

J.B. HUNT TRANSPORT SERVICES, INC.



2018

**NOTICE OF ANNUAL MEETING,
PROXY STATEMENT AND
ANNUAL REPORT**





With more than 57 years of experience, J.B. Hunt continues to raise the expectations for companies in transportation and logistics. The company was founded by an entrepreneur which created a culture that places innovation at its core. Over the past few years, J.B. Hunt has taken unprecedented approaches to tackle some of the industry's biggest challenges, such as uncovering new available capacity, improving the day-to-day experience for truck drivers, and enhancing its trucking fleet to continue being one of the safest on the road.

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To Our Stockholders and Employees,

First, from John:

I will open this letter with greetings and express my personal appreciation to our nearly 28,000 employees, a good number of whom I literally have had the privilege of “high fiving” recently. Each year, after we publicly announce the performance of the company, I make rounds on our corporate campus to say thank you in person to as many of our employees based in Lowell as I possibly can. It has become a much bigger job than when it started eight years ago simply due to our growth, a fact with which we are very pleased. I would also like to take this opportunity to send out a virtual “high five” to every one of our employees outside of Lowell. While I do get out to see our business during the year, unfortunately, I do not get to see everyone, and you all deserve the same recognition and appreciation.

This year also marks my 30th anniversary with the company, and while my experience of staying with the same company for so long may be unusual on the outside, it is not uncommon here at J.B. Hunt. We have many people celebrating 20, 30, even 40-year anniversaries regularly. I think that fact is another powerful statement about this place. Thank you to all the people I have had the privilege of serving with, so far. You have made the journey a real blessing. On we go.

And now I would like to invite the Chairman of the Board to join in on the balance of our letter; please welcome Mr. Kirk Thompson.

The Big Picture:

Well, it is big for starters. We see addressable domestic transportation markets reaching into the hundreds of billions of dollars in spending levels by our customers. Our approach has long been based on a supply-chain focus in moving products from the point-of-origin or production through different distribution channels to the point of consumption — presenting scalable transportation-oriented services ranging from full load, both highway and intermodal, through consolidation and in store, point-of-purchase inventory replenishment, and completing the cycle with comprehensive, nationwide final-mile delivery systems. We are well positioned to evolve in all areas of customer demand. As a multibillion-dollar provider of Intermodal (\$4.7B), Dedicated Contract Services (\$2.2B), and Highway Services (\$1.8B), we are ready to serve and grow.

Continuing our discussion from last year, we have made important progress in two key strategic efforts called out in our 2017 letter: Final Mile Services and Marketplace for J.B. Hunt 360^o. These services are specifically focused on supporting growth in the quickly expanding e-commerce transportation and delivery business.

Consistent with our historical pursuit of our strategic-growth directives, we have identified several international channels that warrant further exploration to discover how and where our customers need us to serve them. The company generated over \$450 million of revenue in a variety of international services during 2018, including intermodal and brokerage business in Canada and Mexico, and ongoing development between the contiguous 48 U.S. states and Puerto Rico, as well as our China inbound programs. We recently reorganized our leadership team for international services, and we are actively seeking new areas to expand into categories that are logically adjacent to our current platforms, and to determine if we can we make a proper return and whether the focus channel is big enough to warrant attention from our leadership. In all, we expect the international platforms will present multibillion-dollar growth opportunities in the coming years, and we intend to participate in those activities where they best link into our existing service options for our customers.

We put emphasis on the size of any demand channel we may prioritize, domestic and international, to be sure that we only approach new lines of business that have the size and scale to impact the company's growth focus moving forward. The reasons that growth is so vital for our long-term health are many, but two stand supreme. First, our customers require more from us every year — more capacity, value, and solutions. Next, and equally crucial, is the positive impact profitable growth has on the careers of our people. Presenting a pathway to rewarding and challenging work has been foundational for the company. J.B. Hunt believes strongly in the value of growing into existing and new transportation and delivery demand channels, because we have proven that we can be effective and profitable doing so. In 2011, we set a company-wide goal to achieve \$10 billion in revenues by 2020, with appropriate returns. We are nearing that goal. Next up is considering realistic, market-based growth goals to strive toward over the next five years.

The Year of 2018:

We added \$1.4 billion in top-line revenue during 2018. The closest we have ever come to achieving that level of growth was in 2011 when we added \$733 million. We deployed a record \$885 million in net capital expenditures across the company, primarily in revenue-generating assets. We also invested meaningfully in the people who drive and operate our equipment, the independent contractors we use, the non-driver personnel who oversee all aspects of our business and in technology. In many ways we are quite pleased with the successes of 2018, but we also acknowledge that the year presented the company with several challenges and opportunities.

Please see the tables included in our annual report for all statistics and progress markers.

In addition to all the important statistical data you will find in this report, it is also appropriate to comment on the level of financial disruption we experienced during 2018. Some key events have brought us closer to substantive resolution of certain important matters. Two main categories that fall outside of the normal course of our annual business operations should be discussed here.

First, we reached a class settlement of a lawsuit involving state labor laws after more than a decade of ongoing court activities. We have taken appropriate steps in response.

Second, we have presented developments in the ongoing arbitration with BNSF Railway Company. We have announced several charges as a result of certain confidential rulings and have also reported that we still have some pending decisions before the arbitration panel. While the charges recorded in 2018 are material, they relate to the arbitrators' rulings on several confidential disagreements that have lingered. We are evaluating the prospects of intermodal development in both the western and eastern regions of the domestic U.S. The service reliability issues we have experienced over the past several years in all regions, including congestion and train speeds, in addition to changing economic and return profiles, will all present new dynamics for our collective customer base to process and make decisions about. A key question is whether the railroad companies desire to provide sustainable and reliable full-load services and develop their networks to accommodate and serve the still-substantial freight volumes that are convertible from highway to intermodal at the right price with the right level of service.

Investing in our future:

Let's take a look at what makes J.B. Hunt move. The core component is that we are entrepreneurial and open to constant change. We have learned that in order to be successful with new ideas, we must allow them enough "oxygen" to breathe. This requires a different type of management style than we use when we are executing against more advanced and mature businesses. With new ideas, we first identify the "whys" and "hows" involved. Some of these questions include: Why will we be great at this? How will the new idea fit into our comprehensive service approach? How will our customers see us in the competitive fields? How will we make a quality return on investment? How fast can this idea grow, and how big can it get?

Letter to Our Stockholders

Too often, a traditional business review would eliminate great ideas because there may not be a clear line to absolute success. Take our Marketplace for J.B. Hunt 360 model for example. We were not sure what the reception would be to a digital platform for matching carriers and shippers, and we also weren't sure exactly how the revenue and profitability models would work out. Frankly, we are still experimenting with several options on structure. But, we were sure that it would be a great improvement on the manual applications currently in place. We evaluated the cost of building the system and asked our customers what they needed and what they wanted. We built the model, and by the end of 2018, over \$550 million had been processed through the new Marketplace in just a short year of upstart. This particular investment might have been deprioritized or even eliminated with conventional thinking. We simply can't let that happen.

Another breakthrough for our leadership, and our board of directors, is the idea of acquisition. There is a good amount of data to suggest that acquisitions typically don't perform as well as hoped. We have long subscribed to that way of thinking. Only lately, in important areas of strategic growth as in Final Mile Services, have we been able to reach a different fundamental risk tolerance about acquisitions. Over the past two years, we have acquired two companies: Special Logistics Dedicated (SLD) and Cory 1st Choice Home Delivery (Cory). Both companies presented us with market entry and experience into "pool and forward distribution" and "furniture delivery" that we did not believe we could achieve organically in a competitive timeline. We are pleased with the SLD performance through its first full year of integration and remain confident about the Cory decision.

Notwithstanding the technology investments mentioned above for the Marketplace, we are comprehensively rebuilding all information technology for the future across all platforms, internal and external. This includes the massive undertaking of moving the primary operating systems, which include all customer data, order management, load management, operational, scheduling, and back office support, off the legacy mainframe. We are substantially halfway through this effort and believe we will see meaningful progress in the coming year. The prospects of a modernized, cloud-and server-based information management system are significant. A watchful eye, and important investments in engineering and data science are the underpinnings for our new systems where we think we can apply machine learning and artificial intelligence. This type of application will enhance the scheduling and assignment of our company-owned equipment as well as our interaction with independent contractors and carriers across all services.

A recent example of the power presented by this new technology is how our brokerage division is leveraging the system's automated load "offer and acceptance" features. In the past, particularly heading into a weekend, we routinely would have loads that did not get covered by the end of the day. The traditional brokerage model requires phone calls and in-person negotiations; therefore, after-hours trading is difficult. Routinely, these uncovered loads result in underperformance in service and profitability due to last-minute buying decisions. Today, we can leave these uncovered loads available to our approved carriers in the system who make offers on the open loads during these off hours. The system knows our thresholds for pricing and can automatically counter until the carrier and the system are in agreement. These loads are then tendered to the carrier, accepted, and assigned. When we come in on Monday, instead of a backlog, these loads are booked and covered, serviced by carriers who want the loads, and financial performance is improved. The numbers are fairly small at this point, but the potential of the program is substantial.

Diversity:

When we look across our employee population, an important trend is developing. The diversity of our people is growing. This is due to a more intentional approach in seeking the value presented by a more divergent experience base. As a result, our conversations and ideas are expanding as we introduce more opinions and perceptions emerging from different backgrounds and outlooks. It is clear that a more varied approach to all aspects of the company presents real benefit and value in problem solving, creative thinking, improved leadership and people development, and the work environment in total. One thing that is helping drive the improvements we see in attracting and retaining a more diverse workforce is in the evolution of the company from being a heavily asset-based carrier to

Letter to Our Stockholders

a company with a much expanded focus on customer and carrier experiences and a more advanced commitment to Information Technology. All these factors give us a wider profile to attract different levels of talent, work experiences, and educational backgrounds.

During 2018, we created 1,695 incremental driving jobs and 1,245 office personnel jobs. Adding almost 3,000 full time positions to the company is a resounding accomplishment and presents great confirmation that our growth strategy opens doors to hiring in new people, which allows our focus on expanding our points of view in hiring diverse, new talent to be more realizable.

Community:

To refresh, we have fully adopted four principles to guide our community support and focus. They are healthcare, education, veteran affairs and crisis management. This year, we contributed to both Mercy Hospital in Northwest Arkansas and the Cleveland Clinic in Cleveland, Ohio. We have found both healthcare organizations to be very accommodative in supporting our employee needs as a part of our relationship. We have seen similar benefits in the collaboration with the Arkansas Children's Hospital system. Our mutually beneficial relationship with the University of Arkansas continues, and our "Adopt-A-Class" programs continue to connect us locally with classrooms across the nation. The challenges presented by natural disasters, such as hurricanes, are ever present on our watchlist, and we respond many ways when called on to assist with these events. We are also pleased to report several initiatives supporting our efforts in veteran affairs.

First, and perhaps most important, J.B. Hunt established a goal in 2015 of **hiring 10,000 Veterans by 2020**. We will reach our goal in 2019. Also, we highlight:

- **Wreaths Across America** – More than 2,000 J.B. Hunt employees joined thousands of volunteers on December 15 for Wreaths Across America Day ceremonies throughout the country, placing wreaths on the headstones of Veterans at participating cemeteries.
- **Military Friendly® Employer** – J.B. Hunt Transport Services, Inc. was named a 2019 Military Friendly® Employer by VIQTORRY, marking the 12th consecutive year the company has received the distinction. Institutions earning the Military Friendly® Employer designation were evaluated using both public data sources and responses from a proprietary survey.
- **ESGR (Employer Support of The Guard and Reserve)** – The intent of the program is to increase employer support by encouraging employers to act as advocates for employee participation in the military.

We want to share a quote from an email received recently from a veteran returning home after a long tour in Afghanistan (with his permission):

"First and foremost, J.B. HUNT just doesn't "SAY" they hire VETS, J.B. HUNT carries through with it! I salute J.B. HUNT. I've often bragged you up and have referred many a veteran to your company. I know right off hand that four of them Vets are still working for you in various parts of the country. Now, I'm coming home! I'm very much excited about being a Very Proud Veteran and coming home to become a Very Proud member on the J.B. Hunt TEAM once again!"

As you can imagine, we are extremely pleased with this feedback, and importantly the overall embrace our employees have shown for all of the community focus categories the company has prioritized. We will continue to endorse an expanding approach to grow as solid corporate citizens.

Letter to Our Stockholders

Recognition:

- Named One of America's Best Employers by Forbes
- Named to Fortune 500 List for Sixth Consecutive Year, Breaking into Top 400
- Earned Top Five Position on FreightWaves Inaugural Freight.Tech 25
- Named Top 10 3PL by Inbound Logistics for Ninth Consecutive Year
- Named 2019 Military Friendly Employer by VIQTORY for Twelfth Consecutive Year
- Earned 2018 SmartWay Award from the EPA for Ninth Consecutive Year
- Ranked Fourth on Transport Topics Top 100 Largest For-Hire Carriers
- Ranked Sixth on Transport Topics Top 50 Logistics Companies
- Named Top 3PL & Cold Storage Provider by Food Logistics for Sixth Time
- Received Three Quest for Quality Awards from Logistics Management
- Named Top 100 Trucker by Inbound Logistics
- Named Top 75 Green Supply Chain Partner by Inbound Logistics

Final Thoughts:

As with every year so far, we had wins and losses. Overall, we believe our approach is effective, our strategy is sound, and our discipline in being a safe, customer-centric, fiscally responsible company is intact. And most of all, our people-focused culture is authentic.

We thank you for your trust, ownership, and commitment to this company.

Respectfully,

John N. Roberts

President and Chief Executive Officer, Director

Kirk Thompson

Chairman of the Board of Directors



J.B. HUNT TRANSPORT SERVICES, INC.

615 J.B. Hunt Corporate Drive
Lowell, Arkansas 72745
479-820-0000
Internet Site: jbhunt.com

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD APRIL 18, 2019

The Annual Meeting of Stockholders of J.B. Hunt Transport Services, Inc. (the Company) will be held April 18, 2019, at 10 a.m. (CDT) at the Company's headquarters, located at 615 J.B. Hunt Corporate Drive in Lowell, Arkansas, for the following purposes:

- | | | |
|---|--|---|
| <p>1</p> <p>To elect Directors for a term of one (1) year</p> | <p>2</p> <p>To consider and approve an advisory resolution regarding the Company's compensation of its named executive officers</p> | <p>3</p> <p>To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the 2019 calendar year</p> |
| <p>4</p> <p>To consider a stockholder proposal regarding reporting political contributions</p> | <p>5</p> <p>To transact such other business as may properly come before the Annual Meeting or any adjournments thereof</p> | |

Only stockholders of record on February 12, 2019, will be entitled to vote at the meeting or any adjournments thereof. The stock transfer books will not be closed.

The 2018 Annual Report to Stockholders is included in this publication.

By Order of the Board of Directors

JENNIFER R. BOATTINI
Corporate Secretary

Lowell, Arkansas
March 8, 2019

Proxy Statement – Summary

YOUR VOTE IS IMPORTANT PLEASE EXECUTE YOUR PROXY WITHOUT DELAY

J.B. HUNT TRANSPORT SERVICES, INC.
615 J.B. Hunt Corporate Drive
Lowell, Arkansas 72745
479-820-0000
Internet Site: jbhunt.com

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation of proxies by J.B. Hunt Transport Services, Inc. (the Company), on behalf of its Board of Directors (the Board), for the 2019 Annual Meeting of Stockholders (the Annual Meeting). The Proxy Statement and the related proxy card are being distributed on or about March 8, 2019.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDERS MEETING TO BE HELD APRIL 18, 2019

This Proxy Statement and our 2018 Annual Report to Stockholders, which includes our Annual Report on Form 10-K, are available at jbhunt.com.

PROPOSALS TO BE VOTED ON AT THE ANNUAL MEETING

Item	Board Recommendation	Further Details
Election of Directors	FOR	Page 20
Advisory Vote on Executive Compensation	FOR	Page 68
Ratification of Independent Registered Public Accounting Firm	FOR	Page 71
Stockholder Proposal Regarding Reporting Political Contributions	AGAINST	Page 74

YOU SHOULD CAREFULLY READ THIS PROXY STATEMENT IN ITS ENTIRETY

The summary information provided above is for your convenience only and is merely a brief description of material information contained in this Proxy Statement.

YOUR VOTE IS IMPORTANT. IF YOU ARE A REGISTERED OWNER, YOU MAY VOTE BY INTERNET, TELEPHONE, OR BY COMPLETING, SIGNING AND DATING THE ENCLOSED PROXY CARD AND RETURNING IT TO US IN THE ACCOMPANYING ENVELOPE AS PROMPTLY AS POSSIBLE

IF YOU ARE A BENEFICIAL OWNER, PLEASE FOLLOW THE VOTING INSTRUCTIONS OF YOUR BROKER, BANK OR OTHER NOMINEE AS PROVIDED WITH THIS PROXY STATEMENT AS PROMPTLY AS POSSIBLE

DIRECTOR NOMINEES

Name	Occupation	Age	Director Since	Independent	Other Directorships	Committees
Douglas G. Duncan	FedEx Freight Corporation (retired)	68	2010	Yes	Benchmark Electronics, Inc. Brambles LTD	Audit Committee Corporate Governance Committee
Francesca M. Edwardson	American Red Cross of Greater Chicago (retired)	61	2011	Yes	Duluth Holdings, Inc. Rush University Medical Center Lincoln Park Zoo	Compensation Committee Corporate Governance Committee
Wayne Garrison	J.B. Hunt Transport Services, Inc. (retired)	66	1981	No		
Sharilyn S. Gasaway	Alltel Corp. (retired)	50	2009	Yes	Genesis Energy, LP Waddell & Reed Financial, Inc. Louisiana Tech University (LTU) Foundation LTU College of Business Advisory Board Arkansas Children's Inc. Arkansas Children's Foundation	Audit Committee Compensation Committee Corporate Governance Committee
Gary C. George	George's Inc.	68	2006	Yes	Legacy National Bank Arkansas Children's Inc. Arkansas Children's Northwest National Chicken Council	Compensation Committee Chair of Corporate Governance Committee
Bryan Hunt, Jr.	Hunt Automotive group	60	1991	No	The New School	
Coleman H. Peterson	Hollis Enterprises, LLC	70	2004	Yes	Build-A-Bear Workshop Cracker Barrel Old Country Store, Inc.	Chair of Compensation Committee Corporate Governance Committee
John N. Roberts, III	President and Chief Executive Officer	54	2010	No	Federal Reserve Bank of St. Louis Arkansas Children's Northwest	
James L. Robo	NextEra Energy, Inc.	56	2002	Yes	NextEra Energy, Inc. NextEra Energy Partners, LP	Chair of Audit Committee Corporate Governance Committee
Kirk Thompson	Chairman of the Board	65	1985	No	Rand Logistics, Inc.	

COMPENSATION OBJECTIVES, PRINCIPLES AND PRACTICES

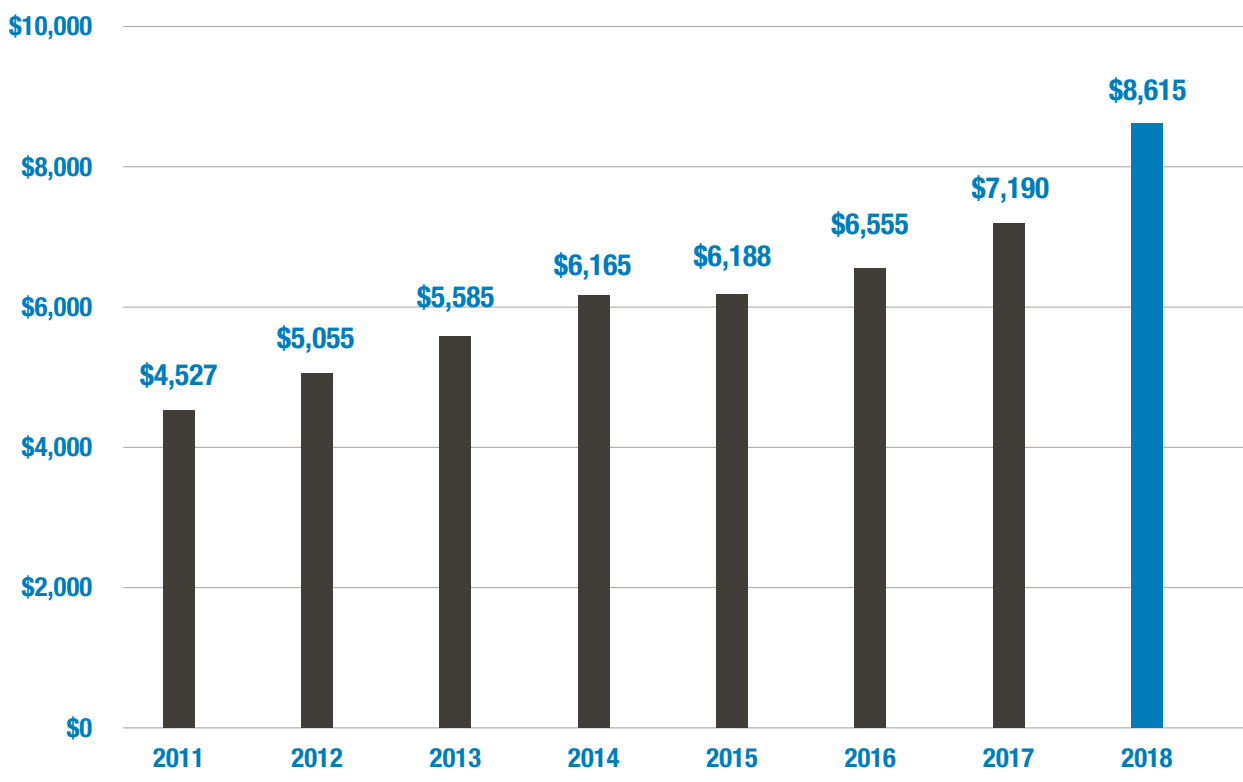
We believe the ability to attract, retain and provide appropriate incentives for professional personnel, including the senior executive officers and other key employees of the Company, is essential to maintaining the Company's leading competitive position, thereby providing for the long-term success of the Company. The overall compensation philosophy of the Company's Board of Directors and management is guided by the following principles:

Recruitment and Retention	The Company aims to attract, motivate and retain high-performance talent to achieve and maintain a leading position in our industry. Our total compensation package should be strongly competitive with other transportation and logistics companies.
Performance and Responsibility	Total compensation should be tied to and vary with performance and responsibility, both at the Company and individual level, in achieving financial, operational and strategic objectives. Differentiated pay for high-performing individuals should be proportional to their contributions to the Company's success.
Short-term Incentive	A large portion of total compensation should be tied to performance, and therefore at risk, as position and responsibility increase. Individuals with greater roles and the ability to directly impact strategic direction and long-term results should bear a greater proportion of the risk.
Long-term Incentive	Awards of long-term compensation encourage participating employees to focus on the Company's long-range growth and development and incent them to manage from the perspective of stockholders with a meaningful stake in the Company, as well as to focus on long-term career orientation.

2018 BUSINESS HIGHLIGHTS

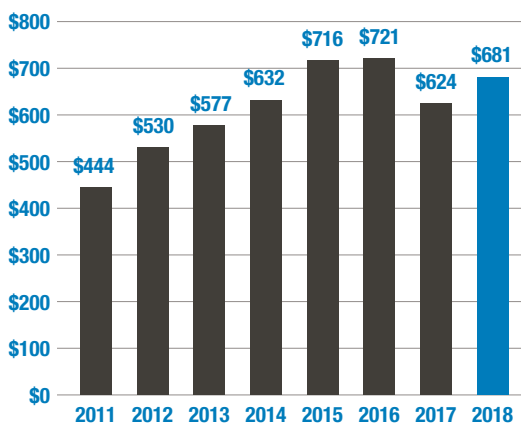
Consolidated Revenue

(in millions)

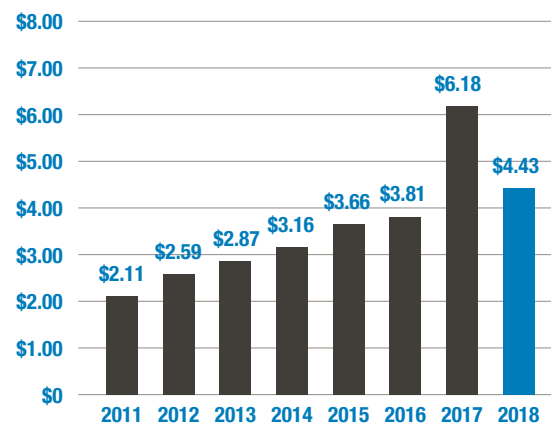


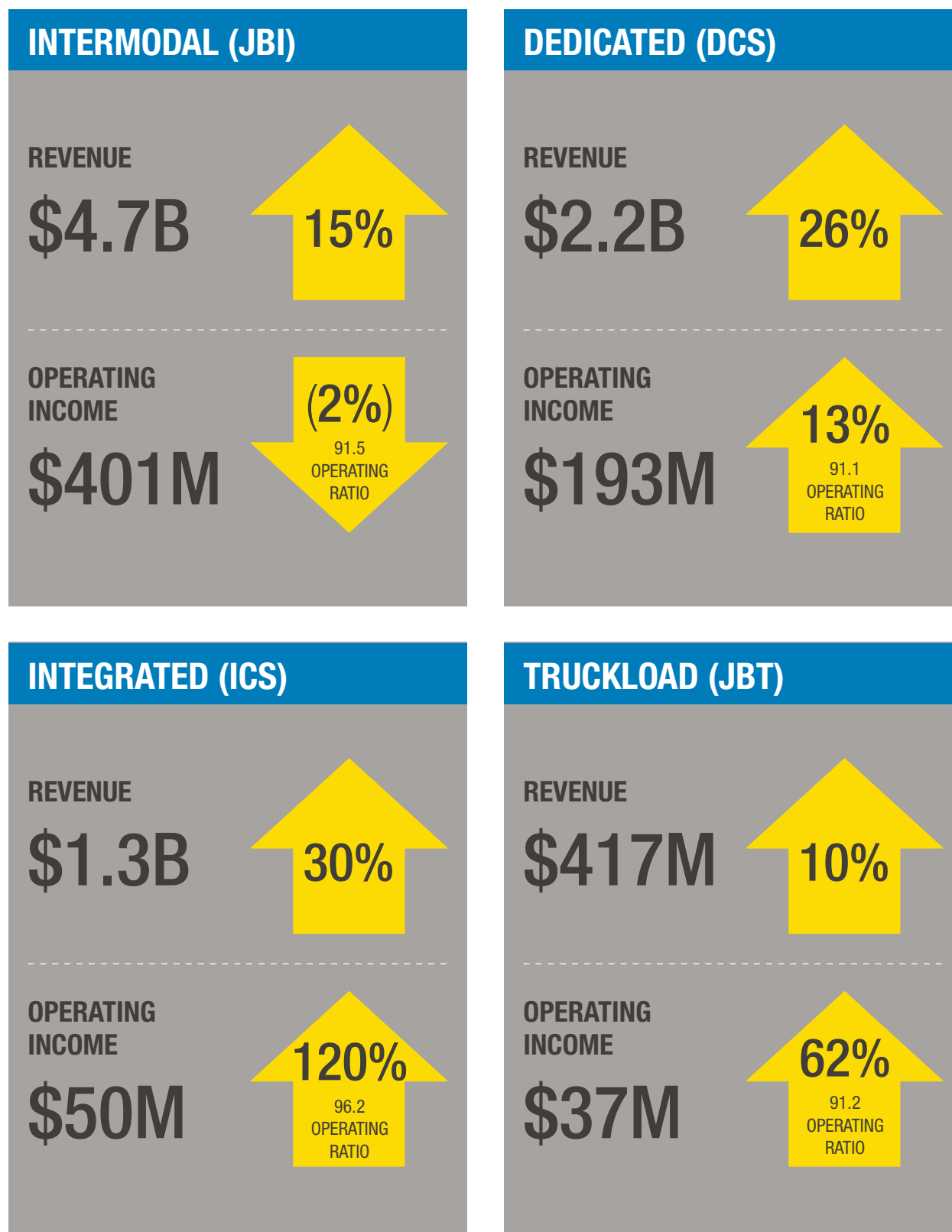
Consolidated Operating Income

(in millions)



Diluted EPS





J.B. HUNT CORPORATE RESPONSIBILITY

OVERVIEW/MISSION STATEMENT

With a past and present more than 50 years in the making, we know how important it is to look toward the future. We believe doing business today in ways that help preserve and protect the people we serve and the world in which we live is the best way to take care of business. From reducing our carbon footprint and keeping the roads safer to embracing the diversity of our customers and people, we're in it for the long haul. We do what we can to make business decisions that have a positive impact on the things that matter most.



ENVIRONMENTAL STABILITY

At J.B. Hunt, we put forth a deliberate effort to make business decisions that have a positive impact on the environment. The Company is in an industry that utilizes fossil fuels to operate and generate profits. Management is conscious of the environmental effects of its operations and strives to be a good steward in the use of nonrenewable resources. Management is committed to monetizing the efficient use of fossil fuels, such as adopting the most advanced technologies provided from original equipment manufacturers, utilizing aftermarket products to reduce fuel burn, adopting policies to incentivize reduced fuel burn, and assisting manufacturers in developing commercially viable alternative fuel sources.

Annually, management will present its progress in growing intermodal load conversions from highway transportation and its progress towards improving its fleet MPG through its efficiency efforts and adoption of commercially viable alternative fuel sources to the Nominating and Governance Committee as part of its oversight of fossil fuel efficiency and environmental impact progress.

Proxy Statement – Summary

We are dedicated to creating a more sustainable supply chain for our customers.

Intermodal Conversion	J.B. Hunt leads the industry in converting over-the-road (OTR) shipments to intermodal. Intermodal doubles the efficiency of truckload with reduced carbon emissions and lowered cost.
Energy-Efficient Trucks and Equipment	We strive to keep our fleet energy efficient by continuously improving equipment with after-market updates and routine maintenance.
Renewable Technology	J.B. Hunt invests in renewable technology solutions. Company asset vehicles are equipped with solar-powered tracking units that optimize the location and availability of containers for efficiency. This technology allows J.B. Hunt to increase efficiency and gain better control over its operations.
Fuel Technology	Fuel is one of the largest sources of carbon emissions within the supply chain. We strive to find advanced fuel solutions for customers, including the use of biofuels and ensuring the fuel efficiency of our fleets.
Engineering Solutions	J.B. Hunt has a dedicated engineering team that helps customers optimize their shipping strategy to minimize total miles, maximize payload, and reduce carbon emissions per shipment.
Customer Carbon Footprint	J.B. Hunt’s propriety tool calculates a customer’s carbon footprint. We then offer solutions, such as decreasing carbon emissions, to reduce their current environmental impact.
Carbon Diet	We provide support to customers with a company-developed sustainability practice called the “Carbon Diet.” We educate customers on best practices in supply chain sustainability and supply the resources needed to be successful.
Electric Vehicles	We continually search for and evaluate opportunities to utilize emerging technologies in the area of exhaust-free vehicles. J.B. Hunt added its first ever all-electric, medium-duty box trucks to its private fleet. The trucks have zero tailpipe emissions, eliminating the noise and carbon footprint of similar trucks.

SOCIAL ISSUES

Doing business to the best of our ability also means acknowledging and addressing important social issues. As a company, we support numerous initiatives that reflect the values most important to our customers and employees.

We cover a lot of miles in this business in the communities we serve and across the country. The people we encounter—employees, customers, and vendors—share diverse backgrounds and an equally diverse range of interests and passions. J.B. Hunt puts forth its best effort to support initiatives reflecting the company values which are most near and dear to the hearts of those we serve each day.

<p>Human Trafficking</p>	<p>The issue of human trafficking is one that hits close to home in our industry. Victims of this crime are often hidden in plain sight at places our drivers frequent daily, including rest stops and truck stops. We work with organizations to educate our drivers on the issue and how to report suspicious activities.</p>
<p>Veterans Hiring Initiatives</p>	<p>We have committed to hiring 10,000 veterans by 2020. Nearly one in five of our employees is a military veteran, and we are proud to be consistently recognized for being a Top 100 Military Friendly Employer by VIQTORY.</p>
<p>Diversity and Inclusion Initiative</p>	<p>The Company’s Diversity and Inclusion initiative was founded in 2017. This initiative is spearheaded by our strategic leader who has a doctorate in organizational leadership and administration and was brought on board to expand the program enterprise-wide. Diversity and Inclusion reaches enterprise-wide and aims to create an inclusive culture and environment where employees from all backgrounds can succeed and be heard.</p>
<p>Employee Resource Groups (ERGs)</p>	<p>Our ERGs offer opportunities for employee professional development, community engagement, and networking. Comprised of groups for women, Latinos, and veterans, our ERGs promote camaraderie within the workforce and allow employees with similar interests to build meaningful work relationships. In 2019, J.B. Hunt will launch the African American ERG that will focus on issues impacting employees and their families and promote the camaraderie spirit of other ERGs.</p>

PUBLIC SAFETY

Ensuring the roads are safe for our drivers and everyone on the road is important to us. We train drivers to understand and comply with required safety measures.

J.B. Hunt has made considerable investments in safety over the past 20 years. Safety is a core value and part of our corporate culture. It just has to be. We share the road with millions of people across the country every day, and our livelihood depends on keeping those roads as safe as possible for everyone. In addition to complying with industry-relevant laws and mandates, J.B. Hunt makes its contribution to public road safety in a variety of ways — driver training, drug testing, and investing in technologies that make drivers and equipment safer.

We have continuously maintained a satisfactory safety rating from the Federal Motor Carrier Safety Administration (FMCSA) since 1992. Our out-of-service (OOS) rates for vehicle, driver, and HAZMAT fall substantially below reported national averages in the Safety Measurement System (SMS). In CSA (Compliance, Safety, Accountability), our safety performance falls below the threshold in FMCSA’s on-road safety performance BASICS (Behavior Analysis and Safety Improvement Categories) for unsafe driving, hours of service (HOS), driver fitness, controlled substance/alcohol, vehicle maintenance, and crash indicator.

Proxy Statement – Summary

Public safety is further promoted through smart purchasing decisions. As new safety technologies are made available, we carefully evaluate each to determine the overall impact and benefit they could bring to our drivers, trucks, and equipment.

Intermodal Conversion	J.B. Hunt leads the industry in converting OTR shipments to intermodal. This conversion of shipments from highway to rail has continually resulted in fewer truck-involved fatalities.
Defensive Driving Training	J.B. Hunt drivers are certified in a nationwide defensive driving program, involving classroom and in-vehicle training. All drivers are recertified under this program every three years.
Monthly and Quarterly Safety Training	Our drivers participate in regular ongoing web-based and classroom safety training. Ongoing professional development is designed to provide additional training for drivers, as well as keep them up to date on regulatory issues and company matters.
Hair Testing	In addition to DOT required urine testing, J.B. Hunt implemented a company policy requiring hair testing for the presence of controlled substances in 2006. Hair testing offers an extended view into an individual's possible drug usage and has resulted in a reduction in unfavorable results from random and post-incident tests.
Automatic Onboard Recording Devices/ELD's	We began implementing automatic onboard recording devices in 2007. As an early adopter of this technology, we have seen benefits in its ability to manage compliance with HOS regulations and reduce roadside inspection violations.
Forward Collision Warning Systems	Installation of forward collision warning systems on our Class 8 tractors began in 2011. Currently, 95% of our company Class 8 fleet is deployed with this equipment which includes an automatic emergency braking system. We have seen a significant reduction in rear-end collision frequency and costs since implementation of these systems.
Video-Recorded Technology	Installation of video-recording equipment began in 2016, with 44% of our Class 8 fleet currently being deployed with forward-facing cameras. This equipment provides lane departure warnings and enhanced radar functionalities for some systems, such as braking on stationary objects. The primary benefit of this technology is improving driver safety performance. J.B. Hunt is also piloting rearview digital camera technology on its fleet that will expand driver visibility and potentially improve aerodynamics and fuel economy.

GOVERNANCE HIGHLIGHTS

We believe that good corporate governance helps to ensure the Company is managed for the long-term benefit of our stockholders and accordingly observe the following key corporate governance principles:

<p>Director Independence</p>	<p>The Company maintains a Board of Directors composed of a majority of individuals who satisfy the criteria for independence under the NASDAQ listing standards.</p>
<p>Lead Director and Independent Director Executive Sessions</p>	<p>Independent directors generally meet in executive session as part of each regularly scheduled Board meeting, with the position of Independent Lead Director being established to direct these executive sessions and authority to call additional meetings of independent directors as deemed necessary.</p>
<p>Board Committees</p>	<p>The Company requires all committees of the Board be comprised solely of independent directors and formal charters have been established outlining the purpose, composition, and responsibility of each committee, with all having authority to retain outside, independent advisors and consultants as needed.</p>
<p>Board Qualifications</p>	<p>The Board has established qualification guidelines for director nominees and performs continual evaluation of current director performance and qualifications.</p>
<p>Board Attendance and Overboarding</p>	<p>The Board has adopted a formal Director Attendance Policy and requires limitations and preapproval of director membership on other corporate boards.</p>
<p>Board Diversity</p>	<p>The Board maintains diversity in both gender and ethnic representation by identifying nominees whose backgrounds, attributes and experiences, taken as a whole, will contribute to the high standards of Board service to the Company.</p>
<p>Code of Conduct</p>	<p>The Company has adopted a formal Code of Ethical and Professional Standards applicable to all directors, officers and employees of the Company.</p>

ACCOLADES

While the roots of innovation stretch as far back as the business's beginnings, some of J.B. Hunt's latest implementations are definitive of a cutting-edge company. From helping businesses operate more effectively to enhancing the safety of its company fleet, J.B. Hunt is developing and implementing new technologies that, through human insight and artificial intelligence, complement its commitment to creating the most efficient transportation systems in the North America.

Recognitions

- Named One of America's Best Employers by Forbes
- Named to Fortune 500 List for Sixth Consecutive Year, Breaking into Top 400
- Earned Top Five Position on FreightWaves Inaugural Freight.Tech 25
- Named Top 10 3PL by Inbound Logistics for Ninth Consecutive Year
- Named 2019 Military Friendly Employer by VIQTORY for Twelfth Consecutive Year
- Earned 2018 SmartWay Award from the EPA for Ninth Consecutive Year
- Ranked Fourth on Transport Topics Top 100 Largest For-Hire Carriers
- Ranked Sixth on Transport Topics Top 50 Logistics Companies
- Named Top 3PL & Cold Storage Provider by Food Logistics for Sixth Time
- Received Three Quest for Quality Awards from Logistics Management
- Named Top 100 Trucker by Inbound Logistics
- Named Top 75 Green Supply Chain Partner by Inbound Logistics

PROPOSAL ONE

Election of Directors

Our Board nominates Douglas G. Duncan, Francesca M. Edwardson, Wayne Garrison, Sharilyn S. Gasaway, Gary C. George, Bryan Hunt, Coleman H. Peterson, John N. Roberts, III, James L. Robo, and Kirk Thompson as directors to hold office for a term of one year, expiring at the close of the 2020 Annual Meeting of Stockholders or until their successors are elected and qualified or until their earlier resignation or removal. The Board believes that these incumbent directors standing for re-election are well-qualified and experienced to direct and manage the Company's operations and business affairs, and will represent the interests of the stockholders as a whole. Biographical information on each of these nominees is set forth below in "Nominees for Director."

If any director nominee becomes unavailable for election, which is not anticipated, the named proxies will vote for the election of such other person as the Board may nominate, unless the Board resolves to reduce the number of directors to serve on the Board and thereby reduce the number of directors to be elected at the Annual Meeting.

PROPOSAL

1

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS
A VOTE FOR EACH OF THE DIRECTOR NOMINEES LISTED
HEREIN**

INFORMATION YOU NEED TO MAKE AN INFORMED DECISION

DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

Number of Directors and Term of Directors and Executive Officers

The Company's Bylaws provide that the number of directors shall not be less than three or more than 12, with the exact number to be fixed by the Board. The Board currently consists of 10 directors. Directors serve a term of one year from their election date to the Annual Meeting of Stockholders.

Directors are elected by a majority of votes cast with respect to each director, provided that the number of nominees does not exceed the number of directors to be elected.

The stockholders of the Company elect at the Company's Annual Meeting successors for directors whose terms have expired. The Board elects members to fill new membership positions and vacancies in unexpired terms on the Board. No director will be eligible to stand for re-election or be elected to a vacancy once he or she has reached 72 years of age. Executive officers are elected by the Board and hold office until their successors are elected and qualified or until their earlier death, retirement, resignation or removal.

NOMINEES FOR DIRECTOR *Terms expire 2019*



Douglas G. Duncan

Age: 68

Director Since: 2010

Committees: Audit Committee, Nominating and Corporate Governance Committee

Principle Occupation: FedEx Freight Corporation (retired)

Recommendation: The Board has determined that Mr. Duncan's 30-years of transportation experience, including management positions in operations, sales and marketing and ultimately chief executive officer, qualify him to continue to serve as a Director of the Company.

Experience: Mr. Duncan retired as President and Chief Executive Officer of FedEx Freight Corporation, a wholly owned subsidiary of FedEx Corporation in February 2010. FedEx Freight Corporation is a leading provider of regional and national less-than-truckload (LTL) freight services. Mr. Duncan was the founding chief executive officer of FedEx Freight. He also served on the Strategic Management Committee of FedEx Corporation. Before the formation of FedEx Freight, he served for two years as President and Chief Executive Officer of Viking Freight. He served on the Executive Committee of the American Trucking Associations and as Chairman of the American Transportation Research Institute. A graduate of Christopher Newport University, Mr. Duncan served on the university's Board of Visitors.

Other Directorships (Prev. 5 Yrs.): Benchmark Electronics, Inc. (Chair of the Nominating and Governance Committee), Brambles LTD

Family Relationships: None



Francesca M. Edwardson

Age: 61

Director Since: 2011

Committees: Executive Compensation Committee, Nominating and Corporate Governance Committee

Principle Occupation: American Red Cross of Greater Chicago (retired)

Recommendation: The Board has determined that Ms. Edwardson continues to qualify to serve as a Director of the Company based on her lengthy and successful experience in both the transportation industry and legal environment, which provide respected insight and guidance to both the board and management.

Experience: Ms. Edwardson retired as the Chief Executive Officer of the American Red Cross of Chicago and Northern Illinois, a business unit of the American Red Cross, in 2016, a position she held since 2005. She previously served as Senior Vice President and General Counsel for UAL Corporation, a predecessor company to United Continental Holdings, Inc. She has also been a partner in the law firm of Mayer Brown and the Executive Director of the Illinois Securities Department. Ms. Edwardson is a graduate of Loyola University in Chicago, Illinois, holding degrees in economics and law.

Other Directorships (Prev. 5 Yrs.): Duluth Holdings, Inc (Chair of Compensation Committee), Rush University Medical Center, Lincoln Park Zoo

Family Relationships: None



Wayne Garrison

Age: 66

Director Since: 1981

Committees: None

Principle Occupation: J.B. Hunt Transport Services, Inc. (retired)

Recommendation: The Board has determined that Mr. Garrison's extensive experience in the industry and over 40 years with J.B. Hunt in multiple roles provides invaluable experience to the board and stockholders, qualifying him to continue to serve as a Director of the Company.

Experience: Mr. Garrison served as Chairman of the Board of the Company from 1995 to December 31, 2010, and continues to serve as a member of the Board of Directors. Joining the Company in 1976 as Plant Manager, Mr. Garrison has also served as Vice President of Finance in 1978, Executive Vice President of Finance in 1979, President in 1982, Chief Executive Officer in 1987 and Vice Chairman of the Board from January 1986 until May 1991.

Other Directorships (Prev. 5 Yrs.): None

Family Relationships: None



Sharilyn S. Gasaway

Age: 50

Director Since: 2009

Committees: Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee

Principle Occupation: Alltel Corp. (retired)

Recommendation: The Board has determined that Ms. Gasaway's experience in accounting, finance, mergers and acquisitions, and regulatory matters, all gained through her extended tenures within the financial environment, which provide unquestionable value to the Company, qualify her to continue to serve as a Director of the Company.

Experience: Ms. Gasaway served as Executive Vice President and Chief Financial Officer of Alltel Corp., the Little Rock, Arkansas-based Fortune 500 wireless carrier, from 2006 to 2009. She was part of the executive team that spearheaded publicly traded Alltel's transition through the largest private equity buyout in the telecom sector and was an integral part of the successful combination of Alltel and Verizon. She also served as Alltel's Corporate Controller and Principal Accounting Officer from 2002 to 2006. Joining Alltel in 1999, she served as Director of General Accounting, Controller, and Vice President of Accounting and Finance. Prior to joining Alltel, she worked for eight years at Arthur Andersen LLP. Ms. Gasaway has a degree in accounting from Louisiana Tech University and is a Certified Public Accountant.

Other Directorships (Prev. 5 Yrs.): Genesis Energy, LP (Chair of Audit Committee), Waddell & Reed Financial, Inc., Louisiana Tech University Foundation, Louisiana Tech University College of Business Advisory Board, Arkansas Children's, Inc., Arkansas Children's Foundation

Family Relationships: None



Gary C. George

Age: 68

Director Since: 2006

Committees: Nominating and Corporate Governance Committee (Chair), Executive Compensation Committee

Principle Occupation: George's Inc.

Recommendation: The Board has determined that Mr. George continues to qualify to serve as a Director of the Company based on his extensive business and management knowledge gained through his leadership of a large diversified corporation.

Experience: Mr. George is Chairman of George's, Inc., a private, fully integrated poultry company with operations in Arkansas, Missouri, Virginia and Tennessee. He is a graduate of the University of Arkansas with a degree in business administration. He served on the Board of Trustees for the University of Arkansas from 1995 through 2005 and was Chairman of the Board of Trustees in 2005.

Other Directorships (Prev. 5 Yrs.): Legacy National Bank (Chairman), Arkansas Children's, Inc., Arkansas Children's Northwest, National Chicken Council

Family Relationships: None



Bryan Hunt

Age: 60

Director Since: 1991

Committees: None

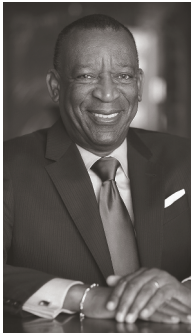
Principle Occupation: Hunt Automotive Group

Recommendation: The Board has determined that Mr. Hunt's historical and current knowledge of the company and valuable contributions to the Board of J.B. Hunt since 1991 continue to qualify him to serve as a Director of the Company.

Experience: Mr. Hunt served as an employee of the Company from 1983 through 1997. He is the Managing Member of Best Buy Here Pay Here of Arkansas, a private company with used-car operations in Arkansas, Missouri and Oklahoma; Progressive Car Finance, a private company that provides subprime financing for automobile dealers; and 71B Auto Auction and I-135 Auto Auction, both private companies engaged in the auction of automobiles, trucks, boats and other motor vehicles to dealers and the general public in Arkansas and Kansas. A graduate of the University of Arkansas, he has a degree in marketing and transportation.

Other Directorships (Prev. 5 Yrs.): The New School

Family Relationships: Son of co-founders J.B. and Johnelle Hunt



Coleman H. Peterson

Age: 70

Director Since: 2004

Committees: Executive Compensation Committee (Chair), Nominating and Corporate Governance Committee

Principle Occupation: Hollis Enterprises, LLC

Recommendation: The Board has determined that Mr. Peterson's vast experience within the discipline of human resource management, including his lengthy tenure with a large international corporation, provides valuable guidance to the organization, qualifying him to continue to serve as a Director of the Company.

Experience: Mr. Peterson is the President and CEO of Hollis Enterprises LLC, a human resources consulting firm founded in 2004. He is retired from Wal-Mart Stores, Inc. as Executive Vice President of its People Division. During his tenure, Mr. Peterson was responsible for recruitment, retention and development of the world's largest corporate workforce. Prior to his experience with Wal-Mart, Mr. Peterson spent 16 years with Venture Stores, with his last position being Senior Vice President of Human Resources. He holds bachelor's and master's degrees from Loyola University of Chicago.

Other Directorships (Prev. 5 Yrs.): Cracker Barrel Old Country Store, Inc. (Chair Compensation Committee), Build-A-Bear Workshop

Family Relationships: None



John N. Roberts, III

Age: 54

Director Since: 2010

Committees: None

Principle Occupation: President and Chief Executive Officer, J.B. Hunt Transportation Services, Inc.

Recommendation: The Board has determined that Mr. Roberts continues to qualify to serve as a Director of the Company based on his continual success while serving as the Company's current President and Chief Executive Officer.

Experience: Mr. Roberts is the Company's President and Chief Executive Officer. A graduate of the University of Arkansas, he served as Executive Vice President and President of Dedicated Contract Services from 1997 to December 31, 2010. Joining the Company in 1989, he began his career as a Management Trainee and subsequently served as an EDI Services Coordinator, Regional Marketing Manager for the Intermodal and Truckload business units, Business Development Executive for DCS and Vice President of Marketing Strategy for the Company.

Other Directorships (Prev. 5 Yrs.): Federal Reserve Bank of St. Louis, Arkansas Children's Northwest

Family Relationships: None



James L. Robo

Age: 56

Director Since: 2002

Committees: Audit Committee (Chair), Nominating and Corporate Governance Committee, Independent Lead Director

Principle Occupation: NextEra Energy, Inc.

Recommendation: The Board has determined that Mr. Robo's financial expertise, leadership experience, and business experience gained through his leadership of a large complex corporation, qualify him to continue to serve as a Director of the Company.

Experience: Mr. Robo is Chairman and Chief Executive Officer of NextEra Energy, Inc., a leading clean energy company. He is Chairman of the company's rate-regulated electric utility subsidiary, Florida Power & Light Company, as well as Chairman and CEO of NextEra Energy Partners, LP, a growth-oriented limited partnership formed by NextEra Energy to acquire, manage and own contracted clean energy projects. Prior to joining NextEra Energy in 2002, Mr. Robo spent 10 years at General Electric Company. He served as President and Chief Executive Officer of GE Mexico from 1997 until 1999 and as President and Chief Executive Officer of the GE Capital TIP/Modular Space division from 1999 until February 2002. From 1984 through 1992, Mr. Robo worked for Mercer Management Consulting. He received a BA summa cum laude from Harvard College and an MBA from Harvard Business School, where he was a Baker Scholar.

Other Directorships (Prev. 5 Yrs.): NextEra Energy, Inc. (Chairman), NextEra Energy Partners, LP (Chairman)

Family Relationships: None



Kirk Thompson

Age: 65

Director Since: 1985

Committees: None

Principle Occupation: Chairman of the Board, J.B. Hunt Transportation Services, Inc.

Recommendation: The Board has determined that Mr. Thompson's extensive experience in the industry and over 40 years with J.B. Hunt in multiple roles provides invaluable experience to the organization and qualify him to continue to serve as a Director of the Company.

Experience: Mr. Thompson is the Company's Chairman of the Board. He served as President and Chief Executive Officer from 1987 to December 31, 2010. A graduate of the University of Arkansas and a Certified Public Accountant, Mr. Thompson joined the Company in 1973. He served as Vice President of Finance from 1979 until 1984, Executive Vice President and Chief Financial Officer until 1985, and President and Chief Operating Officer from 1986 until 1987, when he was elected President and Chief Executive Officer.

Other Directorships (Prev. 5 Yrs.): Rand Logistics, Inc.

Family Relationships: None

DIRECTOR COMPENSATION

Overview of Nonemployee Director Compensation Program

The Company pays only nonemployee directors for their services as directors. Directors who are also officers or employees of the Company are not eligible to receive any of the compensation described below.

For the annual period between the Company's 2018 and 2019 Annual Meetings, compensation for nonemployee directors serving on the Board was as follows:

- an annual retainer of \$215,000 paid in Company stock, cash or any combination thereof
- an annual retainer of \$20,000, paid in cash, to each member of the Audit Committee
- an annual retainer of \$15,000, paid in cash, to each member of the Executive Compensation Committee
- an annual retainer of \$10,000, paid in cash, to each member of the Nominating and Corporate Governance Committee
- an additional annual retainer of \$25,000, paid in cash, to the Audit Committee Chairman
- an additional annual retainer of \$15,000, paid in cash, to the Executive Compensation Committee Chairman
- an additional annual retainer of \$10,000, paid in cash, to the Nominating and Corporate Governance Committee Chairman
- reimbursement of expenses to attend Board and Committee meetings

No changes were made to the above compensation schedule for nonemployee directors for the period between the Company's 2019 and 2020 Annual Meetings.

Process for Reviewing and Setting Nonemployee Director Compensation

The Executive Compensation Committee reviews the adequacy and competitiveness of the nonemployee director compensation program annually and makes recommendations to the full Board for approval. Each year, the Committee directs its compensation consultant to provide an independent assessment of the Company's nonemployee director compensation program. The consultant analyzes and compares the Company's program against the same peer group used to benchmark executive officer compensation (see page 46 for further details about the peer group). The Committee targets total nonemployee director compensation levels at a competitive range of peer group total compensation. The Committee also considers total aggregate Board compensation and other factors when making recommendations to the Board for approval.

PROPOSAL ONE Election of Directors

Nonemployee Board of Director Compensation Paid in Calendar Year 2018

Board Member	Fees Paid in Cash (\$)	Fees Paid in Stock (\$)	Restricted Share or Stock Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$) ⁽¹⁾	Total (\$)
Douglas G. Duncan	245,000	—	—	—	—	6,465	251,465
Francesca M. Edwardson	25,000	214,890	—	—	—	7,985	247,875
Wayne Garrison	215,000	—	—	—	—	63,796	278,796
Sharilyn S. Gasaway	152,500	107,445	—	—	—	—	259,945
Gary C. George	35,000	214,890	—	—	—	—	249,890
Bryan Hunt	215,000	—	—	—	—	—	215,000
Coleman H. Peterson	40,000	214,890	—	—	—	5,871	260,761
James L. Robo	55,000	214,890	—	—	—	17,036	286,926

(1) Reimbursement of expenses to attend Board and Committee meetings

Each nonemployee member of the Board had the choice of receiving his or her annual retainer of \$215,000 in Company stock, cash or any combination thereof. Those directors choosing to receive their full retainer in Company stock received 1,772 shares based on the \$121.27 closing market price on April 19, 2018. Sharilyn S. Gasaway elected to receive half of her retainer in stock, totaling 886 shares, based on the closing market price shown above. Douglas G. Duncan, Wayne Garrison, and Bryan Hunt elected to receive their annual retainer in cash.

To more closely align his or her interests with those of the stockholders, each Board member is required to own three times his/her estimated annual compensation in Company stock within five years of his/her initial stockholder election to the Board. All Board members comply with this requirement.

Nonemployee members of the Board did not participate in either a company-sponsored pension or deferred compensation plan in calendar year 2018.

PROPOSAL ONE Election of Directors

Chairman of the Board

The role of Chairman of the Board is an employed executive position of the Company. Therefore, the Chairman of the Board participates in all primary compensation components available to executive officers of the Company as discussed in our Compensation Discussion and Analysis of this Proxy Statement, with the exception of short-term cash incentive awards. He does not receive any director fees for his service on the Company's Board of Directors.

Chairman Compensation Paid in Calendar Year 2018

Board Member	Salary (\$)	Restricted Share or Stock Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$) ⁽¹⁾	Total (\$)
Kirk Thompson, Chairman of the Board	363,269	—	—	—	12,770	376,039

(1) Includes \$9,500 taxable allowance for financial counseling services and \$3,270 Company contributions to 401(k) plan.

Executive Officers of the Company

Jennifer R. Boattini, 46, joined the Company in 2006 as Director of Litigation and Contract Management and currently serves as Senior Vice President of Legal and Litigation, General Counsel. She also serves as the Company's Corporate Secretary.

Kevin Bracy, 48, joined the Company in 1998 as a Financial Analyst and currently serves as Senior Vice President of Finance, Treasurer and Assistant Secretary.

Darren Field, 48, joined the company in 1994 as a Night Dispatcher and currently serves as Executive Vice President of Intermodal.

Craig Harper, 61, joined the Company in 1992 as Vice President of Marketing and currently serves as Executive Vice President. Prior to joining the Company, he worked for Rineco Chemical Industries as its Chief Executive Officer.

Bradley Hicks, 46, joined the Company in 1996 as a Management Trainee and currently serves as Executive Vice President of Dedicated Contract Services.

Nicholas Hobbs, 56, joined the Company in 1984 as a Management Trainee and currently serves as Executive Vice President and President of Dedicated Contract Services.

John Kuhlow, 48, joined the Company in 2006 as Assistant Corporate Controller and currently serves as Senior Vice President of Finance, Controller and Chief Accounting Officer. Prior to joining the Company, he was a Senior Audit Manager for KPMG LLP. Mr. Kuhlow is a Certified Public Accountant.

Terrence D. Matthews, 60, joined the Company in 1986 as a National Accounts Manager and currently serves as Executive Vice President and President of Intermodal. Prior to joining the Company, he worked as a National Accounts Manager for North American Van Lines.

Eric McGee, 45, joined the Company in 1998 as a National Account Service Monitor and currently serves as Executive Vice President of Highway Services.

David G. Mee, 58, joined the Company in 1992 as Vice President Tax and currently serves as Executive Vice President of Finance and Administration and Chief Financial Officer. Prior to joining the Company, he was a Senior Tax Manager for KPMG LLP. Mr. Mee is a Certified Public Accountant.

Stuart Scott, 52, joined the Company in 2016 as Executive Vice President and Chief Information Officer. Prior to joining the Company, he served as Chief Information Officer (CIO) at Tempur-Sealy International, CIO at Microsoft, and CIO for various General Electric businesses.

Shelley Simpson, 47, joined the Company in 1994 as a Management Trainee and currently serves as Executive Vice President, Chief Commercial Officer, and President of Highway Services.

Security Ownership of Management

The following table sets forth the beneficial ownership of the Company's common stock as of February 12, 2019, by each of its current directors (including all nominees for director), the Named Executive Officers (the NEOs), and all other executive officers and directors as a group. Unless otherwise indicated in the footnotes below, "beneficially owned" means the sole or shared power to vote or direct the voting of a security or the sole or shared power to dispose or direct the disposition of a security.

Owner	Number of Shares Beneficially Owned Directly ⁽¹⁾	Number of Shares Beneficially Owned Indirectly ⁽²⁾	Percent of Class (%) ⁽³⁾
Douglas G. Duncan	10,828	2,600	*
Francesca M. Edwardson	18,392	—	*
Wayne Garrison	1,650,000	51,503	1.6
Sharilyn S. Gasaway	20,426	275	*
Gary C. George	36,158	1,072,077 ⁽⁴⁾	1.0
Nicholas Hobbs	83,717	168	*
Bryan Hunt	70,697	—	*
Terrence D. Matthews	80,181	38,842	*
David G. Mee	117,206	500	*
Coleman H. Peterson	38,173	—	*
John N. Roberts, III	300,165	—	*
James L. Robo	—	43,295	*
Shelley Simpson	86,060	46,228	*
Kirk Thompson	40,559	—	*
All executive officers and directors as a group (22)	2,684,230	1,261,970	3.6

*Less than 1 percent

Security Ownership of Management

- (1) Includes shares owned by the director or executive officer that are:
- (a) held in a 401(k) or deferred compensation account
 - (b) held in trusts for the benefit of an immediate family member for which the director or executive officer is the trustee
 - (c) pledged shares as shown below:

Bryan Hunt	68,469
David G. Mee	79,650
John N. Roberts, III	160,000
Kirk Thompson	30,000
All executive officers and directors as a group	351,794

- (2) Indirect beneficial ownership includes shares owned by the director or executive officer:
- (a) as beneficiary or trustee of a personal trust
 - (b) by a spouse or as trustee or beneficiary of a spouse's trust
 - (c) held in trusts for the benefit of an immediate family member for which the director or executive officer's spouse is the trustee
 - (d) in a spouse's retirement account
- (3) Calculated on the basis of 108,738,788 shares of common stock outstanding of the Company on February 12, 2019.
- (4) The reporting person disclaims beneficial ownership of these shares, which are held in limited partnerships or trusts. This report shall not be deemed an admission that the reporting person is the beneficial owner of such securities for the purposes of Section 16 or for any other purposes. Includes 4,690 shares currently pledged by the reporting person.

Corporate Governance

We believe that good corporate governance helps to ensure that the Company is managed for the long-term benefit of our stockholders. We continually review and consider our corporate governance policies and practices, the SEC's corporate governance rules and regulations, and the corporate governance listing standards of NASDAQ, the stock exchange on which our common stock is traded. Key corporate governance principles observed by the Board and Company include:

- maintaining a Board composed of a majority of directors who satisfy the criteria for independence under the NASDAQ listing standards,
- establishment of the position of Independent Lead Director,
- utilization of independent director executive session meetings,
- requiring that all committees of the Board be comprised solely of independent directors,
- establishment of formal charters outlining the purpose, composition, and responsibility of each committee of the Board,
- granting authority to all committees of the Board to retain outside, independent advisors and consultants as needed,
- establishment of qualification guidelines for director nominees,
- continual evaluation of current director performance and qualifications,
- limitation and preapproval of director membership on other corporate boards,
- maintaining Board diversity in both gender and ethnic representation,
- review the Company's plan for succession of management,
- adoption of a formal Director Attendance Policy, and
- adoption of a formal Code of Ethical and Professional Standards applicable to all directors, officers and employees of the Company.

You can access and print the Charters of our Audit Committee, Executive Compensation Committee (Compensation Committee), and Nominating and Corporate Governance Committee (Corporate Governance Committee), as well as our Corporate Code of Ethical and Professional Standards for Directors, Officers and Employees, Whistleblower Policy, and other Company policies and procedures required by applicable law, regulation or NASDAQ corporate governance listing standards on the "Corporate Governance" page of the "Investors" section of our website at jbhunt.com. Additionally, you can request copies of any of these documents by writing to our Corporate Secretary at the following address:

J.B. Hunt Transport Services, Inc.
Attention: Corporate Secretary
615 J.B. Hunt Corporate Drive
Lowell, Arkansas 72745

Director Independence

The Board is composed of a majority of directors who satisfy the criteria for independence under the NASDAQ corporate governance listing standards. In determining independence, each year the Board affirmatively determines, among other items, whether the directors have no material relationship with the Company or any of its subsidiaries pursuant to the NASDAQ corporate governance listing standards. When assessing the “materiality” of a director’s relationship with the Company, if any, the Board considers all relevant facts and circumstances, not merely from the director’s standpoint, but from that of the persons or organizations with which the director has an affiliation and the frequency or regularity of the services, whether the services are being carried out at arm’s length in the ordinary course of business, and whether the services are being provided substantially on the same terms to the Company as those prevailing at the time from unrelated parties for comparable transactions. Material relationships can include commercial, banking, industrial, consulting, legal, accounting, charitable and familial relationships. The Board also considers any other relationship that could interfere with the exercise of independence or judgment in carrying out the duties of a director.

Applying these independence standards, the Board has determined that Douglas G. Duncan, Francesca M. Edwardson, Sharilyn S. Gasaway, Gary C. George, Coleman H. Peterson, and James L. Robo are all independent directors. After due consideration, the Board has determined that none of these nonemployee directors have a material relationship with the Company or any of its subsidiaries (either directly or indirectly as a partner, stockholder or officer of any organization that has a relationship with the Company or any of its subsidiaries) and that they all meet the criteria for independence under the NASDAQ corporate governance listing standards.

Risk Management and Oversight

As previously described in their biographies, current members of our Board represent diverse backgrounds of business and academic experience. The Board, as a whole, performs the risk oversight of the Company and does not assign the task or responsibility to any one member or a committee. Therefore, the Board believes that the members each possess unique yet complementary experiences and backgrounds that create diverse points of view, opinions, personalities and management styles that allow for the proper risk management and oversight of the Company.

Independent Lead Director

The Board has established the position of Independent Lead Director, to which James L. Robo was appointed. The Independent Lead Director directs the executive sessions of independent directors at the Board meetings at which the Chairman is not present and has authority to call meetings of independent directors. The Independent Lead Director facilitates communication between the Chairman, the CEO and the independent directors, as appropriate, and performs such other functions as the Board directs.

Independent Director Meetings

Independent directors generally meet in executive session as part of each regularly scheduled Board meeting, with discussion led by the Independent Lead Director.

Director Recommendations by Stockholders

In addition to recommendations from Board members, management or professional search firms, the Corporate Governance Committee will consider director candidates properly submitted by stockholders who individually or as a group have beneficially owned at least 2% of the outstanding shares of the Company’s common stock for at least one year from the date the recommendation is submitted. Stockholders must submit director candidate recommendations in writing by Certified Mail to the Company’s Corporate Secretary not less than 120 days prior to the first anniversary of the date of the Proxy Statement relating to the Company’s previous Annual Meeting.

Corporate Governance

Accordingly, for the 2020 Annual Meeting of Stockholders, director candidates must be submitted to the Company's Corporate Secretary by November 9, 2019. Director candidates submitted by stockholders must contain at least the following information:

- the name and address of the recommending stockholder,
- the number of shares of the Company's common stock beneficially owned by the recommending stockholder and the dates such shares were purchased,
- the name, age, business address and residence of the candidate,
- the principal occupation or employment of the candidate for the past five years,
- a description of the candidate's qualifications to serve as a director, including financial expertise and why the candidate does or does not qualify as "independent" under the NASDAQ corporate governance listing standards,
- the number of shares of the Company's common stock beneficially owned by the candidate, if any, and
- a description of the arrangements or understandings between the recommending stockholder and the candidate, if any, or any other person pursuant to which the recommending stockholder is making the recommendation.

In addition, the recommending stockholder and the candidate must submit, with the recommendation, a signed statement agreeing and acknowledging that:

- the candidate consents to being a director candidate and, if nominated and elected, he or she will serve as a director representing all of the Company's stockholders in accordance with applicable laws and the Company's Articles of Incorporation and Bylaws,
- the candidate, if elected, will comply with the Company's corporate governance guidelines and any other applicable rule, regulation, policy or standard of conduct applicable to the Board and its individual members,
- the recommending stockholder will maintain beneficial ownership of at least 2% of the Company's issued and outstanding common stock through the date of the Annual Meeting for which the candidate is being recommended for nomination and that, upon the candidate's nomination and election to the Board, the recommending stockholder intends to maintain such ownership throughout the candidate's term as director, and
- the recommending stockholder and the candidate will promptly provide any additional information requested by the Corporate Governance Committee and/or the Board to assist in the consideration of the candidate, including a completed and signed Questionnaire for Directors and Officers on the Company's standard form and an interview with the Corporate Governance Committee or its representative.

For a complete list of the information that must be included in director recommendations submitted by stockholders, please see the "Director Recommendations by Stockholders Policy" on the "Corporate Governance" page of the "Investors" section of our website at jbhunt.com. The Corporate Governance Committee will consider all director candidates submitted through its established processes and will evaluate each of them, including incumbents, based on the same criteria. However, the Corporate Governance Committee may prefer incumbent directors and director candidates whom they know personally or who have relevant industry experience and in-depth knowledge of the Company's business and operations.

The policies and procedures as set forth above are intended to provide flexible guidelines for the effective functioning of the Company's director nomination process. The Board intends to review these policies and procedures periodically and anticipates that modifications may be necessary from time to time as the Company's needs and circumstances change.

Board Composition and Director Qualifications

The Corporate Governance Committee periodically assesses the appropriate size and composition of the Board and whether any vacancies on the Board are expected. In the event that vacancies are anticipated or otherwise arise, the Corporate Governance Committee will review and assess potential director candidates. The Corporate Governance Committee utilizes various methods for identifying and evaluating candidates for director. Candidates may come to the attention of the Corporate Governance Committee through recommendations of Board members, management, stockholders or professional search firms. Generally, director candidates should, at a minimum:

- possess relevant business and financial expertise and experience, including a basic understanding of fundamental financial statements,
- have exemplary character and integrity and be willing to work constructively with others,
- have sufficient time to devote to Board meetings and consultation on Board matters, and
- be free from conflicts of interest that violate applicable law or interfere with director performance.

In addition, the Corporate Governance Committee seeks director candidates who possess the following qualities and skills:

- the capacity and desire to represent the interests of the Company's stockholders as a whole,
- occupational experience and perspective that, together with other directors, enhances the quality of the Board,
- leadership experience and sound business judgment,
- accomplishments in their respective field, with superior credentials and recognition,
- knowledge of the critical aspects of the Company's business and operations, and
- the ability to contribute to the mix of skills, core competencies and qualifications of the Board through expertise in one or more of the following areas:
 - accounting and finance
 - mergers and acquisitions
 - investment management
 - law
 - academia
 - strategic planning
 - investor relations
 - executive leadership development
 - executive compensation
 - service as a senior officer of, or a trusted adviser to senior management of, a publicly held company.

The independent members of the Board each possess the general skills, experience, attributes and qualifications that make them a proper fit for the Company's Board as described above. Specific strengths and qualities possessed by each member that makes him or her eligible to serve on the Company's Board include:

Douglas G. Duncan – 30 years of experience in the transportation industry

Francesca M. Edwardson – business experience in the transportation industry, law, human resources, and corporate governance

Sharilyn S. Gasaway – accounting, finance, mergers and acquisitions, and regulatory experience

Gary C. George – business experience related to managing a diversified business headquartered in Springdale, Arkansas

Coleman H. Peterson – human resource experience with a large international workforce, corporate governance, and retail experience

James L. Robo – financial expertise, leadership experience, and business experience related to equipment and the transportation industry

Messrs. Garrison, Hunt, Roberts and Thompson, as nonindependent directors, have extensive work experience and history with the Company from its origins, which the Board believes is critical to its composition.

Overboarding

To further facilitate each director's ability to effectively serve as a member of the Board, each director is limited to serving on no more than four boards of directors of publicly held companies in total, including that of the Company. In addition, a director is required to obtain Board approval prior to joining the board of another publicly held company, which allows the Board to exercise its judgment regarding various considerations and potential conflicts of interest.

Board Diversity

As indicated by the criteria above, the Board prefers a mix of background and experience among its members. Furthermore, the Board is diverse both in gender and ethnic representation, with 30% of our current members reflecting female or minority demographics. The Board does not follow any ratio or formula to determine the appropriate mix. Rather, it uses its judgment to identify nominees whose backgrounds, attributes and experiences, taken as a whole, will contribute to the high standards of Board service to the Company. The effectiveness of this approach is evidenced by the directors' participation in insightful and robust yet mutually respectful deliberation that occurs at Board and Committee meetings.

Board Leadership Structure

The Company split the titles, roles and responsibilities of the Chairman of the Board and Chief Executive Officer in 1985. The Company and the Board believe that, while the duties may be performed by the same person without consequence to either Company operations or stockholders' interest, separation of duties allows the Chairman to focus more on active participation by the Board and oversight of management, while the Chief Executive Officer is better able to focus on day-to-day operations of the Company.

Communications With The Board

Stockholders and other interested parties may communicate with the Board, Board Committees, the independent or the nonmanagement directors, each as a group or any director individually by submitting their communications in writing to the attention of the Company's Corporate Secretary. All communications must identify the recipient and author, state whether the author is a stockholder of the Company, and be forwarded to the following address via Certified Mail:

J.B. Hunt Transport Services, Inc.
Attention: Corporate Secretary
615 J.B. Hunt Corporate Drive
Lowell, Arkansas 72745

The directors of the Company have instructed the Corporate Secretary not to forward to the intended recipient any communications that are reasonably determined in good faith by the Corporate Secretary to relate to improper or irrelevant topics or that are substantially incomplete.

Board Meetings

The Board held four scheduled meetings during the 2018 calendar year. All directors attended at least 75% of the aggregate of the Board meetings and committee meetings on which each served during 2018. All members of the Board attended the 2018 Annual Meeting of Stockholders. The Company has adopted a Director Attendance Policy to stress the importance of attendance, director preparedness, and active and effective participation at Board and Board Committee meetings.

Board Committees

Standing committees of the Board include the Audit, Executive Compensation, and Nominating and Corporate Governance committees. Committee members are elected annually by the Board and serve until their successors are elected and qualified or until their earlier death, retirement, resignation or removal.

The following table summarizes the membership of the Board and each of its committees and the number of times each met during calendar year 2018:

Director	Audit	Compensation	Corporate Governance
Douglas G. Duncan	X		X
Francesca M. Edwardson		X	X
Sharilyn S. Gasaway	X	X	X
Gary C. George		X	Chair
Coleman H. Peterson		Chair	X
James L. Robo	Chair		X
Number of Meetings in 2018	8	3	3

On January 23, 2019, the Corporate Governance Committee recommended, and the Board approved, the same committee assignments as 2018 for 2019.

AUDIT COMMITTEE

Under the terms of its charter, the Audit Committee represents and assists the Board in fulfilling its oversight responsibility relating to the integrity of the Company's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the internal audit function, the annual independent audit of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the independent auditor's qualifications and independence, the performance of the Company's internal audit function, and the performance of its independent auditors.

In fulfilling its duties, the Audit Committee, among other things, shall:

- appoint, terminate, retain, compensate and oversee the work of the independent registered public accounting firm,
- preapprove all services provided by the independent registered public accounting firm,
- oversee the performance of the Company's internal audit function,
- review the qualifications, performance and independence of the independent registered public accounting firm,
- review external and internal audit reports and management's responses thereto,
- monitor the integrity of the financial reporting process, system of internal accounting controls, and financial statements and reports of the Company,
- oversee the Company's compliance with legal and regulatory requirements,
- review the Company's annual and quarterly financial statements, including disclosures made in "Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth in periodic reports filed with the SEC,
- discuss with management earnings news releases,
- meet with management, the internal auditors, the independent auditors and the Board,
- provide the Board with information and materials as it deems necessary to make the Board aware of significant financial accounting and internal control matters of the Company,
- oversee the receipt, investigation, resolution and retention of all complaints of a financial nature submitted under the Company's Whistleblower Policy, and
- otherwise comply with its responsibilities and duties as set forth in the Company's Audit Committee Charter.

The Board has determined that each member of the Audit Committee satisfies the independence and other requirements for audit committee membership of the NASDAQ corporate governance listing standards and SEC requirements. The Board has also determined that all members of the Audit Committee have the attributes of an audit committee financial expert as defined by the SEC. The Board determined that these members acquired such attributes through their experience in preparing, auditing, analyzing or evaluating financial statements, or actively supervising one or more persons engaged in such activities, and their experience of overseeing or assessing the performance of companies and public accountants with respect to preparation, auditing or evaluation of financial statements. For additional information concerning the Audit Committee, see "Report of the Audit Committee" set forth below.

EXECUTIVE COMPENSATION COMMITTEE

The Executive Compensation Committee (the Compensation Committee) shall:

- determine and approve base salary compensation of the Company's senior executive officers,
- determine and approve annual equity-based awards for the Company's "insiders" as defined in Section 16 of the Securities Exchange Act of 1934, with the exception of the Chairman of the Board and the Chief Executive Officer,
- evaluate and recommend to the independent members of the Board for their approval base salary and annual equity-based awards for the Chairman of the Board and the Chief Executive Officer,
- review and approve the annual performance goals and objectives of the Company's senior executive officers, including the Chief Executive Officer,
- establish and certify the achievement of performance goals,
- oversee the Company's incentive compensation and equity-based compensation plans,
- assess the adequacy and competitiveness of the Company's executive and director compensation programs,
- review and discuss with management the Compensation Discussion and Analysis (CD&A) and recommend whether such analysis should be included in the Proxy Statement filed with the SEC,
- produce an Annual Report on executive compensation for inclusion in the Company's Proxy Statement,
- review and approve any employment agreements, severance agreements or arrangements, retirement arrangements, change in control agreements/provisions, and any special or supplemental benefits for each officer of the Company,
- approve, disapprove, modify or amend any non-equity compensation plans designed and intended to provide compensation primarily for officers,
- make recommendations to the Board regarding adoption of equity-based compensation plans,
- administer, modify or amend equity-based compensation plans,
- monitor the diversity of the Company's workforce, and
- otherwise comply with its responsibilities and duties as set forth in the Company's Compensation Committee Charter.

None of the individuals serving on the Compensation Committee has ever been an officer or employee of the Company. The Board has determined that all members of the Compensation Committee satisfy the independence requirements of the NASDAQ corporate governance listing standards. All members of the Compensation Committee qualify as "nonemployee directors" for purposes of Rule 16b-3 of the Exchange Act and as "outside directors" for purposes of Section 162(m) of the Internal Revenue Code, as amended.

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

The Nominating and Corporate Governance Committee (the Corporate Governance Committee) shall:

- annually review the Company's corporate governance guidelines and policies,
- assist the Board in identifying, screening and recruiting qualified individuals to become Board members,
- propose nominations for Board membership and committee membership,
- assess the composition of the Board and its committees,
- oversee the performance of the Board and committees thereof,
- review the Company's plan for succession of management,
- oversee the Company's strategies addressing environmental and social issues,
- review and approve all related-party transactions (as required by law, NASDAQ rules, or SEC regulations), and
- otherwise comply with its responsibilities and duties as set forth in the Company's Corporate Governance Committee Charter.

The Board has determined that all members of the Corporate Governance Committee satisfy the independence requirements of the NASDAQ corporate governance listing standards.

Code of Business Conduct and Ethics

The Board has adopted a Corporate Code of Ethical and Professional Standards for Directors, Officers and Employees (the Code of Ethics) that applies to all of the Company's directors, officers and employees. The purpose and role of this Code of Ethics is to focus our directors, officers and employees on areas of ethical risk, provide guidance to help them recognize and deal with ethical issues, provide mechanisms to report unethical or unlawful conduct, and help enhance and formalize our culture of integrity, honesty and accountability. As required by applicable law, the Company will post on the "Corporate Governance" page of the "Investors" section of its website at jbhunt.com any amendments or waivers of any provision of this Code of Ethics made for the benefit of executive officers or directors of the Company.

Corporate Governance Guidelines

The Board has adopted corporate governance guidelines and policies to assist it in exercising its responsibilities to the Company and its stockholders. These guidelines address, among other items, director qualifications and responsibilities, Board Committees and nonemployee director compensation.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires each director, officer and any individual beneficially owning more than 10% of the Company's common stock to file with the SEC reports of security ownership and reports on subsequent changes in ownership. These reports are generally due within two business days of the transaction giving rise to the reporting obligation.

To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, all Section 16(a) filings were made in a timely manner, with the exception of Wayne Garrison and Darren Field, each who had one late filing to report the sale of shares and Kirk Thompson, who had one late filing to report the purchase of shares through the reinvestment of cash dividends paid.

Certain Relationships and Related Transactions

The Corporate Governance Committee is charged with the responsibility of reviewing and preapproving all related-party transactions (as defined in SEC regulations) and periodically reassessing any related-party transaction entered into by the Company. The Committee does not currently have any formal policy or procedures with respect to its review and approval of related-party transactions, but considers each such transaction or proposed transaction on a case-by-case basis.

Bryan Hunt, one of our current directors, is the son of Johnelle Hunt, a principal stockholder of the Company.

Two sons-in-law of Kirk Thompson, Chairman of the Board of the Company, were employed by the Company in calendar year 2018. The first earned \$402,431 and the second earned \$308,339 in 2018 compensation. Shelley Simpson's husband was employed by the Company in calendar year 2018 and earned \$395,727 in 2018 compensation. Jennifer R. Boattini's husband was employed by the Company in calendar year 2018 and earned \$318,216 in 2018 compensation.

In the ordinary course of business, the Company has entered into a Dedicated Contract Services® agreement with George's, Inc., which is considered a related party. The customer agreements consist primarily of fleets of tractors and specialty trailers delivering feed and live poultry to and from plants located in Cassville, Missouri; Edinburg, Virginia; Harrisonburg, Virginia; and Mt. Jackson, Virginia, as well as other agreed-upon services on an as-needed basis. Gary C. George is Chairman of George's, Inc. Mr. George was not involved in the establishment of these service agreements, nor did he solicit the Company's services on behalf of George's, Inc. Total revenue earned in calendar year 2018 under these service agreements was \$11.9 million. Services provided under these contracts are and will be carried out at arm's length in the ordinary course of business and are being provided substantially on the same terms as those of unrelated parties for comparable transactions.

In March 2017, the Company made a gift of \$2.75 million to the University of Arkansas. The gift is payable in varying increments over a five-year period beginning in calendar year 2017. Both John N. Roberts, III and Shelley Simpson are members of the Dean's Executive Advisory Board for the Sam M. Walton College of Business at the University of Arkansas. Mr. Roberts and Ms. Simpson did not solicit the contribution on behalf of the organization.

In May 2018 and August 2018, the Company made gifts of \$2,000 and \$150,000, respectively, to Seven Hills Homeless Center. David G. Mee is a board member of the organization. Mr. Mee did not solicit this contribution on behalf of the organization.

In December 2018, the Company made a gift of \$2.5 million to Mercy Health Foundation NWA. The gift is payable in equal increments over a five-year period beginning in calendar year 2018. Shelley Simpson is a member of the board of directors of Mercy Health Northwest Arkansas. Mrs. Simpson did not solicit the contribution on behalf of the organization.

Compensation Committee Interlocks and Insider Participation

During the 2018 calendar year, none of the Company's executive officers served on the Board of Directors or Compensation Committees of any entity whose directors or officers served on the Company's Board or Compensation Committee. No current or past executive officers or employees of the Company served on the Compensation Committee.

Principal Stockholders of the Company

The following table sets forth all persons known to be the beneficial owner of more than 5% of the Company's common stock as of December 31, 2018. Unless otherwise indicated in the footnotes below, "beneficially owned" means the sole or shared power to vote or direct the voting of a security or the sole or shared power to dispose or direct the disposition of a security.

Name and Address	Number of Shares	Percent of Class
Johnelle Hunt ⁽¹⁾ 3333 Pinnacle Hills Parkway Rogers, AR 72756	18,326,686	16.9 %
Vanguard Group, Inc. ⁽²⁾ 100 Vanguard Blvd. Malvern, PA 19355	9,995,702	9.2 %
Capital Research Global Investors ⁽³⁾ 333 South Hope Street Los Angeles, CA 90071	9,883,063	9.0 %
BlackRock, Inc. ⁽⁴⁾ 55 East 52nd Street New York, NY 10055	6,194,877	5.7 %

(1) Based on the stockholder's Form 5, filed with the SEC on February 13, 2019.

(2) Based on the most recent SEC filing by Vanguard Group, Inc. on Schedule 13G/A dated February 11, 2019. Of the total shares shown, the nature of beneficial ownership is as follows: sole voting power, 107,033 shares; shared voting power, 16,729 shares; sole dispositive power, 9,875,308 shares; and shared dispositive power, 120,394 shares. The Company makes no representation as to the accuracy of the information reported in such beneficial ownership reports.

(3) Based on the most recent SEC filing by Capital Research Global Investors on Schedule 13G dated February 14, 2019. Of the total shares shown, the nature of beneficial ownership is as follows: sole voting power, 9,883,063 shares; shared voting power, zero shares; sole dispositive power, 9,883,063 shares; and shared dispositive power, zero shares. The Company makes no representation as to the accuracy of the information reported in such beneficial ownership reports.

(4) Based on the most recent SEC filing by BlackRock, Inc. on Schedule 13G/A dated February 6, 2019. Of the total shares shown, the nature of beneficial ownership is as follows: sole voting power, 5,401,638 shares; shared voting power, zero shares; sole dispositive power, 6,194,877 shares; and shared dispositive power, zero shares. The Company makes no representation as to the accuracy of the information reported in such beneficial ownership reports.

Executive Compensation

REPORT OF THE EXECUTIVE COMPENSATION COMMITTEE

The 2018 Executive Compensation Committee (the Compensation Committee) was composed of Coleman H. Peterson, Chairman, Francesca M. Edwardson, Sharilyn S. Gasaway, and Gary C. George, none of whom is an officer or employee of the Company and all of whom have been determined by the Board of Directors of the Company (the Board) to be independent. Additionally, all members of the Compensation Committee qualify as “nonemployee directors” for purposes of Rule 16b-3 of the Exchange Act and as “outside directors” for purposes of Section 162(m) of the Internal Revenue Code, as amended (the Code).

The Compensation Committee operates under a written charter adopted by the Board, a copy of which is available on the “Corporate Governance” page of the “Investors” section of the Company’s website at jbhunt.com. In carrying out its responsibilities, the Compensation Committee, among other things:

- evaluates and recommends to the independent Board members, for their approval, the annual salaries and bonuses of the Chairman of the Board and the Chief Executive Officer,
- reviews and approves annual corporate goals and objectives of the Chairman of the Board and the Chief Executive Officer and other Section 16 reporting officers,
- recommends for approval to the independent Board members equity-based compensation awards under the Company’s Management Incentive Plan (the MIP), as amended and restated, for the Chairman of the Board and the Chief Executive Officer,
- reviews and approves equity-based compensation awards under the Company’s MIP, as amended and restated, for the Section 16 reporting officers,
- establishes and certifies the achievement of performance goals under the Company’s incentive and performance-based compensation plans,
- reviews and approves compensation recommendations for the Company’s directors,
- reviews other Company executive compensation programs, and
- reviews and approves the Compensation Committee report to the stockholders and the Compensation Discussion and Analysis (the CD&A) report included in the Proxy Statement.

The Chairman of the Board recommends to the Compensation Committee the form and amount of compensation to be paid to the Chief Executive Officer. The Chief Executive Officer provides recommendations to the Compensation Committee regarding the form and amount of compensation to be paid to executive officers who report directly to him. Additionally, the Chairman of the Board, the Chief Executive Officer and the Chief Financial Officer regularly attend Compensation Committee meetings, except for executive sessions. Upon request, management has provided to the Compensation Committee historical and prospective breakdowns of primary compensation components for each executive officer, wealth accumulation analyses and internal pay equity analyses as described in more detail below.

At our 2018 Annual Meeting, the stockholders approved, on an advisory basis, the compensation of the named executive officers (98.9% of votes cast). The Compensation Committee believes this level of stockholder support reflects a strong endorsement of the Company’s compensation policies and decisions. The Compensation Committee has considered the results of the last advisory vote on executive compensation in determining the Company’s compensation policies and decisions for 2019, and has determined that these policies and decisions are appropriate and in the best interests of the Company and its stockholders at this time. In addition, at our 2017 Annual Meeting, the stockholders voted for approval of a frequency of holding advisory votes every year with

Executive Compensation

respect to named executive officer compensation (93.4% of votes cast). Accordingly, an advisory vote on executive compensation has been included as Proposal Number Two within this Proxy Statement.

In 2018, the Compensation Committee engaged Meridian Compensation Partners, LLC (Meridian) to review the Company's executive compensation policies and practices. Meridian was also directed to assist with the development of a comparable peer group for executive compensation purposes and to benchmark compensation levels for the NEOs. Meridian is retained by, and reports to, the Compensation Committee to provide compensation analyses and consultation at the Committee's request.

The Compensation Committee met three times in 2018 to discuss, among other items, the salaries, bonuses and other compensation of the senior executive officers and other key employees of the Company, including the Chairman of the Board and the Chief Executive Officer. The Compensation Committee did not act by unanimous consent at any time in 2018.

Historically, the Compensation Committee meets during the first quarter to finalize discussion regarding the Company's performance goals for the previous and current year with respect to performance-based compensation to be paid to executive officers and to approve its report for the Proxy Statement. These goals are approved within 90 days of the beginning of the year, pursuant to the Code. In addition, during this and other regularly scheduled meetings throughout the year, the Compensation Committee meets to:

- discusses any new compensation issues,
- review base compensation, bonus and MIP award analyses,
- approve the engagement of the compensation consultant for annual executive and director compensation surveys,
- review and discuss information provided by the compensation consultant and the recommendations made by the Chairman of the Board and the Chief Executive Officer,
- review the performance of the Company and the individual officers,
- approve short-term cash bonus and long-term incentive awards, and
- determine executives' base salaries.

Management also advises the full Board, including the Compensation Committee members, throughout the year of any new issues and developments regarding executive compensation.

The Compensation Committee has reviewed and discussed the following CD&A with management, and based upon such review and discussions, the Compensation Committee recommended to the Board that the CD&A be included in the Company's Proxy Statement.

J.B. Hunt Transport Services, Inc.
2018 Executive Compensation Committee
Coleman H. Peterson, Chairman
Francesca M. Edwardson
Sharilyn S. Gasaway
Gary C. George

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

The Compensation Discussion and Analysis provides information regarding the compensation paid to our President and Chief Executive Officer, Chief Financial Officer and certain other executive officers who were the most highly compensated in calendar year 2018. These individuals, referred to collectively as “named executive officers” or NEOs, are identified below:

- **John N. Roberts, III** – President and Chief Executive Officer
- **David G. Mee** – Executive Vice President, Finance/Administration, Chief Financial Officer
- **Shelley Simpson** – Executive Vice President, Chief Commercial Officer and President of Highway Services
- **Nicholas Hobbs** – Executive Vice President and President of Dedicated Contract Services
- **Terrence D. Matthews** – Executive Vice President and President of Intermodal

Compensation Philosophy and Principles

The Compensation Committee acknowledges that the transportation industry is highly competitive and that experienced professionals have career mobility. The Company believes that it competes for executive talent with a large number of companies, some of which have significantly larger market capitalizations and others of which are privately owned. Retention of key talent remains critical to our success. The Company's need to focus on retention is compounded by its size and geographic location. The Company's compensation program is structured to attract, retain and develop executive talent with the ability to assume a broad span of responsibilities and successfully lead complex business units to market-leading positions in the industry. The Compensation Committee believes that the ability to attract, retain and provide appropriate incentives for professional personnel, including the senior executive officers and other key employees of the Company, is essential to maintaining the Company's leading competitive position, thereby providing for the long-term success of the Company. The Compensation Committee's goal is to maintain compensation programs that are competitive within the transportation industry. Each year, the Compensation Committee reviews the executive compensation program with respect to external competitiveness and linkage between executive compensation and creation of stockholder value and determines what changes, if any, are appropriate.

The overall compensation philosophy of the Compensation Committee and management is guided by the following principles:

- *Compensation levels should be sufficiently competitive to attract and retain key talent.* The Company aims to attract, motivate and retain high-performance talent to achieve and maintain a leading position in our industry. Our total compensation package should be strongly competitive with other transportation and logistics companies.
- *Compensation should relate directly to performance and responsibility.* Total compensation should be tied to and vary with performance and responsibility, both at the Company and individual level, in achieving financial, operational and strategic objectives. Differentiated pay for high-performing individuals should be proportional to their contributions to the Company's success.
- *Short-term incentive compensation should constitute a significant portion of total executive compensation.* A large portion of total compensation should be tied to performance, and therefore at risk, as position and responsibility increase. Individuals with greater roles and the ability to directly impact strategic direction and long-term results should bear a greater proportion of the risk.

Executive Compensation

- *Long-term incentive compensation, the Company's Management Incentive Plan (the MIP), should be closely aligned with stockholders' interests. Awards of long-term compensation encourage executive officers to focus on the Company's long-range growth and development and incent them to manage from the perspective of stockholders with a meaningful stake in the Company, as well as to focus on long-term career orientation. Participants in the MIP are required to own Company stock. The requirements are discussed in this CD&A under the caption "Stock Ownership Guidelines."*

The Company's executive compensation program is designed to reward the achievement of initiatives regarding growth, productivity and people, including:

- setting, implementing and communicating strategies, goals and objectives to ensure that the Company grows revenue and earnings at rates that are comparable to or greater than those of our peers and that create value for our stockholders,
- motivating and exhibiting leadership that aligns the interests of our employees with those of our stockholders,
- developing a grasp of the competitive environment and taking steps to position the Company for growth and as a competitive force in the industry,
- constantly renewing the Company's business model and seeking strategic opportunities that benefit the Company and its stockholders, and
- implementing a discipline of compliance and focusing on the highest standards of professional conduct.

PROCESS OF SETTING COMPENSATION

Benchmarking Against a Peer Group

The Compensation Committee engaged Meridian to perform a competitive market assessment for the NEOs to evaluate base salary, target annual incentives, target total cash compensation, long-term incentives and total direct compensation.

The assessment involved the use of a peer group, as noted below, consisting of 14 transportation and logistics companies in the national marketplace. This peer group was updated in 2017 to further include companies of comparable size, complexity of operations, or similar customer base. These companies represent both business competition and the most relevant labor market for our executives.

CH Robinson Worldwide, Inc.	CSX Corporation	Expeditors Int'l of Washington, Inc.
Hub Group, Inc.	Kansas City Southern	Knight-Swift Transportation Holdings, Inc.
Norfolk Southern Corporation	Old Dominion Freight Line, Inc.	Republic Services Inc.
Ryder System, Inc.	Schneider National Inc.	Stericycle Inc.
Waste Management Inc.	XPO Logistics Inc.	

For 2018, Swift Transportation Company was replaced by Knight-Swift Transportation Holdings, Inc. as a result of a corporate merger. No other changes were made to the peer group in 2018.

Executive Compensation

Compensation Analysis Tools

In addition to the competitive compensation survey information for each officer that was compiled, the Compensation Committee also reviewed historical executive compensation. The Compensation Committee anticipates that pertinent compensation information will continue to be developed and enhanced to allow the Committee to perform the most relevant analyses practicable.

Our objective for total executive compensation is to target a competitive range around the 50th percentile of the peer group. We believe that a sizeable portion of overall compensation should be at risk and tied to stockholder value. Historically, our bonuses have been tied to operating income, earnings before taxes (EBT), revenue, earnings per share (EPS), or other identified metrics. As these items increase, so do executive bonuses. Long-term incentives are used as tools to reward executives for current and future performance, to encourage an executive to remain with the Company and to align the executive's interests with those of our stockholders. As part of our long-term incentive strategy, executives are expected to maintain stock ownership values as a multiple of their base salaries. Long-term incentives for NEOs are performance-based. While certain components of compensation are directly tied to the Company's reported financial performance, sufficient accounting and operational controls are in place and tested effectively to ensure that the Company's compensation practices and policies, including those for nonexecutives, are not reasonably likely to have a material adverse effect on the Company.

Our Company has a 401(k) plan that assists participants in providing for retirement. The Company contributes to each NEO's account per year based on the NEO's voluntary contribution amount. The equity buildup in invested equity-based awards and stock owned currently is critical to each executive's ability to adequately provide for his or her retirement. As previously mentioned and explained in detail later, we have a Company stock ownership policy for our executives, but we do not have a "hold until retirement" restriction. We do not believe that such a restriction is prudent for the employee or necessary to protect our Company.

Long-Term Compensation Analyses and Policies

With respect to long-term, equity-based awards, the Company maintains the MIP. The MIP was originally adopted and approved by the Board on March 17, 1989, and an amended and restated MIP was subsequently approved by the stockholders on May 11, 1995. The MIP has been amended and restated since the time of its adoption, and all amendments requiring approval of the stockholders have been approved, with the last approval occurring at our Annual Meeting of Stockholders held in 2017. Currently, there are 44 million shares of common stock authorized for issuance under the MIP, of which approximately 6.3 million shares are available for future equity-based awards.

Performance-based restricted share units, time-vested restricted share units and stock options of the Company may be granted under the MIP in an effort to link future compensation to the long-term financial success of the Company. These equity-based awards are granted to executive officers, including the NEOs, and other key employees and are intended to attract and retain employees, to provide incentives to enhance job performance, and to enable those persons to participate in the long-term success and growth of the Company through an equity interest in the Company.

The Compensation Committee typically grants performance-based restricted share units to the NEOs of the Company. Each grant typically vests ratably over five years based on service and performance conditions. Each portion that vests in a particular year, or each tranche, of performance-based awards is contingent on the Company's attainment of predetermined performance metrics established by the Compensation Committee. Historically, the Compensation Committee has set operating income targets for each tranche of performance-based restricted share units granted to NEOs. Therefore, while an NEO may receive a grant that vests over a period of years, the operating income performance metric must be met for each tranche in order for the NEO to receive the full value of grant.

Executive Compensation

Failure to meet the operating income metric for any tranche would cause that portion of the total grant to be forfeited by the NEO. The Compensation Committee believes that performance-based restricted share units are currently more effective than stock options in achieving the Company's compensation objectives, as these grants are subject to less market volatility and are less dilutive to stockholders. NEOs realize immediate value as restricted share units vest, with such value increasing as the Company's stock performance increases. Cash dividends are not paid and there are no voting rights on unvested restricted share units.

The Company does not have a formal policy, but has an established practice described below, with respect to the granting of any form of equity compensation. The Company does not have a policy or practice of either timing equity-based compensation grants to current or new executive officers, or timing the release of material, nonpublic information to affect the value of executive compensation. Recommendations for all Section 16 filers, except for the Chairman of the Board and the Chief Executive Officer, are presented to the Compensation Committee by the Chief Executive Officer. The Chairman of the Board recommends to the Compensation Committee the award for the Chief Executive Officer. The Compensation Committee approves or adjusts the award using the above tools for all Section 16 filers, except for the Chairman of the Board and the Chief Executive Officer. The awards for the Chairman of the Board and Chief Executive Officer are recommended by the Compensation Committee and submitted for final approval to the Company's independent Board members. This process occurs during our first-quarter Board and Committee meetings in late January of each year to better coincide with the reporting of annual financial and operating results. We consider this our annual award date. The Compensation Committee does not expect to delegate approval authority to grant awards to management or any subcommittee at this time or in the near future. The grant date is typically set by the Compensation Committee. In 2018, 427,205 annual award grants were made on January 24, the date of the first-quarter Board meeting of 2018. Grants have been made in months other than the annual award dates on a very limited basis. The limited exceptions to this grant-date practice have included, for example, the hiring of a key employee or the promotion of an employee to an executive office.

As stated above, the Company does not have a policy or practice of timing the grant of equity-based awards and the release of material, nonpublic information in a manner that would affect compensation for new or current executive officers, nor has it deliberately or knowingly done so. In the event that material, nonpublic information becomes known to the Compensation Committee, the Company or its employees at a time when such information could affect or otherwise impact the imminent grant of equity-based compensation, management and the Compensation Committee will take the existence of such information under advisement and determine whether to delay the grant of such equity-based compensation to a later date to avoid the appearance of any impropriety.

Deductibility of Compensation and Other Regulatory Considerations

Section 162(m) of the Code places a limit of \$1 million on the amount of compensation the Company may deduct for federal income tax purposes in any one year with respect to the Company's Chief Executive Officer, the Chief Financial Officer and the next three most highly compensated executive officers whose compensation is required to be disclosed in the Company's annual Proxy Statement (the Covered Employees). Historically, there has been an exception to this \$1 million limitation for performance-based compensation that meets certain requirements, and the Chief Financial Officer has been excluded from the definition of a Covered Employee. Effective January 1, 2018, under the Tax Cuts and Jobs Act, the exception for performance-based compensation was eliminated, and compensation paid to the Chief Financial Officer is now subject to the \$1 million deduction limitation. The amendments to Section 162(m) include a grandfather provision for compensation under a written contract in effect on November 2, 2017, that is not materially modified after such date. The Company therefore believes that the performance-based equity awards granted to its named executive officers before November 2, 2017, will continue to be eligible for the performance-based exception provided certain requirements are met.

Executive Compensation

In reviewing the effectiveness of the Company's compensation program, the Compensation Committee considers the anticipated tax treatment to the Company and to its executives of various payments and benefits. Additionally, the deductibility of certain compensation payments depends upon the timing of an executive's vesting or exercise of previously granted awards, as well as interpretations and changes in the tax laws and other factors beyond the Compensation Committee's control. For these and other reasons, including the need to maintain flexibility in compensating executive officers in a manner designed to promote varying corporate goals, the Compensation Committee will not necessarily, nor in all circumstances, limit executive compensation to that which is deductible under the Code. The Company has not adopted a policy requiring all compensation to be deductible.

The Compensation Committee intends to preserve the deductibility of awards granted before November 2, 2017, to the extent reasonably practicable under the current law. The MIP contains specific language and requirements regarding performance-based awards granted to a Covered Employee intended to be "qualified performance-based compensation" as defined by the Code. These awards shall be based on the attainment of one or more objective performance goals established in writing by the Committee. Performance goals must be based on one or more criteria approved by the MIP (e.g., revenue, operating income, return on assets) and be based on an objective formula or standard. The Committee is currently using approved targeted annual operating income levels as the performance criteria for all outstanding qualified performance-based restricted share awards. Prior to any vesting of an award, the Committee must certify in writing that all of the necessary performance goals have been met.

Base salary, bonuses, non-performance-based restricted share units, and performance-based restricted share units that do not qualify under the grandfather provision of the amended Section 162(m) do not qualify as performance-based compensation under the Code. In 2018, \$92,998 and \$425,799 in NEO compensation paid to Shelley Simpson and Nicholas Hobbs, respectively, was not deductible by the Company. The Compensation Committee does not expect the changes to Section 162(m) under the Tax Cuts and Jobs Act to materially affect its practice of compensating its executives through performance-based programs.

Derivative Trading, Hedging, Pledging and Trading Plans

The Company has a policy that prohibits directors, officers or employees from engaging in short sales or in transactions involving derivatives based on the Company's common stock, such as option contracts, straddles, collars, hedges and writing puts or calls. In addition, the Company's policy requires that directors and executive officers must obtain authorization from the Board before entering into a trading plan that, under the SEC's Rule 10b5-1, would permit the sale of the Company's stock including at times when the director or executive officer is in the possession of material nonpublic information. In addition, while the Board does not have a formal policy regarding pledging of the Company's common stock, the Board annually reviews any pledges of the Company's common stock by directors and executive officers to assess whether such pledges pose any unnecessary risks to the Company.

Stock Ownership Guidelines

To motivate the Company's officers and senior management to emulate its stockholders, the Company expects its management to own Company stock at levels described in the table shown below.

Stock ownership is defined as stock owned:

- directly or indirectly, and/or
- through the Company's 401(k) Employee Retirement Plan.

Executive Compensation

Position	Ownership Multiple of Base Salary
Chief Executive Officer	6 times
Executive Vice Presidents	3.5 times
Senior Vice Presidents	2.75 times
Vice Presidents	2.5 times

The Compensation Committee has determined that as of the most recent annual award date, all of the Company's officers and members of senior management covered by these guidelines had met their ownership goals.

Stock Retention Policy

In addition to the stock ownership guidelines indicated above, the Company requires all shares obtained by an NEO from the vesting or exercise of restricted share units and stock options to be retained until the established ownership levels have been achieved. The Company does not have any other stock retention policy.

Recovery of Awards

The Company does not have a policy, other than required by law, requiring replacement of awards or payments as a result of an officer's illegal transactions or restatements. However, the Compensation Committee has formally adopted and explicitly communicated the "clawback" provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act with regard to annual cash bonus awards paid to the Company's executive officers. With regard to equity-based awards, the MIP gives the Company broad discretion to reduce, cancel, seek to forfeit or recoup any Plan participant's awards upon the breach of any agreement with or obligation to the Company, violation of any Company policy or procedure, or engagement in conduct that is otherwise detrimental to the business or reputation of the Company. Since becoming a public company in 1983, the Company has had no illegal actions by its officers or restatements of financial information.

Summary

The Company intends to continue its practice of compensating its executives through programs that emphasize performance. To that end, executive compensation is tied directly to the performance of the Company and is structured to ensure that, due to the nature of the business and the degree of competitiveness for executive talent, there is an appropriate balance between:

- base salary and incentive compensation,
- short-term and long-term compensation, and
- cash and noncash compensation.

Each is determined and measured by:

- competitive compensation data,
- financial, operational and strategic goals,
- long-term and short-term performance of the Company compared with its peer group, and
- individual contribution to the success of the Company.

Executive Compensation

2018 COMPENSATION

Elements of Compensation

The Company's primary compensation components are summarized below. Generally, the Company's compensation program consists of an annual base salary, short-term cash incentive awards, and an annual long-term, equity-based award. Primary benefits for executives include participation in the Company's 401(k) plan, health, dental and vision plans, and various insurance plans, including disability and life insurance, all of which are available to all employees on a nondiscriminatory basis. The Company provides limited perquisites to executive officers and other key employees as described in more detail on page 58 under the section titled "Other Perquisites."

Total direct compensation for executive officers, including the NEOs, consists of one or more of the following components:

- base salary,
- annual performance-based incentive cash bonus awards,
- long-term incentive/equity-based compensation,
- health and welfare benefits, and
- other benefits.

The Compensation Committee, with recommendations from management, works to create what it believes is the best mix of these components in delivering total direct compensation. In determining annual compensation, the Compensation Committee reviews all elements of compensation separately and in the aggregate. These compensation components are comparable to those of the Company's competitors and peer group.

In its review of executive compensation, and, in particular, in determining the amount and form of incentive awards discussed below, the Compensation Committee generally considers several factors. Among these factors are:

- market information with respect to cash and long-term compensation for its peer group,
- amounts paid to the executive officer in prior years as salary,
- annual bonus and other compensation,
- the officer's responsibilities and performance during the calendar year, and
- the Company's overall performance during prior calendar years and its future objectives and challenges.

At transportation companies, generally the largest elements of compensation are paid in the form of annual short-term incentives and long-term compensation. Compensation mix and industry profitability vary as the industry faces many risk factors, such as the economy and fuel prices.

Cash compensation for our NEOs varies as the operating income of the Company changes or with the growth of the combination of revenue and EBT, due to the nature of our bonus plans described below. Grants of performance-based restricted share units are typically made annually. Performance-based restricted share units are based on each employee's level of responsibility and are generally computed as a multiple of base salary.

It has been the policy of the Company to put a significant portion of the executive's compensation at risk. This is accomplished by our cash bonus plans, which are directly tied to operating income, revenue and EBT growth and the issuance of performance-based restricted share units. Equity-based awards from the MIP may also vary in vesting from two to 10 years. These awards are subject to forfeiture if the employee leaves the Company.

Executive Compensation

Furthermore, the future vesting of performance-based equity awards is contingent on the Company's attainment of predetermined performance metrics established by the Committee. The Committee and management believe that the proportion of compensation at risk should rise as the employee's level of responsibility increases.

The Compensation Committee has retained Meridian as its compensation consultant. Meridian reports directly to the Compensation Committee and has no other engagements with the Company. In 2017, Meridian prepared a study providing information and an independent analysis of the Company's executive compensation program and practices. The results of this study included observations about the Company's target 2018 executive compensation.

The Compensation Committee does not rely solely on predetermined formulas or a limited set of criteria when it evaluates the individual performances of the NEOs. The Compensation Committee considers actual results against pre-established goals and also bases its compensation decisions for the NEOs on:

- leadership,
- the execution of business plans,
- strategic results,
- operating results,
- growth in operating income, revenue and EBT, or other identified metrics
- size and complexity of the business,
- experience,
- strengthening of competitive position,
- analysis of competitive compensation practices, and
- assessment of the Company's performance.

Where possible, the above criteria were compared with the peer group selected as well as the Chief Executive Officer's input for his direct reports and the Chairman of the Board's input for the Chief Executive Officer.

Executive Compensation

Base Salary

The Compensation Committee believes that competitive levels of cash compensation, together with equity-based and other incentive programs, are necessary for motivating and retaining the Company's executives. Salaries provide executives with a base level of monthly income and help achieve the objectives outlined above by attracting and retaining strong talent. Base salaries are evaluated annually for all executive officers, including the Chief Executive Officer. Generally, base salaries are not directly related to specific measures of corporate performance, but are determined by the relevance of experience, the scope and complexity of the position, current job responsibilities, retention and relative salaries of the peer group members. The Compensation Committee may elect not to increase an executive officer's annual salary, and has so elected in prior years. However, if warranted, the Compensation Committee may increase base salary where an executive officer takes on added responsibilities or is promoted.

In January 2018 and 2019, the Compensation Committee reviewed each NEO's base salary and, after applying the aforementioned guidelines, approved the salary increases listed below.

	2017 Salary	2018 Salary	Increase For 2018	2019 Salary	Increase For 2019
John N. Roberts, III	825,000	845,000	2.4%	890,000	5.3%
David G. Mee	485,000	497,125	2.5%	525,000	5.6%
Shelley Simpson	485,000	497,125	2.5%	525,000	5.6%
Nicholas Hobbs	475,000	486,875	2.5%	525,000	7.8%
Terrence D. Matthews	485,000	497,125	2.5%	525,000	5.6%

Annual Bonus Awards

The Company had in place for several years a bonus plan that was tied to EPS. In January 2018, this plan was modified and is now tied to operating income (company plan), because operating income is a better metric to determine operational efficiency and removes uncontrollable effects of change in income tax law. The Compensation Committee has also established a second bonus plan, referred to as the Performance Growth Incentive (PGI) plan, which was tied to year-over-year revenue and earnings before interest and taxes growth. In January 2018, this plan was modified and is now tied to year-over-year revenue and EBT growth. When management presents its budget for the year, the Compensation Committee establishes separate matrices of reported results with corresponding bonus payout levels for each of the cash bonus plans. These forecasted revenue and earnings results are based on customer freight trends, strategies for growth and controlling costs, and corporate strategies to maximize stockholder return. Once presented to the Board, the financial budget and bonus plan matrices remain fixed, though management continually reforecasts expectations based on actual results and on changing facts and assumptions. Changes in uncontrollable factors such as general economic conditions, railroad or port authority service issues, or rapidly fluctuating fuel costs can have a significant impact on the Company's actual financial results. Therefore, as the Company performs against the original budget, the executive's bonus performs against the pre-established matrices.

Executive Compensation

Annual Bonus Payouts

For 2018, the company plan was based on annual reported operating income and consisted of a single payout to be made in January 2019 based on the full year 2018 operating income matrix approved by the Compensation Committee. The established matrix consisted of operating income ranging from \$685 million to \$855 million, translating to annual bonus payout percentages ranging from 5% to 55% of an executive's base salary. The 2018 annual bonus payout targets compared with actual reported operating income and actual payout percentages were as follows:

Period	Operating Income (\$) (millions)			Bonus Payout % of Salary		
	Minimum	Target	Reported ⁽¹⁾	Minimum	Target	Actual ⁽¹⁾
Annual	685	795	681	5.0	30.0	30.0

Actual earned bonus amounts for each NEO under the company plan are as follows:

	Total Annual (\$)
John N. Roberts, III	253,500
David G. Mee	149,138
Shelley Simpson	149,138
Nicholas Hobbs	146,063
Terrence D. Matthews	149,138

Executive Compensation

For 2018, the PGI bonus plan was based on targeted annual operating revenue, excluding fuel surcharges (net revenue), and EBT growth rates and also utilized a single payout in January 2019, after full year financial results were publicly reported. For 2018, the established PGI matrix consisted of a net revenue growth rate of 15% and EBT growth rates ranging from 20% to 30%. These ranges translate into annual bonus payouts ranging from \$634 thousand to \$1.1 million for the Chief Executive Officer and \$229 thousand to \$467 thousand of all other NEOs. The PGI plan is a blended bonus calculation requiring the minimum threshold of both net revenue and EBT to be met before payout occurs. The 2018 annual PGI bonus payout targets compared with actual reported results and actual payouts were as follows:

Period	Net Revenue / EBT Growth %			Bonus Payout (\$) (000's)		
	Minimum	Target	Reported ⁽¹⁾	Minimum	Target	Actual ⁽¹⁾
Annual - Chief Executive Officer	15.0 / 20.0	15.0 / 20.0	17.4 / 7.7	634	634	845
Annual - All other NEOs	15.0 / 20.0	15.0 / 20.0	17.4 / 7.7	229	229	342

Actual earned bonus amounts for each NEO under the PGI plan are as follows:

	Total Annual (\$)
John N. Roberts, III	845,000
David G. Mee	341,667
Shelley Simpson	341,667
Nicholas Hobbs	341,667
Terrence D. Matthews	341,667

(1) When calculating the 2018 annual bonus payouts, the Compensation Committee, in its discretion and at the recommendation of management, excluded the effect of certain previously announced infrequent charges incurred in 2018, which related to events originating in prior years. The resolution of those events were not a reflection of 2018 operational performance. The Committee certified that the company plan would pay at the percentage of salary associated with a \$795 million operating income and the PGI plan would pay the bonus associated with 15% net revenue and 25% EBT growth. The Compensation Committee used similar discretion in January 2018 when calculating the 2017 annual bonus payouts, by excluding the benefit to EPS of the Company's adjustments to its deferred tax balances for the change in future tax rates prescribed by the Tax Cuts and Jobs Act enacted during the fourth quarter of 2017, using a similar rationale that the benefit to 2017 EPS was not a true reflection of 2017 operational performance. As a result, no 2017 bonus payout was made under the company plan, which was based on EPS at that time.

Long-Term, Equity-Based Award

Each executive is eligible to receive a long-term incentive award of performance-based restricted share units. Performance-based restricted share units are intended to help achieve the objectives of the compensation program, including the retention of high-performing and experienced talent, a career orientation and strong alignment with stockholders' interests. The performance-based restricted share units are awarded and settled from shares reserved for issuance under the MIP. The Compensation Committee approves or adjusts the award based on the above criteria for all Section 16 filers who are employees of the Company. The awards for the Company's Chairman of the Board and Chief Executive Officer are presented for final approval to the Company's independent Board members. The Compensation Committee believes that performance-based restricted share units must be

Executive Compensation

sufficient in size to provide a strong, long-term performance and retention incentive for executives and to increase their vested interest in the Company. Performance-based restricted share units are used as long-term incentives because they are less dilutive to shares outstanding and to profits. Performance-based restricted share units generally vest from two to 10 years.

In determining the number of performance-based restricted share unit grants for each NEO, the Compensation Committee reviewed peer market data provided by Meridian and a detailed analysis of each NEO's vested and unvested stock holdings. In considering unvested stock holdings, the Committee reviewed a forecast of the timing of potential future restricted stock unit vesting for each NEO over the next 10 years.

The Compensation Committee subjectively considered the following objectives (without any particular weighting) when determining the form and amount of performance-based restricted share units granted to NEOs in 2018:

- align NEOs' long-term interests with those of the Company's stockholders,
- strengthen retention hooks for NEOs over the long term,
- ensure competitiveness of NEOs' total compensation opportunity through an emphasis on performance-based long-term stock compensation,
- reinforce share holdings of NEOs,
- align NEOs' compensation with the Company's long-term leadership succession planning initiatives, and
- bolster the continuity of the entire management team through an upcoming period of critical strategic goals and milestones for the Company.

For 2018, the Compensation Committee and/or independent directors approved the following performance-based restricted share unit grants to the NEOs:

	Units (#)	Fair Value (\$)
John N. Roberts, III	39,793	4,877,428
David G. Mee	14,247	1,746,255
Shelley Simpson	14,247	1,746,255
Nicholas Hobbs	14,247	1,746,255
Terrence D. Matthews	14,247	1,746,255

The fair value of the awards was based on a 2.5% discount from the Company's closing stock price of \$125.65 on January 24, 2018. The discount represents the present value of expected dividends to be paid on the Company's common stock, using the current dividend rate and the risk-free interest rate, over the vesting period. The Company believes that this discount is appropriate to value the performance-based restricted share units, as the units do not collect or accrue dividends until the awards vest and are settled with Company stock.

Executive Compensation

The 2018 NEO awards shown above are performance-based restricted share units. These grants vest (in annual increments over a four-year period), beginning January 31, 2019, upon the Company's attainment of predetermined operating metrics established and approved by the Compensation Committee. The Compensation Committee acknowledges that the separate components of total direct compensation are not always in the 50th percentile of their respective peer groups, as determined earlier, but it believes that its mix of current and long-term compensation is more appropriate to align the NEO's compensation with the stockholders' interests in both the near and longer term.

The Committee also reviewed its compensation strategy in general and specific components of total direct compensation and determined that none of the Company's compensation programs, individually or as a whole, would create risks that are reasonably likely to have a material adverse effect on the Company. The Committee presented its review and conclusion to the entire Board.

Deferred Compensation

The Company administers a Deferred Compensation Plan for certain of its officers. The employee participant may elect on an annual basis to defer part of his or her salary and/or annual bonus awards. This plan assists key employees in planning for retirement. The Company contributes nothing to the plan, and participants are not permitted to defer shares of Company stock.

Health and Welfare Benefits

The Company provides benefits such as medical, vision, life insurance, long-term disability coverage, and 401(k) plan opportunities to all eligible employees, including the NEOs. The Company provides up to \$750,000 in life insurance coverage and up to \$10,000 per month in long-term disability coverage. The value of these benefits is not required to be included in the Summary Compensation Table since they are available to all employees on a nondiscriminatory basis. The Company matches certain employee contributions to the 401(k) plan. The Company provides no postretirement medical or supplemental retirement benefits to its employees.

The Company also provides vacation, sick leave and other paid holidays to employees, including the NEOs, that are comparable to those provided at other transportation companies. The Company's commitment to provide employee benefits is due to our recognition that the health and well-being of our employees contributes directly to a productive and successful work life that produces better results for the Company and for its employees.

Personal Benefits

The Company provides certain perquisites to management employees, including the NEOs, as summarized below.

Company Aircraft

The Company actively participates in shared ownership of aircraft services with NetJets. With the approval of the Chief Executive Officer, the NEOs and other management employees use Company aircraft services for business purposes. Personal use of Company aircraft services is provided to executive officers on a very limited basis and to other management employees in the event of emergency or other urgent situations.

Company Vehicles

The Company does not provide Company-owned cars to executives.

Executive Compensation

Other Perquisites

The Company provides executive officers a taxable allowance of up to \$10,000 a year for financial counseling services, which may include legal, financial, estate and/or tax planning, and tax return preparation. This benefit is based on the actual cost of the services. The Company also provides country club memberships to certain of its executive officers. These memberships are valued based on the actual costs of the membership, including dues, regardless of whether use was personal or business. The Company believes that these clubs provide a quiet venue for negotiations and entertainment of clients, bankers, investment bankers, stockholders, etc.

Severance Agreements

The Company does not have employment contracts or predetermined personal severance agreements with any of its executives. However, according to the terms of the awards granted under the previously mentioned MIP, all outstanding restricted share units are subject to accelerated or immediate vesting upon the occurrence of a double triggering event, which requires both a “change in control” and the NEO’s retirement, termination by the Company without cause, or resignation for good reason.

Generally, a “change in control” is deemed to occur when more than 30% of the outstanding shares of common stock of the Company change ownership in a transaction that is a merger, reorganization or consolidation, when the persons who constitute the Company’s incumbent board of directors cease to constitute a majority of the board, or upon the consummation of a merger, reorganization, consolidation or similar form of corporate transaction involving the Company that requires the approval of the Company’s stockholders where more than 50% of the outstanding shares change ownership or a complete liquidation or dissolution of the Company or the sale or disposition of all or substantially all of the assets of the Company.

Executive Compensation

SUMMARY COMPENSATION

The following table summarizes the total compensation earned by or paid to the Chief Executive Officer, Chief Financial Officer and the next three most highly compensated executive officers of the Company who served in such capacities as of December 31, 2018, for services rendered to the Company. These five officers are referred to as the NEOs in this Proxy Statement.

Name and Principal Position	Year	Salary (\$) ⁽¹⁾	Share Units (\$) ⁽²⁾⁽³⁾	Option Awards (\$) ⁽²⁾	Non-Equity Incentive Plan Compensation (\$) ⁽¹⁾	Deferred Compensation (\$)	All Other Compensation (\$)	Total (\$) ⁽³⁾
John N. Roberts, III President and CEO	2018	845,298	4,877,428	—	1,098,500	—	25,010	6,846,236
	2017	833,865	—	—	—	—	25,387	859,252
	2016	807,747	4,616,239	—	96,000	—	25,385	5,545,371
David G. Mee EVP, Finance & Administration, CFO	2018	498,618	1,746,255	—	490,805	—	18,720	2,754,398
	2017	488,154	—	—	—	—	18,989	507,143
	2016	480,660	1,899,262	—	57,000	—	21,954	2,458,876
Shelley Simpson EVP, CCO and President of Highway Services	2018	496,600	1,746,255	—	490,805	—	20,483	2,754,143
	2017	485,000	—	—	—	—	19,973	504,973
	2016	476,923	1,671,408	—	57,000	—	16,268	2,221,599
Nicholas Hobbs EVP and President of Dedicated Contract Services	2018	485,505	1,746,255	—	487,730	—	18,430	2,737,920
	2017	475,000	—	—	—	—	18,788	493,788
	2016	454,808	1,671,408	—	54,000	—	18,424	2,198,640
Terrence D. Matthews EVP and President of Intermodal	2018	500,630	1,746,255	—	490,805	—	19,872	2,757,562
	2017	490,202	—	—	—	—	19,758	509,960
	2016	478,819	759,690	—	57,000	—	19,618	1,315,127

(1) Non-equity incentive plan compensation (paid as a bonus) and salary amounts shown above are reported as gross earnings. Totals may include amounts transferred into the deferred compensation plan and/or into the Company's 401(k) plan. All non-equity awards are reported in the year in which they are earned.

(2) Amounts reflect grant date fair value of each individual's specific award, which will be earned over the vesting period (4 to 5 years) and the achievement of performance metrics established by the Compensation Committee at the time of grant. No stock options were granted during 2018, 2017 or 2016.

(3) In 2017 the Compensation Committee moved the timing of annual equity-based awards to January of each year and accordingly, no performance-based restricted share units were granted in 2017.

Executive Compensation

Components of All Other Compensation for Calendar Year 2018

Name	Perquisites and Other Personal Benefits (\$)	Company Contributions to 401(k) Plan (\$)	Total (\$)
John N. Roberts, III	16,760	8,250	25,010
David G. Mee	10,470	8,250	18,720
Shelley Simpson	12,233	8,250	20,483
Nicholas Hobbs	10,180	8,250	18,430
Terrence D. Matthews	12,436	7,436	19,872

Components of Perquisites for Calendar Year 2018

Name	Personal Use of Company Plane (\$) ⁽¹⁾	Legal and Accounting Fees (\$)	Club Dues (\$)	Total Perquisites and Other Personal Benefits (\$)
John N. Roberts, III	—	6,215	10,545	16,760
David G. Mee	—	—	10,470	10,470
Shelley Simpson	—	4,488	7,745	12,233
Nicholas Hobbs	—	2,400	7,780	10,180
Terrence D. Matthews	—	1,735	10,701	12,436

(1) The value of personal aircraft usage reported above is based on the Company's actual invoiced amount from NetJets for the variable costs incurred on each trip. Since the Company's aircraft is used primarily for business travel, this methodology excludes fixed costs that do not change based on usage, such as depreciation and management fees. On certain occasions, an executive's spouse or other family member may accompany the executive on a flight when such person is invited to attend the event for appropriate business purposes. No additional direct operating cost is incurred in such situations under the foregoing methodology; however, the value of personal use of Company aircraft is imputed for federal income tax purposes as income to the NEO. John N. Roberts III, David G. Mee, Shelley Simpson and Terrance D. Matthews had such imputed income in 2018. This value is calculated pursuant to Internal Revenue Service guidelines using Standard Industry Fare Level rates, which are determined by the U.S. Department of Transportation, and included in the NEO's base salary in the Summary Compensation Table shown on page 59 of this Proxy Statement.

Grants of Plan-Based Awards

The following table reflects estimated possible payouts under equity and non-equity incentive plans to the NEOs during 2018. The Company's equity-based and non-equity incentive-based awards are granted to the NEOs based upon pre-established performance goals set annually by the Compensation Committee with a performance period equal to the calendar year for which the performance goals are set.

The MIP is an annual plan consisting of equity-based awards only. The number of performance-based restricted share units awarded is measured based on the executive's level of responsibility and other matters described on page 55 under "Long-Term, Equity-Based Award." Dividends are not paid on awards of performance-based or time-vested restricted share units.

In 2018, NEOs were eligible to earn cash bonuses under the non-equity incentive award plans based on the Company's operating income, revenue and EBT for the calendar year. Please refer to page 53 under "Annual Bonus Award" for further detail.

Executive Compensation

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Awards			Estimated Possible Payouts Under Equity Incentive Plan Awards			Stock Awards	Option Awards		Grant Date Fair Value of Stock and Option Awards (\$) ⁽³⁾
		Threshold (\$)	Target (\$)	Maximum (\$) ⁽¹⁾	Threshold (#)	Target (#) ⁽²⁾	Maximum (#)	Number of Shares of Stock or Units (#)	Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	
John. N. Roberts, III	1/24/18	676,250	887,500	1,520,750	7,958	39,793	39,793	—	—	—	4,877,428
David G. Mee	1/24/18	254,023	378,305	740,086	2,849	14,247	14,247	—	—	—	1,746,255
Shelley Simpson	1/24/18	254,023	378,305	740,086	2,849	14,247	14,247	—	—	—	1,746,255
Nicholas Hobbs	1/24/18	253,511	375,230	734,448	2,849	14,247	14,247	—	—	—	1,746,255
Terrence D. Matthews	1/24/18	254,023	378,305	740,086	2,849	14,247	14,247	—	—	—	1,746,255

(1) This column reflects the maximum non-equity incentive award each NEO was eligible to receive for 2018 under the percentage assigned to each NEO for the cash bonus pools. The actual awards earned are reported in the Summary Compensation Table shown on page 59 of this Proxy Statement.

(2) This column reflects the number of performance-based restricted share units that were granted to the NEOs in 2018.

(3) The fair value of the awards was based on a 2.5% discount from the Company's closing stock price of \$125.65 on January 24, 2018, measured at the target performance level. The discount represents the present value of expected dividends to be paid on the Company's common stock, using the current dividend rate and the risk-free interest rate, over the vesting period. The Company believes that this discount is appropriate to value the performance-based restricted share units, as the units do not collect or accrue dividends until the awards vest and are settled with Company stock.

Executive Compensation

Outstanding Equity Awards at Calendar Year-end

As of December 31, 2018, there were no outstanding stock options held by the NEOs. The following table sets forth information concerning restricted share units held by the NEOs as of December 31, 2018.

Name	Number of Shares or Units of Stock That Have Not Vested (#) ⁽¹⁾	Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽²⁾	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) ⁽¹⁾	Equity Incentive Plan Awards: Market Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) ⁽²⁾
John N. Roberts, III			9,095	846,199
			23,384	2,175,647
			37,113	3,452,994
			39,793	3,702,341
David G. Mee			20,000	1,860,800
			3,000	279,120
			9,138	850,200
			19,303	1,795,951
		14,247	1,325,541	
Shelley Simpson	9,000	837,360		
	20,000	1,860,800		
			3,000	279,120
			7,776	723,479
		16,256	1,512,458	
Nicholas Hobbs	6,000	558,240		
	20,000	1,860,800		
	3,000	279,120		
			7,776	723,479
		16,256	1,512,458	
		14,247	1,325,541	
Terrence D. Matthews			9,000	837,360
			14,247	1,325,541

Executive Compensation

(1) Restricted share units are time-vested or performance-based awards. Effective vesting dates, pending achievement of required performance goals set for performance-based awards, are noted below.

Time-Based Awards

	Shares Vesting	Vesting Date	Shares Vesting	Vesting Date
Shelley Simpson	3,000	7/15/19	6,666	7/15/21
	3,000	7/15/20	6,667	7/15/22
	3,000	7/15/21	6,667	7/15/23
Nicholas Hobbs	3,000	7/15/19	6,667	7/15/22
	3,000	7/15/20	6,667	7/15/23
	6,666	7/15/21	3,000	7/15/19

Performance-Based Awards

	Shares Vesting	Vesting Date	Shares Vesting	Vesting Date
John N. Roberts, III	9,095	7/15/19	12,371	7/15/21
	11,692	7/15/19	15,917	1/31/19
	11,692	7/15/20	7,958	1/31/20
	12,371	7/15/19	7,959	1/31/21
	12,371	7/15/20	7,959	1/31/22
David G. Mee	10,000	7/15/20	8,128	7/15/20
	10,000	7/15/21	6,096	7/15/21
	3,000	7/15/19	5,699	1/31/19
	6,027	7/15/19	2,849	1/31/20
	3,111	7/15/20	2,849	1/31/21
	5,079	7/15/19	2,850	1/31/22
Shelley Simpson	3,000	7/15/19	3,048	7/15/21
	3,888	7/15/19	5,699	1/31/19
	3,888	7/15/20	2,849	1/31/20
	5,182	7/15/19	2,849	1/31/21
	8,026	7/15/20	2,850	1/31/22
Nicholas Hobbs	3,888	7/15/19	5,699	1/31/19
	3,888	7/15/20	2,849	1/31/20
	5,182	7/15/19	2,849	1/31/21
	8,026	7/15/20	2,850	1/31/22
	3,048	7/15/21		
Terrence D. Matthews	3,000	7/15/19	2,849	1/31/20
	3,000	7/15/20	2,849	1/31/21
	3,000	7/15/21	2,850	1/31/22
	5,699	1/31/19		

(2) Values are based on the last closing market price of \$93.04 on December 31, 2018.

Executive Compensation

Restricted Share Units Vested

The following table sets forth information concerning restricted share units vested during 2018.

Name	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) ⁽¹⁾ ⁽²⁾
John N. Roberts, III	15,000	1,827,450
	9,000	1,096,470
	9,095	1,108,044
	11,691	1,424,315
	12,371	1,507,159
Total	57,157	6,963,437
David G. Mee	2,000	243,660
	3,000	365,490
	3,110	378,891
	2,916	355,256
	3,048	371,338
Total	14,074	1,714,635
Shelley Simpson	3,000	365,490
	2,000	243,660
	3,000	365,490
	3,888	473,675
	3,048	371,338
Total	14,936	1,819,653
Nicholas Hobbs	3,000	365,490
	2,000	243,660
	3,000	365,490
	3,888	473,675
	3,048	371,338
Total	14,936	1,819,653
Terrence D. Matthews	3,000	365,490
	2,000	243,660
	4,860	592,094
	5,080	618,896
	Total	14,940

Executive Compensation

(1) Value realized on the acquired shares shown above is gross earnings. Values are earned over multiple years. The receipt of vested shares in calendar year 2018 should not be interpreted to mean that all value was earned in the year the shares were received. Each executive retained a portion of the available vested shares as shown below:

John N. Roberts, III	31,806
David G. Mee	7,126
Shelley Simpson	8,310
Nicholas Hobbs	8,011
Terrence D. Matthews	8,163

(2) Values represent the fair market value of the underlying common stock on the date of vesting.

Components of Nonqualified Deferred Compensation for Calendar Year 2018

We have a nonqualified deferred compensation plan that allows eligible employees to defer a portion of their compensation. Participants can elect to defer up to a maximum of 50% of their base salary as well as up to 85% of their bonus for the year. The compensation deferred under this plan is credited with earnings or losses of investments elected by plan participants. Each participant is fully vested in all deferred compensation and earnings; however, these amounts are subject to general creditor claims until actually distributed to the employee. A participant may elect to receive deferred amounts in one payment or in quarterly installments payable over a period of two to 25 years upon reaching the age of 55, having 15 years of service, or becoming disabled. Our total liability under this plan was \$15,719,118 as of December 31, 2018, and \$16,411,843 as of December 31, 2017. These amounts are included in other long-term liabilities in our Consolidated Balance Sheets. Participant withholdings are held by a trustee and invested as directed by participants. These investments are included in "other assets" in our Consolidated Balance Sheets and totaled \$15,719,118 as of December 31, 2018, and \$16,411,843 as of December 31, 2017.

Name	Executive Contributions in 2018 (\$) ⁽¹⁾	Registrant Contributions in 2018 (\$)	Aggregate Earnings in 2018 (\$)	Aggregate Withdrawals and Distributions (\$)	Aggregate Balance at 2018 (\$) ⁽¹⁾
John N. Roberts, III	—	—	—	—	—
David G. Mee	—	—	—	—	—
Shelley Simpson	—	—	—	—	—
Nicholas Hobbs	—	—	—	—	—
Terrence D. Matthews	247,630	—	(335,546)	—	3,911,995

(1) Amounts of executive contributions are included as part of the NEO's salary in the Summary Compensation Table detailed above. Total executive contributions for the three-year period ending December 31, 2018 were \$728,399 for Mr. Matthews.

Executive Compensation

Potential Post-Employment Benefits

The Company does not have employment contracts or predetermined personal severance agreements with any of its executives. However, according to the terms of the awards granted under the previously mentioned MIP, all outstanding restricted share units are subject to accelerated or immediate vesting upon the occurrence of a double triggering event, which requires both a “change in control” and the NEO’s retirement, termination by the Company without cause, or resignation for good reason.

Generally, a “change in control” is deemed to occur when more than 30% of the outstanding shares of common stock of the Company change ownership in a transaction that is a merger, reorganization or consolidation, when the persons who constitute the Company’s incumbent board of directors cease to constitute a majority of the board, or upon the consummation of a merger, reorganization, consolidation or similar form of corporate transactions involving the Company that requires the approval of the Company’s stockholders where more than 50% of the outstanding shares change ownership or a complete liquidation or dissolution of the Company or the sale or disposition of all or substantially all of the assets of the Company.

Potential benefits to the NEOs due to his or her separation of service without cause, retirement or resignation for good reason following a “change in control” are shown below. The amounts represent the immediate vesting of all outstanding restricted share units and are valued using the last closing market price of \$93.04 on December 31, 2018.

John N. Roberts, III	\$10,177,180
David G. Mee	6,111,612
Shelley Simpson	6,538,758
Nicholas Hobbs	6,259,638
Terrence D. Matthews	2,162,901

CEO Pay Ratio

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act), we are providing the following information about the relationship of the annual total compensation of our “median employee” and the annual total compensation of our CEO.

For 2018, our last completed fiscal year:

- The median of the annual total compensation of all of the Company’s employees, other than our CEO, was \$62,150.
- The annual total compensation of our CEO was \$6,846,236.
- Based on this information, the ratio for 2018 of the annual total compensation of our CEO to the median of the annual total compensation of all other employees was 110 to 1.

In determining the median of the annual total compensation of all of the Company’s employees, other than our CEO, we were required in 2018 to identify the Company’s “median employee” for 2017. Item 402(u) of Regulation S-K requires us to identify the Company’s median employee once every three years, unless a change in employee population or compensation arrangements is likely to result in a significant change in our CEO pay ratio disclosures. The Company determined that no such change occurred during 2018. Accordingly, for the 2018 pay ratio calculation, we used the same “median employee” identified during our 2017 analysis of our employee population.

Executive Compensation

To identify the “median employee” in 2017, we performed the following:

- We conducted a full analysis of our employee population as of our determination date of November 30, 2017.
- We excluded employees residing in Mexico and Canada from our calculation under the De Minimis Exemption. Employees located in Mexico and Canada constituted 0.09% and 0.01% of our total employee population, respectively, which consisted of 22 individuals in Mexico and 3 individuals in Canada as of our determination date.
- Our employee population, after taking into consideration the aforementioned adjustments, consisted of 23,872 individuals. Of these employees, 23,632 individuals were full-time (or full-time equivalent) employees, with the remainder employed on a part-time (less than 30 hours per week) basis. 99.9% of our employees (23,872 individuals) were located in the United States.
- We used a definition that was not total compensation and instead chose the aggregate of the employee’s base pay and cash incentive bonuses paid during the period of January 1, 2017, through November 30, 2017. These balances were then annualized, with any anomalous reported earnings being replaced with a substantially similar employee balance. Reasons for the replacement of anomalous earnings were primarily due to a lack of adequate length of employment history with the company or the employee incurring a leave of absence during the analysis period.
- Using this methodology, we determined that the “median employee” was the average of two single employees – a regional driver and an over-the-road driver.

Finally, to determine the annual total compensation of the “median employee” for 2018, we identified and calculated the elements of compensation for each of the two identified employees in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K. The median of the annual total compensation of all of the Company’s employees, other than our CEO, represents the average of the annual total compensation of each of these two “median employees.”

PROPOSAL TWO

Advisory Vote on Executive Compensation

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or Dodd-Frank Act, enables our stockholders to vote to approve, on an advisory (nonbinding) basis, the compensation of our NEOs as disclosed in the Proxy Statement in accordance with SEC rules. At our Annual Meeting in 2017, our stockholders voted to recommend that the Company hold future “say-on-pay” votes annually until the Company is next required to hold an advisory vote on the frequency with which the Company will hold future “say-on-pay” votes, which will be in 2023. Accordingly, we are providing a vote on the resolution set forth below as required by the Dodd-Frank Act and Section 14A of the Securities Exchange Act of 1934.

As discussed in our Compensation Discussion and Analysis (CD&A) on page 45, our executive compensation programs for our NEOs, as well as other executives, are designed to be competitive within the transportation industry and to link executive compensation with the creation of stockholder value. The overall compensation philosophy is guided by the following principles:

- *Compensation levels should be sufficiently competitive to attract and retain key talent.* The Company aims to attract, motivate and retain high-performance talent to achieve and maintain a leading position in its industry. Our total compensation package should be strongly competitive with other transportation companies.
- *Compensation should relate directly to performance and responsibility.* Total compensation should be tied to and vary with performance and responsibility, both at the Company and individual level, in achieving financial, operational and strategic objectives. Differentiated pay for high-performing individuals should be proportional to their contributions to the Company's success.
- *Short-term incentive compensation should constitute a significant portion of total executive compensation.* A large portion of total compensation should be tied to performance, and therefore at risk, as position and responsibility increase. Individuals with greater roles and the ability to directly impact strategic direction and long-term results should bear a greater proportion of the risk.
- *Long-term incentive compensation, the Company's MIP, should be closely aligned with stockholders' interests.* Awards of long-term compensation encourage executive officers to focus on the Company's long-range growth and development and incent them to manage from the perspective of stockholders with a meaningful stake in the Company, as well as to focus on long-term career orientation. Participants in the MIP are required to own Company stock. The requirements are discussed in the CD&A under the caption “Stock Ownership Guidelines.”

Generally, the Company's compensation program consists of an annual base salary, short-term cash incentive awards, and an annual long-term, performance-based equity-based award. The Compensation Committee, with recommendations from management, works to create what it believes is the best mix of these components in delivering total direct compensation. Base salaries are not directly related to specific measures of corporate performance, but are determined by the relevance of experience, the scope and complexity of the position, current job responsibilities, retention and peer group salaries. The short-term cash incentive awards are tied to operating income, revenue and EBT. The long-term, equity-based awards utilize restricted share units. The restricted share units awarded to the Company's NEOs are performance-based restricted share units, which vest over multiple years annually upon the Company's attainment of predetermined operating metrics established and approved by the Compensation Committee.

PROPOSAL TWO Advisory Vote on Executive Compensation

We believe that the Company's executive compensation programs have been effective in incenting the achievement of our positive results. We are asking our stockholders to indicate their support for our NEO compensation as described in the Proxy Statement. This proposal, commonly known as a "say on pay" proposal, gives you as a stockholder the opportunity to express your views regarding our fiscal year 2018 executive compensation policies and procedures for NEOs. The vote is not intended to address any specific item of compensation, but rather the overall compensation of our NEOs and the policies and procedures described in the Proxy Statement. Accordingly, we ask our stockholders to vote "FOR" the following resolution at the Annual Meeting:

RESOLVED, that the stockholders of J.B. Hunt Transport Services, Inc. approve, on an advisory basis, the compensation of the NEOs as disclosed pursuant to Item 402 of Regulation S-K in the Compensation Discussion and Analysis, compensation tables and related narrative discussion in the Company's Proxy Statement for the 2019 Annual Meeting of Stockholders.

Although this is an advisory vote that will not be binding on the Compensation Committee or the Board, we will carefully review the results of the vote. The Compensation Committee will consider stockholders' concerns and take them into account when designing future executive compensation programs. The Board therefore recommends that you indicate your support of the Company's executive compensation in fiscal year 2018, as outlined in the above resolution.

PROPOSAL

2

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS
A VOTE FOR PROPOSAL NUMBER TWO**

Report of the Audit Committee

The Audit Committee

The 2018 Audit Committee was composed of James L. Robo, Chairman, Douglas G. Duncan, and Sharilyn S. Gasaway. Each served as a member of the Audit Committee during the full 2018 calendar year. The Company's Board has determined that all members of the Audit Committee satisfy the independence and other requirements for audit committee membership pursuant to the NASDAQ corporate governance listing standards and has also determined that Messrs. Robo and Duncan and Ms. Gasaway each has the attributes of an audit committee financial expert as defined by SEC requirements.

The Audit Committee operates under a written charter adopted by the Board. A copy of the Audit Committee Charter is available on the "Corporate Governance" page of the "Investors" section of the Company's website at jbhunt.com. In carrying out its responsibilities, the Audit Committee, among other things:

- monitors the integrity of the financial reporting process, systems of internal accounting controls, and financial statements and reports of the Company,
- appoints, retains, compensates and oversees the Company's independent auditors, including reviewing the qualifications, performance and independence of the independent auditors,
- reviews and preapproves all audit, attest and review services and permitted nonaudit services,
- oversees the performance of the Company's internal audit function, and
- oversees the Company's compliance with legal and regulatory requirements.

In 2018, the Audit Committee met eight times. The Audit Committee schedules its meetings with a view to ensure that it devotes appropriate attention to all of its responsibilities and duties. The Audit Committee's meetings include, whenever appropriate, executive sessions with the Company's independent auditors and the Company's internal auditors, in each case outside the presence of the Company's management.

In performing its oversight role, the Audit Committee reviewed the audited consolidated financial statements for the 2018 calendar year and met and held discussions with management, the Company's internal auditors and E&Y, the Company's independent registered public accounting firm, to discuss those financial statements and the audit related thereto. Management has represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with generally accepted accounting principles.

The Audit Committee discussed with the independent auditors matters required to be discussed by Auditing Standard 1301 of the Public Company Accounting Oversight Board, as may be modified, supplemented or amended, which includes, among other items, matters related to the conduct of the audit of the Company's consolidated financial statements. The independent auditors also provided the Audit Committee with written disclosures and the letter required by Rule 3526 of the Public Company Accounting Oversight Board, as may be modified, supplemented or amended, which relates to the auditors' independence from the Company and its related entities, and the Audit Committee discussed with the independent auditors their independence.

Based on the Audit Committee's discussions with management, the internal auditors and the independent auditors as described above, and upon its review of the representation of management and the independent auditors and the reports of the independent auditors, the Audit Committee recommended to the Board that the Company's audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the calendar year ended December 31, 2018, as filed with the SEC.

J.B. Hunt Transport Services, Inc.
2018 Audit Committee Members
James L. Robo, Chairman
Douglas G. Duncan
Sharilyn S. Gasaway

PROPOSAL THREE

Ratification of Independent Registered Public Accounting Firm

The Audit Committee has selected E&Y as the Company's independent registered public accounting firm to examine the consolidated financial statements of the Company for the 2019 calendar year. The Board seeks an indication from our stockholders of their approval or disapproval of the Audit Committee's selection of E&Y as the Company's independent registered public accounting firm for the 2019 calendar year.

E&Y has been our independent auditor since 2005. No relationships exist other than the usual relationships between auditor and client. Representatives of E&Y are expected to be present at the Annual Meeting to respond to appropriate questions and will have the opportunity to make a statement if they desire to do so. If our stockholders do not ratify the appointment of E&Y at the Annual Meeting, the Audit Committee will consider such event in its selection of the Company's independent registered public accounting firm for the 2019 calendar year. Additionally, even if the appointment is ratified, the Audit Committee, at its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the 2019 calendar year if it determines that such a change would be in the best interests of the Company and its stockholders.

PROPOSAL

3

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE 2019 CALENDAR YEAR

AUDIT AND NONAUDIT FEES

The Audit Committee preapproves the audit and nonaudit services to be rendered to the Company, as well as the fees associated with such services. Generally, management will submit to the Audit Committee a detailed list of services that it recommends the Audit Committee engage the independent auditors to provide for the calendar year. The Audit Committee is informed from time to time regarding the nonaudit services actually provided pursuant to the preapproval process. During the year, the Audit Committee periodically reviews the types of services and dollar amounts approved and adjusts such amounts, as it deems appropriate. Unless a service to be provided by the independent auditors has received general preapproval, it will require specific preapproval by the Audit Committee. The Audit Committee also periodically reviews all nonaudit services to ensure that such services do not impair the independence of the Company's independent registered public accounting firm. The Audit Committee approved all services provided by E&Y for the 2018 and 2017 calendar years. These services included the audit of the Company's annual financial statements, audit of the Company's internal control over financial reporting, review of the Company's quarterly financial statements, audit of the Company's employee benefit plan, consent for and review of registration statements filed by the Company with the SEC, and tax consultation services. See "Report of Audit Committee" set forth earlier for a discussion of auditor independence.

PROPOSAL THREE Ratification of Independent Registered Public Accounting Firm

The following table shows the fees billed by E&Y for audit and other services provided to the Company for the 2018 and 2017 calendar years, respectively:

	2018 (\$)	2017 (\$)
Audit fees ⁽¹⁾	1,315,600	1,414,370
Audit-related fees ⁽²⁾	28,500	27,500
Tax fees ⁽³⁾	391,748	534,472
All other fees	—	—

(1) Audit fees consisted of the audit of the Company's annual financial statements, including the audit of the effectiveness of internal control over financial reporting, the review of the Company's quarterly reports on Form 10-Q, and consent for and review of registration statements filed by the Company with the SEC.

(2) Audit-related fees consisted of an audit of the Employee Benefit Plan.

(3) Tax fees consisted principally of federal and state income tax consulting.

The Audit Committee has considered whether the nonaudit services provided by E&Y, including the services rendered in connection with income tax consultation, were compatible with maintaining E&Y's independence and has determined that the nature and substance of the limited nonaudit services did not impair the status of E&Y as the Company's independent registered public accounting firm. E&Y did not bill the Company for any other services during calendar years 2018 and 2017.

PROPOSAL THREE Ratification of Independent Registered Public Accounting Firm

Policy on Audit Committee Preapproval of Audit and Permissible Nonaudit Services of Independent Auditor

The Audit Committee has the responsibility of appointing, setting compensation for and overseeing the work of the independent auditor and has established a policy to preapprove all audit and permissible nonaudit services provided by the independent auditor.

Prior to the engagement of the independent auditor for next year's audit, management will submit to the Audit Committee for approval an aggregate of services expected to be rendered during that year for each of four categories of services:

- **Audit services** include audit work performed related to the financial statements, as well as work that generally only the independent auditor can reasonably be expected to provide, including comfort letters, statutory audits, attestation services, and consultation regarding financial accounting and/or reporting standards.
- **Audit-related services** are for assurance and related services that are traditionally performed by the independent auditor, including due diligence related to mergers and acquisitions, employee benefit plan audits, and special procedures required to meet certain regulatory requirements.
- **Tax services** include all services performed by the independent auditor's tax personnel except those services specifically related to the audit of the financial statements, including fees in the areas of tax compliance, tax planning and tax advice.
- **Other services** are those not captured in the other categories. The Company generally doesn't request such services from the independent auditor.

Prior to the engagement, the Audit Committee preapproves these services by category of service. The fees are budgeted and the Audit Committee requires the independent auditor and management to report actual fees versus the budget periodically throughout the year by category of service. During the year, circumstances may arise that make it necessary to engage the independent auditor for additional services not contemplated in the original preapproval. In those instances, the Audit Committee requires specific preapproval before engaging the independent auditor.

The Audit Committee may delegate preapproval authority to one or more of its members. The member(s) to whom such authority is delegated must report, for informational purposes only, the preapproval decisions to the Audit Committee at its next scheduled meeting.

PROPOSAL FOUR

Stockholder Proposal Regarding Reporting Political Contributions

In accordance with SEC rules, we have set forth below a stockholder proposal, along with the supporting statement of the stockholder proponent, for which we and the Board accept no responsibility. The International Brotherhood of Teamsters General Fund (the Fund), located at 25 Louisiana Avenue, N.W., Washington, D.C. 20001, is the proponent of the following stockholder proposal and has advised us that the Fund holds 190 shares of the Company's common stock which it has continuously held for at least one year and they intend to present the following proposal for a vote at the 2019 Annual Meeting.

RESOLVED, that the shareholders of J.B. Hunt Transport Services, Inc. ("J.B. Hunt" or "Company"), hereby request that the Company provide a report, updated semiannually, disclosing the Company's:

- 1. Policies and procedures for making, with corporate funds or assets, contributions and expenditures (direct or indirect) to— (a) participate or intervene in any campaign on behalf of (or in opposition to) any candidate for public office, or (b) influence the general public, or any segment thereof, with respect to an election or referendum.**
- 2. Monetary and non-monetary contributions and expenditures (direct and indirect) used in the manner described in section 1 above, including:**
 - a. The identity of the recipient as well as the amount paid to each; and,**
 - b. The title(s) of the person(s) in the Company responsible for decision-making.**

The report shall be presented to the board of directors or relevant board committee and posted on the Company's website within 12 months from the date of the annual meeting. This proposal does not encompass lobbying spending.

Supporting Statement

As long-term shareholders of J.B. Hunt, we support transparency and accountability in corporate electoral spending. This includes any activity considered intervention in a political campaign under the Internal Revenue Code, such as direct and indirect contributions to political candidates, parties, or organizations, and independent expenditures or electioneering communications on behalf of federal, state, or local candidates.

Disclosure is in the best interest of the company and its shareholders. The Supreme Court recognized this in its 2010 Citizens United decision, which said, "[D]isclosure permits citizens and shareholders to react to the speech of corporate entities in a proper way. This transparency enables the electorate to make informed decisions and give proper weight to different speakers and messages."

Publicly available records show J.B. Hunt has contributed at least \$25,000 in corporate funds since the 2010 election cycle. (CQMoneyLine: <http://moneyline.cq.com>; National Institute on Money in State Politics: <http://www.followthemoney.org>).

However, relying on publicly available data does not provide a complete picture of the Company's electoral spending. For example, the Company's payments to trade associations that may be used for election-related activities are undisclosed and unknown. This proposal asks the Company to disclose all of its electoral spending,

PROPOSAL FOUR Stockholder Proposal Regarding Reporting Political Contributions

including payments to trade associations and other tax-exempt organizations, which may be used for electoral purposes. This would bring our Company in line with a growing number of leading companies, including Norfolk Southern, Union Pacific, and CSX, which present such information on their websites.

The Company's Board and shareholders need comprehensive disclosure to fully evaluate the use of corporate assets in elections. We urge your support for this critical governance reform.

Board of Directors Statement in Opposition to the Stockholder Proposal

The Board of Directors has carefully considered this stockholder proposal and concluded that it is unnecessary and not in the best interest of the Company or its stockholders for the reasons described below. The Board of Directors therefore unanimously recommends voting against this proposal.

The Company is in a highly regulated industry, and actions by elected officials can have a significant impact on our industry and our business. The Company generally does not make direct political contributions. However, the Board of Directors and management believe that targeted and responsible involvement in the legislative, regulatory and electoral processes is prudent to protect and promote the interests of the Company's stockholders, employees and customers. The Company may, from time to time, make focused lobbying expenditures or contributions to third party organizations. The Company is also a member of several industry trade organizations.

While the Company's limited involvement in the legislative, regulatory or electoral process serves an important corporate purpose, the Company's related expenses represent only a small fraction of our total annual expenses (less than 0.004% in fiscal 2018). The Company conducts such activities only in compliance with all applicable federal, state and local laws. For example, U.S. federal law currently prohibits companies from making corporate contributions or providing anything of value to any political candidate, campaign committee or other organization in connection with any federal election. The Company does not make such contributions. The Company is permitted to make donations to political action committees (PACs), which are generally limited in their ability to advocate on behalf of specific parties or candidates and are subject to disclosure requirements at the federal and state levels. The Company has made and may in the future make contributions to such organizations. Details of any such contributions over \$200, including the recipient and amount, are generally made publicly available by the Federal Election Commission.

The Company's participation in trade associations and organizations serves various business purposes, most importantly allowing management to stay current on industry standards and best practices, emerging trends and other business or technical issues that may impact the Company. While these organizations may engage in political or lobbying activities, the Company's membership or participation in its trade associations and organizations is not to advance political purposes and does not represent the Company's agreement with all positions, views or objectives of these associations and organizations. Because the Company's involvement with trade associations and third-party organizations is based on reasons unrelated to any political activities and because our involvement and payments to such associations and organizations do not necessarily reflect the Company's views on every action a trade association or organization may take, the Board of Directors believes the proposed report would not provide meaningful information to investors. Further, the Board of Directors believes that providing such information could be used by special interest groups to pressure the Company to oppose actions taken by these organizations or to stop supporting positions or initiatives that are in the best interests of the Company and its stockholders, employees, and customers, and such efforts could be counter to the Company's best interests to the extent it diverts management's focus from the operation of our business.

PROPOSAL FOUR Stockholder Proposal Regarding Reporting Political Contributions

For the foregoing reasons, the Board of Directors believes this stockholder proposal is unnecessary and not in the best interest of the Company or its stockholders. The Board of Directors therefore unanimously recommends voting against this proposal.

PROPOSAL

4

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS
A VOTE AGAINST PROPOSAL NUMBER FOUR**

**STOCKHOLDERS WHO DO NOT EXPECT TO ATTEND THE MEETING
ARE URGED TO VOTE BY TELEPHONE, MAIL OR INTERNET
IF YOU VOTE BY TELEPHONE OR THE INTERNET, DO NOT RETURN
YOUR PROXY CARD**

By Order of the Board of Directors

JENNIFER R. BOATTINI
Corporate Secretary

Questions and Answers about the Proxy Materials and The Annual Meeting

When And Where Is The Annual Meeting?

Date: Thursday, April 18, 2019
Time: 10 a.m. Central Daylight Time
Location: J.B. Hunt Transport Services, Inc.
Corporate Offices
Million Mile Auditorium
615 J.B. Hunt Corporate Drive
Lowell, Arkansas 72745

What Matters Will Be Voted Upon At The Annual Meeting?

At the Annual Meeting, you will be asked to:

- Consider and vote upon a proposal to elect nominees Douglas G. Duncan, Francesca M. Edwardson, Wayne Garrison, Sharilyn S. Gasaway, Gary C. George, Bryan Hunt, Coleman H. Peterson, John N. Roberts, III, James L. Robo, and Kirk Thompson as directors to hold office for a term of one year, expiring at the close of the Annual Meeting of Stockholders in 2020.
- Consider and approve an advisory resolution regarding the Company's compensation of its named executive officers.
- Consider and vote upon a proposal to ratify the appointment of Ernst & Young LLP (E&Y) as the Company's independent registered public accounting firm for the 2019 calendar year.
- Consider and vote upon a stockholder proposal requesting the Company to prepare and disclose a report of the Company's political contributions policy and political contributions made by the Company.
- Transact such other business as may properly come before the Annual Meeting or any adjournments thereof.

What Constitutes A Quorum?

The presence, either in person or by proxy, of the holders of at least a majority of our issued and outstanding shares of common stock entitled to vote is required to constitute a quorum for the transaction of business at the Annual Meeting. Abstentions and broker non-votes, which are described in more detail below, are counted as shares present at the Annual Meeting for purposes of determining whether a quorum exists.

Who Is Entitled To Vote?

Only stockholders of record of the Company's common stock at the close of business on Tuesday, February 12, 2019, which is the "record date," are entitled to notice of, and to vote at, the Annual Meeting. Shares that may be voted include shares that are held:

- (1) directly by the stockholder of record, and
- (2) beneficially through a broker, bank or other nominee.

Each share of our common stock will be entitled to one vote on all matters submitted for a vote at the Annual Meeting.

As of the record date, there were 108,738,788 shares of our common stock issued and outstanding and entitled to be voted at the Annual Meeting.

What Is The Difference Between Holding Shares As A “Registered Owner” And A “Beneficial Owner”?

Most of the Company’s stockholders hold their shares through a broker, bank or other nominee rather than directly in their own name. As summarized below, there are some distinctions between registered shares and those owned beneficially:

- **Registered Owners** – If your shares are registered directly in your name with our transfer agent, Computershare Trust Company N.A., you are, with respect to those shares, the stockholder of record. As the stockholder of record, you have the right to grant your voting proxy directly to the Company or to vote in person at the Annual Meeting.
- **Beneficial Owners** – If your shares are held in a brokerage account, bank or by another nominee, you are, with respect to those shares, the “beneficial owner” of shares held in “street name.” As the beneficial owner, you have the right to direct your broker, bank or other nominee on how to vote or to vote in person at the Annual Meeting. However, because you are not a stockholder of record, you may not vote these shares in person at the Annual Meeting unless you obtain a “legal proxy” from your broker, bank or other nominee (who is the stockholder of record) giving you the right to vote the shares.

What Stockholder Approval Is Necessary For Approval Of The Proposals?

- **Election of Directors**

Each director shall be elected by a vote of the majority of votes cast with respect to that director. This means that a director must receive “for” votes from more than 50% of the number of shares voted with respect to that director. However, if the number of nominees is greater than the number of directors to be elected, the directors will be elected by the vote of a plurality of the shares represented in person or by proxy at any stockholder meeting. For purposes of this vote, a failure to vote, a vote to abstain or withholding your vote (or direction to your broker to do so) is not counted as a vote cast and, therefore, will have no effect on the outcome of this vote.

- **Advisory vote on the resolution to approve the Company’s compensation of its named executive officers**

Approval of this resolution requires the affirmative vote of a majority of the votes cast at the Annual Meeting. For purposes of this vote, a failure to vote, a vote to abstain or withholding your vote (or direction to your broker to do so) is not counted as a vote cast and, therefore, will have no effect on the outcome of this vote. While this vote is required by law, it will neither be binding on the Company or the Board, nor will it create or imply any change in the fiduciary duties of, or impose any additional fiduciary duty on, the Company or the Board. However, the Compensation Committee will take into account the outcome of the vote when considering future executive compensation decisions.

- **Ratification of the appointment of E&Y as the Company’s independent registered public accounting firm**

Ratification of the Audit Committee’s appointment of E&Y as the Company’s independent registered public accounting firm requires the affirmative vote of a majority of the votes cast at the Annual Meeting. For purposes of this vote, a failure to vote, a vote to abstain or withholding your vote (or direction to your broker to do so) is not counted as a vote cast and, therefore, will have no effect on the outcome of this vote. Stockholder ratification is not required for the appointment of the Company’s independent registered public accounting firm. However, we are submitting the proposal to solicit the opinion of our stockholders.

- **Vote on a stockholder proposal requesting the Company to prepare and disclose a report of the Company’s political contributions policy and political contributions made by the Company**

Approval of this resolution requires the affirmative vote of a majority of the votes cast at the Annual Meeting. For purposes of this vote, a failure to vote, a vote to abstain or withholding your vote (or direction to your broker to do so) is not counted as a vote cast and, therefore, will have no effect on the outcome of this vote.

Questions and Answers about the Proxy Materials and The Annual Meeting

As of the record date, directors and executive officers of the Company beneficially owned an aggregate 3,946,200 shares of common stock representing 3.6% of our common stock issued and outstanding and, therefore, 3.6% of the voting power entitled to vote at the Annual Meeting. The Company believes that its directors and executive officers currently intend to vote their shares as follows:

- **FOR** the election of directors for one (1) year
- **FOR** the resolution approving the Company's compensation of its named executive officers
- **FOR** ratification of the appointment of E&Y as the Company's independent registered public accounting firm for the 2019 calendar year
- **AGAINST** the stockholder proposal requesting the Company to prepare and disclose a report of the Company's political contributions policy and political contributions made by the Company

May I Vote My Shares In Person At The Annual Meeting?

If you are the registered owner of shares of the Company's common stock on the record date, you have the right to vote your shares in person at the Annual Meeting.

If you are the beneficial owner of shares of the Company's common stock on the record date, you may vote these shares in person at the Annual Meeting if you request and obtain a legal proxy from your broker, bank or other nominee (the stockholder of record) giving you the right to vote the shares at the Annual Meeting, complete such legal proxy and present it to the Company at the Annual Meeting.

Even if you plan to attend the Annual Meeting, we recommend that you submit your proxy card or voting instructions so that your vote will be counted if you later decide not to attend the Annual Meeting.

How Can I Vote My Shares Without Attending The Annual Meeting?

If you are a registered owner, you may instruct the named proxy holders on how to vote your shares by completing, signing, dating and returning the enclosed proxy card in the postage-paid envelope provided with this Proxy Statement, or by using the Internet voting site or the toll-free telephone number listed on the proxy card. Specific instructions for using the Internet and telephone voting systems are provided on the proxy card. The Internet and telephone voting systems will be available until 11:59 p.m. Central Daylight Time on Wednesday, April 17, 2019 (the day before the Annual Meeting).

If you are the beneficial owner of shares held in "street name," you should instruct your broker, bank or other nominee on how to vote your shares. Your broker, bank or other nominee has enclosed with this Proxy Statement a voting instruction card for you to use in directing your nominee on how to vote your shares. The instructions from your nominee will indicate whether Internet or telephone voting is available and, if so, will provide details regarding how to use those systems.

If My Shares Are Held In "Street Name," Will My Broker, Bank Or Other Nominee Vote My Shares For Me?

If you hold shares in "street name" through a broker, bank or other nominee, your broker, bank or nominee may not be permitted to exercise voting discretion with respect to some of the matters to be acted upon at the Annual Meeting. Under current stock exchange rules, brokers who do not have instructions from their customers may not use their discretion in voting their customers' shares on certain specific matters that are not considered to be "routine" matters, including the election of directors, executive compensation and other significant matters. The proposals in this Proxy Statement regarding the election of directors, the advisory vote concerning executive compensation, and the Company's political contributions policy are not considered to be routine matters.

Therefore, without your specific instructions, your shares will not be voted on these matters and will not be counted in determining the number of shares necessary for approval. Shares represented by such

Questions and Answers about the Proxy Materials and The Annual Meeting

“broker non-votes,” however, will be counted in determining whether there is a quorum. You should follow the directions provided by your nominee regarding instructions on how to vote your shares.

Ratification of the appointment of E&Y as the Company’s independent registered public accounting firm is considered a routine matter and, therefore, if beneficial owners fail to give voting instructions, brokers, banks and other nominees will have the discretionary authority to vote shares of our common stock with respect to this proposal.

What Is A Broker Non-Vote?

Generally, a “broker non-vote” occurs when a broker, bank or other nominee that holds shares in “street name” for a customer is precluded from exercising voting discretion on a particular proposal because:

- (1) the beneficial owner has not instructed the nominee on how to vote, and
- (2) the nominee lacks discretionary voting power to vote such issues.

Under NASDAQ rules, a nominee does not have discretionary voting power with respect to the approval of “nonroutine” matters absent specific voting instructions from the beneficial owners of such shares.

How Will My Proxy Be Voted?

Shares represented by a properly executed proxy (in paper form, by Internet or by telephone) that is received in a timely manner, and not subsequently revoked, will be voted at the Annual Meeting or any adjournment or postponement thereof in the manner directed on the proxy. Kirk Thompson and John N. Roberts, III are named as proxies in the proxy form and have been designated by the Board as the directors’ proxies to represent you and vote your shares at the Annual Meeting. All shares represented by a properly executed proxy on which no choice is specified will be voted:

- (1) **FOR** the election of the nominees for director named in this Proxy Statement,
- (2) **FOR** the resolution approving the Company’s compensation of its named executive officers,
- (3) **FOR** ratification of the appointment of E&Y as the Company’s independent registered public accounting firm for the 2019 calendar year,
- (4) **AGAINST** the stockholder proposal requesting the Company to prepare and disclose a report of the Company’s political contributions policy and political contributions made by the Company, and
- (5) in accordance with the proxy holders’ best judgment as to any other business that properly comes before the Annual Meeting.

This Proxy Statement is considered to be voting instructions for the trustees of the J.B. Hunt Transport Services, Inc. Employee Retirement Plan for our common stock allocated to individual accounts under this plan. If account information is the same, participants in the plan (who are stockholders of record) will receive a single proxy representing all of their shares. If a plan participant does not submit a proxy to us, the trustees of the plan in which shares are allocated to his or her individual account will vote such shares in the same proportion as the total shares in such plan for which directions have been received.

Questions and Answers about the Proxy Materials and The Annual Meeting

May I Revoke My Proxy And Change My Vote?

Yes. You may revoke your proxy and change your vote at any time prior to the vote at the Annual Meeting.

If you are the registered owner, you may revoke your proxy and change your vote by:

- (1) submitting a new proxy bearing a later date (which automatically revokes the earlier proxy),
- (2) giving notice of your changed vote to us in writing mailed to the attention of Jennifer R. Boattini, Corporate Secretary, at our executive offices, or
- (3) attending the Annual Meeting and giving oral notice of your intention to vote in person.

You should be aware that simply attending the Annual Meeting will not in and of itself constitute a revocation of your proxy.

Who Will Pay The Costs Of Soliciting Proxies?

Proxies will be solicited initially by mail. Further solicitation may be made in person or by telephone, electronic mail or facsimile. The Company will bear the expense of preparing, printing and mailing this Proxy Statement and accompanying materials to our stockholders. Upon request, the Company will reimburse brokers, banks and other nominees for reasonable expenses incurred in forwarding copies of the proxy materials relating to the Annual Meeting to the beneficial owners of our common stock.

In 2018, the Company retained Broadridge, an independent proxy solicitation firm, to assist in soliciting proxies from stockholders. The Company paid Broadridge a fee of approximately \$66,000 as compensation for its services and was reimbursed for its out-of-pocket expenses. The fee amount was not contingent on the number of stockholder votes cast in favor of any proposal, and Broadridge is prohibited from making any recommendation to our stockholders to either accept or reject any proposal or otherwise express an opinion concerning a proposal. Proxy solicitation fees in 2019 are expected to be comparable to those paid in 2018.

What Other Business Will Be Presented At The Annual Meeting?

As of the date of this Proxy Statement, the Board knows of no other business that may properly be, or is likely to be, brought before the Annual Meeting. If any other matters should arise at the Annual Meeting, the persons named as proxy holders, Kirk Thompson and John N. Roberts, III, will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting. If, for any unforeseen reason, any of the director nominees are not available to serve as a director, the named proxy holders will vote your proxy for such other director candidate or candidates as may be nominated by the Board.

What Is The Deadline For Stockholder Proposals For The 2020 Annual Meeting?

In order for a stockholder proposal to be eligible to be included in the Company's Proxy Statement and proxy card for the 2020 Annual Meeting of Stockholders, the proposal:

- (1) must be received by the Company at its executive offices, 615 J.B. Hunt Corporate Drive, Lowell, Arkansas 72745, Attention: Corporate Secretary, on or before November 9, 2019, and
- (2) must concern a matter that may be properly considered and acted upon at the Annual Meeting in accordance with applicable laws, regulations and the Company's Bylaws and policies, and must otherwise comply with Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the Exchange Act).

Questions and Answers about the Proxy Materials and The Annual Meeting

In connection with our 2020 Annual Meeting of Stockholders, if we do not receive notice of a matter or proposal to be considered by January 23, 2020, then the persons appointed by our Board of Directors to act as proxy holders for such Annual Meeting (named in the form of proxy) will be allowed to use their discretionary voting authority with respect to any such matter or proposal properly presented for a vote at such meeting.

Where Can I Find The Voting Results Of The Annual Meeting?

The Company will publish final voting results of the Annual Meeting on a Form 8-K within four days after the annual stockholders meeting on April 18, 2019.

What Should I Do If I Receive More Than One Set Of Voting Materials?

You may receive more than one set of voting materials, including multiple copies of this Proxy Statement and multiple proxies or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you may receive a separate voting instruction card for each brokerage account. If you are a registered owner and your shares are registered in more than one name, you will receive more than one proxy card. Please vote each proxy and instruction card that you receive.

What Is Householding?

In an effort to reduce printing costs and postage fees, the Company has adopted a practice approved by the Securities and Exchange Commission (the SEC) called “householding.” Under this practice, certain stockholders who have the same address and last name will receive only one copy of this Proxy Statement and the Company’s Annual Report, unless one or more of these stockholders notifies the Company that he or she wishes to continue receiving individual copies. Stockholders who participate in householding will continue to receive separate proxy cards.

If you share an address with another stockholder and received only one copy of this Proxy Statement and the Company’s Annual Report and would like to request a separate copy of these materials, or if you do not wish to participate in householding in the future, please:

- (1) mail such request to J.B. Hunt Transport Services, Inc., Attention: Corporate Secretary, 615 J.B. Hunt Corporate Drive, Lowell, Arkansas 72745, or
- (2) call the Corporate Secretary toll-free at 800-643-3622.

Similarly, you may also contact the Company if you received multiple copies of the Company’s proxy materials and would prefer to receive a single copy in the future.

What Do I Need To Do Now?

First, read this Proxy Statement carefully. Then, if you are a registered owner, you should, as soon as possible, submit your proxy by executing and returning the proxy card or by voting electronically via the Internet or by telephone. If you are the beneficial owner of shares held in “street name,” then you should follow the voting instructions of your broker, bank or other nominee. Your shares will be voted in accordance with the directions you specify. If you submit an executed proxy card to the Company, but fail to specify voting directions, your shares will be voted:

- (1) **FOR** the election of the nominees for director named in this Proxy Statement,
- (2) **FOR** the resolution approving the Company’s compensation of its named executive officers,
- (3) **FOR** ratification of the appointment of E&Y as the Company’s independent registered public accounting firm for the 2019 calendar year, and
- (4) **AGAINST** the stockholder proposal requesting the Company to prepare and disclose a report of the Company’s political contributions policy and political contributions made by the Company

Who Can Help Answer My Questions?

If you have questions concerning a proposal or the Annual Meeting, if you would like additional copies of this Proxy Statement, or if you need directions to or special assistance at the Annual Meeting, please call the Corporate Secretary toll-free at 800-643-3622. In addition, information regarding the Annual Meeting is available via the Internet at our website, jbhunt.com.

J.B. HUNT TRANSPORT SERVICES, INC.



ANNUAL REPORT



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

FORM 10-K

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

For the fiscal year ended
December 31, 2018

Commission file number
0-11757

J.B. HUNT TRANSPORT SERVICES, INC.

(Exact name of registrant as specified in its charter)

Arkansas

(State or other jurisdiction of incorporation or organization)

71-0335111

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

615 J.B. Hunt Corporate Drive

Lowell, Arkansas

(Address of principal executive offices)

72745-0130

(ZIP Code)

Registrant's telephone number, including area code: **479-820-0000**

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act: **Common Stock, \$0.01 Par Value**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
 Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The aggregate market value of 86,721,074 shares of the registrant's \$0.01 par value common stock held by non-affiliates as of June 30, 2018, was \$10.5 billion (based upon \$121.55 per share).

As of February 12, 2019, the number of outstanding shares of the registrant's common stock was 108,710,825.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the Notice and Proxy Statement for the Annual Meeting of Stockholders, to be held April 18, 2019, are incorporated by reference in Part III of this Form 10-K.

FORWARD-LOOKING STATEMENTS

This report, including documents which are incorporated by reference and other documents which we file periodically with the Securities and Exchange Commission (SEC), contains statements that may be considered to be “forward-looking statements.” Such statements relate to our predictions concerning future events or operations and are within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are inherently uncertain, subject to risks, and should be viewed with caution. These statements are based on our belief or interpretation of information currently available. Stockholders and prospective investors are cautioned that actual results and future events may differ materially from these forward-looking statements as a result of many factors. Some of the factors and events that are not within our control and that could have a material impact on future operating results include: general economic and business conditions, competition and competitive rate fluctuations, cost and availability of diesel fuel, ability to attract and retain qualified drivers and delivery personnel, a loss of one or more major customers, interference with or termination of our relationships with certain railroads, rail service delays, insurance costs and availability, claims expense, retention of key employees, terrorist attacks or actions, acts of war, adverse weather conditions, disruption or failure of information systems, new or different environmental or other laws and regulations, operational disruption or adverse effects of business acquisitions, increased costs for new revenue equipment or decreases in the value of used equipment, and the ability of revenue equipment manufacturers to perform in accordance with agreements for guaranteed equipment trade-in values.

You should understand that many important factors, in addition to those listed above, could impact us financially. Our operating results may fluctuate as a result of these and other risk factors or events as described in our filings with the SEC. Some important factors that could cause our actual results to differ from estimates or projections contained in the forward-looking statements are described under “Risk Factors” in Item 1A. We assume no obligation to update any forward-looking statement to the extent we become aware that it will not be achieved for any reason.

PART I

ITEM 1. BUSINESS

OVERVIEW

We are one of the largest surface transportation, delivery, and logistics companies in North America. J.B. Hunt Transport Services, Inc. is a publicly held holding company that, together with our wholly owned subsidiaries, provides safe and reliable transportation and delivery services to a diverse group of customers and consumers throughout the continental United States, Canada, and Mexico. Unless otherwise indicated by the context, “we,” “us,” “our,” the “Company”, and “JBHT” refer to J.B. Hunt Transport Services, Inc. and its consolidated subsidiaries. We were incorporated in Arkansas on August 10, 1961, and have been a publicly held company since our initial public offering in 1983. Our service offerings include transportation of full-truckload containerized freight, which we directly transport utilizing our company-controlled revenue equipment and company drivers or independent contractors. We have arrangements with most of the major North American rail carriers to transport freight in containers or trailers. We also provide customized freight movement, revenue equipment, labor, systems, and delivery services that are tailored to meet individual customers’ requirements and typically involve long-term contracts. These arrangements are generally referred to as dedicated services and may include multiple pickups and drops, local and home deliveries, freight handling, specialized equipment, and freight network design. Our local and home delivery services typically are provided through a network of cross-dock service centers throughout the continental United States. Utilizing a network of thousands of reliable third-party carriers, we also provide comprehensive transportation and logistics services. In addition to full-load, dry-van operations, these unrelated outside carriers also provide flatbed, refrigerated, less-than-truckload (LTL), and other specialized equipment, drivers, and services. Our customers’ business activities are extremely diverse, and our customer base includes a large number of Fortune 500 companies.

We believe our ability to offer multiple services, utilizing our four business segments and a full complement of logistics services through third parties, represents a competitive advantage. These segments include Intermodal (JBI), Dedicated Contract Services® (DCS), Integrated Capacity Solutions (ICS), and Truckload (JBT). Our business is somewhat seasonal, with slightly higher freight volumes typically experienced during August through early November. Our DCS segment is subject to somewhat less seasonal variation than our other segments.

Additional general information about us is available at jbhunt.com. We make a number of reports and other information available free of charge on our website, including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. Our website also contains corporate governance guidelines, our code of ethics, our whistleblower policy, Board committee charters, and other corporate policies. The information on our website is not, and shall not be deemed to be, a part of this annual report on Form 10-K or incorporated into any other filings we make with the SEC.

OUR MISSION AND STRATEGY

We forge long-term partnerships with key customers that include supply-chain management as an integral part of their strategies. Working in concert, we strive to drive out excess cost, add value and function as an extension of their enterprises. Our strategy is based on utilizing an integrated, multimodal approach to provide capacity-oriented solutions centered on delivering customer value and industry-leading service. We believe our unique operating strategy can add value to customers and increase our profits and returns to stockholders.

We continually analyze where we believe additional capital should be invested and management's resources should be focused to provide added benefits to our customers. These actions should, in turn, yield increasing returns to our stockholders.

Increasingly, our customers are seeking energy-efficient transportation solutions to reduce both cost and greenhouse-gas emissions. Our intermodal service addresses both demands. Further, we are customizing dedicated solutions aimed at minimizing transportation-related carbon emissions. Efforts to improve fleet fuel efficiency are ongoing, and we are an Environmental Protection Agency (EPA) SmartWaySM Transport Partner.

As always, we continue to ingrain safety into our corporate culture and strive to conduct all of our operations as safely as possible.

OPERATING SEGMENTS

Segment information is also included in Note 13 to our Consolidated Financial Statements.

JBI Segment

The transportation service offerings of our JBI segment utilize arrangements with most major North American rail carriers to provide intermodal freight solutions for our customers throughout the continental United States, Canada, and Mexico. Our JBI segment began operations in 1989, forming a unique partnership with what is now the BNSF Railway Company (BNSF); this was a watershed event in the industry and the first agreement that linked major rail and truckload carriers in a joint service environment. JBI draws on the intermodal services of rail carriers for the underlying linehaul movement of its equipment between rail ramps. The origin and destination pickup and delivery services (drayage) are handled by our company-owned tractors for the majority of our intermodal loads, while third-party dray carriers are used where economical. By performing our own drayage services, we are able to provide a cost-competitive, seamless coordination of the combined rail and dray movements for our customers.

JBI operates 88,739 pieces of company-owned trailing equipment systemwide. The fleet primarily consists of 53-foot, high-cube containers and is designed to take advantage of intermodal double-stack economics and superior ride quality. We own and maintain our own chassis fleet, consisting of 81,442 units. The containers and chassis are uniquely designed so that they may only be paired together, which we feel creates an operational competitive

advantage. JBI also manages a fleet of 5,017 company-owned tractors, 633 independent contractor trucks, and 6,208 company drivers. At December 31, 2018, the total JBI employee count was 7,081. Revenue for the JBI segment in 2018 was \$4.72 billion.

DCS Segment

DCS focuses on private fleet conversion and creation in replenishment, specialized equipment, and final-mile delivery services. We specialize in the design, development, and execution of supply-chain solutions that support a variety of transportation networks. Our final-mile delivery services are supported with a network of approximately 102 cross-dock and other delivery system network locations nationwide, with 98% of the continental U.S. population living within 150 miles of a network location. Contracts with our customers are long-term, ranging from three to 10 years, with the average being approximately five years. Pricing of our contracts typically involves cost-plus arrangements, with our fixed costs being recovered regardless of equipment utilization, but is customized based on invested capital and duration.

At December 31, 2018, this segment operated 9,652 company-owned trucks, 412 customer-owned trucks, and 51 independent contractor trucks. DCS also operates 20,344 owned pieces of trailing equipment and 6,366 customer-owned trailers. The DCS segment employed 13,747 people, including 11,331 drivers, at December 31, 2018. DCS revenue for 2018 was \$2.16 billion.

ICS Segment

ICS provides traditional freight brokerage and transportation logistics solutions to customers through relationships with thousands of third-party carriers and integration with our owned equipment. By leveraging the J.B. Hunt brand, systems, and network, we provide a broader service offering to customers by providing flatbed, refrigerated, expedited, and LTL, as well as a variety of dry-van and intermodal solutions. ICS provides single-source logistics management for customers desiring to outsource their transportation functions and utilize our proven supply-chain technology and design expertise to improve efficiency. ICS operates 44 remote sales offices or branches, as well as on-site logistics personnel working in direct contact with customers.

At December 31, 2018, the ICS segment employed 1,142 people, with a carrier base of approximately 73,100. ICS revenue for 2018 was \$1.33 billion.

JBT Segment

The service offering in this segment is full-load, dry-van freight, utilizing tractors operating over roads and highways. We typically pick up freight at the dock or specified location of the shipper and transport the load directly to the location of the consignee. We use our company-owned tractors and employee drivers or independent contractors who agree to transport freight in our trailers.

At December 31, 2018, the JBT segment operated 1,139 company-owned tractors and employed 1,440 people, 1,200 of whom were drivers. At December 31, 2018, we had 973 independent contractors operating in the JBT segment. JBT revenue for 2018 was \$417 million.

Marketing and Operations

We transport, or arrange for the transportation of, a wide range of freight, including general merchandise, specialty consumer items, appliances, forest and paper products, food and beverages, building materials, soaps and cosmetics, automotive parts, agricultural products, electronics, and chemicals. Our customers' business activities are extremely diverse, and our customer base includes a large number of Fortune 500 companies. We provide a broad range of transportation services to shippers seeking to use a variety of transportation options to optimize their supply-chain logistics needs.

We generally market all of our service offerings through a nationwide sales and marketing network. We use a specific sales force in DCS due to the length, complexity, and specialization of the sales cycle. In accordance with our typical arrangements, we bill the customer for all services, and we, in turn, pay all third parties for their portion of transportation services provided.

People

We believe that one of the factors differentiating us from our competitors is our service-oriented people. As of December 31, 2018, we had 27,621 employees, which consisted of 18,739 company drivers, 7,589 office personnel, and 1,293 maintenance technicians. We also had arrangements with approximately 1,657 independent contractors to transport freight in our trailing equipment. None of our employees are represented by unions or covered by collective bargaining agreements.

Revenue Equipment

Our JBI segment utilizes uniquely designed high-cube containers and chassis, which can only be paired with each other and can be separated to allow the containers to be double-stacked on rail cars. The composition of our DCS trailing fleet varies with specific customer requirements and may include dry-vans, flatbeds, temperature-controlled, curtain-side vans, straight trucks, and dump trailers. We primarily utilize third-party carriers' tractor and trailing equipment for our ICS segment. Our JBT segment operates primarily 53-foot dry-van trailers.

As of December 31, 2018, our company-owned tractor and truck fleet consisted of 15,808 units. In addition, we had 1,657 independent contractors who operate their own tractors but transport freight in our trailing equipment. We operate with standardized tractors in as many fleets as possible, particularly in our JBI and JBT fleets. Due to our customers' preferences and the actual business application, our DCS fleet is extremely diversified. We believe operating with relatively newer revenue equipment provides better customer service, attracts quality drivers, and lowers maintenance expense. At December 31, 2018, the average age of our combined tractor fleet was 2.3 years, while our containers averaged 6.4 years of age and our trailers averaged 6.3 years. We perform routine servicing and preventive maintenance on our equipment at our regional terminal facilities.

Competition and the Industry

The freight transportation markets in which we operate are frequently referred to as highly fragmented and competitive. Our JBI segment competes with other intermodal marketing companies; other full-load carriers that utilize railroads for a portion of the transportation service; and, to a certain extent, some railroads directly. The diversified nature of the services provided by our DCS segment attracts competition from customers' private fleets, other private fleet outsourcing companies, equipment leasing companies, local and regional delivery service providers, and some truckload carriers. Our ICS segment utilizes the fragmented nature of the truck industry and competes with other non-asset-based logistics companies and freight brokers, as well as full-load carriers. The full-load freight competition of our JBT segment includes thousands of carriers, many of which are very small. While we compete with a number of smaller carriers on a regional basis, only a limited number of companies represent competition in all markets across the country.

We compete with other transportation service companies primarily in terms of price, on-time pickup and delivery service, availability and type of equipment capacity, and availability of carriers for logistics services.

Regulation

Our operations as a for-hire motor carrier are subject to regulation by the U.S. Department of Transportation (DOT) and the Federal Motor Carrier Safety Administration (FMCSA), and certain business is also subject to state rules and regulations. The DOT periodically conducts reviews and audits to ensure our compliance with federal safety requirements, and we report certain accident and other information to the DOT. Our operations into and out of Canada and Mexico are subject to regulation by those countries. We are also subject to a variety of requirements of national, state, and local governments, including the U.S. Environmental Protection Agency and the Occupational Safety and Health Administration.

We continue to monitor the actions of the FMCSA and other regulatory agencies, and evaluate all proposed rules to determine their impact on our operations.

ITEM 1A. RISK FACTORS

In addition to the forward-looking statements outlined previously in this Form 10-K and other comments regarding risks and uncertainties, the following risk factors should be carefully considered when evaluating our business. Our business, financial condition or financial results could be materially and adversely affected by any of these risks.

Our business is dependent upon a number of factors that may have a material adverse effect on the results of our operations, many of which are beyond our control. In addition to general U.S. economic trends, and to a lesser extent global economic trends, these factors include interference with or termination of our relationships with certain railroads; rail service delays; disruptions to U.S. port-of-call activity; significant increases or rapid fluctuations in fuel prices, fuel taxes, interest rates, insurance premiums, self-insurance levels, excess capacity in the intermodal or trucking industries, or license and registration fees; terrorist attacks or actions; acts of war; adverse weather conditions; disruption or failure of information technology systems; increased costs for new revenue equipment or decreases in the value of used equipment; increased tariffs assessed on or disruptions in the procurement of imported revenue equipment; volatile financial credit markets; operational disruption or adverse effects of business acquisitions; and difficulty in attracting and retaining qualified drivers, independent contractors, and third-party carriers.

We are also affected by recessionary economic cycles and downturns in customers' business cycles, particularly in market segments and industries where we have a significant concentration of customers. Economic conditions represent a greater potential for loss, and we may be required to increase our reserve for bad debt losses. In addition, our results of operations may be affected by seasonal factors. Customers tend to reduce shipments after the winter holiday season, and our operating expenses tend to be higher in the winter months, primarily due to colder weather, which causes higher fuel consumption from increased idle time and higher maintenance costs.

We depend on third parties in the operation of our business.

Our JBI business segment utilizes railroads in the performance of its transportation services. The majority of these services are provided pursuant to contractual relationships with the railroads. While we have agreements with a number of Class I railroads, the majority of our business travels on the BNSF and the Norfolk Southern railways. A material change in the relationship with, the ability to utilize one or more of these railroads or the overall service levels provided by these railroads could have a material adverse effect on our business and operating results. In addition, a portion of the freight we deliver is imported to the United States through ports of call that are subject to labor union contracts. Work stoppages or other disruptions at any of these ports could have a material adverse effect on our business.

In January 2017, we exercised our right to utilize the arbitration process to review the division of revenue collected beginning May 1, 2016, as well as to clarify other issues, under our Joint Service Agreement with BNSF. BNSF requested the same, and the arbitration process is on-going. On October 5, 2018, we received the arbitrators' Interim Award. The details of the Interim Award are confidential and require the parties to submit additional information requested by the arbitrators to decide certain unresolved matters. For the determined components of the Interim Award, we recorded an \$18.3 million pre-tax charge in the third quarter 2018, related to certain charges claimed by BNSF for specific services requested for customers from April 2014 through May 2018. On December 7, 2018 the arbitrators' issued their Clarified Interim Award of October 5, 2018 resulting from some of the parties' additional submissions to the Panel regarding certain issues related to determining the revenue division between the parties. On January 11, 2019, the Panel issued its Second Interim Award ordering that \$89.4 million is due from the Company to BNSF resulting from the adjusted revenue divisions relating to the 2016 period at issue (\$52.1 million) and for calendar year 2017 (\$37.3 million). The parties have been instructed to make further submissions on the revenue divisions for calendar year 2018 and going forward, as well as other confidential issues raised during the arbitration process so that the panel can issue an appropriate interim and/or final award regarding all issues raised during the proceeding. We recorded pretax charges for contingent liabilities in the fourth quarter 2018 of \$89.4 million claimed by the BNSF for the period May 1, 2016 through December 31, 2017 and \$44.6 million for the period January 1, 2018 through December 31, 2018, for a total of \$134 million.

The other financial implications from the Interim Award and the Clarified Interim Award will not be fully determined until the arbitrators issue additional award(s) following their review of each party's requested additional submissions. At this time, we are unable to reasonably predict the final outcome of the arbitration, and, as such, no further gain or loss contingency can be determined or recorded. If decided adversely, this matter could result in a liability material to our financial condition or results of operations. BNSF provides a significant amount of rail transportation services to our JBI business segment. Normal commercial business activity between the parties, including load tendering, load tracing, billing and payments, is expected to continue on a timely basis.

We also utilize independent contractors and third-party carriers to complete our services. These third parties are subject to similar regulation requirements, which may have a more significant impact on their operations, causing them to exit the transportation industry. Aside from when these third parties may use our trailing equipment to fulfill loads, we do not own the revenue equipment or control the drivers delivering these loads. The inability to obtain reliable third-party carriers and independent contractors could have a material adverse effect on our operating results and business growth.

Rapid changes in fuel costs could impact our periodic financial results.

Fuel costs can be very volatile. We have a fuel surcharge revenue program in place with the majority of our customers, which has historically enabled us to recover the majority of higher fuel costs. Most of these programs automatically adjust weekly depending on the cost of fuel. However, there can be timing differences between a change in our fuel cost and the timing of the fuel surcharges billed to our customers. In addition, we incur additional costs when fuel price increases cannot be fully recovered due to our engines being idled during cold or warm weather and empty or out-of-route miles that cannot be billed to customers. Rapid increases in fuel costs or shortages of fuel could have a material adverse effect on our operations or future profitability. As of December 31, 2018, we had no derivative financial instruments to reduce our exposure to fuel-price fluctuations.

Insurance and claims expenses could significantly reduce our earnings.

Our future insurance and claims expenses might exceed historical levels, which could reduce our earnings. If the number or severity of claims for which we are self-insured increases, our operating results could be adversely affected. We have policies in place for 2019 with substantially the same terms as our 2018 policies for personal injury, property damage, workers' compensation, and cargo loss or damage, with the exception of decreasing our self-insured portion of workers' compensation claims to zero for nearly all states. We purchase insurance coverage for the amounts above which we are self-insured. If these expenses increase and we are unable to offset the increase with higher freight rates, our earnings could be materially and adversely affected.

We derive a significant portion of our revenue from a few major customers, the loss of one or more of which could have a material adverse effect on our business.

For the calendar year ended December 31, 2018, our top 10 customers, based on revenue, accounted for approximately 30% of our revenue. Our JBI, ICS, and JBT segments typically do not have long-term contracts with their customers. While our DCS segment business may involve long-term written contracts, those contracts may contain cancellation clauses, and there is no assurance that our current customers will continue to utilize our services or continue at the same levels. A reduction in or termination of our services by one or more of our major customers could have a material adverse effect on our business and operating results.

We operate in a regulated industry, and increased direct and indirect costs of compliance with, or liability for violation of, existing or future regulations could have a material adverse effect on our business.

The DOT, FMCSA, and various state agencies exercise broad powers over our business, generally governing matters including authorization to engage in motor carrier service, equipment operation, safety, and financial reporting. We are audited periodically by the DOT to ensure that we are in compliance with various safety, hours-of-service, and other rules and regulations. If we were found to be out of compliance, the DOT could restrict or otherwise impact our operations. Our failure to comply with any applicable laws, rules or regulations to which we are subject, whether actual or alleged, could expose us to fines, penalties or potential litigation liabilities, including costs, settlements and judgments. Further, these agencies could institute new laws, rules or regulations or issue interpretation changes to

existing regulations at any time. Compliance with new laws, rules or regulations could substantially impair labor and equipment productivity, increase our costs or impact our ability to offer certain services.

Difficulty in attracting and retaining drivers and delivery personnel could affect our profitability and ability to grow.

If we are unable to attract and retain the necessary quality and number of employees, we could be required to significantly increase our employee compensation package, let revenue equipment sit idle, dispose of the equipment altogether, or rely more on higher-cost third-party carriers, which could adversely affect our growth and profitability. In addition, our growth could be limited by an inability to attract third-party carriers upon whom we rely to provide transportation services.

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

Tax and other regulatory authorities often seek to assert that independent contractors in the transportation service industry are employees rather than independent contractors. There can be no assurance that interpretations that support the independent contractor status will not change or that various authorities will not successfully assert a position that re-classifies independent contractors to be employees. If our independent contractors are determined to be our employees, that determination could materially increase our exposure under a variety of federal and state tax, workers' compensation, unemployment benefits, labor, employment and tort laws, as well as our potential liability for employee benefits. In addition, such changes may be applied retroactively, and if so, we may be required to pay additional amounts to compensate for prior periods. Any of the above increased costs would adversely affect our business and operating results.

We may be subject to litigation claims that could result in significant expenditures.

We by the nature of our operations are exposed to the potential for a variety of litigation, including personal injury claims, vehicular collisions and accidents, alleged violations of federal and state labor and employment laws, such as class action lawsuits alleging wage and hour violations and improper pay, commercial and contract disputes, cargo loss and property damage claims. While we purchase insurance coverage at levels we deem adequate, future litigation may exceed our insurance coverage or may not be covered by insurance. We accrue a provision for a litigation matter according to applicable accounting standards based on the ongoing assessment of the strengths and weaknesses of the litigation, its likelihood of success, and an evaluation of the possible range of loss. Our inability to defend ourselves against a significant litigation claim, could have a material adverse effect on our financial results.

We rely significantly on our information technology systems, a disruption, failure or security breach of which could have a material adverse effect on our business.

We rely on information technology throughout all areas of our business to initiate, track, and complete customer orders; process financial and nonfinancial data; compile results of operations for internal and external reporting; and achieve operating efficiencies and growth. Our information technology systems may be susceptible to various interruptions, including equipment or network failures, failed upgrades or replacement of software, user error, power outages, natural disasters, cyber-attacks, terrorist attacks, computer viruses, hackers, or other security breaches. We have mitigated our exposure to these risks through the establishment and maintenance of technology security programs and disaster recovery plans, but these mitigating activities may not be sufficient. A significant disruption, failure or security breach in our information technology systems could have a material adverse effect on our business, which could include operational disruptions, loss of confidential information, external reporting delays or errors, legal claims, or damage to our business reputation.

We operate in a competitive and highly fragmented industry. Numerous factors could impair our ability to maintain our current profitability and to compete with other carriers and private fleets.

We compete with many other transportation service providers of varying sizes and, to a lesser extent, with LTL carriers and railroads, some of which have more equipment and greater capital resources than we do. Additionally, some of our competitors periodically reduce their freight rates to gain business, especially during times of reduced growth rates in the economy, which may limit our ability to maintain or increase freight rates or to maintain our profit margins.

In an effort to reduce the number of carriers it uses, a customer often selects so-called “core carriers” as approved transportation service providers, and in some instances, we may not be selected. Many customers periodically accept bids from multiple carriers for their shipping needs, and this process may depress freight rates or result in the loss of some business to competitors. Also, certain customers that operate private fleets to transport their own freight could decide to expand their operations, thereby reducing their need for our services.

Extreme or unusual weather conditions can disrupt our operations, impact freight volumes, and increase our costs, all of which could have a material adverse effect on our business results.

Certain weather conditions such as ice and snow can disrupt our operations. Increases in the cost of our operations, such as towing and other maintenance activities, frequently occur during the winter months. Natural disasters such as hurricanes and flooding can also impact freight volumes and increase our costs.

Our operations are subject to various environmental laws and regulations, the violation of which could result in substantial fines or penalties.

We are subject to various environmental laws and regulations dealing with the handling of hazardous materials, underground fuel storage tanks, and discharge and retention of storm water. We operate in industrial areas, where truck terminals and other industrial activities are located and where groundwater or other forms of environmental contamination have occurred. Our operations involve the risks of fuel spillage or seepage, environmental damage, and hazardous waste disposal, among others. We also maintain bulk fuel storage and fuel islands at several of our facilities. If a spill or other accident involving hazardous substances occurs, or if we are found to be in violation of applicable laws or regulations, it could have a material adverse effect on our business and operating results. If we should fail to comply with applicable environmental regulations, we could be subject to substantial fines or penalties and to civil and criminal liability.

Acquisitions or business combinations may disrupt or have a material adverse effect on our operations or earnings.

We could have difficulty integrating acquired companies’ assets, personnel and operations with our own. Regardless of whether we are successful in making an acquisition or completing a business combination, the negotiations could disrupt our ongoing business, distract our management and employees, and increase our operating costs. Acquisitions and business combinations are accompanied by a number of inherent risks, including, without limitation, the difficulty of integrating acquired companies and operations; potential disruption of our ongoing businesses and distraction of our management or the management of acquired companies; difficulties in maintaining controls, procedures and policies; potential impairment of relationships with employees and partners as a result of any integration of new management personnel; potential inability to manage an increased number of locations and employees; failure to realize expected efficiencies, synergies and cost savings; or the effect of any government regulations which relate to the businesses acquired.

Our business could be materially impacted if and to the extent that we are unable to succeed in addressing any of these risks or other problems encountered in connection with an acquisition or business combination, many of which cannot be presently identified.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We own our corporate headquarters in Lowell, Arkansas. In addition, we own or lease a number of buildings in Lowell that we utilize for administrative support, customer service, freight dispatch, data processing and warehousing, and data backup and disaster recovery. We also own or lease 43 other significant facilities across the United States where we perform maintenance on our equipment, provide bulk fuel, and employ personnel to support operations. These facilities vary in size from 2 to 39 acres. Each of our business segments utilizes these facilities. In addition, we have 98 leased facilities in our DCS cross-dock and other delivery system networks, with the remaining four locations outsourced, and 44 leased or owned remote sales offices or branches in our ICS segment. We also own or lease multiple small facilities, offices, and parking yards throughout the country that support our customers' business needs.

A summary of our principal facilities in locations throughout the U.S. follows:

Type	Acreage	Maintenance Shop/ Cross-dock Facility (square feet)	Office Space (square feet)
Maintenance and support facilities	443	1,020,000	190,000
Cross-dock and delivery system facilities	24	2,308,000	124,000
Corporate headquarters, Lowell, Arkansas	88	—	407,000
Offices and data center, Lowell, Arkansas	8	—	60,000
Branch sales offices	—	—	92,000
Other facilities, offices, and parking yards	343	211,000	129,000

ITEM 3. LEGAL PROCEEDINGS

We are a defendant in certain alleged class-action lawsuits in which the plaintiffs are current and former California-based drivers who allege claims for unpaid wages, failure to provide meal and rest periods, and other items. In the lead class-action, we reached an agreement and recorded a reserve in September 2018 to resolve all pending claims for a class settlement payment of \$15 million, subject to Court approval. The Court granted preliminary settlement approval in November 2018. Notice of the settlement has been mailed to all settlement class members and the deadline for objections to the settlement passed without any objections filed. We expect the Court's order granting final approval to be issued in April 2019. The overlapping claims in the other alleged class-action lawsuits remain stayed pending final approval of the settlement in the lead class-action case.

In January 2017, we exercised our right to utilize the arbitration process to review the division of revenue collected beginning May 1, 2016, as well as to clarify other issues, under our Joint Service Agreement with BNSF. BNSF requested the same, and the arbitration process is on-going. On October 5, 2018, we received the arbitrators' Interim Award. The details of the Interim Award are confidential and require the parties to submit additional information requested by the arbitrators to decide certain unresolved matters. For the determined components of the Interim Award, we recorded an \$18.3 million pre-tax charge in the third quarter 2018, related to certain charges claimed by BNSF for specific services requested for customers from April 2014 through May 2018. On December 7, 2018 the

arbitrators' issued their Clarified Interim Award of October 5, 2018 resulting from some of the parties' additional submissions to the Panel regarding certain issues related to determining the revenue division between the parties. On January 11, 2019, the Panel issued its Second Interim Award ordering that \$89.4 million is due from the Company to BNSF resulting from the adjusted revenue divisions relating to the 2016 period at issue (\$52.1 million) and for calendar year 2017 (\$37.3 million). The parties have been instructed to make further submissions on the revenue divisions for calendar year 2018 and going forward, as well as other confidential issues raised during the arbitration process so that the panel can issue an appropriate interim and/or final award regarding all issues raised during the proceeding. We recorded pretax charges for contingent liabilities in the fourth quarter 2018 of \$89.4 million claimed by the BNSF for the period May 1, 2016 through December 31, 2017 and \$44.6 million for the period January 1, 2018 through December 31, 2018, for a total of \$134 million.

The other financial implications from the Interim Award and the Clarified Interim Award will not be fully determined until the arbitrators issue additional award(s) following their review of each party's requested additional submissions. At this time, we are unable to reasonably predict the final outcome of the arbitration, and, as such, no further gain or loss contingency can be determined or recorded. If decided adversely, this matter could result in a liability material to our financial condition or results of operations. BNSF provides a significant amount of rail transportation services to our JBI business segment. Normal commercial business activity between the parties, including load tendering, load tracing, billing and payments, is expected to continue on a timely basis.

We are involved in certain other claims and pending litigation arising from the normal conduct of business. Based on present knowledge of the facts and, in certain cases, opinions of outside counsel, we believe the resolution of these claims and pending litigation will not have a material adverse effect on our financial condition, results of operations or liquidity.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Our common stock is traded on the NASDAQ Global Select Market (NASDAQ) under the symbol "JBHT." At December 31, 2018, we were authorized to issue up to 1 billion shares of our common stock, and 167.1 million shares were issued. We had 108.7 million and 109.8 million shares outstanding as of December 31, 2018 and 2017, respectively. On February 12, 2019, we had 1,133 stockholders of record, of our common stock.

Dividend Policy

Our dividend policy is subject to review and revision by the Board of Directors, and payments are dependent upon our financial condition, liquidity, earnings, capital requirements, and any other factors the Board of Directors may deem relevant. On January 23, 2019, we announced an increase in our quarterly cash dividend from \$0.24 to \$0.26 per share, which will be paid February 22, 2019, to stockholders of record on February 8, 2019. We currently intend to continue paying cash dividends on a quarterly basis. However, no assurance can be given that future dividends will be paid.

Purchases of Equity Securities

The following table summarizes purchases of our common stock during the three months ended December 31, 2018:

Period	Number of Common Shares Purchased	Average Price Paid Per Common Share Purchased	Total Number of Shares Purchased as Part of a Publicly Announced Plan ⁽¹⁾	Maximum Dollar Amount of Shares That May Yet Be Purchased Under the Plan (in millions) ⁽¹⁾
October 1 through October 31, 2018	—	\$ —	—	\$ 421
November 1 through November 30, 2018	—	—	—	421
December 1 through December 31, 2018	493,905	101.86	493,905	371
Total	493,905	\$ 101.86	493,905	\$ 371

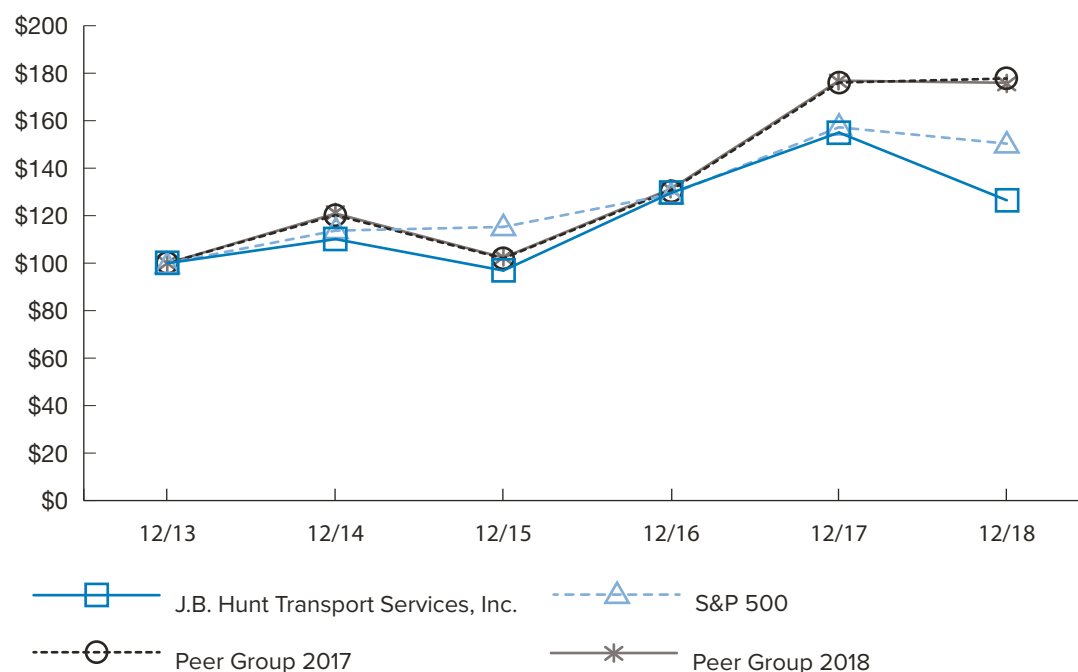
(1) On April 20, 2017, our Board of Directors authorized the purchase of up to \$500 million of our common stock.

Stock Performance Graph

The following graph compares the cumulative 5-year total return of stockholders of our common stock with the cumulative total returns of the S&P 500 index and two customized peer groups. The peer group labeled “Peer Group 2017” consists of 13 companies: C.H. Robinson Worldwide Inc., CSX Corp, Expeditors International Of Washington Inc., Hub Group Inc., Kansas City Southern, Norfolk Southern Corp, Old Dominion Freight Line Inc., Republic Services Inc., Ryder System Inc., Schneider National Inc., Stericycle Inc., Waste Management Inc. and XPO Logistics Inc. The peer group labeled “Peer Group 2018” consists of 14 companies: C.H. Robinson Worldwide Inc., CSX Corp, Expeditors International Of Washington Inc., Hub Group Inc., Kansas City Southern, Knight-Swift Transportation Holdings Inc., Norfolk Southern Corp, Old Dominion Freight Line Inc., Republic Services Inc., Ryder System Inc., Schneider National Inc., Stericycle Inc., Waste Management Inc. and XPO Logistics Inc. The graph assumes the value of the investment in our common stock, in the index, and in each of the peer groups (including reinvestment of dividends) was \$100 on December 31, 2013, and tracks it through December 31, 2018. The stock price performance included in this graph is not necessarily indicative of future stock price performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN

Among J.B. Hunt Transport Services, Inc., the S&P 500 Index, Peer Group 2017 and Peer Group 2018



Years Ended December 31,

	2013	2014	2015	2016	2017	2018
J.B. Hunt Transport Services, Inc.	\$ 100.00	\$ 110.12	\$ 96.88	\$ 129.61	\$ 155.01	\$ 126.48
S&P 500	100.00	113.69	115.26	129.05	157.22	150.33
Peer Group 2017	100.00	120.17	102.00	130.72	176.06	177.76
Peer Group 2018	100.00	120.90	102.35	131.32	176.84	175.96

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with the Consolidated Financial Statements and notes thereto, Management's Discussion and Analysis of Financial Condition and Results of Operations, and other financial data included elsewhere in this annual report.

(Dollars in millions, except per share amounts)

Earnings data for the years ended December 31,	2018	2017	2016	2015	2014
Operating revenues	\$ 8,615	\$ 7,190	\$ 6,555	\$ 6,188	\$ 6,165
Operating income	681	624	721	716	632
Net earnings	490	686	432	427	375
Basic earnings per share	4.48	6.24	3.84	3.69	3.20
Diluted earnings per share	4.43	6.18	3.81	3.66	3.16
Cash dividends per share	0.96	0.92	0.88	0.84	0.80
Operating expenses as a percentage of operating revenues:					
Rents and purchased transportation	51.5%	50.8%	49.7%	48.4%	50.0%
Salaries, wages and employee benefits	22.4	22.4	22.4	22.5	20.9
Fuel and fuel taxes	5.3	4.8	4.3	5.1	7.4
Depreciation and amortization	5.1	5.3	5.5	5.5	4.8
Operating supplies and expenses	3.5	3.6	3.6	3.6	3.5
General and administrative expenses, net of asset dispositions	1.8	1.8	1.3	1.1	0.8
Insurance and claims	1.5	1.7	1.2	1.2	1.3
Operating taxes and licenses	0.6	0.6	0.7	0.7	0.7
Communication and utilities	0.4	0.3	0.3	0.3	0.4
Total operating expenses	92.1	91.3	89.0	88.4	89.8
Operating income	7.9	8.7	11.0	11.6	10.2
Net interest expense	0.5	0.4	0.4	0.4	0.4
Earnings before income taxes	7.4	8.3	10.6	11.2	9.8
Income taxes	1.7	(1.2)	4.0	4.3	3.7
Net earnings	5.7%	9.5%	6.6%	6.9%	6.1%
Balance sheet data as of December 31,					
Working capital ratio	1.11	1.45	1.65	1.61	1.11
Total assets (millions)	\$ 5,092	\$ 4,465	\$ 3,951	\$ 3,630	\$ 3,374
Stockholders' equity (millions)	\$ 2,101	\$ 1,839	\$ 1,414	\$ 1,300	\$ 1,205
Current portion of long-term debt (millions)	\$ 251	\$ —	\$ —	\$ —	\$ 250
Total debt (millions)	\$ 1,149	\$ 1,086	\$ 986	\$ 998	\$ 929
Total debt to equity	0.55	0.59	0.70	0.77	0.77
Total debt as a percentage of total capital	35%	37%	41%	43%	44%

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

The following discussion of our results of operations and financial condition should be read in conjunction with our financial statements and related notes in Item 8. This discussion contains forward-looking statements. Please see "Forward-looking Statements" and "Risk Factors" for a discussion of items, uncertainties, assumptions and risks associated with these statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our financial statements in accordance with U.S. generally accepted accounting principles requires us to make estimates and assumptions that impact the amounts reported in our Consolidated Financial Statements and accompanying notes. Therefore, the reported amounts of assets, liabilities, revenues, expenses and associated disclosures of contingent liabilities are affected by these estimates. We evaluate these estimates on an ongoing basis, utilizing historical experience, consultation with third parties and other methods considered reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from our estimates. Any effects on our business, financial position or results of operations resulting from revisions to these estimates are recognized in the accounting period in which the facts that give rise to the revision become known. We consider our critical accounting policies and estimates to be those that require us to make more significant judgments and estimates when we prepare our financial statements and include the following:

Workers' Compensation and Accident Costs

We purchase insurance coverage for a portion of expenses related to employee injuries, vehicular collisions, accidents, and cargo damage. Certain insurance arrangements include a level of self-insurance (deductible) coverage applicable to each claim. We have umbrella policies to limit our exposure to catastrophic claim costs. We are substantially self-insured for loss of and damage to our owned and leased revenue equipment.

The amounts of self-insurance change from time to time based on measurement dates, policy expiration dates, and claim type. We have policies in place for 2019 with substantially the same terms as our 2018 policies for personal injury, property damage, workers' compensation, and cargo loss or damage, with the exception of decreasing our self-insured portion of workers' compensation claims to zero for nearly all states.

Our claims accrual policy for all self-insured claims is to recognize a liability at the time of the incident based on our analysis of the nature and severity of the claims and analyses provided by third-party claims administrators, as well as legal, economic, and regulatory factors. Our safety and claims personnel work directly with representatives from the insurance companies to continually update the estimated cost of each claim. The ultimate cost of a claim develops over time as additional information regarding the nature, timing, and extent of damages claimed becomes available. Accordingly, we use an actuarial method to develop current claim information to derive an estimate of our ultimate claim liability. This process involves the use of loss-development factors based on our historical claims experience and includes a contractual premium adjustment factor, if applicable. In doing so, the recorded liability considers future claims growth and provides a reserve for incurred-but-not-reported claims. We do not discount our estimated losses. At December 31, 2018, we had an accrual of approximately \$260 million for estimated claims. In addition, we record receivables for amounts expected to be reimbursed for payments made in excess of self-insurance levels on covered claims. At December 31, 2018, we have recorded \$261 million of expected reimbursement for covered excess claims, other insurance deposits, and prepaid insurance premiums.

Revenue Equipment

We operate a significant number of tractors, trucks, containers, chassis, and trailers in connection with our business. This equipment may be purchased or acquired under lease agreements. In addition, we may rent revenue equipment from various third parties under short-term rental arrangements. Purchased revenue equipment is depreciated on the straight-line method over the estimated useful life to an estimated salvage or trade-in value. We periodically review the useful lives and salvage values of our revenue equipment and evaluate our long-lived assets for impairment. We have not identified any impairment to our assets at December 31, 2018.

We have agreements with our primary tractor suppliers for residual or trade-in values for certain new equipment. We have utilized these trade-in values, as well as other operational information such as anticipated annual miles, in accounting for depreciation expense. If our suppliers were unable to perform under the terms of our agreements for trade-in values, it could have a material adverse effect on our financial results.

Revenue Recognition

We record revenues on the gross basis at amounts charged to our customers because we control and are primarily responsible for the fulfillment of promised services. Accordingly, we serve as a principal in the transaction. We invoice our customers, and we maintain discretion over pricing. Additionally, we are responsible for selection of third-party transportation providers to the extent used to satisfy customer freight requirements.

We recognize revenue from customer contracts based on relative transit time in each reporting period and as other performance obligations are provided, with related expenses recognized as incurred. Accordingly, a portion of the total revenue that will be billed to the customer is recognized in each reporting period based on the percentage of the freight pickup and delivery performance obligation that has been completed at the end of the reporting period.

Our trade accounts receivable includes amounts due from customers that have been reduced by an allowance for uncollectible accounts and revenue adjustments. The allowance for uncollectible accounts and revenue adjustments is based on historical experience, as well as any known trends or uncertainties related to customer billing and account collectability. The adequacy of our allowance is reviewed quarterly.

Income Taxes

We account for income taxes under the liability method. Our deferred tax assets and liabilities represent items that will result in a tax deduction or taxable income in future years for which we have already recorded the related tax expense or benefit in our statement of earnings. Deferred tax accounts arise as a result of timing differences between when items are recognized in our Consolidated Financial Statements and when they are recognized in our tax returns. We assess the likelihood that deferred tax assets will be recovered from future taxable income or the reversal of temporary timing differences. To the extent we believe recovery does not meet the more-likely-than-not threshold, a valuation allowance is established. To the extent we establish a valuation allowance, we include an expense as part of our income tax provision.

The Tax Cuts and Jobs Act (the Act) was enacted in December 2017. Beginning in 2018, the Act reduced the U.S. federal corporate tax rate from 35% to 21%. At December 31, 2017, we made a reasonable estimate of the effects on our existing deferred tax assets and liabilities based on the rates at which they were expected to reverse in the future, which was generally 21%. The provisional amount recorded resulting from the remeasurement of our deferred tax balance was \$309.2 million, which was included as a component of 2017 income tax from continuing operations. During 2018, we finalized our calculations for our 2017 federal income tax return, which was filed based on the law prior to the Act, resulting in no significant change to the initial measurement of these balances. Remaining aspects of the Act were not relevant to our operations.

Significant judgment is required in determining and assessing the impact of complex tax laws and certain tax-related contingencies on our provision for income taxes. As part of our calculation of the provision for income taxes, we assess whether the benefits of our tax positions are at least more likely than not to be sustained upon audit based on the technical merits of the tax position. For tax positions that are not more likely than not to be sustained upon audit, we accrue the largest amount of the benefit that is not more likely than not to be sustained in our Consolidated Financial Statements. Such accruals require us to make estimates and judgments, whereby actual results could vary materially from these estimates. Further, a number of years may elapse before a particular matter for which we have established an accrual is audited and resolved. See Note 7, Income Taxes, in our Consolidated Financial Statements for a discussion of our current tax contingencies.

RESULTS OF OPERATIONS

The following table sets forth items in our Consolidated Statements of Earnings as a percentage of operating revenues and the percentage increase or decrease of those items compared with the prior year.

	Percentage of Operating Revenues			Percentage Change Between Years	
	2018	2017	2016	2018 vs. 2017	2017 vs. 2016
Operating revenues	100.0%	100.0%	100.0%	19.8%	9.7%
Operating expenses:					
Rents and purchased transportation	51.5	50.8	49.7	21.5	12.1
Salaries, wages and employee benefits	22.4	22.4	22.4	19.8	9.5
Fuel and fuel taxes	5.3	4.8	4.3	32.1	22.6
Depreciation and amortization	5.1	5.3	5.5	13.7	6.1
Operating supplies and expenses	3.5	3.6	3.6	18.0	10.3
General and administrative expenses, net of asset dispositions	1.8	1.8	1.3	29.7	44.6
Insurance and claims	1.5	1.7	1.2	4.7	57.6
Operating taxes and licenses	0.6	0.6	0.7	14.0	(2.5)
Communication and utilities	0.4	0.3	0.3	28.9	20.1
Total operating expenses	92.1	91.3	89.0	20.8	12.5
Operating income	7.9	8.7	11.0	9.2	(13.5)
Net interest expense	0.5	0.4	0.4	40.8	13.2
Earnings before income taxes	7.4	8.3	10.6	7.7	(14.5)
Income taxes	1.7	(1.2)	4.0	266.1	(134.5)
Net earnings	5.7%	9.5%	6.6%	(28.7%)	58.8%

2018 Compared With 2017

Consolidated Operating Revenues

Our total consolidated operating revenues increased 19.8% to \$8.61 billion in 2018, compared to \$7.19 billion in 2017, primarily due to overall increased load volume and higher revenue per load in all four of our segments. Fuel surcharge revenues increased 40.2% to \$1.1 billion in 2018, compared to \$754 million in 2017. If fuel surcharge revenues were excluded from both years, our 2018 revenue increased 17.4% over 2017.

Consolidated Operating Expenses

Our 2018 consolidated operating expenses increased 20.8% from 2017, while year-over-year revenue increased 19.8%, resulting in a 2018 operating ratio of 92.1% compared to 91.3% in 2017. Rents and purchased transportation costs increased 21.5% in 2018, primarily due to increased rail and truck purchased transportation rates and the increase in load volume, which increased services provided by third-party rail and truck carriers within JBI and ICS segments. In addition, our JBI segment incurred charges of \$152.3 million to rail purchase transportation expense related to the ongoing arbitration with BNSF. Salaries, wages and employee benefit costs increased 19.8% in 2018 from 2017. This increase was primarily related to increases in driver pay and office personnel compensation due to an increase in the number of employees and a tighter supply of qualified drivers.

Fuel and fuel taxes expense increased 32.1% in 2018 compared with 2017, due primarily to an increase in road miles and increases in the price of fuel during 2018. We have fuel surcharge programs in place with the majority of our customers. These programs typically involve a specified computation based on the change in national, regional, or local fuel prices. While these programs may address fuel cost changes as frequently as weekly, most also reflect a specified miles-per-gallon factor and require a certain minimum change in fuel costs to trigger a change in fuel surcharge revenue. As a result, some of these programs have a time lag between when fuel costs change and when this change is reflected in revenues. Due to these programs, this lag negatively impacts operating income in times of rapidly increasing fuel costs and positively impacts operating income when fuel costs decrease rapidly.

It is not meaningful to compare the amount of fuel surcharge revenue or the change in fuel surcharge revenue between reporting periods to fuel and fuel taxes expense, or the change of fuel expense between periods, as a significant portion of fuel cost is included in our payments to railroads, dray carriers and other third parties. These payments are classified as purchased transportation expense.

Depreciation and amortization expense increased 13.7% in 2018, primarily due to additions to our JBI segment tractor, container and chassis fleets to support additional business demand and equipment purchased related to new DCS long-term customer contracts.

Operating supplies and expenses increased 18.0%, driven primarily by higher equipment maintenance and tire expenses, due to increased equipment counts, higher travel costs, increased toll costs, and higher building maintenance expenses. General and administrative expenses increased 29.7% from 2017, primarily due to increased building and computer rentals, higher professional fees, higher advertising costs, higher bad debt expense driven by a customer bankruptcy, and increased net losses from asset sales and disposals, partially offset by the 2017 inclusion of a \$20.2 million reserve of a cash advance for the purchases of new trailing equipment from a manufacturer that did not meet delivery. Additionally, net losses from sale or disposal of assets were \$12.1 million in 2018, compared to net losses of \$7.4 million in 2017. Insurance and claims expense increased 4.7% in 2018, primarily due to higher incident volume.

Net interest expense for 2018 increased by 40.8% compared with 2017, due to an increase in average debt levels, higher effective interest rates on our debt, and expenses incurred to refinance our revolving line of credit compared to 2017.

Our effective income tax rate was 23.6% in 2018 and (15.29%) in 2017. The increase in 2018 was primarily due to a \$309.2 million decrease in income tax expense in 2017 resulting from adjustments to our deferred tax balances at December 31, 2017, for the change in future tax rates prescribed by the Tax Cuts and Jobs Act.

Segments

We operated four business segments during calendar year 2018. The operation of each of these businesses is described in our Notes to Consolidated Financial Statements. The following tables summarize financial and operating data by segment:

Operating Revenue by Segment Years Ended December 31, (in millions)

	2018	2017	2016
JBI	\$ 4,717	\$ 4,084	\$ 3,796
DCS	2,163	1,719	1,533
ICS	1,335	1,025	852
JBT	417	378	388
Total segment revenues	8,632	7,206	6,569
Intersegment eliminations	(17)	(16)	(14)
Total	\$ 8,615	\$ 7,190	\$ 6,555

Operating Income by Segment Years Ended December 31, (in millions)

	2018	2017	2016
JBI	\$ 401	\$ 407	\$ 450
DCS	193	171	205
ICS	50	23	36
JBT	37	23	30
Total	\$ 681	\$ 624	\$ 721

Operating Data by Segment
Years Ended December 31,

	2018	2017	2016
JBI			
Loads	2,049,014	1,999,807	1,916,303
Average length of haul (miles)	1,648	1,681	1,657
Revenue per load	\$ 2,302	\$ 2,042	\$ 1,981
Average tractors during the period ⁽¹⁾	5,551	5,362	5,222
Tractors (end of period)			
Company-owned	5,017	4,776	4,581
Independent contractor	633	764	695
Total tractors	5,650	5,540	5,276
Net change in trailing equipment during the period	6,262	4,016	5,637
Trailing equipment (end of period)	94,902	88,610	84,594
Average effective trailing equipment usage	88,739	82,969	77,179
DCS			
Loads	2,981,344	2,575,245	2,401,332
Average length of haul (miles)	177	178	177
Revenue per truck per week ⁽²⁾	\$ 4,534	\$ 4,226	\$ 4,077
Average trucks during the period ⁽³⁾	9,264	7,946	7,307
Trucks (end of period)			
Company-owned	9,652	8,124	6,976
Independent contractor	51	59	15
Customer-owned (DCS-operated)	412	544	410
Total trucks	10,115	8,727	7,401
Trailing equipment (end of period)	26,710	25,811	22,688
Average effective trailing equipment usage	26,806	24,550	22,827
ICS			
Loads	1,234,632	992,834	852,179
Revenue per load	\$ 1,081	\$ 1,032	\$ 999
Gross profit margin	15.4%	13.3%	14.3%
Employee count (end of period)	1,142	954	824
Approximate number of third-party carriers (end of period)	73,100	56,700	50,900
JBT			
Loads	355,038	370,591	385,298
Average length of haul (miles)	427	435	455
Loaded miles (000)	151,322	160,932	175,038
Total miles (000)	181,718	192,433	207,998
Average nonpaid empty miles per load	85.5	85.1	85.6
Revenue per tractor per week ⁽²⁾	\$ 4,148	\$ 3,556	\$ 3,458
Average tractors during the period ⁽¹⁾	1,990	2,098	2,191
Tractors (end of period)			
Company-owned	1,139	1,291	1,376
Independent contractor	973	741	752
Total tractors	2,112	2,032	2,128
Trailing equipment (end of period)	6,800	7,120	7,642
Average effective trailing equipment usage	6,513	7,066	6,956

(1) Includes company-owned and independent contractor tractors

(2) Using weighted workdays

(3) Includes company-owned, independent contractor, and customer-owned trucks

JBI Segment

JBI segment revenue increased 15% to \$4.72 billion in 2018, from \$4.08 billion in 2017. This increase in revenue was primarily a result of a 2% increase in load volume and a 13% increase in revenue per load, which is the combination of changes in freight mix, customer rates, and fuel surcharge revenue. Eastern network loads grew at 10% and transcontinental loads decreased 2% compared to 2017. Average length of haul decreased 2% in 2018 when compared to 2017. Revenue per load excluding fuel surcharges increased approximately 10% compared to 2017.

Operating income of the JBI segment decreased to \$401 million in 2018, from \$407 million in 2017. Benefits from volume growth and increased revenue per load were offset by increases in rail purchased transportation costs, which included \$152.3 million of additional expense related to the ongoing arbitration with BNSF. Benefits were further offset by higher driver wage and retention costs, higher driver recruiting expenses, higher outsourced dray costs, increased costs for onboarding and integration of container tracking technologies, higher equipment ownership costs, and costs of reduced efficiency and disruptions within the rail network. In addition, 2017 included a \$20.2 million expense for the reserve of a cash advance for the purchases of new trailing equipment from a manufacturer that did not meet delivery.

DCS Segment

DCS segment revenue increased 26% to \$2.16 billion in 2018, from \$1.72 billion in 2017. Productivity, defined as revenue per truck per week, increased 7% when compared to 2017. Productivity excluding fuel surcharge revenue increased 5% from 2017. The increase in productivity was primarily a result of better integration of assets between customer accounts, customer rate increases, and increased customer supply chain fluidity during 2018 compared to 2017. In addition, the growth in DCS revenue includes an increase of \$113 million in Final Mile Services (FMS) revenue, approximately \$66 million of which was derived from the 2017 acquisition of Special Logistics Dedicated (SLD). DCS ended 2018 with a net additional 1,388 revenue-producing trucks when compared to 2017.

Operating income of our DCS segment increased to \$193 million in 2018, from \$171 million in 2017. Increased revenue and improved asset integration was offset by higher costs from the expanded FMS network, increased driver wages and recruiting costs, higher non-driver salaries, wages and benefits, increased maintenance costs on equipment scheduled to be traded in the current year, higher overall insurance and claims costs, implementation costs for new customer contracts and approximately \$4.4 million in additional non-cash amortization expense compared to 2017.

ICS Segment

ICS segment revenue increased 30% to \$1.33 billion in 2018, from \$1.02 billion in 2017. Overall volumes increased 24%. Revenue per load increased 5% primarily due to increased contractual and spot rates. Contractual business was approximately 70% of the total load volume and 48% of the total revenue in the 2018, compared to 70% of the total load volume and 53% of the total revenue in 2017.

Operating income increased to \$50 million in 2018, from \$23 million in 2017. Gross profit margin improved to 15.4% in the current year compared to 13.3% in 2017 primarily due to improved contractual margins and increased spot market activity. This increase in gross profit margin was partially offset by higher personnel costs, higher technology development costs, and increase bad debt expense due to a customer bankruptcy. Approximately \$558 million of ICS revenue for 2018 was executed through the marketplace for JBHunt360. ICS's carrier base increased 29%, and the employee count increased 20% when compared to 2017.

JBT Segment

JBT segment revenue increased 10% to \$417 million in 2018, from \$378 million in 2017. Excluding fuel surcharges, revenue for 2018 increased 9% compared to 2017, primarily from a 16% increase in rates per loaded mile, partially offset by an 4% decrease in load count.

JBT segment had operating income of \$37 million in 2018 compared with \$23 million in 2017. The increase in operating income was driven primarily by higher rates per loaded mile and lower equipment ownership costs, partially offset by increased driver wage and retention costs, higher driver and independent contractor recruiting expenses, and higher independent contractor costs per mile.

2017 Compared With 2016

Consolidated Operating Revenues

Our total consolidated operating revenues increased 9.7% to \$7.19 billion in 2017, compared to \$6.56 billion in 2016, primarily due to overall increased load volume and higher revenue per load in our JBI, DCS, and ICS segments. Fuel surcharge revenues increased 37.5% to \$754 million in 2017, compared to \$548 million in 2016. If fuel surcharge revenues were excluded from both years, our 2017 revenue increased 7.1% over 2016.

Consolidated Operating Expenses

Our 2017 consolidated operating expenses increased 12.5% from 2016, while year-over-year revenue increased 9.7%, resulting in a 2017 operating ratio of 91.3% compared to 89.0% in 2016. Rents and purchased transportation costs increased 12.1% in 2017, primarily due to increased rail and truck purchased transportation rates and the increase in load volume, which increased services provided by third-party rail and truck carriers within JBI and ICS segments. Salaries, wages and employee benefit costs increase 9.5% in 2017 from 2016. This increase was primarily related to increases in driver pay and office personnel compensation due to an increase in the number of employees and a tighter supply of qualified drivers. In addition, 2016 included a \$15.2 million benefit recorded to reflect a change in our employee paid time off policy.

Fuel and fuel taxes expense increased 22.6% in 2017 compared with 2016, due primarily to increases in the price of fuel during 2017. Depreciation and amortization expense increased 6.1% in 2017, primarily due to additions to our JBI segment tractor, container and chassis fleets to support additional business demand and equipment purchased related to new DCS long-term customer contracts.

Operating supplies and expenses increased 10.3%, driven primarily by increased mileage activity and tire expense. General and administrative expenses increased 44.6% from 2016, primarily due to a \$20.2 million reserve of a cash advance for the purchases of new trailing equipment from a manufacturer that did not meet delivery, increased building rental expense, higher professional fee expenses, higher computer software subscription costs, and increased net losses from asset sales and disposals in 2017. Net losses from sale or disposal of assets were \$7.4 million in 2017, compared to net losses of \$5.5 million in 2016. Insurance and claims expense increased 57.6% in 2017, primarily due to higher incident volume and accident severity and an \$18.6 million increase in reserves for certain claims not covered by insurance.

Net interest expense for 2017 increased by 13.2% compared with 2016, due to an increase in average debt levels and higher effective interest rates on our debt during 2017.

Our effective income tax rate was (15.29)% in 2017 and 37.90% in 2016. The decrease in 2017 was primarily due to a \$309.2 million decrease in income tax expense resulting from adjustments to our deferred tax balances at December 31, 2017, for the change in future tax rates prescribed by the Tax Cuts and Jobs Act.

JBI Segment

JBI segment revenue increased 7.6% to \$4.08 billion in 2017, from \$3.80 billion in 2016. This increase in revenue was primarily a result of an 4.4% increase in load volume and a 3.1% increase in revenue per load, which is the combination of changes in freight mix, customer rates, and fuel surcharge revenue. Load volume in our transcontinental loads grew 7.2% while our eastern network was relatively flat compared to 2016. Average length of haul increased 1.4% in 2017 when compared to 2016. Revenue per load excluding fuel surcharge was flat in 2017 when compared to 2016.

Operating income of the JBI segment decreased to \$407 million in 2017, from \$450 million in 2016. Benefits from volume growth and increased revenue per load were offset by increases in rail purchased transportation costs, rail inefficiencies, higher driver wages and recruiting costs, higher equipment ownership costs, increased insurance and claims costs, which included an \$8.5 million increase in reserves for certain insurance and claims, and the \$20.2 million expense for the reserve of a cash advance for the purchases of new trailing equipment from a manufacturer that did not meet delivery. In addition, 2016 included a \$5.7 million, one-time benefit from the change in paid time off policy.

DCS Segment

DCS segment revenue increased 12.1% to \$1.72 billion in 2017, from \$1.53 billion in 2016. Productivity, defined as revenue per truck per week, increased 3.7% when compared to 2016. Revenue, excluding fuel surcharges, increased 10.0% in 2017 compared to 2016, and productivity excluding fuel surcharge revenue increased 1.6% from 2016. The increase in revenue in 2017 was primarily a result of better integration of assets among customer accounts and customer rate increases, partially offset by lower productivity under new customer contracts, compared to 2016. DCS ended 2017 with a net additional 1,326 revenue-producing trucks when compared to 2016.

Operating income of our DCS segment decreased to \$171 million in 2017, from \$205 million in 2016. The increase in revenue and improved asset utilization were offset by higher driver wages and recruiting costs, increased insurance and claims cost, which included a \$7.6 million increase in reserves for certain insurance and claims, increased start up expenditures for new customer contracts, higher equipment ownership costs, and the addition of acquisition costs and intangible asset amortization associated with the purchase of SLD when compared to 2016. In addition, 2016 included a \$7.3 million, one-time benefit from the change in paid time off policy.

ICS Segment

ICS segment revenue increased 20.3% to \$1.02 billion in 2017, from \$852 million in 2016. Overall volumes increased 16.5%. Revenue per load increased 3.3% primarily due to freight mix changes driven by customer demand. Contractual business was approximately 70% of the total load volume and 53% of the total revenue in the 2017, compared to 74% of the total load volume and 64% of the total revenue in 2016.

Operating income decreased to \$23 million in 2017, from \$36 million in 2016, primarily due to lower gross profit margins, increased insurance and claims cost, which included a \$1.8 million increase in reserves for certain insurance and claims, increased number of branches less than two years old, and higher technology development costs. ICS gross profit margin decreased to 13.3% for 2017 from 14.3% for 2016. ICS's carrier base increased 11.4%, and the employee count increased 15.8% when compared to 2016. In addition, 2016 included a \$1.0 million, one-time benefit from the change in paid time off policy.

JBT Segment

JBT segment revenue decreased 2.4% to \$378 million in 2017, from \$388 million in 2016, primarily from a 3.8% decrease in load count partially offset by a 1.4% increase in revenue per load. Excluding fuel surcharges, revenue for 2017 decreased 4.5% compared to 2016, primarily due to the reduction in load volume and a 4.4% decrease in length of haul.

JBT segment had operating income of \$23 million in 2017 compared with \$30 million in 2016. The decrease in operating income was driven primarily by lower revenue, increased driver wages and recruiting costs, higher independent contractor cost per mile, increased insurance and claims cost, which included an \$0.7 million increase in reserves for certain insurance and claims, and increased tractor maintenance costs compared to 2016. In addition, 2016 included a \$1.2 million, one-time benefit from the change in paid time off policy.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities totaled \$1.09 billion in 2018, compared to \$855 million in 2017. This increase was primarily due to the increase in pre-tax earnings and the reduction in the U.S. federal corporate tax rate as a result of the Tax Cuts and Jobs Act, in 2018.

Net cash used in investing activities totaled \$887 million in 2018, compared with \$651 million in 2017. The increase resulted primarily from an increase in equipment purchases, net of proceeds from the sale of equipment, in 2018, partially offset by the 2017 purchase of SLD.

Net cash used in financing activities was \$208 million in 2018, compared with \$196 million in 2017. This increase resulted primarily from lower proceeds from long-term debt issuances, net of long-term debt repayments, partially offset by a decrease in treasury stock purchased in 2018.

Our dividend policy is subject to review and revision by the Board of Directors, and payments are dependent upon our financial condition, liquidity, earnings, capital requirements, and other factors the Board of Directors may deem relevant. We paid a \$0.22 per share quarterly dividend in 2016, a \$0.23 per share quarterly dividend in 2017, and a \$0.24 per share quarterly dividend in 2018. On January 23, 2019, we announced an increase in our quarterly cash dividend from \$0.24 to \$0.26 per share, which will be paid February 22, 2019, to stockholders of record on February 8, 2019. We currently intend to continue paying cash dividends on a quarterly basis. However, no assurance can be given that future dividends will be paid.

Liquidity

Our need for capital has typically resulted from the acquisition of containers, chassis, trucks, tractors, and trailers required to support our growth and the replacement of older equipment. We are frequently able to accelerate or postpone a portion of equipment replacements depending on market conditions. We obtain capital through cash generated from operations, revolving lines of credit, and long-term debt issuances. We have also periodically utilized capital and operating leases for revenue equipment.

In September 2018, we replaced our \$500 million senior revolving credit facility dated September 2015 with a new credit facility authorizing us to borrow up to \$750 million under a senior revolving line of credit, which is supported by a credit agreement with a group of banks and expires September 2023. This senior credit facility allows us to request an increase in the total commitment by up to \$250 million and to request a one-year extension of the maturity date. The applicable interest rate under this agreement is based on the Prime Rate, the Federal Funds Rate, or LIBOR, depending upon the specific type of borrowing, plus an applicable margin based on our credit rating and other fees. At December 31, 2018, we had \$309 million outstanding at an average interest rate of 3.47% under this agreement.

Our senior notes consist of three separate issuances. The first and second issuances are \$250 million of 2.40% senior notes due March 2019 and \$250 million of 3.85% senior notes due March 2024, respectively, both of which were issued in March 2014. Interest payments under both notes are due semiannually in March and September of each year. The third issuance is \$350 million of 3.30% senior notes due August 2022, issued in August 2015. Interest payments under this note are due semiannually in February and August of each year. We may redeem for cash some or all of these notes based on a redemption price set forth in the note indenture. We currently have interest rate swap agreements which effectively convert our \$250 million of 2.40% fixed-rate senior notes due March 2019 and our \$350 million of 3.30% fixed-rate senior notes due August 2022 to variable rates, resulting in interest rates of 3.63% and 3.97%, respectively, at December 31, 2018. The applicable interest rates under these swap agreements are based on LIBOR plus an established margin. For our senior notes maturing in 2019, it is our intent to pay the entire outstanding balances in full, on or before the maturity dates, using our existing senior revolving line of credit or other sources of long-term financing. In addition, we have a shelf registration filed with the SEC and may draw upon it as warranted.

Our financing arrangements require us to maintain certain covenants and financial ratios. We were in compliance with all covenants and financial ratios at December 31, 2018.

As previously mentioned above, the Tax Cuts and Jobs Act was enacted in December 2017. Beginning in 2018, the Act reduced the U.S. federal corporate tax rate from 35% to 21%, which had a positive effect on our overall liquidity.

We believe our liquid assets, cash generated from operations, and various financing arrangements will provide sufficient funds for our operating and capital requirements for the foreseeable future.

We are currently committed to spend approximately \$381.6 million, net of proceeds from sales or trade-ins, during 2019 and 2020, which is primarily related to the acquisition of containers, chassis, and tractors.

Off-Balance Sheet Arrangements

In addition to our net purchase commitments of \$381.6 million, our only other off-balance sheet arrangements are related to operating leases. As of December 31, 2018, we had approximately \$117.8 million of obligations, primarily related to facility leases.

Contractual Obligations and Commitments

The following table summarizes our expected obligations and commitments (in millions) as of December 31, 2018:

	Total	2019	2020-2021	2022-2023	2024 and thereafter
Operating leases	\$ 117.8	\$ 34.9	\$ 50.6	\$ 21.9	\$ 10.4
Long-term debt obligations	1,159.0	250.0	—	659.0	250.0
Interest payments on debt ⁽¹⁾	154.3	36.1	68.5	47.3	2.4
Commitments to acquire revenue equipment and facilities	381.6	381.6	—	—	—
Total	\$ 1,812.70	\$ 702.6	\$ 119.1	\$ 728.2	\$ 262.8

(1) Interest payments on debt are based on the debt balance and applicable rate at December 31, 2018.

We had standby letters of credit outstanding of approximately \$1.3 million at December 31, 2018, that expire at various dates in 2019, which are related to certain operating agreements and our self-insured retention levels for casualty and workers' compensation claims. We plan to renew these letters of credit in accordance with our third-party agreements. The table above excludes \$56.8 million of liabilities related to uncertain tax positions, including interest and penalties, as we are unable to reasonably estimate the ultimate timing of settlement. See Note 7, Income Taxes, in the Notes to Consolidated Financial Statements for further discussion.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk can be quantified by measuring the financial impact of a near-term adverse increase in short-term interest rates on variable-rate debt outstanding. Our total long-term debt consists of both fixed and variable interest rate facilities. Our senior notes have fixed interest rates ranging from 2.40% to 3.85%. These fixed-rate facilities reduce the impact of changes to market interest rates on future interest expense. Our senior revolving line of credit has variable interest rates, which are based on the Prime Rate, the Federal Funds Rate, or LIBOR, depending upon the specific type of borrowing, plus any applicable margins. We currently have interest rate swap agreements which effectively convert our \$250 million of 2.40% fixed-rate senior notes due March 2019 and our \$350 million of 3.30% fixed-rate senior notes due August 2022 to variable rates. The applicable interest rates under these swap agreements are based on LIBOR plus an established margin. Our earnings would be affected by changes in these short-term variable interest rates. At our current level of borrowing, a one-percentage-point increase in our applicable rate would reduce annual pretax earnings by \$9.1 million.

Although we conduct business in foreign countries, international operations are not material to our consolidated financial position, results of operations, or cash flows. Additionally, foreign currency transaction gains and losses were not material to our results of operations for the year ended December 31, 2018. Accordingly, we are not currently subject to material foreign currency exchange rate risks from the effects that exchange rate movements of foreign currencies would have on our future costs or on future cash flows we would receive from our foreign investment. To date, we have not entered into any foreign currency forward exchange contracts or other derivative financial instruments to hedge the effects of adverse fluctuations in foreign currency exchange rates.

The price and availability of diesel fuel are subject to fluctuations due to changes in the level of global oil production, seasonality, weather, and other market factors. Historically, we have been able to recover a majority of fuel-price increases from our customers in the form of fuel surcharges. We cannot predict the extent to which volatile fluctuations in fuel prices will continue in the future or the extent to which fuel surcharges could be collected to offset fuel-price increases. As of December 31, 2018, we had no derivative financial instruments to reduce our exposure to fuel-price fluctuations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our Consolidated Financial Statements, Notes to Consolidated Financial Statements, and reports thereon of our independent registered public accounting firm as specified by this Item are presented following Item 15 of this report and include:

- Reports of Independent Registered Public Accounting Firm
- Consolidated Balance Sheets as of December 31, 2018 and 2017
- Consolidated Statements of Earnings for years ended December 31, 2018, 2017, and 2016
- Consolidated Statements of Stockholders' Equity for years ended December 31, 2018, 2017, and 2016
- Consolidated Statements of Cash Flows for years ended December 31, 2018, 2017, and 2016
- Notes to Consolidated Financial Statements

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain controls and procedures designed to ensure that the information we are required to disclose in the reports we file with the SEC is recorded, processed, summarized and reported, within the time periods specified in the SEC rules, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2018.

The certifications of our Chief Executive Officer and Chief Financial Officer required under Section 302 of the Sarbanes-Oxley Act have been filed as Exhibits 31.1 and 31.2 to this report.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rules 13a-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements.

Because of its inherent limitation, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2018. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework (2013 Framework)*. Based on our assessment, we believe that as of December 31, 2018, our internal control over financial reporting is effective based on those criteria.

The effectiveness of internal control over financial reporting as of December 31, 2018, has been audited by Ernst & Young LLP, an independent registered public accounting firm that also audited our Consolidated Financial Statements. Ernst & Young LLP's report on internal control over financial reporting is included herein (following Item 15).

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during the fourth quarter ended December 31, 2018, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required for Item 10 is hereby incorporated by reference from the Notice and Proxy Statement for the Annual Meeting of Stockholders to be held April 18, 2019.

ITEM 11. EXECUTIVE COMPENSATION

The information required for Item 11 is hereby incorporated by reference from the Notice and Proxy Statement for the Annual Meeting of Stockholders to be held April 18, 2019.

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

Except as set forth below, the information required for Item 12 is hereby incorporated by reference from the Notice and Proxy Statement for the Annual Meeting of Stockholders to be held April 18, 2019.

Securities Authorized For Issuance Under Equity Compensation Plans

The following table summarizes, as of December 31, 2018, information about compensation plans under which equity securities of the Company are authorized for issuance.

Plan Category ⁽¹⁾	Number of Securities To Be Issued Upon Exercise of Outstanding Options, Warrants, and Rights	Weighted-average Exercise Price of Outstanding Options, Warrants, and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (A))
	(A)	(B)	(C)
Equity compensation plans approved by security holders	1,606,347	\$ — ⁽²⁾	6,260,958

(1) We have no equity compensation plans that are not approved by security holders.

(2) Currently, only restricted share units remain outstanding under our equity compensation plan. Upon vesting, restricted share units are settled with shares of our common stock on a one-for-one basis and, accordingly, do not include an exercise price.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required for Item 13 is hereby incorporated by reference from the Notice and Proxy Statement for the Annual Meeting of Stockholders to be held April 18, 2019.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required for Item 14 is hereby incorporated by reference from the Notice and Proxy Statement for the Annual Meeting of Stockholders to be held April 18, 2019.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(A) Financial Statements, Financial Statement Schedules and Exhibits:

(1) Financial Statements

The financial statements included in Item 8 above are filed as part of this annual report.

(2) Financial Statement Schedules

Schedule II – Valuation and Qualifying Accounts (in millions)

Allowance for Doubtful Accounts, Revenue Adjustments and Other for the Years Ended:	Balance at Beginning of Year	Charged to Expense/ Against Revenue	Write-Offs, Net of Recoveries	Balance at End of Year
December 31, 2016	9.9	19.5	(16.0)	13.4
December 31, 2017	13.4	29.3	(18.7)	24.0
December 31, 2018	24.0	35.7	(23.9)	35.8

All other schedules have been omitted either because they are not applicable or because the required information is included in our Consolidated Financial Statements or the notes thereto.

(3) Exhibits

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation of J.B. Hunt Transport Services, Inc. dated May 19, 1988 (incorporated by reference from Exhibit 3.1 of the Company's quarterly report on Form 10-Q for the period ended March 31, 2005, filed April 29, 2005)
3.2	Amended and Restated Bylaws of J.B. Hunt Transport Services, Inc. dated April 23, 2015 (incorporated by reference from Exhibit 3.1 of the Company's current report on Form 8-K, filed April 27, 2015)
10.1	Amended and Restated Employee Retirement Plan (incorporated by reference from Exhibit 99 of the Company's registration statement on Form S-8 (File No. 033-57127), filed December 30, 1994)
10.2	Third Amended and Restated Management Incentive Plan (incorporated by reference from Appendix A of the Company's definitive proxy statement on Schedule 14A, filed March 9, 2017)
10.3	Summary of Compensation Arrangements with Named Executive Officers for 2018 (incorporated by reference from Exhibit 99.1 of the Company's current report on Form 8-K, filed January 25, 2018)
10.4	Summary of Compensation Arrangements with Named Executive Officers for 2019 (incorporated by reference from Exhibit 99.1 of the Company's current report on Form 8-K, filed January 25, 2019)
10.5	Indenture (incorporated by reference from Exhibit 4.1 of the Company's registration statement on Form S-3ASR (File No. 333-169365), filed September 14, 2010)
10.6	Second Supplemental Indenture (incorporated by reference from Exhibit 4.2 of the Company's current report on Form 8-K, filed March 6, 2014)
10.7	Third Supplemental Indenture (incorporated by reference from Exhibit 4.4 of the Company's current report on Form 8-K, filed March 6, 2014)
10.8	Fourth Supplemental Indenture (incorporated by reference from Exhibit 4.3 of the Company's current report on Form 8-K, filed August 6, 2015)
10.9	Credit Agreement and related documents (incorporated by reference from Exhibit 10.1 of the Company's current report on Form 8-K, filed September 28, 2018)
21.1	Subsidiaries of J.B. Hunt Transport Services, Inc.
23.1	Consent of Ernst & Young LLP
31.1	Rule 13a-14(a)/15d-14(a) Certification
31.2	Rule 13a-14(a)/15d-14(a) Certification
32.1	Section 1350 Certification
99.1	Equity Interests Purchase Agreement dated July 20, 2017 (incorporated by reference from Exhibit 99.1 of the Company's current report on Form 8-K, filed July 25, 2017)
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 Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, in the City of Lowell, Arkansas, on the 22nd day of February 2019.

J.B. HUNT TRANSPORT SERVICES, INC.
(Registrant)

By: /s/ John N. Roberts, III
John N. Roberts, III
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on the 22nd day of February 2019, on behalf of the registrant and in the capacities indicated.

<u>/s/ John N. Roberts, III</u> John N. Roberts, III	President and Chief Executive Officer, Member of the Board of Directors (Principal Executive Officer)
<u>/s/ David G. Mee</u> David G. Mee	Executive Vice President, Finance and Administration, Chief Financial Officer (Principal Financial Officer)
<u>/s/ John Kuhlow</u> John Kuhlow	Senior Vice President Finance, Controller, Chief Accounting Officer
<u>/s/ Kirk Thompson</u> Kirk Thompson	Chairman of the Board of Directors
<u>/s/ James L. Robo</u> James L. Robo	Member of the Board of Directors (Lead Director)
<u>/s/ Douglas G. Duncan</u> Douglas G. Duncan	Member of the Board of Directors
<u>/s/ Francesca M. Edwardson</u> Francesca M. Edwardson	Member of the Board of Directors
<u>/s/ Wayne Garrison</u> Wayne Garrison	Member of the Board of Directors
<u>/s/ Sharilyn S. Gasaway</u> Sharilyn S. Gasaway	Member of the Board of Directors
<u>/s/ Gary C. George</u> Gary C. George	Member of the Board of Directors
<u>/s/ J. Bryan Hunt, Jr.</u> J. Bryan Hunt, Jr.	Member of the Board of Directors
<u>/s/ Coleman H. Peterson</u> Coleman H. Peterson	Member of the Board of Directors

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

We are responsible for the preparation, integrity, and fair presentation of our Consolidated Financial Statements and related information appearing in this report. We take these responsibilities very seriously and are committed to maintaining controls and procedures that are designed to ensure that we collect the information we are required to disclose in our reports to the SEC and to process, summarize, and disclose this information within the time periods specified by the SEC.

Based on an evaluation of our disclosure controls and procedures as of the end of the period covered by this report, conducted by our management and with the participation of our Chief Executive Officer and Chief Financial Officer, we believe our controls and procedures are effective to ensure that we are able to collect, process, and disclose the information we are required to disclose in our reports filed with the SEC within the required time periods.

We are responsible for establishing and maintaining effective internal control over financial reporting as defined in Rules 13a-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements. Because of its inherent limitation, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. We assessed the effectiveness of our internal control over financial reporting as of December 31, 2018. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework (2013 Framework)*. Based on our assessment, we believe that as of December 31, 2018, our internal control over financial reporting is effective based on those criteria.

The effectiveness of internal control over financial reporting as of December 31, 2018, has been audited by Ernst & Young LLP, an independent registered public accounting firm that also audited our Consolidated Financial Statements. Ernst & Young LLP's report on internal control over financial reporting is included herein.

/s/ John N. Roberts, III
John N. Roberts, III
President and Chief Executive Officer
(Principal Executive Officer)

/s/ David G. Mee
David G. Mee
Executive Vice President, Finance and
Administration, Chief Financial Officer
(Principal Financial Officer)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of J.B. Hunt Transport Services, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of J.B. Hunt Transport Services, Inc. (the Company) as of December 31, 2018 and 2017, the related consolidated statements of earnings, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 22, 2019, expressed an unqualified opinion thereon.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP _____

We have served as the Company's auditor since 2005.

Rogers, Arkansas
February 22, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of J.B. Hunt Transport Services, Inc.

Opinion on Internal Control over Financial Reporting

We have audited J.B. Hunt Transport Services, Inc.'s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, J.B. Hunt Transport Services, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets as of December 31, 2018 and 2017, the related consolidated statements of earnings, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "financial statements") of the Company and our report dated February 22, 2019, expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP _____

Rogers, Arkansas
February 22, 2019

J.B. HUNT TRANSPORT SERVICES, INC.**CONSOLIDATED BALANCE SHEETS**

December 31, 2018 and 2017

(in thousands, except share data)

Assets	2018	2017
Current assets:		
Cash and cash equivalents	\$ 7,600	\$ 14,612
Trade accounts receivable, net	1,051,698	920,767
Other receivables, net	274,511	283,499
Inventories	21,977	20,688
Prepaid expenses	147,195	99,162
Total current assets	1,502,981	1,338,728
Property and equipment, at cost:		
Revenue and service equipment	4,716,860	4,158,878
Land	49,486	47,231
Structures and improvements	238,202	202,730
Furniture and office equipment	324,695	261,625
Total property and equipment	5,329,243	4,670,464
Less accumulated depreciation	1,884,132	1,687,133
Net property and equipment	3,445,111	2,983,331
Goodwill	40,087	39,764
Other intangible assets, net	65,070	73,691
Other assets	38,398	29,835
Total assets	\$ 5,091,647	\$ 4,465,349
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$ 250,706	\$ —
Trade accounts payable	709,736	598,594
Claims accruals	275,139	251,980
Accrued payroll	80,922	42,382
Other accrued expenses	35,845	28,888
Total current liabilities	1,352,348	921,844
Long-term debt	898,398	1,085,649
Other long-term liabilities	96,056	76,661
Deferred income taxes	643,461	541,870
Total liabilities	2,990,263	2,626,024
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock, \$100 par value. 10 million shares authorized; none outstanding	—	—
Common stock, \$.01 par value. 1 billion shares authorized; (167,099,432 shares issued at December 31, 2018 and 2017, of which 108,710,825 shares and 109,753,008 shares were outstanding at December 31, 2018 and 2017, respectively)	1,671	1,671
Additional paid-in capital	340,457	310,811
Retained earnings	4,188,435	3,803,844
Treasury stock, at cost (58,388,607 shares at December 31, 2018, and 57,346,424 shares at December 31, 2017)	(2,429,179)	(2,277,001)
Total stockholders' equity	2,101,384	1,839,325
Total liabilities and stockholders' equity	\$ 5,091,647	\$ 4,465,349

See Notes to Consolidated Financial Statements.

J.B. HUNT TRANSPORT SERVICES, INC.**CONSOLIDATED STATEMENTS OF EARNINGS**

Years Ended December 31, 2018, 2017 and 2016
(in thousands, except per share amounts)

	2018	2017	2016
Operating revenues, excluding fuel surcharge revenues	\$ 7,557,648	\$ 6,435,858	\$ 6,007,347
Fuel surcharge revenues	1,057,226	753,710	548,112
Total operating revenues	8,614,874	7,189,568	6,555,459
Operating expenses:			
Rents and purchased transportation	4,434,540	3,650,806	3,255,692
Salaries, wages and employee benefits	1,926,213	1,608,378	1,469,187
Fuel and fuel taxes	459,011	347,573	283,437
Depreciation and amortization	435,893	383,518	361,510
Operating supplies and expenses	303,529	257,239	233,223
General and administrative expenses, net of asset dispositions	163,270	125,878	87,053
Insurance and claims	129,406	123,579	78,410
Operating taxes and licenses	51,080	44,825	45,954
Communication and utilities	30,911	23,983	19,973
Total operating expenses	7,933,853	6,565,779	5,834,439
Operating income	681,021	623,789	721,020
Interest income	224	235	71
Interest expense	40,427	28,785	25,294
Earnings before income taxes	640,818	595,239	695,797
Income taxes	151,233	(91,024)	263,707
Net earnings	\$ 489,585	\$ 686,263	\$ 432,090
Weighted average basic shares outstanding	109,375	109,987	112,474
Basic earnings per share	\$ 4.48	\$ 6.24	\$ 3.84
Weighted average diluted shares outstanding	110,428	111,049	113,361
Diluted earnings per share	\$ 4.43	\$ 6.18	\$ 3.81
Dividends declared per common share	\$ 0.96	\$ 0.92	\$ 0.88

See Notes to Consolidated Financial Statements.

J.B. HUNT TRANSPORT SERVICES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years Ended December 31, 2018, 2017 and 2016
(in thousands, except per share amounts)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Stockholders' Equity
Balances at December 31, 2015	\$ 1,671	\$ 268,728	\$ 2,885,843	\$ (1,855,890)	\$ 1,300,352
Comprehensive income:					
Net earnings	—	—	432,090	—	432,090
Cash dividend declared and paid (\$0.88 per share)	—	—	(98,990)	—	(98,990)
Tax benefit of stock options exercised and restricted shares issued	—	7,044	—	—	7,044
Purchase of treasury shares	—	—	—	(249,760)	(249,760)
Share-based compensation	—	40,625	—	—	40,625
Stock option exercises and restricted share issuances, net of stock repurchased for payroll taxes	—	(23,310)	—	6,010	(17,300)
Balances at December 31, 2016	\$ 1,671	\$ 293,087	\$ 3,218,943	\$ (2,099,640)	\$ 1,414,061
Comprehensive income:					
Net earnings	—	—	686,263	—	686,263
Cash dividend declared and paid (\$0.92 per share)	—	—	(101,362)	—	(101,362)
Purchase of treasury shares	—	—	—	(179,813)	(179,813)
Share-based compensation	—	38,291	—	—	38,291
Restricted share issuances, net of stock repurchased for payroll taxes	—	(20,567)	—	2,452	(18,115)
Balances at December 31, 2017	\$ 1,671	\$ 310,811	\$ 3,803,844	\$ (2,277,001)	\$ 1,839,325
Comprehensive income:					
Net earnings	—	—	489,585	—	489,585
Cash dividend declared and paid (\$0.96 per share)	—	—	(104,994)	—	(104,994)
Purchase of treasury shares	—	—	—	(150,338)	(150,338)
Share-based compensation	—	47,369	—	—	47,369
Restricted share issuances, net of stock repurchased for payroll taxes	—	(17,723)	—	(1,840)	(19,563)
Balances at December 31, 2018	\$ 1,671	\$ 340,457	\$ 4,188,435	\$ (2,429,179)	\$ 2,101,384

See Notes to Consolidated Financial Statements.

J.B. HUNT TRANSPORT SERVICES, INC.**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years Ended December 31, 2018, 2017 and 2016

(in thousands)

	2018	2017	2016
Cash flows from operating activities:			
Net earnings	\$ 489,585	\$ 686,263	\$ 432,090
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	435,893	383,518	361,510
Share-based compensation	47,369	38,291	40,625
Loss on sale of revenue equipment and other	12,107	7,370	5,490
Advance deposit impairment	—	20,240	—
Deferred income taxes	101,591	(248,764)	50,414
Changes in operating assets and liabilities:			
Trade accounts receivable	(130,931)	(166,111)	(120,994)
Income taxes receivable or payable	(41,071)	(45,542)	60,956
Other current assets	(6,133)	69,462	(37,101)
Trade accounts payable	98,037	85,237	60,818
Claims accruals	21,580	25,021	5,524
Accrued payroll and other accrued expenses	59,814	168	(5,189)
Net cash provided by operating activities	1,087,841	855,153	854,143
Cash flows from investing activities:			
Additions to property and equipment	(995,650)	(526,928)	(638,430)
Proceeds from sale of equipment	110,165	16,413	153,174
Business acquisition	—	(136,879)	—
Change in other assets	(1,288)	(3,888)	(132)
Net cash used in investing activities	(886,773)	(651,282)	(485,388)
Cash flows from financing activities:			
Proceeds from revolving lines of credit and other	3,204,715	2,716,155	1,715,427
Payments on revolving lines of credit and other	(3,137,900)	(2,612,501)	(1,724,365)
Purchase of treasury stock	(150,338)	(179,813)	(249,760)
Stock option exercises and other	967	1,100	1,341
Stock repurchased for payroll taxes	(20,530)	(19,215)	(18,641)
Tax benefit of stock options exercised and restricted shares issued	—	—	7,044
Dividends paid	(104,994)	(101,362)	(98,990)
Net cash used in financing activities	(208,080)	(195,636)	(367,944)
Net increase/(decrease) in cash and cash equivalents	(7,012)	8,235	811
Cash and cash equivalents at beginning of year	14,612	6,377	5,566
Cash and cash equivalents at end of year	\$ 7,600	\$ 14,612	\$ 6,377
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	\$ 39,901	\$ 28,785	\$ 24,800
Income taxes	\$ 83,822	\$ 190,783	\$ 143,634
Noncash investing activities			
Accruals for equipment received	\$ 49,390	\$ 53,026	\$ 13,522

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Business

J.B. Hunt Transport Services, Inc. is one of the largest surface transportation and delivery service companies in North America. We operate four distinct, but complementary, business segments and provide a wide range of general and specifically tailored freight and logistics services to our customers. We generate revenues from the actual movement of freight from shippers to consignees, customized labor and delivery services, and serving as a logistics provider by offering or arranging for others to provide the transportation service. Unless otherwise indicated by the context, “we,” “us,” “our” and “JBHT” refer to J.B. Hunt Transport Services, Inc. and its consolidated subsidiaries.

2. Summary of Significant Accounting Policies

Basis of Consolidation

Our Consolidated Financial Statements include all of our wholly owned subsidiaries. Intercompany balances and transactions have been eliminated in consolidation. J.B. Hunt Transport Services, Inc. is a parent-level holding company with no significant assets or operations. J.B. Hunt Transport, Inc. is a wholly owned subsidiary of J.B. Hunt Transport Services, Inc. and is the primary operating subsidiary. All other subsidiaries of J.B. Hunt Transport Services, Inc. are minor.

Use of Estimates

The Consolidated Financial Statements contained in this report have been prepared in conformity with accounting principles generally accepted in the United States of America. The preparation of these statements requires us to make estimates and assumptions that directly affect the amounts reported in such statements and accompanying notes. We evaluate these estimates on an ongoing basis utilizing historical experience, consulting with experts and using other methods we consider reasonable in the particular circumstances. Nevertheless, our actual results may differ significantly from our estimates.

We believe certain accounting policies and estimates are of more significance in our financial statement preparation process than others. We believe the most critical accounting policies and estimates include the economic useful lives and salvage values of our assets, provisions for uncollectible accounts receivable, estimates of exposures under our insurance and claims policies, and estimates for taxes. To the extent that actual, final outcomes are different from our estimates, or that additional facts and circumstances cause us to revise our estimates, our earnings during that accounting period will be affected.

Cash and Cash Equivalents

Cash in excess of current operating requirements is invested in short-term, highly liquid investments. We consider all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Accounts Receivable and Allowance

Our trade accounts receivable includes accounts receivable reduced by an allowance for uncollectible accounts and revenue adjustments. Receivables are recorded at amounts billed to customers when loads are delivered or services are performed. The allowance for uncollectible accounts and revenue adjustments is based on historical experience, as well as any known trends or uncertainties related to customer billing and account collectability. The adequacy of our allowance is reviewed quarterly. Balances are charged against the allowance when it is determined the receivable will not be recovered. The allowance for uncollectible accounts and revenue adjustments for our trade accounts receivable was \$23.6 million and \$15.4 million at December 31, 2018 and 2017, respectively. The allowance for uncollectible accounts for our other receivables was \$12.2 million and \$8.6 million at December 31, 2018 and 2017, respectively.

Inventory

Our inventories consist primarily of revenue equipment parts, tires, supplies, and fuel, and are valued using the lower of average cost or market.

Investments in Marketable Equity Securities

Our investments consist of marketable equity securities stated at fair value and are designated as either trading securities or available-for-sale securities at the time of purchase based upon the intended holding period. Changes in the fair value of our trading securities are recognized currently in “general and administrative expenses, net of asset dispositions” in our Consolidated Statements of Earnings. Changes in the fair value of our available-for-sale securities are recognized in “accumulated other comprehensive income” on our Consolidated Balance Sheets, unless we determine that an unrealized loss is other-than-temporary. If we determine that an unrealized loss is other-than-temporary, we recognize the loss in earnings. Cost basis is determined using average cost.

At December 31, 2018 and 2017, we had no available-for-sale securities. See Note 8, Employee Benefit Plans, for a discussion of our trading securities.

Property and Equipment

Depreciation of property and equipment is calculated on the straight-line method over the estimated useful lives of 4 to 10 years for tractors, 7 to 20 years for trailing equipment, 10 to 40 years for structures and improvements, and 3 to 10 years for furniture and office equipment. Salvage values are typically 10% to 30% of original cost for tractors and trailing equipment and reflect any agreements with tractor suppliers for residual or trade-in values for certain new equipment. We capitalize tires placed in service on new revenue equipment as a part of the equipment cost. Replacement tires and costs for recapping tires are expensed at the time the tires are placed in service. Gains and losses on the sale or other disposition of equipment are recognized at the time of the disposition and are classified in general and administrative expenses, net of asset dispositions in the Consolidated Statements of Earnings.

We continually evaluate the carrying value of our assets for events or changes in circumstances that indicate the carrying value may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

Revenue Recognition

We record revenues on the gross basis at amounts charged to our customers because we control and are primarily responsible for the fulfillment of promised services. Accordingly, we serve as a principal in the transaction. We invoice our customers, and we maintain discretion over pricing. Additionally, we are responsible for selection of third-party transportation providers to the extent used to satisfy customer freight requirements.

Our revenue is earned through the service offerings of our four reportable business segments. See Note 13, Business Segments, for revenue reported by segment. All revenue transactions between reporting segments are eliminated in consolidation.

Intermodal (JBI) - JBI segment includes freight that is transported by rail over at least some portion of the movement and also includes certain repositioning truck freight moved by JBI equipment or third-party carriers, when such highway movement is intended to direct JBI equipment back toward intermodal operations. JBI performs these services primarily through contractual rate quotes with customers that are held static for a period of time, usually one year.

Dedicated Contract Services® (DCS) - DCS segment business includes company-owned and customer-owned, DCS-operated revenue equipment and employee drivers assigned to a specific customer, traffic lane, or service. DCS operations usually include formal, written longer-term customer contracts that govern services performed and applicable rates.

Integrated Capacity Solutions (ICS) - ICS provides non-asset and asset-light transportation solutions to customers through relationships with third-party carriers and integration with company-owned equipment. ICS services include flatbed, refrigerated, and less-than-truckload (LTL), as well as a variety of dry-van and intermodal solutions. ICS performs these services through customer contractual rate quotes as well as spot quotes that are one-time rate quotes issued for a single transaction or group of transactions.

Truckload (JBT) - JBT business includes full-load, dry-van freight that is typically transported utilizing company-owned or company-controlled revenue equipment. This freight is typically transported over roads and highways and does not move by rail. JBT utilizes both contractual rate quotes and spot rate quotes with customers.

We recognize revenue from customer contracts based on relative transit time in each reporting period and as other performance obligations are provided, with related expenses recognized as incurred. Accordingly, a portion of the total revenue that will be billed to the customer is recognized in each reporting period based on the percentage of the freight pickup and delivery performance obligation that has been completed at the end of the reporting period.

Derivative Instruments

We periodically utilize derivative instruments to manage exposure to changes in interest rates. At inception of a derivative contract, we document relationships between derivative instruments and hedged items, as well as our risk-management objective and strategy for undertaking various derivative transactions, and assess hedge effectiveness. If it is determined that a derivative is not highly effective as a hedge, or if a derivative ceases to be a highly effective hedge, we discontinue hedge accounting prospectively.

Income Taxes

Income taxes are accounted for under the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income or expense in the period that includes the enactment date. We record valuation allowances for deferred tax assets to the extent we believe these assets are not more likely than not to be realized through the reversal of existing taxable temporary differences, projected future taxable income, or tax-planning strategies. We record a liability for unrecognized tax benefits when the benefits of tax positions taken on a tax return are not more likely than not to be sustained upon audit. Interest and penalties related to uncertain tax positions are classified as interest expense in the Consolidated Statements of Earnings.

Earnings Per Share

We compute basic earnings per share by dividing net earnings available to common stockholders by the actual weighted average number of common shares outstanding for the reporting period. Diluted earnings per share reflect the potential dilution that could occur if holders of unvested restricted and performance share units or options exercised or converted their holdings into common stock. Outstanding unvested restricted share units and stock options represent the dilutive effects on weighted average shares. A reconciliation of the number of shares used in computing basic and diluted earnings per share is shown below (in thousands):

	Years ended December 31,		
	2018	2017	2016
Weighted average shares outstanding – basic	109,375	109,987	112,474
Effect of common stock equivalents	1,053	1,062	887
Weighted average shares outstanding – diluted	110,428	111,049	113,361

Concentrations of Credit Risk

Financial instruments, which potentially subject us to concentrations of credit risk, include trade receivables. For each of the years ended December 31, 2018, 2017, and 2016, our top 10 customers, based on revenue, accounted for approximately 30%, 29%, and 29% of our total revenue. Our top 10 customers, based on revenue, accounted for approximately 32% and 31% of our total trade accounts receivable at December 31, 2018 and 2017, respectively. We had no individual customers with revenues greater than 10% of total revenues.

Share-based Compensation

We have a share-based compensation plan covering certain employees, including officers and directors. We account for share-based compensation utilizing the fair value recognition provisions of current accounting standards for share-based payments. We currently utilize restricted share units and performance share units and in the past have also utilized nonstatutory stock options. Issuances of our stock upon restricted share unit and performance share unit vesting or share option exercise are made from treasury stock. Our restricted share unit and performance share unit awards may include both graded-vesting and cliff-vesting awards and therefore vest in increments during the requisite service period or at the end of the requisite service period, as appropriate for each type of vesting. We recognize compensation expense on a straight-line basis over the requisite service periods within each award. The benefit for the forfeiture of an award is recorded in the period in which it occurs.

Claims Accruals

We purchase insurance coverage for a portion of expenses related to employee injuries, vehicular collisions, accidents, and cargo damage. We are substantially self-insured for loss of and damage to our owned and leased revenue equipment. Certain insurance arrangements include a level of self-insurance (deductible) coverage applicable to each claim. We have umbrella policies to limit our exposure to catastrophic claim costs.

The amounts of self-insurance change from time to time based on measurement dates, policy expiration dates, and claim type. For 2016 through 2018, we were self-insured for \$500,000 per occurrence for personal injury and property damage and self-insured for \$100,000 per workers' compensation claim. We have policies in place for 2019 with substantially the same terms as our 2018 policies for personal injury, property damage, workers' compensation, and cargo loss or damage, with the exception of decreasing our self-insured portion of workers' compensation claims to zero for nearly all states.

Our claims accrual policy for all self-insured claims is to recognize a liability at the time of the incident based on our analysis of the nature and severity of the claims and analyses provided by third-party claims administrators, as well as legal, economic, and regulatory factors. Our safety and claims personnel work directly with representatives from the insurance companies to continually update the estimated cost of each claim. The ultimate cost of a claim develops over time as additional information regarding the nature, timing, and extent of damages claimed becomes available. Accordingly, we use an actuarial method to develop current claim information to derive an estimate of our ultimate claim liability. This process involves the use of loss-development factors based on our historical claims experience and includes a contractual premium adjustment factor, if applicable. In doing so, the recorded liability considers future claims growth and provides an allowance for incurred-but-not-reported claims. We do not discount our estimated losses. At December 31, 2018 and 2017, we had an accrual of approximately \$260 million and \$238 million, respectively, for estimated claims. In addition, we record receivables for amounts expected to be reimbursed for payments made in excess of self-insurance levels on covered claims. At December 31, 2018 and 2017, we have recorded \$261 million and \$256 million, respectively, of expected reimbursement for covered excess claims, other insurance deposits, and prepaid insurance premiums. Of these total asset balances, \$158 million and \$193 million have been included in other receivables in our Consolidated Balance Sheets at December 31, 2018 and 2017, respectively.

Goodwill and Other Intangible Assets

Goodwill represents the excess of cost over the fair value of net identifiable tangible and intangible assets acquired in a business combination. Goodwill and intangible assets with indefinite lives are not amortized. Goodwill is reviewed, using a market based approach, for potential impairment as of October 1st on an annual basis or, more frequently, if circumstances indicate a potential impairment is present. Intangible assets with finite lives are amortized on the straight-line method over the estimated useful lives of 5 to 10 years.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases, which requires lessees to recognize a right-of-use asset and a lease liability for most leases on the balance sheet as well as other qualitative and quantitative disclosures. ASU 2016-02 is to be applied using a modified retrospective method and is effective for us on January 1, 2019. In July 2018, the FASB issued ASU 2018-11, Leases, which provides an optional transition method allowing entities to recognize a cumulative-effect adjustment to the opening balance of stockholders' equity in the period of adoption, with no restatement of comparative prior periods required. We will adopt the standard using this optional transition method.

The FASB has provided certain practical expedients in applying the standard. Of the allowed practical expedients within the standard applicable to our operations, we will elect the package of practical expedients, which among other things, allows us to carry forward the historical lease classification upon adoption of the standard. We will not elect the hindsight practical expedient when determining the lease term for existing leases. In addition, we will not separate nonlease components from lease components by class of underlying assets where appropriate and we will not apply the recognition requirements of the standard to short-term leases, as allowed by the standard.

Upon adoption of the standard we will record offsetting lease assets and lease liabilities on our Consolidated Balance Sheet in the amount of \$102.4 million, as of January 1, 2019. We do not expect the adoption of the standard to have a material impact on our earnings or debt covenant compliance and no impact on our cash flows.

In August 2018, the FASB issued ASU 2018-15, Intangibles – Goodwill and Other – Internal-Use Software, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The new standard is effective for us on January 1, 2020, but early adoption is permitted. ASU 2018-15 can be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The adoption of the new guidance is not expected to have a material impact on our financial statements.

Accounting Pronouncements Adopted in 2018

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which supersedes virtually all existing revenue recognition guidance. The new standard requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. This update also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. We adopted ASU 2014-09 in the first quarter 2018, using the modified retrospective transition approach, which did not have a material impact on how we recognize revenue or to our financial statements or disclosures.

3. Financing Arrangements

Outstanding borrowings, net of unamortized discount, unamortized debt issuance cost, and fair value swap, under our current financing arrangements consist of the following (in millions):

	December 31,	
	2018	2017
Senior revolving line of credit	\$ 307.1	\$ 241.4
Senior notes	842.0	844.2
Less current portion of long-term debt	(250.7)	—
Total long-term debt	\$ 898.4	\$ 1,085.6

Aggregate maturities of long-term debt subsequent to December 31, 2018, are as follows: \$250.7 million in 2019, \$342.5 million in 2022, \$307.1 in 2023, and \$248.8 million thereafter.

Senior Revolving Line of Credit

In September 2018, we replaced our \$500 million senior revolving credit facility dated September 2015 with a new credit facility authorizing us to borrow up to \$750 million under a senior revolving line of credit, which is supported by a credit agreement with a group of banks. This new senior credit facility has a five year term expiring September 2023, and allows us to request an increase in the total commitment by up to \$250 million and to request a one year extension of the maturity date. The applicable interest rate under this agreement is based on the Prime Rate, the Federal Funds Rate, or LIBOR, depending upon the specific type of borrowing, plus an applicable margin and other fees. At December 31, 2018, we had \$309.0 million outstanding at an average interest rate of 3.47% under this agreement.

Senior Notes

Our senior notes consist of three separate issuances. The first and second issuances are \$250 million of 2.40% senior notes due March 2019 and \$250 million of 3.85% senior notes due March 2024, respectively, both of which were issued in March 2014. Interest payments under both notes are due semiannually in March and September of each year. The third issuance is \$350 million of 3.30% senior notes due August 2022, issued in August 2015. Interest payments under this note are due semiannually in February and August of each year, beginning February 2016. All three senior notes were issued by J.B. Hunt Transport Services, Inc., a parent-level holding company with no significant assets or operations. The notes are guaranteed on a full and unconditional basis by a wholly owned subsidiary. All other subsidiaries of the parent are minor. We registered these offerings and the sale of the notes under the Securities Act of 1933, pursuant to a shelf registration statement filed in February 2014. All notes are unsecured obligations and rank equally with our existing and future senior unsecured debt. We may redeem for cash some or all of the notes based on a redemption price set forth in the note indenture. See Note 4, Derivative Financial Instruments, for terms of interest rate swaps entered into on the \$250 million of 2.40% senior notes due March 2019 and the \$350 million of 3.30% senior notes due August 2022.

Our financing arrangements require us to maintain certain covenants and financial ratios. We were in compliance with all covenants and financial ratios at December 31, 2018. For our senior notes maturing in 2019, it is our intent to pay the entire outstanding balances in full, on or before the maturity dates, using our existing senior revolving line of credit or other sources of long-term financing. In addition, we have a shelf registration filed with the SEC and may draw upon it as warranted.

4. Derivative Financial Instruments

We periodically utilize derivative instruments for hedging and non-trading purposes to manage exposure to changes in interest rates and to maintain an appropriate mix of fixed and variable-rate debt. At inception of a derivative contract, we document relationships between derivative instruments and hedged items, as well as

our risk-management objective and strategy for undertaking various derivative transactions, and assess hedge effectiveness. If it is determined that a derivative is not highly effective as a hedge, or if a derivative ceases to be a highly effective hedge, we discontinue hedge accounting prospectively.

We entered into receive fixed-rate and pay variable-rate interest rate swap agreements simultaneously with the issuance of our \$250 million of 2.40% senior notes due March 2019 and \$350 million of 3.30% senior notes due August 2022, to effectively convert this fixed-rate debt to variable-rate. The notional amounts of these interest rate swap agreements equal those of the corresponding fixed-rate debt. The applicable interest rates under these agreements is based on LIBOR plus an established margin, resulting in an interest rate of 3.63% for our \$250 million of 2.40% senior notes and 3.97% for our \$350 million of 3.30% senior notes at December 31, 2018. The swaps expire when the corresponding senior notes are due. The fair values of these swaps are recorded in other assets and other long-term liabilities in our Consolidated Balance Sheet at December 31, 2018. See Note 9, Fair Value Measurements, for disclosure of fair value. These derivatives meet the required criteria to be designated as fair value hedges and as the specific terms and notional amounts of these derivative instruments match those of the fixed-rate debt being hedged, these derivative instruments are assumed to perfectly hedge the related debt against changes in fair value due to changes in the benchmark interest rate. Accordingly, any change in the fair value of these interest rate swaps recorded in earnings is offset by a corresponding change in the fair value of the related debt.

5. Capital Stock

We have one class of preferred stock and one class of common stock. We had no outstanding shares of preferred stock at December 31, 2018 or 2017. Holders of shares of common stock are entitled to receive dividends when and if declared by the Board of Directors and are entitled to one vote per share on all matters submitted to a vote of the stockholders. On January 23, 2019, we announced an increase in our quarterly cash dividend from \$0.24 to \$0.26 per share, which will be paid February 22, 2019, to stockholders of record on February 8, 2019. At December 31, 2018, we had 1.6 million shares of common stock to be issued upon the vesting of equity awards and 6.3 million shares reserved for future issuance pursuant to share-based payment plans. During calendar year 2018, we purchased approximately 1.3 million shares, or \$150.3 million, of our common stock in accordance with plans authorized by our Board. At December 31, 2018, we had \$371 million available under an authorized plan to purchase our common stock.

6. Share-based Compensation

We maintain a Management Incentive Plan (the "Plan") that provides various share-based financial methods to compensate our key employees with shares of our common stock or common stock equivalents. Under the Plan, as amended, we have, from time to time, utilized restricted share units, performance share units, restricted shares, and nonstatutory stock options to compensate our employees and directors. We currently are utilizing restricted and performance share units.

Our restricted share units have various vesting schedules generally ranging from 3 to 10 years when awarded. These restricted share units do not contain rights to vote or receive dividends until the vesting date. Unvested restricted share units are forfeited if the employee terminates for any reason other than death, disability, or special circumstances as determined by the Compensation Committee. Restricted share units are valued based on the fair value of the award on the grant date, adjusted for dividend estimates based on grant date dividend rates.

Our performance share units vest based on the passage of time (generally 3 to 10 years) and achievement of performance criteria. Performance share units do not contain rights to vote or receive dividends until the vesting date. Unvested performance share units are forfeited if the employee terminates for any reason other than death, disability, or special circumstances as determined by the Compensation Committee. Performance shares are valued based on the fair value of the award on the grant date, adjusted for dividend estimates based on grant date dividend rates.

In the past, nonstatutory stock options have been granted to key employees for the purchase of our common stock for 100% of the fair market value of the common stock at the grant date as awarded by the Compensation Committee. These options generally vested over a 10-year period and were forfeited immediately if the employee terminated for any reason other than death, disability or retirement after age 55. We did not grant any stock options during the years ended December 31, 2018, 2017, and 2016.

An employee is allowed to surrender shares of common stock received upon vesting to satisfy tax withholding obligations incident to the vesting of restricted share units and performance share units.

We account for our restricted share units, performance share units, and stock options in accordance with current accounting standards for share-based payments. These standards require that the cost of all share-based payments to employees, including grants of employee stock options, be recognized in our Consolidated Financial Statements based on the grant date fair value of those awards. This cost is recognized over the period for which an employee is required to provide service in exchange for the award, subject to the attainment of performance metrics established for performance share units. Share-based compensation expense is recorded in salaries, wages, and employee benefits in our Consolidated Statements of Earnings, along with other compensation expenses to employees. The following table summarizes the components of our share-based compensation program expense (in thousands):

	Years ended December 31,		
	2018	2017	2016
Restricted share units			
Pretax compensation expense	\$ 32,797	\$ 28,679	\$ 29,938
Tax benefit	7,740	(4,385)	11,347
Restricted share units, net of tax	\$ 25,057	\$ 33,064	\$ 18,591
Performance share units			
Pretax compensation expense	\$ 14,572	\$ 9,612	\$ 10,687
Tax benefit	3,439	(1,470)	4,050
Performance share awards, net of tax	\$ 11,133	\$ 11,082	\$ 6,637

A summary of our restricted share units, performance share units, and nonstatutory stock options is as follows:

Restricted Share Units	Number of Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2015	1,516,750	\$ 63.96
Granted	540,746	75.03
Vested	(520,619)	54.78
Forfeited	(34,221)	69.14
Unvested at December 31, 2016	1,502,656	\$ 71.16
Granted	158,319	90.06
Vested	(380,702)	67.29
Forfeited	(37,745)	75.13
Unvested at December 31, 2017	1,242,528	\$ 74.71
Granted	370,669	119.82
Vested	(337,512)	79.02
Forfeited	(29,850)	83.69
Unvested at December 31, 2018	1,245,835	\$ 86.80

<i>Performance Share Units</i>	Number of Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2015	490,673	\$ 67.04
Granted	142,114	74.71
Vested	(148,733)	62.84
Forfeited	—	—
Unvested at December 31, 2016	484,054	\$ 70.58
Granted	—	—
Vested	(155,867)	68.27
Forfeited	—	—
Unvested at December 31, 2017	328,187	\$ 71.68
Granted	150,763	122.57
Vested	(118,438)	69.29
Forfeited	—	—
Unvested at December 31, 2018	360,512	\$ 93.74

At December 31, 2018, we had \$59.1 million and \$13.7 million of total unrecognized compensation expense related to restricted share units and performance share units, respectively, that is expected to be recognized on a straight-line basis over the remaining weighted average vesting period of approximately 3.6 years for restricted share units and 2.6 years for performance share units.

The aggregate intrinsic value of restricted and performance share units vested and options exercised during the years ended December 31, 2018, 2017, and 2016, was \$55.1 million, \$49.3 million, and \$56.7 million, respectively. The aggregate intrinsic value of unvested restricted and performance share units was \$149.5 million at December 31, 2018. The total fair value of shares vested for restricted share, performance share, and stock option awards during the years ended December 31, 2018, 2017, and 2016, was \$35.0 million, \$36.4 million, and \$38.1 million, respectively.

7. Income Taxes

Income tax expense attributable to earnings before income taxes consists of (in thousands):

	Years ended December 31,		
	2018	2017	2016
Current:			
Federal	\$ 22,904	\$ 134,284	\$ 191,422
State and local	26,738	23,456	21,871
	49,642	157,740	213,293
Deferred:			
Federal	97,670	(261,592)	45,846
State and local	3,921	12,828	4,568
	101,591	(248,764)	50,414
Total tax expense/(benefit)	\$ 151,233	\$ (91,024)	\$ 263,707

Income tax expense attributable to earnings before income taxes differed from the amounts computed using the statutory federal income tax rate of 21% as follows (in thousands):

Years ended December 31,

	2018	2017	2016
Income tax at federal statutory rate	\$ 134,572	\$ 208,334	\$ 243,529
State tax, net of federal effect	24,627	18,334	19,165
Federal tax reform	(3,219)	(309,223)	—
Benefit of stock compensation	(4,919)	(4,907)	—
199/R&D credit	1,000	(7,056)	—
Nondeductible meals and entertainment	1,071	1,374	1,419
Change in effective state tax rate, net of federal benefit	(1,469)	3,403	(1,055)
Other, net	(430)	(1,283)	649
Total tax expense	\$ 151,233	\$ (91,024)	\$ 263,707

The Tax Cuts and Jobs Act (the Act) was enacted in December 2017. Beginning in 2018, the Act reduced the U.S. federal corporate tax rate from 35% to 21%. At December 31, 2017, we had not completed our accounting for the tax effects of enactment of the Act. However, we made a reasonable estimate of the effects on our existing deferred tax assets and liabilities based on the rates at which they were expected to reverse in the future, which was generally 21%. The provisional amount recorded resulting from the remeasurement of our deferred tax balance was \$309.2 million, which was included as a component of 2017 income tax from continuing operations. During 2018, we finalized our calculations for our 2017 federal income tax return, which was filed based on the law prior to the Act, resulting in no significant change to the initial measurement of these balances. Remaining aspects of the Act were not relevant to our operations.

Income taxes receivable was \$102.4 million and \$61.3 million at December 31, 2018 and 2017, respectively. These amounts have been included in other receivables in our Consolidated Balance Sheets. The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2018 and 2017, are presented below (in thousands):

	December 31,	
	2018	2017
Deferred tax assets:		
Insurance accruals	\$ 34,889	\$ 27,700
Allowance for doubtful accounts	7,649	6,605
Compensation accrual	10,461	3,661
Deferred compensation accrual	20,396	17,620
Federal benefit of state uncertain tax positions	10,364	8,681
State NOL carry-forward	6,041	4,944
Other	4,626	3,134
Total gross deferred tax assets	94,426	72,345
Valuation allowance	(6,041)	(4,944)
Total deferred tax assets, net of valuation allowance	88,385	67,401
Deferred tax liabilities:		
Plant and equipment, principally due to differences in depreciation	696,913	566,396
Prepaid permits and insurance, principally due to expensing for income tax purposes	33,594	28,089
Other	1,339	14,786
Total gross deferred tax liabilities	731,846	609,271
Net deferred tax liability	\$ 643,461	\$ 541,870

Guidance on accounting for uncertainty in income taxes prescribes recognition and measurement criteria and requires that we assess whether the benefits of our tax positions taken are more likely than not of being sustained under tax audits. We have made adjustments to the balance of unrecognized tax benefits, a component of other long-term liabilities on our Consolidated Balance Sheets, as follows (in millions):

	December 31,		
	2018	2017	2016
Beginning balance	\$ 45.3	\$ 35.4	\$ 32.0
Additions based on tax positions related to the current year	13.9	11.6	10.3
Additions/(reductions) based on tax positions taken in prior years	(2.4)	5.4	(3.2)
Reductions due to settlements	—	(2.4)	(0.4)
Reductions due to lapse of applicable statute of limitations	(4.6)	(4.7)	(3.3)
Ending balance	\$ 52.2	\$ 45.3	\$ 35.4

At December 31, 2018 and 2017, we had a total of \$52.2 million and \$45.3 million, respectively, in gross unrecognized tax benefits. Of these amounts, \$43.1 million and \$37.5 million represent the amount of unrecognized tax benefits that, if recognized, would impact our effective tax rate in 2018 and 2017, respectively. Interest and penalties related to income taxes are classified as interest expense in our Consolidated Statements of Earnings. The amount of accrued interest and penalties recognized during the years ended December 31, 2018, 2017, and 2016, was \$2.4 million, \$2.1 million, and \$1.9 million, respectively. Future changes to unrecognized tax benefits will be recognized as income tax expense and interest expense, as appropriate. The total amount of accrued interest and penalties for such unrecognized tax benefits at December 31, 2018 and 2017, was \$4.6 million and \$3.6 million, respectively.

Tax years 2015 and forward remain subject to examination by federal tax jurisdictions, while tax years 2008 and forward remain open for state jurisdictions.

8. Employee Benefit Plans

We maintain a defined contribution employee retirement plan, which includes a 401(k) option, under which all employees are eligible to participate. We match a specified percentage of employee contributions, subject to certain limitations. For the years ended December 31, 2018, 2017, and 2016, our matching contributions to the plan were \$19.7 million, \$16.7 million, and \$15.6 million, respectively.

We have a nonqualified deferred compensation plan that allows eligible employees to defer a portion of their compensation. The compensation deferred under this plan is credited with earnings or losses on investments elected by plan participants. Each participant is fully vested in all deferred compensation and earnings; however, these amounts are subject to general creditor claims until actually distributed to the employee. A participant may elect to receive deferred amounts in one payment or in quarterly installments payable over a period of 2 to 25 years upon reaching age 55, having 15 years of service, or becoming disabled. Our total liability under this plan was \$15.7 million as of December 31, 2018, and \$16.4 million as of December 31, 2017. These amounts are included in other long-term liabilities in our Consolidated Balance Sheets. Participant withholdings are held by a trustee and invested in equity securities as directed by participants. These investments are classified as trading securities and recorded at fair value. Realized and unrealized gains and losses are recognized currently in earnings. The investments are included in other assets in our Consolidated Balance Sheets and totaled \$15.7 million as of December 31, 2018, and \$16.4 million as of December 31, 2017.

9. Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Our assets and liabilities measured at fair value are based on valuation techniques which consider prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. These valuation methods are based on either quoted market prices (Level 1) or inputs, other than quoted prices in active markets, that are observable either directly or indirectly (Level 2). The following are assets and liabilities measured at fair value on a recurring basis (in millions):

	Asset/(Liability) Balance		
	December 31,		
	2018	2017	Input Level
Trading investments	\$ 15.7	\$ 16.4	1
Interest rate swaps	\$ (4.8)	\$ (1.4)	2
Senior notes, net of unamortized discount and debt issuance costs	\$ (591.3)	\$ (595.6)	2

The fair value of trading investments has been measured using the market approach (Level 1) and reflect quoted market prices. The fair values of interest rate swaps and corresponding senior notes have been measured using the income approach (Level 2), which include relevant interest rate curve inputs. Trading investments are classified in other assets in our Consolidated Balance Sheets. Depending on their period end fair value, interest rate swaps are classified in other assets or other long-term liabilities in our Consolidated Balance Sheets. The senior notes are classified in long-term debt in our Consolidated Balance Sheets.

Financial Instruments

The carrying amount of our senior revolving line of credit and remaining senior notes not measured at fair value on a recurring basis was \$555.9 million and \$490.0 million at December 31, 2018 and 2017, respectively. The estimated fair value of these liabilities using the income approach (Level 2), based on their net present value, discounted at our current borrowing rate, was \$564.9 million and \$506.3 million at December 31, 2018 and 2017, respectively.

In 2017, we remeasured an advance deposit previously made for the purchase of new trailing equipment from a carrying amount of \$20.2 million to a fair value of zero, due the manufacturer not being able to meet delivery. The resulting charge was included in general and administrative expenses, net of asset dispositions in our Consolidated Statements of Earnings. The carrying amounts of all other instruments at December 31, 2018 and 2017, approximate their fair value due to the short maturity of these instruments.

10. Commitments and Contingencies

As of December 31, 2018, we had approximately \$117.8 million of obligations remaining under operating lease arrangements related primarily to terminal and support facilities. Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2018, are approximately \$117.8 million, with payment streams as follows (in millions): 2019 - \$34.9; 2020 - \$29.9; 2021 - \$20.7; 2022 - \$13.7; and thereafter - \$18.6.

Total rent expense was \$98.7 million in 2018, \$64.3 million in 2017, and \$44.1 million in 2016. At December 31, 2018, we had outstanding commitments of approximately \$381.6 million, net of proceeds from sales or trade-ins during 2019 and 2020, which is primarily related to the acquisition of containers, chassis, and tractors.

During 2018, we issued financial standby letters of credit as a guaranty of our performance under certain operating agreements and self-insurance arrangements. If we default on our commitments under the agreements or other arrangements, we are required to perform under these guaranties. The undiscounted maximum amount of our obligation to make future payments in the event of defaults is approximately \$1.3 million as of December 31, 2018.

We are a defendant in certain alleged class-action lawsuits in which the plaintiffs are current and former California-based drivers who allege claims for unpaid wages, failure to provide meal and rest periods, and other items. In the lead class-action, we reached an agreement and recorded a reserve in September 2018 to resolve all pending claims for a class settlement payment of \$15 million, subject to Court approval. The Court granted preliminary settlement approval in November 2018. Notice of the settlement has been mailed to all settlement class members and the deadline for objections to the settlement passed without any objections filed. We expect the Court's order granting final approval to be issued in April 2019. The overlapping claims in the other alleged class-action lawsuits remain stayed pending final approval of the settlement in the lead class-action case.

In January 2017, we exercised our right to utilize the arbitration process to review the division of revenue collected beginning May 1, 2016, as well as to clarify other issues, under our Joint Service Agreement with BNSF Railway Company (BNSF). BNSF requested the same, and the arbitration process is on-going. On October 5, 2018, we received the arbitrators' Interim Award. The details of the Interim Award are confidential and require the parties to submit additional information requested by the arbitrators to decide certain unresolved matters. For the determined components of the Interim Award, we recorded an \$18.3 million pre-tax charge in the third quarter 2018, related to certain charges claimed by BNSF for specific services requested for customers from April 2014 through May 2018. On December 7, 2018 the arbitrators' issued their Clarified Interim Award of October 5, 2018 resulting from some of the parties' additional submissions to the Panel regarding certain issues related to determining the revenue division between the parties. On January 11, 2019, the Panel issued its Second Interim Award ordering that \$89.4 million is due from the Company to BNSF resulting from the adjusted revenue divisions relating to the 2016 period at issue (\$52.1 million) and for calendar year 2017 (\$37.3 million). The parties have been instructed to make further submissions on the revenue divisions for calendar year 2018 and going forward, as well as other confidential issues raised during the arbitration process so that the panel can issue an appropriate interim and/or final award regarding all issues raised during the proceeding. We recorded pretax charges for contingent liabilities in the fourth quarter 2018 of \$89.4 million claimed by the BNSF for the period May 1, 2016 through December 31, 2017 and \$44.6 million for the period January 1, 2018 through December 31, 2018, for a total of \$134 million.

The other financial implications from the Interim Award and the Clarified Interim Award will not be fully determined until the arbitrators issue additional award(s) following their review of each party's requested additional submissions. At this time, we are unable to reasonably predict the final outcome of the arbitration, and, as such, no further gain or loss contingency can be determined or recorded. If decided adversely, this matter could result in a liability material to our financial condition or results of operations. BNSF provides a significant amount of rail transportation services to our JBI business segment. Normal commercial business activity between the parties, including load tendering, load tracing, billing and payments, is expected to continue on a timely basis.

We are involved in certain other claims and pending litigation arising from the normal conduct of business. Based on present knowledge of the facts and, in certain cases, opinions of outside counsel, we believe the resolution of these claims and pending litigation will not have a material adverse effect on our financial condition, results of operations or liquidity.

11. Acquisitions

On January 7, 2019, we entered into an agreement to acquire substantially all of the assets and assume certain specified liabilities of the affiliated entities of Cory 1st Choice Home Delivery (Cory), subject to customary closing conditions. The closing of the transaction was effective on February 15, 2019. The purchase price was \$100 million. Upon closing of this acquisition, we acquired customer contracts, net working capital and assumed various facility leases. We used our existing revolving credit facility to finance this transaction. The final calculation of net working capital and the purchase price allocation are currently in process. The Cory acquisition was accounted for as a business combination and will operate within our Dedicated Contract Services® business segment.

In July 2017, we entered into an agreement to acquire Special Logistics Dedicated, LLC (SLD), and its affiliated entities, subject to customary closing conditions. The purchase price was \$136.0 million with no assumption of debt. The closing of the transaction was effective on July 31, 2017. Total consideration paid in cash under the

SLD agreement was \$137.6 million and consisted of the agreed upon purchase price adjusted for an estimated working capital adjustment and cash acquired. In addition, we incurred approximately \$3.1 million in transaction costs which are recorded in general and administrative expenses, net of asset dispositions in our Consolidated Statements of Earnings. The SLD acquisition was accounted for as a business combination. Assets acquired and liabilities assumed were recorded in our Consolidated Balance Sheet at their estimated fair values, as of the closing date, using cost, market data and valuation techniques that reflect management's judgment and estimates. As a result of the acquisition, we recorded approximately \$76 million of finite-lived intangible assets and approximately \$40 million of goodwill. Goodwill consists of acquiring and retaining the SLD existing network and expected synergies from the combination of operations. The results of the acquired operations after the respective acquisition date have been included in our Consolidated Statements of Earnings.

12. Goodwill and Other Intangible Assets

As discussed in Note 11, Acquisitions, in 2017, we recorded goodwill of approximately \$40 million and additional finite-lived intangible assets of approximately \$76 million in connection with the SLD acquisition. All goodwill was assigned to our Dedicated Contract Services® business segment. No impairment losses have been recorded for goodwill as of December 31, 2018. Prior to the SLD acquisition, our only intangible asset consisted of our purchased LDC network access within our Dedicated Contract Services® segment. Identifiable intangible assets consist of the following (in millions):

	December 31,		
	2018	2017	Weighted Average Amortization Period
Finite-lived intangibles:			
Non-competition agreements	\$ 0.2	\$ 0.2	5
Customer relationships	75.3	75.3	10
LDC Network	10.5	10.5	10
Total finite-lived intangibles	86.0	86.0	
Less accumulated amortization	(20.9)	(12.3)	
Total identifiable intangible assets, net	\$ 65.1	\$ 73.7	

Our finite-lived intangible assets have no assigned residual values.

During the years ending December 31, 2018, 2017, and 2016, intangible asset amortization expense was \$8.6 million, \$4.2 million and \$1.0 million, respectively. Estimated amortization expense for our finite-lived intangible assets is expected to be approximately \$7.8 million for 2019 and \$7.6 million for 2020 through 2023. Actual amounts of amortization expense may differ from estimated amounts due to additional intangible asset acquisitions, impairment or accelerated amortization of intangible assets, and other events.

13. Segment Information

We have four reportable business segments – Intermodal (JBI), Dedicated Contract Services® (DCS), Integrated Capacity Solutions (ICS), and Truckload (JBT) – which are based primarily on the services each segment provides. The JBI segment includes freight that is transported by rail over at least some portion of the movement and also includes certain repositioning truck freight moved by JBI equipment or third-party carriers, when such highway movement is intended to direct JBI equipment back toward intermodal operations. DCS segment business includes company-owned and customer-owned, DCS-operated revenue equipment and employee drivers assigned to a specific customer, traffic lane, or service. DCS operations usually include formal, written longer-term agreements or contracts that govern services performed and applicable rates. ICS provides non-asset and asset-light transportation solutions to customers through relationships with third-party carriers and integration with JBHT-owned equipment. ICS services include flatbed, refrigerated, and LTL, as well as a variety of dry-van and intermodal solutions. JBT business includes full-load, dry-van freight that is typically transported utilizing company-owned or company-controlled revenue equipment. This freight is typically transported over roads and highways and does not move by rail. All transactions between reporting segments are eliminated in consolidation.

Our customers are geographically dispersed across the United States. A summary of certain segment information as of December 31 is presented below (in millions):

	Assets (Excludes intercompany accounts)	
	December 31,	
	2018	2017
JBI	\$ 2,221	\$ 2,108
DCS	1,595	1,182
ICS	212	204
JBT	307	283
Other (includes corporate)	757	688
Total	\$ 5,092	\$ 4,465

	Revenues		
	Years ended December 31,		
	2018	2017	2016
JBI	\$ 4,717	\$ 4,084	\$ 3,796
DCS	2,163	1,719	1,533
ICS	1,335	1,025	852
JBT	417	378	388
Total segment revenues	8,632	7,206	6,569
Intersegment eliminations	(17)	(16)	(14)
Total	\$ 8,615	\$ 7,190	\$ 6,555

Operating Income

Years ended December 31,

	2018	2017	2016
JBI	\$ 401	\$ 407	\$ 450
DCS	193	171	205
ICS	50	23	36
JBT	37	23	30
Total	\$ 681	\$ 624	\$ 721

Depreciation and Amortization Expense

Years ended December 31,

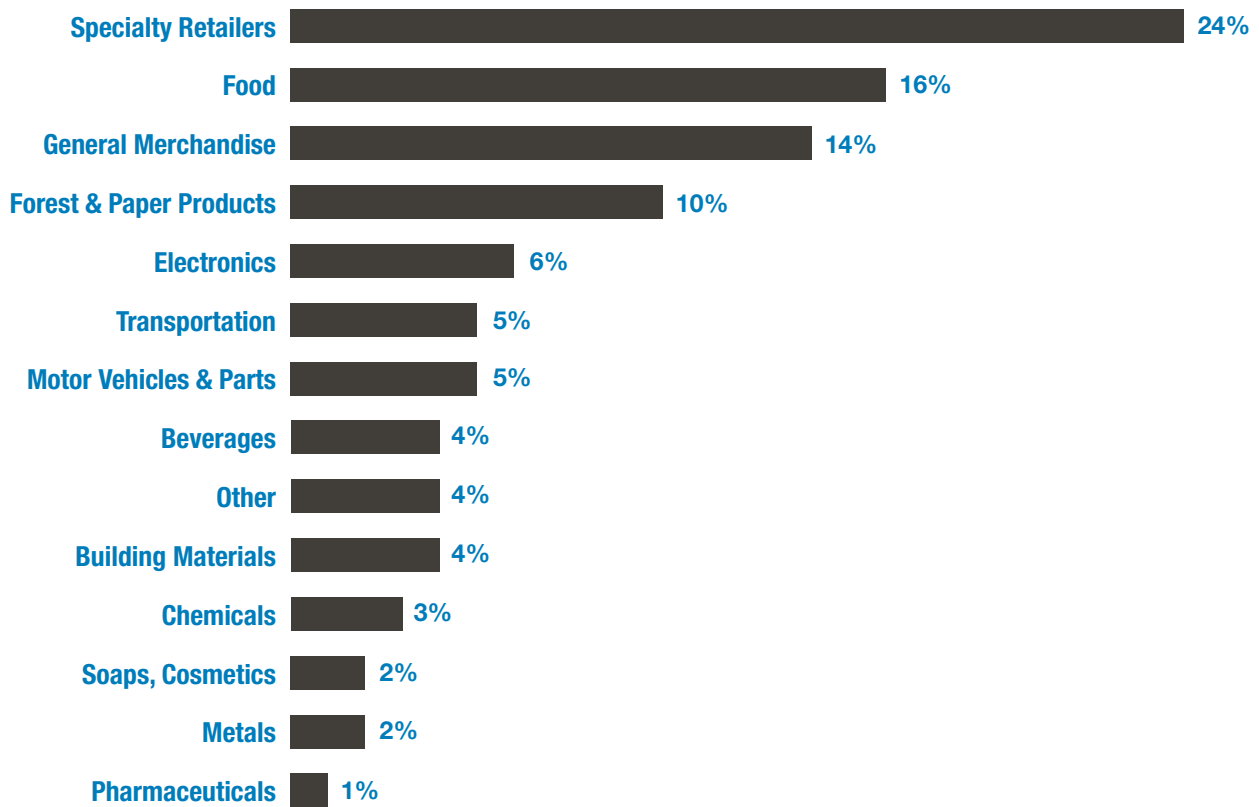
	2018	2017	2016
JBI	\$ 173	\$ 163	\$ 160
DCS	200	158	143
JBT	38	41	41
Other	25	22	18
Total	\$ 436	\$ 384	\$ 362

14. Quarterly Financial Information (Unaudited)

As further discussed in Note 10, Commitments and Contingencies, our fourth quarter 2018 operating income, net earnings and earnings per share included the impact of pretax charges for contingent liabilities. As further discussed in Note 7, Income Taxes, our fourth quarter 2017, net earnings and earnings per share included the effect of a \$309.2 million provisional amount recorded as a component of income tax expense from continuing operations resulting from the remeasurement of our deferred tax balance due to the enactment of the Tax Cuts and Jobs Act. Operating results by quarter for the years ended December 31, 2018 and 2017 are as follows (in thousands, except per share data):

	Quarter			
	First	Second	Third	Fourth
2018:				
Operating revenues	\$ 1,948,245	\$ 2,139,027	\$ 2,209,760	\$ 2,317,842
Operating income	\$ 168,781	\$ 214,812	\$ 174,688	\$ 122,740
Net earnings	\$ 118,142	\$ 151,652	\$ 131,110	\$ 88,681
Basic earnings per share	\$ 1.08	\$ 1.39	\$ 1.20	\$ 0.81
Diluted earnings per share	\$ 1.07	\$ 1.37	\$ 1.19	\$ 0.81
2017:				
Operating revenues	\$ 1,629,158	\$ 1,726,915	\$ 1,843,334	\$ 1,990,160
Operating income	\$ 149,389	\$ 163,615	\$ 164,972	\$ 145,814
Net earnings	\$ 102,702	\$ 97,869	\$ 100,385	\$ 385,308
Basic earnings per share	\$ 0.93	\$ 0.89	\$ 0.92	\$ 3.51
Diluted earnings per share	\$ 0.92	\$ 0.88	\$ 0.91	\$ 3.48

2018 PERCENT OF REVENUE BY INDUSTRY



BOARD OF DIRECTORS

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Chairman of the Board

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FedEx Freight Corporation (retired)

Francesca M. Edwards

American Red Cross of Greater Chicago (retired)

Wayne Garrison

J.B. Hunt Transport Services, Inc. (retired)

Sharilyn S. Gasaway

Alltel Corp. (retired)

Gary C. George

George's Inc.

Bryan Hunt, Jr.

Hunt Automotive Group

Coleman H. Peterson

Hollis Enterprises, LLC

John N. Roberts, III

President and Chief Executive Officer

James L. Robo

NextEra Energy, Inc.

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John N. Roberts, III

President and Chief Executive Officer, Director

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Craig Harper

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Terrence D. Matthew

Executive Vice President and President, Intermodal

Nicholas Hobbs

Executive Vice President and President,
Dedicated Contract Services

Stuart Scott

Executive Vice President and Chief Information Officer

Shelley Simpson

Executive Vice President, Chief Commercial Officer,
and President, Highway Services

STOCKHOLDER INFORMATION

Corporate Address

J.B. Hunt Transport Services, Inc.
615 J.B. Hunt Corporate Drive
Lowell, AR 72745
479-820-0000

Internet Address

jbhunt.com

Auditors

Ernst & Young LLP
Rogers, Arkansas

Counsel

Mitchell, Williams, Selig, Gates & Woodyard PLLC
Little Rock, Arkansas

Stock Exchange Listing

J.B. Hunt Transport Services, Inc.
Class A Common Stock is listed on
NASDAQ National Market System

Stock Symbol

JBHT

Stock Transfer Agent and Registrar

Computershare Trust Company, N.A.
211 Quality Circle, Suite 210
College Station, TX 77845
877-498-8861 for Stockholder Inquiries
computershare.com/investor

Annual Meeting

The Annual Meeting of Stockholders will be held at 10:00 a.m. CDT, on Thursday April 18, 2019 at the corporate headquarters of J.B. Hunt Transport Services, Inc., Lowell, Arkansas, located on Interstate 49 at Lowell Exit 78.



P.O. Box 130 • Lowell, Arkansas 72745 • jbhunt.com