 82% of our Asset-Based segment's employees were covered under the ABF National Master Freight Agreement (the "ABF NMFA"), the collective bargaining agreement with the International Brotherhood of Teamsters (the "IBT") which was extended through July 31, 2018 to allow for the ratification process of the new agreement to take place. On May 10, 2018, a new collective bargaining agreement, the ABF National Master Freight Agreement (the "2018 ABF NMFA"), was ratified by a majority of ABF's IBT member employees who chose to vote. A majority of the supplements to the 2018 ABF NMFA also passed. Following ratification of the remaining supplements, the 2018 ABF NMFA was implemented on July 29, 2018, effective retroactive to April 1, 2018, and will remain in effect through June 30, 2023.

Results of Operations

Consolidated Results

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2018	2017	2018	2017
(in thousands, except per share data)				
REVENUES				
Asset-Based	\$ 559,239	\$ 514,537	\$ 1,041,354	\$ 978,893
ArcBest	199,987	175,929	381,920	328,805
FleetNet	46,792	36,501	94,551	76,739
Total Asset-Light	246,779	212,430	476,471	405,544
Other and eliminations	(12,668)	(6,599)	(24,474)	(12,981)
Total consolidated revenues	\$ 793,350	\$ 720,368	\$ 1,493,351	\$ 1,371,456
OPERATING INCOME⁽¹⁾				
Asset-Based ⁽²⁾	\$ 3,381	\$ 22,895	\$ 16,783	\$ 14,547
ArcBest	3,707	5,929	6,872	7,021
FleetNet	1,029	747	2,550	1,768
Total Asset-Light	4,736	6,676	9,422	8,789
Other and eliminations	(4,961)	(3,804)	(10,324)	(7,469)
Total consolidated operating income	\$ 3,156	\$ 25,767	\$ 15,881	\$ 15,867
NET INCOME	\$ 1,233	\$ 15,777	\$ 11,187	\$ 8,370
DILUTED EARNINGS PER SHARE	\$ 0.05	\$ 0.60	\$ 0.42	\$ 0.32

(1) As previously discussed in the General section of MD&A, we retrospectively adopted an amendment to ASC Topic 715, effective January 1, 2018, which requires the components of net periodic benefit cost other than service cost to be presented within other income (costs) in the consolidated financial statements. Therefore, these costs are no longer classified within operating income for all periods presented.

(2) As disclosed in this Consolidated Results section, ABF Freight recorded a one-time \$37.9 million pre-tax charge in June 2018 for the multiemployer pension plan withdrawal liability resulting from the transition agreement it entered into with the New England Pension Fund.

Our consolidated revenues, which totaled \$793.4 million and \$1,493.4 million for the three and six months ended June 30, 2018, respectively, increased 10.1% and 8.9% compared to the same prior-year periods. The increases in consolidated revenues for the three and six months ended June 30, 2018 reflect an 8.7% and 6.4% increase in our Asset-Based revenues, respectively, and a 16.2% and 17.5% increase in revenues of our Asset-Light operations, respectively, which represent the combined operations of our ArcBest and FleetNet segments. Our Asset-Based revenue growth reflects a 9.4% and 9.2% improvement in yield, as measured by billed revenue per hundredweight, including fuel surcharges, for the three- and six-month periods ended June 30, 2018, respectively, partially offset by a 0.9% and 2.2% decline in total tonnage per day for the three- and six-month periods ended June 30, 2018, respectively, versus the same periods of 2017.

The increases in billed revenue per hundredweight for the 2018 periods reflect pricing initiatives. Our Asset-Light revenue growth was primarily due to an increase in revenue per shipment for the ArcBest segment associated with higher market prices resulting from continued tightness in available truckload capacity. FleetNet revenues also increased for the three and six months ended June 30, 2018, primarily due to higher service event volume compared to the same periods of 2017. On a combined basis, the Asset-Light operating segments generated approximately 31% of our total revenues before other revenues and intercompany eliminations for both the three- and six-month periods ended June 30, 2018.

For the three and six months ended June 30, 2018, consolidated operating income totaled \$3.2 million and \$15.9 million, compared to \$25.8 million and \$15.9 million, respectively, for the same periods of 2017. Our operating results for the three and six months ended June 30, 2018 were impacted by a one-time charge of \$37.9 million (pre-tax), or \$28.2 million (after-tax) and \$1.05 per diluted share for the three-month period and \$1.06 per diluted share for the six-month period, recorded by ABF Freight in June 2018 for a multiemployer pension plan withdrawal liability resulting from the transition agreement it entered into with the New England Teamsters and Trucking Industry Pension Fund (the “New England Pension Fund”), as further discussed within the Asset-Based Segment Overview section of Results of Operations. Excluding the impact of this one-time charge, our consolidated operating results for the three and six months ended June 30, 2018, compared to the same prior-year periods, improved due to the higher revenues previously described and cost management. The year-over-year comparisons of consolidated operating results were also impacted by higher expenses for long-term incentive plans, primarily due to shareholder returns relative to peers, which increased \$5.7 million and \$4.7 million for the three and six months ended June 30, 2018, respectively, and defined contribution plans, which increased \$3.5 million and \$5.0 million, for the three and six months ended June 30, 2018, respectively, compared to the same prior-year periods. The increases in these fringe costs were partially offset by lower nonunion healthcare costs and lower restructuring charges. Nonunion healthcare costs decreased \$0.6 million and \$3.9 million for the three and six months ended June 30, 2018, compared to the same prior-year periods, primarily due to a decrease in the average cost per health claim. Restructuring charges related to the realignment of our organizational structure totaled \$0.3 million and \$0.7 million for the three and six months ended June 30, 2018, respectively, compared to \$0.4 million and \$2.0 million, respectively, for the same periods of 2017.

The loss reported in the “Other and eliminations” line of consolidated operating income which totaled \$5.0 million and \$10.3 million for the three and six months ended June 30, 2018, respectively, compared to \$3.8 million and \$7.5 million, respectively, for the same periods of 2017, includes \$0.2 million and \$0.6 million of the previously mentioned restructuring charges related to our enhanced market approach for the three and six months ended June 30, 2018, respectively, compared to restructuring charges of \$0.3 million and \$0.9 million for the same respective periods of 2017. The “Other and eliminations” line also includes expenses related to investments for improving the delivery of services to ArcBest’s customers, investments in comprehensive transportation and logistics services across multiple operating segments, and other investments in ArcBest technology and innovations. As a result of these ongoing investments and other corporate costs, we expect the loss reported in “Other and eliminations” for third quarter 2018 to approximate \$5.0 million and to be approximately \$20.0 million for full year 2018.

In addition to the above items, consolidated net income and earnings per share were impacted by nonunion defined benefit pension expense, including settlement, and income from changes in the cash surrender value of variable life insurance policies, both of which are reported below the operating income line in the consolidated statements of operations. A portion of our variable life insurance policies have investments, through separate accounts, in equity and fixed income securities and, therefore, are subject to market volatility. Changes in the cash surrender value of life insurance policies contributed \$0.03 and \$0.04 to diluted earnings per share for each of the three- and six-month periods ended June 30, 2018, and contributed \$0.02 and \$0.04 per diluted share for the three- and six-month periods ended June 30, 2017, respectively.

Consolidated after-tax pension expense, including settlement charges, recognized for the nonunion defined benefit pension plan totaled \$1.3 million, or \$0.05 per diluted share, and \$2.8 million, or \$0.11 per diluted share, for the three and six months ended June 30, 2018, respectively, compared to \$0.4 million, or \$0.01 per diluted share, and \$1.5 million, or \$0.06 per diluted share, for the three and six months ended June 30, 2017, respectively. These expenses include net periodic benefit costs (as detailed in Note F to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q), including pension settlement charges due to lump-sum benefit distributions and an annuity contract purchase made by the plan in first quarter 2017. In October 2017, our Board of Directors adopted a resolution authorizing the execution of an amendment to terminate the nonunion defined benefit pension plan, and such amendment was executed in November 2017 with a termination date of December 31, 2017. The plan has filed for a determination letter from the

Internal Revenue Service (the “IRS”) regarding qualification of the plan termination. Following receipt of a favorable determination letter, benefit election forms will be provided to plan participants, and they will have an election window in which they can choose any form of payment allowed by the plan for immediate commencement of payment or defer payment until a later date. Based on currently available information provided by the plan’s actuary, we estimate cash funding of approximately \$10.0 million and noncash pension settlement charges of approximately \$20.0 million in 2018 to terminate the plan, although there can be no assurances in this regard. The final pension settlement charges and the actual amount we will be required to contribute to the plan to fund benefit distributions in excess of plan assets cannot be determined at this time, as the actual amounts are dependent on various factors, including final benefit calculations, the benefit elections made by plan participants, interest rates, the value of plan assets, and the cost to purchase an annuity contract to settle the pension obligation related to benefits for which participants elect to defer payment until a later date. Although the timing of recognizing pension settlement charges related to plan termination and making contributions required to fund the plan upon termination are highly dependent on when and if we receive the favorable determination letter from the IRS, the settlements and contributions to the plan may occur in 2018.

We expect to continue to recognize pension settlement expense related to the nonunion defined benefit pension plan, the amount of which will fluctuate based on the amount of lump-sum benefit distributions paid to participants, actual returns on plan assets, and changes in the discount rate used to remeasure the projected benefit obligation of the plan upon settlement. Total nonunion pension expense, including settlement, is estimated to be approximately \$2.0 million, or \$1.5 million after-tax, for the third quarter of 2018; however, settlement charges could be higher if eligible plan participants elect to receive a lump sum distribution of their pension benefit ahead of the plan termination.

For the six months ended June 30, 2018, consolidated net income and earnings per share were impacted by a provisional tax benefit of \$2.7 million, or \$0.10 per diluted share, as a result of recognizing a reasonable estimate of the tax effects of the Tax Reform Act, which was signed into law on December 22, 2017 and reduced the U.S. federal corporate tax rate from 35% to 21% effective January 1, 2018. (The impact of the Tax Reform Act is discussed further in the Income Taxes section of MD&A and in Note D to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.) Consolidated net income and earnings per share for the six months ended June 30, 2018 were also impacted by a tax credit of \$1.2 million, or \$0.05 per diluted share, for the February 2018 retroactive reinstatement of the alternative fuel tax credit related to the year ended December 31, 2017. The tax benefits and credits, as well as other changes in the effective tax rates, which impacted consolidated net income and earnings per share for the three and six months ended June 30, 2018, are further described within the Income Taxes section of MD&A.

Consolidated Adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization (“Adjusted EBITDA”)

We report our financial results in accordance with generally accepted accounting principles (“GAAP”). However, management believes that certain non-GAAP performance measures and ratios, such as Adjusted EBITDA, utilized for internal analysis provide analysts, investors, and others the same information that we use internally for purposes of assessing our core operating performance and provides meaningful comparisons between current and prior period results, as well as important information regarding performance trends. Accordingly, using these measures improves comparability in analyzing our performance because it removes the impact of items from operating results that, in management's opinion, do not reflect our core operating performance. Management uses Adjusted EBITDA as a key measure of performance and for business planning. The measure is particularly meaningful for analysis of our operating performance, because it excludes amortization of acquired intangibles and software of our Asset-Light businesses, which are significant expenses resulting from strategic decisions rather than core daily operations. Additionally, Adjusted EBITDA is a primary component of the financial covenants contained in our Second Amended and Restated Credit Agreement (see Financing Arrangements within the Liquidity and Capital Resources section of MD&A). Other companies may calculate Adjusted EBITDA differently; therefore, our calculation of Adjusted EBITDA may not be comparable to similarly titled measures of other companies. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, our reported results. Adjusted EBITDA should not be construed as a better measurement than operating income, operating cash flow, net income, or earnings per share, as determined under GAAP.

Consolidated Adjusted EBITDA

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
	(in thousands)			
Net income	\$ 1,233	\$ 15,777	\$ 11,187	\$ 8,370
Interest and other related financing costs	2,013	1,389	4,072	2,704
Income tax provision (benefit) ⁽¹⁾	(499)	8,358	(1,462)	3,118
Depreciation and amortization	27,187	25,209	53,673	50,603
Amortization of share-based compensation	1,674	1,868	3,544	3,599
Amortization of net actuarial losses of benefit plans and pension settlement expense	1,119	1,695	2,647	4,732
Multiemployer pension fund withdrawal liability charge ⁽²⁾	37,922	—	37,922	—
Restructuring charges ⁽³⁾	340	363	716	1,994
Consolidated Adjusted EBITDA	\$ 70,989	\$ 54,659	\$ 112,299	\$ 75,120

(1) Includes a tax benefit of \$2.7 million for the six months ended June 30, 2018 as a result of recognizing a reasonable estimate of the tax effects of the Tax Cuts and Jobs Act. See the Income Taxes section of MD&A and Note D to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for discussion of the impact of the Tax Cuts and Jobs Act.

(2) One-time charge recorded in June 2018 for the multiemployer pension plan withdrawal liability resulting from the transition agreement ABF Freight entered into with the New England Teamsters and Trucking Industry Pension Fund. The transition agreement is further discussed within the Asset-Based Segment Overview section of Results of Operations and Note F to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

(3) Restructuring charges relate to the realignment of the Company's organizational structure.

Asset-Based Operations

Asset-Based Segment Overview

The Asset-Based segment consists of ABF Freight System, Inc., a wholly-owned subsidiary of ArcBest Corporation, and certain other subsidiaries ("ABF Freight"). Our Asset-Based operations are affected by general economic conditions, as well as a number of other competitive factors that are more fully described in Item 1 (Business) and in Item 1A (Risk Factors) of Part I of our 2017 Annual Report on Form 10-K.

The key indicators necessary to understand the operating results of our Asset-Based segment include:

- overall customer demand for Asset-Based transportation services, including the impact of economic factors;
- volume of transportation services provided, primarily measured by average daily shipment weight ("tonnage"), which influences operating leverage as the level of tonnage and number of shipments vary;
- prices obtained for services, primarily measured by yield ("revenue per hundredweight"), including fuel surcharges; and
- ability to manage cost structure, primarily in the area of salaries, wages, and benefits ("labor"), with the total cost structure measured by the percent of operating expenses to revenue levels ("operating ratio").

As previously disclosed within the General section of MD&A, we have reclassified certain prior period segment operating expenses in this Quarterly Report on Form 10-Q to conform to the current year presentation of segment expenses allocated from shared services and the presentation of components of net periodic benefit cost in other income (costs) in our consolidated financial statements. See Note J to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for description of the Asset-Based segment and additional segment information, including revenues and operating income for the three and six months ended June 30, 2018 and 2017, as well as explanation of the expense category reclassifications for shared services.

As previously disclosed in the General section of MD&A, as of June 2018, approximately 82% of the Asset-Based segment's employees were covered under a collective bargaining agreement, the ABF National Master Freight Agreement (the "ABF NMFA"), with the International Brotherhood of Teamsters (the "IBT"), which was extended through July 31, 2018 to allow for the ratification process of the new agreement to take place. On May 10, 2018, a new collective bargaining agreement, the ABF National Master Freight Agreement (the "2018 ABF NMFA"), was ratified by a majority of ABF's IBT member employees who chose to vote. A majority of the supplements to the 2018 ABF NMFA also passed. Following ratification of the remaining supplements, the 2018 ABF NMFA was implemented on July 29, 2018 and became effective retroactive to April 1, 2018 and will remain in effect through June 30, 2023.

Under the 2018 ABF NMFA, the contractual wage and benefits costs, including the ratification bonuses and vacation restoration, are estimated to increase approximately 2.0% on a compounded annual basis through the end of the agreement. The major economic provisions of the 2018 ABF NMFA include:

- restoration of one week of vacation which begins accruing on anniversary dates on or after April 1, 2018, with the new vacation eligibility schedule being the same as the applicable 2008 to 2013 supplemental agreements;
- wage increases in each year of the contract, beginning July 1, 2018;
- ratification bonuses for qualifying employees;
- contributions to multiemployer pension plans at current rates for each fund;
- continuation of existing health coverage and annual multiemployer health and welfare contribution rate increases in accordance with the contract;
- changes to purchased transportation provisions with certain protections for road drivers as specified in the contract; and
- profit-sharing bonuses upon the Asset-Based segment's achievement of annual operating ratios of 96.0% or below for a full calendar year under the contract period.

On July 9, 2018, ABF Freight reached a tentative agreement with the Teamster bargaining representatives for the Northern and Southern New England Supplemental Agreements on terms for new supplemental agreements for 2018-2023 (the "New England Supplemental Agreements"). The New England Supplemental Agreements were ratified by the local unions in the region covered by the supplements on July 25, 2018. In accordance with the New England Supplemental Agreements, ABF Freight's multiemployer pension plan obligation with the New England Pension Fund was restructured under a transition agreement effective on August 1, 2018. The transition agreement resulted in ABF Freight's withdrawal as a participating employer in the New England Pension Fund and triggered settlement of the related withdrawal liability. ABF Freight simultaneously re-entered the New England Pension Fund as a new participating employer free from any pre-existing withdrawal liability and at a lower future contribution rate.

ABF Freight recognized a one-time charge of \$37.9 million (pre-tax) to record the withdrawal liability in June 2018 when the transition agreement was determined to be probable. The withdrawal liability will be settled through the initial lump sum cash payment of \$15.1 million, which is expected to be made in third quarter 2018, plus monthly payments to the New England Pension Fund over a period of 23 years with an aggregate present value of \$22.8 million. In accordance with current tax law, these payments are deductible for income taxes when paid. This transition agreement allows ABF Freight to satisfy its withdrawal liability obligations to the existing employer pool of the New England Pension Fund to which it had historically been a participant; minimize the potential for future increases in withdrawal liability and contribution rates; and reduce operating costs and improve cash flow in future periods. ABF Freight will transition to the new employer pool of the New England Pension Fund at a lower pension contribution rate, which will be frozen for a period of 10 years, compared to its pension contribution rate under the existing employer pool. The transition agreement with the New England Pension Fund has no impact or bearing on any of the other multiemployer pension plans to which ABF Freight contributes.

Tonnage

The level of tonnage managed by the Asset-Based segment is directly affected by industrial production and manufacturing, distribution, residential and commercial construction, consumer spending, primarily in the North American economy, and capacity in the trucking industry. Operating results are affected by economic cycles, customers' business cycles, and changes in customers' business practices. The Asset-Based segment actively competes for freight business based primarily on price, service, and availability of flexible shipping options to customers. The Asset-Based segment seeks to offer value

through identifying specific customer needs, then providing operational flexibility and seamless access to its services and those of our Asset-Light operations in order to respond with customized solutions.

Pricing

The industry pricing environment, another key factor to our Asset-Based results, influences the ability to obtain appropriate margins and price increases on customer accounts. Generally, freight is rated by a class system, which is established by the National Motor Freight Traffic Association, Inc. Light, bulky freight typically has a higher class and is priced at a higher revenue per hundredweight than dense, heavy freight. Changes in the rated class and packaging of the freight, along with changes in other freight profile factors such as average shipment size, average length of haul, freight density, and customer and geographic mix, can affect the average billed revenue per hundredweight measure.

Approximately 30% of Asset-Based business is subject to base LTL tariffs, which are affected by general rate increases, combined with individually negotiated discounts. Rates on the other 70% of Asset-Based business, including business priced in the spot market, are subject to individual pricing arrangements that are negotiated at various times throughout the year. The majority of the business that is subject to individual pricing arrangements is associated with larger customer accounts with annually negotiated pricing arrangements, and the remaining business is priced on an individual shipment basis considering each shipment's unique profile, value provided to the customer, and current market conditions. Since pricing is established individually by account, the Asset-Based segment focuses on individual account profitability rather than a single measure of billed revenue per hundredweight when considering customer account or market evaluations. This is due to the difficulty of quantifying, with sufficient accuracy, the impact of changes in freight profile characteristics, which is necessary in estimating true price changes.

Effective August 1, 2017, we began applying space-based pricing on shipments subject to LTL tariffs to better reflect freight shipping trends that have evolved over the last several years. These trends include the overall growth and ongoing profile shift of bulkier shipments across the entire supply chain, the acceleration in e-commerce, and the unique requirements of many shipping and logistics solutions. An increasing percentage of freight is taking up more space in trailers without a corresponding increase in weight.

Space-based pricing involves the use of freight dimensions (length, width, and height) to determine applicable cubic minimum charges ("CMC") that supplement weight-based metrics when appropriate. Traditional LTL pricing is generally weight-based, while our linehaul costs are generally space-based (i.e., costs are impacted by the volume of space required for each shipment). Management believes space-based pricing better aligns our pricing mechanisms with the metrics which affect our resources and, therefore, our costs to provide logistics services. We seek to provide logistics solutions to our customers' business and the unique shipment characteristics of their various products and commodities, and we believe that we are particularly experienced in handling complicated freight. The CMC is an additional pricing mechanism to better capture the value we provide in transporting these shipments. Management believes the implementation of space-based pricing has been well-accepted by customers with shipments to which CMC charges have been applied; however, overall customer acceptance of the CMC is difficult to ascertain. Management cannot predict, with reasonable certainty, the effect of changes in business levels and the impact on the total revenue per hundredweight measure due to the implementation of the CMC mechanism.

Fuel

The transportation industry is dependent upon the availability of adequate fuel supplies. The Asset-Based segment assesses a fuel surcharge based on the index of national on-highway average diesel fuel prices published weekly by the U.S. Department of Energy. To better align fuel surcharges to fuel- and energy-related expenses and provide more stability to account profitability as fuel prices change, we may, from time to time, revise our standard fuel surcharge program which impacts approximately 35% of Asset-Based shipments and primarily affects noncontractual customers. While fuel surcharge revenue generally more than offsets the increase in direct diesel fuel costs when applied, the total impact of energy prices on other nonfuel-related expenses is difficult to ascertain. Management cannot predict, with reasonable certainty, future fuel price fluctuations, the impact of energy prices on other cost elements, recoverability of fuel costs through fuel surcharges, and the effect of fuel surcharges on the overall rate structure or the total price that the segment will receive from its customers. While the fuel surcharge is one of several components in the overall rate structure, the actual rate paid by customers is governed by market forces and the overall value of services provided to the customer.

During periods of changing diesel fuel prices, the fuel surcharge and associated direct diesel fuel costs also vary by different degrees. Depending upon the rates of these changes and the impact on costs in other fuel- and energy-related areas, operating margins could be impacted. Fuel prices have fluctuated significantly in recent years. Whether fuel prices fluctuate or remain constant, operating results may be adversely affected if competitive pressures limit our ability to recover fuel surcharges. Throughout the second quarter of 2018, the fuel surcharge mechanism generally continued to have market acceptance among customers; however, certain nonstandard pricing arrangements have limited the amount of fuel surcharge recovered. The negative impact on operating margins of capped fuel surcharge revenue during periods of increasing fuel costs is more evident when fuel prices remain above the maximum levels recovered through the fuel surcharge mechanism on certain accounts. In periods of declining fuel prices, fuel surcharge percentages also decrease, which negatively impacts the total billed revenue per hundredweight measure and, consequently, revenues, and the revenue decline may be disproportionate to our fuel costs.

The year-over-year Asset-Based revenue comparison for the three and six months ended June 30, 2018 was impacted by higher fuel surcharge revenue due to an increase in the nominal fuel surcharge rate, while total fuel costs were also higher. The segment's operating results will continue to be impacted by further changes in fuel prices and the related fuel surcharges.

Labor Costs

Our Asset-Based labor costs, including retirement and healthcare benefits for contractual employees that are provided by a number of multiemployer plans, are impacted by contractual obligations under the 2018 ABF NMFA and other related supplemental agreements. Salaries, wages, and benefits expense of the Asset-Based segment amounted to 51.3% and 53.5% of revenues for the three and six months ended June 30, 2018, respectively, compared to 55.8% and 57.9% for the same periods of 2017, respectively. Changes in salaries, wages, and benefits expense as a percentage of revenue are discussed in the following Asset-Based Segment Results section.

ABF Freight operates in a highly competitive industry which consists predominantly of nonunion motor carriers. Nonunion competitors have a lower fringe benefit cost structure and less stringent labor work rules, and certain carriers also have lower wage rates for their freight-handling and driving personnel. Wage and benefit concessions granted to certain union competitors also allow for a lower cost structure. ABF Freight has continued to address with the IBT the effect of the segment's wage and benefit cost structure on its operating results.

The combined effect of cost reductions under the previous ABF NMFA, lowered cost increases throughout the previous contract period, and increased flexibility in labor work rules were important factors in bringing ABF Freight's labor cost structure closer in line with that of its competitors; however, ABF Freight continues to pay some of the highest benefit contribution rates in the industry. These rates include contributions to multiemployer plans, a portion of which are used to fund benefits for individuals who were never employed by ABF Freight. Information provided by a large multiemployer pension plan to which ABF Freight contributes indicates that approximately 50% of the plan's benefit payments are made to retirees of companies that are no longer contributing employers to that plan. In consideration of the impact of high multiemployer pension contribution rates, certain funds did not increase ABF Freight's pension contribution rate for the annual contribution period which began August 1, 2017. Rate freezes for the annual contribution period which began August 1, 2017 impacted multiemployer pension plans to which ABF Freight made approximately 70% of its total multiemployer pension contributions for the year ended December 31, 2017. Including the effect of these rate freezes, the average health, welfare, and pension benefit contribution rate increased approximately 2.8% and 2.0% effective primarily on August 1, 2016 and 2017, respectively. Effective July 1, 2017, the ABF NMFA contractual wage rate increased 2.5%.

As previously outlined, the 2018 ABF NMFA provides for ABF Freight's contributions to multiemployer pension plans to remain at the rates that were paid under the prior ABF NMFA, while wage rates and health and welfare contribution rates for most plans will increase annually in accordance with the terms of the 2018 ABF NMFA. Under the 2018 ABF NMFA, the contractual wage rate increased approximately 1.2% effective July 1, 2018, and the average health, welfare, and pension contribution rate is estimated to increase approximately 2.2% effective August 1, 2018.

Asset-Based Segment Results

The following table sets forth a summary of operating expenses and operating income as a percentage of revenue for the Asset-Based segment:

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Asset-Based Operating Expenses (Operating Ratio)				
Salaries, wages, and benefits	51.3 %	55.8 %	53.5 %	57.9 %
Fuel, supplies, and expenses	11.6	11.4	12.2	11.9
Operating taxes and licenses	2.1	2.4	2.3	2.5
Insurance	1.4	1.5	1.4	1.5
Communications and utilities	0.7	0.8	0.8	0.9
Depreciation and amortization	3.8	4.0	4.1	4.2
Rents and purchased transportation	11.3	10.3	10.5	10.2
Shared services	10.2	9.1	9.8	9.2
Multiemployer pension fund withdrawal liability charge ⁽¹⁾	6.8	—	3.6	—
(Gain) loss on sale of property and equipment	—	—	—	(0.1)
Other	0.2	0.3	0.2	0.3
	99.4 %	95.6 %	98.4 %	98.5 %
Asset-Based Operating Income	0.6 %	4.4 %	1.6 %	1.5 %

⁽¹⁾ As previously disclosed in the Asset-Based Segment Overview of Results of Operations, ABF Freight recorded a one-time \$37.9 million pre-tax charge in June 2018 for the multiemployer pension plan withdrawal liability resulting from the transition agreement it entered into with the New England Pension Fund.

The following table provides a comparison of key operating statistics for the Asset-Based segment:

	Three Months Ended June 30			Six Months Ended June 30		
	2018	2017	% Change	2018	2017	% Change
Workdays	64.0	63.5		127.5	127.5	
Billed revenue ⁽¹⁾ per hundredweight, including fuel surcharges	\$ 33.73	\$ 30.84	9.4 %	\$ 32.96	\$ 30.17	9.2 %
Pounds	1,679,165,530	1,680,550,364	(0.1)%	3,198,278,511	3,270,900,607	(2.2)%
Pounds per day	26,236,961	26,465,360	(0.9)%	25,084,537	25,654,122	(2.2)%
Shipments per day	20,272	21,583	(6.1)%	19,456	21,078	(7.7)%
Shipments per DSY ⁽²⁾ hour	0.446	0.444	0.5 %	0.442	0.446	(0.9)%
Pounds per DSY ⁽²⁾ hour	577.27	544.39	6.0 %	570.45	543.14	5.0 %
Pounds per shipment	1,294	1,226	5.5 %	1,289	1,217	5.9 %
Pounds per mile ⁽³⁾	19.91	19.96	(0.3)%	19.99	19.90	0.5 %

⁽¹⁾ Revenue for undelivered freight is deferred for financial statement purposes in accordance with the revenue recognition policy. Billed revenue used for calculating revenue per hundredweight measurements has not been adjusted for the portion of revenue deferred for financial statement purposes.

⁽²⁾ Dock, street, and yard (“DSY”) measures are further discussed in Asset-Based Operating Expenses within this section of Asset-Based Segment Results. The Asset-Based segment uses shipments per DSY hour to measure labor efficiency in its local operations, although total pounds per DSY hour is also a relevant measure when the average shipment size is changing.

⁽³⁾ Total pounds per mile is used to measure labor efficiency of linehaul operations, although this metric is influenced by other factors including freight density, loading efficiency, average length of haul, and the degree to which purchased transportation (including rail service) is used.

Asset-Based Revenues

Asset-Based segment revenues for the three and six months ended June 30, 2018 totaled \$559.2 million and \$1,041.4 million, respectively, compared to \$514.5 million and \$978.9 million, respectively, for the same periods of 2017. Billed revenue (as described in footnote (1) to the key operating statistics table above) increased 8.4% and 6.8% on a per-day basis for the three and six months ended June 30, 2018, respectively, compared to the same prior-year periods. The increases in billed revenue reflect a 9.4% and 9.2% increase in total billed revenue per hundredweight, including fuel surcharges, for the three and six months ended June 30, 2018, respectively, partially offset by a 0.9% and 2.2% decrease in tonnage per day, respectively, compared to the same periods of 2017. The number of workdays was higher by one-half of a day in the second quarter 2018 versus the prior year quarter.

The increase in total billed revenue per hundredweight reflects yield improvement initiatives, including a general rate increase, contract renewals, and CMC pricing which was introduced in the third quarter of 2017, and higher fuel surcharge revenues associated with increased fuel prices during the three- and six-month periods ended June 30, 2018, compared to the same periods of 2017. The Asset-Based segment implemented nominal general rate increases on its LTL base rate tariffs of 5.9% and 4.9% effective April 16, 2018 and May 22, 2017, respectively, although the rate changes vary by lane and shipment characteristics. Prices on accounts subject to deferred pricing agreements and annually negotiated contracts which were renewed during the period increased approximately 4.5% and 4.6% for the three and six months ended June 30, 2018, respectively, compared to the same periods of 2017. For second quarter 2018, the Asset-Based segment's average nominal fuel surcharge rate increased approximately 360 basis points from the second quarter 2017 level and increased approximately 310 basis points year-to-date for 2018 compared to the same period of 2017. Excluding changes in fuel surcharges, average pricing on the Asset-Based segment's LTL business for the three and six months ended June 30, 2018 had high-single-digit percentage increases when compared to the same prior-year periods. There can be no assurances that the current pricing trend will continue. The competitive environment could limit the Asset-Based segment from securing adequate increases in base LTL freight rates and could limit the amount of fuel surcharge revenue recovered.

The declines in tonnage per day for the three and six months ended June 30, 2018, of 0.9% and 2.2%, respectively, compared to the same periods of 2017, primarily reflect the effect of yield improvement initiatives, including the space-based pricing program, that led to lower total shipment counts but an increase in average weight per shipment. Total shipments per day decreased 6.1% and 7.7% for the three and six months ended June 30, 2018, respectively, compared to the same periods of 2017, while average weight per shipment increased 5.5% and 5.9%. Constrained capacity in the truckload market during the current-year periods added to growth in our Asset-Based volume-quoted truckload-rated shipments, which generally weigh more per shipment, further contributing to the increase in average weight per shipment for the three and six months ended June 30, 2018.

Asset-Based Revenues — July 2018

Asset-Based billed revenues for the month of July 2018 increased approximately 12% above July 2017 on a per-day basis, reflecting an increase in total billed revenue per hundredweight of approximately 11% and an increase in average daily total tonnage of approximately 1%. The higher revenue per hundredweight measure benefited from the effect of yield improvement initiatives and higher fuel surcharges. Tonnage levels for July 2018, compared to the same prior-year period, reflect reductions in LTL tonnage related to our ongoing yield management initiatives and changes in account mix, partially offset by year-over-year growth in our Asset-Based truckload-rated business reflecting an increase in our U-Pack household goods moving business. Total shipments per day decreased approximately 5% in July 2018, compared to July 2017. Total weight per shipment increased approximately 7% in July 2018 and total revenue per shipment increased approximately 18% in July 2018, versus the same prior-year period.

Asset-Based Operating Income

The Asset-Based segment generated operating income of \$3.4 million and \$16.8 million, for the three and six months ended June 30, 2018, respectively, including the \$37.9 million one-time charge recognized in second quarter 2018 for the multiemployer pension fund withdrawal liability previously discussed in the Asset-Based Segment Overview, compared to \$22.9 million and \$14.5 million, respectively, for the same periods of 2017. The Asset-Based segment operating ratio increased by 3.8 percentage points for the three months ended June 30, 2018 and decreased by 0.1 percentage points for the six months ended June 30, 2018, from the same prior-year periods. The one-time multiemployer pension charge negatively impacted the operating ratios by 6.8 and 3.6 percentage points for the three and six months ended June 30, 2018, respectively. Excluding the one-time charge, Asset-Based operating results improved 3.0 percentage points in second

quarter 2018 and 3.7 percentage points for the first half of 2018, versus the comparable 2017 periods, reflecting yield initiatives and efficiencies in managing operating resources to business levels and freight profile characteristics. The segment's operating ratio was also impacted by changes in operating expenses as discussed in the following paragraphs.

Asset-Based Operating Expenses

Labor costs, which are reported in operating expenses as salaries, wages, and benefits, amounted to 51.3% and 53.5% of Asset-Based segment revenues for the three- and six-month periods ended June 30, 2018, respectively, compared to 55.8% and 57.9%, respectively, for the same periods of 2017. As previously discussed in the Asset-Based Segment Overview, contractual wage and benefit rates increased versus the prior-year periods. However, salaries, wages, and benefits costs decreased \$9.8 million for the six months ended June 30, 2018 compared to the same prior-year period, primarily due to adjustments made to better align our cost structure to business levels as shipment levels were 7.7% lower on a per day basis year-to-date for 2018. The decreases in labor costs were also impacted by lower nonunion healthcare costs for the three and six months ended June 30, 2018, compared to the same periods of 2017, primarily due to a decrease in the average cost per claim and, for the six-month period, a decrease in the number of health claims filed. The decreases in salaries, wages, and benefits costs for the three and six months ended June 30, 2018, compared to the same periods of 2017, were partially offset by higher expenses for incentive plans, a portion of which are driven by shareholder returns relative to peers, and higher accruals for defined contribution plans. As previously discussed, the 2018 ABF NMFA is retroactive to April 1, 2018. The additional week of vacation under the new labor agreement will be accrued as it is earned for anniversary dates that begin on or after April 1, 2018. The one-time, lump sum ratification bonus will be paid within thirty days of the July 25, 2018 ratification of the remaining supplements to the collective bargaining agreement and amortized over the duration of the contract beginning April 1, 2018. Expenses in second quarter and the first half of 2018 versus the comparable 2017 periods include additional costs associated with the 2018 ABF NMFA, including \$0.6 million related to restoration of one week of vacation and \$0.4 million related to the ratification bonus.

Although the Asset-Based segment manages costs with shipment levels, portions of salaries, wages, and benefits are fixed in nature and the adjustments which would otherwise be necessary to align the labor cost structure throughout the system to corresponding tonnage levels are limited as the segment strives to maintain customer service. Management believes that this service emphasis provides for the opportunity to generate improved yields and business levels. Shipments per DSY hour improved 0.5% for the three months ended June 30, 2018, compared to the same prior-year period, partially impacted by increased usage of purchased transportation agents. Shipments per DSY declined 0.9% for the six months ended June 30, 2018, compared to the same prior-year period, reflecting the challenges of efficiently managing local delivery efforts while servicing lower shipment levels. The increases in pounds per shipment for the three and six months ended June 30, 2018, which reflect the yield initiatives and growth in truckload-rated shipments previously discussed, led to the improvement in pounds per DSY hour, compared to the same periods of 2017.

Fuel, supplies, and expenses as a percentage of revenue increased 0.2 and 0.3 percentage points for the three and six months ended June 30, 2018, respectively, compared to the same prior-year periods, primarily due to an increase in the Asset-Based segment's average fuel price per gallon (excluding taxes) of approximately 37% and 30% in the 2018 periods, compared to the same periods in 2017. The increase in fuel, supplies, and expenses was partially offset by fewer miles driven during the 2018 periods versus the same periods of 2017.

Rents and purchased transportation as a percentage of revenue increased 1.0 and 0.3 percentage points for the three and six months ended June 30, 2018, respectively, compared to the same periods of 2017, primarily due to both higher utilization and higher costs of purchased linehaul and local transportation agents to maintain customer service. Rail miles increased approximately 27% and 18% for the three- and six-month periods ended June 30, 2018, respectively, compared to the same prior-year periods. The Asset-Based segment remains focused on improving utilization of owned assets, as well as aligning purchased transportation costs with lower shipment levels which were experienced during the first half of 2018.

Shared services as a percentage of revenue increased 1.1 and 0.6 percentage points for the three and six months ended June 30, 2018, respectively, compared to the same prior-year periods, due to increases in employee benefit costs, including higher expenses for long-term incentive plans primarily due to shareholder returns relative to peers; higher advertising costs; and investments to improve the customer experience.

Asset-Light Operations

Asset-Light Overview

The ArcBest and FleetNet reportable segments, combined, represent our Asset-Light operations. Our Asset-Light operations are a key component of our strategy to offer customers a single source of end-to-end logistics solutions, designed to satisfy the complex supply chain and unique shipping requirements customers encounter. We have unified our sales, pricing, customer service, marketing, and capacity sourcing functions to better serve our customers through delivery of integrated logistics solutions.

Our Asset-Light operations are affected by general economic conditions, as well as a number of other competitive factors that are more fully described in Item 1 (Business) and in Item 1A (Risk Factors) of Part I of our 2017 Annual Report on Form 10-K. The key indicators necessary to understand our Asset-Light operating results include:

- customer demand for logistics and premium transportation services combined with economic factors which influence the number of shipments or service events used to measure changes in business levels;
- prices obtained for services, primarily measured by revenue per shipment or event;
- availability of market capacity and cost of purchased transportation to fulfill customer shipments;
- net revenue for the ArcBest segment, which is defined as revenues less purchased transportation costs; and
- management of operating costs.

As previously disclosed within the General section of MD&A, we have reclassified certain prior period segment operating expenses in this Quarterly Report on Form 10-Q to conform to the current year presentation of segment expenses allocated from shared services and the presentation of components of net periodic benefit cost in other income (costs) in our consolidated financial statements. See Note J to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for descriptions of the ArcBest and FleetNet segments and additional segment information, including revenues and operating income for the three and six months ended June 30, 2018 and 2017, as well as explanation of the expense category reclassifications for shared services.

Asset-Light Results

For the three and six months ended June 30, 2018, the combined revenues of our Asset-Light operations totaled \$246.8 million and \$476.5 million, respectively, compared to \$212.4 million and \$405.5 million, respectively, for the same periods of 2017. The combined revenues of our Asset-Light operating segments generated approximately 31% of our total revenues before other revenues and intercompany eliminations for the three and six months ended June 30, 2018 compared to 29% for the three and six months ended June 30, 2017.

ArcBest Segment

The following table sets forth a summary of operating expenses and operating income as a percentage of revenue for the ArcBest segment:

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2018	2017	2018	2017
ArcBest Segment Operating Expenses (Operating Ratio)				
Purchased transportation	81.5 %	79.3 %	81.5 %	79.5 %
Supplies and expenses	1.7	2.1	1.8	2.3
Depreciation and amortization	1.8	1.8	1.8	2.0
Shared services	11.7	11.7	11.9	12.2
Other	1.3	1.7	1.2	1.6
Restructuring costs	0.1	—	—	0.3
	<u>98.1 %</u>	<u>96.6 %</u>	<u>98.2 %</u>	<u>97.9 %</u>
ArcBest Segment Operating Income	<u>1.9 %</u>	<u>3.4 %</u>	<u>1.8 %</u>	<u>2.1 %</u>

Under our enhanced marketing approach to offer customers a single source of end-to-end logistics, the service offerings of the ArcBest segment continue to become more integrated. Management's operating decisions have become more focused on the ArcBest segment's combined operations, rather than individual service offerings within the segment's operations. As such, the comparison of key operating statistics for the ArcBest segment presented in the following table was revised beginning in first quarter 2018 to reflect the segment's combined operations, including the expedite, truckload, and truckload-dedicated operations for which statistics were previously separately reported, as well as other service offerings of the segment.

	Year Over Year % Change	
	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Revenue / Shipment	16.2%	19.7%
Shipments / Day	(6.0%)	(5.8%)

The ArcBest segment revenues totaled \$200.0 million and \$381.9 million for the three and six months ended June 30, 2018, respectively, compared to \$175.9 million and \$328.8 million, respectively, for the same periods of 2017. The 13.7% and 16.2% increase in revenues for the three and six months ended June 30, 2018, respectively, compared to the same prior-year periods, primarily reflects increases in revenue per shipment associated with higher market prices resulting from continued tightness in available truckload capacity, partially offset by lower shipments per day. ArcBest segment net revenue, which is a non-GAAP measure of revenues less costs of purchased transportation (see Reconciliations of Asset-Light Non-GAAP Measures within this Asset-Light Results section), increased 1.6% and 4.8%, for the three and six months ended June 30, 2018, respectively, compared to the same periods of 2017. However, tight market capacity compressed the segment's net revenue margin, which was 18.5% for the three and six months ended June 30, 2018, versus 20.7% and 20.5% for the same prior-year periods, respectively, with the year-over-year declines reflecting the increased cost of purchased transportation outpacing improvements in customer rates. Purchased transportation costs as a percentage of revenue increased 2.2 and 2.0 percentage points for the three and six months ended June 30, 2018, respectively, compared to the same periods of 2017, as capacity in the spot market tightened versus the prior year. The year-over-year net revenue comparison for the ArcBest segment was also impacted by \$0.8 million and \$1.2 million of net revenue included in the three- and six-month periods ended June 30, 2017, respectively, from our military moving business which was sold in December 2017.

Operating income decreased \$2.2 million and \$0.1 million for the three and six months ended June 30, 2018, respectively, compared to the same periods of 2017, primarily reflecting the impact of net revenue margin compression. The sale of the military moving business and the associated net revenue reduction also contributed to the operating income decline versus the prior-year periods. Expenses (excluding purchased transportation costs) increased in both 2018 periods reflecting investments in technology and personnel associated with managed transportation solutions and maintaining customer service and higher purchase accounting expense related to an earn-out agreement for the transaction completed in third quarter 2016 to enhance the segment's dedicated truckload service offerings. For the six months ended June 30, 2018, the decrease in operating income was partially offset by a \$0.7 million decrease in restructuring charges related to our corporate realignment under our enhanced marketing approach, versus the same period of 2017. (See Note J and Note K to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for discussion of our corporate restructuring.)

FleetNet Segment

FleetNet's revenues totaled \$46.8 million and \$94.6 million for the three and six months ended June 30, 2018, respectively, compared to \$36.5 million and \$76.7 million, respectively, for the same periods of 2017. The 28.2% and 23.2% increase in revenues for the three and six months ended June 30, 2018, respectively, compared to the same periods of 2017, was due primarily to increased service event volume.

FleetNet's operating income improved to \$1.0 million and \$2.6 million for the three and six months ended June 30, 2018, respectively, from \$0.7 million and \$1.8 million, respectively, in the same prior-year periods. The year-over-year operating income improvements reflect the revenue growth combined with improved labor efficiencies.

Asset-Light Revenues – July 2018

Revenues of our Asset-Light operations, on a combined basis (ArcBest Asset-Light and FleetNet combined), increased approximately 9% on a per-day basis in July 2018 above the same prior-year period, primarily due to increases in ArcBest segment revenue per shipment. However, we continue to experience increased compression on net revenue in our ArcBest segment associated with rising purchased transportation costs and the challenges of adequately passing these costs on to our customers.

Reconciliations of Asset-Light Non-GAAP Measures

We report our financial results in accordance with generally accepted accounting principles (“GAAP”). However, management believes that certain non-GAAP performance measures and ratios utilized for internal analysis provide analysts, investors, and others the same information that we use internally for purposes of assessing our core operating performance and provides meaningful comparisons between current and prior period results, as well as important information regarding performance trends. The use of certain non-GAAP measures improves comparability in analyzing our performance because it removes the impact of items from operating results that, in management’s opinion, do not reflect our core operating performance. Other companies may calculate non-GAAP measures differently; therefore, our calculation of Adjusted EBITDA, Net Revenue, and Net Revenue Margin may not be comparable to similarly titled measures of other companies. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, our reported results. These financial measures should not be construed as better measurements than operating income, operating cash flow, net income, or earnings per share, as determined under GAAP.

Net Revenue and Net Revenue Margin

Management uses net revenue, defined as revenues less purchased transportation costs, as a key performance measure of our ArcBest segment which primarily sources transportation services from third-party providers. Non-GAAP net revenue margin for the ArcBest segment is calculated as net revenue divided by revenues.

	Three Months Ended			Six Months Ended		
	June 30			June 30		
	2018	2017	% Change	2018	2017	% Change
Revenue	\$ 199,987	\$ 175,929	13.7%	\$ 381,920	\$ 328,805	16.2%
Purchased transportation	162,920	139,432	16.8%	311,292	261,419	19.1%
Non-GAAP Net Revenue	\$ 37,067	\$ 36,497	1.6%	\$ 70,628	\$ 67,386	4.8%
Non-GAAP Net Revenue Margin	18.5%	20.7%		18.5%	20.5%	

Adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization (“Adjusted EBITDA”)

Management uses Adjusted EBITDA as a key measure of performance and for business planning. The measure is particularly meaningful for analysis of our Asset-Light businesses, because it excludes amortization of acquired intangibles and software, which are significant expenses resulting from strategic decisions rather than core daily operations. Management also believes Adjusted EBITDA to be relevant and useful information, as EBITDA is a standard measure commonly reported and widely used by analysts, investors, and others to measure financial performance of asset-light businesses and the ability to service debt obligations.

Asset-Light Adjusted EBITDA

	2018				2017			
	Operating Income ⁽¹⁾⁽²⁾	Depreciation and Amortization ⁽³⁾	Restructuring Charges ⁽⁴⁾	Adjusted EBITDA	Operating Income ⁽¹⁾⁽²⁾	Depreciation and Amortization ⁽³⁾	Restructuring Charges ⁽⁴⁾	Adjusted EBITDA
ArcBest	\$ 3,707	\$ 3,597	\$ 143	\$ 7,447	\$ 5,929	\$ 3,230	\$ 65	\$ 9,224
FleetNet	1,029	264	—	1,293	747	272	—	1,019
Asset-Light Adjusted EBITDA	\$ 4,736	\$ 3,861	\$ 143	\$ 8,740	\$ 6,676	\$ 3,502	\$ 65	\$ 10,243

	2018				2017			
	Operating Income ⁽¹⁾⁽²⁾	Depreciation and Amortization ⁽³⁾	Restructuring Charges ⁽⁴⁾	Adjusted EBITDA	Operating Income ⁽¹⁾⁽²⁾	Depreciation and Amortization ⁽³⁾	Restructuring Charges ⁽⁴⁾	Adjusted EBITDA
ArcBest	\$ 6,872	\$ 7,005	\$ 152	\$ 14,029	\$ 7,021	\$ 6,496	\$ 875	\$ 14,392
FleetNet	2,550	543	—	3,093	1,768	552	—	2,320
Asset-Light Adjusted EBITDA	\$ 9,422	\$ 7,548	\$ 152	\$ 17,122	\$ 8,789	\$ 7,048	\$ 875	\$ 16,712

(1) The calculation of Adjusted EBITDA as presented in this table begins with operating income, as other income (costs), income taxes, and net income are reported at the consolidated level and not included in the operating segment financial information evaluated by management to make operating decisions. Consolidated Adjusted EBITDA is reconciled to consolidated net income in the Consolidated Results section of Results of Operations.

(2) Certain reclassifications have been made to the prior year's operating segment data to conform to the current year presentation, reflecting the presentation of segment expenses allocated from shared services and the presentation of components of net periodic benefit cost in other income (costs).

(3) For the ArcBest segment, depreciation and amortization includes amortization of acquired intangibles of \$1.2 million and \$2.3 million for three and six months ended June 30, 2018, respectively, compared to \$1.1 million and 2.3 million for the same respective prior-year periods, and amortization of acquired software of \$0.6 million and \$1.1 million for the three and six months ended June 30, 2018, respectively, compared to \$0.8 million and \$1.7 million for the same respective prior-year periods.

(4) Restructuring costs relate to the realignment of our corporate structure.

Seasonality

Our operations are impacted by seasonal fluctuations which affect tonnage, shipment levels, and demand for our services and, consequently, revenues and operating results. Freight shipments and operating costs of our Asset-Based and ArcBest segments can be adversely affected by inclement weather conditions. The second and third calendar quarters of each year usually have the highest tonnage levels, while the first quarter generally has the lowest, although other factors, including the state of the U.S. and global economies, may influence quarterly freight tonnage levels.

Shipments of the ArcBest segment may decline during winter months because of post-holiday slowdowns, but expedite shipments can be subject to short-term increases depending on the impact of weather disruptions to customers' supply chains. Plant shutdowns during summer months may affect shipments for automotive and manufacturing customers of the ArcBest segment, but severe weather events can result in higher demand for expedite services. Moving services of the ArcBest segment are impacted by seasonal fluctuations, generally resulting in higher business levels in the second and third quarters as the demand for moving services is typically stronger in the summer months.

Emergency roadside service events of the FleetNet segment are favorably impacted by extreme weather conditions that affect commercial vehicle operations, and the segment's results of operations will be influenced by seasonal variations in service event volume.

Effects of Inflation

Generally, inflationary increases in labor and fuel costs as they relate to our Asset-Based operations have historically been mostly offset through price increases and fuel surcharges. In periods of increasing fuel prices, the effect of higher associated fuel surcharges on the overall price to the customer influences our ability to obtain increases in base freight rates. In addition, certain nonstandard arrangements with some of our customers have limited the amount of fuel surcharge recovered. The timing and extent of base price increases on our Asset-Based revenues may not correspond with contractual increases in wage rates and other inflationary increases in cost elements and, as a result, could adversely impact our operating results.

In addition, partly as a result of inflationary pressures, our revenue equipment (tractors and trailers) have been and will very likely continue to be replaced at higher per unit costs, which could result in higher depreciation charges on a per-unit basis; however, in recent periods, improved mileage and lower maintenance costs on newer equipment have partially offset increases in depreciation expense. We consider these costs in setting our pricing policies, although the overall freight rate structure is governed by market forces based on value provided to the customer. The Asset-Based segment's ability to fully offset inflationary and contractual cost increases can be challenging during periods of recessionary and uncertain economic conditions.

Generally, inflationary increases in labor and operating costs regarding our Asset-Light operations have historically been offset through price increases. The pricing environment, however, generally becomes more competitive during economic downturns, which may, as it has in the past, affect the ability to obtain price increases from customers.

In addition to general effects of inflation, the motor carrier freight transportation industry faces rising costs related to compliance with government regulations on safety, equipment design and maintenance, driver utilization, emissions, and fuel economy.

Environmental and Legal Matters

We are subject to federal, state, and local environmental laws and regulations relating to, among other things: emissions control, transportation or handling of hazardous materials, underground and aboveground storage tanks, stormwater pollution prevention, contingency planning for spills of petroleum products, and disposal of waste oil. We may transport or arrange for the transportation of hazardous materials and explosives, and we operate in industrial areas where truck service centers and other industrial activities are located and where groundwater or other forms of environmental contamination could occur. See Note L to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further discussion of the environmental matters to which we are subject and the reserves we currently have recorded in our consolidated financial statements for amounts related to such matters.

We are involved in various legal actions, the majority of which arise in the ordinary course of business. We maintain liability insurance against certain risks arising out of the normal course of our business, subject to certain self-insured retention limits. We routinely establish and review the adequacy of reserves for estimated legal, environmental, and self-insurance exposures. While management believes that amounts accrued in the consolidated financial statements are adequate, estimates of these liabilities may change as circumstances develop. Considering amounts recorded, routine legal matters are not expected to have a material adverse effect on our financial condition, results of operations, or cash flows.

Information Technology and Cybersecurity

We depend on the proper functioning and availability of our information systems, including communications, data processing, financial, and operating systems and proprietary software programs, that are integral to the efficient operation of our business. Cybersecurity attacks and other cyber incidents that impact the availability, reliability, speed, accuracy, or other proper functioning of these systems or that result in confidential data being compromised could have a significant impact on our operations. We utilize certain software applications provided by third parties, or provide underlying data which is utilized by third parties who provide certain outsourced administrative functions, either of which may increase the risk of a cybersecurity incident. Although we strive to carefully select our third-party vendors, we do not control their actions and any problems caused by these third parties, including cyber attacks and security breaches at a vendor, could adversely affect our ability to provide service to our customers and otherwise conduct our business. Our information systems are protected through physical and software safeguards as well as backup systems considered appropriate by management. However, it is not practicable to protect against the possibility of power loss, telecommunications failures, cybersecurity attacks, and other cyber events in every potential circumstance that may arise. To mitigate the potential for such occurrences at our corporate headquarters, we have implemented various systems, including redundant telecommunication facilities; replication of critical data to an offsite location; a fire suppression system to protect our on-site data center; and electrical power protection and generation facilities. We also have a catastrophic disaster recovery plan and alternate processing capability available for our critical data processes in the event of a catastrophe that renders our corporate headquarters unusable.

Our business interruption and cyber insurance would offset losses up to certain coverage limits in the event of a catastrophe or certain cyber incidents; however, losses arising from a catastrophe or significant cyber incident would likely exceed our insurance coverage and could have a material adverse impact on our results of operations and financial condition. Furthermore, a significant cyber incident, including denial of service, system failure, security breach, intentional or inadvertent acts by employees, disruption by malware, or other damage, could interrupt or delay our operations, damage our reputation, cause a loss of customers, cause errors or delays in financial reporting, expose us to a risk of loss or litigation, and/or cause us to incur significant time and expense to remedy such event. We have experienced incidents involving attempted denial of service attacks, malware attacks, and other events intended to disrupt information systems, wrongfully obtain valuable information, or cause other types of malicious events that could have resulted in harm to our business. To date, the systems employed have been effective in identifying these types of events at a point when the impact on our business could be minimized. We must continuously monitor and develop our information technology networks and infrastructure to prevent, detect, address, and mitigate the risk of unauthorized access, misuse, computer viruses, and other events that could have a security impact. We have made and continue to make significant financial investments in technologies and processes to mitigate these risks. We also provide employee awareness training around phishing, malware, and other cyber risks. Management is not aware of any cybersecurity incident that has had a material effect on our operations, although there can be no assurances that a cyber incident that could have a material impact to our operations could not occur.

Liquidity and Capital Resources

Our primary sources of liquidity are cash, cash equivalents, and short-term investments, cash generated by operations, and borrowing capacity under our revolving credit facility or accounts receivable securitization program.

Cash Flow and Short-Term Investments

Components of cash and cash equivalents and short-term investments were as follows:

	June 30 2018	December 31 2017
	(in thousands)	
Cash and cash equivalents ⁽¹⁾	\$ 159,307	\$ 120,772
Short-term investments, primarily FDIC-insured certificates of deposit	68,013	56,401
Total ⁽²⁾	\$ 227,320	\$ 177,173

(1) Cash equivalents consist of money market funds and variable rate demand notes.

(2) Cash, variable rate demand notes, and certificates of deposit are recorded at cost plus accrued interest, which approximates fair value. Money market funds are recorded at fair value based on quoted prices. At June 30, 2018 and December 31, 2017 cash and cash equivalents totaling \$92.6 million and \$61.1 million, respectively, were not FDIC insured.

Cash, cash equivalents, and short-term investments increased \$50.1 million from December 31, 2017 to June 30, 2018. During the six-month period ended June 30, 2018, cash provided by operations of \$119.6 million was used to repay \$33.7 million of notes payable; fund \$22.7 million of capital expenditures (and an additional \$14.4 million of certain Asset-Based revenue equipment was financed with notes payable), net of proceeds from asset sales; and pay dividends of \$4.1 million on common stock. Cash provided by operating activities during the six months ended June 30, 2018 increased \$68.2 million compared to the same prior-year period, primarily due to improved operating results and changes in working capital.

Cash, cash equivalents, and short-term investments, including amounts restricted, decreased \$14.4 million from December 31, 2016 to June 30, 2017. During the six-month period ended June 30, 2017, cash provided by operations of \$51.3 million, \$10.0 million of borrowings under the accounts receivable securitization program, and cash on hand was used to repay \$34.9 million of notes payable; fund \$24.4 million of capital expenditures (and an additional \$38.6 million of certain Asset-Based revenue equipment were financed with notes payable), net of proceeds from asset sales; pay dividends of \$4.1 million on common stock; and purchase \$3.6 million of treasury stock. Cash provided by operating activities during the six months ended June 30, 2017 was \$2.4 million below the same prior-year period, primarily due to changes in taxes and working capital, partially offset by improved operating results.

Financing Arrangements

Our financing arrangements are discussed further in Note E to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Credit Facility

We have a revolving credit facility (the "Credit Facility") under our second amended and restated credit agreement. Our Credit Facility has an initial maximum credit amount of \$200.0 million, including a swing line facility in an aggregate amount of up to \$20.0 million and a letter of credit sub-facility providing for the issuance of letters of credit up to an aggregate amount of \$20.0 million. We may request additional revolving commitments or incremental term loans thereunder up to an aggregate additional amount of \$100.0 million, subject to certain additional conditions as provided in the Credit Agreement. Principal payments under the Credit Facility are due upon maturity of the facility on July 7, 2022; however, borrowings may be repaid at our discretion in whole or in part at any time, without penalty, subject to required notice periods and compliance with minimum prepayment amounts. The Credit Agreement includes certain conditions, including limitations on incurrence of debt. As of June 30, 2018, we had available borrowing capacity of \$130.0 million under our Credit Facility.

Interest Rate Swaps

We have a five-year interest rate swap agreement with a \$50.0 million notional amount maturing on January 2, 2020. Under the interest rate swap agreement, we receive floating-rate interest amounts based on one-month LIBOR in exchange for fixed-rate interest payments of 1.85% over the life of the agreement. The interest rate swap mitigates interest rate risk by effectively converting \$50.0 million of borrowings under our Credit Facility from variable-rate interest to fixed-rate interest with a per annum rate of 3.35% based on the margin of the Credit Facility as of June 30, 2018. The fair value of the interest rate swap asset of \$0.5 million and \$0.1 million was recorded in other long-term assets in the consolidated balance sheet at June 30, 2018 and December 31, 2017, respectively.

In June 2017, we entered into a second forward-starting interest rate swap agreement with a \$50.0 million notional amount which will start on January 2, 2020 upon maturity of the current interest rate swap agreement, and mature on June 30, 2022. Under the swap agreement we will receive floating-rate interest amounts based on one-month LIBOR in exchange for fixed-rate interest payments of 1.99% over the life of the agreement. The interest rate swap mitigates interest rate risk by effectively converting \$50.0 million of borrowings under the Credit Facility from variable-rate interest to fixed-rate interest with a per annum rate of 3.49% based on the margin of the Credit Facility as of June 30, 2018. The fair value of the interest rate swap asset of \$1.0 million and \$0.4 million was recorded in other long-term assets in the consolidated balance sheet at June 30, 2018 and December 31, 2017, respectively.

Accounts Receivable Securitization Program

Our accounts receivable securitization program, which matures on April 1, 2020, allows for cash proceeds of \$125.0 million to be provided under the facility and has an accordion feature allowing us to request additional borrowings up to \$25.0 million, subject to certain conditions. Under this program, certain of our subsidiaries continuously sell a designated pool of trade accounts receivables to a wholly owned subsidiary which, in turn, may borrow funds on a revolving basis. As of June 30, 2018, we have \$45.0 million borrowed under the program. It is possible that a financial ratio calculated under our accounts receivable securitization program could trigger an amortization event in the near term; however, we have the ability to amend the triggering events to avoid a breach of the financial covenant.

The accounts receivable securitization program includes a provision under which we may request, and the letter of credit issuer may issue, standby letters of credit, primarily in support of workers' compensation and third-party casualty claims liabilities in various states in which we are self-insured. The outstanding standby letters of credit reduce the availability of borrowings under the program. As of June 30, 2018, we had available borrowing capacity of \$62.3 million under the accounts receivable securitization program.

In August 2018, we amended and extended our accounts receivable securitization program to modify certain covenants and conditions and extend the maturity date of the program to October 1, 2021.

Letter of Credit Agreements and Surety Bond Programs

As of June 30, 2018, we had letters of credit outstanding of \$18.3 million (including \$17.7 million issued under the accounts receivable securitization program). We have programs in place with multiple surety companies for the issuance of surety bonds in support of our self-insurance program. As of June 30, 2018, surety bonds outstanding related to our self-insurance program totaled \$53.1 million.

Notes Payable and Capital Leases

We have financed the purchase of certain revenue equipment, other equipment, and software through promissory note arrangements, including \$14.3 million and \$14.4 million for revenue equipment and software during the three and six months ended June 30, 2018, respectively.

We financed the purchase of an additional \$19.9 million of revenue equipment through promissory note arrangements as of August 1, 2018. We intend to utilize promissory note arrangements and will consider utilizing capital lease agreements to finance future purchases of certain revenue equipment, provided such financing is available and the terms are acceptable to us.

Contractual Obligations

We have purchase obligations, consisting of authorizations to purchase and binding agreements with vendors, relating to revenue equipment used in our Asset-Based operations, other equipment, software, certain service contracts, and other items for which amounts were not accrued in the consolidated balance sheet as of June 30, 2018. These purchase obligations totaled \$96.3 million as of June 30, 2018, with \$92.9 million estimated to be paid within the next year, \$3.2 million estimated to be paid in the following two-year period, and \$0.2 million to be paid within five years, provided that vendors complete their commitments to us. Purchase obligations for revenue equipment, and other equipment are included in our 2018 capital expenditure plan. We also have contractual obligations for operating leases, primarily related to our Asset-Based service centers, which totaled \$78.4 million, net of noncancelable subleases, as of June 30, 2018, with \$18.6 million estimated to be paid within the next year, \$30.6 million estimated to be paid in the following two-year period, \$14.1 million to be paid within five years, and \$15.1 million to be paid thereafter.

Our contractual obligations related to our notes payable, which provide financing for revenue equipment and software purchases, totaled \$141.7 million, including interest, as of June 30, 2018, a decrease of \$19.5 million from December 31, 2017. The scheduled maturities of our long-term debt obligations as of June 30, 2018 are disclosed in Note E to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q. There have been no other material changes in the contractual obligations disclosed in our 2017 Annual Report on Form 10-K during the six months ended June 30, 2018.

For 2018, our total net capital expenditures, including amounts financed, are estimated to range from \$155.0 million to \$165.0 million, net of asset sales. These 2018 estimated net capital expenditures include revenue equipment purchases of \$100.0 million, primarily for our Asset-Based operations. The remainder of 2018 expected capital expenditures includes costs of other facility and handling equipment for our Asset-Based operations and technology investments across the enterprise. We have the flexibility to adjust certain planned 2018 capital expenditures as business levels dictate. Depreciation and amortization expense is estimated to be in a range of \$100.0 million to \$105.0 million in 2018.

Based upon currently available actuarial information, and except for the impact of funding for plan termination, we do not expect to have cash outlays for required minimum contributions to our nonunion defined benefit pension plan in 2018 (see Note F to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q).

As previously disclosed within the Consolidated Results section of Results of Operations, an amendment was executed in November 2017 to terminate the nonunion defined benefit pension plan with an effective date of December 31, 2017. We may be required to fund the plan prior to the final distribution of benefits to plan participants, the amount of which will be determined by the plan's actuary. Based on currently available information provided by the plan's actuary, we estimate cash funding of approximately \$10.0 million and noncash pension settlement charges of approximately \$20.0 million in 2018, although there can be no assurances in this regard. The final pension settlement charges and the actual amount we will be required to contribute to the plan to fund benefit distributions in excess of plan assets cannot be determined at this time, as the actual amounts are dependent on various factors, including final benefit calculations, the benefit elections made by plan participants, interest rates, the value of plan assets, and the cost to purchase an annuity contract to settle the pension obligation related to benefits for which participants elect to defer payment until a later date. Although the timing of recognizing pension settlement charges related to plan termination and making contributions required to fund the plan upon termination are highly dependent on when and if we receive the favorable determination letter from the IRS, the settlements and contributions to the plan may occur in 2018.

ABF Freight System, Inc. and certain other subsidiaries reported in our Asset-Based operating segment contribute to multiemployer health, welfare, and pension plans based generally on the time worked by their contractual employees, as specified in the collective bargaining agreement and other supporting supplemental agreements (see Note F to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q).

As previously discussed within the Asset-Based Segment Overview section of Results of Operations, on July 9, 2018, ABF Freight System reached a tentative agreement with the Teamster bargaining representatives for the New England Supplemental Agreements on terms for new supplemental agreements for 2018-2023. The New England Supplemental Agreements were ratified by the local unions in the region covered by the supplements on July 25, 2018. In accordance with the New England Supplemental Agreements, ABF Freight's multiemployer pension plan obligation with the New England Pension Fund was restructured under a transition agreement effective on August 1, 2018. The transition agreement resulted in ABF Freight's withdrawal as a participating employer in the New England Pension Fund and triggered settlement of the related withdrawal liability. ABF Freight simultaneously re-entered the New England Pension Fund as a new participating employer free from any pre-existing withdrawal liability and at a lower future contribution rate.

The withdrawal liability will be settled through an initial lump sum cash payment of \$15.1 million, which is expected to be made in third quarter 2018, plus monthly payments to the New England Pension Fund over a period of 23 years with an aggregate present value of \$22.8 million. In accordance with current tax law, these payments are deductible for income taxes when paid.

Other Liquidity Information

Cash, cash equivalents, and short-term investment totaled \$227.3 million at June 30, 2018. General economic conditions, along with competitive market factors and the related impact on our business, primarily the tonnage and pricing levels that the Asset-Based segment receives for its services, could affect our ability to generate cash from operations and maintain cash, cash equivalents, and short-term investments on hand as operating costs increase. Our Credit Facility and accounts receivable securitization program provide available sources of liquidity with flexible borrowing and payment options. We believe these agreements will continue to provide borrowing capacity options necessary for growth of our businesses. We believe existing cash, cash equivalents, short-term investments, cash generated by operations, and amounts available under our Credit Agreement or accounts receivable securitization program will be sufficient to meet our liquidity needs, including financing potential acquisitions and the repayment of amounts due under our financing arrangements, for the foreseeable future. Notes payable, capital leases, and other secured financing may also be used to fund capital expenditures, provided that such arrangements are available and the terms are acceptable to us.

On July 27, 2018, the Company's Board of Directors declared a dividend of \$0.08 per share to stockholders of record as of August 10, 2018. We expect to continue to pay quarterly dividends on our common stock in the foreseeable future, although there can be no assurances in this regard since future dividends will be at the discretion of the Board of Directors and are dependent upon our future earnings, capital requirements, and financial condition; contractual restrictions applying to the payment of dividends under our Credit Agreement; and other factors.

We have a program in place to repurchase our common stock in the open market or in privately negotiated transactions. The program has no expiration date but may be terminated at any time at the Board of Directors' discretion. Repurchases may be made using cash reserves or other available sources. During the six months ended June 30, 2018, we purchased 5,882 shares of our common stock leaving \$31.5 million available for repurchase under the current buyback program.

As previously disclosed in the General section of MD&A, as of June 2018, approximately 82% of the Asset-Based segment's employees were covered under the ABF NMFA, the collective bargaining agreement with the IBT which was extended through July 31, 2018 to allow for the ratification process of the new agreement to take place. On May 10, 2018, a new collective bargaining agreement, the 2018 ABF NMFA, was ratified by a majority of ABF's IBT member employees who chose to vote. A majority of the supplements to the 2018 ABF NMFA also passed. Following ratification of the remaining supplements, the 2018 ABF NMFA was implemented on July 29, 2018, effective retroactive to April 1, 2018, and will remain in effect through June 30, 2023.

Financial Instruments

We have not historically entered into financial instruments for trading purposes, nor have we historically engaged in a program for fuel price hedging. No such instruments were outstanding as of June 30, 2018. We have interest rate swap agreements in place which are discussed in the Financing Arrangements section of Liquidity and Capital Resources.

Balance Sheet Changes

Accounts Receivable

Accounts receivable increased \$30.0 million from December 31, 2017 to June 30, 2018, reflecting higher business levels in June 2018 compared to December 2017.

Accounts Payable

Accounts payable increased \$46.9 million from December 31, 2017 to June 30, 2018, primarily due to increased business levels in June 2018 compared to December 2017. In June 2018, we also accrued \$15.1 million for the initial amount of the New England Pension Fund withdrawal liability, which is expected to be paid in third quarter 2018.

Other Liabilities

Other liabilities increased \$22.8 million from December 31, 2017 to June 30, 2018, due to recognition of the long-term portion of the New England Pension Fund withdrawal liability of \$22.8 million.

Off-Balance Sheet Arrangements

At June 30, 2018, our off-balance sheet arrangements of \$174.7 million included purchase obligations, as previously discussed in the Contractual Obligations section of Liquidity and Capital Resources, and future minimum rental commitments, net of noncancelable subleases, under operating lease agreements primarily for our Asset-Based service centers.

We have no investments, loans, or any other known contractual arrangements with unconsolidated special-purpose entities, variable interest entities, or financial partnerships and have no outstanding loans with executive officers or directors.

Income Taxes

Our effective tax benefit rate was 68.0% and 15.0% for the three months and six months ended June 30, 2018, respectively. Our effective tax rate was 34.6% and 27.1% for the three months and six months ended June 30, 2017, respectively. As a result of the Tax Reform Act and our use of a fiscal year rather than a calendar year for U.S. income tax filing, taxes are required to be calculated by applying a blended rate to the taxable income for the tax year ended February 28, 2018. In computing total tax expense for the three and six months ended June 30, 2018, a 32.74% blended rate was applied to the two months ended February 28, 2018, and a projected combined tax rate of 26.5% (based on the federal statutory rate of 21% plus applicable state tax rates) was applied to the months of March 2018 through June 2018. The average state tax rate, net of the associated federal deduction, is approximately 5%. However, various factors may cause the full-year 2018 tax rate to vary significantly from the statutory rate.

At December 31, 2017, we remeasured deferred tax assets and liabilities based on the rate at which they are expected to reverse in the future. Existing deferred tax assets and liabilities at December 31, 2017 that were reasonably estimated to reverse in the tax year ending February 28, 2018 were remeasured at a rate of 32.74%. Existing deferred tax assets and liabilities at December 31, 2017 that were reasonably estimated to reverse after the tax year ending February 28, 2018 were remeasured at a rate of 21.0%. In the first six months of 2018, a provisional reduction of net deferred income tax liabilities was recognized related to the reversal of temporary differences through our tax year end of February 28, 2018. As a result, we recognized a provisional deferred tax benefit in continuing operations of less than \$0.1 million and \$2.6 million in the three and six months ended June 30, 2018, respectively, which impacted the effective tax benefit rate as noted in the following table. The three-month period ended March 31, 2018 was also impacted by the February 2018 passage of the Bipartisan Budget Act of 2018 which retroactively reinstated the alternative fuel tax credit that had previously expired on December 31, 2016. The credit was reinstated through December 31, 2017 and the \$1.2 million credit related to 2017 recognized in the first quarter of 2018 resulted in a 12.4% tax benefit for the six months ended June 30, 2018. For the three and six months ended June 30, 2017, the difference in the effective rate and the statutory federal rate, then in effect, primarily resulted from state income taxes, nondeductible expenses, changes in tax valuation allowances, the tax benefit from the vesting of stock awards, and changes in the cash surrender value of life insurance.

Reconciliation between the effective income tax rate, as computed on income (loss) before income taxes, and the statutory federal income tax rate is presented in the following table:

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
	(in thousands)			
Income tax provision (benefit) at the statutory federal rate ⁽¹⁾	\$ 154	21.0 %	\$ 8,448	35.0 %
Federal income tax effects of:				
Impact of the Tax Reform Act on deferred tax	(50)	(6.8)%	—	— %
Impact of the Tax Reform Act on current tax	(9)	(1.2)%	—	— %
Alternative fuel credit	—	— %	—	— %
Nondeductible expenses and other	565	77.1 %	592	2.4 %
Increase (decrease) in valuation allowances	(377)	(51.4)%	(135)	(0.6)%
Tax benefit from vested RSUs	(282)	(38.5)%	(1,170)	(4.8)%
Life insurance proceeds and changes in cash surrender value	(172)	(23.5)%	(143)	(0.6)%
Future state tax rate changes	(130)	(17.7)%	—	— %
Federal employment and R&D tax credits	(43)	(5.9)%	(58)	(0.2)%
Federal income tax benefit	\$ (498)	(67.9)%	\$ (914)	(3.8)%
State income tax provision (benefit)	(155)	(21.1)%	824	3.4 %
Total benefit for income taxes	\$ (499)	(68.0)%	\$ 8,358	34.6 %

⁽¹⁾ For the three and six months ended June 30, 2018, the effect of the change in the U.S. corporate tax rate to 21% in accordance with the Tax Reform Act is reflected in separate components of the reconciliation. For the three and six months ended June 30, 2017, amounts in this reconciliation reflect the 35% statutory U.S. income tax rate in effect prior to the enactment of the Tax Reform Act.

At June 30, 2018, we had \$34.9 million of net deferred tax liabilities after valuation allowances. We evaluated the need for a valuation allowance for deferred tax assets at June 30, 2018 by considering the future reversal of existing taxable temporary differences, future taxable income, and available tax planning strategies. Valuation allowances for deferred tax assets totaled \$0.7 million and \$0.8 million at June 30, 2018 and December 31, 2017, respectively. As of June 30, 2018, deferred tax liabilities which will reverse in future years exceeded deferred tax assets.

Financial reporting income differs significantly from taxable income because of such items as revenue recognition, accelerated depreciation for tax purposes, pension accounting rules, and a significant number of liabilities such as vacation pay, workers' compensation, and other liabilities, which, for tax purposes, are generally deductible only when paid. For the six months ended June 30, 2018, taxable income determined under income tax law exceeded financial reporting pre-tax income. For the six months ended June 30, 2017, the financial reporting income exceeded the income determined under income tax law.

During the six months ended June 30, 2018, we made state and foreign tax payments of \$2.5 million, and received refunds of \$1.1 million of federal and state income taxes that were paid in prior years. Management does not expect the cash outlays for income taxes will materially exceed reported income tax expense for the foreseeable future.

Critical Accounting Policies

The accounting policies that are "critical," or the most important, to understand our financial condition and results of operations and that require management to make the most difficult judgments are described in our 2017 Annual Report on Form 10-K. The following policies have been updated during the six months ended June 30, 2018 for the adoption of accounting standard updates disclosed within this section of MD&A.

Goodwill

Effective January 1, 2018, we early adopted an amendment to ASC Topic 350, *Intangibles – Goodwill and Other, Simplifying the Test of Goodwill Impairment*, which removes Step 2 of the goodwill impairment test, and we updated our critical accounting policy related to goodwill accordingly. The adoption of the amendment did not have an impact on our consolidated financial statements for the six months ended June 30, 2018.

Goodwill is recorded as the excess of an acquired entity's purchase price over the value of the amounts assigned to identifiable assets acquired and liabilities assumed. Goodwill is not amortized, but rather is evaluated for impairment annually or more frequently if indicators of impairment exist. Our measurement of goodwill impairment involves a comparison of the estimated fair value of a reporting unit to its carrying value. Fair value is derived using a combination of valuation methods, including earnings before interest, taxes, depreciation, and amortization (EBITDA) and revenue multiples (market approach) and the present value of discounted cash flows (income approach). For annual and interim impairment tests, we are required to record an impairment charge, if any, by the amount a reporting unit's fair value is exceeded by the carrying value of the reporting unit, limited to the carrying value of goodwill included in the reporting unit. Our annual impairment testing is performed as of October 1.

Revenue Recognition

On January 1, 2018, we adopted ASC Topic 606, *Revenue from Contracts with Customers*, ("ASC Topic 606") which provides a single comprehensive revenue recognition model for all contracts with customers and contains principles to apply to determine the measurement of revenue and the timing of when it is recognized. We adopted ASC Topic 606 using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under ASC Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Company's historic method of accounting under ASC Topic 605, *Revenue Recognition*.

Revenues are recognized when or as control of the promised services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services. Our performance obligations are primarily satisfied upon final delivery of the freight to the specified destination. Revenue is recognized based on the relative transit time in each reporting period with expenses recognized as incurred using a bill-by-bill or standard delivery times to establish estimates of revenue in transit for recognition in the appropriate period. This methodology utilizes the approximate location of the shipment in the delivery process to determine the revenue to recognize, and management believes it to be a reliable method.

Certain contracts may provide for volume-based or other discounts which are accounted for as variable consideration. We estimate these amounts based on the expected discounts earned by customers and revenue is recognized based on the estimates. Revenue adjustments may also occur due to rating or other billing adjustments. We estimate revenue adjustments based on historical information and revenue is recognized accordingly at the time of shipment. We believe that actual amounts will not vary significantly from estimates of variable consideration.

Revenue, purchased transportation expense, and third-party service expenses are reported on a gross basis for certain shipments and services where we utilize a third-party carrier for pickup, linehaul, delivery of freight, or performance of services but remains primarily responsible for fulfilling delivery to the customer and maintains discretion in setting the price for the services. Purchased transportation expense is recognized as incurred.

For our FleetNet segment, service fee revenue is recognized upon response to the service event and repair revenue is recognized upon completion of the service by third-party vendors. Revenue and expense from repair and maintenance services performed by third-party vendors are reported on a gross basis as FleetNet controls the services prior to transfer to the customer and remains primarily responsible to the customer for completion of the services.

We record deferred revenue when cash payments are received or due in advance of performance under the contract. Deferred revenues totaled \$3.6 million and \$0.6 million at June 30, 2018 and December 31, 2017, respectively, and are recorded in accrued expenses in the consolidated balance sheet.

Payment terms with customers may vary depending on the service provided, location or specific agreement with the customer. The time between invoicing and when payment is due is not significant. For certain services, we require payment before the services are delivered to the customer.

We expense sales commissions when incurred because the amortization period is one year or less.

Accounting Pronouncements Not Yet Adopted

New accounting rules and disclosure requirements can significantly impact our reported results and the comparability of financial statements. Accounting pronouncements which have been issued but are not yet effective for our financial statements are disclosed in Note A to our consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

ASC Topic 842, *Leases*, (“ASC Topic 842”) which is effective for us beginning January 1, 2019, requires lessees to recognize right-of-use assets and lease liabilities for operating leases with terms greater than 12 months. The standard also requires additional qualitative and quantitative disclosures designed to assess the amount, timing, and uncertainty of cash flows arising from leases. In July 2018, the Financial Accounting Standards Board issued an amendment to ASC Topic 842 which provides an optional transition method that will give companies the option to use the effective date as the date of initial application upon transition. We plan to elect this transition method and, as a result, we will not adjust our comparative period financial information or make the new required lease disclosures for periods before the effective date. We have established an implementation team which is in the process of implementing the new accounting standard, including accumulating necessary information, assessing the current lease portfolio, and implementing software to meet the new reporting requirements. We are also evaluating current processes and controls and identifying necessary changes to support the adoption of the new standard. We anticipate we will exclude short-term leases from accounting under ASC Topic 842 and plan to elect the package of practical expedients upon transition that will retain lease classification and other accounting conclusions made in the assessment of existing lease contracts. Management expects the new standard to have a material impact on our consolidated balance sheets related to the addition of the right-of-use asset and associated lease liabilities; however, the impact on our consolidated statements of operations is expected to be minimal, if any. As the impact of this standard is non-cash in nature, no impact is expected on our consolidated statements of cash flows.

Management believes that there is no other new accounting guidance issued but not yet effective that will impact our critical accounting policies.

Forward-Looking Statements

Certain statements and information in this report may constitute “forward-looking statements.” Terms such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “forecast,” “foresee,” “intend,” “may,” “plan,” “predict,” “project,” “scheduled,” “should,” “would,” and similar expressions and the negatives of such terms are intended to identify forward-looking statements. These statements are based on management’s beliefs, assumptions, and expectations based on currently available information, are not guarantees of future performance, and involve certain risks and uncertainties (some of which are beyond our control). Although we believe that the expectations reflected in these forward-looking statements are reasonable as and when made, we cannot provide assurance that our expectations will prove to be correct. Actual outcomes and results could materially differ from what is expressed, implied, or forecasted in these statements due to a number of factors, including, but not limited to: a failure of our information systems, including disruptions or failures of services essential to our operations or upon which our information technology platforms rely, data breach, and/or cybersecurity incidents; relationships with employees, including unions, and our ability to attract and retain employees; unfavorable terms of, or the inability to reach agreement on, future collective bargaining agreements or a workforce stoppage by our employees covered under ABF Freight’s collective bargaining agreement; the loss or reduction of business from large customers; the cost, timing, and performance of growth initiatives; competitive initiatives and pricing pressures; general economic conditions and related shifts in market demand that impact the performance and needs of industries we serve and/or limit our customers’ access to adequate financial resources; greater than expected funding requirements for our nonunion defined benefit pension plan; availability and cost of reliable third-party services; our ability to secure independent owner operators and/or operational or regulatory issues related to our use of their services; governmental regulations; environmental laws and regulations, including emissions-control regulations; the cost, integration, and performance of any recent or future acquisitions; not achieving some or all of the expected financial and operating benefits of our corporate restructuring or incurring additional costs or operational inefficiencies as a result of the restructuring; union and nonunion employee wages and benefits, including changes in required contributions to multiemployer plans; litigation or claims asserted against us; the loss of key employees or the inability to execute succession planning strategies; default on covenants of financing arrangements and the availability and terms of future financing arrangements; timing and amount of capital expenditures; self-insurance claims and insurance premium costs; availability of fuel, the effect of volatility in fuel prices and the associated changes in fuel surcharges on securing increases in base freight rates, and the inability to collect fuel surcharges; increased prices for and decreased availability of new revenue equipment, decreases in value of used revenue equipment, and higher costs of equipment-related operating expenses such as maintenance and fuel and related taxes; potential impairment of goodwill and intangible assets; maintaining our intellectual property rights, brand, and corporate reputation; seasonal fluctuations and adverse weather conditions; regulatory, economic, and other risks arising from our international business; antiterrorism and safety measures; and other financial, operational, and legal risks and uncertainties detailed from time to time in ArcBest’s public filings with the Securities and Exchange Commission (“SEC”).

For additional information regarding known material factors that could cause our actual results to differ from our projected results, refer to “Risk Factors” in Part I, Item 1A in our 2017 Annual Report on Form 10-K.

Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date made and, other than as required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

**FINANCIAL INFORMATION
ARCBEST CORPORATION**

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of June 30, 2018, there have been no significant changes in the Company's market risks reported as of December 31, 2017 in the Company's 2017 Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, an evaluation was performed with the participation of the Company's management, including the Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the Principal Executive Officer and Principal Financial Officer, concluded that the Company's disclosure controls and procedures were effective as of June 30, 2018.

There were no changes in the Company's internal controls over financial reporting that occurred during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II.

OTHER INFORMATION ARCBEST CORPORATION

ITEM 1. LEGAL PROCEEDINGS

For information related to the Company's legal proceedings, see Note L, Legal Proceedings, Environmental Matters, and Other Events under Part I, Item 1 of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

The Company's risk factors are fully described in the Company's 2017 Annual Report on Form 10-K. No material changes to the Company's risk factors have occurred since the Company filed its 2017 Annual Report on Form 10-K.

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

(a) Recent sales of unregistered securities.

None.

(b) Use of proceeds from registered securities.

None.

(c) Purchases of equity securities by the issuer and affiliated purchasers.

The Company has a program to repurchase its common stock in the open market or in privately negotiated transactions. The program has no expiration date but may be terminated at any time at the Board of Directors' discretion. Repurchases may be made either from the Company's cash reserves or from other available sources. As of June 30, 2018 and December 31, 2017, the Company had \$31.5 million and \$31.7 million, respectively, remaining under the program for repurchases of its common stock. The Company did not make share repurchases during the three months ended June 30, 2018.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following exhibits are filed or furnished with this report or are incorporated by reference to previously filed material:

**Exhibit
No.**

- 3.1 Restated Certificate of Incorporation of the Company (previously filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1 under the Securities Act of 1933 filed with the Securities and Exchange Commission (the "SEC") on March 17, 1992, File No. 33-46483, and incorporated herein by reference).
- 3.2 Certificate of Amendment to the Restated Certificate of Incorporation of the Company (previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on April 24, 2009, File No. 000-19969, and incorporated herein by reference).
- 3.3 Fifth Amended and Restated Bylaws of the Company dated as of October 31, 2016 (previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on November 4, 2016, File No. 000-19969, and incorporated herein by reference).
- 3.4 Certificate of Ownership and Merger, effective May 1, 2014, as filed on April 29, 2014 with the Secretary of State of the State of Delaware (previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on April 30, 2014, File No. 000-19969, and incorporated herein by reference).
- 10.1 Second Amendment to Second Amended and Restated Receivables Loan Agreement, dated as of August 3, 2018, by and among ArcBest Funding LLC, as Borrower, ArcBest Corporation, as Servicer, PNC Bank, National Association and Regions Bank, as Lenders, and PNC Bank, National Association, as LC Issuer and Agent for the Lenders and their assigns and the LC Issuer and its assigns (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on August 6, 2018, File No. 000-19969, and incorporated herein by reference).
- 31.1* Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2* Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32** Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS* XBRL Instance Document
- 101.SCH* XBRL Taxonomy Extension Schema Document
- 101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF* XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB* XBRL Taxonomy Extension Labels Linkbase Document
- 101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

** Furnished herewith.

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 hereunto duly authorized.

ARCBEST CORPORATION
(Registrant)

Date: August 8, 2018

/s/ Judy R. McReynolds

Judy R. McReynolds

Chairman, President and Chief Executive Officer
and Principal Executive Officer

Date: August 8, 2018

/s/ David R. Cobb

David R. Cobb

Vice President — Chief Financial Officer
and Principal Financial Officer