

***UNIVERSAL LOGISTICS
HOLDINGS, INC.***



***NOTICE OF 2018 ANNUAL MEETING OF SHAREHOLDERS
PROXY STATEMENT AND 2017 ANNUAL REPORT***

Universal





Universal Logistics Holdings, Inc.
12755 E. Nine Mile Road
Warren, Michigan 48089
586-920-0100
www.universallogistics.com

March 29, 2018

To our Shareholders:

You are cordially invited to our Annual Meeting of Shareholders on Thursday, April 26, 2018 at 10:00 a.m. Eastern Time at our headquarters in Warren, Michigan.

The following pages contain information regarding the meeting schedule and the matters proposed for your consideration and vote. Following our formal meeting, we expect to provide a review of our operations and respond to your questions.

We urge you to carefully consider the information regarding the proposals to be presented at the meeting. Your vote on the proposals presented in the accompanying notice and proxy statement is important. Voting instructions may be found in the proxy statement and on the enclosed proxy card. Please submit your vote today by internet, telephone or mail.

Thank you for your continued support of Universal, and I look forward to seeing you on April 26.

Sincerely,

A handwritten signature in black ink, appearing to be "JR", with a long horizontal line extending to the right.

Jeff Rogers
Chief Executive Officer

Notice of Annual Meeting of Shareholders

Date: April 26, 2018
Time: 10:00 AM Eastern Time
Place: Universal Logistics Holdings, Inc.
12755 E. Nine Mile Road
Warren, Michigan 48089

The purposes of the Annual Meeting are:

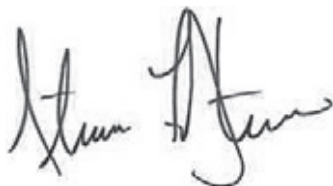
1. To elect 11 directors for the coming year
2. To ratify the selection of BDO USA, LLP as our independent auditors for 2018
3. To transact such other business as may properly come before the Annual Meeting

The Company recommends that you vote as follows:

- » **FOR** each Director nominee
- » **FOR** the selection of BDO USA, LLP as our independent auditors for 2018

Shareholders of record at the close of business on March 16, 2018 are entitled to vote at the meeting or any adjournment or postponement of the meeting. Whether or not you plan to attend the meeting, you can ensure that your shares are represented at the meeting by promptly voting by internet or by telephone, or by completing, signing, dating and returning your proxy card in the enclosed postage prepaid envelope. Instructions for each of these methods and the control number that you will need are provided on the proxy card. You may withdraw your proxy before it is exercised by following the directions in the proxy statement. Alternatively, you may vote in person at the meeting.

By Order of the Board of Directors,



Steven Fitzpatrick
Vice President – Finance and Secretary
March 29, 2018

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON APRIL 26, 2018: THIS PROXY STATEMENT AND THE 2017 ANNUAL REPORT TO SHAREHOLDERS ARE AVAILABLE AT: [HTTP://WWW.PROXYVOTE.COM](http://www.proxyvote.com)

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PART I

CORPORATE GOVERNANCE

This section of our proxy statement provides information on fundamental corporate governance matters, the qualifications and experience of our director nominees and the structure of our Board and its committees. Our proxy statement is first being distributed to shareholders on or about March 29, 2018.

Applicable Corporate Governance Requirements

Our common stock is listed on the Nasdaq Global Market. We are subject to NASDAQ listing standards, including those relating to corporate governance. As a publicly traded company, we are also subject to the rules and regulations of the Securities and Exchange Commission (the “SEC”).

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics (the “Code of Conduct”) that applies to our directors, executive and financial officers and employees. We maintain the Code of Conduct under Corporate Governance tab in the Investor Relations section of our website at www.universalllogistics.com. It is available free of charge through our website. We will post information regarding any amendment to, or waiver from, the Code of Conduct for executive and financial officers and directors on our website in the same location.

Director Nominees

Grant E. Belanger

Age 57

Director Since 2016

Independent

Committees:

>> Audit

BACKGROUND

Mr. Belanger, elected to the Board in July 2016, is currently a principal of G. Belanger Consultants LLC, which provides various management consulting services. He retired in October 2015 from Ford Motor Company, where he held various management positions for 30 years. From September 2013 to October 2015, Mr. Belanger was the Executive Director of Material Planning and Logistics, which is responsible for coordinating Ford’s production processes and optimizing its global supply chain. From May 2011 to September 2013, Mr. Belanger served as Deputy General Manager and a member of the board of directors of Ford Otosan. Prior to that time, Mr. Belanger held other management positions at Ford in manufacturing, purchasing and material planning and logistics in North America and South America. Mr. Belanger holds a Bachelor of Science in Business Administration from the University of Arizona and an M.B.A. from Syracuse University.

OTHER PUBLIC COMPANY BOARD SERVICE

From May 2011 to September 2013, Mr. Belanger served as a member of the board of directors of Ford Otosan, a publicly traded joint venture between Ford and Koc Holding located in Kocaeli, Turkey.

QUALIFICATIONS

Mr. Belanger brings to the Board demonstrated leadership abilities and a keen understanding of the transportation, logistics and manufacturing businesses, both domestically and internationally. His ability to offer the OEM perspective on critical business issues is invaluable to the Board.

Continued >>

Frederick P. Calderone

Age 67

Director Since 2009

Not Independent

Committees:

>> None

BACKGROUND

Mr. Calderone recently retired after over 20 years of service as a Vice President of CenTra, Inc., a transportation holding company headquartered in Warren, Michigan that is owned by the Moroun Family. Prior to joining CenTra, Mr. Calderone was a partner with Deloitte, Haskins, & Sells, Certified Public Accountants (now Deloitte LLP).

OTHER PUBLIC COMPANY BOARD SERVICE

Mr. Calderone has served as a director of P.A.M. Transportation Services, Inc. (NASDAQ: PTSI) since 1998.

QUALIFICATIONS

Mr. Calderone is a certified public accountant and attorney. With his thorough understanding of financial reporting, generally accepted accounting principles, financial analytics, taxation and budgeting, Mr. Calderone brings to the Board expertise in accounting and finance.

Joseph J. Casaroll

Age 81

Director Since 2004

Independent

Committees:

>> Audit

BACKGROUND

Mr. Casaroll served as Vice President and General Manager of FCS, Inc., a multi-level railcar loading and unloading, automotive yard management and railcar-maintenance company, from October 2000 to May 2002. Previously, Mr. Casaroll held various positions at General Motors from 1959 through 1998.

OTHER PUBLIC COMPANY BOARD SERVICE

Mr. Casaroll served as a director of P.A.M. Transportation Services, Inc. (NASDAQ: PTSI) from June 1998 to September 2000.

QUALIFICATIONS

Mr. Casaroll's significant experience in various senior-level positions provides him with a unique perspective from which to evaluate both our financial and operational risks and opportunities.

Daniel J. Deane

Age 62

Director Since 2009

Independent

Committees:

>> None

BACKGROUND

Mr. Deane has been the President of Nicholson Terminal & Dock Company since June 1990, and previously served as its Vice President and General Manager since 1980. He also serves as the President of Shamrock Chartering Company, and has been a Member of the Society of Naval Architects and Marine Engineers since 1985. Mr. Deane is also a Member of the International Stevedoring Council. Previously Mr. Deane served on the Board of Southern Wayne County Regional Chamber and was a past President of the Port of Detroit Operators Association.

OTHER PUBLIC COMPANY BOARD SERVICE

None

QUALIFICATIONS

Mr. Deane's background in the transportation industry gives him an in-depth understanding of our business and offers a valuable resource to the Board.

Manuel J. Moroun

Age 90

Director Since 2004

Not Independent

Committees:

>> None

BACKGROUND

Mr. Moroun is a principal shareholder of CenTra, Inc., a holding company based in Warren, Michigan. He has served as Chief Executive Officer of CenTra since 1970. Mr. Moroun is a principal shareholder in other family owned businesses engaged in providing transportation services. Manuel J. Moroun is the father of Matthew T. Moroun.

OTHER PUBLIC COMPANY BOARD SERVICE

Mr. Moroun has served as a director of P.A.M. Transportation Services, Inc. (NASDAQ: PTSI) since 2002.

QUALIFICATIONS

With over 60 years of experience in starting and managing transportation businesses, Mr. Moroun brings the perspective and insight of a successful transportation entrepreneur to the Board's role in evaluating the Company's business planning and performance. His historical industry experience is invaluable to the Board.

Matthew T. Moroun

Age 44

Director Since 2004

Not Independent

Committees:

>> Executive (Chair)

>> Compensation and Stock Option (Chair)

BACKGROUND

Mr. Moroun serves as the Chairman of our Board of Directors. He is the sole shareholder, President and a director of DIBC Holdings, Inc., a holding company for Detroit International Bridge Company and its subsidiaries, based in Warren, Michigan. Mr. Moroun is also a principal shareholder of CenTra, Inc., a holding company based in Warren, Michigan. Mr. Moroun has served as Vice Chairman and as a director of CenTra, Inc. since 1993. Mr. Moroun is also the principal shareholder and has served as Chairman of Oakland Financial Corporation, an insurance and real estate holding company based in Sterling Heights, Michigan, and its subsidiaries, since 1996. Mr. Moroun is a principal shareholder in other family owned businesses engaged in providing transportation services.

OTHER PUBLIC COMPANY BOARD SERVICE

Mr. Moroun has served as a director of P.A.M. Transportation Services, Inc. (NASDAQ: PTSI) since 1992 and its Chairman since 2007.

QUALIFICATIONS

Mr. Moroun's extensive leadership experience with businesses providing transportation and logistics services brings important perspective and practical insight to the Board's role of evaluating the Company's business planning and performance.

Michael A. Regan

Age 63

Director Since 2013

Independent

Committees:

>> None

BACKGROUND

Mr. Regan is the Chief Relationship Development Officer of TranzAct Technologies, Inc., a privately held logistics information company that he co-founded in 1984. Mr. Regan was CEO and Chairman of the Board for TranzAct Technologies until 2011. Prior to starting TranzAct, Mr. Regan worked for Bank of America, PriceWaterhouse and the Union Pacific Corporation. He is a certified public accountant with a B.S.B.A. from the University of Illinois at Urbana-Champaign. He serves or has served on the boards of numerous industry groups including the American Society of Transportation & Logistics, National Industrial Transportation League and the National Association of Strategic Shippers. He is the past Chairman of the Transportation Intermediaries Association Foundation and was the recipient of the 2014 Council of Supply Chain Management Professionals Distinguished Service Award.

OTHER PUBLIC COMPANY BOARD SERVICE

None

QUALIFICATIONS

Mr. Regan's extensive experience in the logistics industry and his background and experience in both internal and external auditing make him uniquely qualified to serve on our Board.

Continued >>

Jeff Rogers

Age 55

Director Since 2015

Not Independent

Committees:

- >> Executive
- >> Compensation and Stock Option

BACKGROUND

Mr. Rogers has served as our Chief Executive Officer since December 2014. Previously, Mr. Rogers served as our Executive Vice President from June 2014 to December 2014. Prior to joining Universal, Mr. Rogers served as President of YRC Freight from September 2011 to October 2013, and as President of the regional LTL carrier USF Holland from September 2008 to September 2011. He spent 15 years in various operating and finance roles within YRC Worldwide, including the role of Chief Financial Officer of YRC Regional Transportation. In addition he served for 14 years with United Parcel Service in various finance and operational roles. Mr. Rogers is a military veteran who served in the U.S. Army Rangers. He holds a Bachelor of Science degree in Accounting from Kansas Newman University and an M.B.A. from Baker University.

OTHER PUBLIC COMPANY BOARD SERVICE

None

QUALIFICATIONS

Mr. Rogers' extensive experience and expertise as an operating and finance executive in the transportation industry, along with his knowledge of the day-to-day management of the Company, provides the Board an important perspective in establishing and overseeing the financial, operational and strategic direction of the Company.

Daniel C. Sullivan

Age 77

Director Since 2004

Independent

Committees:

- >> None

BACKGROUND

Mr. Sullivan has been a practicing attorney for over 50 years, during which time he has specialized in transportation law. Mr. Sullivan has been a principal with the firm of Sullivan, Hincks & Conway, or its predecessor, presently located in Oak Brook, Illinois, since 1972.

OTHER PUBLIC COMPANY BOARD SERVICE

Mr. Sullivan has served on the board of P.A.M. Transportation Services, Inc. (NASDAQ: PTSI) since 1986.

QUALIFICATIONS

Mr. Sullivan's background as an attorney and his knowledge of transportation law makes him well prepared to offer valuable insight into our business risks and opportunities.

Richard P. Urban

Age 76

Director Since 2004

Independent

Committees:

- >> Audit (Chair)

BACKGROUND

Mr. Urban offered consulting services through Urban Logistics Inc. from November 2000 to 2004. Prior to 2000, Mr. Urban served as an executive in various supply and logistics capacities at DaimlerChrysler AG and several of its predecessor companies. He has an M.B.A. from Michigan State University.

OTHER PUBLIC COMPANY BOARD SERVICE

None

QUALIFICATIONS

Mr. Urban brings to the Board a comprehensive understanding of the challenges and opportunities of the transportation industry. His management experience with supply and logistics operations not only provide him with insight into our financial affairs but also enable him to conduct effective oversight of the Company's actions.

H. E. “Scott” Wolfe

Age 72
 Director Since 2014
 Independent
 Committees:
 >> None

BACKGROUND

Mr. Wolfe served as our Chief Executive Officer from December 2012 through December 2014. Mr. Wolfe also served as President and Treasurer of LINC Logistics Company, or LINC, and its chief executive officer, since its formation in March 2002, and was a director since July 2007. Mr. Wolfe led the development of Logistics Insight Corp., a wholly-owned subsidiary, and was President and Treasurer of this subsidiary since its formation in 1992 until his retirement in December 2014. Before 1992, Mr. Wolfe was responsible for pricing and marketing at Central Transport International, Inc. Earlier in his career, he was manager of inbound transportation at American Motors Corporation, where he established that company’s first corporate programs for logistics and transportation management. For 15 years, Mr. Wolfe was employed at General Motors, where he held various plant, divisional and corporate responsibilities. Mr. Wolfe has taught college courses in logistics and transportation management.

OTHER PUBLIC COMPANY BOARD SERVICE

None

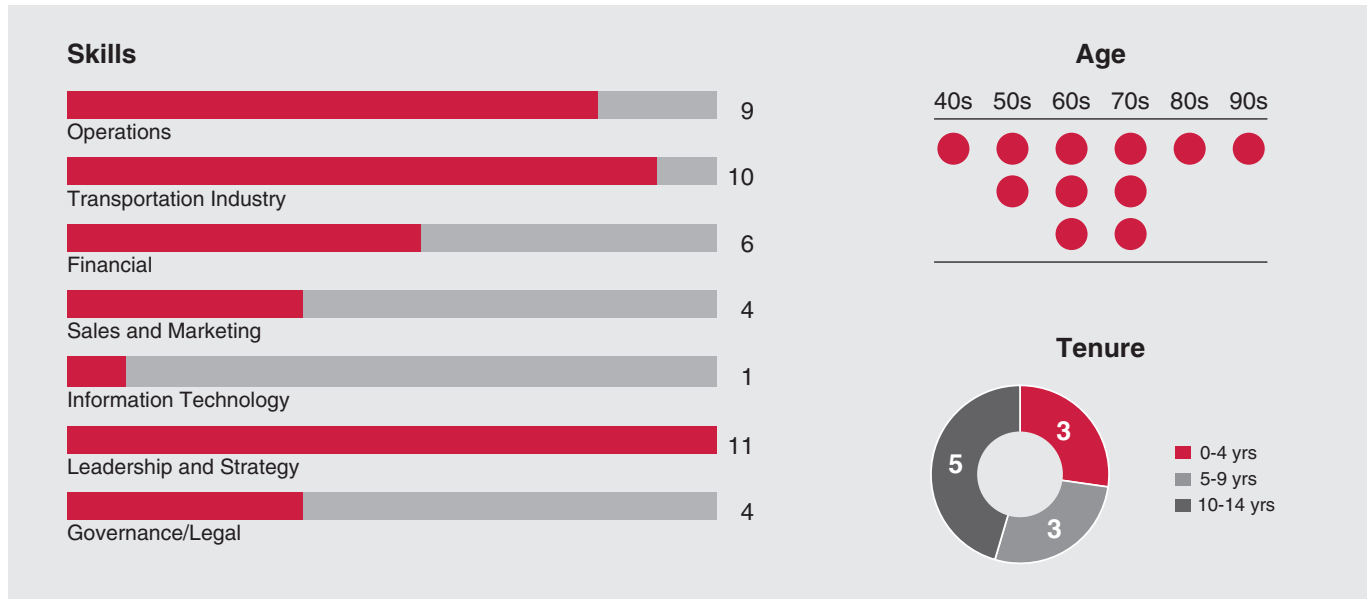
QUALIFICATIONS

Mr. Wolfe brings to the Board significant insight and expertise with our asset-light business model and extensive personal leadership skills.

Board of Directors

Competencies and Attributes

The following summarizes the competencies represented on our Board:



Meetings

The Board held a total of four meetings in 2017. No director attended less than 75% of the aggregate number of meetings of the Board and the committees on which he served in 2017, with the exception of Manuel J. Moroun who was excused for good reason. We encourage all Board members to attend our annual meeting of shareholders. Failure to attend annual meetings without good reason is a factor considered in determining whether to nominate a current Board member. All Board members, except Manuel J. Moroun who was excused for good reason, attended our annual meeting of shareholders held on April 27, 2017.

Continued >>

Director Independence

Because more than fifty percent (50%) of the voting power of the Company is controlled by Matthew T. Moroun and Manuel J. Moroun, we have elected to be treated as a “controlled company” in accordance with NASDAQ Rule 5615(c). Accordingly, we are not required to comply with NASDAQ rules that would otherwise require a majority of our Board to be comprised of independent directors and require our Board to have a compensation committee and a nominating and corporate governance committee comprised of independent directors. We have concluded, nevertheless, that a majority of our Board is currently comprised of independent directors.



Board Structure and Role in Risk Oversight

Our Board of Directors has chosen to separate the positions of Chairman and Chief Executive Officer (“CEO”). Matthew T. Moroun is the Chairman of the Board, and Jeff Rogers is the CEO. This separation of Chairman and CEO allows for greater oversight of the Company by the Board. The Board is actively involved in oversight of risks that could affect the Company. This oversight is conducted primarily through the Audit Committee, as disclosed in the committee description below and in its charter, and by the full Board, which has retained responsibility for general oversight of risks. The Board satisfies this responsibility through full reports by our committee chairs regarding each committee’s considerations and actions, as well as through regular reports directly from officers responsible for oversight of particular risks within the Company.

Director Nomination Process

Our Board does not have a nominating committee that nominates candidates for election to our Board; that function is performed by the Board itself. Each Board member participates in the consideration of director nominees. Our Board believes that it can adequately fulfill the functions of a nominating committee without having to appoint an additional committee. Our Board further believes that not having a separate nominating committee not only enables us to refrain from incurring the administrative costs associated with maintaining such a committee but also allows our directors to conduct their Board service in a more efficient manner. As there is no nominating committee, we do not have a nominating committee charter.

At least a majority of our independent directors participate in the consideration of director nominees. These directors are independent, as independence for nominating committee members is defined in applicable NASDAQ rules. However, so long as the Company continues to be a controlled company within the meaning of NASDAQ Rule 5615(c), the Board of Directors may be guided by the recommendations of the Company’s majority shareholders in its nominating process. After discussion and evaluation of potential nominees, the full Board of Directors selects the director nominees.

Our Board has used an informal process to identify potential candidates for nomination as directors. Candidates have been recommended by an executive officer or director and considered by our Board. Generally, candidates have been known to one or more of our Board members. Our Board has not adopted specific minimum qualifications that it believes must be met by a person it recommends for nomination as a director. The Board has determined that the Board as a whole must have the right diversity, mix of characteristics and skills for the optimal functioning of the Board in its oversight of the Company. In evaluating candidates for nomination, our Board of Directors will consider the factors it believes to be appropriate, which would generally include the candidate’s independence, personal and professional integrity, business judgment, relevant experience and skills, including those related to transportation services, and potential to be an effective director in relation to the rest of our Board in collectively serving the long-term interests of our shareholders. Although our Board has the authority to retain a search firm to assist it in identifying director candidates, there has to date been no need to employ a search firm. Our Board does not evaluate potential nominees for director differently based on whether they are recommended to our Board by a shareholder.

Communications with Directors

We encourage shareholder communications with directors. Shareholders may communicate with a particular director, all directors or the Chairman of the Board by mail or courier addressed to any of them or the entire Board. All communications should be directed to Steven Fitzpatrick, Vice President – Finance and Secretary, Universal Logistics Holdings, Inc., 12755 E. Nine Mile Road, Warren, Michigan 48089. All correspondence will be forwarded to the intended recipient.

Committees of the Board of Directors

Our Board of Directors has, and appoints members to, three standing committees: the Audit Committee, the Compensation and Stock Option Committee and the Executive Committee.

The membership of these committees as of March 5, 2018 was as follows:

Audit Committee

Members:

- » Richard P. Urban (Chair)
- » Grant E. Belanger
- » Joseph J. Casaroll

4 Meetings in 2017

Our Audit Committee assists our Board in its oversight of the integrity of our financial statements, the effectiveness of our internal controls over financial reporting, the qualifications, independence and performance of our independent auditors, the performance of our internal audit function, and our compliance with legal and regulatory requirements, including employee compliance with our Code of Conduct.

At each of its meetings, our Audit Committee oversees risks related to financial reporting through review and discussion of management's reports and analyses of financial reporting risk and risk management practices. Periodically, our Audit Committee reviews and discusses certain additional financial and non-financial risks that we believe are most germane to our business activities. The Committee's charter is available on our website.

Our Board has determined that each member of our Audit Committee is independent and financially literate. Two members of our Audit Committee, Messrs. Urban and Casaroll, qualify as "audit committee financial experts" as defined in Item 407(d)(5)(ii) of Regulation S-K and possess the "financial sophistication" required under applicable NASDAQ rules.

Compensation and Stock Option Committee

Members:

- » Matthew T. Moroun (Chair)
- » Jeff Rogers

1 Meeting in 2017

Our Compensation and Stock Option Committee determines or recommends for determination by our Board the compensation of our executive officers other than the CEO. It also establishes and considers employee compensation policies and procedures. The Committee periodically reviews and approves any employment contract or similar arrangement between the Company and any executive officer of the Company other than the CEO. The Committee may also make recommendations concerning long-term incentive compensation plans, including the use of stock options and other equity-based plans.

The full Board evaluates the performance of our CEO and determines the CEO's salary, bonus and other compensation. The Committee does not use the services of compensation consultants in determining or recommending executive officer and/or director compensation.

Based on our status as a "controlled company" under NASDAQ rules, the Committee need not be composed of independent directors. Neither Matthew T. Moroun nor Jeff Rogers is an independent director. The Committee operates without a written charter. In performing its duties, the Committee, as required by applicable rules and regulations promulgated by the SEC, issues a report recommending to the Board that our Compensation Discussion and Analysis be included in this proxy statement.

Continued »

Executive Committee

Members: » Matthew T. Moroun (Chair) » Jeff Rogers	The Executive Committee may exercise all the powers and authorities of the Board between meetings of the full Board, except that it may not amend our charter; adopt an agreement of merger or consolidation; recommend to shareholders the sale, lease or exchange of all or substantially all of our property and assets; recommend to shareholders a dissolution of the corporation; amend the Bylaws; fill vacancies in the Board; fix the compensation of Board members; unless expressly authorized by the Board, declare a dividend or authorize the issuance of stock; or perform any acts that have been expressly delegated to another committee of the Board. Its primary focus is to act for the full Board when it is not practical to convene meetings of the full Board.
No Meetings in 2017	

Director Compensation for 2017

Our employee directors do not receive any additional compensation for their service on the Board. Mr. Rogers is our only employee director.

Our non-employee directors receive the following compensation for their service on the Board:

Compensation Element	Amount
Annual Cash Retainer	\$20,000 payable in quarterly installments of \$5,000
Board Chair Retainer	\$100,000 payable in quarterly installments of \$25,000
Audit Committee Chair Retainer	\$5,000 payable in quarterly installments of \$1,250
Meeting Fee (Board and Committee Meetings)	\$1,800 for attendance in person; \$600 for attendance by phone
Expense Reimbursement	All out-of-pocket expenses incurred in the performance of their duties as directors, including expenses for food, lodging and transportation

The following table sets forth the compensation information for the one-year period ending December 31, 2017, for each non-employee director who served during such period:

Name	Fees Earned or Paid in Cash (\$)	All Other Compensation ¹ (\$)	Total (\$)
Matthew T. Moroun ²	104,200	—	104,200
Manuel J. Moroun ²	20,000	100,000	120,000
Grant E. Belanger	34,400	—	34,400
Frederick P. Calderone	27,200	—	27,200
Joseph J. Casaroll	34,400	—	34,400
Daniel J. Deane	27,200	—	27,200
Michael A. Regan	27,200	—	27,200
Daniel C. Sullivan	26,000	—	26,000
Richard P. Urban	39,400	—	39,400
H.E. "Scott" Wolfe	27,200	—	27,200

- (1) Amounts paid to Mr. Manuel Moroun for 2017 represented payments under his Consulting Agreement with the Company. Pursuant to the agreement, Mr. Manuel Moroun provided us with consultation and advice as to the management and operation of the Company, and such other consulting activities as we requested. For the services that Mr. Manuel Moroun rendered pursuant to the agreement, we paid him a consulting fee of \$100,000 per year, in quarterly installments.
- (2) Matthew T. Moroun is the son of Manuel J. Moroun. As of March 16, 2018, they collectively and beneficially own 20,058,772 shares (70.6%) of our outstanding common stock and hold these shares as one block for voting purposes.

Transactions with Related Persons

Policies and Procedures for Approving Related Person Transactions

As set forth in its charter, the Audit Committee reviews the material facts of any proposed Related Person Transaction and is responsible for approving or denying such transactions.

Any transactions involving the following persons are reviewed as potential Related Person Transactions: (i) any person who is or was an executive officer, director or nominee for election as a director since the beginning of the last fiscal year; or (ii) any person or group who is a greater than 5% beneficial owner of the Company's voting securities; or (iii) any immediate family member of any of the foregoing, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, and anyone residing in such person's home (other than a tenant or employee).

In making its determination to approve or ratify, the Audit Committee considers such factors as (i) the extent of the Related Person's interest in the Related Person Transaction, (ii) if applicable, the availability of other sources of comparable products or services, (iii) whether the terms of the Related Person Transaction are no less favorable than terms generally available in unaffiliated transactions under like circumstances, (iv) the benefit to the Company, and (v) the aggregate value of the Related Person Transaction. No director of the Company may engage in any Audit Committee discussion or approval of any Related Person Transaction in which he or she is a Related Person in such proposed transaction; provided however, that such director must provide to the Audit Committee all material information reasonably requested concerning the proposed Related Person Transaction.

The section below entitled "Transactions with Management and Others and Certain Business Relationships" sets forth in detail the Related Person Transactions to which the Company is currently a party.

Transactions with Management and Others and Certain Business Relationships

Registration Rights Agreement

Pursuant to an amended and restated registration rights agreement we entered into with Matthew T. Moroun and trusts controlled by Mr. Moroun and his father, Manuel J. Moroun on July 25, 2012, we granted piggyback registration rights to trusts controlled by Manuel J. Moroun, Matthew T. Moroun, and their transferees.

As a result of these registration rights, if we propose to register any of our securities, other than a registration relating to our employee benefit plans or a corporate reorganization or other transaction under Rule 145 of the Securities Act, whether or not the registration is for our own account, we are required to give each of our shareholders that is party to the agreement the opportunity to participate in the registration. If a piggyback registration is underwritten and the managing underwriter advises us that marketing factors require a limitation on the number of shares to be underwritten, priority of inclusion in the piggyback registration generally is such that we receive first priority with respect to the shares we are issuing and selling.

The registration rights are subject to conditions and limitations, among them the right of the underwriters of an offering to limit the number of shares included in the offering. We generally are required to pay the registration expenses in connection with piggyback registrations.

Administrative Support Services

CenTra, Inc. is controlled by two of our directors, Matthew T. Moroun and Manuel J. Moroun, who also hold a controlling interest in the Company. Manuel J. Moroun serves as the CEO of CenTra. Matthew T. Moroun serves as Vice Chairman of CenTra's board of directors. CenTra and its affiliates provide administrative support services to us, including legal, human resources, tax, IT infrastructure and services to host our accounting system in a data center environment. The cost of these services is based on the actual or estimated utilization of the specific services and is charged to the Company. These costs totaled \$2.8 million for 2017.

Arrangements with CenTra and its Affiliates that We Expect to Continue

In addition to the arrangements described above, we are currently a party to a number of arrangements with CenTra and its affiliates that we expect to continue.

We have periodically carried freight for CenTra and its affiliates in the past, and we expect to continue to do so in the ordinary course of our business. We have charged, and intend to continue charging, for these services at market rates. Revenue for these services for 2017 totaled \$1.1 million. Affiliates of CenTra have also provided transportation services in the ordinary course of business to us, at market rates. The cost of providing these services for 2017 totaled \$35,000.

We pay CenTra the direct variable cost of maintenance, fueling and other operational support costs for services delivered at our affiliate's trucking terminals that are geographically remote from our own facilities. Such costs are billed when incurred, paid on

Continued >>

a routine basis, and reflect actual labor utilization, repair parts costs or quantities of fuel purchased. In connection with our transportation services, we also pay tolls and other fees for international bridge crossings to certain related entities which are under common control with CenTra. The cost of providing these services for 2017 totaled \$2.7 million.

We currently lease 36 office, terminal and yard facilities from affiliates of CenTra, based on either month-to-month or contractual, multi-year lease arrangements that are billed and paid monthly. We paid an aggregate of \$17.0 million in rent and related costs to affiliates in 2017. We believe that the rent we currently pay for these properties is at market rates.

We purchase our commercial auto liability, commercial general liability, workers compensation, motor cargo liability and other insurance from an insurance company controlled by one of our majority shareholders. In addition, our employee health care benefits and 401(k) programs are provided by this affiliate. In 2017, we paid this affiliate \$56.0 million. We believe that the rates we paid for these services reflect market rates.

Other Related Person Transactions

During 2017, we purchased \$2.1 million of wheels and tires for new trailering equipment from an affiliate of CenTra and paid an additional \$1.8 million for 64 used tractors during the same period.

During 2017, we exercised our right of first refusal to acquire 17,500 shares of restricted stock from Mr. Wolfe, our director, for \$385,000 based on the closing market price on the effective date of the transaction.

We also retained the law firm of Sullivan Hincks & Conway to provide legal services during 2017. Daniel C. Sullivan, a member of our Board, is a partner at Sullivan Hincks & Conway. Amounts paid for legal services during 2017 were \$1,446.

Proposal 1: Election of Directors

All of Universal's directors are elected at each annual meeting of shareholders and hold office until the next annual meeting. Each nominee has consented to serve a one-year term. Information about the proposed nominees for election as directors is set forth under "Director Nominees" in the "Corporate Governance" section beginning on page 1 of this proxy statement.

In the event a nominee ceases to be available for election, the Board of Directors may designate a substitute as a nominee or reduce the size of the Board. If the Board designates a substitute nominee, proxies will be voted for the election of such substitute. As of the date of this proxy statement, the Board of Directors has no reason to believe that any of the nominees will be unable or unwilling to serve as a director.

The nominees for election this year are:

Grant E. Belanger
Joseph J. Casaroll
Manuel J. Moroun
Michael A. Regan
Daniel C. Sullivan
H. E. "Scott" Wolfe

Frederick P. Calderone
Daniel J. Deane
Matthew T. Moroun
Jeff Rogers
Richard P. Urban

* * *

The Board of Directors
unanimously recommends
that you vote "FOR" each
of these director nominees

PART II

COMPENSATION DISCUSSION AND ANALYSIS

COMPENSATION
DISCUSSION AND
ANALYSIS

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Introduction

This Compensation Discussion and Analysis explains our compensation program for Jeff Rogers, our CEO, and Jude Beres, our CFO and Treasurer as of December 31, 2017. We refer to these individuals collectively as our named executive officers.

The Compensation and Stock Option Committee of our Board (the "Compensation Committee") is responsible for establishing, implementing and continually monitoring our compensation philosophy. The Compensation Committee's philosophy is to provide our executive leadership total compensation that is competitive in its forms and levels, as compared to companies of similar size and business area. Generally, the types of compensation and benefits provided to our executive officers are similar to that provided to executive officers by other companies.

Compensation Objectives and Philosophy

The Compensation Committee's philosophy is intended to assist us in attracting, motivating and retaining executives with superior leadership and management abilities and to create incentives among those individuals to meet or exceed Company and individual objectives. The philosophy is designed to align incentives with the expectations of our shareholders, which are to increase the financial strength, competitive positioning and overall value of the Company. The compensation program is designed to reward those executives who successfully manage their respective area of the company in cooperation with employees and other executives. The relationship between individual objectives among our executives leads to a cohesive entity that will potentially meet or exceed overall goals as a result of having individuals meet their specific objectives. Consistent with this philosophy, the Compensation Committee determines a total compensation structure for each officer other than the CEO, consisting primarily of salary, bonus and long-term incentive awards. The proportions of the various elements of compensation vary among the officers depending upon their levels of responsibility, their specific personal goals, and their role in the achievement of annual, long-term and strategic goals by us.

Role of Executive Officers in Compensation Decisions

Currently, the Compensation Committee reviews, establishes and recommends to the Board for approval the salaries and bonuses of our named executive officers other than the CEO, subject to any employment agreements in effect with the executive officers. The Board makes all decisions regarding the CEO's compensation and approves the equity awards to the named executive officers. Salary and bonus levels are established after discussions with our executive officers and are intended to be competitive with the average salaries and bonuses of executive officers in comparable companies. In addition, the Compensation Committee recommends to the Board the granting of long-term incentives under our Stock Incentive Plan to named executive officers and other selected employees, directors and consultants, and otherwise administers our Stock Incentive Plan. Neither the Compensation Committee nor the Board hired a compensation consultant with respect to 2017 compensation.

Risk Assessment of Compensation Programs

We have conducted a review of our compensation programs, including our annual cash and other compensation programs. We believe that our policies and practices are designed to reward individual performance based on our overall Company performance and are aligned with the achievement of both long-term and short-term company goals. Our base salaries are consistent with similar positions at comparable companies and the two components of our bonus programs, operating ratios and revenue growth, are directly tied to the overall success of the organization. Based on our review of our programs, including the above noted items, we have concluded that our compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company.

Annual Cash Compensation

In order to stay competitive with other companies in our peer group, we pay our named executive officers commensurate with their experience and responsibilities. Cash compensation is divided between base salary and cash incentives.

Base Salary. Each of our named executive officers receives a base salary to compensate him or her for services performed during the year. Base salaries for our named executive officers are established based on the scope of their responsibilities, their level of experience and expertise, and their abilities to lead and direct the company and achieve various financial and operational objectives. Our general compensation philosophy is to pay executive base salaries that are competitive with the salaries of executives in similar positions, with similar responsibilities, at comparable companies. We have not benchmarked our named executive officer base salaries against the base salaries at any particular company or group of companies. The base salaries of our named executive officers are established in accordance with their employment agreements. Base salaries are reviewed and adjusted, where applicable, by the Committee or the Board on an annual basis after taking into account individual responsibilities, performance and expectations.

The base salaries paid to our named executive officers are set forth below in the “Summary Compensation Table.”

Annual Non-Equity Incentive Compensation. It is our practice to award an annual cash bonus to each of the named executive officers as part of his annual compensation. Bonuses are intended to provide executives with an opportunity to receive additional cash compensation, and are based on individual performance and our performance. This practice is consistent with our philosophy of supporting a performance-based environment and aligning the interests of management with the interests of the shareholders.

The bonuses, if any, earned by our named executive officers with respect to 2017 are set forth below in the “Summary Compensation Table.”

Other Compensation

Long-Term Incentive Compensation. Long-term incentive grants are awarded to our named executive officers as part of our compensation package, and are provided through stock options or restricted stock granted under our Stock Incentive Plan. The stock options and restricted stock are consistent with our philosophy and represent an additional way for aligning management’s interests with the interests of our shareholders. When determining the amount of long-term incentive grants to be awarded to our named executive officers, the Board considers, among other factors, the business performance of the Company, the responsibilities and performance of the executive, and the performance of our stock price.

The long-term incentive grants, if any, awarded to our named executive officers with respect to 2017 are set forth below in the “Summary Compensation Table.”

Perquisites and Other Personal Benefits. We provide our named executive officers with perquisites and other personal benefits that we and the Committee believe are reasonable and consistent with our overall compensation program and philosophy, to help us to attract and retain superior employees for key positions. Currently, we have no formal plan regarding perquisites, and therefore, perquisites are not uniformly provided to the named executive officers and will likely continue to be provided on a discretionary basis.

Our named executive officers are also eligible to participate in other benefit plans on the same terms as our other employees. As part of its ongoing review of executive compensation, the Committee intends to periodically review the perquisites and other personal benefits provided to our named executive officers and other key employees.

Potential Payments upon Termination or Change in Control. We have entered into employment agreements with certain of our named executive officers that provide severance payments under specified conditions. These severance payments are

Continued >>

described below in the section entitled “Compensation of Executive Officers – Severance Arrangements.” We feel that the inclusion of such provisions in executive employment agreements helps us to attract and retain well-qualified executives, and is essential to our long-term success.

Tax and Accounting Implications

Deductibility of Executive Compensation. Section 162(m) of the Internal Revenue Code denies a deduction to any publicly held corporation for compensation paid to certain “covered employees” in a taxable year to the extent that compensation to each covered employee exceeds \$1,000,000. It is possible that compensation attributable to awards, when combined with all other types of compensation received by a covered employee from Universal, may cause this limitation to be exceeded in any particular year. Historically, compensation that qualifies as “performance-based compensation” under Section 162(m) of the Code could be excluded from this \$1,000,000 limit. The “performance-based compensation” exclusion has now been repealed, effective for taxable years beginning after December 31, 2017, unless transition relief is available for written binding contracts that were in effect (and not subsequently modified) in place as of November 2, 2017. None of the compensation paid to our executive officers for 2017 was structured to be “qualifying performance-based” compensation. We were not precluded by Section 162(m) from deducting any compensation that we paid to our executive officers in or with respect to 2017.

Accounting for Stock-Based Compensation. The Company records compensation expense for restricted stock or stock options. During 2017, 2016 and 2015, the Company recorded \$414,000, \$571,000 and \$494,000, respectively, in compensation expense for vested restricted stock awards. No options were granted in 2017, 2016 or 2015.

Shareholder Approval of the Company’s Compensation Programs

At our 2017 Annual Meeting of Shareholders, we held an advisory vote on executive compensation, commonly referred to as “say on pay.” Our shareholders overwhelmingly approved the “say on pay” resolution presented with more than 90% of the shares represented in person or by proxy at the meeting voting to approve our executive compensation. The Compensation Committee and the Board reviewed these voting results and, given the strong level of support, did not make any changes to our executive compensation program or principles in response to the vote. At our 2017 Annual Meeting of Shareholders, over 75% of the shares voted (excluding abstentions and broker non-votes) were in favor of our recommendation to hold the “say-on-pay” vote every three years. As such, the next shareholder vote on “say on pay” is scheduled for 2020. The next shareholder vote on the frequency of future “say on pay” votes is scheduled for 2023.

Compensation and Stock Option Committee Report

The Compensation and Stock Option Committee has reviewed and discussed with management the Compensation Discussion and Analysis included in this proxy statement. Based on the review and discussion, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement for filing with the SEC.

Compensation and Stock Option Committee

Matthew T. Moroun, Chairman
Jeff Rogers

Compensation Committee Interlocks and Insider Participation

In 2017, Matthew T. Moroun and Jeff Rogers served as members of the Compensation and Stock Option Committee in accordance with NASDAQ Rule 5615(c). Mr. Rogers is currently our CEO. Matthew T. Moroun is Vice Chairman of CenTra, Inc., a related party under Item 404 of Regulation S-K. For further disclosure of relationships for Matthew T. Moroun, see the section entitled Transactions with Related Persons. No member of our Compensation and Stock Option Committee, and no member of our Board of Directors, serves as an executive officer of any entity that has one or more of our executive officers serving as a member of such entity’s board of directors or compensation committee.

PART III

COMPENSATION OF NAMED EXECUTIVE OFFICERS

Summary Compensation Table

The following table sets forth information for the fiscal years ended December 31, 2017, 2016 and 2015 concerning the compensation of our “named executive officers.”

Name and Principal Position	Year	Salary (\$)	Bonus ¹ (\$)	Stock Awards ² (\$)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation ³ (\$)	Total (\$)
Jeff Rogers CEO	2017	436,876	397,000	134,500	—	128	968,504
	2016	426,362	150,000	155,500	—	128	731,990
	2015	418,865	150,000	173,000	—	119	741,984
Jude Beres CFO and Treasurer	2017	325,556	125,000	—	—	128	450,684
	2016	298,476	96,000	—	—	128	394,604
	2015	202,792	85,000	149,300	—	—	437,092

- Amounts for Mr. Rogers reflect discretionary cash bonuses in the year earned; each bonus, however, was paid in the immediately subsequent year. Amount in 2017 for Mr. Beres reflects a bonus award of \$125,000, which is payable in two equal installments of \$62,500, beginning in 2018. Amount in 2016 for Mr. Beres reflects a bonus award of \$96,000, which is payable in five equal installments of \$19,200, beginning in 2017. Amount in 2015 for Mr. Beres reflects a bonus award of \$85,000, \$73,000 of which was paid in 2016 and \$12,000 of which is payable in increments of \$3,000 in 2017 through 2020.
- Amounts relate to time-based restricted stock awards granted to Mr. Rogers on February 22, 2017, February 24, 2016, March 5, 2015 and April 29, 2015 and to Mr. Beres on December 23, 2015. The dollar amount reported represents the fair value of the awards on the grant date (excluding the effect of estimated forfeitures) as computed in accordance with FASB Topic 718. Assumptions used in the valuation are discussed in Note 13 “Stock Based Compensation” to the Financial Statements included in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2017.
- Amounts in 2017 reflect \$128 in term life insurance premiums for Messrs. Rogers and Beres, respectively.

Employment Agreements

Jeff Rogers. We are party to an employment agreement with Mr. Rogers dated June 3, 2014. Effective June 26, 2017, Mr. Rogers’ annual base salary was increased to \$446,000. Mr. Rogers is eligible for an annual cash bonus to be determined pursuant to performance criteria to be established by the Board. He is also eligible for discretionary grants of stock options, restricted stock, restricted stock purchase rights, stock appreciation rights, phantom stock units, restricted stock units and unrestricted stock under our Stock Incentive Plan. The employment agreement also provides Mr. Rogers with fringe benefits provided by us to all of our employees in the normal course of business. The employment agreement includes provisions regarding termination of employment and his non-compete, non-solicitation and confidentiality obligations to the Company. Additional information regarding these provisions is discussed below under the heading “Severance Arrangements.”

Jude Beres. The Company does not have a written employment agreement with Mr. Beres. Effective March 27, 2017, Mr. Beres’ annual base salary was increased to \$327,600.

Severance Arrangements

The information below describes certain compensation and benefits to which our named executive officers are entitled if their employment is terminated under certain circumstances. The table provides the amount of compensation and benefits that would have become payable under existing contractual arrangements assuming a termination of employment occurred on December 31, 2017. There can be no assurance that an actual triggering event would produce the same or similar results as those estimated if any assumption used to estimate potential payments and benefits is not correct. Due to the number of factors that affect the nature and amount of any potential payments or benefits, any actual payments and benefits may be different.

Continued >>

Jeff Rogers. We may terminate the employment of Mr. Rogers at any time for just cause. If we terminate his employment without cause, Mr. Rogers will continue to receive his salary and benefits for a period of 6 months, unless the Board of Directors elects to extend his covenant not to compete for one year, in which case he will be entitled to receive his base salary and benefits for a period of 12 months. If we terminate him due to a medical disability that renders him unable to perform the essential functions of his employment, his compensation is continued for 3 months from the date of his disability. Thereafter, he continues to receive any earned but unpaid bonus. Mr. Rogers has agreed not to compete with us for a six-month period following the end of his employment with us. If Mr. Rogers' employment is terminated due to his death, his estate is entitled to receive his salary, benefits and earned but unpaid bonus through the date of his death. Mr. Rogers may terminate his employment relationship with us upon 90 days' advance written notice. If we immediately terminate Mr. Rogers upon receipt of such notice, he is entitled to receive his base salary and benefits for the three-month period following his termination.

Jude Beres. The Company is not currently party to any severance arrangements with Mr. Beres.

The table below sets forth the estimated value of the potential payments to each of the named executive officers, assuming the executive's employment had terminated on December 31, 2017.

Event	Potential Payments Upon Termination Not In Connection with a Change of Control ¹ (\$)	
	Jeff Rogers	Jude Beres
Termination Without Cause		
Cash severance payments ²	223,000	—
Accelerated restricted stock ³	475,000	59,375
Health benefits ⁴	7,440	—
Total	705,440	59,375
Disability		
Cash severance payments	111,500	—
Accelerated restricted stock ³	475,000	59,375
Health benefits ⁴	3,720	—
Total	590,220	59,375
Death		
Cash severance payments	—	—
Accelerated restricted stock ³	475,000	59,375
Total	475,000	59,375
Immediate Termination After NEO's Notice		
Cash severance payments	111,500	—
Accelerated restricted stock	—	—
Health benefits ⁴	3,720	—
Total	115,220	—

- (1) The amounts in this table reflect estimated payments associated with various termination scenarios. The amounts assume a stock price of \$23.75 (based on the closing price of the Company's common stock at December 29, 2017) and include all outstanding grants through the assumed termination date of December 31, 2017. The actual amounts will vary based on changes in the Company's common stock price.
- (2) Mr. Rogers is entitled to receive his base salary and benefits for a period of six months following termination without cause, unless the Board of Directors elects to extend his covenant not to compete for one year, in which case he will be entitled to receive his base salary and benefits for a period of 12 months. This calculation assumes that the Board of Directors would not elect to extend Mr. Rogers's covenant not to compete for one year. If this option were exercised, the amount owed to Mr. Rogers for termination would be \$446,000.

- (3) Represents the value of unvested shares that would automatically vest upon a termination due to death, disability, retirement or termination without cause.
- (4) For Mr. Rogers, represents six months of COBRA premiums for medical and dental coverage following termination without cause and three months of COBRA premiums for such coverage following medical disability or the Company's immediate termination following its receipt of a 90-day termination notice.

Grants of Plan-Based Awards

Each of our named executive officers is eligible to receive discretionary bonus awards, stock option, and restricted stock grants under our Stock Incentive Plan. No options were granted in 2017. As of March 5, 2018, a total of 206,880 shares of common stock remain available for future awards under the Stock Incentive Plan. The following table sets forth information concerning the grants of plan-based awards to the named executive officers in 2017.

Name	Stock Awards		
	Grant Date	Number of Shares or Units of Stock (#)	Grant Date Fair Value (\$) ¹
Jeff Rogers ²	02/22/17	10,000	134,500
Jude Beres	—	—	—

- (1) Represents the fair value of the award on the grant date (excluding the effect of estimated forfeitures) as computed in accordance with FASB Topic 718. Assumptions used in the valuation are discussed in Note 13 "Stock Based Compensation" to the Financial Statements included in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2017.
- (2) The award vested as to 25% of the total shares on the grant date, with an additional 25% of the total shares vesting on each March 5 in 2018 through 2020 subject to continued employment with the Company.

Outstanding Equity Awards Table

The following table sets forth information concerning the outstanding equity awards previously awarded to the named executive officers as of December 31, 2017:

Name	Stock Awards		
	Grant Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) ¹
Jeff Rogers ²	03/05/15	2,500	59,375
	04/29/15	5,000	118,750
	02/24/16	5,000	118,750
	02/22/17	7,500	178,125
Jude Beres ³	12/23/15	2,500	59,375

- (1) The market value of outstanding restricted stock awards is based on the closing market price per share of \$23.75 of our common stock on December 29, 2017 as reported on the NASDAQ.
- (2) Each award vested as to 25% of the total shares on the grant date, with an additional 25% of the total shares vesting on each March 5 in consecutive subsequent years, subject to continued employment with the Company.
- (3) The award vested as to 25% of the shares on the grant date, with an additional 25% of the total shares vesting on each December 20 in consecutive subsequent years, subject to continued employment with the Company.

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Stock Vested in 2017

The Company has no outstanding stock options. No option awards were granted in 2017, and no options vested or were exercised in 2017.

The following table sets forth information concerning the stock that vested during the fiscal year ended December 31, 2017, for each of the named executive officers:

Name	Stock Awards	
	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) ¹
Jeff Rogers	12,500	177,125
Jude Beres	2,500	59,750

(1) The value realized on vesting is based on the closing market price per share of our common stock as reported on NASDAQ on the respective vesting dates.

Pension Benefits Table

We do not offer, and the named executive officers did not participate in, any pension plan during any period while employed by us.

Non-Qualified Deferred Compensation

We do not offer, and the named executive officers did not participate in, any non-qualified deferred compensation programs during the fiscal year ended December 31, 2017.

Pay Ratio Disclosure

The following information relates to the relationship of the annual total compensation of our employees and the annual total compensation of our CEO, Jeff Rogers calculated in accordance with Regulation S-K.

For 2017, our last completed fiscal year:

- » The median of the annual total compensation of all employees of Universal other than our CEO was \$32,241; and
- » The annual total compensation of our CEO, as reported in the Summary Compensation Table on page 15 of this Proxy Statement, was \$968,504.

Based on this information, the ratio of the annual total compensation of our CEO to the median of the annual total compensation of all employees for 2017 was 30 to 1.

To identify the median of the annual total compensation of all employees, as well as to determine the annual total compensation of our median employee and our CEO, we took the following steps:

- » We determined that, as of December 31, 2017, our employee population consisted of approximately 8,231 individuals, with all of these individuals located in the United States (6,818), Mexico (1,230), Canada (39) and Colombia (144). This population consisted of our full-time, part-time and temporary employees.
- » We selected December 31, 2017 as the date upon which we would identify the “median employee” because it enabled us to make such identification in a reasonably efficient and economical manner.
- » To identify the “median employee” from our employee population, we compared the amount of salary, wages, and tips of our employees as reflected in our payroll records for 2017. During this analysis, the compensation for employees hired during the year was annualized. We excluded equity awards and bonus payments from our compensation measure because we did not widely distribute such awards and bonus to our employees. We identified our median employee using this compensation measure, which was consistently applied to all our employees included in the calculation.

PART IV

AUDIT MATTERS

Audit Committee Report

The Audit Committee assists the Board in overseeing the Company's financial reporting process. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal control over financial reporting and disclosure controls and procedures. In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 with management, including a discussion of the adequacy and quality of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Audit Committee is responsible for reviewing, approving and managing the engagement of the Company's independent registered public accounting firm, including the scope, extent and procedures of the annual audit and compensation to be paid therefor, and all other matters the Audit Committee deems appropriate, including the independent registered public accounting firm's accountability to the Board and the Audit Committee. The Audit Committee discussed with BDO, the Company's independent registered public accounting firm for the fiscal year ended December 31, 2017, which is responsible for expressing an opinion on the conformity of our audited financial statements with U.S. generally accepted accounting principles, the judgment of BDO as to the acceptability and quality of the Company's accounting principles and such other matters as are required to be discussed with the Audit Committee under Auditing Standard 1301, (Communications with Audit Committees) issued by the Public Company Accounting Oversight Board ("PCAOB"). The Audit Committee also discussed and reviewed with BDO the results of BDO's audit of the financial statements and internal control over financial reporting. In addition, the Audit Committee has received from BDO the written disclosures and the letter required by PCAOB Ethics and Independence Rule 3526 (Communication with Audit Committees Concerning Independence) and discussed with BDO its own independence from management and the Company. The Audit Committee also considered whether the provision of non-audit services was compatible with maintaining BDO's independence.

The Audit Committee discussed with BDO the overall scope and plans for its audit. The Audit Committee meets with the independent registered public accountants with and without management present, to discuss the results of its audit, its evaluations of the Company's internal control over financial reporting, and the overall quality of the Company's financial reporting. The Audit Committee held four meetings during the fiscal year ended December 31, 2017.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 for filing with the SEC.

Audit Committee

Richard P. Urban, Chairman
Grant E. Belanger
Joseph J. Casaroll

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Principal Accountant Fees and Services

The following table shows the fees for professional services for audit and other services of our principal accountant, BDO, for 2016 and 2017:

	2017	2016
Audit Fees ¹	\$528,000	\$458,000
Audit-Related Fees ²	65,000	65,000
Tax Fees ³	4,223	—
All Other Fees ⁴	—	—
	\$597,223	\$523,000

- (1) Audit fees includes fees billed for professional services for the audit of our financial statements included in our Annual Report on Form 10-K, and reviews of our financial statements included in our Quarterly Reports on Form 10-Q. This category also includes fees for services that are normally provided by the independent registered public accounting firms in connection with statutory and regulatory filings or engagements, including comfort letters and consents issued in connection with SEC filings.
- (2) Audit-related fees includes fees billed for professional services rendered by the independent registered public accounting firm related to the performance of the audit or review of the financial statements that are not disclosed as Audit Fees. The amounts reflect fees for stand-alone and supplemental opinions required in connection with the Company's credit facilities.
- (3) In 2017, tax fees includes fees billed for state tax consulting services. There were no such fees for 2016.
- (4) All other fees represent fees for all other services or products provided that are not covered by the categories above. There were no such fees for 2017 or 2016.

Audit Committee Approval Policies

Our Audit Committee Charter includes procedures for the approval by the Audit Committee of all services provided by our independent registered public accountants. Our Audit Committee has the authority and responsibility to pre-approve (other than with respect to *de minimis* exceptions permitted by the Sarbanes-Oxley Act of 2002) both audit and non-audit services to be provided by our independent registered public accountants. The Audit Committee Charter sets forth the policy of the committee for such approvals. The policy allows our Audit Committee to delegate to one or more members of the Audit Committee the authority to approve the independent registered public accountants' services. The decisions of any Audit Committee member to whom authority is delegated to pre-approve services are reported to the full Audit Committee. The policy also provides that our Audit Committee will have authority and responsibility to approve and authorize payment of the independent registered public accountants' fees.

Change of Accountants

There was no change of our independent public accountants during 2017 or 2016.

Proposal 2: Ratification of Selection of Independent Auditors

The firm of BDO USA, LLP, or BDO, served as independent registered public accountants for the year-ended December 31, 2017 and has been selected by our Audit Committee to serve as our independent registered public accounting firm for the year ending December 31, 2018.

Although the submission of this matter for approval by the shareholders is not legally required, the Board believes that such submission follows sound business practice and is in the best interests of the shareholders.

If the appointment is not ratified by the holders of a majority of the shares present in person or by proxy at the Annual Meeting, we will consider the selection of another accounting firm. If such a selection were made, it may not become effective until 2019 because of the difficulty and expense of making such a substitution.

A representative of BDO is expected to attend the Annual Meeting and will be available to respond to appropriate questions. That representative will have the opportunity to make a statement if he or she so desires.

* * *

The Board recommends a vote **“FOR”** the ratification of the selection of BDO USA, LLP as our independent auditors for the year 2018.

PART V

EXECUTIVE OFFICERS AND BENEFICIAL OWNERSHIP

Our Executive Officers

The Executive Officers of the Company serve at the pleasure of the Board. Set forth below are the current Executive Officers and a brief explanation of their principal employment during at least the last five years. Additional information concerning employment agreements of Executive Officers is included elsewhere in this proxy statement under the heading “Executive Compensation.”

Jeff Rogers, Age 55, Chief Executive Officer. Mr. Rogers, who is also on the Board, was elected to serve as our CEO in December 2014. Previously, he served as our Executive Vice President from June 2014 to December 2014. Prior to joining Universal, Mr. Rogers served as President of YRC Freight from September 2011 to October 2013 and as President of the regional LTL carrier USF Holland from September 2008 to September 2011.

Jude Beres, Age 45, CFO and Treasurer. Mr. Beres was elected to serve as our CFO and Treasurer in March 2016. Mr. Beres previously served as the Company’s Chief Administrative Officer since April 2015. Since 1997 Mr. Beres worked for multiple affiliated companies in finance and accounting, and he most recently served as Vice President of Finance and Accounting for Central Transport LLC. Mr. Beres has over 20 years of experience in the less-than-truckload, truckload, intermodal and logistics industries. He holds a Bachelor of Accountancy from Walsh College.

Security Ownership of Management and Certain Beneficial Owners

The following table sets forth certain information as of March 5, 2018, regarding beneficial ownership of our common stock by: (i) each person who is known to us to own beneficially more than 5% of our common stock; (ii) each of our directors; (iii) each of the named executive officers in the Summary Compensation Table; and (iv) the total for our current directors and named executive officers as a group. Beneficial ownership is determined in accordance with the rules of the SEC. Unless otherwise indicated, the information is as of March 5, 2018, and the address for each person is person is c/o Universal Logistics Holdings, Inc., 12755 E. Nine Mile Road, Warren, Michigan 48089.

Name of Beneficial Owner	Shares Owned	Shares Held in Trust	Shares Beneficially Owned ¹	Percent of Class ²
5% Shareholders:				
FMR LLC ³	1,761,726	—	1,761,726	6.2%
T. Rowe Price Associates, Inc. ⁴	1,949,061	—	1,949,061	6.9%
Directors and Named Executive Officers:				
Matthew T. Moroun ^{5, 6}	13,631,215	—	13,631,215	48.0%
Manuel J. Moroun ^{5, 7}	53,563	6,373,994	6,427,557	22.6%
Grant E. Belanger	—	—	—	—
Jude M. Beres ⁸	10,000	—	10,000	*
Frederick P. Calderone	—	—	—	—
Joseph J. Casaroll	500	—	500	*
Daniel J. Deane	—	—	—	—
Michael A. Regan	—	—	—	—
Jeff Rogers ⁸	47,500	—	47,500	*
Daniel C. Sullivan	2,000	—	2,000	*
Richard P. Urban	5,000	—	5,000	*
H.E. “Scott” Wolfe	35,065	—	35,065	*
Directors and named executive officers as a group (12 persons)	13,784,843	6,373,994	20,158,837	71.0%
Total Outstanding Shares as of March 5, 2018				28,394,892

* Denotes less than 1%.

- (1) The number of shares beneficially owned includes any shares over which the person has sole or shared voting power or investment power and also any shares that the person can acquire within 60 days of March 5, 2018, through the exercise of any stock option or other right. Unless otherwise indicated, each person has sole investment and voting power (or shares such power with his spouse) over the shares set forth in the table.
- (2) The percentages shown are based on our total outstanding shares as of March 5, 2018, plus the number of shares that the named person or group has the right to acquire within 60 days of March 5, 2018. For purposes of computing the percentage of outstanding shares of common stock held by each person or group, any shares the person or group has the right to acquire within 60 days of March 5, 2018 are deemed to be outstanding with respect to such person or group, but are not deemed to be outstanding for the purpose of computing the percentage of ownership of any other person or group.
- (3) Based upon information set forth in a Schedule 13G/A dated February 13, 2018 filed by FMR LLC, a Delaware limited liability company, Abigail P. Johnson and Fidelity Low-Priced Stock Fund (collectively, the “FMR Reporting Persons”). The address of the FMR Reporting Persons is 245 Summer Street, Boston, Massachusetts 02210. We make no representation as to the accuracy or completeness of the information reported.

Continued >>

- (4) Based upon information set forth in a Schedule 13G/A dated February 14, 2018 filed by T. Rowe Price Associates, Inc. and T. Rowe Price Small-Cap Value Fund, Inc. (collectively, the “T. Rowe Price Reporting Persons”). The address of the T. Rowe Price Reporting Persons is 100 E. Pratt Street, Baltimore, Maryland 21202. We make no representation as to the accuracy or completeness of the information reported.
- (5) Matthew T. Moroun is the son of Manuel J. Moroun. The Morouns have agreed to vote their shares as a group. Each of Matthew T. Moroun and Manuel J. Moroun disclaims beneficial ownership of the shares owned by the other person.
- (6) Includes 2,500,000 shares pledged as security.
- (7) Includes 6,373,994 shares held by the Manuel J. Moroun Revocable Trust U/A/D 3/24/77, as amended and restated on December 22, 2004. Voting and investment power over this trust is exercised by Manuel J. Moroun, as trustee.
- (8) Reflects vested and non-vested shares granted to such named executive officer as restricted stock awards by the Company. See the tables and related footnotes on page 17 of this proxy statement for a summary of the non-vested shares and vesting dates.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own beneficially more than ten percent (10%) of the shares of our common stock, to file reports of ownership and changes of ownership with the SEC. Copies of all filed reports are required to be furnished to us pursuant to Section 16(a). Based solely on the reports received by us and on written representations from reporting persons, we believe that the current directors and executive officers complied with all applicable filing requirements during the fiscal year ended December 31, 2017.

PART VI

GENERAL INFORMATION

General Information on the Annual Meeting

This Board of Directors of Universal Logistics Holdings, Inc. is soliciting the enclosed proxy for use at the Annual Meeting of Shareholders to be held at our corporate office at 12755 E. Nine Mile Road, Warren, Michigan 48089, on Thursday, April 26, 2018 at 10:00 A.M. Eastern Time, and at any adjournment or postponement of the Annual Meeting.

This proxy statement and the enclosed proxy card are being mailed to shareholders on or about March 29, 2018.

We are concurrently mailing to shareholders a copy of our 2017 Annual Report to Shareholders, which includes our Form 10-K for the year ended December 31, 2017.

Who is asking for my vote, and why am I receiving this document?

Our Board asks that you vote on the matters listed in the Notice of Annual Meeting, which are more fully described in this proxy statement. We are providing this proxy statement and related proxy card to our shareholders in connection with the solicitation by the Board of proxies to be voted at the Annual Meeting. A proxy, if duly executed and not revoked, will be voted and, if it contains any specific instructions, will be voted in accordance with those instructions.

Who is entitled to vote at the Annual Meeting?

Our Board established the close of business on March 16, 2018 as the record date to determine the shareholders entitled to receive a notice of, and to vote at, our Annual Meeting or an adjournment or postponement of the meeting.

On the record date, there were 28,394,892 shares of our common stock outstanding and entitled to vote.

Each share of our common stock represents one vote that may be voted on each matter that may come before the Annual Meeting.

What is a proxy?

A proxy is your legal designation of another person to vote the stock you own. If you designate someone as your proxy or proxy holder in a written document, that document is called a proxy or a proxy card. Jeff Rogers and Jude Beres have been designated as proxies or proxy holders for the Meeting. Proxies properly executed and received by prior to the Meeting, and not revoked, will be voted in accordance with the terms thereof.

What is a voting instruction?

A voting instruction is the instruction form you receive from your bank, broker or its nominee if you hold your shares of common stock in street name. The instruction form instructs you how to direct your bank, broker or its nominee, as record holder, to vote your shares of common stock.

What am I voting on?

You will be voting on each of the following items of business:

- » To elect 11 directors for the coming year
- » To ratify the selection of BDO USA, LLP as our independent auditors for 2018
- » To transact such other business as may properly come before the Annual Meeting

How many votes must be present to hold the Annual Meeting?

A majority of the outstanding shares of common stock as of the record date must be present in person or represented by proxy at the Annual Meeting. This is referred to as a quorum. Abstentions, withheld votes and shares of record held by a broker or its nominee (“broker shares”) that are voted on any matter are included in determining the existence of a quorum. Broker shares that are not voted on any matter will not be included in determining whether a quorum is present.

What vote is needed to elect the 11 directors?

The election of each nominee for director requires the affirmative vote of the holders of a plurality of the shares of common stock voted in the election of directors. Shareholders are not entitled to cumulative voting in the election of directors.

Continued »

What vote is needed to ratify the appointment by the Audit Committee of BDO USA, LLP?

The ratification of the appointment by the Audit Committee of BDO USA, LLP requires that the votes cast in favor of the ratification exceed the number of votes cast opposing the ratification.

What are the voting recommendations of the Board?

All shares of our common stock represented by properly executed and unrevoked proxies will be voted by the persons named as proxy holders in accordance with the instructions given. If no instructions are indicated on a proxy, properly executed proxies will be voted as follows:

- » FOR each Director nominee
- » FOR the selection of BDO USA, LLP as our independent auditors for 2018

How can I submit my vote?

There are four methods you can use to vote: by internet, by telephone, by mail or in person. Submitting your proxy by internet, telephone or mail will not affect your right to attend the Meeting and change your vote. Unless you are voting in person, your vote must be received by 11:59 p.m. Eastern Time on April 25, 2018.

Method	Record Holder	Beneficial Holder
Internet	Have your proxy card available and log on to www.proxyvote.com .	If your bank or broker makes this method available, the instructions will be included with the proxy materials.
Telephone	Have your proxy card available and call (800) 690-6903 from a touchtone telephone anywhere (toll-free only in the United States).	If your bank or broker makes this method available, the instructions will be included with the proxy materials.
Mail Your Proxy Card	Mark, date, sign and promptly mail the enclosed proxy card in the postage-paid envelope provided for mailing in the United States.	Mark, date, sign and promptly mail the voting instruction form provided by your bank or broker in the postage-paid envelope provided for mailing in the United States.
In Person	You may vote by ballot in person at the Annual Meeting.	Obtain proof of stock ownership as of the record date and a valid legal proxy from the organization that holds your shares and attend the Annual Meeting.

How will my shares be voted if I sign, date and return my proxy card or voting instruction card but do not provide complete voting instructions with respect to each proposal?

Shareholders should specify their vote for each matter on the enclosed proxy. The proxies solicited by this proxy statement vest in the proxy holders' voting rights with respect to the election of directors (unless the shareholder marks the proxy to withhold that authority) and on all other matters voted upon at the Meeting.

Unless otherwise directed in the enclosed proxy card, the persons named as proxies therein will vote all properly executed, returned and not-revoked proxy cards or voting instruction cards (1) **FOR** the election of the 11 director nominees listed thereon; and (2) **FOR** the proposal to ratify the appointment by the Audit Committee of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018.

As to any other business that may properly come before the Meeting, the persons named in the enclosed proxy card or voting instruction will vote the shares of common stock represented by the proxy in the manner as the Board may recommend, or otherwise at the proxy holders' discretion. The Board does not presently know of any other such business.

How will my shares be voted if I do not return my proxy card or my voting instruction?

It will depend on how your ownership of shares of common stock is registered. If your shares are registered in your name with our transfer agent and you do not return your proxy card, your shares will not be represented at the Meeting and will not count toward the quorum requirement unless you attend the Meeting to vote them in person.

If you own your shares in street name, which means that your shares are registered in the name of your bank, broker or its nominee, your shares may be voted even if you do not provide your bank, broker or other nominee with voting instructions. Under NASDAQ rules, your bank, broker or other nominee may vote your shares in its discretion on "routine" matters. However,

NASDAQ rules do not permit your bank, broker or other nominee to vote your shares on proposals that are not considered routine. When a proposal is not a routine matter and your bank, broker or other nominee has not received your voting instructions with respect to such proposal, your bank, broker or other nominee cannot vote your shares on that proposal. It is called a “broker non-vote” when a bank, broker or other nominee does not cast a vote for a routine or a non-routine matter.

Please note in the absence of your specific instructions as to how to vote, your bank, broker or other nominee may not vote your shares with respect to the election of the 11 nominees for director. Under NASDAQ rules, this matter is not considered routine. Based on NASDAQ rules, we believe that the ratification of the appointment by the Audit Committee of BDO USA LLP is a routine matter for which brokerage firms may vote on behalf of their clients if no voting instructions are provided. Therefore, if you are a shareholder whose shares of common stock are held in street name with a bank, broker or other nominee and you do not return your voting instruction card, your bank, broker or other nominee may vote your shares **FOR** the ratification of the appointment by the Audit Committee of BDO USA, LLP. **Please return your proxy card so your vote can be counted.**

How are abstentions and broker non-votes treated?

Only votes cast “for” or “against” are included in determining the votes cast with respect to any matter presented for consideration at the Meeting. As described above, when brokers do not have discretion to vote or do not exercise such discretion, the inability or failure to vote is referred to as a “broker non-vote.” Broker non-votes and withheld votes will not be included in the vote total for the proposal to elect the nominees for director and will not affect the outcome of the vote for the proposal. In addition, abstentions are not counted as votes cast on a proposal. Therefore, abstentions and broker non-votes will not count either in favor of or against the ratification of the appointment of BDO USA, LLP.

Can I revoke or change my proxy after I return my proxy card?

Yes. Any proxy may be revoked by a shareholder at any time before it is exercised at the Annual Meeting by delivering to our Secretary a written notice of revocation or a duly executed proxy bearing a later date, or by voting in person at the meeting.

Who is paying for the expenses involved in preparing and mailing this proxy statement?

We are paying the expenses involved in preparing, assembling and mailing these proxy materials and all costs of soliciting proxies. Our executive officers and other employees may solicit proxies, without additional compensation, personally and by telephone and other means of communication. In addition, we have retained Broadridge Financial Solutions, Inc., 51 Mercedes Way, Edgewood, NY 11717, to assist in the solicitation of proxies for an estimated fee of \$8,000, plus expenses. We will reimburse brokers and other persons holding our common stock in their names or in the names of their nominees for their reasonable expenses in forwarding proxy materials to beneficial owners.

What is “householding” and how does it affect me?

The proxy rules of the SEC permit companies and intermediaries, such as brokers and banks, to satisfy proxy statement delivery requirements for two or more shareholders sharing an address by delivering one proxy statement to those shareholders. This procedure, known as “householding,” reduces the amount of duplicate information that shareholders receive and lowers our printing and mailing costs.

We have been notified that certain intermediaries will use householding for our proxy materials and our 2017 Annual Report. Therefore, if multiple shareholders share your address, then only one proxy statement and 2017 Annual Report may have been delivered to that address. Shareholders who wish to opt out of this procedure and receive separate copies of the proxy statement and annual report in the future, or shareholders who are receiving multiple copies and would like to receive only one copy, should contact their bank, broker or other nominee or us at the address and telephone number below.

We will promptly send a separate copy of the proxy statement for the Annual Meeting or 2017 Annual Report if you send your request to Steven Fitzpatrick, Secretary, Universal Logistics Holdings, Inc., 12755 E. Nine Mile Road, Warren, Michigan 48089.

Our Website

We maintain a website at www.universallogistics.com. The information on our website is not a part of this proxy statement, and it is not incorporated into any other filings we make with the SEC.

2019 Annual Meeting of Shareholders

If you wish to submit a proposal to be considered at the 2019 Annual Meeting, you must comply with the following procedures. Any communication to be made to our Secretary as described below should be sent to Steven Fitzpatrick, Vice President – Finance and Investor Relations, Universal Logistics Holdings, Inc., 12755 E. Nine Mile Road, Warren, Michigan 48089.

PROXY STATEMENT PROPOSAL

If you intend to present proposals to be included in our proxy statement for our 2019 Annual Meeting, you must give written notice of your intent to our Secretary on or before November 29, 2018. The proposals must comply with SEC regulations under Rule 14a-8 for including shareholder proposals in a company's materials.

SHAREHOLDER RECOMMENDATIONS FOR DIRECTOR NOMINEES

It is generally the policy of the Board to consider the shareholder recommendations of proposed director nominees, if such recommendations are serious and timely received.

To be considered timely received, recommendations must be received in writing at our principal executive offices, 12755 E. Nine Mile Road, Warren, Michigan 48089, no later than November 29, 2018. In addition, any shareholder director nominee recommendation must include the following information: (a) the proposed nominee's name and qualifications and the reason for such recommendation; (b) the name and record address of the shareholder proposing such nominee; (c) a statement that the person has agreed to serve if nominated and elected; and (d) a description of any financial or other relationship between the shareholder and such nominee or between the nominee and us or our subsidiaries. In order to be considered by the Board, any candidate proposed by one or more shareholders will be required to submit appropriate biographical and other information equivalent to that required of all other director candidates.

MATTERS FOR ANNUAL MEETING AGENDA

If you intend to bring a matter before next year's meeting, other than by submitting a proposal to be included in our proxy statement, we must receive notice in accordance with our Bylaws, which state that our Secretary must receive your notice no earlier than November 29, 2018 and no later than December 29, 2018. For each matter you intend to bring before the meeting, you must include a full description of each such item; the name and address of the person proposing to bring such business before the meeting and, if different, of the shareholder on whose behalf such business is to be brought before the meeting; the number of shares held of record, held beneficially and represented by proxy by such person as of the record date for the meeting and as of the date of such notice; if any item of such business involves a nomination for director, all information regarding each such nominee that would be required to be set forth in a definitive proxy statement filed with the SEC pursuant to Section 14 of the Exchange Act, and the written consent of each such nominee to serve if elected; and if so requested by us, all other information that would be required to be filed with the SEC if, with respect to the business proposed to be brought before the meeting, the person proposing such business was a participant in a solicitation subject to Section 14 of the Exchange Act. Unless otherwise required by law, the Board will not be obligated to include information as to any nominee for director in any proxy statement or other communication sent to shareholders.

Other Matters

The Board of Directors knows of no other matters to be voted upon at the Annual Meeting. If any other matters properly come before the Annual Meeting, the proxy holders named in the enclosed proxy will have discretionary authority to vote the shares represented by the proxy in their discretion with respect to such matters.

BY ORDER OF THE BOARD OF DIRECTORS,

A handwritten signature in black ink, appearing to read "Steven Fitzpatrick". The signature is written in a cursive style with a large, stylized initial "S".

Steven Fitzpatrick
Vice President – Finance and Investor Relations
Secretary

Warren, Michigan
March 29, 2018

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2017

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

Commission File Number: 0-51142

UNIVERSAL LOGISTICS HOLDINGS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Michigan
(State or Other Jurisdiction of
Incorporation or Organization)

38-3640097
(I.R.S. Employer
Identification No.)

12755 E. Nine Mile Road
Warren, Michigan 48089
(Address, including Zip Code of Principal Executive Offices)

(586) 920-0100
(Registrant's telephone number, including area code)

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

Common Stock, no par value
(Title of class)

The NASDAQ Stock Market LLC
(Name of exchange on which registered)

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

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

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

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

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for a 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 is not contained herein, and will not be contained, to the best of 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, or 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 (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

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

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

As of July 1, 2017, the last business day of the registrant's most recently completed second quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant, based upon the closing sale price of the common stock on June 30, 2017, as reported by The Nasdaq Stock Market, was approximately \$124.0 million (assuming, but not admitting for any purpose, that all (a) directors and executive officers of the registrant are affiliates, and (b) the number of shares held by such directors and executive officers does not include shares that such persons could have acquired within 60 days of July 1, 2017).

The number of shares of common stock, no par value, outstanding as of March 5, 2018, was 28,382,392.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Registrant's 2018 Annual Meeting of Shareholders are incorporated by reference in Part III of this Form 10-K.

UNIVERSAL LOGISTICS HOLDINGS, INC.
2017 ANNUAL REPORT ON FORM 10-K
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EX-101.INS	XBRL Instance Document
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EX-101.CAL	XBRL Calculation Linkbase Document
EX-101.DEF	XBRL Definition Linkbase Document
EX-101.LAB	XBRL Labels Linkbase Document
EX-101.PRE	XBRL Presentation Linkbase Document

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (“Form 10-K”) contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. Many of the forward-looking statements are located in Part II, Item 7 of this Form 10-K under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Forward-looking statements can also be identified by words such as “future,” “anticipates,” “believes,” “estimates,” “expects,” “intends,” “will,” “would,” “could,” “can,” “may,” and similar terms. Forward-looking statements are not guarantees of future performance and the Company’s actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in Part I, Item 1A of this Form 10-K under the heading “Risk Factors,” which are incorporated herein by reference. All information presented herein is based on the Company’s fiscal calendar. Unless otherwise stated, references to particular years, quarters, months or periods refer to the Company’s fiscal years ended December 31 and the associated quarters, months and periods of those fiscal years. Each of the terms “Universal,” the “Company,” “we,” “us” and “our” as used herein refers collectively to Universal Logistics Holdings, Inc. and its subsidiaries, unless otherwise stated. The Company assumes no obligation to revise or update any forward-looking statements for any reason, except as required by law.

PART I

ITEM 1: BUSINESS

Company Background

We are a leading asset-light provider of customized transportation and logistics solutions throughout the United States, and in Mexico, Canada and Colombia. We offer our customers a broad array of services across their entire supply chain, including truckload, brokerage, intermodal, dedicated, and value-added services.

We provide a comprehensive suite of transportation and logistics solutions that allow our customers to reduce costs and manage their global supply chains more efficiently. We market and deliver our services in several ways:

- Through a direct sales and marketing network focused on selling our portfolio of services to large customers in specific industry sectors;
- Through a network of agents who solicit freight business directly from shippers; and
- Through company-managed facilities and full service freight forwarding and customs house brokerage offices.

At December 31, 2017, we had an agent network totaling approximately 323 agents, and we operated 44 company-managed terminal locations and serviced 50 value-added programs locations throughout the United States and in Mexico, Canada and Colombia.

We were incorporated in Michigan on December 11, 2001. We have been a publicly held company since February 11, 2005, the date of our initial public offering.

Our principal executive offices are located at 12755 E. Nine Mile Road, Warren, Michigan 48089.

Segment Financial Information

We report our financial results in two reportable segments, transportation and logistics, based on the nature of the underlying customer commitment and the types of investment required to support these undertakings. This presentation reflects the manner in which management evaluates our operating segments, including an evaluation of economic characteristics and applicable aggregation criteria.

Operations aggregated in our transportation segment are associated with individual freight shipments coordinated by our agents, company-managed terminals and specialized services operations. In contrast, operations aggregated in our logistics segment deliver value-added or transportation services to specific customers on a dedicated basis, generally pursuant to contract terms of one year or longer. Other non-reportable operating segments consist of the Company’s subsidiaries that provide support services to other subsidiaries and to owner-operators, including shop maintenance and equipment leasing.

For more information on our segment reporting, see Part II, Item 8: Note 16 to the Consolidated Financial Statements.

Operations

We broadly group our revenues into the following service categories: truckload, brokerage, intermodal, dedicated and value-added services.

Truckload. Our truckload services include dry van, flatbed, heavy-haul and refrigerated operations. Truckload services represented approximately \$302.9 million, or 24.9%, of our operating revenues in 2017. We transport a wide variety of general commodities, including automotive parts, machinery, building materials, paper, food, consumer goods, furniture, steel and other metals on behalf of customers in various industries. Our transportation services are provided through a network of owner-operators and employee drivers.

Brokerage. To complement our available capacity, we provide customers freight brokerage services by utilizing third-party transportation providers to move freight. Brokerage services also include full service domestic and international freight forwarding, and customs brokerage. In 2017, brokerage services represented approximately \$278.2 million, or 22.9%, of our operating revenues. At December 31, 2017, we had a network of 42,358 active carriers.

Intermodal. Intermodal operations include rail-truck, steamship-truck and support services. Intermodal support services represented \$153.7 million, or 12.6%, of our operating revenues in 2017. Our intermodal support services are primarily short-to-medium distance delivery of rail and steamship containers between the railhead or port and the customer and drayage services.

Dedicated. Our dedicated services are primarily provided in support of automotive and retail customers using specialized van equipment. Dedicated services also include our final mile and ground expedited services. In 2017, dedicated services represented approximately \$93.5 million, or 7.7%, of our operating revenues. Our dedicated services are primarily short run or round-trip moves within a defined geographic area provided through a network of union and non-union employee drivers, owner-operators, and contract drivers.

Value-Added. Our value-added services, which are typically dedicated to individual customer requirements, include material handling, consolidation, sequencing, sub-assembly, cross-dock services, kitting, repacking, warehousing and returnable container management. Value-added services represented approximately \$388.3 million, or 31.9%, of our operating revenues in 2017. Our facilities and services are often directly integrated into the production processes of our customers and represent a critical piece of their supply chains.

Business and Growth Strategy

The key elements of our strategy are as follows:

Expand our network of agents and owner-operators. Increasing the number of agents and owner-operators has been a driver of our historical growth in transactional transportation services. We intend to continue to recruit qualified agents and owner-operators in order to penetrate new markets, and expand our operations in existing markets. Our agents typically focus on a small number of shippers in a particular market and are attuned to the specific transportation needs of that core group of shippers, while remaining alert to growth opportunities.

Continue to capitalize on strong industry fundamentals and outsourcing trends. We believe long-term industry growth will be supported by manufacturers seeking to outsource non-core logistics functions to cost-effective third-party providers that can efficiently manage increasingly complex global supply chains. We intend to leverage our integrated suite of transportation and logistics services, our network of facilities, our long-term customer relationships, and our reputation for operational excellence to capitalize on favorable industry fundamentals and growth expectations.

Target further penetration of key customers in the North American automotive industry. The automotive industry is one of the largest users of global outsourced logistics services, providing us growth opportunities with both existing and new customers. Of our customers generating revenues greater than \$100,000 per year, this sector comprised approximately 40% of operating revenues in 2017. We intend to capitalize on anticipated continued growth in outsourcing of higher value logistics services in the automotive sector such as sub-assembly and sequencing, which link directly into production lines and require specialized capabilities, technological expertise and strict quality controls.

Continue to expand penetration in other vertical markets. We have a history of providing highly complex value-added logistics services to automotive and other industrial customers. We have developed standardized, modular systems for material handling processes and have extensive experience in rapid implementation and workforce training. These capabilities and our broad portfolio of logistics services are transferable across vertical markets. We believe we can leverage the expertise we initially developed in the automotive sector. In addition to automotive, our targeted industries include aerospace, energy, government services, healthcare, industrial retail, consumer goods, and steel and metals.

Competition and Industry

The transportation and logistics service industry is highly competitive and extremely fragmented. We compete based on quality and reliability of service, price, breadth of logistics solutions, and IT capabilities. We compete with asset and non-asset based truckload and less-than-truckload carriers, intermodal transportation, logistics providers and, in some aspects of our business, railroads. We also compete with other motor carriers for owner-operators and agents.

Our customers may choose not to outsource their logistics operations and, rather, to retain or restore such activities as their own internal operations. In our largest vertical market, the automotive industry, we compete more frequently with a relatively small number of privately-owned firms or with subsidiaries of large public companies. These vendors have the scope and capabilities to provide the breadth of services required by the large and complex supply chains of automotive original equipment manufacturers (OEMs).

We also encounter competition from regional and local third-party logistics providers, integrated transportation companies that operate their own aircraft, cargo sales agents and brokers, surface freight forwarders and carriers, airlines, associations of shippers organized to consolidate their members' shipments to obtain lower freight rates, and internet-based freight exchanges.

Significant bid activity continued from shippers in 2017, which resulted in pricing pressure throughout the year. We believe that our industry continues to be hindered by an insufficient quantity of qualified drivers which creates significant competition for this declining pool of qualified and safe drivers.

Pricing is expected to be more favorable during periods of rapid economic expansion or insufficient industry-wide trucking capacity. In December 2017, federal regulations mandated the use of electronic logging devices (ELDs) across our industry. These devices have arguably reduced effective industry capacity to date by more strictly enforcing a driver's hours of service and, as a result, miles that can be driven each day. We are using ELDs in our entire fleet and have adapted our network and customer base to the utilization constraints. A substantial portion of industry capacity, however, has not implemented ELDs; as a result, we expect industry capacity to continue to tighten for the foreseeable future and favorably impact pricing.

Customers

Revenue is generated from customers throughout the United States, and in Mexico, Canada and Colombia. Our customers are largely concentrated in the automotive, steel, oil and gas, alternative energy and manufacturing industries.

A significant percentage of our revenues is derived from the domestic auto industry. Of our customers generating revenues greater than \$100,000 per year, aggregate sales in the automotive industry totaled 40%, 43% and 37% of revenues during the fiscal years ended December 31, 2017, 2016 and 2015, respectively. During 2017, 2016 and 2015, General Motors accounted for approximately 16%, 18% and 11% of our total operating revenues, respectively. Sales to our top 10 customers, including General Motors, totaled 40% in 2017. A significant percentage of our revenue also results from our providing capacity to other transportation companies that aggregate loads from a variety of shippers in these and other industries.

Independent Contractor Network

We utilize a network of agents and owner-operators located throughout the United States and in Ontario, Canada. These agents and owner-operators are independent contractors.

A significant percentage of the interaction with our shippers in our transportation segment is provided by our agents. Our agents solicited and controlled over 40% of the freight we hauled in 2017, with the balance of the freight being generated by company-managed terminals, full service freight forwarding and customs house brokerage offices. Our top 100 agents in 2017 generated approximately 23% of our annual operating revenues. Our agents typically focus on three or four shippers within a particular market and solicit most of their freight business from this core group. By focusing on a relatively small number of shippers, each agent is acutely aware of the specific transportation needs of that core group of shippers, while remaining alert to growth opportunities.

We also contract with owner-operators to provide greater flexibility in responding to fluctuations in customer demand. Owner-operators provide their own trucks and are contractually responsible for all associated expenses, included financing costs, fuel, maintenance, insurance, and taxes, among other things. They are also responsible for maintaining compliance with Federal Motor Carrier Safety Administration regulations.

Revenue Equipment

The following table represents our equipment used to provide transportation services as of December 31, 2017:

Type of Equipment	Company- owned or Leased	Owner- Operator Provided	Total
Tractors	935	2,849	3,784
Yard Tractors	198	-	198
Trailers	4,024	1,741	5,765
Chassis	1,027	-	1,027
Containers	806	-	806

Employees and Contractors

As of December 31, 2017, we had 8,231 employees. During the year ended December 31, 2017, we also engaged, on average, the full-time equivalency of 1,731 individuals on a contract basis. As of December 31, 2017, approximately 19% of our employees in the United States, Canada and Colombia and 95% of our employees in Mexico were members of unions and subject to collective bargaining agreements. We believe our relationship with our employees is good.

Risk Management and Insurance

Our customers and federal regulations generally require that we provide insurance for auto liability and general liability claims up to \$1.0 million per occurrence. Accordingly, in the United States, we purchase such insurance from a licensed casualty insurance carrier, which is a related party, providing a minimum \$1.0 million of coverage for individual auto liability and general liability claims. We are self-insured for auto and general liability claims above \$1.0 million unless riders are sought to satisfy individual customer or vendor contract requirements. In Mexico, our operations and investment in equipment are insured through an internationally recognized, third-party insurance underwriter.

We typically self-insure for the risk of motor cargo liability claims and material handling claims. Accordingly, we establish financial reserves for anticipated losses and expenses related to motor cargo liability and material handling claims, and we periodically evaluate and adjust those reserves to reflect our experience. Any such adjustments could have a materially adverse effect on our operations and financial results.

To reduce our exposure to claims incurred while a vehicle is being operated without a trailer attached or is being operated with an attached trailer which does not contain or carry any cargo, we require our owner-operators to maintain non-trucking use liability coverage (which the industry refers to as deadhead bobtail coverage) of \$2.0 million per occurrence.

In brokerage arrangements, our exposure to liability associated with accidents incurred by other third-party carriers who haul freight on our behalf is reduced by various factors, including the extent to which the third party providers maintain their own insurance coverage.

Technology

We use multifaceted software tools and hardware platforms that support seamless integration with the IT networks of our customers and vendors through electronic data exchange systems. These tools enhance our relationships and ability to effectively communicate with customers and vendors. Our tools and platforms provide real-time, web-based visibility into the supply chain of our customers.

In our logistics segment, we customize our proprietary Warehouse Management System (WMS) to meet the needs of individual customers. Our WMS allows us to send our customers an advance shipping notice through a simple, web-based interface that can be used by a variety of vendors. It also enables us to clearly identify and communicate to the customer any vendor-related problems that

may cause delays in production. We also use cross-dock and container-return-management applications that automate the cycle of material receipt and empty container return.

Our proprietary and third-party transportation management system allows full operational control and visibility from dispatch to delivery, and from invoicing to receivables collections. For our employee drivers, the system provides automated dispatch to hand-held devices, satellite tracking for quality control and electronic status broadcasts to customers when requested. Our international and domestic air freight and ocean forwarding services use similar systems with added functionalities for managing air and ocean freight transportation requirements. All of these systems have customer-oriented web interfaces that allow for full shipment tracking and visibility, as well as for customer shipment input. We also provide systems that allow agents to list pending freight shipments and owner-operators with available capacity, and track particular shipments at various points in the shipping route.

We believe that these tools improve our services and quality controls, strengthen our relationships with our customers, and enhance our value proposition. Any significant disruption or failure of these systems could have a materially adverse effect on our operations and financial results.

Government Regulation

Our operations are regulated and licensed by various U.S. federal and state agencies, as well as comparable agencies in Mexico, Canada, and Colombia. Interstate motor carrier operations are subject to the broad regulatory powers, to include safety and insurance requirements, prescribed by the Federal Motor Carrier Safety Administration (FMCSA), which is an agency of the U.S. Department of Transportation (DOT). Matters such as weight and equipment dimensions also are subject to United States federal and state regulation. We operate in the United States under operating authority granted by the DOT. We are also subject to regulations relating to testing and specifications of transportation equipment and product handling requirements. In addition, our drivers and owner-operators must have a commercial driver's license and comply with safety and fitness regulations promulgated by the FMCSA, including those relating to drug and alcohol testing.

Our international operations, which include not only facilities in Mexico, Canada and Colombia but also transportation shipments managed by our specialized service operations, are impacted by a wide variety of U.S. government regulations and applicable international treaties. These include regulations of the U.S. Department of State, U.S. Department of Commerce, and the U.S. Department of Treasury. Regulations also cover specific commodities, destinations and end-users. Part of our specialized services operations is engaged in the arrangement of imported and exported freight. As such, we are subject to the regulations of the U.S. Customs and Border Protection, which include significant notice and registration requirements. In various Canadian provinces, we operate transportation services under authority granted by the Ministries of Transportation and Communications.

Transportation-related regulations are greatly affected by U.S. national security legislation and related regulations. We believe we are in substantial compliance with applicable material regulations and that the costs of regulatory compliance are an ordinary operating cost of our business that we may not be able to recoup from rates charged to customers.

Environmental Regulation

We are subject to various federal, state and local environmental laws and regulations that focus on, among other things: the emission and discharge of hazardous materials into the environment or their presence at our properties or in our vehicles; fuel storage tanks; transportation of certain materials; and the discharge or retention of storm water. Under specific environmental laws, we could also be held responsible for any costs relating to contamination at our past or present facilities and at third-party waste disposal sites, as well as costs associated with cleanup of accidents involving our vehicles. We do not believe that the cost of future compliance with current environmental laws or regulations will have a material adverse effect on our operations, financial condition, competitive position or capital expenditures for fiscal year 2018. However, future changes to laws or regulations may adversely affect our operations and could result in unforeseen costs to our business.

Seasonality

Generally, demand for our value-added services delivered to existing customers increases during the second calendar quarter of each year as a result of the automotive industry's spring selling season. Conversely, such demand generally decreases during the third quarter of each year due to the impact of scheduled OEM customer plant shutdowns in July for vacations and changeovers in production lines for new model years.

Our value-added services business is also impacted in the fourth quarter by plant shutdowns during the December holiday period. Prolonged adverse weather conditions, particularly in winter months, can also adversely impact margins due to productivity declines and related challenges meeting customer service requirements.

Our transportation services business is generally impacted by decreased activity during the post-holiday winter season and, in certain states, during hurricane season. At these times, some shippers reduce their shipments, and inclement weather impedes trucking operations or underlying customer demand.

Additional Information

We make available free of charge on or through our website, www.universallogistics.com, our annual reports 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 Securities and Exchange Commission (SEC). The public may read and copy any materials filed by the Company with the SEC at the SEC's Public Reference Room at 100 F Street NE, Room 1580, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov. The contents of these websites are not incorporated into this filing.

ITEM 1A: RISK FACTORS

Set forth below, and elsewhere in this Report and in other documents we file with the SEC, are risks and uncertainties that could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this Report.

Risks Related to Our Business

Our business is subject to general economic and business factors that are largely beyond our control, any of which could have a material adverse effect on our operating results.

Our business is dependent upon a number of general economic and business factors that may adversely affect our results of operations. These factors include significant increases or rapid fluctuations in fuel prices, excess capacity in the transportation and logistics industry, surpluses in the market for used equipment, interest rates, fuel taxes, license and registration fees, insurance premiums, self-insurance levels, and difficulty in attracting and retaining qualified drivers and independent contractors.

We operate in a highly competitive and fragmented industry, and our business may suffer if we are unable to adequately address any downward pricing pressures or other factors that may adversely affect our ability to compete with other carriers.

Further, we are affected by recessionary economic cycles and downturns in customers' business cycles, particularly in market segments and industries, such as the automotive industry, where we have a significant concentration of customers. Economic conditions may also adversely affect our customers and their ability to pay for our services.

Deterioration in the United States and world economies could exacerbate any difficulties experienced by our customers and suppliers in obtaining financing, which, in turn, could materially and adversely impact our business, financial condition, results of operations and cash flows.

We operate in the highly competitive and fragmented transportation and logistics industry, and our business may suffer if we are unable to adequately address factors that may adversely affect our revenue and costs relative to our competitors.

Numerous competitive factors could impair our ability to maintain our current profitability. These factors include the following:

- we compete with many other truckload carriers and logistics companies of varying sizes, some of which have more equipment, a broader coverage network, a wider range of services and greater capital resources than we do;
- some of our competitors periodically reduce their rates to gain business, especially during times of reduced growth rates in the economy, which may limit our ability to maintain or increase rates, maintain our operating margins or maintain significant growth in our business;
- many customers reduce the number of carriers they use by selecting so-called "core carriers" as approved service providers, and in some instances we may not be selected;

- some companies hire lead logistics providers to manage their logistics operations, and these lead logistics providers may hire logistics providers on a non-neutral basis which may reduce the number of business opportunities available to us;
- many customers periodically accept bids from multiple carriers and providers for their shipping and logistic service needs, and this process may result in the loss of some of our business to competitors and/or price reductions;
- the trend toward consolidation in the trucking and third-party logistics industries may create other large providers with greater financial resources and other competitive advantages relating to their size and with whom we may have difficulty competing;
- advances in technology require increased investments to remain competitive, and our customers may not be willing to accept higher rates to cover the cost of these investments;
- competition from Internet-based and other brokerage companies may adversely affect our relationships with our customers and freight rates;
- economies of scale that may be passed on to smaller providers by procurement aggregation providers may improve the ability of smaller providers to compete with us;
- some areas of our service coverage requires trucks with engines no older than 2011 in order to comply with environmental rules; and
- an inability to continue to access capital markets to finance equipment acquisition could put us at a competitive disadvantage.

Our revenue is somewhat dependent on North American automotive industry production volume, and may be negatively affected by future downturns in North American automobile production.

A significant portion of our larger customers are concentrated in the North American automotive industry. For customers generating annual revenues over \$100,000, 40% of our revenues were derived from customers in the North American automotive industry during 2017. Our business and growth largely depend on continued demand for its services from customers in this industry. Any future downturns in North American automobile production, which also impacts our steel and metals customers, could similarly affect our revenues in future periods.

Our business derives a large portion of revenue from a few major customers, and the loss of any one or more of them as customers, or a reduction in their operations, could have a material adverse effect on our business.

A large portion of our revenue is generated from a limited number of major customers concentrated in the automotive, steel and metals, and energy industries. Our top 10 customers accounted for approximately 40% of our operating revenues during 2017. Our contracts with customers generally contain cancellation clauses, and there can be no assurance that these customers will continue to utilize our services or that they will continue at the same levels. Further, there can be no assurance that these customers will not be affected by a future downturn in demand, which would result in a reduction in their operations and corresponding need for our services. Moreover, our customers may individually lose market share, apart from general economic trends. If our major customers lose U.S. market share, they may have less need for services. A reduction in or termination of services by one or more of our major customers could have a material adverse effect on our business and results of operations.

We may be adversely impacted by fluctuations in the price and availability of diesel fuel.

Diesel fuel represents a significant operating expense for the Company, and we do not currently hedge against the risk of diesel fuel price increases. An increase in diesel fuel prices or diesel fuel taxes, or any change in federal or state regulations that results in such an increase, could have a material adverse effect on our operating results to the extent we are unable to recoup such increases from customers in the form of increased freight rates or through fuel surcharges. Historically, we have been able to offset, to a certain extent, diesel fuel price increases through fuel surcharges to our customers, but we cannot be certain that we will be able to do so in the future. We continuously monitor the components of our pricing, including base freight rates and fuel surcharges, and address individual account profitability issues with our customers when necessary. While we have historically been able to adjust our pricing to help offset changes to the cost of diesel fuel through changes to base rates and/or fuel surcharges, we cannot be certain that we will be able to do so in the future.

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

The transportation industry routinely experiences difficulty in attracting and retaining qualified drivers, including independent contractors, resulting in intense competition for drivers. We have from time to time experienced under-utilization and increased expenses due to a shortage of qualified drivers. If we are unable to attract drivers when needed or contract with independent contractors when needed, we could be required to further adjust our driver compensation packages, increase driver recruiting efforts, or let trucks sit idle, any of which could adversely affect our growth and profitability.

If we are unable to retain our key employees, our business, financial condition and results of operations could be harmed.

We are highly dependent upon the services of our key employees and executive officers. The loss of any of their services could have a material adverse effect on our operations and future profitability. We must continue to develop and retain a core group of managers if we are to realize our goal of expanding our operations and continuing our growth. We cannot assure that we will be able to do so.

A significant labor dispute involving us or one or more of our customers, or that could otherwise affect our operations, could reduce our revenues and harm our profitability.

A substantial number of our employees and of the employees of our largest customers are members of industrial trade unions and are employed under the terms of collective bargaining agreements. Each of our unionized facilities has a separate agreement with the union that represents the workers at only that facility. Labor disputes involving either us or our customers could affect our operations. If the UAW and our automotive customers and their suppliers are unable to negotiate new contracts and our customers' plants experience slowdowns or closures as a result, our revenue and profitability could be negatively impacted. A labor dispute involving another supplier to our customers that results in a slowdown or closure of our customers' plants to which we provide services could also have a material adverse effect on our business. Significant increases in labor costs as a result of the renegotiation of collective bargaining agreements could also be harmful to our business and our profitability. As of December 31, 2017, approximately 19% of our employees in the United States, Canada and Colombia, and 95% of our employees in Mexico were members of unions and subject to collective bargaining agreements.

In addition, strikes, work stoppages and slowdowns by our employees may affect our ability to meet our customers' needs, and customers may do more business with competitors if they believe that such actions may adversely affect our ability to provide service. We may face permanent loss of customers if we are unable to provide uninterrupted service. The terms of our future collective bargaining agreements also may affect our competitive position and results of operations.

Ongoing insurance and claims expenses could significantly reduce our earnings.

Our future insurance and claims expenses might exceed historical levels, which could reduce our earnings. The Company is self-insured for health and workers' compensation insurance coverage up to certain limits. If medical costs continue to increase, or if the severity or number of claims increase, and if we are unable to offset the resulting increases in expenses with higher freight rates, our earnings could be materially and adversely affected.

We face litigation risks that could have a material adverse effect on the operation of our business.

We face litigation risks regarding a variety of issues, including without limitation, accidents involving our trucks and employees, alleged violations of federal and state labor and employment laws, securities laws, environmental liability and other matters. These proceedings may be time-consuming, expensive and disruptive to normal business operations. The defense of such lawsuits could result in significant expense and the diversion of our management's time and attention from the operation of our business. In recent years, several insurance companies have stopped offering coverage to trucking companies as a result of increases in the severity of automobile liability claims and higher costs of settlements and verdicts. This trend could adversely affect our ability to obtain suitable insurance coverage or could significantly increase our cost for obtaining such coverage, which would adversely affect our financial condition, results of operations, liquidity and cash flows. Costs we incur to defend or to satisfy a judgment or settlement of these claims may not be covered by insurance or could exceed the amount of that coverage or increase our insurance costs and could have a material adverse effect on our financial condition, results of operations, liquidity and cash flows.

Purchase price increases for new revenue equipment and/or decreases in the value of used revenue equipment could have an adverse effect on our results of operations, cash flows and financial condition.

During the last decade, the purchase price of new revenue equipment has increased significantly as equipment manufacturers recover increased materials costs and engine design costs resulting from compliance with increasingly stringent EPA engine emission standards. Additional EPA emission mandates in the future could result in higher purchase prices of revenue equipment which could result in higher than anticipated depreciation expenses. If we were unable to offset any such increase in expenses with freight rate increases, our cash flows and results of operations could be adversely affected. If the market price for used equipment continues to decline, then we could incur substantial losses upon disposition of our revenue equipment which could adversely affect our results of operations and financial condition.

We have significant ongoing capital requirements that could affect our liquidity and profitability if we are unable to generate sufficient cash from operations or obtain sufficient financing on favorable terms.

The transportation and logistics industry is capital intensive. If we are unable to generate sufficient cash from operations in the future, we may have to limit our growth, enter into unfavorable financing arrangements, or operate our revenue equipment for longer periods, any of which could have a material adverse effect on our profitability.

We have a significant amount of debt, which could restrict our growth, place us at a competitive disadvantage or otherwise materially adversely affect our financial health.

Our significant debt levels could have important consequences such as the following:

- impair our ability to obtain additional future financing for working capital, capital expenditures, acquisitions or general corporate expenses;
- limit our ability to use operating cash flow in other areas of our business due to the necessity of dedicating a substantial portion of these funds for payments on our indebtedness;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- make it more difficult for us to satisfy our obligations;
- increase our vulnerability to general adverse economic and industry conditions; and
- place us at a competitive disadvantage compared to our competitors.

Our ability to make scheduled payments on, or to refinance, our debt and other obligations will depend on our financial and operating performance, which, in turn, is subject to our ability to implement our strategic initiatives, prevailing economic conditions and certain financial, business and other factors beyond our control. If our cash flow and capital resources are insufficient to fund our debt service and other obligations, we may be forced to reduce or delay expansion plans and capital expenditures, sell material assets or operations, obtain additional capital or restructure our debt. We cannot provide any assurance that our operating performance, cash flow and capital resources will be sufficient to pay our debt obligations when they become due. We also cannot provide assurance that we would be able to dispose of material assets or operations or restructure our debt or other obligations if necessary or, even if we were able to take such actions, that we could do so on terms that are acceptable to us.

Disruptions in the credit markets may adversely affect our business, including the availability and cost of short-term funds for liquidity requirements and our ability to meet long-term commitments, which could adversely affect our results of operations, cash flows and financial condition.

If cash from operations is not sufficient, we may be required to rely on the capital and credit markets to meet our financial commitments and short-term liquidity needs. Disruptions in the capital and credit markets, as have been experienced during recent years, could adversely affect our ability to draw on our revolving credit facilities. Our access to funds under the credit facilities is dependent on the ability of banks to meet their funding commitments. A bank may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests from other borrowers within a short period of time.

Longer term disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation, reduced alternatives, or failures of significant financial institutions could adversely affect our access to liquidity needed for our business. Any disruption could require us to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for our business needs can be arranged, which could adversely affect our growth and profitability.

We have substantial fixed costs and, as a result, our operating income fluctuates disproportionately with changes in our net sales.

A significant portion of our expenses are fixed costs that neither increase nor decrease proportionately with sales. There can be no assurance that we would be able to reduce our fixed costs proportionately in response to a decline in our sales and therefore our competitiveness could be significantly impacted. As a result, a decline in our sales would result in a higher percentage decline in our income from operations and net income.

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

The U.S. Federal Motor Carrier Safety Administration, or FMCSA, and various state and local agencies exercise broad powers over our business, generally governing such activities as authorization to engage in motor carrier operations, safety and insurance requirements. Our owner-operators must comply with the safety and fitness regulations promulgated by the FMCSA, including those relating to drug and alcohol testing and hours-of-service. There also are regulations specifically relating to the trucking industry, including testing and specifications of equipment and product handling requirements. These measures could disrupt or impede the timing of our deliveries and we may fail to meet the needs of our customers. The cost of complying with these regulatory measures, or any future measures, could have a materially adverse effect on our business or results of operations.

A determination by regulators that owner-operators are employees, rather than independent contractors, 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, such as our owner-operators, are employees rather than independent contractors. There can be no assurance that these interpretations and tax laws that consider these persons independent contractors will not change or that these authorities will not successfully assert this position. If our owner-operators 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.

Uncertainties in the interpretation and application of the Tax Cuts and Jobs Act of 2017 could materially affect our tax obligations and effective tax rate.

On December 22, 2017, the U.S. enacted comprehensive tax legislation, commonly referred to as the Tax Cuts and Jobs Act of 2017 ("Tax Act"). The new law requires complex computations not previously required by U.S. tax law. As such, the application of accounting guidance for such items is currently uncertain. Further, compliance with the new law and the accounting for such provisions require preparation and analysis of information not previously required or regularly produced. In addition, the U.S. Department of Treasury has broad authority to issue regulations and interpretative guidance that may significantly impact how we will apply the law and impact our results of operations in future periods. Accordingly, while we have provided a provisional estimate on the effect of the new law in our accompanying audited financial statements, further regulatory or GAAP accounting guidance for the law, our further analysis on the application of the law, and refinement of our initial estimates and calculations could materially change our current provisional estimates, which could in turn materially affect our tax obligations and effective tax rate. There are also likely to be significant future impacts that these tax reforms will have on our future financial results and our business strategies. In addition, there is a risk that states or foreign jurisdictions may amend their tax laws in response to these tax reforms, which could have a material impact on our future results.

Our results of operations may be affected by seasonal factors.

Our productivity may decrease during the winter season when severe winter weather impedes operations. Also, some shippers may reduce their shipments after the winter holiday season. At the same time, operating expenses may increase and fuel efficiency may decline due to engine idling during periods of inclement weather. Harsh weather conditions generally also result in higher accident frequency, increased freight claims, and higher equipment repair expenditures. Generally, demand for our value-added services delivered to existing customers increases during the second calendar quarter of each year as a result of the automotive industry's spring selling season and decreases during the third quarter of each year due to the impact of scheduled OEM customer plant shutdowns in July for vacations and changeovers in production lines for new model years. Our value-added services business is also impacted in the fourth quarter by plant shutdowns during the December holiday period.

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 could occur. In prior years, we also maintained bulk fuel storage and fuel islands at two of our facilities. Our operations may involve the risks of fuel spillage or seepage, environmental damage, and hazardous waste disposal, among others. If we are involved in a spill or other accident involving hazardous substances, or if we are found to be in violation of applicable laws or regulations, it could have a materially 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.

We may incur additional operating expenses or liabilities as a result of potential future requirements to address climate change issues.

Federal, state and local governments, as well as some of our customers, are beginning to respond to global warming issues. This increased focus on sustainability may result in new legislation or regulations and customer requirements that could negatively affect us as we may incur additional costs or be required to make changes to our operations in order to comply with any new regulations or customer requirements. Legislation or regulations that potentially impose restrictions, caps, taxes, or other controls on emissions of greenhouse gases such as carbon dioxide, a by-product of burning fossil fuels such as those used in the Company's trucks, could adversely affect our operations and financial results. More specifically, legislative or regulatory actions related to climate change could adversely impact the Company by increasing our fuel costs and reducing fuel efficiency and could result in the creation of substantial additional capital expenditures and operating costs in the form of taxes, emissions allowances, or required equipment upgrades. Any of these factors could impair our operating efficiency and productivity and result in higher operating costs. In addition, revenues could decrease if we are unable to meet regulatory or customer sustainability requirements. These additional costs, changes in operations, or loss of revenues could have a material adverse effect on our business, financial condition and results of operations.

Our business may be disrupted by natural disasters and severe weather conditions causing supply chain disruptions.

Natural disasters such as earthquakes, tsunamis, hurricanes, tornadoes, floods or other adverse weather and climate conditions, whether occurring in the United States or abroad, could disrupt our operations or the operations of our customers or could damage or destroy infrastructure necessary to transport products as part of the supply chain. Specifically, these events may damage or destroy or assets, disrupt fuel supplies, increase fuel costs, disrupt freight shipments or routes, and affect regional economies. As a result, these events could make it difficult or impossible for us to provide logistics and transportation services; disrupt or prevent our ability to perform functions at the corporate level; and/or otherwise impede our ability to continue business operations in a continuous manner consistent with the level and extent of business activities prior to the occurrence of the unexpected event, which could adversely affect our business and results of operations or make our results more volatile.

Our information technology systems are subject to certain cyber risks and disasters that are beyond our control.

We depend heavily on the proper functioning and availability of our information, communications, and data processing systems, including operating and financial reporting systems, in operating our business. Our systems and those of our technology and communications providers are vulnerable to interruptions caused by natural disasters, power loss, telecommunication and internet failures, cyber-attack, and other events beyond our control. Accordingly, information security and the continued development and enhancement of the controls and processes designed to protect our systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority for us.

Although our information systems are protected through physical and software security as well as redundant backup systems, they remain susceptible to cyber security risks. Some of our software systems are utilized by third parties who provide outsourced processing services which may increase the risk of a cyber-security incident.

A successful cyber-attack or catastrophic natural disaster could significantly affect our operating and financial systems and could temporarily disrupt our ability to provide required services to our customers, impact our ability to manage our operations and perform vital financial processes, any of which could have a materially adverse effect on our business.

We are subject to certain risks arising from doing business in Mexico.

As we continue to grow our business in Mexico, we are subject to greater risks of doing business internationally, including fluctuations in foreign currencies, changes in the economic strength of Mexico, difficulties in enforcing contractual obligations and intellectual property rights, burdens of complying with a wide variety of international and U.S. export and import laws, and social, political, and economic instability. We also face additional risks associated with our Mexico business, including potential restrictive trade policies and imposition of any import or export tariffs, taxes, duties or fees. If we are unable to address business concerns related to our international operations in a timely and cost efficient manner, our financial position, results of operations or cash flows could be adversely affected. The agreement permitting cross border movements for both United States and Mexican based carriers in the United States and Mexico presents additional risks in the form of potential increased competition and the potential for increased congestion in our lanes that cross the border between countries.

Our business may be harmed by terrorist attacks, future war or anti-terrorism measures.

In order to prevent terrorist attacks, federal, state and municipal authorities have implemented and continue to follow various security measures, including checkpoints and travel restrictions on large trucks. Our international operations in Canada and Mexico may be affected significantly if there are any disruptions or closures of border traffic due to security measures. Such measures may have costs associated with them, which, in connection with the transportation services we provide, we or our owner-operators could be forced to bear. In addition, war or risk of war also may have an adverse effect on the economy. A decline in economic activity could adversely affect our revenue or restrict our future growth. Instability in the financial markets as a result of terrorism or war also could affect our ability to raise capital. In addition, the insurance premiums charged for some or all of the coverage currently maintained by us could increase dramatically or such coverage could be unavailable in the future.

We may be unable to successfully integrate businesses we acquire into our operations.

Integrating businesses we acquire may involve unanticipated delays, costs or other operational or financial problems. Successful integration of the businesses we acquire depends on a number of factors, including our ability to transition acquired companies to our management information systems. In integrating businesses we acquire, we may not achieve expected economies of scale or profitability or realize sufficient revenues to justify our investment. We also face the risk that an unexpected problem at one of the companies we acquire will require substantial time and attention from senior management, diverting management's attention from other aspects of our business. We cannot be certain that our management and operational controls will be able to support us as we grow.

Risks Related to Our Common Stock

Because Matthew T. Moroun and Manuel J. Moroun hold a controlling interest in us, the influence of our public shareholders over significant corporate actions is limited, and we are not subject to certain corporate governance standards that apply to other publicly traded companies.

As of December 31, 2017, Matthew T. Moroun, the Chairman of our Board of Directors, and Manuel J. Moroun, a member of our Board of Directors, together own approximately 71% of our outstanding common stock. As a result, the Moroun family has the power to:

- control all matters submitted to our shareholders;
- elect our directors;
- adopt, extend or remove any anti-takeover provisions that are available to us; and
- exercise control over our business, policies and affairs.

This concentration of ownership could limit the price that some investors might be willing to pay for shares of our common stock. Our ability to engage in significant transactions, such as a merger, acquisition or liquidation, will require the consent of the Moroun family. Conflicts of interest could arise between us and the Moroun family, and any conflict of interest may be resolved in a manner that does not favor us. Accordingly, the Moroun family could cause us to enter into transactions or agreements of which our other shareholders would not approve or make decisions with which they may disagree. Because of the level of ownership held by the Moroun family, we have elected to be treated as a controlled company in accordance with the rules of the NASDAQ Stock Market. Accordingly, we are not required to comply with NASDAQ Stock Market rules which would otherwise require a majority of our board to be comprised of independent directors and require our board to have a compensation committee and a nominating and corporate governance committee comprised of independent directors.

The Moroun family may continue to retain control of us for the foreseeable future and may decide not to enter into a transaction in which shareholders would receive consideration for our common stock that is much higher than the then-current market price of our common stock. In addition, the Moroun family could elect to sell a controlling interest in us to a third-party and our other shareholders may not be able to participate in such transaction or, if they are able to participate in such a transaction, such shareholders may receive less than the then current fair market value of their shares. Any decision regarding their ownership of us that the Moroun family may make at some future time will be in their absolute discretion, subject to applicable laws and fiduciary duties.

Our stock trading volume may not provide adequate liquidity for investors.

Although shares of our common stock are traded on the NASDAQ Global Market, the average daily trading volume in our common stock is less than that of other larger transportation and logistics companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of a sufficient number of willing buyers and sellers of the common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which we have no control. Given the daily average trading volume of our common stock, significant sales of the common stock in a brief period of time, or the expectation of these sales, could cause a decline in the price of our common stock. Additionally, low trading volumes may limit a shareholder's ability to sell shares of our common stock.

Our ability to pay regular dividends on our common stock is subject to the discretion of our Board of Directors and will depend on, among other things, our financial condition, results of operations, capital requirements, any covenants included in our credit facilities any legal or contractual restrictions on the payment of dividends and other factors the Board of Directors deems relevant.

We have adopted a cash dividend policy which anticipates a total annual dividend of \$0.42 per share of common stock. However, the payment of future dividends will be at the discretion of our Board of Directors and will depend, among other things, on our financial condition, results of operations, capital requirements, any covenants included in our credit facilities, any legal or contractual restrictions on the payment of dividends and other factors the Board of Directors deem relevant. As a consequence of these limitations and restrictions, we may not be able to make, or may have to reduce or eliminate, the payment of dividends on our common stock. Additionally, any change in the level of our dividends or the suspension of the payment thereof could adversely affect the market price of our common stock.

Our articles of incorporation and bylaws have, and under Michigan law are subject to, provisions that could deter or prevent a change of control.

Our articles of incorporation and bylaws contain provisions that might enable our management to resist a proposed takeover of our Company. These provisions could discourage, delay or prevent a change of control of our Company or an acquisition of our Company at a price that our shareholders may find attractive. These provisions also may discourage proxy contests and make it more difficult for our shareholders to elect directors and take other corporate actions. The existence of these provisions could limit the price that investors might be willing to pay in the future for shares of our common stock. These provisions include:

- a requirement that special meetings of our shareholders may be called only by our Board of Directors, the Chairman of our Board of Directors, our Chief Executive Officer or the holders of a majority of our outstanding common stock;
- advance notice requirements for shareholder proposals and nominations;
- the authority of our Board of Directors to issue, without shareholder approval, preferred stock with such terms as the Board of Directors may determine, including in connection with our implementation of any shareholders rights plan; and
- an exclusive forum bylaw provision requiring that any derivative action brought on behalf of the corporation, any action asserting a claim of breach of a legal or fiduciary duty and any similar claim under the Michigan Business Corporation Act or our articles of incorporation must be brought exclusively in the Circuit Court of the County of Macomb in the State of Michigan or the United States District Court for the Eastern District of Michigan, Southern Division.

In addition, certain provisions of Michigan law that apply to us could discourage or prevent a change of control or acquisition of our Company.

ITEM 1B: UNRESOLVED SECURITIES & EXCHANGE COMMISSION STAFF COMMENTS

None.

ITEM 2: PROPERTIES

We are headquartered and maintain our corporate administrative offices in Warren, Michigan. We own our corporate administrative offices, as well as 19 terminal yards and other properties in the following locations: Dearborn, Michigan; Romulus, Michigan; Louisville, Kentucky; Albany, Missouri; Columbus, Ohio; Reading, Ohio; Latty, Ohio; Cleveland, Ohio; Gary, Indiana; South Kearny, New Jersey; Rural Hall, North Carolina; Garden City, Georgia; Millwood, West Virginia; Memphis, Tennessee; Jacksonville, Florida; Tampa, Florida; Dallas, Texas; Houston, Texas; York County, Pennsylvania and Wall, Pennsylvania.

As of December 31, 2017, we also leased 81 operating, terminal and yard, and administrative facilities in various U.S. cities located in 25 states, in Milton, Ontario; London, Ontario; Windsor, Ontario; and in San Luis Potosí, Mexico. Generally, our facilities are utilized by both of our operating segments for various administrative, transportation-related or value-added services. We also deliver value-added services under our logistics segment inside or linked to 14 facilities provided by customers. Certain of our leased facilities are leased from entities controlled by our majority shareholders. These facilities are leased on either a month-to-month basis or extended terms. We believe that the properties we lease from these affiliates are, in the aggregate, leased at market rates and are suitable for their purposes and adequate to meet our needs. For more information on our lease arrangements, see Part II, Item 8: Notes 7 and 9 to the Consolidated Financial Statements.

ITEM 3: LEGAL PROCEEDINGS

On October 16, 2017, a jury in state court in Cook County, Illinois rendered a verdict of \$54.2 million against Universal Am-Can, Ltd. (“UACL”) in the matter of Denton v. UACL, et al. The litigation relates to a vehicular accident that occurred on February 8, 2011 on I-65 in Rensselaer, Indiana. The accident involved a tractor-trailer being driven by an independent owner-operator of UACL. The driver was braking on the expressway in order to avoid another vehicle being driven the wrong way on the interstate. The truck attempted to avoid the oncoming vehicle and the plaintiff’s vehicle and, in so doing, struck the plaintiff’s vehicle. As a result of the accident, the plaintiff sustained non-life threatening injuries. In connection with the verdict, the jury determined that UACL was responsible for the liability associated with the accident. The verdict included \$19.2 million in compensatory damages and \$35.0 million in punitive damages against UACL. The insurance coverage available for reimbursement of UACL’s damages underlying the verdict is limited to \$1.0 million. We believe the facts and the law do not support the jury’s findings of liability against UACL. Post-trial motions have been filed seeking a reduction of the verdict or reversal of the judgment. The Company may further seek to appeal the verdict to the extent the circuit court does not set aside the judgment as a result of these motions. The Company currently estimates the possible range of financial exposure in the matter, net of insurance coverage, to be between \$18.2 and \$53.2 million. Based on the Company’s best estimate of the liability at this time, the Company has recorded an accrued liability for this matter of \$18.2 million. While we cannot predict with any certainty the outcome of this litigation, its ultimate resolution could be material to our cash flows and results of operations.

The Company is a plaintiff in a lawsuit that was filed on June 11, 2015 against, among others, Dalton Logistics, Inc. in the United States District Court for the Southern District of Texas. We are seeking approximately \$1.9 million in damages from a debtor relating to its unpaid freight charges. In response to our filing of the complaint, the shareholders of Dalton filed a counterclaim against the Company alleging that the Company, in connection with certain unrelated negotiations with the defendant, breached an alleged agreement to acquire Dalton. The respective claims proceeded to trial and, on July 21, 2017, a jury returned two separate verdicts: One in favor of Universal for \$1.9 million, and a second in favor of the defendant for approximately \$5.7 million. On October 30, 2017, the court entered a judgment against Universal for the \$5.7 million, but ignored the \$1.9 million jury award in favor of Universal. The Company believes this ruling was in error and further believes the jury erred in their findings of any damages against Universal, and therefore, the Company plans to appeal both the ruling and the verdict. The Company currently estimates the possible range of financial exposure in the matter to be between \$0 and \$5.7 million. Based on the Company’s best estimate of the liability at this time, the Company has recorded an accrued liability for this matter of \$1.8 million. While we cannot predict with any certainty the outcome of this litigation, management does not believe the outcome of this matter will have a material adverse effect on our business, financial position, results of operations or cash flows.

On February 21, 2018, Ford Motor Company (“Ford”) filed suit against two of the Company’s subsidiaries and two related parties in state court in Oakland County, Michigan (the “Indemnity Action”). The complaint seeks a declaratory judgment that Universal and its co-defendants are required to indemnify Ford for damages sustained by Ford in a wrongful death lawsuit in Clay County, Missouri (the “Underlying Action”). In February 2018, a jury returned a verdict against Ford in the Underlying Action and awarded the decedent’s estate \$76 million in damages. Universal believes that, under Michigan law and its agreement with Ford, Universal is not required to indemnify Ford for Ford’s own negligence that led to the jury verdict in the Underlying Action. Additionally, at the time of the incident that is the subject of the Underlying Action, Universal had in place insurance required by Ford providing for up to \$3.0 million of coverage from a co-defendant. The Company currently estimates the possible range of financial exposure in the matter, net of insurance coverage, to be between \$0 and \$73 million. Based on not only its knowledge of the facts associated with the Underlying Action and the Indemnity Action but also the opinions of its outside counsel, Universal has determined that a loss in the Indemnity Action is not probable and no accrual is necessary at this time. While the outcome of the Indemnity Action cannot be predicted with any certainty and management believes the Company will be successful in defending its position, the outcome could have material adverse effect on our business, financial position, results of operations and cash flows of the Company.

The Company is involved in certain other claims and pending litigation arising from the ordinary conduct of business. We also provide accruals for claims within our self-insured retention amounts. Based on the knowledge of the facts, and in certain cases, opinions of outside counsel, in the Company’s opinion the resolution of these claims and pending litigation will not have a material effect on our financial position, results of operations or cash flows. However, if we experience claims that are not covered by our insurance or that exceed our estimated claim reserve, it could increase the volatility of our earnings and have a materially adverse effect on our financial condition, results of operations or cash flows.

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information

Our common stock is traded on The NASDAQ Global Market under the symbol ULH. The following table shows the reported high and low sales prices of our common stock for the periods indicated.

Fiscal Period	2017		2016	
	High	Low	High	Low
First Quarter.....	\$ 16.50	\$ 12.51	\$ 18.31	\$ 11.12
Second Quarter.....	\$ 15.95	\$ 11.65	\$ 16.93	\$ 11.78
Third Quarter.....	\$ 20.70	\$ 14.05	\$ 15.45	\$ 11.90
Fourth Quarter.....	\$ 24.65	\$ 20.10	\$ 17.70	\$ 11.09

The reported last sale price per share of our common stock as quoted through the NASDAQ Global Market on March 5, 2018 was \$21.40 per share. As of such date, we had 28,382,392 shares outstanding. As of March 5, 2018, there were approximately 11 record holders of our common stock, based upon data available to us from our transfer agent. We believe, however, that we have a significantly greater number of shareholders because a substantial number of our common shares are held at The Depository Trust & Clearing Corporation on behalf of our shareholders.

Dividends

On February 21, 2018, our Board of Directors approved an increase in the Company's annual cash dividend policy from \$0.28 per share to \$0.42 per share beginning in 2018. The first quarterly installment of \$0.105 per share is expected to be declared after the conclusion of the first quarter of 2018. After taking into account the regular quarterly dividends made during the year, the Board of Directors also intends to evaluate the potential declaration of an annual special dividend payable in the first quarter of each year in an effort to return up to 40% of Universal's net income from the previous fiscal year, beginning in the first quarter of 2019.

Pursuant to the cash dividend policy adopted in 2013 and effective until February 21, 2018, the Board of Directors declared quarterly cash dividends of \$0.07 per common share totaling \$0.28 per common share for each of the fiscal years ended December 31, 2017, 2016 and 2015. Future dividend policy and the payment of dividends, if any, will be determined by the Board of Directors in light of circumstances then existing, including our earnings, financial condition and other factors deemed relevant by the Board of Directors.

Limitations on our ability to pay dividends are described under the section captioned "Liquidity and Capital Resources – Revolving Credit, Promissory Notes and Term Loan Agreements" in Item 7 of this Form 10-K.

Securities Authorized for Issuance under Equity Compensation Plans

See Part III, Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters" of this Annual Report for a presentation of compensation plans under which equity securities of the Company are authorized for issuance.

Purchases of Equity Securities by the Issuer

The following table provides information regarding the Company's purchases of its common stock during the period from October 1, 2017 to December 31, 2017, the Company's fourth fiscal quarter:

Fiscal Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet be Purchased Under the Plans or Program
Oct. 1, 2017 - Oct. 28, 2017.....	25,580	\$ 20.62	25,580	751,153
Oct. 29, 2017 - Nov. 25, 2017.....	20,000 (1)	22.13	-	751,153
Nov. 26, 2017 - Dec. 31, 2017.....	55 (2)	23.90	-	751,153
Total.....	<u>45,635</u>	<u>\$ 21.28</u>	<u>25,580</u>	<u>751,153</u>

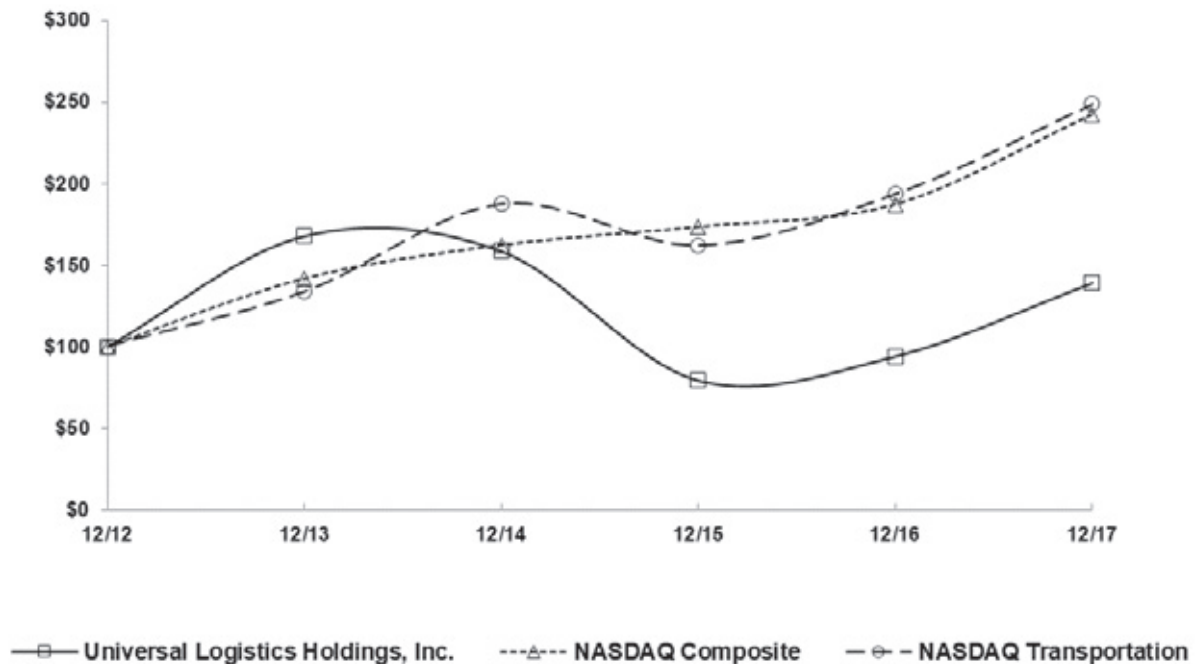
- (1) Includes 17,500 shares of common stock acquired on November 6, 2017 by the Company from a director for \$385,000 upon exercising its right of first refusal pursuant to a restricted stock bonus award agreement, and 2,500 shares of common stock acquired on November 25, 2017 from an employee for \$57,625 upon exercising its right of first refusal pursuant to a restricted stock bonus award agreement.
- (2) Consists of 55 shares of common stock withheld on December 20, 2017 to satisfy employee tax withholding in the amount of \$1,315 upon vesting of restricted stock.

On June 30, 2014, the Company announced that it had been authorized to purchase up to 800,000 shares of its common stock from time to time in the open market. As of December 31, 2017, the Company may purchase 751,153 shares of its common stock under this authorization. No specific expiration date has been assigned to the authorization.

Performance Graph

The graph below matches Universal Logistics Holdings, Inc.'s cumulative 5-year total shareholder return on common stock with the cumulative total returns of the NASDAQ Composite index and the NASDAQ Transportation index. The graph tracks the performance of a \$100 investment in our common stock and in each index (with the reinvestment of all dividends) from December 31, 2012 to December 31, 2017.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Universal Logistics Holdings, Inc., the NASDAQ Composite Index
and the NASDAQ Transportation Index



*\$100 invested on 12/31/12 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

	12/12	12/13	12/14	12/15	12/16	12/17
Universal Logistics Holdings, Inc.	100.00	168.03	158.76	79.28	94.15	139.25
NASDAQ Composite.....	100.00	141.63	162.09	173.33	187.19	242.29
NASDAQ Transportation.....	100.00	133.76	187.65	162.30	193.79	248.92

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

ITEM 6: SELECTED FINANCIAL DATA

The following table sets forth the selected historical financial and operating data as of and for the periods presented. The selected historical balance sheet data at December 31, 2017, 2016, 2015, 2014 and 2013 and the selected historical statement of income data for the years ended December 31, 2017, 2016, 2015, 2014 and 2013 have been derived from our audited consolidated financial statements. The selected historical financial and operating data presented below should be read in conjunction with the information included under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included elsewhere in this Form 10-K. The following financial and operating data may not be indicative of our future performance.

	Years ended December 31,				
	2017	2016	2015	2014	2013
	(In thousands, except per share information, operating data and percentages)				
Statements of Income Data:					
Operating revenues.....	\$ 1,216,665	\$ 1,072,751	\$ 1,128,773	\$ 1,191,521	\$ 1,033,492
Operating expenses:					
Purchased transportation and equipment rent.....	577,485	509,775	567,558	615,327	560,024
Direct personnel and related benefits.....	314,364	265,316	222,454	214,640	187,241
Operating supplies and expenses.....	115,420	103,013	113,545	124,456	83,769
Commission expense.....	33,213	32,350	37,844	43,922	39,248
Occupancy expense.....	30,575	31,923	27,004	25,063	20,049
General and administrative.....	31,518	29,368	30,687	28,234	19,740
Insurance and claims (8).....	41,881	17,724	21,413	25,991	19,242
Depreciation and amortization.....	46,995	36,702	34,873	33,053	19,686
Total operating expenses.....	<u>1,191,451</u>	<u>1,026,171</u>	<u>1,055,378</u>	<u>1,110,686</u>	<u>948,999</u>
Income from operations.....	25,214	46,580	73,395	80,835	84,493
Interest income.....	92	157	55	46	130
Interest expense.....	(9,538)	(8,266)	(9,235)	(8,229)	(4,166)
Other non-operating income.....	<u>1,373</u>	<u>934</u>	<u>790</u>	<u>447</u>	<u>459</u>
Income before for income taxes.....	17,141	39,405	65,005	73,099	80,916
Income tax (benefit) expense.....	(11,012)	15,161	25,004	27,729	30,344
Net income.....	<u>\$ 28,153</u>	<u>\$ 24,244</u>	<u>\$ 40,001</u>	<u>\$ 45,370</u>	<u>\$ 50,572</u>
Earnings per common share:					
Basic.....	\$ 0.99	\$ 0.85	\$ 1.37	\$ 1.51	\$ 1.68
Diluted.....	\$ 0.99	\$ 0.85	\$ 1.37	\$ 1.51	\$ 1.68
Weighted average number of common shares outstanding:					
Basic.....	28,425	28,411	29,233	30,013	30,064
Diluted.....	28,428	28,411	29,235	30,044	30,160
Dividends paid per common share.....	<u>\$ 0.28</u>	<u>\$ 0.28</u>	<u>\$ 0.28</u>	<u>\$ 0.28</u>	<u>\$ 0.14</u>
Balance Sheet Data (at end of period):					
Cash and cash equivalents.....	\$ 1,672	\$ 1,755	\$ 12,930	\$ 8,001	\$ 10,223
Total assets.....	\$ 610,592	\$ 570,457	\$ 503,155	\$ 529,014	\$ 490,136
Total debt.....	\$ 249,239	\$ 262,850	\$ 234,913	\$ 235,298	\$ 237,500

Years ended December 31,

	2017	2016	2015	2014	2013
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(In thousands, except per share information, operating data and percentages)

Other Data:

EBITDA (1)	\$ 73,582	\$ 84,216	\$ 109,058	\$ 114,335	\$ 104,638
EBITDA margin (4)	6.0%	7.9%	9.7%	9.6%	10.1%
Adjusted EBITDA (1)	\$ 90,937	\$ 84,216	\$ 109,058	\$ 114,335	\$ 105,361
Adjusted EBITDA margin (4)	7.5%	7.9%	9.7%	9.6%	10.2%
Operating margin (4)	2.1%	4.3%	6.5%	6.8%	8.2%
Adjusted operating margin (4)	3.5%	4.3%	6.5%	6.8%	8.2%
Return on average assets (5)	4.8%	4.5%	7.8%	8.9%	12.4%
Average number of employees	7,253	5,573	4,397	4,219	3,449
Average number of full time equivalents	1,731	2,172	1,606	1,528	1,786
Average number of tractors	3,996	4,335	4,142	4,180	4,123
Number of value-added programs	50	47	49	45	43
Number of agents (6)	232	253	264	288	307
Operating revenues per loaded mile (7)	\$ 2.89	\$ 2.72	\$ 2.96	\$ 3.21	\$ 2.96
Operating revenues per load (7)	\$ 822	\$ 730	\$ 809	\$ 850	\$ 794
Average length of haul (in miles) (7)	284	269	274	265	269
Number of loads (7)	967,378	941,170	932,165	951,884	926,171
Fuel surcharge revenues (where separately identified)	\$ 59,511	\$ 50,869	\$ 75,743	\$ 119,749	\$ 118,594

(1) In addition to providing consolidated financial statements based on generally accepted accounting principles in the United States of America (GAAP), we are providing additional financial measures that are not required by or prepared in accordance with GAAP (non-GAAP). We present adjusted income from operations, EBITDA and adjusted EBITDA as supplemental measures of our performance. We define adjusted income from operations as income from operations adjusted to eliminate the impact of certain items that we do not consider indicative of our ongoing operating performance, including charges related to certain on-going litigation taken in 2017, and transaction and other costs related to our acquisition of Westport in 2013. We define EBITDA as net income plus (i) interest expense, net, (ii) provision for income taxes and (iii) depreciation and amortization. Adjusted EBITDA is further adjusted to eliminate the impact of certain items that we do not consider indicative of our ongoing operating performance, including charges taken related to certain on-going litigation in 2017. These further adjustments are itemized below. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating adjusted income from operations, EBITDA and adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of adjusted income from operations, EBITDA and adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

In accordance with the requirements of Regulation G issued by the Securities and Exchange Commission, we are presenting the most directly comparable GAAP financial measure and reconciling the non-GAAP financial measure to the comparable GAAP measure. Set forth below is a reconciliation of income from operations, the most comparable GAAP measure, to adjusted income from operations; and of net income, the most comparable GAAP measure, to EBITDA and adjusted EBITDA for each of the periods indicated:

	Years ended December 31,				
	2017	2016	2015	2014	2013
	(In thousands, except per share information, operating data and percentages)				
Adjusted income from operations					
Income from operations	\$ 25,214	\$ 46,580	\$ 73,395	\$ 80,835	\$ 84,493
Transaction and other costs (2)	—	—	—	—	723
Litigation charges (3)	17,355	—	—	—	—
Adjusted income from operations	<u>\$ 42,569</u>	<u>\$ 46,580</u>	<u>\$ 73,395</u>	<u>\$ 80,835</u>	<u>\$ 85,216</u>
Adjusted EBITDA					
Net income	\$ 28,153	\$ 24,244	\$ 40,001	\$ 45,370	\$ 50,572
Income tax (benefit) expense	(11,012)	15,161	25,004	27,729	30,344
Interest expense, net	9,446	8,109	9,180	8,183	4,036
Depreciation and amortization	46,995	36,702	34,873	33,053	19,686
EBITDA	73,582	84,216	109,058	114,335	104,638
Merger transaction costs (2)	—	—	—	—	723
Litigation charges (3)	17,355	—	—	—	—
Adjusted EBITDA	<u>\$ 90,937</u>	<u>\$ 84,216</u>	<u>\$ 109,058</u>	<u>\$ 114,335</u>	<u>\$ 105,361</u>

We present adjusted income from operations and adjusted EBITDA in this Form 10-K because we believe they assist investors and analysts in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance.

These performance metrics have limited utility as analytical tools. Some of these limitations are:

- Adjusted income from operations and adjusted EBITDA do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- Adjusted income from operations and adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted income from operations and adjusted EBITDA do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and adjusted EBITDA does not reflect any cash requirements for such replacements;
- Adjusted income from operations and adjusted EBITDA do not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; and
- Other companies in our industry may calculate adjusted income from operations and adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, adjusted income from operations and adjusted EBITDA should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and using adjusted income from operations and adjusted EBITDA as secondary, supplemental measures.

- (2) Represents transaction and other costs incurred that were directly related to the acquisitions of Westport in December 2013.
- (3) Represents charges recorded in the third quarter of 2017 related to certain on-going litigation.
- (4) Operating margin, adjusted operating margin, EBITDA margin, and adjusted EBITDA margin are computed by dividing income from operations, adjusted income from operations, EBITDA, and adjusted EBITDA, respectively, by total operating revenues for each of the periods indicated.
- (5) Net income divided by total average assets during the period. Average assets are the sum of our total assets at the end of the fiscal year and our total assets at the end of the prior fiscal year divided by two.
- (6) Includes only those agents who generated at least \$100,000 in operating revenues during the period indicated.
- (7) Includes fuel surcharges, where separately identifiable, and excludes Universal Logistics Solutions International, Inc., in order to improve the relevance of the statistical data related to our brokerage services and improve the comparability to our peer companies. Also excludes final mile delivery and shuttle service loads.
- (8) See Item 8, Note 13 to the Consolidated Financial Statements for further information.

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

Overview

We are a leading asset-light provider of customized transportation and logistics solutions throughout the United States, and in Mexico, Canada and Colombia. We provide a comprehensive suite of transportation and logistics solutions that allow our customers to reduce costs and manage their global supply chains more efficiently. We market our services through a direct sales and marketing network focused on selling our portfolio of services to large customers in specific industry sectors, through a contract network of agents who solicit freight business directly from shippers, and through company-managed facilities and full-service freight forwarding and customs house brokerage offices.

Our network of agents and owner-operators is located throughout the United States and in Ontario, Canada, and we operate, manage or provide services at 94 logistics locations in the United States, Mexico, Canada and Colombia. Fourteen of our value-added service operations are located inside customer plants or distribution operations; the other facilities are generally located close to our customers' plants to optimize the efficiency of their component supply chains and production processes. Our facilities and services are often directly integrated into the production processes of our customers and represent a critical piece of their supply chains. To support our asset-light business model, we generally coordinate the duration of real estate leases associated with our value-added services with the end date of the related customer contract associated with such facility, or use month-to-month leases, in order to mitigate exposure to unrecovered lease costs.

We offer our customers a wide range of transportation services by utilizing a diverse fleet of tractors and trailing equipment provided by us, our owner-operators and third-party transportation companies. Our owner-operators provided us with approximately 2,850 tractors and 1,740 trailers. We own approximately 935 tractors, 4,000 trailers, 1,025 chassis and 800 containers. Our agents and owner-operators are independent contractors who earn a fixed commission calculated as a percentage of the revenue or gross profit they generate for us and who bring an entrepreneurial spirit to our business. Our transportation services are provided through a network of both union and non-union employee drivers, owner-operators, contract drivers, and third-party transportation companies.

As of December 31, 2017, we employed 8,231 people in the United States, Mexico, Canada, and Colombia, including 2,518 employees subject to collective bargaining agreements. We also engaged contract staffing vendors to supply an average of 1,731 additional personnel on a full-time-equivalent basis.

Our use of agents, owner-operators, third-party providers and contract staffing vendors allows us to maintain both a highly flexible cost structure and a scalable business operation, while reducing investment requirements. These benefits are passed on to our customers in the form of cost savings and increased operating efficiency, while enhancing our cash generation and the returns on our invested capital and assets.

We believe that our flexible business model also offers us substantial opportunities to grow through a mixture of organic growth and acquisitions. We intend to continue our organic growth by recruiting new agents and owner-operators, expanding into new industry verticals and targeting further penetration of our key customers. We believe our integrated suite of transportation and logistics services, our network of facilities in the United States, Mexico, Canada, and Colombia, our long-term customer relationships and our reputation for operational excellence will allow us to capitalize on these growth opportunities. We also expect to continue to make strategic acquisitions of companies that complement our asset light business model, as well as companies that derive a portion of their revenues from asset based operations.

Factors Affecting Our Revenues

Operating Revenues. We generate substantially all of our revenues through fees charged to customers for the transportation of freight and for the customized logistics services we provide. We also derive revenue from fuel surcharges, where separately identifiable, loading and unloading activities, equipment detention, container management and storage and other related services. Operations aggregated in our transportation segment are associated with individual freight shipments coordinated by our agents, company-managed terminals and specialized services operations. In contrast, operations aggregated in our logistics segment deliver value-added services and transportation services to specific customers on a dedicated basis, generally pursuant to contract terms of one year or longer. Our segments are distinguished by the amount of forward visibility we have in regards to pricing and volumes, and also by the extent to which we dedicate resources and company-owned equipment. Fees charged to customers by our full service international freight forwarding and customs house brokerage are based on the specific means of forwarding or delivering freight on a shipment-by-shipment basis.

Our transportation revenues are primarily influenced by fluctuations in freight volumes and shipping rates. The main factors that affect these are competition, available truck capacity, and economic market conditions. Our value-added contract business is substantially driven by the level of demand for outsourced logistics services. Major factors that affect our revenues include changes in manufacturing supply chain requirements, production levels in specific industries, pricing trends due to levels of competition and resource costs in logistics and transportation, and economic market conditions.

We recognize revenue on a gross basis at the time that persuasive evidence of an arrangement with our customer exists, sales price is fixed and determinable, and collectability is reasonably assured. Our revenue is recognized at the time of delivery to the receiver's location, or for service arrangements, after the related services have been rendered.

Factors Affecting Our Expenses

Purchased transportation and equipment rent. Purchased transportation and equipment rent represents the amounts we pay to our owner-operators or other third party equipment providers to haul freight and, to the extent required to deliver certain logistics services, the cost of equipment leased under short-term contracts from third parties. The amount of the purchased transportation we pay to our owner-operators is primarily based on a contractually agreed-upon percentage of our revenue for each load hauled, net of any rental income we receive by leasing our trailers to owner-operators. The expense also includes the amount of fuel surcharges, where separately identifiable, that we receive from our customers and pass through to our owner-operators. Our strategy is to maintain a highly flexible business model that employs a cost structure that is mostly variable in nature. As a result, purchased transportation and equipment rent is the largest component of our costs and increases or decreases proportionately with changes in the amount of revenue generated by our owner-operators and other third party providers and with the production volumes of our customers. We recognize purchased transportation and equipment rent as the services are provided.

Direct personnel and related benefits. Direct personnel and related benefits include the salaries, wages and fringe benefits of our employees, as well as costs related to contract labor utilized in selling and operating activities. These costs are a significant component of our cost structure and increase or decrease proportionately with the expansion, addition or closing of operating facilities. As of December 31, 2017, approximately 19% of our employees in the United States, Canada and Colombia, and 95% of our employees in Mexico were subject to collective bargaining agreements. Any changes in union agreements will affect our personnel and related benefits cost. The operations in the United States, Mexico and Canada that are subject to collective bargaining agreements have separate, individualized agreements with several different unions that represent employees in these operations. While there are some facilities with multiple unions, each collective bargaining agreement with each union covers a single facility for that union. Such agreements have expiration dates that are generally independent of other collective bargaining agreements and include economics and operating terms tailored to the specific operational requirements of a customer. Our operation in Mexico provides competitive compensation within the Mexican statutory framework for managerial and supervisory personnel.

Operating supplies and expenses. These expenses include items such as fuel, tires and parts repair items primarily related to the maintenance of company owned/leased tractors, trailers and lift equipment, as well as licenses, dock supplies, communication, utilities, operating taxes and other general operating expenses. Because we maintain a flexible business model, our operating expenses generally relate to equipment utilization, fluctuations in customer demand and the related impact on our operating capacity. Our transportation services provided by company owned equipment depend on the availability and pricing of diesel fuel. Although we often include fuel surcharges in our billing to customers to offset increases in fuel costs, other operating costs have been, and may continue to be, impacted by fluctuating fuel prices. We recognize these expenses as they are incurred and the related income as it is earned.

Commission expense. Commission expense represents the amount we pay our agents for generating shipments on our behalf. The commissions we pay to our agents are generally established through informal oral agreements and are based on a percentage of revenue or gross profit generated by each load hauled. Traditionally, commission expense increases or decreases in proportion to the revenues generated through our agents. We recognize commission expense at the time we recognize the associated revenue.

Occupancy expense. Occupancy expense includes all costs related to the lease and tenancy of terminals and operating facilities, except utilities, unless such costs are otherwise covered by our customers. Although occupancy expense is generally related to fluctuations in overall customer demand, our contracting and pricing strategies help mitigate the cost impact of changing production volumes. To minimize potential exposure to inactive or underutilized facilities that are dedicated to a single customer, we strive where possible to enter into lease agreements that are coterminous with individual customer contracts, and we seek contract pricing terms that recover fixed occupancy costs, regardless of production volume. Occupancy expense may also include certain lease termination and related occupancy costs that are accelerated for accounting purposes into the fiscal year in which such a decision was implemented.

General and administrative expense. General and administrative expense includes the salaries, wages and benefits of administrative personnel, related support costs, taxes (other than income and property taxes), adjustments due to foreign currency transactions, bad debt expense, and other general expenses, including gains or losses on the sale or disposal of assets. These expenses are generally not directly related to levels of operating activity and may contain non-recurring or one-time expenses related to general business operations. We recognize general and administrative expense when it is incurred.

Insurance and claims. Insurance and claims expense represents our insurance premiums and the accruals we make for claims within our self-insured retention amounts. Our insurance premiums are generally calculated based on a mixture of a percentage of line-haul revenue and the size of our fleet. Our accruals have primarily related to cargo and property damage claims. We may also make accruals for personal injuries and property damage to third parties, physical damage to our equipment, general liability and workers' compensation claims if we experience a claim in excess of our insurance coverage. To reduce our exposure to non-trucking use liability claims (claims incurred while the vehicle is being operated without a trailer attached or is being operated with an attached trailer which does not contain or carry any cargo), we require our owner-operators to maintain non-trucking use liability coverage, which the industry refers to as deadhead bobtail coverage, of \$2.0 million per occurrence. Our exposure to liability associated with accidents incurred by other third party providers who haul freight on our behalf is reduced by various factors including the extent to which they maintain their own insurance coverage. Our insurance expense varies primarily based upon the frequency and severity of our accident experience, insurance rates, our coverage limits and our self-insured retention amounts.

Depreciation and amortization. Depreciation and amortization expense relates primarily to the depreciation of owned tractors, trailers, computer and operating equipment, and buildings as well as the amortization of the intangible assets recorded for our acquired customer contracts and customer and agent relationships. We estimate the salvage value and useful lives of depreciable assets based on current market conditions and experience with past dispositions.

Operating Revenues

We broadly group our services into the following categories: truckload services, brokerage services, intermodal services, dedicated services and value-added services. Our truckload, brokerage and intermodal services associated with individual freight shipments coordinated by our agents and company-managed terminals are generally aggregated into our reportable transportation segment, while our dedicated and value-added services to specific customers on a contractual basis make up our logistics segment. The following table sets forth operating revenues resulting from each of these service categories for the years ended December 31, 2017, 2016 and 2015, presented as a percentage of total operating revenues:

	Years ended December 31,		
	2017	2016	2015
Operating revenues:			
Truckload services	24.9%	26.2%	31.7%
Brokerage services.....	22.9%	20.5%	18.0%
Intermodal services.....	12.6%	13.3%	13.2%
Dedicated services	7.7%	8.9%	8.4%
Value-added services	31.9%	31.1%	28.7%
Total operating revenues	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Results of Operations

The following table sets forth items derived from our Consolidated Statements of Income for the years ended December 31, 2017, 2016 and 2015, presented as a percentage of operating revenues:

	Years ended December 31,		
	2017	2016	2015
Operating revenues	100.0%	100.0%	100.0%
Operating expenses:			
Purchased transportation and equipment rent.....	47.5	47.5	50.3
Direct personnel and related benefits	25.8	24.7	19.7
Operating supplies and expenses	9.5	9.6	10.1
Commission expense	2.7	3.0	3.4
Occupancy expense	2.5	3.0	2.4
General and administrative	2.6	2.7	2.7
Insurance and claims	3.4	1.7	1.9
Depreciation and amortization.....	3.9	3.4	3.1
Total operating expenses.....	97.9	95.7	93.5
Income from operations	2.1	4.3	6.5
Interest and other non-operating income (expense), net	(0.7)	(0.6)	(0.7)
Income before for income taxes	1.4	3.7	5.8
Income tax (benefit) expense	(0.9)	1.4	2.3
Net income	2.3%	2.3%	3.5%

2017 Compared to 2016

Operating revenues. Operating revenues for 2017 increased \$143.9 million, or 13.4%, to \$1.216 billion from \$1.073 billion during the same period last year. Included in operating revenues are separately-identified fuel surcharges of \$59.5 million for 2017 compared to \$50.9 million for 2016. Revenues from our transportation segment increased \$93.8 million, or 14.3%, while income from operations decreased \$7.9 million. The decrease in income was primarily attributable to \$17.4 million of accruals made for on-going legal matters. In our logistics segment, revenues increased \$50.1 million, or 12.1% over the same period last year, while income from operations decreased \$17.1 million. Operating income in our logistics segment was negatively impacted by certain large underperforming value-added operations, including a program we ultimately exited in Mexico. Overall, consolidated operating revenues increased due to several factors including significant operations in support of passenger vehicle and heavy-truck programs, a strong pricing environment across our transportation services and an increase in fuel surcharges. However, consolidated income from operations decreased by \$21.4 million to \$25.2 million for 2017 compared to \$46.6 million during the same period last year. The decrease is primarily attributable to lower operating margins, extended launch costs at key value-added operations, operating losses in our Mexican value-added operations, and \$17.4 million of charges associated with on-going litigation in our transportation business.

Operating revenues from truckload services increased \$21.7 million to \$302.9 million during 2017, compared to \$281.2 million for the same period last year. Included in truckload revenues during 2017 were \$28.4 million in separately-identified fuel surcharges compared to \$23.0 million during the same period last year. During the year, Universal's average operating revenue per load, excluding fuel surcharges, increased 9.4% to \$874, primarily due to an increase in revenue per mile. These increases were partially offset by a 1.1% decrease in the number of loads hauled. During 2017, Universal hauled 314,530 loads compared to 318,185 during the same period last year.

Revenues during 2017 from brokerage services increased \$58.3 million, or 26.5%, to \$278.2 million compared to \$219.9 million during the same period last year. The growth is due to increases in the average operating revenue per load and in the number of loads hauled, driven in part by our support of hurricane relief efforts. During 2017, Universal brokered \$8.3 million in loads for the Federal Emergency Management Agency. Overall, Universal's average operating revenue per load from brokerage services during 2017 increased 13.8% to \$1,420, up from \$1,248 in 2016. The number of brokerage loads hauled during 2017 increased 15.2% to 185,892 compared to 161,297 during the same period last year.

Intermodal services revenues increased \$10.7 million to \$153.7 million during 2017, up from \$143.0 million during the same period last year. The increase reflects a \$2.2 million increase in fuel surcharges and an increase in the number of loads hauled. Compared to the same period last year, the number of intermodal loads hauled during 2017 increased by 3.7%.

Operating revenues from dedicated services in 2017 declined \$1.8 million to \$93.5 million compared to \$95.3 million in the prior year. The decrease is primarily due to a 7.9% decrease in the number of loads hauled and a decrease in fuel surcharges. Included in dedicated revenues in 2017 were \$12.9 million in separately-identified fuel surcharges compared to \$11.9 million during the same period last year. The overall decrease in dedicated services revenue was partially offset by a 2.6% increase in average operating revenue per load, excluding fuel surcharges.

Value-added services revenues increased \$55.0 million to \$388.3 million during 2017 compared to \$333.3 million in the same period last year. Our continued support of major customer vehicle programs, as well as improvements in our heavy-truck operations positively impacted top-line revenues in Universal's value-added service category. Overall, valued-added services grew by 16.5% compared to the same period last year.

Purchased transportation and equipment rent. Purchased transportation and equipment rental costs for 2017 increased by \$67.7 million, or 13.3%, to \$577.5 million from \$509.8 million during the same period last year. Purchased transportation and equipment rent generally increases or decreases in proportion to the revenues generated through owner-operators and other third party providers, and is generally correlated with changes in demand for transportation-related services, which includes truckload, brokerage, intermodal and dedicated services. The absolute increase in purchased transportation and equipment rental costs was primarily the result of an increase in transportation-related service revenues. As a percentage of operating revenues, purchased transportation and equipment rent expense remained consistent at 47.5% for both years.

Direct personnel and related benefits. Direct personnel and related benefits for 2017 increased by \$49.1 million, or 18.5%, to \$314.4 million compared to \$265.3 million during the same period last year. Trends in these expenses are generally correlated with changes in operating facilities and headcount requirements and, therefore, increase and decrease with the level of demand for our value-added services and staffing needs of our operations. As a percentage of operating revenues, personnel and related benefits increased to 25.8% for 2017, compared to 24.7% for 2016. The percentage is derived on an aggregate basis from both existing and new programs, and from customer operations at various stages in their lifecycles. Individual operations may be impacted by additional production shifts or by overtime at selected operations. While generalizations about the impact of personnel and related benefits costs as a percentage of total revenue are difficult, we manage compensation and staffing levels, including the use of contract labor, to maintain target economics based on near-term projections of demand for our services.

Operating supplies and expenses. Operating supplies and expenses increased by \$12.4 million, or 12.0%, to \$115.4 million for 2017 compared to \$103.0 million for 2016. These expenses include items such as fuel, maintenance, cost of materials, communications, utilities and other operating expenses, and generally relate to fluctuations in customer demand. The increase in operating supplies and expenses was primarily the result of increases in travel and meals cost of \$4.6 million, largely associated with our Mexican value-added operations, as well as extended launch costs. Included in the overall increase is also a \$2.9 million increase in material costs in operations supporting heavy-truck. Additional elements of the increase are increases in vehicle maintenance of \$2.2 million, fuel expense on company equipment of \$1.0 million and utilities of \$0.4 million.

Commission expense. Commission expense for 2017 increased by \$0.8 million, or 2.5%, to \$33.2 million from \$32.4 million for 2016. Commission expense generally increases or decreases in proportion to our transportation-related services, except in cases where we generate a higher proportion of our revenues at company-managed terminals where no commissions are paid. As a percentage of operating revenues, commission expense decreased to 2.7% for 2017, compared to 3.0% one year earlier. During 2017, a higher proportion of transportation revenues were generated at company-managed terminals.

Occupancy expense. Occupancy expenses decreased by \$1.3 million, or 4.1%, to \$30.6 million for 2017. This compares to \$31.9 million for 2016. Occupancy expense remained relatively stable, while we experienced a modest decrease in building rents and property taxes.

General and administrative. General and administrative expense for 2017 increased by \$2.1 million, or 7.1%, to \$31.5 million from \$29.4 million during the same period last year. As a percentage of operating revenues, general and administrative expense was 2.6% for 2017 compared to 2.7% for 2016. Included in the overall increase was a \$1.8 million charge for on-going legal matters.

Insurance and claims. Insurance and claims expense for 2017 increased by \$24.2 million to \$41.9 million from \$17.7 million in 2016. Included in the increase was a \$15.6 million charge for an on-going legal matter. In addition, we experienced a \$7.7 million increase in cargo, scrap and service claims expense primarily related to our value-added operations, of which \$5.0 million was in our Mexico operations. As a percentage of operating revenues, insurance and claims increased to 3.4% for 2017 compared to 1.7% for 2016.

Depreciation and amortization. Depreciation and amortization expense for 2017 increased by \$10.3 million, or 28.1%, to \$47.0 million from \$36.7 million for 2016. The increase was primarily due to elevated levels of capital expenditures in recent years. The

increase in depreciation expense was partially offset by reductions in amortization expense as certain intangible assets became fully amortized.

Interest expense, net. Net interest expense was \$9.4 million for 2017 compared to \$8.1 million for 2016. The increase of net interest expense reflects an increase in interest rates on our variable rate debt. As of December 31, 2017, our outstanding borrowings totaled \$249.2 million compared to \$262.8 million at the same time last year.

Other non-operating income. Other non-operating income was \$1.4 million for 2017 compared to \$0.9 million for 2016. Included in other non-operating income during 2017 were \$0.9 million of gains on the sale of marketable securities compared to \$0.4 million during the same period last year.

Income tax (benefit) expense. The provision for income taxes resulted in a \$11.0 million tax benefit in 2017, compared to income tax expense of \$15.2 million for 2016, based on an effective tax rate of (64.2%) and 38.5%, respectively. The decrease in income taxes in 2017 is the result of a \$18.2 million income tax benefit representing management's estimate of the net impact of the Tax Cuts and Jobs Act enacted during the fourth quarter of 2017.

2016 Compared to 2015

Operating revenues. Operating revenues for 2016 decreased by \$56.0 million, or 5.0%, to \$1.073 billion from \$1.129 billion for 2015. Included in operating revenues are fuel surcharges, where separately identifiable, of \$50.9 million for 2016, which compares to \$75.7 million for 2015. Revenues from our transportation segment decreased \$64.9 million, or 9.0%, and income from operations decreased \$6.3 million, or 21.9%, compared to 2015. The transportation segment experienced a decrease primarily due to decreases in fuel surcharges and weakness in our energy and domestic steel markets, both of which adversely impacted our flatbed operations. Revenues from our logistics segment increased \$8.1 million, or 2.0%, over 2015, while income from operations decreased \$16.2 million, or 36.9%, to \$27.7 million. This decrease was largely attributable to a \$13.8 million year-over-year decline in operating income attributable to value-added operations supporting the heavy-truck market, which are included in our logistics segment. Overall, consolidated operating revenues decreased due to several factors including weakness in our energy and domestic steel markets, a weak pricing environment across our transportation services, and a decrease in fuel surcharges. Consolidated income from operations decreased by \$26.8 million to \$46.6 million for 2016 compared to \$73.4 million for the year prior. The decrease is primarily attributable to lower operating margins resulting from of a weak pricing environment in transportation services, higher than expected launch costs at new value-added operations, and a slow-down in our operations supporting the heavy-truck market.

Operating revenues from truckload services decreased \$76.6 million to \$281.2 million during 2016, compared to \$357.8 million for the prior year. Included in truckload revenues during 2016 were \$23.0 million in separately-identified fuel surcharges compared to \$37.9 million during the same period last year. During 2016, Universal's average operating revenue per load, excluding fuel surcharges, decreased 16.7% to \$799, primarily due to a weak pricing environment. The number of loads hauled decreased 4.6% in 2016. Universal hauled 318,185 loads during 2016 compared to 333,647 during the prior year.

Revenues during 2016 from brokerage services increased \$17.3 million, or 8.5%, to \$219.9 million compared to \$202.6 million during the prior year. The growth is due to an increase in the number of loads hauled. The number of brokerage loads hauled during 2016 increased 24.4% to 161,297 compared to 129,664 during the prior year. Partially offsetting the increase is a decrease in the average operating revenue per load. Universal's average operating revenue per load from brokerage services decreased 9.7% to \$1,248 during 2016, down from \$1,382 during 2015.

Intermodal services revenues decreased \$6.4 million to \$143.0 million during 2016, down from \$149.4 million during the prior year. The decrease reflects a \$7.0 million decrease in fuel surcharges. Partially offsetting the decrease in fuel surcharges is an increase in the number of loads hauled to 334,622 in 2016 compared to 330,334 during the prior year.

Operating revenues from dedicated services in 2016 increased \$0.3 million to \$95.3 million compared to \$95.0 million one year earlier. The increase is primarily due to a 15.0% increase the number of loads hauled; however, a decrease in fuel surcharges partially offset this increase. Included in dedicated revenues in 2016 were \$11.9 million in separately-identified fuel surcharges compared to \$14.6 million during the prior year.

Value-added services revenues increased \$9.3 million to \$333.3 million during 2016 compared to \$324.0 million in the prior year. Our continued support of major customer vehicle programs contributed to the increase in valued-added service revenues, despite a \$30.9 million decrease in revenues supporting the heavy-truck market. Overall, valued-added services grew by 2.9% compared to the prior year.

Purchased transportation and equipment rent. Purchased transportation and equipment rental costs for 2016 decreased by \$57.8 million, or 10.2%, to \$509.8 million from \$567.6 million for 2015. Purchased transportation and equipment rent generally increases or decreases in proportion to the revenues generated through owner-operators and other third party providers, and is generally correlated with changes in demand for transportation and intermodal services. The overall decrease of purchased transportation and equipment rental costs is due to the decline of transportation and intermodal revenue volumes and in fuel surcharge revenues, which are typically passed on to our owner-operators. Combined, transportation and intermodal service revenues decreased 8.7% to \$770.5 million for 2016 compared to \$843.5 million for 2015. As a percentage of operating revenues, purchased transportation and equipment rent decreased to 47.5% for 2016 from 50.3% for 2015. As a percentage of operating revenue, the decrease is due to a change in the business mix. For 2016, transportation and intermodal services revenues accounted for 71.8% of total operating revenues compared to 74.7% for prior year.

Direct personnel and related benefits. Direct personnel and related benefit costs for 2016 increased by \$42.8 million, or 19.2%, to \$265.3 million compared to \$222.5 million for 2015. Trends in these expenses are generally correlated with changes in operating facilities and headcount requirements and, therefore, increase and decrease with the level of demand for our value-added services and staffing needs of our operations. The absolute increase is primarily attributable to additional labor costs as we launch new value-added business awards. As a percentage of operating revenues, personnel and related benefits expenses increased to 24.7% for 2016, compared to 19.7% for 2015. The percentage is derived on an aggregate basis from both existing and new programs and from customer operations at various stages in their lifecycles. Individual operations may be impacted by additional production shifts or by overtime at selected operations. While generalizations about the impact of personnel and related benefits costs as a percentage of total operating revenues are difficult, we manage compensation and staffing levels, including the use of contract labor, to maintain target economics based on near-term projections of demand for our services. We employed an average of 5,573 people in the United States, Mexico, Canada and Colombia in 2016 compared to 4,397 during 2015. We also engaged, on average, the full-time equivalency of 2,172 people on a contract basis compared to 1,606 in 2015.

Operating supplies and expenses. Operating supplies and expenses decreased \$10.5 million, or 9.3%, to \$103.0 million for 2016, compared to \$113.5 million for 2015. As a percentage of operating revenues, operating expenses decreased to 9.6% for 2016 from 10.1% for 2015. These expenses include items such as fuel, maintenance, cost of materials, communications, utilities and other general expenses, and generally relate to fluctuations in customer demand. The decrease in operating expenses was primarily due to decreases in fuel expense on company-owned equipment of \$4.8 million, repair and maintenance costs of \$4.5 million, other operating expenses of \$2.9 million, and highway use and fuel taxes of \$1.0 million.

Commission expense. Commission expense for 2016 decreased by \$5.4 million, or 14.3%, to \$32.4 million from \$37.8 million for 2015. The absolute decrease was primarily due to the decrease in our operating revenues from transportation services. Commission expense generally increases or decreases in proportion to our transportation and intermodal revenues, excluding where we generate a higher proportion of our revenues at company-managed terminals. As a percentage of operating revenues, commission expense decreased to 3.0% for 2016 compared to 3.4% for 2015. As a percentage of operating revenues, the decrease in commission expense is due to a shift in the mix of revenues generated by company-managed locations and in value-added services where no commissions are paid.

Occupancy expenses. Occupancy expenses for 2016 increased by \$4.9 million, or 18.1%, to \$31.9 million from \$27.0 million for 2015. As a percentage of operating revenues, occupancy expense increased to 3.0% for 2016 compared to 2.4% for 2015. At December 31, 2016, we leased 29 value-added service locations compared to 32 at December 31, 2015. While the number of leased facilities declined, the absolute increase in occupancy expense is due to the increased scale of several operations in order to support the expanded scope of customer programs.

General and administrative. General and administrative expense for 2016 decreased by \$1.3 million, or 4.2%, to \$29.4 million from \$30.7 million for 2015. As a percentage of operating revenues, general and administrative expense remained consistent at 2.7% for each 2016 and 2015. The absolute decrease is primarily the result of a decreases in our professional fees expense of \$1.7 million. Minor fluctuations in other expense categories reflect our efforts to maintain stable overhead expenditures while expanding the business.

Insurance and claims. Insurance and claims expense for 2016 decreased by \$3.7 million, or 17.3%, to \$17.7 million from \$21.4 million for 2015. As a percentage of operating revenues, insurance and claims decreased to 1.7% for 2016 compared to 1.9% for 2015. The absolute decrease was primarily the result of decreases in our auto liability insurance premiums and claims expense of \$2.9 million and in our cargo and service claims expense of \$0.8 million.

Depreciation and amortization. Depreciation and amortization expense for 2016 increased by \$1.8 million, or 5.2%, to \$36.7 million from \$34.9 million for 2015. The absolute increase is primarily the result of increases in capital investments throughout 2016

compared to historical trends. These increases were partially offset by decreases in certain other intangible assets becoming fully amortized during the year.

Interest expense, net. Net interest expense was \$8.1 million for 2016 compared to \$9.2 million for 2015. Included in the prior year were \$1.3 million of capitalized finance costs that were written-off resulting from our December 2015 debt refinancing. At December 31, 2016, we had outstanding borrowings totaling \$262.8 million compared to \$234.9 million outstanding at December 31, 2015.

Other non-operating income. Other non-operating income was \$0.9 million for 2016 compared to \$0.8 million for 2015. Included in other non-operating income were \$0.4 million of gains on the sale of marketable securities for 2016 compared to \$0.3 million for 2015.

Income tax (benefit) expense. Income tax expense for 2016 was \$15.2 million compared to \$25.0 million for 2015, based on an effective tax rate of 38.5% in each of the periods.

Liquidity and Capital Resources

Our primary sources of liquidity are funds generated by operations, loans and extensions of credit under our credit facilities, on margin against our marketable securities and from installment notes, and proceeds from the sales of marketable securities. We use secured, asset lending to fund a substantial portion of purchases of tractors, trailers and material handling equipment.

We employ an asset-light operating strategy which we believe lowers our capital expenditure requirements. In general, our facilities used in our value-added services are leased on terms that are either substantially matched to our customer's contracts, are month-to-month or are provided to us by our customers. We also utilize owner-operators and third-party carriers to provide a significant portion of our transportation and specialized services. A significant portion of the tractors and trailers used in our business are provided by our owner-operators. In addition, our use of agents reduces our overall need for large terminals. As a result, our capital expenditure requirements are limited in comparison to most large transportation and logistics service providers, which maintain significant properties and sizable fleets of owned tractors and trailers.

In 2017, our capital expenditures totaled \$63.3 million. These expenditures primarily consisted of transportation equipment and investments in support of our value-added service operations. Our asset-light business model depends somewhat on the customized solutions we implement for specific customers. As a result, our capital expenditures will depend on specific new contracts and the overall age and condition of our owned transportation equipment. In 2018, exclusive of acquisitions of businesses, we expect our capital expenditures to be in the range of 4% to 5% of operating revenues. We expect to make these capital expenditures for the acquisition of transportation equipment, to support our new and existing value-added service operations, and for the acquisition of real property and improvements to our existing terminal yard and container facilities.

Pursuant to its existing cash dividend policy, our Board of Directors declared a quarterly cash dividend of \$0.07 per share of common stock, payable to shareholders of record at the close of business on March 5, 2018 and paid on March 15, 2018. During the year ended December 31, 2017, we paid a total of \$0.28 per common share, or \$8.0 million.

On February 21, 2018, our Board of Directors approved an increase in the Company's annual cash dividend policy from \$0.28 per share to \$0.42 per share beginning in 2018. The first quarterly installment of \$0.105 per share is expected to be declared after the conclusion of the first quarter of 2018. After taking into account the regular quarterly dividends made during the year, the Board of Directors also intends to evaluate the potential declaration of an annual special dividend payable in the first quarter of each year in an effort to return up to 40% of Universal's net income from the previous fiscal year, beginning in the first quarter of 2019. Future dividend policy and the payment of dividends, if any, will be determined by the Board of Directors in light of circumstances then existing, including our earnings, financial condition and other factors deemed relevant by the Board of Directors.

We expect that our cash flow from operations, working capital and available borrowings will be sufficient to meet our capital commitments, to fund our operational needs for at least the next twelve months, and to fund mandatory debt repayments. Based on the availability of borrowings under our credit facilities, against our marketable security portfolio and other financing sources, and assuming the continuation of our current level of profitability, we do not expect that we will experience any liquidity constraints in the foreseeable future.

We continue to evaluate business development opportunities, including potential acquisitions that fit our strategic plans. There can be no assurance that we will identify any opportunities that fit our strategic plans or will be able to execute any such opportunities on terms acceptable to us. Depending on prospective consideration to be paid for an acquisition, any such opportunities would be financed first from available cash and cash equivalents and availability of borrowings under our credit facilities.

Revolving Credit, Promissory Notes and Term Loan Agreements

Our asset-based loan facility (“ABL Facility”) provides for maximum borrowings of \$120 million at a variable rate of interest based on LIBOR or a base rate and matures on December 23, 2020. The ABL Facility, which is secured by cash, deposits and accounts receivable of our borrowing subsidiaries, includes customary affirmative and negative covenants and events of default, as well as financial covenants requiring a minimum fixed charge coverage ratio to be maintained after a triggering event. Interest on base rate advances is payable quarterly, and interest on each LIBOR-based advance is payable on the last day of the applicable interest period. Our ABL Facility includes an accordion feature which allows us to increase availability by up to \$30 million upon our request. At December 31, 2017, we were in compliance with all covenants under the ABL Facility, and \$32.0 million was available for borrowing.

One of our wholly-owned subsidiaries, Westport Axle Corporation, has a secured credit facility (the “Westport Facility”) that allows maximum borrowings of \$60 million in the form of a \$40 million term loan and a \$20 million revolver. Borrowings under the Westport Facility, which matures on December 23, 2020, accrue interest at a variable interest rate based on LIBOR or a base rate and are secured by all of Westport’s assets. Universal becomes a guarantor upon the occurrence of certain events specified in the Westport Facility. Borrowings are repaid in part quarterly with the balance due at maturity. Interest on base rate advances is payable quarterly, and interest on each LIBOR-based advance is payable on the last day of the applicable interest period. The Westport Facility includes customary affirmative and negative covenants and events of default. At December 31, 2017, we were in compliance with all covenants, and \$10.5 million was available for borrowing.

A wholly-owned subsidiary issued a series of promissory notes in order to finance transportation equipment (the “Equipment Financing”). The notes issued in connection with the Equipment Financing, which are secured by liens on selected titled vehicles, include certain affirmative and negative covenants, are generally payable in 60 monthly installments and bear interest at fixed rates ranging from 3.18% to 4.22%. At December 31, 2017, we were in compliance with all covenants.

A wholly-owned subsidiary issued a series of promissory notes in order to finance certain purchases of real property (the “Real Estate Financing”). The promissory notes, which are secured by first mortgages and assignment of leases on specific parcels of real estate and improvements, include certain affirmative and negative covenants and are generally payable in 120 monthly installments. Each of the notes bears interest at LIBOR plus 2.25%. At December 31, 2017, we were in compliance with all covenants.

We also maintain a short-term line of credit secured by our portfolio of marketable securities (the “Margin Facility”). It bears interest at LIBOR plus 1.10%. The amount available under the Margin Facility is based on a percentage of the market value of the underlying securities. We did not have any amounts outstanding under the Margin Facility at December 31, 2017 or 2016, and the maximum available borrowings were \$8.9 million and \$7.0 million, respectively.

Discussion of Cash Flows

At December 31, 2017, we had cash and cash equivalents of \$1.7 million compared to \$1.8 million at December 31, 2016. Net cash provided by operating activities was \$83.8 million, while we used \$61.3 million in investing activities and \$23.2 million in financing activities.

The \$83.8 million in net cash provided by operations was primarily attributed to \$28.2 million of net income which reflects non-cash depreciation and amortization, gains on the sales of marketable securities, amortization of debt issuance costs, stock-based compensation, provisions for doubtful accounts and a change in deferred income taxes totaling \$29.3 million, net. Net cash provided by operating activities also reflects an aggregate decrease in net working capital totaling \$26.4 million. The decrease in the working capital position is primarily the result of an increase in accounts payable, accrued expenses, insurance and claims accruals and other current liabilities and a decrease in prepaid income taxes and prepaid expenses and other assets. These decreases were partially offset by an increase in accounts receivable. Also included in the change in working capital were affiliate transactions consisting of an increase in receivable from affiliates of \$0.2 million and an increase in accounts payable to affiliates of \$7.4 million.

The \$61.3 million in net cash used in investing activities consisted primarily of \$63.4 million of capital expenditures for transportation and material handling equipment, real estate and leasehold improvements, and investments in support of our value-added service operations. We also made purchases of marketable securities totaling \$0.4 million. These expenditures were partially offset by \$1.2 million in proceeds from the sale of property and equipment and \$1.3 million in proceeds from the sale of marketable securities.

We used \$23.2 million in net cash in financing activities. We had outstanding borrowings totaling \$249.2 million at December 31, 2017, compared to \$262.8 million at December 31, 2016. During 2017, cash borrowings totaled \$355.5 million and we made \$369.1 million in principal repayments, including \$31.5 million on new equipment notes. We also paid cash dividends of \$8.0 million and made \$1.5 million of common stock repurchases.

Contractual Obligations

The following summarizes our contractual obligations at December 31, 2017, and the effect such obligations are expected to have on our liquidity and cash flow in future periods (in thousands):

	Payments due by period				
	Total	Less Than 1 Year	1 – 3 Years	3 – 5 Years	More Than 5 Years
Long-term debt	249,239	41,205	160,683	28,762	18,589
Interest on debt (1).....	29,463	8,302	12,413	3,547	5,201
Capital lease obligations.....	92	92	—	—	—
Operating lease obligations (2).....	71,847	22,908	28,214	9,910	10,815
Purchase obligations.....	5,127	5,127	—	—	—
Total	<u>\$ 355,768</u>	<u>\$ 77,634</u>	<u>\$ 201,310</u>	<u>\$ 42,219</u>	<u>\$ 34,605</u>

- (1) Interest payments on debt include fixed rate interest and variable rate interest based on the debt balance and applicable rate at December 31, 2017. Total interest reported includes \$8.1 million of fixed rate interest and \$21.4 million of variable rate interest.
- (2) Certain operating lease obligations in a currency other than the U.S. dollar will be affected by the exchange rate in effect at the time each cash payment is made.

At December 31, 2017, the total amount of gross unrecognized tax benefits was \$0.4 million. This amount is not included in the above table as the Company cannot reasonably estimate the timing of cash settlements, if any, with taxing authorities. At December 31, 2017, the Company has insurance and claims liabilities of \$37.7 million, of which \$10.1 million are covered by insurance. This amount is not included in the above table as the Company cannot reasonably estimate the timing of cash settlements on these liabilities.

Off-Balance Sheet Arrangements

None.

Legal Matters

We are subject to various legal proceedings and other contingencies, the outcomes of which are subject to significant uncertainty. We accrue for estimated losses if it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. We use judgment and evaluate, with the assistance of legal counsel, whether a loss contingency arising from litigation should be disclosed or recorded. The outcome of legal proceedings is inherently uncertain and so typically a loss cannot be precisely estimated. Accordingly, if the outcome of legal proceedings is different than is anticipated by us, we would have to record the matter at the actual amount at which it was resolved, in the period resolved, impacting our results of operations and financial position for the period. See Item 8, Note 13 to the Consolidated Financial Statements.

Critical Accounting Policies

Our financial statements have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, operating revenues and operating expenses.

Critical accounting policies are those that are both (1) important to the portrayal of our financial condition and results of operations and (2) require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increase, those judgments become even more subjective and complex. In order to provide an understanding about how our management forms its judgments about future events, including the variables and assumptions underlying the estimates, and the sensitivity of those judgments to different circumstances, we have identified our critical accounting policies below.

Revenue Recognition

We recognize revenue at the time (1) persuasive evidence of an arrangement with our customer exists, (2) services have been rendered, (3) sales price is fixed and determinable, and (4) collectability is reasonably assured. For transportation services, we recognize revenue at the time of delivery to the receiver's location. For service arrangements in general, we recognize revenue after the related services have been rendered. Our customer contracts could involve multiple revenue-generating activities performed for the

same customer. When several contracts are entered into with the same customer in a short period of time, we evaluate whether these contracts should be considered as a single, multiple element contract for revenue recognition purposes. Criteria we consider that may result in the aggregation of contracts include whether such contracts are actually entered into within a short period of time, whether services in multiple contracts are interrelated, or if the negotiation and terms of one contract show or include consideration for another contract or contracts. Our current contracts have not been required to be aggregated, as they are negotiated independently on a standalone basis. Our customers typically choose their vendor and award business at the conclusion of a competitive bidding process for each service. As a result, although we evaluate customer purchase orders and agreements for multiple elements and aggregation of individual contracts into a multiple element arrangement, our current contracts do not meet the criteria required for multiple element contract accounting.

We are the primary obligor when rendering transportation, value-added and intermodal services and assume the corresponding credit risk with customers. We have discretion in setting sales prices and, as a result, our earnings may vary. In addition, we have discretion to choose and negotiate terms with our multiple suppliers for the services ordered by our customers. This includes owner-operators with whom we contract to deliver our transportation services.

Allowance for Uncollectible Receivables

The allowance for potentially uncollectible receivables is based on a combination of historical data, cash payment trends, specific customer issues, write-off trends, general economic conditions and other factors. Management continuously monitors these factors to arrive at the estimate of accounts receivable that may be ultimately uncollectible. The receivables analyzed include trade receivables, as well as loans and advances made to owner-operators. All other balances are reviewed on a pooled basis. This analysis requires us to make significant estimates. Changes in the facts and circumstances that these estimates are based upon and changes in the general economic environment could result in a material change to the allowance for uncollectible receivables. These changes include, but are not limited to, deterioration of customers' financial position, changes in our relationships with our customers, agents and owner-operators and unforeseen issues relating to individual receivables.

Insurance and Claim Costs

We maintain auto liability, workers compensation and general liability insurance with licensed insurance carriers. We are self-insured for all cargo and equipment damage claims. Insurance and claims expense represents premiums paid by us and the accruals made for claims within our self-insured retention amounts. A liability is recognized for the estimated cost of all self-insured claims including an estimate of incurred but not reported claims based on historical experience and for claims expected to exceed our policy limits. In addition, legal expenses related to auto liability claims are covered under our policy. We are responsible for all other legal expenses related to claims.

We establish reserves for anticipated losses and expenses related to cargo and equipment damage claims and auto liability claims. The reserves consist of specific reserves for all known claims and an estimate for claims incurred but not reported, and losses arising from known claims ultimately settling in excess of insurance coverage using loss development factors based upon industry data and past experience. In determining the reserves, we specifically review all known claims and record a liability based upon our best estimate of the amount to be paid. In making our estimate, we consider the amount and validity of the claim, as well as our past experience with similar claims. In establishing the reserve for claims incurred but not reported, we consider our past claims history, including the length of time it takes for claims to be reported to us. Based on our past experience, the time between when a claim occurs and when it is reported to us is short. As a result, we believe that the number of incurred but not reported claims at any given point in time is small. These reserves are periodically reviewed and adjusted to reflect our experience and updated information relating to specific claims. As of December 31, 2017, we did not have any reserves for workers' compensation or general liability claims. If we experience claims that are not covered by our insurance or that exceed our estimated claim reserve, it could increase the volatility of our earnings and have a materially adverse effect on our financial condition, results of operations or cash flows.

Valuation of Long-Lived Asset, including Goodwill and Intangible Assets

We are required to test goodwill for impairment annually or more frequently, whenever events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit with goodwill below its carrying amount. We annually test goodwill impairment during the third quarter. Goodwill represents the excess purchase price over the fair value of assets acquired in connection with our acquisitions. We continually assess whether any indicators of impairment exist, which requires a significant amount of judgment. Such indicators may include a sustained significant decline in our share price and market capitalization; a decline in our expected future cash flows; a significant adverse change in legal factors or in the business climate; unanticipated competition; overall weaknesses in our industry; and slower growth rates. Adverse changes in these factors could have a significant impact on the recoverability of goodwill and could have a material impact on our consolidated financial statements. The Company has the option to first assess qualitative factors such as current performance and overall economic conditions to determine whether or not it is necessary to perform a quantitative goodwill impairment test. If we choose that option, then we would not be required to perform a quantitative goodwill impairment test unless we determine that, based on a qualitative assessment, it is more likely than not that the fair value of a reporting unit is less than its carrying value. If we determine that it is more likely than not, or if we choose not to perform a qualitative assessment, we then proceed with the quantitative assessment. Under the quantitative test, if the fair value of a reporting unit exceeds its carrying amount, then goodwill of the reporting unit is considered to not be impaired. If the carrying amount of the reporting unit exceeds its fair value, then an impairment loss is recognized in an amount equal to the excess, up to the value of the goodwill. During the third quarter of 2017, we completed our goodwill impairment testing by performing a quantitative assessment. Based on the results of this test, no impairment loss was recognized.

We evaluate the carrying value of long-lived assets, other than goodwill, for impairment by analyzing the operating performance and anticipated future cash flows for those assets, whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. We evaluate the need to adjust the carrying value of the underlying assets if the sum of the expected cash flows is less than the carrying value. Our projection of future cash flows, the level of actual cash flows, the methods of estimation used for determining fair values and salvage values can impact impairment. Any changes in management's judgments could result in greater or lesser annual depreciation and amortization expense or impairment charges in the future. Depreciation and amortization of long-lived assets is calculated using the straight-line method over the estimated useful lives of the assets.

Other-than-temporary Impairments

Periodically, we review all available-for-sale securities for other-than-temporary impairment. An impairment that is an other-than-temporary impairment is a decline in the fair value of a security below its cost basis attributable to factors that indicate the cost basis in the security may not be recoverable in the near term. The determination of an other-than-temporary impairment is a subjective process, and requires judgment and assumptions that could affect the timing of loss realization. We consider several factors including the severity and duration of the decline, the financial condition and near-term prospects of the specific issuers and the industries in which they operate, and our intent and ability to hold these securities for a sufficient period of time to allow for a recovery. If, in our judgment, the impairment is determined to be other-than-temporary, then the cost basis of the security is written down to the then-current market value, and the unrealized loss is transferred from accumulated other comprehensive loss as an immediate reduction of current earnings. Gross unrealized holding losses of \$0.5 million as of December 31, 2017 have not been recognized in earnings as these impairments in value were judged to be temporary. We may incur future impairment charges if declines in market values continue or worsen and impairments are no longer considered temporary.

Recently Issued Accounting Pronouncements Not Currently Effective

See Item 8: Note 17 to the Consolidated Financial Statements for discussion of new accounting pronouncements.

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our principal exposure to interest rate risk relates to outstanding borrowing under our ABL Facility, Westport Facility, Real Estate Financing and Margin Facility, all of which charge interest at floating rates. Borrowings under the credit agreements with each of the banks bear interest at LIBOR or a base rate, plus an applicable margin. Our Margin Facility bears interest at a floating rate equal to LIBOR plus 1.10%. As of December 31, 2017, we had total variable interest rate borrowings of \$137.0 million. Assuming variable rate debt levels remain at \$137.0 million for a full year, a 100 basis point increase in interest rates on our variable rate debt would increase interest expense approximately \$1.4 million annually.

In connection with the Westport Facility and the Real Estate Financing, we entered into interest rate swap agreements to fix a portion of the interest rates on our variable rate debt that has a combined notional amount of \$27.7 million at December 31, 2017. Under two of the swap agreements, the Company receives interest at the one-month LIBOR rate plus 2.25%, and pays a fixed rate. The March 2016 swap (swap A) became effective October 2016, has a rate of 4.16% (amortizing notional amount of \$10.0 million) and expires July 2026, and an additional March 2016 swap (swap B) became effective October 2016, has a rate of 3.83% (amortizing notional amount of \$5.7 million) and expires May 2022. The third interest rate swap agreement (swap C) has a notional amount of \$12.0 million and expires February 2018. Under swap C, the Company receives interest at the one-month LIBOR rate and pays a fixed rate of 0.78%. At December 31, 2017, the fair value of the three swap agreements was an asset of \$0.3 million. Since these swap agreements qualify for hedge accounting, the changes in fair value are recorded in other comprehensive income (loss), net of tax.

Included in cash and cash equivalents is approximately \$75,000 in short-term investment grade instruments. The interest rates on these instruments are adjusted to market rates at least monthly. In addition, we have the ability to put these instruments back to the issuer at any time. Accordingly, any future interest rate risk on these short-term investments would not be material.

Commodity Price Risk

Fluctuations in fuel prices can affect our profitability by affecting our ability to retain or recruit owner-operators. Our owner-operators bear the costs of operating their tractors, including the cost of fuel. The tractors operated by our owner-operators consume large amounts of diesel fuel. Diesel fuel prices fluctuate greatly due to economic, political and other factors beyond our control. To address fluctuations in fuel prices, we seek to impose fuel surcharges on our customers and pass these surcharges on to our owner-operators. Historically, these arrangements have not fully protected our owner-operators from fuel price increases. If costs for fuel escalate significantly it could make it more difficult to attract additional qualified owner-operators and retain our current owner-operators. If we lose the services of a significant number of owner-operators or are unable to attract additional owner-operators, it could have a materially adverse effect on our financial condition, results of operations and cash flows.

Exposure to market risk for fluctuations in fuel prices also relates to a small portion of our transportation service contracts for which the cost of fuel is integral to service delivery and the service contract does not have a mechanism to adjust for increases in fuel prices. Increases and decreases in the price of fuel are generally passed on to our customers for which we realize minimal changes in profitability during periods of steady market fuel prices. However, profitability may be positively or negatively impacted by sudden increases or decreases in market fuel prices during a short period of time as customer pricing for fuel services is established based on market fuel costs. We believe the exposure to fuel price fluctuations would not materially impact our results of operations, cash flows or financial position.

Included in operating revenues are fuel surcharges, where separately identifiable, of \$59.5 million in 2017 compared to \$50.9 million in 2016.

Equity Securities Risk

The Company from time to time invests cash in excess of its current needs in marketable securities, much of which is held in equity securities, which are actively traded on public exchanges. It is the philosophy of the Company to minimize the risk of capital loss without foregoing the potential for capital appreciation through investing in value-and-income oriented investments. However, holding equity securities subjects the Company to fluctuations in the market value of its investment portfolio based on current market prices. A drop in market prices or other unstable market conditions could cause a loss in the value of the Company's marketable securities classified as available-for-sale.

Marketable securities were carried at fair value and are marked to market at the end of each quarter, with the unrealized gains and losses, net of tax, included as a component of accumulated other comprehensive income, unless the declines in value are judged to be other-than-temporary, in which case an impairment charge would be included in the determination of net income. Gross unrealized holding losses of \$0.5 million and \$0.6 million as of December 31, 2017 and 2016, respectively, were not recognized in earnings as these impairments in value were judged to be temporary. See Item 8, Note 1(e) to the Consolidated Financial Statements.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities. Among other things, the ASU requires equity investments to be measured at fair value with changes in fair value recognized in net income. The Company adopted this new standard effective January 1, 2018 using the modified retrospective method with a cumulative adjustment to retained earnings of approximately \$3.8 million. See Item 8, Note 17 to the Consolidated Financial Statements.

As of December 31, 2017, the fair value of equity securities was \$15.1 million compared to \$14.4 million at December 31, 2016. The increase during 2017 represents net realized and unrealized holding gains of \$1.6 million and proceeds from sales of securities totaling \$1.3 million. Realized gains during 2017 were \$0.9 million. A 10% decrease in the market price of our marketable equity securities would cause a corresponding 10% decrease in the carrying amounts of these securities, or approximately \$1.5 million.

Foreign Exchange Risk

In each of the years ended December 31, 2017 and 2016, 3.1% of our revenues were derived from services provided outside the United States, principally in Mexico, Canada and Colombia. Exposure to market risk for changes in foreign currency exchange rates relates primarily to selling services and incurring costs in currencies other than the local currency and to the carrying value of net investments in foreign subsidiaries. As a result, we are exposed to foreign currency exchange rate risk due primarily due to translation of the accounts of our Mexican, Canadian and Colombian operations from their local currencies into U.S. dollars and also to the extent we engage in cross-border transactions. The majority of our exposure to fluctuations in the Mexican peso, Canadian dollar, and Colombian peso is naturally hedged, since a substantial portion of our revenues and operating costs are denominated in each country's local currency. Historically, we have not entered into financial instruments for trading or speculative purposes. Short-term exposures to fluctuating foreign currency exchange rates are related primarily to intercompany transactions. The duration of these exposures is minimized by ongoing settlement of intercompany trading obligations.

The net investments in our Mexican, Canadian and Colombian operations are exposed to foreign currency translation gains and losses, which are included as a component of accumulated other comprehensive income in our statement of shareholders' equity. Adjustments from the translation of the net investment in these operations increased equity by approximately \$0.7 million for the year ended December 31, 2017.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
Universal Logistics Holdings, Inc.
Warren, Michigan

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Universal Logistics Holdings, Inc. (the “Company”) as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income, cash flows and shareholders’ equity for each of the three years in the period ended December 31, 2017 and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

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, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated March 16, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2013.

Troy, Michigan
March 16, 2018

UNIVERSAL LOGISTICS HOLDINGS, INC.

Consolidated Balance Sheets
December 31, 2017 and 2016
(In thousands, except share data)

Assets	2017	2016
Current assets:		
Cash and cash equivalents	\$ 1,672	\$ 1,755
Marketable securities	15,144	14,359
Accounts receivable – net of allowance for doubtful accounts of \$1,330 and \$1,613, respectively	171,036	144,712
Other receivables	17,511	15,438
Due from affiliates	2,685	2,513
Prepaid income taxes	4,515	11,300
Prepaid expenses and other	16,103	17,374
Total current assets	<u>228,666</u>	<u>207,451</u>
Property and equipment, net.....	267,195	246,277
Goodwill	74,484	74,484
Intangible assets – net of accumulated amortization of \$56,901 and \$50,971, respectively	31,259	37,189
Deferred income taxes.....	4,154	164
Other assets	4,834	4,892
Total assets	<u>\$ 610,592</u>	<u>\$ 570,457</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 84,380	\$ 65,945
Due to affiliates.....	11,964	4,597
Accrued expenses and other current liabilities	24,129	19,765
Insurance and claims.....	37,727	19,754
Current portion of long-term debt.....	40,870	34,455
Total current liabilities	<u>199,070</u>	<u>144,516</u>
Long-term liabilities:		
Long-term debt, net of current portion	207,108	226,812
Deferred income taxes	32,361	47,819
Other long-term liabilities.....	3,288	3,578
Total long-term liabilities	<u>242,757</u>	<u>278,209</u>
Shareholders' equity:		
Common stock, no par value. Authorized 100,000,000 shares; 30,941,702 and 30,917,952 shares issued; 28,382,392 and 28,430,394 shares outstanding, respectively	30,943	30,919
Paid-in capital	3,841	3,451
Treasury stock, at cost; 2,559,310 and 2,487,558 shares, respectively	(51,532)	(50,044)
Retained earnings.....	186,226	166,033
Accumulated other comprehensive income (loss):		
Unrealized holding gain on available-for-sale securities, net of income taxes of \$1,090 and \$1,512, respectively	3,823	2,679
Interest rate swaps, net of income taxes of \$63 and \$62, respectively.....	197	99
Foreign currency translation adjustments.....	(4,733)	(5,405)
Total shareholders' equity	<u>168,765</u>	<u>147,732</u>
Total liabilities and shareholders' equity.....	<u>\$ 610,592</u>	<u>\$ 570,457</u>

See accompanying notes to consolidated financial statements.

UNIVERSAL LOGISTICS HOLDINGS, INC.

Consolidated Statements of Income

Years ended December 31, 2017, 2016 and 2015

(In thousands, except per share data)

	2017	2016	2015
Operating revenues:			
Truckload services, including related party amounts of \$1,100, \$1,090 and \$400, respectively	\$ 302,914	\$ 281,213	\$ 357,786
Brokerage services	278,187	219,898	202,621
Intermodal services	153,726	143,004	149,404
Dedicated services	93,505	95,332	94,988
Value-added services	388,333	333,304	323,974
Total operating revenues	1,216,665	1,072,751	1,128,773
Operating expenses:			
Purchased transportation and equipment rent, including related party amounts of \$35, \$233 and \$3,347, respectively	577,485	509,775	567,558
Direct personnel and related benefits, including related party amounts of \$35,743, \$26,267 and \$23,792, respectively	314,364	265,316	222,454
Operating supplies and expenses, including related party amounts of \$2,652, \$2,656 and \$1,983, respectively	115,420	103,013	113,545
Commission expense	33,213	32,350	37,844
Occupancy expense, including related party amounts of \$17,046, \$17,174 and \$13,174, respectively	30,575	31,923	27,004
General and administrative, including related party amounts of \$6,742, \$5,557 and \$6,418, respectively	31,518	29,368	30,687
Insurance and claims, including related party amounts of \$16,281, \$15,362 and \$17,360, respectively	41,881	17,724	21,413
Depreciation and amortization	46,995	36,702	34,873
Total operating expenses	1,191,451	1,026,171	1,055,378
Income from operations	25,214	46,580	73,395
Interest income	92	157	55
Interest expense	(9,538)	(8,266)	(9,235)
Other non-operating income	1,373	934	790
Income before income taxes	17,141	39,405	65,005
Income tax (benefit) expense	(11,012)	15,161	25,004
Net income	\$ 28,153	\$ 24,244	\$ 40,001
Earnings per common share:			
Basic	\$ 0.99	\$ 0.85	\$ 1.37
Diluted	\$ 0.99	\$ 0.85	\$ 1.37
Weighted average number of common shares outstanding:			
Basic	28,425	28,411	29,233
Diluted	28,428	28,411	29,235
Dividends declared per common share	\$ 0.28	\$ 0.28	\$ 0.28

See accompanying notes to consolidated financial statements.

UNIVERSAL LOGISTICS HOLDINGS, INC.
Consolidated Statements of Comprehensive Income
Years ended December 31, 2017, 2016 and 2015
(In thousands, except per share data)

	2017	2016	2015
Net Income	\$ 28,153	\$ 24,244	\$ 40,001
Other comprehensive income (loss):			
Unrealized holding gains (losses) on available-for-sale securities arising during the period, net of income taxes	1,683	1,142	(1,015)
Realized gains on available-for-sale securities reclassified into income, net of income taxes	(539)	(264)	(72)
Unrealized changes in fair value of interest rate swaps, net of income taxes	98	99	—
Foreign currency translation adjustments	672	(1,161)	(2,252)
Total other comprehensive income (loss)	1,914	(184)	(3,339)
Total comprehensive income	\$ 30,067	\$ 24,060	\$ 36,662

See accompanying notes to consolidated financial statements.

UNIVERSAL LOGISTICS HOLDINGS, INC.
Consolidated Statements of Cash Flows
Years ended December 31, 2017, 2016 and 2015
(In thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:			
Net income	\$ 28,153	\$ 24,244	\$ 40,001
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	46,995	36,702	34,873
Gain on sale of marketable equity securities	(923)	(412)	(347)
Other-than-temporary impairment of marketable securities	—	—	230
(Gain) loss on disposal of property and equipment	(10)	161	239
Amortization of debt issuance costs	321	312	648
Write-off of debt issuance costs	—	—	1,272
Stock-based compensation	414	571	494
Provision for doubtful accounts	1,533	3,099	3,004
Deferred income taxes	(19,014)	6,610	478
Change in assets and liabilities:			
Trade and other accounts receivable	(29,398)	(7,510)	4,424
Prepaid income taxes, prepaid expenses and other assets	8,051	(12,748)	4,347
Accounts payable, accrued expenses, insurance and claims and other current liabilities	40,633	18,003	(11,695)
Due to/from affiliates, net	7,192	595	83
Other long-term liabilities	(98)	(998)	253
Net cash provided by operating activities	<u>83,849</u>	<u>68,629</u>	<u>78,304</u>
Cash flows from investing activities:			
Capital expenditures	(63,360)	(97,351)	(26,257)
Proceeds from the sale of property and equipment	1,211	2,426	816
Purchases of marketable securities	(401)	(17)	(1,159)
Proceeds from sale of marketable securities	1,261	866	441
Net cash used in investing activities	<u>(61,289)</u>	<u>(94,076)</u>	<u>(26,159)</u>
Cash flows from financing activities:			
Proceeds from borrowing - revolving debt	316,458	220,633	172,758
Repayments of debt - revolving debt	(320,833)	(217,368)	(161,293)
Proceeds from borrowing - term debt	39,069	99,534	163,578
Repayments of debt - term debt	(48,305)	(78,520)	(175,428)
Dividends paid	(7,960)	(7,954)	(8,171)
Payment of capital lease obligations	(100)	(1,789)	(1,050)
Purchases of treasury stock	(1,488)	(26)	(35,065)
Capitalized financing costs	—	(396)	(1,499)
Net cash (used in) provided by financing activities	<u>(23,159)</u>	<u>14,114</u>	<u>(46,170)</u>
Effect of exchange rate changes on cash and cash equivalents	516	158	(1,046)
Net (decrease) increase in cash	(83)	(11,175)	4,929
Cash and cash equivalents – January 1	1,755	12,930	8,001
Cash and cash equivalents – December 31	<u>\$ 1,672</u>	<u>\$ 1,755</u>	<u>\$ 12,930</u>

See accompanying notes to consolidated financial statements.

UNIVERSAL LOGISTICS HOLDINGS, INC.
Consolidated Statements of Cash Flows - Continued
Years ended December 31, 2017, 2016 and 2015
(In thousands)

	2017	2016	2015
Supplemental cash flow information:			
Cash paid for interest.....	\$ 9,104	\$ 7,802	\$ 7,649
Cash paid for income taxes.....	\$ 2,207	\$ 20,896	\$ 21,541

Non-cash investing and financing activities:

During the year ended December 31, 2016, the Company made \$3.7 million of non-cash capital expenditures pursuant to a promissory note.

See accompanying notes to consolidated financial statements.

UNIVERSAL LOGISTICS HOLDINGS, INC.
Consolidated Statements of Shareholders' Equity
Years ended December 31, 2017, 2016 and 2015
(In thousands)

	<u>Common stock</u>	<u>Paid-in capital</u>	<u>Treasury stock</u>	<u>Retained earnings</u>	<u>Accumulated other comprehensive income (loss)</u>	<u>Total</u>
Balances – December 31, 2014	\$ 30,857	\$ 2,448	\$ (14,953)	\$ 117,913	\$ 896	\$ 137,161
Net income	—	—	—	40,001	—	40,001
Comprehensive loss	—	—	—	—	(3,339)	(3,339)
Dividends paid (\$0.28 per share)	—	—	—	(8,171)	—	(8,171)
Stock based compensation	28	466	—	—	—	494
Purchases of treasury stock	—	—	(35,065)	—	—	(35,065)
Balances – December 31, 2015	<u>\$ 30,885</u>	<u>\$ 2,914</u>	<u>\$ (50,018)</u>	<u>\$ 149,743</u>	<u>\$ (2,443)</u>	<u>\$ 131,081</u>
Net income	—	—	—	24,244	—	24,244
Comprehensive loss	—	—	—	—	(184)	(184)
Dividends paid (\$0.28 per share)	—	—	—	(7,954)	—	(7,954)
Stock based compensation	34	537	—	—	—	571
Purchases of treasury stock	—	—	(26)	—	—	(26)
Balances – December 31, 2016	<u>\$ 30,919</u>	<u>\$ 3,451</u>	<u>\$ (50,044)</u>	<u>\$ 166,033</u>	<u>\$ (2,627)</u>	<u>\$ 147,732</u>
Net income	—	—	—	28,153	—	28,153
Comprehensive income	—	—	—	—	1,914	1,914
Dividends paid (\$0.28 per share)	—	—	—	(7,960)	—	(7,960)
Stock based compensation	24	390	—	—	—	414
Purchases of treasury stock	—	—	(1,488)	—	—	(1,488)
Balances – December 31, 2017	<u>\$ 30,943</u>	<u>\$ 3,841</u>	<u>\$ (51,532)</u>	<u>\$ 186,226</u>	<u>\$ (713)</u>	<u>\$ 168,765</u>

See accompanying notes to consolidated financial statements.

UNIVERSAL LOGISTICS HOLDINGS, INC.

Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

(1) Summary of Significant Accounting Policies

(a) Business

Universal Logistics Holdings, Inc. (“Universal” or the “Company”), through its subsidiaries, is a leading asset-light provider of customized transportation and logistics solutions throughout the United States, and in Mexico, Canada and Colombia. We provide our customers with supply chain solutions that can be scaled to meet their changing demands. We offer our customers a broad array of services across their entire supply chain, including truckload, brokerage, intermodal, dedicated and value-added services. Our customized solutions and flexible business model are designed to provide us with a highly variable cost model.

(b) Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions relating to these entities have been eliminated.

Our fiscal year consists of four quarters, each with thirteen weeks.

Certain immaterial reclassifications have been made to the prior consolidated financial statements in order for them to conform to the December 31, 2017 presentation, including the reclassification of revenue categories to reflect Universal’s service offering. These reclassifications had no effect on reported consolidated net income, comprehensive income, earnings per common share, cash flows, total assets, or stockholders’ equity as previously reported.

(c) Use of Estimates

The preparation of the consolidated financial statements requires management of the Company to make a number of estimates and assumptions related to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period.

Significant items subject to such estimates and assumptions include the fair value of assets and liabilities acquired in business combinations; carrying amounts of property and equipment and intangible assets; marketable securities; valuation allowances for receivables; and liabilities related to insurance and claim costs. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents

We consider all highly liquid investments, purchased with a maturity of three months or less, to be cash equivalents. Accounts at banks with an aggregate excess of the amount of checks issued over cash balances are included as accounts payable in current liabilities in the consolidated balance sheets, and changes in such accounts are reported as cash flows from operating activities in the consolidated statements of cash flows.

(e) Marketable Securities

At December 31, 2017 and 2016, marketable securities, all of which are available-for-sale, consist of common and preferred stocks. Marketable securities are carried at fair value, with unrealized gains and losses, net of related income taxes, reported as accumulated other comprehensive income (loss), except for losses from impairments which are determined to be other-than-temporary. Realized gains and losses, and declines in value judged to be other-than-temporary on available-for-sale securities are included in the determination of net income and are included in other non-operating income (expense), at which time the average cost basis of these securities are adjusted to fair value. Fair values are based on quoted market prices at the reporting date. Interest and dividends on available-for-sale securities are included in other non-operating income (expense). During the years ended December 31, 2017, 2016 and 2015, we received proceeds of \$1.3 million, \$0.9 million and \$0.4 million from the sale of marketable securities with a combined cost of \$0.3 million, \$0.5 million and \$0.1 million resulting in a realized gain of \$0.9 million, \$0.4 million and \$0.3 million, respectively.

We plan to adopt Accounting Standards Update (“ASU”) 2016-01 effective as of January 1, 2018. See Note 17 “Recent Accounting Pronouncements” for further information regarding the adoption.

UNIVERSAL LOGISTICS HOLDINGS, INC.
Notes to Consolidated Financial Statements – (Continued)
December 31, 2017, 2016 and 2015

(1) Summary of Significant Accounting Policies—continued

(e) Marketable Securities—continued

The cost, gross unrealized holding gains, gross unrealized holding losses, and fair value of available-for-sale securities by type were as follows (in thousands):

	Cost	Gross unrealized holding gains	Gross unrealized holding (losses)	Fair Value
At December 31, 2017				
Equity Securities	\$ 10,231	\$ 5,390	\$ (477)	\$ 15,144
At December 31, 2016				
Equity Securities	\$ 10,168	\$ 4,780	\$ (589)	\$ 14,359

Included in equity securities at December 31, 2017 were securities with a book basis of \$3.0 million and a cumulative loss position of \$0.5 million, the impairment of which we consider to be temporary. Equity securities at December 31, 2016 included securities with a book basis of \$3.5 million and temporary impairments of \$0.6 million. We consider several factors in determining as to whether declines in value are judged to be temporary or other-than-temporary, including the severity and duration of the decline, the financial condition and near-term prospects of the specific issuers and the industries in which they operate, and our intent and ability to hold these securities. We may incur future impairment charges if declines in market values continue and/or worsen and impairments are no longer considered temporary.

The fair value and gross unrealized holding losses of our marketable securities that are not deemed to be other-than-temporarily impaired aggregated by type and length of time they have been in a continuous unrealized loss position were as follows (in thousands):

	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
At December 31, 2017						
Equity securities	\$ 959	\$ 84	\$ 1,534	\$ 393	\$ 2,493	\$ 477
At December 31, 2016						
Equity securities	\$ 426	\$ 41	\$ 2,438	\$ 548	\$ 2,864	\$ 589

At December 31, 2017, our portfolio of equity securities in a continuous loss position, the impairment of which we consider to be temporary, consists primarily of common stocks in the oil and gas, banking, transportation, communication, and pharmaceutical industries. The fair value and unrealized losses are distributed in 20 publicly traded companies, with no single industry or company representing a material or concentrated unrealized loss. We have evaluated the near-term prospects of the various industries, as well as the specific issuers within our portfolio, in relation to the severity and duration of the impairments, and based on that evaluation, and our ability and intent to hold these investments for a reasonable period of time to allow for a recovery of fair value, we do not consider these investments to be other-than-temporarily impaired at December 31, 2017.

UNIVERSAL LOGISTICS HOLDINGS, INC.
Notes to Consolidated Financial Statements – (Continued)
December 31, 2017, 2016 and 2015

(1) Summary of Significant Accounting Policies—continued

(f) Accounts Receivable

Accounts receivable are recorded at the net invoiced amount, net of an allowance for doubtful accounts, and do not bear interest. They include unbilled amounts for services rendered in the respective period but not yet billed to the customer until a future date, which typically occurs within one month. In order to reflect customer receivables at their estimated net realizable value, we record charges against revenue based upon current information. These charges generally arise from rate changes, errors, and revenue adjustments that may arise from contract disputes or differences in calculation methods employed by the customer. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing accounts receivable. We determine the allowance based on historical write-off experience and the aging of our outstanding accounts receivable. Balances are considered past due based on invoiced terms. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. We do not have any off-balance-sheet credit exposure related to our customers. Accounts receivable from affiliates are shown separately and include trade receivables from the sale of services to affiliates.

(g) Inventories

Included in prepaid expenses and other is inventory used in a portion of our value-added service operations. Inventories are stated net realizable value. Cost is determined using the first-in, first-out method. Provisions for excess and obsolete inventories are based on our assessment of excess and obsolete inventory on a product-by-product basis.

At December 31, inventory consists of the following (in thousands):

	2017	2016
Raw materials and supplies	\$ 4,596	\$ 7,077
Finished goods	746	1,540
	\$ 5,342	\$ 8,617

(h) Property and Equipment

Property and equipment, including leasehold improvements, are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Description	Life in Years
Transportation equipment	3 - 15
Other operating assets	3 - 15
Information technology equipment	3 - 5
Buildings and related assets	10 - 39

The amounts recorded for depreciation expense were \$41.0 million, \$29.2 million, and \$25.8 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Tire repairs, replacement tires, replacement batteries, consumable tools used in our logistics services, and routine repairs and maintenance on vehicles are expensed as incurred. Parts and fuel inventories are included in prepaid expenses and other. We capitalize certain costs associated with vehicle repairs and maintenance that materially extend the life or increase the value of the vehicle or pool of vehicles.

UNIVERSAL LOGISTICS HOLDINGS, INC.
Notes to Consolidated Financial Statements – (Continued)
December 31, 2017, 2016 and 2015

(1) Summary of Significant Accounting Policies—continued

(i) Intangible Assets

Intangible assets subject to amortization consist of customer contracts and agent and customer relationships that have been acquired in business combinations. These assets are amortized either over the period of economic benefit or on a straight-line basis over the estimated useful lives of the related intangible asset. The estimated useful lives of these intangible assets range from three to nineteen years. The useful lives of acquired trademarks are indefinite and, therefore, not subject to amortization.

Our identifiable intangible assets as of December 31, 2017 and 2016 are as follows (in thousands):

	<u>2017</u>	<u>2016</u>
Indefinite Lived Intangibles:		
Trademarks.....	\$ 2,500	\$ 2,500
Definite Lived Intangibles:		
Agent and customer relationships	65,060	65,060
Customer contracts.....	20,600	20,600
Less: accumulated amortization	(56,901)	(50,971)
Intangible assets, net.....	<u>\$ 28,759</u>	<u>\$ 34,689</u>
Total Identifiable Intangible Assets.....	<u>\$ 31,259</u>	<u>\$ 37,189</u>

Estimated amortization expense by year is as follows (in thousands):

2018	\$ 2,474
2019	2,265
2020	1,970
2021	1,959
2022	1,826
Thereafter	<u>18,263</u>
Total	<u>\$ 28,759</u>

The amounts recorded for amortization expense were \$6.0 million, \$7.5 million, and \$9.2 million for the years ended December 31, 2017, 2016 and 2015, respectively.

(j) Goodwill

Goodwill represents the excess purchase price over the fair value of assets acquired in connection with the Company's acquisitions. Under Financial Accounting Standards Board ("FASB") Accounting Standards Codification, or ASC, Topic 350 "Intangibles – Goodwill and Other", we are required to test goodwill for impairment annually (in our third fiscal quarter) or more frequently, whenever events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit with goodwill below its carrying amount. We have the option to first assess qualitative factors such as current performance and overall economic conditions to determine whether or not it is necessary to perform a quantitative goodwill impairment test. If we choose that option, then we would not be required to perform a quantitative goodwill impairment test unless we determine that, based on a qualitative assessment, it is more likely than not that the fair value of a reporting unit is less than its carrying value. If we determine that it is more likely than not, or if we choose not to perform a qualitative assessment, we then proceed with the quantitative assessment. Under the quantitative test, if the fair value of a reporting unit exceeds its carrying amount, then goodwill of the reporting unit is considered to not be impaired. If the carrying amount of the reporting unit exceeds its fair value, then an impairment loss is recognized in an amount equal to the excess, up to the value of the goodwill. During the third quarter of 2017, we completed our goodwill impairment testing by performing a quantitative assessment. Based on the results of this test, no impairment loss was recognized.

At both December 31, 2017 and 2016, the carrying amount of goodwill was \$74.5 million, of which \$18.2 million was recorded in our transportation segment and \$56.3 million in our logistics segment.

(1) Summary of Significant Accounting Policies—continued

(k) Long-Lived Assets

Long-lived assets, other than goodwill and indefinite lived intangibles such as property and equipment and purchased intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group may not be recoverable. If circumstances require a long-lived asset to be tested for possible impairment, we first compare the undiscounted cash flows expected to be generated by a long-lived asset or group to its carrying value. If the carrying value of the long-lived asset or group is deemed to not be recoverable on an undiscounted cash flow basis, an impairment charge is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market prices and independent third-party appraisals. Changes in management's judgment relating to salvage values and/ or estimated useful lives could result in greater or lesser annual depreciation expense or impairment charges in the future. Indefinite lived intangibles are tested for impairment annually by comparing the carrying value of the assets to their fair value.

(l) Contingent Consideration

Contingent consideration arrangements granted in connection with a business combination are evaluated to determine whether contingent consideration is, in substance, additional purchase price of an acquired enterprise or compensation for services, use of property or profit sharing. Additional purchase price is added to the fair value of consideration transferred in the business combination and compensation is included in operating expenses in the period it is incurred. Contingent consideration related to additional purchase price is measured to fair value at each reporting date until the contingency is resolved.

(m) Fair Value of Financial Instruments

For cash equivalents, accounts receivables, accounts payable, and accrued expenses, the carrying amounts are reasonable estimates of fair value as the assets are readily redeemable or short-term in nature and the liabilities are short-term in nature. Marketable securities, consisting of equity securities, are carried at fair market value as determined by quoted market prices. Our revolving credit and term loan agreements consist of variable rate borrowings. The carrying value of these borrowings approximates fair value because the applicable interest rates are adjusted frequently based on short-term market rates. For our equipment promissory notes, the fair values are estimated using discounted cash flow analyses, based on our current incremental borrowing rates for similar types of borrowing arrangements. See Note 6 "Fair Value Measurement and Disclosures" for further information.

(n) Deferred Compensation

Deferred compensation relates to our bonus plans. Annual bonuses may be awarded to certain operating, sales and management personnel based on overall Company performance and achievement of specific employee or departmental objectives. Such bonuses are typically paid in annual installments over a five-year period. All bonus amounts earned by and due to employees in the current year are included in accrued expenses and other current liabilities. Those that are payable in subsequent years are included in other long-term liabilities.

(1) Summary of Significant Accounting Policies—continued

(o) Closing Costs

Our customers may discontinue or alter their business activity in a location earlier than anticipated, prompting us to exit a customer-dedicated facility. We recognize exit costs associated with operations that close or are identified for closure as an accrued liability in the Consolidated Balance Sheets. Such charges include lease termination costs, employee termination charges, asset impairment charges, and other exit-related costs associated with a plan approved by management. If we close an operating facility before its lease expires, costs to terminate a lease are recognized when an early termination provision is exercised, or we record a liability for non-cancellable lease obligations based on the fair value of remaining lease payments, reduced by any existing or prospective sublease rentals. Employee termination costs are recognized in the period that the closure is communicated to affected employees. The recognition of exit and disposal charges requires us to make certain assumptions and estimates as to the amount and timing of such charges. Subsequently, adjustments are made for changes in estimates in the period in which the change becomes known.

(p) Revenue and Related Expenses

We are the primary obligor when rendering truckload, brokerage, intermodal, dedicated and value-added services, and assume the corresponding credit risk with customers. We have discretion in setting sales prices and, as a result, our earnings may vary. In addition, we have discretion to choose and negotiate terms with our multiple suppliers for the services ordered by our customers. This includes owner-operators with whom we contract to deliver our transportation services. As such, revenue and the related purchased transportation and commissions are recognized on a gross basis when persuasive evidence of an arrangement exists, delivery has occurred at the receiver's location or for service arrangements after the related services have been rendered, the revenue and related expenses are fixed or determinable and collectability is reasonably assured. Fuel surcharges, where separately identifiable, of \$59.5 million, \$50.9 million and \$75.7 million for the years ended December 31, 2017, 2016 and 2015, respectively, are included in operating revenues.

Revenues and associated costs for the sales of axles and machined components are recognized when title has passed and the risks and rewards of ownership are transferred, which is at the time of shipment.

Our customer contracts could involve multiple revenue-generating activities performed for the same customer. When several contracts are entered into with the same customer in a short period of time, we evaluate whether these contracts should be considered as a single, multiple element contract for revenue recognition purposes. Criteria we consider that may result in the aggregation of contracts include whether such contracts are actually entered into within a short period of time, whether services in multiple contracts are interrelated, or if the negotiation and terms of one contract show or include consideration for another contract or contracts. Our current contracts have not been required to be aggregated, as they are negotiated independently on a standalone basis. Our customers typically choose their vendor and award business at the conclusion of a competitive bidding process for each service. As a result, although we evaluate customer purchase orders and agreements for multiple elements and aggregation of individual contracts into a multiple element arrangement, our current contracts do not meet the criteria required for multiple element contract accounting.

We adopted Accounting Standards Update (“ASU”) 2014-09 effective as of January 1, 2018, as further described in Note 17 “Recent Accounting Pronouncements”. The adoption of this standard will change the timing of revenue recognition for our transportation services businesses, which include truckload, brokerage, intermodal and dedicated services, from at delivery to over-time as the performance obligations on the in-transit services are completed. For our value-added service businesses, the adoption of the standard will not change the timing of revenue recognition.

(1) Summary of Significant Accounting Policies—continued

(q) Insurance & Claims

Insurance and claims expense represents charges for premiums and the accruals made for claims within our self-insured retention amounts. The accruals are primarily related to auto liability, general liability, cargo and equipment damage, and service failure claims. A liability is recognized for the estimated cost of all self-insured claims including an estimate of incurred but not reported claims based on historical experience and for claims expected to exceed our policy limits. We may also make accruals for personal injury and property damage to third parties, and workers' compensation claims if a claim exceeds our insurance coverage. Such accruals are based upon individual cases and estimates of ultimate losses, incurred but not reported losses, and losses arising from known claims ultimately settling in excess of insurance coverage using loss development factors based upon industry data and past experience. Since the reported accrual is an estimate, the ultimate liability may be materially different from the amount recorded.

If adjustments to previously established accruals are required, such amounts are included in operating expenses in the current period. We maintain insurance with licensed insurance carriers. Legal expenses related to auto liability claims are covered under our insurance policy. We are responsible for all other legal expenses related to claims.

In brokerage arrangements, our exposure to liability associated with accidents incurred by other third-party carriers, who haul freight on our behalf, is reduced by various factors including the extent to which the third party providers maintain their own insurance coverage.

Our insurance expense varies primarily based upon the frequency and severity of our accident experience, insurance rates, coverage limits, and self-insured retention amounts.

(r) Stock Based Compensation

We record compensation expense for the grant of stock based awards. Compensation expense is measured at the grant date, based on the calculated fair value of the award, and recognized as an expense over the requisite service period (generally the vesting period of the grant). See Note 12 "Stock Based Compensation" for further information.

(s) Income Taxes

Deferred income taxes are provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. 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 in income in the period that includes the enactment date. See Note 8 "Income Taxes" for further information on the impact of the Tax Cuts and Jobs Act (the "Tax Cuts and Jobs Act") signed into law on December 22, 2017.

We are no longer subject to U.S. federal income tax examinations by tax authorities for years before 2013. In addition, we file income tax returns in various state, local and foreign jurisdictions. Historically, we have been responsible for filing separate state, local and foreign income tax returns for our self and our subsidiaries. We are no longer subject to state or foreign jurisdiction income tax examinations for years before 2012 and 2011, respectively.

We recognize the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. We recognize interest related to unrecognized tax benefits in income tax expense and penalties in other operating expenses.

(t) Foreign Currency Translation

The financial statements of the Company's subsidiaries operating in Mexico, Canada and Colombia are prepared to conform to U.S. GAAP and translated into U.S. Dollars by applying a current exchange rate. The local currency has been determined to be the functional currency. Items appearing in the Consolidated Statements of Income are translated using average exchange rates during each period. Assets and liabilities of international operations are translated at period-end exchange rates. Translation gains and losses are reported in accumulated other comprehensive income (loss) as a component of shareholders' equity.

UNIVERSAL LOGISTICS HOLDINGS, INC.
Notes to Consolidated Financial Statements – (Continued)
December 31, 2017, 2016 and 2015

(1) Summary of Significant Accounting Policies—continued

(u) Segment Information

We report our financial results in two reportable segments, the transportation segment and the logistics segment, based on the nature of the underlying customer commitment and the types of investments required to support these commitments. This presentation reflects the manner in which management evaluates our operating segments, including an evaluation of economic characteristics and applicable aggregation criteria.

Operations aggregated in our transportation segment are associated with individual freight shipments coordinated by our agents, company-managed terminals and specialized services operations. In contrast, operations aggregated in our logistics segment deliver value-added services or transportation services to specific customers on a dedicated basis, generally pursuant to contract terms of one year or longer. Other non-reportable operating segments are comprised of the Company's subsidiaries that provide support services to other subsidiaries and to owner-operators, including shop maintenance and equipment leasing.

(v) Concentrations of Credit Risk

Financial instruments, which potentially subject us to concentrations of credit risk, consist principally of cash and cash equivalents, marketable securities and accounts receivable. We maintain our cash and cash equivalents and marketable securities with high quality financial institutions. We perform ongoing credit evaluations of our customers and generally do not require collateral. Our customers are generally concentrated in the automotive, wind energy, building materials, machinery and metals industries. During the fiscal years ended December 31, 2017, 2016 and 2015, aggregate sales in the automotive industry totaled 40%, 43% and 37% of revenue, respectively. In 2017, 2016 and 2015, General Motors accounted for approximately 16%, 18% and 11% of our total operating revenues, respectively. In 2017, sales to our top 10 customers, including General Motors, totaled 40%.

UNIVERSAL LOGISTICS HOLDINGS, INC.
Notes to Consolidated Financial Statements – (Continued)
December 31, 2017, 2016 and 2015

(2) Accounts Receivable

Accounts receivable amounts appearing in the consolidated financial statements include both billed and unbilled receivables. We bill customers in accordance with contract terms, which may result in a brief timing difference between when revenue is recognized and when invoices are rendered. Unbilled receivables, which usually are billed within one month, totaled \$26.2 million and \$16.4 million at December 31, 2017 and 2016, respectively.

Accounts receivable are presented net of an allowance for doubtful accounts. Following is a summary of the activity in the allowance for doubtful accounts for the years ended December 31 (in thousands):

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Balance at beginning of year.....	\$ 1,613	\$ 5,173	\$ 5,207
Provision for doubtful accounts.....	1,533	3,099	3,004
Uncollectible accounts written off.....	<u>(1,816)</u>	<u>(6,659)</u>	<u>(3,038)</u>
Balance at end of year.....	<u>\$ 1,330</u>	<u>\$ 1,613</u>	<u>\$ 5,173</u>

(3) Property and Equipment

Property and equipment at December 31 consists of the following (in thousands):

	<u>2017</u>	<u>2016</u>
Transportation equipment.....	\$ 236,667	\$ 214,046
Land, buildings and related assets	102,977	96,549
Other operating assets.....	105,434	77,252
Information technology equipment.....	23,985	19,520
Construction in process.....	<u>3,903</u>	<u>20,204</u>
	472,966	427,571
Less accumulated depreciation.....	<u>(205,771)</u>	<u>(181,294)</u>
Total.....	<u>\$ 267,195</u>	<u>\$ 246,277</u>

(4) Accrued Expenses and Other Current Liabilities

Accrued expenses consist of the following items at December 31 (in thousands):

	<u>2017</u>	<u>2016</u>
Payroll related items	\$ 9,854	\$ 8,379
Driver escrow liabilities.....	8,071	7,601
Commissions, taxes and other	<u>6,204</u>	<u>3,785</u>
Total	<u>\$ 24,129</u>	<u>\$ 19,765</u>

UNIVERSAL LOGISTICS HOLDINGS, INC.
Notes to Consolidated Financial Statements – (Continued)
December 31, 2017, 2016 and 2015

(5) Debt

Debt is comprised of the following (in thousands):

	Interest Rates at December 31, 2017	December 31,	
		2017	2016
Outstanding Debt:			
ABL Facility (1)	2.86% to 5.00%	\$ 70,225	\$ 71,600
Westport Facility (2)			
Term Loan	4.36%	22,500	34,000
Revolver	NA	—	3,000
Equipment Financing (3)	3.18% to 4.22%	112,205	104,607
Real Estate Financing (4)	3.82%	44,309	49,643
Margin Facility (5)	NA	—	—
Unamortized debt issuance costs		(1,261)	(1,583)
		247,978	261,267
Less current portion of long-term debt		40,870	34,455
Total long-term debt, net of current portion		<u>\$ 207,108</u>	<u>\$ 226,812</u>

(1) The ABL Facility provides for maximum borrowings of \$120 million at a variable rate of interest based on LIBOR or a base rate, and matures on December 23, 2020. The facility, which is secured by cash, deposits and accounts receivable of the borrowing subsidiaries, includes customary affirmative and negative covenants and events of default, as well as financial covenants requiring a minimum fixed charge coverage ratio to be maintained after a triggering event. Interest on base rate advances is payable quarterly, and interest on each LIBOR-based advance is payable on the last day of the applicable interest period. At December 31, 2017, we were in compliance with all covenants under the Facility, and \$32.0 million was available for borrowing.

(2) The Westport Facility provides our subsidiary, Westport Axle Corporation, with maximum borrowings of \$60 million in the form of a \$40 million term loan and a \$20 million revolver. Borrowings under the Westport Facility, which matures on December 23, 2020, accrue interest at a variable interest rate based on LIBOR or a base rate, and are secured by all of Westport's assets. The Company becomes a guarantor upon the occurrence of certain events specified in the Westport Facility. Borrowings are repaid in part quarterly with the balance due at maturity. Interest on base rate advances is payable quarterly, and interest on each LIBOR-based advance is payable on the last day of the applicable interest period. The Westport Facility includes customary affirmative and negative covenants and events of default. At December 31, 2017, we were in compliance with all covenants, and \$10.5 million was available for borrowing.

(3) The Equipment Financing consists of a series of promissory notes issued by a wholly-owned subsidiary in order to finance transportation equipment. The equipment notes, which are secured by liens on selected titled vehicles, include certain affirmative and negative covenants and are generally payable in 60 monthly installments and bear interest at fixed rates ranging from 3.18% to 4.22%. At December 31, 2017, we were in compliance with all covenants.

UNIVERSAL LOGISTICS HOLDINGS, INC.
Notes to Consolidated Financial Statements – (Continued)
December 31, 2017, 2016 and 2015

(5) Debt—continued

(4) The Real Estate Financing consists of a series of promissory notes issued by a wholly-owned subsidiary in order to finance certain real property. The promissory notes, which are secured by first mortgages and assignment of leases on specific parcels of real estate and improvements, include certain affirmative and negative covenants and are generally payable in 120 monthly installments. Each of the notes bears interest at LIBOR plus 2.25%. At December 31, 2017, we were in compliance with all covenants.

(5) The Margin Facility is a short-term line of credit secured by our portfolio of marketable securities. It bears interest at LIBOR plus 1.10%. The amount available under the line of credit is based on a percentage of the market value of the underlying securities. We did not have any amounts outstanding under our line of credit at December 31, 2017 or 2016, and the maximum available borrowings under the line of credit were \$8.9 million and \$7.0 million, respectively.

The following table reflects the maturities of our principal repayment obligations as of December 31, 2017 (in thousands):

Years Ending December 31	ABL Facility	Westport Facility - Term Loan	Westport Facility - Revolver	Equipment Financing	Real Estate Financing	Total
2018.....	\$ —	\$ 6,000	\$ —	\$ 30,188	\$ 5,017	\$ 41,205
2019.....	—	6,000	—	31,293	5,176	42,469
2020.....	70,225	10,500	—	32,313	5,176	118,214
2021.....	—	—	—	12,909	5,176	18,085
2022.....	—	—	—	5,502	5,175	10,677
Thereafter.....	—	—	—	—	18,589	18,589
Total.....	<u>\$ 70,225</u>	<u>\$ 22,500</u>	<u>\$ —</u>	<u>\$ 112,205</u>	<u>\$ 44,309</u>	<u>\$ 249,239</u>

The Company is also party to three interest rate swap agreements that qualify for hedge accounting. The swap agreements were executed to fix a portion of the interest rates on its variable rate debt that have a combined notional amount of \$27.7 million at December 31, 2017. Under two of the swap agreements, the Company receives interest at the one-month LIBOR rate plus 2.25%, and pays a fixed rate. The March 2016 swap (swap A) became effective October 2016, has a rate of 4.16% (amortizing notional amount of \$10.0 million) and expires July 2026, and an additional March 2016 swap (swap B) became effective October 2016, has a rate of 3.83% (amortizing notional amount of \$5.7 million) and expires May 2022. The third interest rate swap agreement (swap C) has a notional amount of \$12.0 million and expired February 2018. Under swap C, the Company receives interest at the one-month LIBOR rate, and pays a fixed rate of 0.78%. At December 31, 2017, the fair value of the three swap agreements was an asset of \$0.3 million. Since these swap agreements qualify for hedge accounting, the changes in fair value are recorded in other comprehensive income (loss), net of tax. See Note 6, “Fair Value Measurement and Disclosures” for additional information pertaining to interest rate swaps.

(6) Fair Value Measurement and Disclosures

ASC Topic 820, “Fair Value Measurements and Disclosures”, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date and expanded disclosures with respect to fair value measurements.

ASC Topic 820 also establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

UNIVERSAL LOGISTICS HOLDINGS, INC.
Notes to Consolidated Financial Statements – (Continued)
December 31, 2017, 2016 and 2015

(6) Fair Value Measurement and Disclosures—continued

We have segregated all financial assets that are measured at fair value on a recurring basis into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date in the tables below (in thousands):

	December 31, 2017			Fair Value Measurement
	Level 1	Level 2	Level 3	
Assets				
Cash equivalents.....	\$ 75	\$ —	\$ —	\$ 75
Marketable securities.....	15,144	—	—	15,144
Interest rate swaps	—	260	—	260
Total Assets.....	<u>\$ 15,219</u>	<u>\$ 260</u>	<u>\$ —</u>	<u>\$ 15,479</u>
	December 31, 2016			Fair Value Measurement
	Level 1	Level 2	Level 3	
Assets				
Cash equivalents.....	\$ 4	\$ —	\$ —	\$ 4
Marketable securities.....	14,359	—	—	\$ 14,359
Interest rate swaps	—	161	—	161
Total Assets.....	<u>\$ 14,363</u>	<u>\$ 161</u>	<u>\$ —</u>	<u>\$ 14,524</u>

The valuation techniques used to measure fair value for the items in the tables above are as follows:

- Cash equivalents – This category consists of money market funds which are listed as Level 1 assets and measured at fair value based on quoted prices for identical instruments in active markets.
- Marketable securities – Marketable securities represent equity securities, which consist of common and preferred stocks, are actively traded on public exchanges and are listed as Level 1 assets. Fair value was measured based on quoted prices for these securities in active markets.
- Interest rate swaps - The fair value of our interest rate swaps, as provided by a third party service provider, is determined using a methodology of netting the discounted future fixed cash payments (or receipts) and the discounted expected variable cash receipts (or payments). The variable cash receipts (or payments) are based on the expectation of future interest rates (forward curves) derived from observed market interest rate curves. The fair value measurement also incorporates credit valuation adjustments reflecting both the Company’s nonperformance risk and the respective counterparty’s nonperformance risk.

Our revolving credit and term loan agreements and our real estate promissory notes all consists of variable rate borrowings. We categorize borrowings under these credit agreements as Level 2 in the fair value hierarchy. The carrying value of these borrowings approximate fair value because the applicable interest rates are adjusted frequently based on short-term market rates.

For our equipment promissory notes with fixed rates, the fair values are estimated using discounted cash flow analyses, based on our current incremental borrowing rates for similar types of borrowing arrangements. We categorize borrowings under this credit agreement as Level 2 in the fair value hierarchy. The carrying values and estimated fair values of these promissory notes at December 31, 2017 is summarized as follows:

	2017	
	Carrying Value	Estimated Fair Value
Equipment promissory notes.....	\$ 112,205	\$ 112,115

We have not elected the fair value option for any of our financial instruments.

UNIVERSAL LOGISTICS HOLDINGS, INC.
Notes to Consolidated Financial Statements – (Continued)
December 31, 2017, 2016 and 2015

(7) Transactions with Affiliates

CenTra, Inc., an affiliate of the Company, provides administrative support services to Universal in the ordinary course of business, including legal, human resources, tax, and IT infrastructure and related services. The cost of these services is based on the actual or estimated utilization of the specific service.

Universal also purchases other services from affiliates. Following is a schedule of cost incurred and included in operating expenses for services provided by affiliates for the years ended December 31 (in thousands):

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Administrative support services	\$ 2,771	\$ 2,638	\$ 3,234
Truck fuel, tolls and maintenance	2,652	2,656	2,523
Real estate rent and related costs	17,046	17,174	13,174
Insurance and employee benefit plans	55,995	44,548	46,173
Contracted transportation services	35	233	969
Total	<u>\$ 78,499</u>	<u>\$ 67,249</u>	<u>\$ 66,073</u>

We pay CenTra the direct variable cost of maintenance, fueling and other operational support costs for services delivered at our affiliate’s trucking terminals that are geographically remote from our own facilities. Such costs are billed when incurred, paid on a routine basis, and reflect actual labor utilization, repair parts costs or quantities of fuel purchased. In connection with our transportation services, we also pay tolls and other fees for international bridge crossings to certain related entities which are under common control with CenTra.

A significant number of our operating locations are located in facilities leased from affiliates. At 36 facilities, occupancy is based on either month-to-month or contractual, multi-year lease arrangements which are billed and paid monthly. Leasing properties provided by an affiliate that owns a substantial commercial property portfolio affords us significant operating flexibility. However, we are not limited to such arrangements. See Note 9, “Leases” for further information regarding the cost of leased properties.

We purchase workers’ compensation, property and casualty, cargo, warehousing and other general liability insurance from an insurance company controlled by our majority shareholders. Our employee health care benefits and 401(k) programs are also provided by this affiliate.

Other services from affiliates, including contracted transportation services, are delivered to us on a per-transaction-basis or pursuant to separate contractual arrangements provided in the ordinary course of business. At December 31, 2017 and 2016, amounts due to affiliates were \$12.0 million and \$4.6 million, respectively. In our Consolidated Balance Sheets, we record our insured claims liability and the related recovery from an affiliate insurance provider in insurance and claims, and other receivables. At December 31, 2017 and 2016, there were \$10.1 million and \$8.7 million, respectively, included in each of these accounts for insured claims.

During 2016 and 2017, we made purchases totaling \$2.3 million and \$2.1 million, respectively, for wheels and tires for new trailering equipment. We also purchased 64 used tractors from an affiliate in 2017 for \$1.8 million. In 2016, we contracted with an affiliate to provide real property improvements to us totaling \$1.0 million, and purchased an additional \$0.2 million in revenue equipment components during the same period.

We periodically use the law firm of Sullivan Hincks & Conway to provide legal services. Daniel C. Sullivan, a member of our Board, is a partner at Sullivan Hincks & Conway. Not included in the table above are amounts paid for legal services during 2017 and 2015 of \$1,400 and \$1,500, respectively. No amounts were paid for legal services during 2016.

During 2017, we exercised our right of first refusal to acquire 17,500 shares of restricted stock from a director, H. E. “Scott” Wolfe, for \$385,000 based on the closing market price on the effective date of the transaction.

In 2016, we purchased a multi-building, cross-dock logistics terminal located in Romulus, Michigan from a subsidiary of CenTra, Crown Enterprises, Inc. The purchase price, which was established by an independent third party appraisal, was \$22.5 million payable pursuant to a promissory note issued to Crown. At December 31, 2016, the promissory note was fully repaid.

UNIVERSAL LOGISTICS HOLDINGS, INC.
Notes to Consolidated Financial Statements – (Continued)
December 31, 2017, 2016 and 2015

(7) Transactions with Affiliates—continued

Services provided by Universal to Affiliates

We periodically assist our affiliates by providing selected transportation and logistics services in connection with their specific customer contracts or purchase orders. Truck fueling and administrative expenses are presented net in operating expense. Following is a schedule of services provided to CenTra and affiliates for the years ended December 31 (in thousands):

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Purchased transportation and equipment rent	\$ 1,100	\$ 1,090	\$ 400
Fueling, maintenance and other support services	—	—	158
Total	<u>\$ 1,100</u>	<u>\$ 1,090</u>	<u>\$ 558</u>

At December 31, 2017 and 2016, amounts due from affiliates were \$2.7 million and \$2.5 million, respectively.

(8) Income Taxes

A summary of income (loss) related to U.S. and non-U.S. operations are as follows (in thousands):

	<u>Year Ended December 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operations			
U.S. Domestic	\$ 28,360	\$ 40,172	\$ 62,781
Foreign	(11,219)	(767)	2,224
Total pre-tax income	<u>\$ 17,141</u>	<u>\$ 39,405</u>	<u>\$ 65,005</u>

The provision (benefit) for income taxes attributable to income from continuing operations for the years ended December 31 consists of the following (in thousands):

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current:			
U.S. Federal	\$ 5,394	\$ 7,432	\$ 19,544
State	2,227	748	4,469
Foreign	688	284	449
	<u>8,309</u>	<u>8,464</u>	<u>24,462</u>
Deferred:			
U.S. Federal	(14,264)	6,521	1,183
State	(1,113)	140	(730)
Foreign	(3,944)	36	89
	<u>(19,321)</u>	<u>6,697</u>	<u>542</u>
Total	<u>\$ (11,012)</u>	<u>\$ 15,161</u>	<u>\$ 25,004</u>

On December 22, 2017, the Tax Cuts and Jobs Act was signed into law, significantly changing the U.S. tax code by providing for, among other things, lower corporate income tax rates and requiring companies to pay a one-time transition tax on deemed repatriated earnings of foreign subsidiaries. Effective January 1, 2018, the Tax Cuts and Jobs Act permanently reduced the U.S. corporate income tax rate from 35% to 21%. In accordance with U.S. GAAP, the reduction in the enacted rate caused the Company to revalue its ending net deferred tax assets and liabilities and caused the Company to record a provisional tax benefit of \$18.2 million in its consolidated financial statements for the year ended December 31, 2017. With respect to the transition tax on deemed repatriated foreign earnings, the Company determined that, based upon information currently available, the transition tax did not have a material impact on its results of operations, financial position or cash flows.

UNIVERSAL LOGISTICS HOLDINGS, INC.
Notes to Consolidated Financial Statements – (Continued)
December 31, 2017, 2016 and 2015

(8) Income Taxes—continued

On December 22, 2017, the SEC issued Staff Accounting Bulletin No. 118 (“SAB 118”). SAB 118 provides guidance on the accounting for the tax effect of the Tax Cuts and Jobs Act in situations when a company does not have all necessary information available, prepared, or analyzed in reasonable detail to complete the accounting for certain income tax effects of the Tax Cuts and Jobs Act. SAB 118 allows for a measurement period not to exceed one year from the enactment of the Tax Cuts and Jobs Act for companies to complete their analysis. The Company recognized the provisional impact related to the revaluation of deferred tax assets and liabilities in its December 31, 2017 consolidated financial statements and determined that there was no material impact from the transition tax; however, the ultimate impact may differ materially due to additional analysis, changes in interpretations and assumptions, or additional regulatory guidance that may be issued.

Deferred income tax assets and liabilities at December 31 consist of the following (in thousands):

	2017	2016
Domestic deferred tax assets:		
Allowance for doubtful accounts	\$ 323	\$ 633
Other assets	2,694	2,792
Accrued expenses	6,622	5,384
Total domestic deferred tax assets	\$ 9,639	\$ 8,809
Domestic deferred tax liabilities:		
Prepaid expenses	\$ 1,002	\$ 144
Marketable securities	1,153	1,613
Intangible assets	7,894	13,341
Property and equipment	31,951	41,530
Total domestic deferred tax liabilities	\$ 42,000	\$ 56,628
Net domestic deferred tax liabilities	\$ 32,361	\$ 47,819
Foreign deferred tax assets		
Net operating losses	\$ 3,636	\$ 407
Other assets	928	164
Valuation allowance - foreign	(410)	(407)
Total foreign deferred tax asset	\$ 4,154	\$ 164
Net deferred tax liability	\$ 28,207	\$ 47,655

In assessing whether deferred tax assets may be realized in the future, management considers whether it is more likely than not that some portion of such tax assets will not be realized. The deferred tax assets and liabilities were reviewed separately by jurisdictions when measuring the need for valuation allowances. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income (both ordinary income and taxable capital gains) during the periods in which those temporary differences reverse. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Valuation allowances are established when necessary to reduce deferred tax assets when it is more likely than not that a portion or all of the deferred tax assets will not be realized. Based upon the level of historical taxable income, reversal of existing taxable temporary differences, projections for future taxable income over the periods in which the domestic deferred tax assets are expected to reverse, and our ability to generate future capital gains, management believes it is more likely than not that we will realize the benefits of these deductible differences. Thus, no valuation allowance has been established for the domestic deferred tax assets. We had foreign net operating loss carryforward associated with our Mexican subsidiary with a tax effect of \$3.2 million as of December 31, 2017. The net operating loss carryforward will expire in 2027. Although realization is not assured, the Company has concluded that it is more likely than not that the deferred tax asset will be fully realized and as such no valuation allowance has been provided. At December 31, 2017, we had foreign net operating loss carryforward associated with our German subsidiary with a tax effect of \$0.4 million. Based on the anticipated earnings projections, management has recorded a full valuation allowance for the deferred tax assets associated with this entity.

UNIVERSAL LOGISTICS HOLDINGS, INC.
Notes to Consolidated Financial Statements – (Continued)
December 31, 2017, 2016 and 2015

(8) Income Taxes—continued

Income tax expense attributable to income from continuing operations differs from the statutory rates as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Federal statutory rate	35%	35%	35%
Change in tax law	-106%	0%	0%
Non-deductible expense.....	2%	0%	0%
State, net of federal benefit.....	4%	2%	4%
Foreign.....	1%	1%	-1%
Effective tax rate	<u>-64%</u>	<u>38%</u>	<u>38%</u>

As of December 31, 2017, the total amount of unrecognized tax benefit representing uncertainty in certain tax positions was \$0.4 million. These uncertain tax positions are based on recognition thresholds and measurement attributes for the financial statement recognition and measurements of a tax position taken or expected to be taken in a tax return. Any prospective adjustments to our accrual for uncertain tax positions will be recorded as an increase or decrease to the provision for income taxes and would impact our effective tax rate. At December 31, 2017, there are no positions for which it is reasonably possible that the total amounts of unrecognized tax benefits would significantly increase or decrease within 12 months. As of December 31, 2017, the amount of accrued interest and penalties was \$0.1 million and \$0.1 million, respectively.

The changes in our gross unrecognized tax benefits during the years ended December 31 are as follows (in thousands):

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Unrecognized tax benefit – beginning of year	\$ 416	\$ 333	\$ 414
Increases related to prior year tax positions.....	22	24	42
Increases related to current year tax positions	9	95	6
Decreases related to prior year tax positions.....	(80)	(36)	(129)
Unrecognized tax benefit – end of year	<u>\$ 367</u>	<u>\$ 416</u>	<u>\$ 333</u>

(9) Leases

We lease office space, warehouses, freight distribution centers, terminal yards and equipment under non-cancelable operating lease arrangements. Except where we deliver services within facilities provided by our customers, we lease warehouse and freight distribution centers used in our logistics operations, often in connection with a specific customer program. Where facilities are substantially dedicated to a single customer and our lease is with an independent property owner, we attempt to align lease terms with the expected duration of the underlying customer program.

In most cases, we expect our facility leases will be renewed or replaced by other leases in the ordinary course of business. Where possible, we contractually secure the recovery of certain occupancy costs, including rent, during the term of a customer program. Future minimum rental payments pursuant to leases that have an initial or remaining non-cancelable lease term in excess of one year as of December 31, 2017 are as follows (in thousands):

<u>Years Ending December 31</u>	<u>With Affiliates</u>	<u>With Third Parties</u>	<u>Total</u>
2018.....	\$ 12,800	\$ 10,108	\$ 22,908
2019.....	9,578	8,534	18,112
2020.....	6,826	3,276	10,102
2021.....	5,480	511	5,991
2022.....	3,919	—	3,919
Thereafter	10,815	—	10,815
Total required payments	<u>\$ 49,418</u>	<u>\$ 22,429</u>	<u>\$ 71,847</u>

Rental expense for facilities, vehicles and other equipment leased from third parties under operating leases approximated \$17.9 million, \$20.2 million and \$19.2 million for the years ended December 31, 2017, 2016 and 2015.

UNIVERSAL LOGISTICS HOLDINGS, INC.
Notes to Consolidated Financial Statements – (Continued)
December 31, 2017, 2016 and 2015

(10) Comprehensive Income

Comprehensive income includes the following for the years ended December 31 (in thousands):

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Unrealized holding (losses) gains on available-for-sale securities arising during the period:			
Gross amount.....	\$ 1,645	\$ 1,787	\$ (1,597)
Income tax (expense) benefit.....	38	(645)	582
Net of tax amount	<u>\$ 1,683</u>	<u>\$ 1,142</u>	<u>\$ (1,015)</u>
Realized (gains) on available-for-sale securities reclassified into income:			
Realized gains on sales of available-for-sale securities.....	\$ (923)	\$ (412)	\$ (347)
Other-than-temporary impairment losses	—	—	230
Total before tax	(923)	(412)	(117)
Income tax expense	384	148	45
Net of tax amount.....	<u>\$ (539)</u>	<u>\$ (264)</u>	<u>\$ (72)</u>
Unrealized holding gains on interest rate swaps arising during the period:			
Gross amount.....	\$ 99	\$ 161	\$ —
Income tax expense	(1)	(62)	—
Net of tax amount	<u>\$ 98</u>	<u>\$ 99</u>	<u>\$ —</u>
Foreign currency translation adjustments	<u>\$ 672</u>	<u>\$ (1,161)</u>	<u>\$ (2,252)</u>

The unrealized holding gains and losses on available-for-sale investments represent mark-to-market adjustments net of related income taxes.

(11) Retirement Plans

We offer 401(k) defined contribution plans to our employees. The plans are administered by a company controlled by our principal shareholders and include different matching provisions depending on which subsidiary or affiliate is involved. In the plans available to certain employees not subject to collective bargaining agreements, we matched contributions up to \$600 annually for each employee who is not considered highly compensated through December 31, 2008, after which some matching contributions were suspended as a response to market conditions at certain subsidiaries. Three other 401(k) plans are provided to employees of specific operations and offer matching contributions that range from zero to \$2,080 per participant annually. The total expense for contributions for 401(k) plans, including plans related to collective bargaining agreements, was \$0.5 million, \$0.5 million and \$0.2 million for the years ended December 31, 2017, 2016 and 2015, respectively.

In connection with a collective bargaining agreement that covered 12 Canadian employees at December 31, 2017, we are required to make defined contributions into the Canada Wide Industrial Pension Plan. At December 31, 2017 and 2016, the required contributions totaled approximately \$41,000 and \$31,000, respectively.

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Notes to Consolidated Financial Statements – (Continued)
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(12) Stock Based Compensation

On April 23, 2014, our Board of Directors adopted the 2014 Amended and Restated Stock Incentive Plan, or the Plan. The Plan was approved by our shareholders at the 2014 Annual Meeting and became effective as of the date it was adopted by the Board of Directors. The Plan replaced our 2004 Stock Incentive Plan and carried forward the shares of common stock that remained available for issuance under the 2004 Stock Incentive Plan. The grants may be made in the form of stock options, restricted stock bonuses, restricted stock purchase rights, stock appreciation rights, phantom stock units, restricted stock units or unrestricted common stock. Restricted stock awards currently outstanding under the 2004 Stock Incentive Plan will remain outstanding in accordance with the terms of that plan.

On February 22, 2017, February 24, 2016, April 29, 2015 and March 5, 2015, the Company granted 10,000, 10,000, 20,000 and 10,000 shares, respectively, of restricted stock to its Chief Executive Officer. The restricted stock grants have fair values of \$13.45, \$15.55 per share, \$22.03 per share, and \$25.18 per share, respectively, based on the closing price of the Company's stock on each grant date. For each award, 25% of the shares vested immediately on the grant dates, and the remaining shares vest in three equal installments on March 5 of each of the next three years following the grant date, with the final vesting of the 2017 award to occur on March 5, 2020, in each case subject to continued employment with the company.

On December 23, 2015, the Company granted 50,000 shares of restricted stock to certain of its employees, including 10,000 shares to its Chief Financial Officer. The restricted stock grants have a grant date fair value of \$14.93 per share, based on the closing price of the Company's stock, of which 25% vested immediately, and an additional 25% will vest in three equal increments on each December 20 in 2016, 2017 and 2018.

A grantee's vesting of restricted stock awards may be accelerated under certain conditions, including retirement.

A summary of the status of our non-vested shares as of December 31, 2017, and changes during the year ended December 31, 2017, is presented below:

	<u>Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Non-vested at January 1, 2017.....	45,000	\$ 17.75
Granted	10,000	\$ 13.45
Vested	(23,750)	\$ 17.41
Forfeited.....	—	\$ —
Balance at December 31, 2017	<u>31,250</u>	<u>\$ 16.63</u>

During the years ended December 31, 2017, 2016 and 2015, the total grant date fair value of vested shares recognized as compensation cost was \$414,000, \$571,000, and \$494,000 respectively. As of December 31, 2017, there was \$520,000 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized on a straight-line basis over the remaining vesting period. As a result, the Company expects to recognize stock-based compensation costs of \$413,000, \$73,000, and \$34,000 during 2018, 2019 and 2020, respectively.

(13) Commitments and Contingencies

Our principal commitments relate to long-term real estate leases and payment obligations to equipment vendors.

On October 16, 2017, a jury in state court in Cook County, Illinois rendered a verdict of \$54.2 million against Universal Am-Can, Ltd. (“UACL”) in the matter of Denton v. UACL, et al. The litigation relates to a vehicular accident that occurred on February 8, 2011 on I-65 in Rensselaer, Indiana. The accident involved a tractor-trailer being driven by an independent owner-operator of UACL. The driver was braking on the expressway in order to avoid another vehicle being driven the wrong way on the interstate. The truck attempted to avoid the oncoming vehicle and the plaintiff’s vehicle and, in so doing, struck the plaintiff’s vehicle. As a result of the accident, the plaintiff sustained non-life threatening injuries. In connection with the verdict, the jury determined that UACL was responsible for the liability associated with the accident. The verdict included \$19.2 million in compensatory damages and \$35.0 million in punitive damages against UACL. The insurance coverage available for reimbursement of UACL’s damages underlying the verdict is limited to \$1.0 million. We believe the facts and the law do not support the jury’s findings of liability against UACL. Post-trial motions have been filed seeking a reduction of the verdict or reversal of the judgment. The Company may further seek to appeal the verdict to the extent the circuit court does not set it aside the judgment as a result of these motions. The Company currently estimates the possible range of financial exposure in the matter, net of insurance coverage, to be between \$18.2 and \$53.2 million. Based on the Company’s best estimate of the liability at this time, the Company has recorded an accrued liability for this matter of \$18.2 million. While we cannot predict with any certainty the outcome of this litigation, its ultimate resolution could be significantly different from our estimate and materially affect our financial condition, results of operations and cash flows.

The Company was plaintiff in a lawsuit that was filed on June 11, 2015 against, among others, Dalton Logistics, Inc. (“Dalton”) in the United States District Court for the Southern District of Texas. The Company was seeking approximately \$1.9 million in damages from a debtor relating to unpaid freight charges. In response to the filing of the complaint, the shareholders of Dalton filed a counterclaim against the Company alleging that the Company, in connection with certain unrelated negotiations with the defendant, breached an alleged agreement to acquire Dalton. The respective claims proceeded to trial and, on July 21, 2017, a jury returned two separate verdicts: One in favor of Universal for \$1.9 million, and a second in favor of the defendant for approximately \$5.7 million. On October 30, 2017, the court entered a judgment against Universal for the \$5.7 million, but ignored the \$1.9 million jury award in favor of Universal. The Company believes this ruling was in error and further believes the jury erred in their findings of any damages against Universal, and therefore, the Company plans to appeal both the ruling and the verdict. The Company currently estimates the possible range of financial exposure in the matter to be between \$0 and \$5.7 million. Based on the Company’s best estimate of the liability at this time, the Company has recorded an accrued liability for this matter of \$1.8 million. While we cannot predict with any certainty the outcome of this litigation, management does not believe the outcome will have a material adverse effect on our business, financial condition, results of operations or cash flows.

On February 21, 2018, Ford Motor Company (“Ford”) filed suit against two of the Company’s subsidiaries and two related parties in state court in Oakland County, Michigan (the “Indemnity Action”). The complaint seeks a declaratory judgment that Universal and its co-defendants are required to indemnify Ford for damages sustained by Ford in a wrongful death lawsuit in Clay County, Missouri (the “Underlying Action”). In February 2018, a jury returned a verdict against Ford in the Underlying Action and awarded the decedent’s estate \$76 million in damages. Universal believes that, under Michigan law and its agreement with Ford, Universal is not required to indemnify Ford for Ford’s own negligence that led to the jury verdict in the Underlying Action. Additionally, at the time of the incident that is the subject of the Underlying Action, Universal had in place insurance required by Ford providing for up to \$3.0 million of coverage from a co-defendant. The Company currently estimates the possible range of financial exposure in the matter, net of insurance coverage, to be between \$0 and \$73 million. Based on not only its knowledge of the facts associated with the Underlying Action and the Indemnity Action but also the opinions of its outside counsel, Universal has determined that a loss in the Indemnity Action is not probable and no accrual is necessary at this time. While the outcome of the Indemnity Action cannot be predicted with any certainty and management believes the Company will be successful in defending its position, the outcome could have material adverse effect on our business, financial position, results of operations and cash flows.

The Company is involved in certain other claims and pending litigation arising from the ordinary conduct of business. We also provide accruals for claims within our self-insured retention amounts. Based on the knowledge of the facts, and in certain cases, opinions of outside counsel, in the Company’s opinion the resolution of these claims and pending litigation will not have a material effect on our financial position, results of operations or cash flows. However, if we experience claims that are not covered by our insurance or that exceed our estimated claim reserve, it could increase the volatility of our earnings and have a materially adverse effect on our financial condition, results of operations or cash flows.

UNIVERSAL LOGISTICS HOLDINGS, INC.
Notes to Consolidated Financial Statements – (Continued)
December 31, 2017, 2016 and 2015

(13) Commitments and Contingencies - continued

At December 31, 2017, approximately 19% of our employees in the United States, Canada and Colombia, and 95% of our employees in Mexico are subject to collective bargaining agreements that are renegotiated periodically. None of the employees in the United States, Canada and Colombia are subject to contracts that expire in 2018. The contract for our Mexican employees expiring in 2018 is currently being negotiated.

(14) Earnings Per Share

Basic earnings per common share amounts are based on the weighted average number of common shares outstanding, excluding outstanding non-vested restricted stock. Diluted earnings per common share include dilutive common stock equivalents determined by the treasury stock method. For the years ended December 31, 2017, 2016 and 2015, there were 2,922, zero and 2,273 weighted average non-vested shares of restricted stock, respectively, included in the denominator for the calculation of diluted earnings per share.

For the years ended December 31, 2017, 2016 and 2015, 2,500, 45,000 and 30,725 shares of non-vested restricted stock, respectively, were excluded from the calculation of diluted earnings per share because such shares were anti-dilutive.

(15) Quarterly Financial Data (unaudited)

	2017			
	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter
	(in thousands, except per share information)			
Operating revenue	\$ 284,442	\$ 305,199	\$ 313,001	\$ 314,023
Operating income (loss)	9,169	6,417	(3,484)	13,112
Income (loss) before income taxes	7,001	4,400	(5,271)	11,011
Income tax (benefit) expense	2,683	1,661	(1,966)	(13,390)
Net income (loss)	<u>\$ 4,318</u>	<u>\$ 2,739</u>	<u>\$ (3,305)</u>	<u>\$ 24,401</u>
Earnings per common share:				
Basic	\$ 0.15	\$ 0.10	\$ (0.12)	\$ 0.86
Diluted	\$ 0.15	\$ 0.10	\$ (0.12)	\$ 0.86
Weighted average number of common shares outstanding:				
Basic	28,435	28,443	28,441	28,382
Diluted	28,435	28,443	28,444	28,390
	2016			
	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter
	(in thousands, except per share information)			
Operating revenue	\$ 260,394	\$ 276,813	\$ 271,493	\$ 264,051
Operating income	13,930	16,774	10,027	5,849
Income before income taxes	12,105	14,771	8,119	4,410
Income tax expense	4,628	5,724	3,122	1,687
Net income	<u>\$ 7,477</u>	<u>\$ 9,047</u>	<u>\$ 4,997</u>	<u>\$ 2,723</u>
Earnings per common share:				
Basic	\$ 0.26	\$ 0.32	\$ 0.18	\$ 0.10
Diluted	\$ 0.26	\$ 0.32	\$ 0.18	\$ 0.10
Weighted average number of common shares outstanding:				
Basic	28,402	28,414	28,413	28,415
Diluted	28,402	28,414	28,413	28,415

During the fourth quarter of 2017, the Company recognized an \$18.2 million income tax benefit due to the Tax Cuts and Jobs Act.

UNIVERSAL LOGISTICS HOLDINGS, INC.
Notes to Consolidated Financial Statements – (Continued)
December 31, 2017, 2016 and 2015

(16) Segment Reporting

We report our financial results in two reportable segments, the transportation segment and the logistics segment, based on the nature of the underlying customer commitment and the types of investments required to support these commitments. This presentation reflects the manner in which management evaluates our operating segments, including an evaluation of economic characteristics and applicable aggregation criteria.

Operations aggregated in our transportation segment are associated with individual freight shipments coordinated by our agents, company-managed terminals and specialized services operations. In contrast, operations aggregated in our logistics segment deliver value-added services or transportation services to specific customers on a dedicated basis, generally pursuant to contract terms of one year or longer. Other non-reportable operating segments are comprised of the Company's subsidiaries that provide support services to other subsidiaries and to owner-operators, including shop maintenance and equipment leasing.

The following tables summarize information about our reportable segments as of and for the fiscal years ended December 31, 2017, 2016 and 2015 (in thousands):

2017	Transportation	Logistics	Other	Total
Operating revenues	\$ 750,302	\$ 465,070	\$ 1,293	\$ 1,216,665
Eliminated inter-segment revenues	(1,064)	(8,095)	—	(9,159)
Depreciation and amortization	17,661	29,136	198	46,995
Income from operations.....	14,512	10,597	105	25,214
Capital expenditures	12,330	50,597	433	63,360
Total assets	291,736	293,773	25,083	610,592
2016	Transportation	Logistics	Other	Total
Operating revenues	\$ 656,496	\$ 414,948	\$ 1,307	\$ 1,072,751
Eliminated inter-segment revenues	(1,896)	(7,482)	—	(9,378)
Depreciation and amortization	13,459	23,064	179	36,702
Income from operations.....	22,399	27,653	(3,472)	46,580
Capital expenditures	9,464	91,045	500	101,009
Total assets	252,164	292,227	26,066	570,457
2015	Transportation	Logistics	Other	Total
Operating revenues	\$ 721,437	\$ 406,822	\$ 514	\$ 1,128,773
Eliminated inter-segment revenues	(3,659)	(6,170)	—	(9,829)
Depreciation and amortization	11,153	23,565	155	34,873
Income from operations.....	28,683	43,848	864	73,395
Capital expenditures	2,034	23,797	426	26,257
Total assets	219,759	253,429	29,967	503,155

We provide a portfolio of transportation and logistics services to a wide range of customers throughout the United States and in Mexico, Canada and Colombia. Revenues attributed to geographic areas are as follows (in thousands):

	Year Ended December 31,		
	2017	2016	2015
United States	\$ 1,179,115	\$ 1,038,963	\$ 1,090,683
Mexico	24,346	20,046	27,676
Canada.....	11,538	12,157	8,577
Colombia.....	1,666	1,585	1,837
Total	<u>\$ 1,216,665</u>	<u>\$ 1,072,751</u>	<u>\$ 1,128,773</u>

UNIVERSAL LOGISTICS HOLDINGS, INC.
Notes to Consolidated Financial Statements – (Continued)
December 31, 2017, 2016 and 2015

(16) Segment Reporting—continued

Net long-lived property and equipment assets by geographic area are presented in the table below (in thousands):

	<u>Year Ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
United States	\$ 245,070	\$ 233,644
Mexico	21,725	12,188
Canada.....	389	431
Colombia.....	11	14
Total	<u>\$ 267,195</u>	<u>\$ 246,277</u>

(17) Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. ASU 2014-09 is a comprehensive revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. In applying the new guidance, an entity will (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the contract’s performance obligations; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. For our transportation services businesses, which include truckload, brokerage, intermodal and dedicated services, the adoption of the standard will change the timing of revenue recognition from at delivery to over-time as the performance obligations on the in-transit services are completed. For our value-added service businesses, the adoption of the standard will not change the timing of revenue recognition. On January 1, 2018, the Company adopted ASU 2014-09 using the modified retrospective transition method with a cumulative adjustment to retained earnings. Due to the Company’s short in-transit period for transportation services, the impact did not have a significant impact on its results of operations, financial position or cash flows. The standard also requires additional disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company is finalizing its evaluation of the impact of the required disclosures that will be effective in the first quarter 2018 and expects the disclosures to be enhanced.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities. Among other things, the ASU requires equity investments, with certain exceptions, to be measured at fair value with changes in fair value recognized in net income; simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements; and clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities. The amendments are to be applied by means of a cumulative-effect adjustment to the balance sheet and are effective for interim and annual periods beginning after December 15, 2017. The Company adopted this new standard effective January 1, 2018 using the modified retrospective method with a cumulative adjustment to retained earnings of approximately \$3.8 million.

In February 2016, the FASB issued ASU 2016-02, Leases. The objective of the new standard is to establish principles for lessees and lessors to report information about the amount, timing, and uncertainty of cash flows arising from a lease. The ASU will require a lessee to recognize the assets and liabilities that arise from leases, including operating leases. Under the new requirements, a lessee will recognize in the statement of financial position a liability to make lease payments (the lease liability) and the right-of-use asset representing the right to the underlying asset for the lease term. For leases with a term of 12 months or less, the lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. This update is effective for annual and interim periods beginning after December 15, 2018, which will require us to adopt these provisions in the first quarter of 2019 using a modified retrospective approach. Early adoption is permitted, although we do not plan to adopt early. We are currently evaluating the effects ASU 2016-02 will have on our consolidated financial statements and related disclosures. We currently disclose approximately \$71.8 million in operating lease obligations in Note 9, “Leases”. We will evaluate those contracts as well as other existing arrangements to determine if they qualify for lease accounting under the new standard. Upon adoption, we would expect the amount recognized for the right-of-use assets and lease liabilities to be material to the consolidated financial statements.

(17) Recent Accounting Pronouncements - continued

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. This update simplifies the accounting for goodwill impairments by eliminating step 2 from the goodwill impairment test. Instead, if the carrying amount of a reporting unit exceeds its fair value and impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The ASU is effective for annual and any interim impairment tests for periods beginning after December 15, 2019. Early adoption is permitted for interim and annual goodwill impairment tests performed after January 1, 2017. We early adopted this ASU for our annual impairment test performed in the third quarter 2017. There was no impact resulting from this adoption on our consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, *Reclassification of Certain Tax Effects From Accumulated Other Comprehensive Income*, which amends existing guidance for reporting comprehensive income to reflect changes resulting from the 2017 Tax Act. The amendment provides the option to reclassify stranded tax effects resulting from the 2017 Tax Act and within accumulated other comprehensive income (AOCI) to retained earnings. New disclosures will be required upon adoption, including the accounting policy for releasing income tax effects from AOCI, whether reclassification of stranded income tax effects is elected, and information about other income tax effect reclassifications. The amendment will become effective for us on January 1, 2019, though early adoption is permitted. We are currently evaluating the impact of adopting this standard on our consolidated financial statements and disclosures.

(18) Subsequent Events

On February 1, 2018, the Company acquired Fore Transportation, Inc., Fore Transport, Inc. and 4 Cargo, LLC (collectively, “Fore”), and APA Holdings, LLC (“Apa Holdings”). Fore provides comprehensive intermodal solutions, including local and regional drayage services. Apa Holdings owns and leases real property and improvements, including a 28-acre terminal that serves as Fore’s corporate headquarters and its secured trailer and container storage facility for 1,100 units. The total cash purchase price was \$34.9 million, subject to customary post-closing adjustments. To fund the acquisition, the Company used available cash and borrowed approximately \$31.3 million using its margin credit facility, revolving credit facility and secured real estate financing. The Company is in the process of finalizing the purchase accounting for this transaction.

On February 22, 2018, our Board of Directors declared a quarterly cash dividend of \$0.07 per share of common stock, which is payable to shareholders of record at the close of business on March 5, 2018 and is expected to be paid on March 15, 2018. Declaration of future cash dividends is subject to final determination by the Board of Directors each quarter after its review of our financial condition, results of operations, capital requirements, any legal or contractual restrictions on the payment of dividends and other factors the Board of Directors deems relevant.

ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

ITEM 9A: CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Based on an evaluation under the supervision and with the participation of the Company's management, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") were effective as of December 31, 2017 to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Inherent Limitations over Internal Controls

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles ("GAAP"). The Company's internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and
- (iii) 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.

Management, including the Company's Chief Executive Officer and Chief Financial Officer, does not expect that the Company's internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, any evaluation of the effectiveness of controls in future periods are subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the fourth quarter of 2017, which were identified in connection with management's evaluation required by paragraph (d) of rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Annual Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the criteria set forth in *Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework)*. Based on the Company's assessment, management has concluded that its internal control over financial reporting was effective as of December 31, 2017. The Company's independent registered public accounting firm, BDO USA LLP, has issued an audit report on the Company's internal control over financial reporting, which appears below.

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
Universal Logistics Holdings, Inc.
Warren, Michigan

Opinion on Internal Control over Financial Reporting

We have audited Universal Logistics Holdings Inc.'s (the "Company's") internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, 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 of the Company as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income, cash flows and shareholders' equity for each of the three years in the period ended December 31, 2017, and the related notes and our report dated March 16, 2018 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 "Item 9A, 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 U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting 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, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included 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/ BDO USA, LLP

Troy, Michigan
March 16, 2018

ITEM 9B: OTHER INFORMATION

None.

PART III

Portions of the information required by Part III of Form 10-K are, pursuant to General Instruction G (3) of Form 10-K, incorporated by reference from our definitive Proxy Statement to be filed pursuant to Regulation 14A for our Annual Meeting of Shareholders to be held on April 26, 2018. We will, within 120 days of the end of our fiscal year, file with the Securities and Exchange Commission a definitive proxy statement pursuant to Regulation 14A.

ITEM 10: DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A for our Annual Meeting of Shareholders to be held on April 26, 2018.

ITEM 11: EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A for our Annual Meeting of Shareholders to be held on April 26, 2018.

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

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A for our Annual Meeting of Shareholders to be held on April 26, 2018.

The following table presents information about equity plans under which equity securities of the Company are authorized for issuance at December 31, 2017:

Plan Category	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
Equity compensation plans approved by security holders	31,250	\$ — (1)	206,880
Equity compensation plans not approved by security holders	—	\$ —	—
Total	<u>31,250</u>	<u>\$ — (1)</u>	<u>206,880</u>

(1) Reflects shares to be issued under restricted stock bonus awards, which do not have an exercise price. As of December 31, 2017, the Company has no outstanding options, warrants or rights that require payment of an exercise price.

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

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A for our Annual Meeting of Shareholders to be held on April 26, 2018.

ITEM 14: PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A for our Annual Meeting of Shareholders to be held on April 26, 2018.

PART IV

ITEM 15: EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(1) Financial Statements

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(2) Financial Statement Schedules

Financial statement schedules have been omitted since they are either not required, not applicable, or the information is otherwise included elsewhere in this Form 10-K.

(3) Exhibits

Exhibit No.	Description
3.1	Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-1 filed on November 15, 2004)
3.2	Amendment to Articles of Incorporation (incorporated by reference to Exhibit 3(i)-1 and 3(i)-2 to the Registrant's Current Report on Form 8-K filed on November 1, 2012)
3.3	Certificate of Amendment to Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on May 2, 2016)
3.4	Fourth Amended and Restated Bylaws, as amended effective April 28, 2016 (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed on May 2, 2016)
4.1	Amended and Restated Registration Rights Agreement among the Registrant, Matthew T. Moroun, the Manuel J. Moroun Revocable Trust and the M.J. Moroun 2012 Annuity Trust (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed July 26, 2012)
4.2	Specimen Common Share Certificate (incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-1 filed on November 15, 2004)
10.1	Consulting Agreement between the Registrant and Manuel J. Moroun (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on April 26, 2013)
10.2+	Employment Agreement between the Registrant and Jeff Rogers (incorporated by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-K filed on March 16, 2015)
10.3	Service Level Agreement between the Registrant and Data System Services, LLC (incorporated by reference to Exhibit 10.7 to the Registrant's Annual Report on Form 10-K filed on March 16, 2015)
10.4+	2014 Amended and Restated Stock Option and Incentive Plan (incorporated by reference to Appendix A to the Registrant's Schedule 14A filed on April 29, 2014)
10.5+	Form of Restricted Stock Bonus Award Agreement under the 2014 Amended and Restated Stock Option and Incentive Plan (incorporated by reference to Appendix B to the Registrant's Schedule 14A filed on April 29, 2014)

Exhibit No.	Description
10.6	Revolving Credit and Security Agreement among Universal Truckload, Inc., Universal Dedicated, Inc., Mason Dixon Intermodal, Inc., Logistics Insight Corp., Universal Logistics Solutions International, Inc., Universal Specialized, Inc., Cavalry Logistics, LLC and Universal Management Services, Inc., and PNC Bank (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on December 29, 2015)
10.7	Credit Agreement between Westport Axle Corp. and Comerica Bank (incorporated by reference to Exhibit 10.15 to the Registrant's Current Report on Form 8-K filed on December 29, 2015)
10.8	Loan and Financing Agreement between the Registrant and Flagstar Bank (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on September 9, 2016)
10.9	Purchase Agreement between UTSI Finance and Crown Enterprises (incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q filed on August 11, 2016)
10.10	Promissory Note with UTSI Finance and Crown Enterprises (incorporated by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q filed on August 11, 2016)
10.11	First Amendment to Credit Agreement between Westport Axle Corp. and Comerica Bank (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed on May 11, 2017)
10.12	Second Amendment to Credit Agreement between Westport Axle Corp. and Comerica Bank (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed on May 11, 2017)
21.1*	Subsidiaries of the Registrant
23.1*	Consent of BDO USA LLP, independent registered public accounting firm
24*	Powers of Attorney (see signature page)
31.1*	Chief Executive Officer certification, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Chief Financial Officer certification, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Chief Executive Officer and Chief Financial Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Schema Document
101.CAL*	XBRL Calculation Linkbase Document
101.DEF*	XBRL Definition Linkbase Document
101.LAB*	XBRL Labels Linkbase Document
101.PRE*	XBRL Presentation Linkbase Document
+	Indicates a management contract, compensatory plan or arrangement.
*	Filed herewith.
**	Furnished herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

Universal Logistics Holdings, Inc.
(Registrant)

By: /s/ Jude Beres
Jude Beres, Chief Financial Officer

Date: March 16, 2018

POWER OF ATTORNEY

Know all persons by these presents, that each person whose signature appears below constitutes and appoints Jeff Rogers and Jude Beres, jointly and severally, his attorneys-in-fact, each with the power of substitution, for him in any and all capacities, to sign any amendments to this Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitutes, may do or cause to be done by virtue hereof.

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

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Jeff Rogers</u> Jeff Rogers	Chief Executive Officer (Principal Executive Officer)	March 16, 2018
<u>/s/ Jude Beres</u> Jude Beres	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	March 16, 2018
<u>/s/ Matthew T. Moroun</u> Matthew T. Moroun	Chairman of the Board	March 16, 2018
<u>/s/ Manuel J. Moroun</u> Manuel J. Moroun	Director	March 16, 2018
<u>/s/ Grant Belanger</u> Grant Belanger	Director	March 16, 2018
<u>/s/ Frederick P. Calderone</u> Frederick P. Calderone	Director	March 16, 2018
<u>/s/ Joseph J. Casaroll</u> Joseph J. Casaroll	Director	March 16, 2018
<u>/s/ Daniel J. Deane</u> Daniel J. Deane	Director	March 16, 2018
<u>/s/ Michael A. Regan</u> Michael A. Regan	Director	March 16, 2018
<u>/s/ Daniel C. Sullivan</u> Daniel C. Sullivan	Director	March 16, 2018
<u>/s/ Richard P. Urban</u> Richard P. Urban	Director	March 16, 2018
<u>/s/ H.E. "Scott" Wolfe</u> H. E. "Scott" Wolfe	Director	March 16, 2018

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UNIVERSAL LOGISTICS HOLDINGS, INC.

Universal Logistics Holdings, Inc. is a leading asset-light provider of customized transportation and logistics solutions throughout the United States, and in Mexico, Canada, and Colombia. We provide our customers with supply chain solutions that can be scaled to meet their changing demands and volumes. We offer our customers a broad array of services across their entire supply chain, including truckload, brokerage, intermodal, dedicated, and value-added services. Our customized solutions and flexible business model are designed to provide us with a highly variable cost structure.

CORPORATE INFORMATION

Board of Directors

Matthew T. Moroun
Chairman of the Board,
Vice Chairman
CenTra, Inc.

Manuel J. Moroun
Chief Executive Officer
CenTra, Inc.

Jeff Rogers
Chief Executive Officer
Universal Logistics Holdings,
Inc.

Grant E. Belanger
Principal
G. Belanger Consultants, LLC

Frederick P. Calderone
Former Vice President
CenTra, Inc.

Joseph J. Casaroll
Former Vice President and
General Manager
F.C.S., Inc.

Daniel J. Deane
President
Nicholson Terminal & Dock
Company

Michael A. Regan
Chief Relationship Development
Officer
TranzAct Technologies, Inc.

Daniel C. Sullivan
Partner
Sullivan Hincks & Conway

Richard P. Urban
Former Consultant
Urban Logistics, Inc.

H.E. "Scott" Wolfe
Former Chief Executive Officer
Universal Logistics Holdings,
Inc.

Executive Officers

Jeff Rogers
Chief Executive Officer

Jude Beres
Chief Financial Officer and
Treasurer

Shareholder Information

Inquiries concerning lost stock certificates, changes of address, account status or other questions regarding your stock should be directed to the Company's Transfer Agent

Transfer Agent

Computershare, Inc.
PO Box 43078
Providence, RI 02940

The Company's annual reports on Form 10-K and quarterly reports on Form 10-Q filed with the SEC are available without charge upon request by accessing the Company's website at www.universallogistics.com or by contacting:

Investor Relations

Universal Logistics Holdings, Inc.
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Warren, Michigan 48089
(586) 920-0100



