

HUNT J B TRANSPORT SERVICES INC  
Form 10-K/A  
May 29, 2002

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

---

**FORM 10-K/A**

**AMENDMENT NO. 2 TO ANNUAL REPORT PURSUANT TO  
SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001**

Commission file number 0-11757

---

**J.B. HUNT TRANSPORT SERVICES, INC.**

Edgar Filing: HUNT J B TRANSPORT SERVICES INC - Form 10-K/A

(Exact name of registrant as specified in its charter)

**Arkansas**

(State or other jurisdiction of

Incorporation or organization)

**615 J.B. Hunt Corporate Drive**

**Lowell, Arkansas**

(Address of principal executive offices)

**71-0335111**

(I.R.S. Employer

Identification No.)

**72745**

(Zip Code)

**(479) 820-0000**

(Registrant's telephone number, including area code)

---

Explanatory Note

This Amendment No. 2 to the Annual Report on Form 10-K for the year ended December 31, 2001 is being filed primarily: (i) to correct mathematical errors in the table of Operating Segment information contained in Item 7, Management's Discussion and Analysis of Operations and Financial Condition, comparing the years ended 2001 with 2000; (ii) to correct mathematical errors in the table of Contractual Cash Obligations contained in the Liquidity section of Item 7; and (iii) to correct certain other errors related to the rounding of statistical data contained in the discussion portions of Item 7. These corrections had no impact on and do not reflect changes in the consolidated balance sheets, statements of earnings, stockholders' equity and cash flows as of and for the years ended December 31, 2001, 2000 and 1999.

**PART I**

**ITEM 1. BUSINESS**

**GENERAL**

J.B. Hunt Transport Services, Inc., together with its wholly-owned subsidiaries ( "JBHT" or the "Company" ), is a diversified transportation services company operating under the jurisdiction of the U.S. Department of Transportation (DOT) and various state regulatory agencies. JBHT is an Arkansas holding company incorporated on August 10, 1961. Through its subsidiaries and associated companies, JBHT provides a wide range of logistics and transportation services to a diverse group of customers. The Company directly manages or provides tailored, technology-driven solutions to a growing list of Fortune 500 companies. These customers may request specifically targeted transportation service or outsource their entire transportation function to JBHT, or an associated company. The Company also directly transports full-load containerizable freight throughout the continental United States and portions of Canada and Mexico. Transportation services may utilize JBHT equipment and employees, or may employ equipment and services provided by associated or unrelated third parties in the transportation industry. The Company had three reportable business segments during calendar year 2001. These segments included dry-van truck only (JBT), intermodal (JBI) and dedicated contract services (DCS). In addition, JBHT operated a logistics business segment from 1992 until mid 2000. Effective July 1, 2000, the Company, along with four other large publicly-held transportation companies, contributed its logistics business to a new, commonly owned company, Transplace, Inc.

**JBT SEGMENT**

Primary transportation service offerings classified in this segment include full truck-load, dry-van, freight which is predominantly transported utilizing company-owned revenue equipment. Freight is picked up at the dock or specified location of the shipper and transported directly to the location of the consignee. The load may be transported entirely by company-owned and controlled power equipment or a portion of the movement may be handled by a third-party motor carrier. Typically, the charges for the entire movement are billed to the customer by the Company and the Company, in turn, pays the third-party for their portion of the transportation services provided. JBT operates utilizing certain Canadian authorities which were initially granted in 1988 and may transport freight to and from all points in the continental United States to Quebec, British Columbia and Ontario. The Company has authorization to operate directly in all the Canadian provinces, but to date has served limited points in Canada, primarily through interchange operations with Canadian motor carriers. The Company operated its JBT and JBI segments in combined fashion in periods prior to January 1, 2000. This combined operation was reported as Van/Intermodal ( "Van" ) in prior periods. In late 2000, the Company began utilizing independent contractors on a limited basis in the JBT segment. These independent contractors (I/C's) own their tractors and agree to transport freight in Company owned or controlled trailing equipment. At December 31, 2001,

approximately 340 I/C s were operating in the JBT segment. JBT gross revenue for calendar year 2001 was \$829 million, compared with \$834 million in 2000. At December 31, 2001, the JBT segment operated approximately 5,380 company owned tractors and employed 8,270 people, 6,373 of whom were drivers.

## **JBI SEGMENT**

Transportation service offerings of the JBI segment utilize agreements with various railroads to provide proven intermodal freight solutions to JBI customers in all major lanes of commerce in the United States, Canada, and Mexico. The Company differentiates itself from others through its premium service network, as well as, coordinated door to door service on company-owned and controlled assets. The Company established its first intermodal agreement with the Santa Fe Railway in 1989. Through growth of this transportation segment and additions, deletions, and mergers of rail carriers, the Company now has agreements with seven North American rail carriers including: BNSF, Norfolk Southern, CSX, Kansas City Southern, Union Pacific, Canadian National, and Florida East Coast railroads. Typically, freight is picked up at the dock or specified location of the shipper and transported to the rail carrier for loading on to rail cars. Upon completion of the rail routing, the freight is picked up at the rail carrier s ramp and transported to the consignee. These originating and destination drays may be transported entirely by company-owned and controlled power equipment or may be handled by a third-party motor carrier. It is the Company s customary business practice that all charges for the entire movement are billed to the customer by the Company and the Company, in turn, pays the rail carrier and third-party motor carrier for their portion of the transportation services provided. In 1993, rail operations were expanded to utilize high-cube containers which can be separated from the chassis and double-stacked on rail cars to provide improved productivity. This concept is known as container-on-flatcar (COFC). The agreements the Company has with its rail carriers allow for the majority of JBI business carried under these rail agreements to receive priority space on trains and preferential loading and

unloading at rail facilities. JBI gross revenue for calendar year 2001 was \$740 million, compared with \$681 million in 2000. At December 31, 2001, the JBI segment operated approximately 910 tractors and employed 1,608 people, 1,288 of whom were drivers.

## **DCS SEGMENT**

Since 1992, JBHT has offered dedicated contract carriage as a service option. DCS segment operations specialize in the design, development, and execution of supply chain solutions. Capitalizing on advanced systems and technologies, DCS offers engineered transportation solutions that support private fleet conversion, dedicated fleet creation, and transportation system augmentation. DCS operations typically provide customized services that are governed by long-term contracts and currently include dry van, flatbed, and temperature-controlled operations. Near 100% on-time service is standard with efficient routes executed to design specifications.

DCS operations focus on driving out cost and enhancing customer value through leveraging the JBHT network for backhaul repositioning freight. Network freight may be used to reposition equipment near outbound domiciles, thereby reducing inefficient empty miles and system cost. DCS also frequently finds synergy in shared resources with the JBT and JBI segments including terminals, maintenance shops, bulk fuel locations, and trailer pools providing further economies of scale. DCS gross revenue for calendar year 2001 was \$549 million, compared with \$479 million in 2000. At December 31, 2001, the DCS segment operated approximately 4,480 tractors and employed 5,383 people, 4,633 of whom were drivers.

## **LOGISTICS BUSINESS AND ASSOCIATED COMPANY**

The Company formally began offering logistics transportation services in 1992 through a wholly-owned subsidiary, J.B. Hunt Logistics (JBL). JBL services frequently included an arrangement whereby a shipper might outsource a substantial portion of its entire distribution and transportation process to one organization. The JBL segment business included a wide range of comprehensive transportation and management services including experienced professional managers, information and optimization technology, and the actual design or redesign of system solutions. A new logistics customer or service arrangement may have required a significant amount of up-front analysis and design time, while alternatives were considered and custom systems and software were developed. Effective July 1, 2000, the Company contributed substantially all of its JBL segment business, all related intangible assets and \$5 million of cash to a newly-formed, commonly-owned company, Transplace, Inc. ( TPC ).

TPC is an Internet-based global transportation logistics company. TPC commenced operations in July of 2000 and initially included substantially all of the logistics business of the Company, Covenant Transport, Inc.; Swift Transportation Co., Inc; U.S. Xpress Enterprises, Inc., and Werner Enterprises, Inc. TPC gross revenue for calendar year 2001 approximated \$702 million, which revenue is not included in the Company's financial statements for 2001. The Company presently has an approximate 27% ownership interest in TPC and, accordingly, utilizes the equity method of accounting. The financial results of TPC are included on a one-line, non-operating item included on the Consolidated Statements of Earnings entitled equity in earnings of associated companies.

**ASSOCIATED COMPANY - MEXICO**

The Company has provided transportation services to and from Mexico since 1989. These services frequently involve equipment interchange operations with various Mexican motor carriers. A joint venture agreement with Transportacion Maritima Mexicana, one of the largest transportation companies in Mexico, was signed in 1992. The joint venture, Comercializadora Internacional de Carga, St. de CV and its subsidiaries, originate and complete northbound and southbound international truck movements between the U.S. and Mexico. The joint venture also provides Mexican domestic irregular route truck service, refrigerated freight services, Mexican dedicated contract business and short-haul drayage to and from the Mexican maritime ports and rail heads. For the calendar year ended December 31, 2001 and for prior years, the Company's share of its Mexican joint venture operating results were included on a one-line, non-operating item on the Consolidated Statements of Earnings entitled equity in earnings of associated companies. The Company anticipates a sale of its interest, which is expected to be consummated in early 2002.

## **MARKETING AND OPERATIONS**

JBHT transports a wide range of products including automotive parts, department store merchandise, paper and wood products, food and beverages, plastics, chemicals and manufacturing materials and supplies. The Company's primary customers include many of the Fortune 500 companies. The Company's largest customer in 2001 was Wal-Mart Stores, Inc., which accounted for approximately 16% of total revenue. A broad geographic dispersion and a good balance in the type of freight transported allows JBHT some protection from major seasonal fluctuations. However, consistent with the truckload industry in general, freight is typically stronger during the second half of the year, with peak volume occurring in August through mid November. Revenue and earnings are also affected by bad weather, holidays, fuel prices, driver cost and availability, and railroad service levels.

The Company generally markets all of its service offerings through a nationwide marketing network. All transportation services offered are typically billed directly to the customer by JBHT and all inquiries, claims and other customer contacts are handled by the Company. Certain marketing, sales, engineering and design functions are assigned to each operating segment. However, marketing and pricing strategy, and national account service coordination is managed at the corporate level.

## **PERSONNEL**

At December 31, 2001, JBHT employed approximately 16,380 people, including 12,294 drivers. Historically the truckload transportation industry and the Company have experienced shortages of qualified drivers. In addition, driver turnover rates for truckload motor carriers frequently exceed 100%. In September of 1996, JBHT announced a new compensation program for the approximate 3,500 over-the-road JBT drivers at that time. This comprehensive package, which was effective in February of 1997, included an average 33% increase in wages for this group of employees. This program was designed to attract and retain a professional and experienced work force capable of delivering a high level of customer service. As anticipated, this increase in driver wages and benefits was partially offset by lower driver recruiting and training expense, reduced accident costs and better equipment utilization. Primarily due to the over-the-road (OTR) driver pay change in 1997, average driver turnover rates declined from approximately 85% in 1996 to the 45% to 50% range during 1997 through 1999. During late 2000 and 2001, supply and demand conditions for drivers changed and a number of truck load carriers, including the Company, implemented lower mileage pay rates for newly hired drivers. Partly as a result of this reduced compensation level for drivers, the Company's driver turnover rate was approximately 70% in 2000 and over 100% in 2001. At December 31, 2001 JBHT also employed approximately 3,090 office employees and 1,000 mechanics. No employees are represented by collective bargaining agreements.

## **REVENUE EQUIPMENT**

At December 31, 2001, JBHT owned or leased approximately 10,770 company tractors, 25,580 trailers and 18,740 containers. JBHT believes that modern, late-model, clean equipment differentiates quality customer service, increases equipment utilization and reduces maintenance costs and downtime. The Company generally operates with newer revenue equipment in the JBT segment, with the age of tractors and trailers approximating 1.5 years and 2 years, respectively, at December 31, 2001. Slightly older equipment and tractors designed for local and regional operations are typically utilized in the JBI and DCS segments. Specially designed high-cube containers which can be separated from the chassis and double-stacked on rail cars are also operated by JBI. The average age of JBI tractors and containers at December 31, 2001 was approximately 3.5 years and 6.5 years, respectively. The JBI segment commenced receiving brand new containers and reconditioned chassis in late 2001 and plans to receive approximately 6,000 new containers during 2002. The composition of the dedicated contract fleet varies with specific customer service requirements. All JBHT revenue equipment is maintained in accordance with a specific maintenance program primarily based on age and/or miles traveled.

## COMPETITION

JBHT is one of the largest publicly held truckload carriers in the United States. It competes primarily with other irregular route, truckload common carriers. Less-than-truckload common carriers and private carriers generally provide limited competition for truckload carriers. JBHT and its associated companies are one of a few carriers offering nationwide logistics management and dedicated revenue equipment services. Although a number of carriers may provide competition on a regional basis, only a limited number of companies represent competition in all markets. The extensive rail network developed in conjunction with the various railroads also allows the Company the opportunity to differentiate its services in the marketplace.



**REGULATION**

The Company's operations as a for-hire carrier are subject to regulation by the U.S. Department of Transportation's Federal Motor Carrier Safety Administration (FMCSA) and by various Canadian provinces. Entry controlled barriers were substantially removed as a result of federal deregulation statutes such as the Interstate Commerce Commission Termination Act of 1995 (ICCTA). The FMCSA continues to enforce safety regulations and has proposed new rules which, if approved in their present form, would limit driver's hours of service. President Bush is considering implementation of provisions of the North America Free Trade Agreement (NAFTA), which may result in increased competition between U.S. and Mexican carriers for truckload services moving between these two countries. The Clean Air Act of 1990 established tighter pollution standards for emissions from automobiles and trucks. These new standards were effective on a phased in basis beginning with model year 1994. Under the current rules, additional standards are effective in October of 2002. The impact of these new rules on the Company has not yet been determined. The Company believes it has responded effectively to the marketplace changes caused by increased domestic competition and that it can effectively respond to any foreseeable changes in FMCSA regulations or NAFTA implementation.

**ITEM 2. PROPERTIES**

The Company's corporate headquarters are in Lowell, Arkansas. A 150,000-square-foot building was constructed and occupied in September 1990. The Company also utilizes its former corporate building as general offices. In 1999, a new 20,000 square foot building was constructed and occupied near the corporate headquarters. A portion of this leased facility serves as a backup data center and provides disaster recovery support services. An additional 20,000 square foot building consisting of general office space for Corporate employees was completed and occupied in 2000. This building is located next to the data center building and is a leased facility.

Principal outside facilities consist primarily of general offices which support operational, safety and maintenance functions. In addition to the principal facilities listed below, the Company leases numerous small offices and trailer parking yards in various locations throughout the county to support customer trailing equipment pool commitments.

A summary of the Company's principal facilities follows:

| <b>Location</b>                           | <b>Acreage</b> | <b>Maintenance Shop<br/>(square feet)</b> | <b>Office Space<br/>(square feet)</b> |
|---|----------------|---|---------------------------------------|
| Atlanta, Georgia                          | 30             | 29,800                                    | 10,400                                |
| Chicago, Illinois                         | 27             | 50,000                                    | 14,000                                |
| Dallas, Texas                             | 14             | 24,000                                    | 7,800                                 |
| Detroit, Michigan                         | 27             | 44,300                                    | 10,800                                |
| East Brunswick, New Jersey                | 20             | 20,000                                    | 7,800                                 |
| Houston, Texas                            | 13             | 24,700                                    | 7,200                                 |
| Kansas City, Missouri                     | 10             | 31,000                                    | 6,700                                 |
| Little Rock, Arkansas                     | 24             | 29,200                                    | 7,200                                 |
| Louisville, Kentucky                      | 14             | 40,000                                    | 10,000                                |
| Lowell, Arkansas (corporate headquarters) | 25             |   | 150,000                               |
| Lowell, Arkansas                          | 40             | 50,200                                    | 14,000                                |

Edgar Filing: HUNT J B TRANSPORT SERVICES INC - Form 10-K/A

|   |    |        |        |
|---|----|--------|--------|
| Lowell, Arkansas (office and data center) | 2  |        | 20,000 |
| Lowell, Arkansas (office)                 | 2  |        | 20,000 |
| Memphis, Tennessee                        | 10 | 26,700 | 8,000  |
| Phoenix, Arizona                          | 14 | 10,000 | 5,300  |
| San Bernardino, California                | 8  | 14,000 | 4,000  |
| South Gate, California                    | 12 | 12,000 | 5,500  |
| Syracuse, New York                        | 13 | 19,000 | 8,000  |

**ITEM 3. LEGAL PROCEEDINGS**

The Company is involved in certain claims and pending litigation arising from the normal conduct of business. Based on the present knowledge of the facts and, in certain cases, opinions of outside counsel, management believes the resolution of claims and pending litigation will not have a material adverse effect on the financial condition or results of operations of the Company.

-

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

No matters were submitted during the fourth quarter of 2001 to a vote of security holders.

**EXECUTIVE OFFICERS OF THE COMPANY**

Information with respect to the executive officers of the Company is set forth below:

| <b>Name</b>             | <b>Age</b> | <b>Position with Company</b>   | <b>Executive Officer Since</b> |
|-------------------------|------------|--|--------------------------------|
| J.B. Hunt               | 75         | Senior Chairman of the Board; Director   | 1961                           |
| Wayne Garrison          | 49         | Chairman of the Board; Director  | 1979                           |
| Johnelle Hunt           | 70         | Secretary; Director  | 1972                           |
| Kirk Thompson           | 48         | President and Chief Executive Officer; Director  | 1984                           |
| Paul R. Bergant         | 55         | Executive Vice President, Marketing and Chief Marketing Officer                            | 1985                           |
| Bob D. Ralston          | 55         | Executive Vice President, Equipment and Properties   | 1989                           |
| Jerry W. Walton         | 55         | Executive Vice President, Finance and Administration and Chief Financial Officer           | 1991                           |
| Craig Harper            | 44         | Executive Vice President, Operations and Chief Operations Officer                          | 1997                           |
| John N. Roberts III (1) | 37         | President, Dedicated Contract Services, and Executive Vice President, Enterprise Solutions | 1997                           |
| Kay J. Palmer (2)       | 38         | Chief Information Officer  | 1999                           |

---

(1) Mr. Roberts joined the Company in 1989 as a management trainee. In December of 1990, he became a Regional Marketing Manager. In February of 1996, he was named Vice President, Marketing Strategy and was appointed President, Dedicated Contract Services, in July of 1997. In June of 1998, he was appointed to the additional position of Executive Vice President of Enterprise Solutions.

(2) Ms. Palmer joined the Company in 1988 as a programming specialist. In June of 1989, she was named Director of Application Services. In June of 1995, she was named Vice President of Applications. She became Senior Vice President of Information Services in August of 1998 and named Chief Information Officer in June of 1999.

**PART II****ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS****PRICE RANGE OF COMMON STOCK**

The Company's common stock is traded in the over-the-counter market under the symbol JBHT. The following table sets forth, for the calendar years indicated, the range of high and low sales prices for the Company's common stock as reported by the National Association of Securities Dealers Automated Quotations National Market System (NASDAQ).

| Period      | 2001    |         | 2000    |         |
|-------------|---------|---------|---------|---------|
|             | High    | Low     | High    | Low     |
| 1st Quarter | \$20.50 | \$12.88 | \$16.00 | \$10.50 |
| 2nd Quarter | 20.75   | 14.63   | 17.50   | 13.13   |
| 3rd Quarter | 25.60   | 12.15   | 16.00   | 11.50   |
| 4th Quarter | 25.17   | 11.93   | 17.25   | 10.50   |

On February 28, 2002, the high and low sales prices for the Company's common stock as reported by the NASDAQ were \$25.24 and \$23.40, respectively. As of February 28, 2002, the Company had 1,440 stockholders of record.

**DIVIDEND POLICY**

On January 21, 2000, the Board of Directors declared a quarterly dividend of \$.05 per share, paid on February 17, 2000 to shareholders of record on February 3, 2000. The Company declared and paid cash dividends of \$.20 per share in 1999 and 1998. On February 16, 2000, the Board of Directors announced a decision to discontinue its policy of paying quarterly cash dividends. No dividends have been paid since February of 2000.

**ITEM 6. SELECTED FINANCIAL DATA**

(Dollars in millions, except per share amounts)

| Years Ended December 31              | 2001       | 2000       | 1999       | 1998       | 1997       |
|--------------------------------------|------------|------------|------------|------------|------------|
| Operating revenues                   | \$ 2,100.3 | \$ 2,160.4 | \$ 2,045.1 | \$ 1,841.6 | \$ 1,554.3 |
| Operating income                     | 72.2       | 63.4       | 74.3       | 101.5      | 53.1(2)    |
| Net earnings                         | 32.9       | 36.1       | 31.9       | 46.8       | 18.2(2)    |
| Diluted earnings per share           | .91        | 1.02       | .89        | 1.28       | .50(2)     |
| Cash dividends per share             |            | .05        | .20        | .20        | .20        |
| Total assets                         | 1,260.3    | 1,231.9    | 1,127.5    | 1,171.5    | 1,021.9    |
| Long-term debt and lease obligations | 353.6      | 300.4      | 267.6      | 417.0      | 322.8      |
| Stockholders' equity                 | 458.3      | 417.8(1)   | 391.2(1)   | 365.5(1)   | 327.8(2)   |

(1) As a result of a change in method of accounting for insurance reserves, retained earnings was restated as of December 31, 1996. See Note 12 of the Notes to Consolidated Financial Statements.

(2) The impact of the change in accounting for insurance reserves as discussed in Note 12 of the Notes to Consolidated Financial Statements would have resulted in an increase to net earnings of approximately \$6.8 million in fiscal 1997. Accordingly, operating income, net earnings and diluted earnings per share have been restated by approximately \$11.0 million, \$6.8 million and 19 cents, respectively.

## Percentage of Operating Revenue

| Years Ended December 31                           | 2001   | 2000   | 1999   | 1998   | 1997     |
|---|--------|--------|--------|--------|----------|
| Operating revenues                                | 100.0% | 100.0% | 100.0% | 100.0% | 100.0%   |
| Operating expenses:                               |        |        |        |        |          |
| Salaries, wages and employee benefits             | 37.6   | 35.6   | 34.9   | 34.9   | 33.8 (2) |
| Rents and purchased transportation                | 28.8   | 32.1   | 33.7   | 33.7   | 33.1     |
| Fuel and fuel taxes                               | 10.8   | 11.3   | 8.3    | 7.5    | 9.1      |
| Operating supplies and expenses                   | 6.9    | 6.1    | 6.2    | 5.3    | 5.9      |
| Depreciation and amortization                     | 6.8    | 6.2    | 7.3    | 7.6    | 8.4      |
| Insurance and claims                              | 2.0    | 1.8    | 2.0    | 1.8    | 2.3 (2)  |
| Operating taxes and licenses                      | 1.6    | 1.5    | 1.3    | 1.3    | 1.6      |
| Communication and utilities                       | 1.2    | 1.2    | 1.0    | 1.0    | 1.1      |
| General and administrative expenses, net of gains | .9     | 1.3    | 1.7    | 1.4    | 1.3      |
| Total operating expenses                          | 96.6   | 97.1   | 96.4   | 94.5   | 96.6 (2) |
| Operating income                                  | 3.4    | 2.9    | 3.6    | 5.5    | 3.4 (2)  |
| Interest expense                                  | (1.3)  | (1.1)  | (1.4)  | (1.6)  | (1.6)    |
| Equity in earnings (loss) of associated companies |        | .2     | .2     | .1     | .1       |

Edgar Filing: HUNT J B TRANSPORT SERVICES INC - Form 10-K/A

|                              |      |      |      |      |          |
|------------------------------|------|------|------|------|----------|
| Earnings before income taxes | 2.1  | 2.0  | 2.4  | 4.0  | 1.9 (2)  |
| Income taxes                 | .5   | .3   | .8   | 1.5  | .7 (2)   |
| Net earnings                 | 1.6% | 1.7% | 1.6% | 2.5% | 1.2% (2) |

The following table sets forth certain operating data of the Company.

| <b>Years Ended December 31</b>                                       | <b>2001</b> | <b>2000</b> | <b>1999</b> | <b>1998</b> | <b>1997</b> |
|--|-------------|-------------|-------------|-------------|-------------|
| Total loads  | 2,565,915   | 2,697,582   | 2,769,834   | 2,243,856   | 1,802,006   |
| Average number of tractors owned/leased in the fleet during the year | 10,710      | 10,055      | 9,183       | 8,207       | 7,629       |
| Tractors owned/leased (at year end)                                  | 10,770      | 10,649      | 9,460       | 8,906       | 7,508       |
| Independent contractors (at year end)                                | 337         | 16          |             |             |             |
| Trailers/containers (at year end)                                    | 44,318      | 44,330      | 39,465      | 35,366      | 30,391      |
| Company tractor miles (in thousands)                                 | 1,022,677   | 1,000,127   | 986,288     | 922,560     | 790,018     |

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

**FORWARD-LOOKING STATEMENTS**

This report contains statements that may be considered to be forward-looking or predictions concerning future operations or events. Such statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are inherently uncertain, subject to risks and should be viewed with caution. These statements are based on management's belief or interpretation of information currently available. Shareholders and prospective investors are cautioned that actual results and future events may differ materially from the forward-looking statements as a result of many factors. Among all the factors and events that are not within the Company's control and could have a material impact on future operating results include: general economic conditions, terrorists attacks or actions, acts of war, cost and availability of diesel fuel, adverse weather conditions, competitive rate fluctuations, availability of drivers, revenue equipment resale or trade values and the ability of revenue equipment manufacturers to perform in accordance with agreements for guaranteed equipment trade-in values. Current and future changes in fuel prices could result in significant fluctuations of quarterly earnings. The above is not an all-inclusive list. Financial and operating results of the Company may fluctuate as a result of these and other risk factors or events as described from time to time in Company filings with the Securities and Exchange Commission. The Company assumes no obligation to update any forward-looking statement to the extent it becomes aware that it will not be achieved for any reason.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Certain amounts included in or affecting the Company's financial statements and related disclosures must be estimated, requiring certain assumptions with respect to values or conditions that cannot be known with certainty at the time the financial statements are prepared.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect:

the amounts reported for assets and liabilities;

the disclosure of contingent assets and liabilities at the date of the financial statements; and

the amounts reported for revenues and expenses during the reporting period.

Therefore, the reported amounts of assets and liabilities, revenues and expenses and associated disclosures with respect to contingent assets and obligations are necessarily affected by these estimates. Management evaluates these estimates on an ongoing basis, utilizing historical experience, consultation with experts and other methods considered reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from estimates. Any effects on business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known.

In preparing financial statements and related disclosures, management must use estimates in determining the economic useful lives of assets, provisions for uncollectible accounts receivable, exposures under self-insurance plans and various other recorded or disclosed amounts. However, management believes that certain accounting policies are of more significance in the financial statement preparation process than others and are discussed below. To the extent that actual outcomes differ from estimates, or additional facts and circumstances cause management to revise estimates, earnings will be affected.

### **Workers Compensation and Accident Costs**

The Company purchases insurance coverage for a portion of expenses related to employee injuries (workers compensation), vehicular collisions and accidents and cargo claims. Most insurance arrangements include a level of self insurance (deductible) coverage applicable to each claim, but provide an umbrella policy to limit the Company's exposure to catastrophic claim costs that are completely insured. The amounts of self insurance change from time to time based on certain measurement dates and policy expiration dates. The Company's current insurance coverage specifies that the first \$5,000 of any claim is self insured and that the self insured limit on certain claims was up to \$2 million in 2001 and decreased to \$1.5 million effective January 1, 2002, which is prefunded with its insurance carrier. The Company is substantially self insured for loss of and damage to its owned and leased revenue equipment. Company safety and claims personnel work directly with representatives from the insurance companies to continually update the estimated ultimate cost of each claim. At December 31, 2001, the Company had approximately \$14 million of estimated net claims payable. In addition, the Company is required to pay certain advanced deposits and monthly premiums. At December 31, 2001, the Company had a prepaid insurance asset of approximately \$38 million.



During the fourth quarter of 2001, the Company modified its method of estimating and recording its ultimate cost related to auto liability and workers' compensation claims, which will result in a more accurate estimate of the Company's ultimate loss from claims. The Company began applying loss development factors to its accident and workers' compensation claims history. This new method results in a more accurate estimate of the Company's ultimate loss from claims than its prior method. This new method resulted in a restatement of the following balances at December 31, 1998: a \$10.2 million decrease in retained earnings, a \$16.3 million increase in claims payable and a \$6.1 million increase in deferred tax assets. These adjustments had no material impact on year 2000 and 1999 consolidated earnings.

### **Revenue Equipment**

The Company operates a significant number of tractors, trailers and containers in connection with its business. This equipment may be purchased or acquired under capital or operating leases. In addition, revenue equipment may be rented from third parties and various railroads under short-term rental arrangements. Revenue equipment which is purchased is depreciated on the straight-line method over the estimated useful life down to an estimated salvage or trade-in value. Equipment acquired under capital leases is initially recorded at the net present value of the minimum lease payments and amortized on the straight-line method over the lease term or the estimated useful life, whichever is shorter.

The Company has an agreement with its primary tractor supplier for guaranteed residual or trade-in values for certain new equipment acquired since 1999. The Company has utilized these values in accounting for purchased and leased tractors. If the supplier was unable to perform under the terms of such agreements, it could have a material negative impact on the Company's financial results.

### **Revenue Recognition**

The Company recognizes revenue based on the relative transit time of the freight transported. Accordingly, a portion of the total revenue which will be billed to the customer once a load is delivered is recognized in each reporting period based on the percentage of the freight pickup and delivery service that has been completed at the end of the reporting period.

### **Segments**

The Company operated three segments during the calendar year 2001. Segments included Truck (JBT), Intermodal (JBI) and Dedicated Contract Services (DCS). JBT business included full truck-load, dry-van freight which is primarily transported utilizing company-owned or controlled revenue equipment. Freight in the JBT segment is typically transported over roads and highways and no portion of a movement involves railroads. The JBI segment includes freight which is transported by rail over at least a portion of the movement. JBI freight may also include certain repositioning truck loads which are moved by JBI equipment or third-party carriers, in circumstances where the movement directs JBI equipment back toward intermodal operations. DCS segment business usually includes company-owned revenue equipment and employee drivers who are assigned to a specific customer, traffic lane or service. DCS operations most frequently involve formal, written long-term agreements which govern services performed and applicable rates.

## Edgar Filing: HUNT J B TRANSPORT SERVICES INC - Form 10-K/A

Prior to July 1, 2000, the Logistics business segment (JBL) primarily consisted of J.B. Hunt Logistics, a wholly-owned subsidiary which provided a wide range of comprehensive transportation and freight management services. Such services included experienced professional managers, information and freight optimization technology and the actual design or redesign of freight system solutions. JBL utilized JBT, JBI or DCS owned or controlled assets and employees, or third-party carriers, or a combination to meet service requirements. JBL services were typically provided in accordance with written long-term agreements. Effective July 1, 2000, JBL exchanged its ownership in substantially all of its assets for an initial membership interest in TPC.

**RESULTS OF OPERATIONS****2001 Compared With 2000****Operating Segments****For Years Ended December 31****(in millions of dollars)**

|                            | Gross Revenue |            |          | Operating Income |          |
|----------------------------|---------------|------------|----------|------------------|----------|
|                            | 2001          | 2000       | % Change | 2001             | 2000     |
| JBT                        | \$ 828.6      | \$ 833.8   | (1)%     | \$ 8.7           | \$ (7.1) |
| JBI                        | 740.5         | 681.1      | 9%       | 42.1             | 36.7     |
| DCS                        | 548.7         | 478.6      | 15%      | 17.4             | 28.4     |
| JBL                        |               | 230.0*     |          | -                | 8.1*     |
| Other                      | .6            |            |          | 4.0              | (2.7)    |
| Subtotal                   | 2,118.4       | 2,223.5    | (5)%     | 72.2             | 63.4     |
| Inter-segment eliminations | (18.1)        | (63.1)     |          |                  |          |
| Total                      | \$ 2,100.3    | \$ 2,160.4 | (3)%     | \$ 72.2          | \$ 63.4  |

\*As of December 31, 2000, TPC qualified as a reportable business segment for financial reporting purposes. However, the logistics segment (JBL) information for 2001 shown above excludes TPC from its inception in July 2000. TPC is accounted for on the equity method and does not qualify as a reporting segment in 2001.

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements of the Company and related footnotes appearing in this annual report.

**Overview of 2001**

Financial and operating results for the year 2001 were impacted by a number of significant items. General economic conditions in the transportation industry were soft during the majority of the year and fuel costs varied dramatically, sometimes changing more than 10% from one month to the next. However, overall fuel costs for 2001 were down from prior year. Consolidated operating revenues for 2001 decreased approximately 3% from 2000. Excluding the JBL operations, which were contributed to TPC as of July 1, 2000, revenue growth for the remaining business segments was approximately 6%. The growth in the remaining segments is attributable to expansion of the Company's operating fleet of tractors from an average of 10,055 in 2000 to 10,710 in 2001 an average increase of 655 tractors or 6.5%. While fuel costs and

related fuel surcharge revenues varied significantly during 2001, the net change in fuel surcharge revenue had less than a 1% impact on revenue between 2001 and 2000.

JBT segment revenue totaled \$828.6 million in 2001, down 1% from 2000. This decline was due in part to the softer economy that created a reduced demand for freight. The Company began focusing on improving the operating ratio through cost management initiatives rather than JBT fleet growth. The Company has no plans to grow the JBT fleet until such time that a reasonable operating income has been achieved warranting the additional investment of capital. JBT tractor count, including independent contractors (I/C s) declined nearly 3% during 2001 and tractor utilization was also down approximately 3%. However, revenue per loaded mile increased 3.2%, excluding fuel surcharges, reflecting freight mix changes and pure rate increases. The Truck segment generated operating income of \$8.7 million in 2001, compared with a loss of \$7.1 million in 2000. As a result of a new initiative commenced in late 2000, the number of I/C s in JBT grew to 337 in 2001, from 16 at the end of 2000. Continued volatility in the earnings power of the Truck unit is likely to prevail until supply and demand factors in the truckload industry improve. Additional improvement is significantly dependent upon increases in the availability of freight.

JBI segment business was reasonably strong during 2001 and grew 9% to \$740.5 million from \$681.1 million in 2000. The Intermodal segment held its tractor count essentially flat at 910 during 2001. Unlike the other segments, growth of JBI is not easily tracked by number of tractors, as JBI can utilize outside dray carriers and the other JBHT business units to support load and revenue growth. The increase in revenue can be attributed to a 5% increase in the number of loads from 2000 to 2001 coupled with a 1.7% increase in revenue per loaded mile, excluding fuel surcharges. As a result of revenue growth and utilization of containers, JBI operating income climbed 13% in 2001 to \$42.1 million from \$36.7 million in 2000.

DCS segment revenue grew 15% during 2001, to \$548.7 million from \$478.6 million in 2000. This growth rate was down significantly from recent years due to: 1) soft economic conditions which made companies more apprehensive about changing or outsourcing their transportation needs, and; 2) the Company's unwillingness to reduce rates to increase market share. The DCS segment tractor fleet grew by 15% during 2001, but revenue growth was limited by idle tractors throughout most of the year. DCS generated \$17.4 million of operating income in 2001, compared with \$28.4 million in 2000. The lower margin and reduced operating income was primarily a result of idle tractors and a higher proportionate amount of shared trailer pool and corporate support costs being assigned to the business, as a result of improving the tracking of trailer usage and the increased internal transfer price, which is charged by JBT and JBI when DCS utilizes their assigned trailers. Cost control and close analysis of individual fleet profitability remains a DCS objective. As in the case of Truck, DCS has no fleet growth planned for 2002.

For the year ended December 31, 2001, the Company's share of TPC's results of operations totaled a loss of \$1.9 million, compared with earnings of \$440,000 for the six month period ended December 31, 2000. TPC's operating loss in 2001 was primarily due to start up expenses. JBHT's financial exposure is limited to its approximate \$6.4 million investment in TPC as the Company has not made any additional commitments or guaranteed any of TPC's financial obligations.

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

|   | Percentage of Operating Revenue |        | Percentage Change |
|---|---------------------------------|--------|-------------------|
|   | 2001                            | 2000   | 2001 vs. 2000     |
| Operating revenues                                | 100.0%                          | 100.0% | (2.8)%            |
| Operating expenses:                               |                                 |        |                   |
| Salaries, wages and employee benefits             | 37.6%                           | 35.6%  | 2.7%              |
| Rents and purchased transportation                | 28.8                            | 32.1   | (13.0)            |
| Fuel and fuel taxes                               | 10.8                            | 11.3   | (6.9)             |
| Operating supplies and expenses                   | 6.9                             | 6.1    | 11.4              |
| Depreciation and amortization                     | 6.8                             | 6.2    | 6.2               |
| Insurance and claims                              | 2.0                             | 1.8    | 8.7               |
| Operating taxes and licenses                      | 1.6                             | 1.5    |                   |
| Communication and utilities                       | 1.2                             | 1.2    | (.7)              |
| General and administrative expenses, net of gains | .9                              | 1.3    | (32.5)            |
| Total operating expenses                          | 96.6                            | 97.1   | (3.3)             |
| Operating income                                  | 3.4                             | 2.9    | 13.9              |
| Interest expense                                  | (1.3)                           | (1.1)  | 5.0               |
| Equity in earnings of associated companies        |                                 | .2     |                   |
| Earnings before income taxes                      | 2.1                             | 2.0    | 1.5               |
| Income taxes                                      | .5                              | .3     | 59.2              |
| Net earnings                                      | 1.6%                            | 1.7%   | (8.7)%            |

#### Consolidated Operating Expenses

## Edgar Filing: HUNT J B TRANSPORT SERVICES INC - Form 10-K/A

Total operating expenses in 2001 declined 3.3% from 2000, decreasing in relative proportion to operating revenues. The Company's operating ratio (operating expenses expressed as a percentage of operating revenues) improved slightly to 96.6% in 2001 from 97.1% in 2000. As previously mentioned, the JBL segment was contributed to TPC effective July 1, 2000. This approximate 10% reduction in consolidated operating revenues was the primary factor in reduced rents and purchased transportation expense. The JBI segment relied solely on JBT and third party carriers for transportation services and accordingly, purchased transportation costs as a percent of revenue were significantly higher than the other segments. The decline in fuel and fuel tax expense was primarily due to significantly lower fuel cost per gallon in late 2001. The increase in 2001 operating supplies and expenses reflected higher tractor and trailing equipment maintenance and tire costs. Insurance and claims costs reflected higher collision rates in JBT during 2001. The significant decline in general and administrative expenses was due to an approximate \$5.5 million gain on the sale of a group of trailers, which closed in March of 2001. Gains on revenue equipment dispositions are included in this expense classification and totaled a net gain of \$4.8 million in 2001, compared with a loss of \$267,000 in 2000.

Equity in earnings (loss) of associated companies reflects the Company's share of operating results for TPC and for the Mexican joint venture. Equity in earnings amounts included the following:

|                       | Year Ended December 31<br>(000) |          |
|-----------------------|---------------------------------|----------|
|                       | 2001                            | 2000     |
| TPC                   | \$ (1,918)                      | \$ 440   |
| Mexican joint venture | (165)                           | 4,337    |
|                       | \$ (2,083)                      | \$ 4,777 |

The year 2001 financial results of the Company's Mexican joint venture primarily reflect adjustments to the carrying value of the investment due to the anticipated sale of the Company's interests. The Company has an agreement in principle for a sale to the majority owner of the joint venture. This transaction is expected to be consummated in early 2002. If the transaction closes under the current terms and conditions, no material impact on earnings is anticipated.

## 2000 Compared With 1999

### Operating Segments

For Years Ended December 31

(in millions of dollars)

|                            | Gross Revenue |            |          | Operating Income |         |
|----------------------------|---------------|------------|----------|------------------|---------|
|                            | 2000          | 1999       | % Change | 2000             | 1999    |
| JBT                        | \$ 833.8      | \$ 763.2   | 9%       | \$ (7.1)         |         |
| JBI                        | 681.1         | 651.6      | 5%       | 36.7             |         |
| Van                        | 1,514.9       | 1,414.8    | 7%       | 29.6             | \$ 44.4 |
| DCS                        | 478.6         | 320.2      | 49%      | 28.4             | 24.1    |
| Logistics (JBL)            | 230.0*        | 387.9      | (41)%    | 8.1*             | 10.5    |
| Other                      |               |            |          | (2.7)            | (4.7)   |
| Subtotal                   | 2,223.5       | 2,122.9    | 5%       | 63.4             | 74.3    |
| Inter-segment eliminations | (63.1)        | (77.8)     |          |                  |         |
| Total                      | \$ 2,160.4    | \$ 2,045.1 | 6%       | \$ 63.4          | \$ 74.3 |

\*As of December 31, 2000, TPC qualified as a reportable business segment for financial reporting purposes. However, the logistics segment information shown above excludes TPC from its inception in July 2000. TPC is accounted for on the equity method.

**Overview of 2000**

Financial and operating results for the year 2000 were impacted by a number of significant items. Consolidated operating revenues for 2000 increased 6% over 1999. Excluding the JBL operations, which were contributed to TPC as of July 1, 2000, revenue growth for the remaining segments was approximately 15%. The increase in fuel surcharge revenue associated with higher costs of fuel in the current year accounted for approximately 4% of revenue growth for these remaining segments. Prior to January 1, 2000, the JBT and JBI businesses had been operated and reported together as the Van business segment. Accordingly, 2000 was the first full year that certain JBT and JBI identifiable information was available.

JBT segment revenue increased 9%, to \$833.8 million in 2000, from \$763.2 million, in 1999. Revenue per loaded mile, excluding fuel surcharges, increased 3.2% in 2000. The JBT company owned/leased tractor fleet totaled 5,850 at December 31, 2000. A new initiative to utilize independent contractors, who own their tractors was commenced in late 2000. The JBT segment had operating arrangements with 16 independent contractors at December 31, 2000. The JBT segment incurred an operating loss of \$7.1 million in 2000. Since the JBT and JBI segments were operated in combined fashion during 1999, no comparative operating results were available. A portion of the year 2000 JBT operating loss was due to certain costs incurred to separate the JBT and JBI business units.



The JBI segment business grew 5%, to \$681.1 million in 2000, from \$651.6 million in 1999. Intermodal revenue per loaded mile in 2000, exclusive of fuel surcharges, was essentially flat compared with 1999. The increase in revenue was primarily due to a 5% increase in revenue per load over 1999 and the JBI tractor fleet totaled 908 at December 31, 2000. The intermodal segment generated operating income of \$36.7 million in 2000. A comparable amount for 1999 is not available.

During 2000, DCS segment revenue grew 49%, to \$478.6 million, from \$320.2 million in 1999. A portion of the DCS segment revenue growth was due to transfers of equipment and drivers from the JBT business segment. The DCS tractor fleet increased 43% to total 3,890 at December 31, 2000. DCS operating income was \$28.4 million in 2000, compared with \$24.1 million in 1999. The lower margin on the DCS segment business in 2000 was primarily due to a higher proportionate share of corporate support costs being assigned to the business.

The JBL business was contributed to TPC effective July 1, 2000. JBL generated \$230 million of revenue and \$8.1 million of operating income between January 1, 2000 and June 30, 2000. The Company's share of TPC's results of operations was reported on a one-line, non-operating item on the Consolidated Statements of Earnings and totaled \$440,000 in 2000. No gain or loss was recognized upon formation and contribution of JBL segment assets to TPC.

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

|  | Percentage of<br>Operating Revenue |        | Percentage Change |
|--|------------------------------------|--------|-------------------|
|  | 2000                               | 1999   | 2000 vs. 1999     |
| Operating revenues                         | 100.0%                             | 100.0% | 5.6%              |
| Operating expenses:                        |                                    |        |                   |
| Salaries, wages and employee benefits      | 35.6%                              | 34.9%  | 7.9%              |
| Rents and purchased transportation         | 32.1                               | 33.7   | .8                |
| Fuel and fuel taxes                        | 11.3                               | 8.3    | 43.3              |
| Operating supplies and expenses            | 6.1                                | 6.2    | 4.1               |
| Depreciation and amortization              | 6.2                                | 7.3    | (9.8)             |
| Insurance and claims                       | 1.8                                | 2.0    | (3.9)             |
| Operating taxes and licenses               | 1.5                                | 1.3    | 20.4              |
| Communication and utilities                | 1.2                                | 1.0    | 15.1              |
| General and administrative expenses        | 1.3                                | 1.7    | (17.8)            |
| Total operating expenses                   | 97.1                               | 96.4   | 6.4               |
| Operating income                           | 2.9                                | 3.6    | (14.6)            |
| Interest expense                           | (1.1)                              | (1.4)  | (9.2)             |
| Equity in earnings of associated companies | .2                                 | .2     | 52.1              |
| Earnings before income taxes               | 2.0                                | 2.4    | (13.5)            |
| Income taxes                               | .3                                 | .8     | (62.9)            |
| Net earnings                               | 1.7%                               | 1.6%   | 13.1%             |

**Consolidated Operating Expenses**

Total operating expenses in 2000 increased 6.4% over 1999, in relative proportion to the increase in operating revenues. The Company's operating ratio (operating expenses expressed as a percentage of operating revenues) increased to 97.1% in 2000 from 96.4% in 1999. As previously mentioned the JBL segment was contributed to TPC effective July 1, 2000. This change reduced the rate of revenue growth and was the primary factor in the reduction of rents and purchased transportation expense as a percent of revenue in 2000. The significant increase in fuel and fuel tax expense was driven by an approximate 35% higher cost per gallon and slightly lower fuel miles per gallon in 2000. Fuel surcharges, which were initiated in late 1999, recovered approximately 90% of higher fuel costs during 2000. The more than 20% increase in operating taxes and licenses expense was due to the 13% increase of the tractor fleet and higher state base plate license cost per tractor in 2000. The decline in general and administrative expenses was primarily a result of unusually high bad debt expense in 1999 and system support charges paid by TPC in 2000. Those payments to the Company from TPC reduced general and administrative expenses. Gain and loss on equipment dispositions are also included in this classification and totaled a loss of \$267,000 and \$849,000 in 2000 and 1999, respectively. The lower year 2000 interest expense reflected the reduction of average debt balances, partly due to the use of the proceeds from sale and leaseback transactions to pay outstanding debt balances.

Equity in earnings of associated companies reflects the Company's share of operating results for TPC and for the Mexican joint venture. Equity in earnings amounts include the following:

|                       | Year Ended December 31 |          |
|-----------------------|------------------------|----------|
|                       | (000)                  |          |
|                       | 2000                   | 1999     |
| TPC                   | \$ 440                 |          |
| Mexican joint venture | 4,337                  | 3,141    |
|                       | \$ 4,777               | \$ 3,141 |

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Flow

The Company generates significant amounts of cash from operating activities. Net cash provided by operating activities increased to \$172 million in 2001 compared to \$125 million in 2000, and \$136 million in 1999. The increase from 2000 to 2001 was mainly due to increases in prepaid lease expense related to a significant upfront payment for an operating lease in late 2000. The decrease in cash provided by operations in 2000 versus 1999 is due to the items mentioned above and the Company's decision to acquire revenue equipment through capital and operating leases rather than purchase.

Net cash used in investing activities was \$24 million in 2001, \$100 million in 2000 and \$19 million in 1999. The primary use of funds for investing activities was the acquisition of new revenue equipment. Net invested cash was reduced in 2001, primarily due to the utilization of operating and capital leases. Net invested cash in 1999 was reduced by proceeds from a sale and leaseback of approximately \$175 million of trailing equipment.

Cash used in financing activities was \$103 million in 2001, \$32 million in 2000 and \$113 million in 1999. The increase in 2001 is due primarily to net repayments of commercial paper. The decrease in 2000 when compared to 1999 is due to the use of proceeds received from the sale leaseback transaction in 1999 to reduce the outstanding commercial paper balance at December 31, 1999.

## SELECTED BALANCE SHEET DATA

Edgar Filing: HUNT J B TRANSPORT SERVICES INC - Form 10-K/A

| As of December 31   | 2001   | 2000   | 1999   |
|---|--------|--------|--------|
| Working capital ratio   | 1.45   | 1.04   | 1.09   |
| Current maturities of long-term debt and lease obligations (millions) | \$ 38  | \$ 101 | \$ 60  |
| Total debt and capitalized lease obligations (millions)               | \$ 392 | \$ 401 | \$ 328 |
| Total debt to equity  | .86    | .96    | .84    |
| Total debt as a percentage of total capital                           | .46    | .49    | .46    |

From time to time the Board of Directors authorizes the repurchase of Company common stock. Purchases of Company stock were:

|                           | 2001 | 2000              | 1999 |
|---------------------------|------|-------------------|------|
| Number of shares acquired |      | 500,000           |      |
| Price range of shares     |      | \$10.94 - \$16.13 |      |

## Liquidity

The Company's continued growth is primarily contingent upon its ability to provide funds in order to obtain revenue equipment. Various financing arrangements, including purchases, capital leases and operating leases are utilized from time to time to fund revenue equipment additions. A tractor capital lease program was initiated in July of 2000 and the majority of tractor acquisitions through September 2001 were under this program. Tractor additions since October of 2001 have been purchased with excess cash flow. The majority of trailing equipment additions since October of 2000 have been under operating lease programs. Effective in November of 2001, the JBI business unit began to take delivery of the first of 6,000 new containers. The Company expects to purchase these containers and the majority of tractor acquisitions during 2002 using funds provided from operations and short-term debt.

Under the terms of its various financing and leasing agreements, the Company is required to maintain certain financial covenants including leverage tests, minimum tangible net worth levels and other financial ratios. The Company was in compliance with all of the financial covenants at December 31, 2001. One operating lease arrangement requires the Company to maintain an investment grade credit rating for the Company's Senior unsecured debt. The Company currently is rated BBB by Standard & Poors and Baa3 by Moody's. A credit rating downgrade to BB+ by Standard & Poors or to Ba1 by Moody's, while not expected by the Company, could result in an adjustment to the rental payments under the obligation. Management estimates that such a credit downgrade could result in a \$1.9 million annual increase in the associated rental payments.

## Contractual Cash Obligations

As of December 31, 2001

(000)

|   | Total      | Amounts Due By Period |                       |                       |                     |
|---|------------|-----------------------|-----------------------|-----------------------|---------------------|
|   |            | Less Than<br>One Year | One To<br>Three Years | Four To<br>Five Years | After<br>Five Years |
| Operating Leases                            | \$ 321,212 | \$ 70,078             | \$ 106,447            | \$ 92,940             | \$ 51,747           |
| Capital leases                              | 188,381    | 38,514                | 149,867               |                       |                     |
| Senior and subordinated<br>notes payable    | 223,260    | 10,000                | 213,260               |                       |                     |
| Subtotal                                    | \$ 732,853 | \$ 118,592            | \$ 469,574            | \$ 92,940             | \$ 51,747           |
| Commitments to acquire<br>revenue equipment | 128,000    | 128,000               |                       |                       |                     |
| Total                                       | \$ 860,853 | \$ 246,592            | \$ 469,574            | \$ 92,940             | \$ 51,747           |

## Financing Commitments

As of December 31, 2001

(000)

|                               | Total      | Commitments Expiring By Period |                       |                       |                     |
|-------------------------------|------------|--------------------------------|-----------------------|-----------------------|---------------------|
|                               |            | Less Than<br>One Year          | One To<br>Three Years | Four To<br>Five Years | After<br>Five Years |
| Revolving credit arrangements | \$ 165,000 | \$ 165,000                     |                       |                       |                     |
| Standby letters of credit     | 26,760     | 26,760                         |                       |                       |                     |
| Total                         | \$ 191,760 | \$ 191,760                     |                       |                       |                     |

In January of 2001, Moody's Investors Service downgraded the ratings of the Company's senior unsecured debt to Baa3 from Baa2 and its commercial paper to Prime-3 from Prime-2. The Company is authorized to borrow up to \$165 million under its current short-term revolving line of credit, which matures November 13, 2002. There was no balance

outstanding on the revolving line of credit at December 31, 2001. At December 31, 2001, the Company had committed to purchase approximately \$128 million of revenue and service equipment, net of proceeds from sale or trade-in allowances. Additional capital spending for new revenue equipment is anticipated during 2002. However, funding for such expenditures is expected to come from cash generated from operations and existing borrowing facilities. The Company had approximately \$165 million of unused borrowing capacity at December 31, 2001 under its committed revolving line of credit.

## RECENT ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141 Business Combinations (FAS 141) and Statement of Financial Accounting Standards No. 142 Goodwill and Other Intangible Assets (FAS 142). FAS 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. Under FAS 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. Separable intangible assets that are not deemed to have indefinite lives will continue to be amortized over their useful lives (but with no maximum life). The amortization provisions of FAS 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, the Company is required to adopt FAS 142 effective January 1, 2002. . The Company has no negative goodwill as contemplated under Statements 141 and 142 related to its equity method investments. The adoption of this new accounting pronouncement is not expected to have a material impact on the Company's consolidated financial position or results of operations.

In July 2001, the FASB issued Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations. Statement 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred and a corresponding increase in the carrying amount of the related long-lived asset. Statement 143 is effective for fiscal years beginning after June 15, 2002. The Company is currently assessing the impact of Statements 143 on its consolidated financial condition and results of operations.

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (FAS 144), which supersedes both Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of (FAS 121) and the accounting and reporting provisions of APB Opinion No. 30, Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions (Opinion 30), for the disposal of a segment of a business (as previously defined in that Opinion). FAS 144 retains the fundamental provisions in FAS 121 for recognizing and measuring impairment losses on long-lived assets held for use and long-lived assets to be disposed of by sale, while also resolving significant implementation issues associated with FAS 121. For example, FAS 144 provides guidance on how a long-lived asset that is used as part of a group should be evaluated for impairment, establishes criteria for when a long-lived asset is held for sale, and prescribes the accounting for a long-lived asset that will be disposed of other than by sale. FAS 144 retains the basic provisions of Opinion 30 on how to present discontinued operations in the income statement but broadens that presentation to include a component of an entity (rather than a segment of a business). Unlike FAS 121, an impairment assessment under FAS 144 will never result in a write-down of goodwill. Rather, goodwill is evaluated for impairment under FAS No. 142, Goodwill and Other Intangible Assets.

The Company is required to adopt FAS 144 no later than its first fiscal year beginning after December 15, 2001. Management does not expect the adoption of FAS 144 for long-lived assets held for use to have a material impact on the Company's financial statements because the impairment assessment under FAS 144 is largely unchanged from FAS 121. The provisions of this statement for assets held for sale or other disposal generally are required to be applied prospectively after the adoption date to newly initiated disposal activities and therefore, will depend on future actions initiated by management. As a result, management cannot determine the potential effects that adoption of FAS 144 will have

on the Company's financial statements with respect to future disposal decisions.

**ITEM 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The Company's earnings are affected by changes in short-term interest rates as a result of its issuance of short-term debt. The Company from time to time utilizes interest rate swaps to mitigate the effects of interest rate changes; none were



outstanding at December 31, 2001. Risk can be estimated by measuring the impact of a near-term adverse movement of 10% in short-term market interest rates. If short-term market interest rates average 10% more during the next twelve months, there would be no material adverse impact on the Company's results of operations based on variable rate debt outstanding at December 31, 2001. At December 31, 2001, the fair value of the Company's fixed rate long-term obligations approximated carrying value.

Although the Company conducts business in foreign countries, international operations are not material to the Company's consolidated financial position, results of operations or cash flows. Additionally, foreign currency transaction gains and losses were not material to the Company's results of operations for the year ended December 31, 2001. Accordingly, the Company is not currently subject to material foreign currency exchange rate risks from the effects that exchange rate movements of foreign currencies would have on the Company's future costs or on future cash flows it would receive from its foreign investment. To date, the Company has not entered into any foreign currency forward exchange contracts or other derivative financial instruments to hedge the effects of adverse fluctuations in foreign currency exchange rates.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

|  | <u>PAGE</u> |
|--|-------------|
| Independent Auditors Report  | 20          |
| Consolidated Balance Sheets as of December 31, 2001 and 2000                                     | 21          |
| Consolidated Statements of Earnings for years ended December 31, 2001, 2000, and 1999            | 23          |
| Consolidated Statements of Stockholders Equity for years ended December 31, 2001, 2000, and 1999 | 24          |
| Consolidated Statements of Cash Flows for years ended December 31, 2001, 2000, and 1999          | 25          |
| Notes to Consolidated Financial Statements   | 27          |

**Independent Auditors Report**

The Board of Directors  
J. B. Hunt Transport Services, Inc.:

We have audited the accompanying consolidated balance sheets of J. B. Hunt Transport Services, Inc. and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of J. B. Hunt Transport Services, Inc. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

As more fully described in Note 12, retained earnings at December 31, 1998, has been restated to reflect an increase in insurance claims payable.

Tulsa, Oklahoma

February 1, 2002

**J. B. HUNT TRANSPORT SERVICES, INC.  
AND SUBSIDIARIES**

Consolidated Balance Sheets

December 31, 2001 and 2000

(Dollars in thousands, except per share amounts)

|   | 2001             | 2000<br>(As restated, see<br>Note 12) |
|---|------------------|---------------------------------------|
| <b>Assets</b>                           |                  |                                       |
| <b>Current assets:</b>                  |                  |                                       |
| Cash and cash equivalents               | \$ 49,245        | 5,370                                 |
| Trade accounts receivable               | 233,246          | 225,797                               |
| Inventories                             | 8,915            | 7,233                                 |
| Prepaid licenses and permits            | 17,507           | 17,224                                |
| Other current assets                    | 75,886           | 75,347                                |
| <b>Total current assets</b>             | <b>384,799</b>   | <b>330,971</b>                        |
| <b>Property and equipment, at cost:</b> |                  |                                       |
| Revenue and service equipment           | 1,067,465        | 1,117,689                             |
| Land                                    | 19,834           | 19,987                                |
| Structures and improvements             | 78,469           | 76,159                                |
| Furniture and office equipment          | 98,201           | 120,622                               |
| <b>Total property and equipment</b>     | <b>1,263,969</b> | <b>1,334,457</b>                      |
| Less accumulated depreciation           | 432,258          | 489,282                               |
| <b>Net property and equipment</b>       | <b>831,711</b>   | <b>845,175</b>                        |
| Other assets (note 9)                   | 43,788           | 55,775                                |
|   | \$ 1,260,298     | 1,231,921                             |

(continued)

**J. B. HUNT TRANSPORT SERVICES, INC.  
AND SUBSIDIARIES**

Consolidated Balance Sheets

December 31, 2001 and 2000

(Dollars in thousands, except per share amounts)

|  | 2001           | 2000<br>(As restated,<br>see Note 12) |
|--|----------------|---------------------------------------|
| <b>Liabilities and Stockholders Equity</b>   |                |                                       |
| Current liabilities:   |                |                                       |
| Current maturities of long-term debt (note 2)  | \$ 10,000      | 84,400                                |
| Current installments of obligations under capital leases (note 8)                                | 28,426         | 16,489                                |
| Trade accounts payable   | 163,291        | 158,585                               |
| Claims accruals  | 18,003         | 13,260                                |
| Accrued payroll  | 30,251         | 29,148                                |
| Other accrued expenses   | 12,713         | 10,389                                |
| Deferred income taxes (note 4)   | 3,150          | 6,882                                 |
| <b>Total current liabilities</b>   | <b>265,834</b> | <b>319,153</b>                        |
| Long-term debt, excluding current maturities (note 2)  | 212,950        | 222,694                               |
| Obligations under capital leases, excluding current installments (note 8)                        | 140,657        | 77,694                                |
| Claims accruals  | 5,275          | 21,274                                |
| Deferred income taxes (note 4)   | 177,265        | 173,282                               |
| <b>Total liabilities</b>   | <b>801,981</b> | <b>814,097</b>                        |
| Stockholders' equity (notes 2, 3 and 12):  |                |                                       |
| Preferred stock, par value \$100. Authorized 10,000,000 shares; none outstanding                 |                |                                       |
| Common stock, par value \$.01 per share. Authorized 100,000,000 shares; issued 39,009,858 shares | 390            | 390                                   |
| Additional paid-in capital   | 115,319        | 107,090                               |
| Retained earnings  | 407,987        | 375,042                               |
| Accumulated other comprehensive loss   | (7,037)        | (6,502)                               |
|  | 516,659        | 476,020                               |
| Treasury stock, at cost (3,031,000 shares in 2001 and 3,795,400 shares in 2000)                  | (58,342)       | (58,196)                              |
| <b>Total stockholders' equity</b>  | <b>458,317</b> | <b>417,824</b>                        |
| Commitments and contingencies (notes 2, 4, 5, 6 and 8)   |                |                                       |

|    |           |           |
|----|-----------|-----------|
| \$ | 1,260,298 | 1,231,921 |
|----|-----------|-----------|

See accompanying notes to consolidated financial statements.

**J. B. HUNT TRANSPORT SERVICES, INC.****AND SUBSIDIARIES**

## Consolidated Statements of Earnings

Years ended December 31, 2001, 2000 and 1999

(Dollars in thousands, except per share amounts)

|   | 2001         | 2000      | 1999      |
|---|--------------|-----------|-----------|
| Operating revenues                                | \$ 2,100,305 | 2,160,447 | 2,045,073 |
| Operating expenses:                               |              |           |           |
| Salaries, wages and employee benefits (note 5)    | 790,210      | 769,393   | 713,378   |
| Rents and purchased transportation                | 604,542      | 694,756   | 689,561   |
| Fuel and fuel taxes                               | 226,102      | 242,835   | 169,407   |
| Operating supplies and expenses                   | 145,850      | 130,947   | 125,748   |
| Depreciation and amortization                     | 142,755      | 134,391   | 148,968   |
| Insurance and claims                              | 42,381       | 38,982    | 40,555    |
| Operating taxes and licenses                      | 32,616       | 32,641    | 27,118    |
| Communication and utilities                       | 24,358       | 24,528    | 21,309    |
| General and administrative expenses, net of gains | 19,282       | 28,563    | 34,740    |
| Total operating expenses                          | 2,028,096    | 2,097,036 | 1,970,784 |
| Operating income                                  | 72,209       | 63,411    | 74,289    |
| Interest expense                                  | (27,044)     | (25,747)  | (28,346)  |
| Equity in earnings (loss) of associated companies | (2,083)      | 4,777     | 3,141     |
| Earnings before income taxes                      | 43,082       | 42,441    | 49,084    |
| Income taxes (note 4)                             | 10,137       | 6,366     | 17,175    |
| Net earnings                                      | \$ 32,945    | 36,075    | 31,909    |
| Basic earnings per share                          | \$ 0.93      | 1.02      | 0.90      |
| Diluted earnings per share                        | \$ 0.91      | 1.02      | 0.89      |

See accompanying notes to consolidated financial statements.





**J. B. HUNT TRANSPORT SERVICES, INC.  
AND SUBSIDIARIES**

Consolidated Statements of Stockholders' Equity

Years ended December 31, 2001, 2000 and 1999

(Dollars in thousands, except per share amounts)

|   | Common<br>Stock | Additional<br>Paid-in<br>Capital | Comprehensive<br>Income | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Loss | Treasury<br>Stock | Total<br>Stockholders'<br>Equity<br>(Notes 2 and 3) |
|---|-----------------|----------------------------------|-------------------------|----------------------|---|-------------------|---|
| Balances at December 31, 1998 (As restated Note 12) | \$ 390          | 106,985                          |                         | 315,966              | (5,621)                                       | (52,242)          | 365,478   |
| Sale of subsidiary stock                            |                 | 200                              |                         |                      |   |                   | 200   |
| Tax benefit of stock options exercised              |                 | 55                               |                         |                      |   |                   | 55  |
| Sale of treasury stock to employees                 |                 | (65)                             |                         |                      |   | 477               | 412   |
| Forfeiture of restricted stock to employees         |                 | (3)                              |                         |                      |   | (15)              | (18)  |
| Cash dividends paid (\$.20 per share)               |                 |                                  |                         | (7,126)              |   |                   | (7,126)   |
| Comprehensive income:                               |                 |                                  |                         |                      |   |                   |   |
| Net earnings  |                 |                                  | 31,909                  | 31,909               |   |                   | 31,909  |
| Foreign currency translation adjustments            |                 |                                  | 297                     |                      | 297   |                   | 297   |
| Total comprehensive income                          |                 |                                  | \$ 32,206               |                      |   |                   |   |
| Balances at December 31, 1999 (As restated Note 12) | 390             | 107,172                          |                         | 340,749              | (5,324)                                       | (51,780)          | 391,207   |
| Remeasurement of stock options                      |                 | 110                              |                         |                      |   |                   | 110   |
| Tax benefit of stock options exercised              |                 | 31                               |                         |                      |   |                   | 31  |
| Sale of treasury stock to employees                 |                 | (223)                            |                         |                      |   | 1,160             | 937   |
| Repurchase of treasury stock                        |                 |                                  |                         |                      |   | (7,576)           | (7,576)   |
| Cash dividends paid (\$0.05 per share)              |                 |                                  |                         | (1,782)              |   |                   | (1,782)   |
| Comprehensive income:                               |                 |                                  |                         |                      |   |                   |   |
| Net earnings  |                 |                                  | 36,075                  | 36,075               |   |                   | 36,075  |
| Foreign currency translation adjustments            |                 |                                  | (1,178)                 |                      | (1,178)                                       |                   | (1,178)   |
| Total comprehensive income                          |                 |                                  | \$ 34,897               |                      |   |                   |   |
| Balances at December 31, 2000 (As restated Note 12) | \$ 390          | 107,090                          |                         | 375,042              | (6,502)                                       | (58,196)          | 417,824   |
| Tax benefit of stock options exercised              |                 | 5,361                            |                         |                      |   |                   | 5,361   |
| Sale of treasury stock to employees                 |                 | 2,868                            |                         |                      |   | (146)             | 2,722   |

Edgar Filing: HUNT J B TRANSPORT SERVICES INC - Form 10-K/A

Comprehensive income:

|  |    |     |         |        |         |         |          |         |
|--|----|-----|---------|--------|---------|---------|----------|---------|
| Net earnings                             |    |     |         | 32,945 | 32,945  |         |          | 32,945  |
| Foreign currency translation adjustments |    |     |         | (535)  |         | (535)   |          | (535)   |
| Total comprehensive income               |    |     | \$      | 32,410 |         |         |          |         |
| Balances at December 31, 2001            | \$ | 390 | 115,319 |        | 407,987 | (7,037) | (58,342) | 458,317 |

See accompanying notes to consolidated financial statements.

**J. B. HUNT TRANSPORT SERVICES, INC.****AND SUBSIDIARIES**

## Consolidated Statements of Cash Flows

Years ended December 31, 2001, 2000 and 1999

(Dollars in thousands)

|   | 2001      | 2000      | 1999      |
|---|-----------|-----------|-----------|
| Cash flows from operating activities:   |           |           |           |
| Net earnings  | \$ 32,945 | 36,075    | 31,909    |
| Adjustments to reconcile net earnings to net cash provided by operating activities: |           |           |           |
| Depreciation and amortization   | 142,755   | 134,391   | 148,968   |
| (Gain) loss on sale of revenue equipment  | (4,833)   | 267       | 849       |
| Provision for deferred income taxes   | 251       | 5,843     | 16,146    |
| Equity in (earnings) loss of associated companies                                   | 2,083     | (4,777)   | (3,141)   |
| Tax benefit of stock options exercised  | 5,361     | 31        | 55        |
| Remeasurement of options  |           | 110       |           |
| Forfeiture of restricted stock  |           |           | (18)      |
| Amortization of discount  | 256       | 55        | 594       |
| Changes in operating assets and liabilities:  |           |           |           |
| Trade accounts receivable   | (7,449)   | 12,776    | (54,206)  |
| Other assets  | 3,353     | (58,057)  | (26,624)  |
| Trade accounts payable  | 4,706     | (21,424)  | 32,042    |
| Claims accruals   | (11,256)  | 10,078    | (5,141)   |
| Accrued payroll and other accrued expenses  | 3,427     | 9,705     | (5,760)   |
| Net cash provided by operating activities   | 171,599   | 125,073   | 135,673   |
| Cash flows from investing activities:   |           |           |           |
| Additions to property and equipment   | (138,466) | (225,672) | (224,795) |
| Investment in associated company  |           | (5,000)   |           |
| Proceeds from sale of equipment   | 110,711   | 126,350   | 214,493   |
| Decrease (increase) in other assets   | 3,512     | 4,404     | (9,128)   |
| Net cash used in investing activities   | (24,243)  | (99,918)  | (19,430)  |

(continued)

**J. B. HUNT TRANSPORT SERVICES, INC.****AND SUBSIDIARIES**

Consolidated Statements of Cash Flows, Continued

Years ended December 31, 2001, 2000 and 1999

(Dollars in thousands)

|  | 2001        | 2000     | 1999      |
|--|-------------|----------|-----------|
| <b>Cash flows from financing activities:</b>               |             |          |           |
| Net borrowings (repayments) of commercial paper borrowings | \$ (74,400) | 39,400   | (96,350)  |
| Repayments of long-term debt                               | (10,000)    | (60,000) | (10,000)  |
| Principal payments under capital lease obligations         | (21,803)    | (3,370)  |           |
| Proceeds from sale of subsidiary stock                     |             |          | 200       |
| Proceeds from sale of treasury stock                       | 2,722       | 937      | 412       |
| Repurchase of treasury stock                               |             | (7,576)  |           |
| Dividends paid   |             | (1,782)  | (7,126)   |
| Net cash used in financing activities                      | (103,481)   | (32,391) | (112,864) |
| Net increase (decrease) in cash and cash equivalents       | 43,875      | (7,236)  | 3,379     |
| Cash and cash equivalents at beginning of year             | 5,370       | 12,606   | 9,227     |
| Cash and cash equivalents at end of year                   | \$ 49,245   | 5,370    | 12,606    |
| <b>Supplemental disclosure of cash flow information:</b>   |             |          |           |
| <b>Cash paid during the year for:</b>                      |             |          |           |
| Interest   | \$ 27,248   | 26,138   | 28,944    |
| Income taxes   | \$ 779      | 3,654    | 95        |
| <b>Non-cash activities:</b>                                |             |          |           |
| Capital lease obligations for revenue equipment            | \$ 96,703   | 97,553   |           |
| Assets contributed to associated company                   | \$          | 2,927    |           |

See accompanying notes to consolidated financial statements.

**J.B. HUNT TRANSPORT SERVICES, INC.  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2001, 2000 and 1999

**(1) Summary of Significant Accounting Policies**

**(a) Description of Business**

J. B. Hunt Transport Services, Inc., together with its wholly-owned subsidiaries ( Company ), is a diversified transportation services company operating under the jurisdiction of the U.S. Department of Transportation and various state regulatory agencies.

As of December 31, 2001 the Company has three distinct operating segments: Truck; Intermodal; and Dedicated Contract Services. For years prior, the Company had four operating segments: Truck; Intermodal; Dedicated Contract Services; and Logistics. See note 10.

**(b) Principles of Consolidation and Critical Accounting Policies**

The consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Our discussion and analysis of financial condition and operations are based on our consolidated financial statements, prepared in accordance with accounting principles generally accepted in the United States of America and contained within this report. Certain amounts included in or affecting our financial statements and related disclosure must be estimated, requiring us to make certain assumptions with respect to values or conditions which cannot be known with certainty at the time the financial statements are prepared. Therefore, the reported amount of our assets and liabilities, revenues and expenses and associated disclosures with respect to contingent assets and obligations are necessarily affected by these estimates. We evaluate these estimates on an ongoing basis, utilizing historical experience, consultation with experts and other methods we consider reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from our estimates.

However, we believe that certain accounting policies are of more significance in our financial statement preparation process than others including determining the economic useful lives of our assets, provisions for uncollectible accounts receivable, exposures under our self-insurance plans and various other recorded or disclosed amounts. To the extent that actual outcomes differ from our estimates, or additional facts and circumstances cause us to revise our estimates, our earnings will be affected.

(continued)

(c) Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

(d) Tires in Service

The Company capitalizes tires placed in service on new revenue equipment as a part of the equipment cost. Replacement tires and costs for recapping tires are expensed at the time the tires are placed in service.

(e) Property and Equipment

Depreciation of property and equipment is calculated on the straight-line method over the estimated useful lives of 5 to 10 years for revenue and service equipment, 10 to 40 years for structures and improvements, and 3 to 10 years for furniture and office equipment.

Property and equipment under capital leases are stated at the present value of minimum lease payments; and amortized over the straight-line method over the shorter of the lease term or estimated useful life of the asset.

(f) Revenue Recognition

The Company recognizes revenue based on relative transit time in each reporting period with expenses recognized as incurred.

(g) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. 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.

(continued)

(h) Earnings Per Share

A reconciliation of the numerator and denominator of basic and diluted earnings per share is shown below (in thousands, except per share amounts):

|   | Years ended December 31 |        |        |
|---|-------------------------|--------|--------|
|   | 2001                    | 2000   | 1999   |
| Basic earnings per share:                         |                         |        |        |
| Numerator (net earnings)                          | \$ 32,945               | 36,075 | 31,909 |
| Denominator (weighted average shares outstanding) | 35,602                  | 35,313 | 35,313 |
| Earnings per share                                | \$ .93                  | 1.02   | .90    |
| Diluted earnings per share:                       |                         |        |        |
| Numerator (net earnings)                          | \$ 32,945               | 36,075 | 31,909 |
| Denominator:                                      |                         |        |        |
| Weighted average shares outstanding               | 35,602                  | 35,313 | 35,628 |
| Effect of common stock options                    | 597                     | 104    | 174    |
|   | 36,199                  | 35,417 | 35,802 |
| Earnings per share                                | \$ .91                  | 1.02   | .89    |

Options to purchase shares of common stock that were outstanding during each year but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares are shown in the table below.

|                               | 2001             | 2000             | 1999             |
|-------------------------------|------------------|------------------|------------------|
| Number of shares under option | 410,900          | 5,394,000        | 4,318,000        |
| Range of exercise prices      | \$ 18.38 - 37.50 | \$ 14.00 - 37.50 | \$ 17.38 - 37.50 |

(continued)

*(i)* Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of trade receivables. Concentrations of credit risk with respect to trade receivables are limited due to the Company's large number of customers and the diverse range of industries which they represent. As of December 31, 2001 and 2000, the Company had no significant concentrations of credit risk.

*(j)* Foreign Currency Translation

Local currencies are generally considered the functional currencies outside the United States. Assets and liabilities are translated at year-end exchange rates for operations in local currency environments. Income and expense items are translated at average rates of exchange prevailing during the year.

Foreign currency translation adjustments, which reflect foreign currency exchange rate changes applicable to the net assets of the Mexican operations have been recorded as a separate item of accumulated other comprehensive loss in stockholders' equity for the years ended December 31, 2001 and 2000.

*(k)* Stock Based Compensation

The Company has adopted the disclosure requirements of SFAS No. 123, Accounting for Stock-Based Compensation and, as permitted under SFAS No. 123, applies Accounting Principles Board Opinion No. 25 and related interpretations in accounting for compensation costs for its stock option plans. Accordingly, compensation expense is recognized on the date of grant only if the current market price of the underlying common stock at date of grant exceeds the exercise price.

*(l)* Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of

The Company continually evaluates the carrying value of its assets for events or changes in circumstances which indicate that the carrying value may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(continued)



**(m) Comprehensive Income**

Comprehensive income consists of net earnings and foreign currency translation adjustments and is presented in the consolidated statements of stockholders' equity.

**(n) Claims Accruals**

Claims payable represent accruals for the uninsured portion of pending accident liability, workers' compensation, physical damage and cargo damage. These accruals are estimated based on management's evaluation of the nature and severity of individual claims and an estimate of future claims development based on the Company's past claims experience. Claims payable were restated as of December 31, 1998 (See Note 12).

The Company's 2001 insurance coverage specifies that the first \$5,000 of any claim is self insured and that the self insured limit on certain claims was \$1 million which is prefunded with its insurance carrier. The Company is substantially self insured for loss of and damage to its owned and leased revenue equipment.

**(2) Long-Term Debt**

Long-term debt consists of (in thousands):

|   | 2001       | 2000     |
|---|------------|----------|
| Commercial paper  | \$         | 74,400   |
| Senior notes payable, due 9/1/03, interest at 6.25% payable semiannually  | 98,260     | 98,260   |
| Senior notes payable, due 9/15/04, interest at 7.00% payable semiannually | 95,000     | 95,000   |
| Senior subordinated notes, interest at 7.80% payable semiannually         | 30,000     | 40,000   |
|   | 223,260    | 307,660  |
| Less current maturities   | (10,000)   | (84,400) |
| Unamortized discount  | (310)      | (566)    |
|   | \$ 212,950 | 222,694  |



The Company is authorized to issue up to \$165 million under its current revolving line of credit. This line of credit is supported by a credit agreement, with a group of banks, which expires November 13, 2002. No balances were outstanding under this line of credit at December 31, 2001. The 7.80% senior subordinated notes are payable in five equal annual installments, the first of which was due on October 30, 2000.

Under the terms of the credit agreements and the note agreements, the Company is required to maintain certain financial covenants including leverage tests, minimum tangible net worth levels and other financial ratios. The Company was in compliance with all of the financial covenants at December 31, 2001.

Current maturities of long-term debt at December 31, 2001 consist of the third installment of the 7.80% senior subordinated notes. The aggregate annual maturities of long-term debt for each of the four years ending December 31 are as follows (in thousands): 2002, \$10,000; 2003, \$108,260; 2004, \$105,000; and 2005, \$0.

### (3) Capital Stock

The Company maintains a Management Incentive Plan ( Plan ) that provides various vehicles to compensate key employees with Company common stock or common stock equivalents. Under the original Plan, the Company was authorized to award, in aggregate, not more than 5,000,000 shares. During 1998 and again in 2000, the stockholders of the Company amended the Plan whereby the Company is now authorized to award, in aggregate, not more than 8,500,000 shares. At December 31, 2001 there were approximately 1,573,000 shares available for grant under the Plan. The Company has utilized three such vehicles to award stock or grant options to purchase the Company's common stock: restricted stock awards, restricted options and nonstatutory stock options.

Restricted stock awards are granted to key employees subject to restrictions regarding transferability and assignment. Shares of Company common stock are issued to the key employees and held by the Company until each employee becomes vested in the award. Vesting of the awards generally occurs over a four-year period of time from the award date. Termination of the employee for any reason other than death, disability or certain cases of retirement causes the unvested portion of the award to be forfeited.

The Plan provides that nonstatutory stock options may be granted to key employees for the purchase of Company common stock for 100% of the fair market value of the common stock at the grant date. The options generally vest over a ten-year period and are forfeited if the employee

(continued)

terminates for any reason. The Company amended certain vested options related to employees of its logistics segment, extending the exercise period after termination. This resulted in a remeasurement of these options and accordingly \$110,000 was charged to compensation expense in 2000.

Compensation expense (benefit) under the Plan for restricted stock awards is charged to earnings over the vesting period and amounted to approximately (\$5,400) for the year ended December 31, 1999. There have been no restricted stock awards in 2001 and 2000.

A summary of the restricted and nonstatutory options to purchase Company common stock follows:

|                                  | Number of Shares | Weighted Average<br>Exercise Price Per Share | Number of Shares<br>Exercisable |
|----------------------------------|------------------|--|---------------------------------|
| Outstanding at December 31, 1998 | 3,349,890        | \$ 16.98                                     | 323,390                         |
| Granted                          | 471,000          | 14.03  |                                 |
| Exercised                        | (26,375)         | 12.90  |                                 |
| Terminated                       | (56,950)         | 16.09  |                                 |
| Outstanding at December 31, 1999 | 3,737,565        | 16.65  | 551,940                         |
| Granted                          | 908,250          | 12.75  |                                 |
| Exercised                        | (98,100)         | 13.06  |                                 |
| Terminated                       | (237,950)        | 16.15  |                                 |
| Outstanding at December 31, 2000 | 4,309,765        | 15.94  | 831,812                         |
| Granted                          | 881,000          | 14.43  |                                 |
| Exercised                        | (600,051)        | 14.78  |                                 |
| Terminated                       | (553,570)        | 17.48  |                                 |
| Outstanding at December 31, 2001 | 4,037,144        | 15.57  | 488,620                         |

During 1995, the Board of Directors established a nonqualified stock option plan to provide performance based compensation to the Chairman of the Board (Chairman's Plan). The Chairman's Plan allows the Chairman the option to purchase up to 2.5 million shares of the Company's common stock at a price of \$17.63 per share. These options vested after five years. Under the original Chairman's Plan the options must be exercised within one year of vesting and all unexercised options will terminate. During 2000, the stockholders of the Company amended

(continued)

the Chairman's Plan whereby the exercise period was extended to be within two years of vesting of which 1.5 million shares were exercised during the year ended December 31, 2001. The number of options outstanding for the Chairman's Plan was 1 million at December 31, 2001.

Had the Company determined compensation cost based on the fair value at the grant date for its stock options under SFAS No. 123, the Company's net earnings would have been reduced to the pro forma amounts indicated below.

|                             |             | 2001      | 2000   | 1999   |
|-----------------------------|-------------|-----------|--------|--------|
| Net earnings (in thousands) | As reported | \$ 32,945 | 36,075 | 31,909 |
|                             | Pro forma   | 29,862    | 30,723 | 27,391 |
| Basic earnings per share    | As reported | .93       | 1.02   | .90    |
|                             | Pro forma   | .84       | .87    | .77    |
| Diluted earnings per share  | As reported | .91       | 1.02   | .89    |
|                             | Pro forma   | .82       | .87    | .76    |

Pro forma net earnings reflects only options granted since December 31, 1995. Therefore, the full impact of calculating compensation costs for stock options under SFAS No. 123 is not reflected in the pro forma net earnings amounts presented above because compensation cost is reflected over the options' vesting periods of 5 to 10 years and compensation cost for options granted prior to January 1, 1996 is not considered.

The per share weighted-average fair value of stock options granted during 2001, 2000 and 1999 was \$10.82, \$9.07 and \$4.13, respectively, on the date of grant using the Black Scholes option-pricing model with the following weighted-average assumptions: 2001 - expected dividend yield 0.0%, volatility of 59.9%, risk-free interest rate of 4.7%, and an expected life of 6.2 years; 2000 - expected dividend yield 0.0%, volatility of 52.4%, risk-free interest rate of 5.2%, and an expected life of 6.6 years; 1999 - expected dividend yield 1.2%, volatility of 51.6%, risk-free interest rate of 6.5%, and an expected life of 7.3 years.

(continued)

The following table summarizes information about stock options outstanding at December 31, 2001:

| Range<br>of exercise<br>prices | Options outstanding    |  |   | Options exercisable    |   |  |
|--------------------------------|------------------------|--|---|------------------------|---|--|
|                                | Options<br>outstanding | Weighted<br>average<br>remaining<br>contractual<br>life (in years) | Weighted<br>average<br>exercise<br>price<br>per share | Options<br>exercisable | Weighted<br>average<br>exercise<br>price<br>per share |  |
| \$ 10.01-20.00                 | 4,758,294              | 5.3  | \$ 15.54  | 1,398,870              | \$ 16.74  |  |
| 20.01-30.00                    | 267,950                | 5.9  | 23.07   | 86,750                 | 22.66   |  |
| 30.01-40.00                    | 10,000                 | 7.5  | 37.50   | 3,000                  | 37.50   |  |
| \$ 10.01-40.00                 | 5,036,244              | 5.3  | \$ 15.98  | 1,488,620              | \$ 17.13  |  |

(continued)

**(4) Income Taxes**

Total income tax (income) expense for the years ended December 31, 2001, 2000 and 1999 was allocated as follows (in thousands):

|  | 2001      | 2000  | 1999   |
|--|-----------|-------|--------|
| Earnings before income taxes                                     | \$ 10,137 | 6,366 | 17,175 |
| Stockholders' equity, for tax benefit of stock options exercised | 5,361     | 31    | 55     |
|  | \$ 4,776  | 6,335 | 17,120 |

(Payable) refundable income taxes at December 31, 2001 and 2000 were \$(3,989,000) and \$3,133,000, respectively. These amounts have been included in other current liabilities and assets on the balance sheet, respectively.

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

|                             | 2001      | 2000    | 1999    |
|-----------------------------|-----------|---------|---------|
| Current expense:            |           |         |         |
| Federal                     | \$ 9,661  | 66      | 662     |
| State and local             | 225       | 457     | 367     |
|                             | 9,886     | 523     | 1,029   |
| Deferred expense (benefit): |           |         |         |
| Federal                     | 208       | 8,032   | 18,233  |
| State and local             | 43        | (2,189) | (2,087) |
|                             | 251       | 5,843   | 16,146  |
| Total tax expense           | \$ 10,137 | 6,366   | 17,175  |

Income tax expense attributable to earnings before income taxes differed from the amounts computed using the statutory federal tax rate of 35% for the following reasons (in thousands):

(continued)

|                                  | 2001      | 2000    | 1999   |
|----------------------------------|-----------|---------|--------|
| Income tax statutory rate        | \$ 15,078 | 14,854  | 17,179 |
| State tax, net of Federal effect | (174)     | (1,125) | (869)  |
| Sale/leaseback benefit           | (8,021)   | (7,863) | (741)  |
| Mexican joint-venture redemption | 2,331     |         |        |
| Other, net                       | 923       | 500     | 1,606  |
| Total tax expense                | \$ 10,137 | 6,366   | 17,175 |

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2001 and 2000 are presented below (in thousands):

|  | 2001      | 2000   |
|--|-----------|--------|
| Deferred tax assets:   |           |        |
| Claims accruals, principally due to accrual for financial reporting purposes | \$ 12,419 | 13,352 |
| Tax credit carryforwards   | 12,181    | 9,105  |
| Net operating loss carryforwards   |           | 37,830 |
| Accounts receivable, principally due to allowance for doubtful accounts      | 1,635     | 3,227  |
| Other  | 1,266     | 5,101  |
| Total gross deferred tax assets  | 27,501    | 68,615 |

|  | 2001       | 2000    |
|--|------------|---------|
| Deferred tax liabilities:  |            |         |
| Plant and equipment, principally due to differences in depreciation and capitalized interest | \$ 162,406 | 182,712 |
| Prepaid permits and insurance, principally due to expensing for income tax purposes          | 7,877      | 20,222  |
| Sale and leaseback transaction   | 28,123     | 36,144  |
| Mexican joint-venture  | 3,396      |         |
| Other  | 6,114      | 9,701   |
| Total gross deferred tax liabilities   | 207,916    | 248,779 |
| Net deferred tax liability   | \$ 180,415 | 180,164 |

(continued)



The Company believes its history of profitability and taxable income, the reversal of deferred tax liabilities, and its utilization of tax planning sufficiently supports the carrying amount of the deferred tax assets. Accordingly, the Company has not recorded a valuation allowance as all deferred tax benefits are more likely than not to be realized.

At December 31, 2001, the Company had general business tax credit carryforwards of approximately \$3,827,000 expiring from the year 2007 to 2009, and alternative minimum tax credit carryforwards with no expiration of approximately \$8,354,000.

**(5) Employee Benefit Plans**

The Company maintains a defined contribution employee retirement plan, which includes a 401(k) option, under which all employees are eligible to participate. The Company matches a specified percentage of employee contributions, subject to certain limitations. For the years ended December 31, 2001, 2000 and 1999, total Company contributions to the plan, including matching 401(k) contributions, were \$7,555,000, \$6,553,000 and \$7,348,000, respectively.

**(6) Fair Value of Significant Financial Instruments**

**(a) Cash and Cash Equivalents, Accounts Receivable, and Trade Accounts Payable**

The carrying amount approximates fair value because of the short maturity of these instruments.

**(b) Long-Term Debt**

The fair value of the fixed rate debt is presented as the present value of future cash flows discounted using the Company's current borrowing rate for notes of comparable maturity. The calculation arrives at a theoretical amount the Company would pay a creditworthy third party to assume its fixed rate obligations and not the termination value of these obligations. Consistent with market practices, such termination values may include various prepayment and termination fees that the Company would contractually be required to pay if it retired the debt early.

The estimated fair values of the Company's financial instruments are summarized as follows (in thousands):

(continued)

|                           | At December 31, 2001 |                      | At December 31, 2000 |                      |
|---------------------------|----------------------|----------------------|----------------------|----------------------|
|                           | Carrying amount      | Estimated fair value | Carrying amount      | Estimated fair value |
| Cash and cash equivalents | \$ 49,245            | 49,245               | 5,370                | 5,370                |
| Accounts receivable       | 231,389              | 231,389              | 225,797              | 225,797              |
| Trade accounts payable    | 163,291              | 163,291              | 158,585              | 158,585              |
| Long-term debt:           |                      |                      |                      |                      |
| Commercial paper          |                      |                      | 74,400               | 74,400               |
| Fixed rate obligations    | 223,260              | 228,331              | 233,260              | 234,352              |

#### (7) Related Party Transactions

The Company advances premiums on life insurance policies on the lives of the Company's principal stockholder and his wife. All premiums paid by the Company, along with accrued interest thereon, are reimbursable from a trust which is the owner and beneficiary of the policy. The Company has a guarantee from the stockholder for the amount of premiums paid by the Company together with interest at the rate of 5% per annum until June of 2000. In July of 2000 the Board of Directors approved an adjustment to the interest rate to be the average borrowing rate of the Company when additional advances were made. The interest rate changed to 7.42% in August 2001. The amounts reimbursable to the Company amount to approximately \$9,049,000 and \$8,002,000 at December 31, 2001 and 2000, respectively, and are included in other assets in the accompanying consolidated balance sheets. See also note 9 for disclosure of transactions with an associated company.

#### (8) Commitments and Contingencies

During 1999, the Company entered into a sale and leaseback transaction for a portion of its container fleet. Containers having a net book value of approximately \$175,000,000 were sold to third party leasing companies at approximate net book value. A gain on the transaction has been deferred and will be amortized to income in relation to rent expense recognized under the leases. The containers are being leased back under operating leases over terms of four to ten years. The Company also leases trailing equipment, terminal facilities, shuttle yards and computer equipment under operating leases having various terms. Under the terms of certain lease agreements, the Company is required to maintain certain covenants including minimum credit ratings. The Company was in compliance with this requirement at December 31, 2001.

During 2001 the Company entered into various capital lease agreements to lease revenue equipment. These capital leases are secured by revenue equipment with a net book value at December 31, 2001 of approximately \$168,000,000 and contain certain guarantees of residual value at the end of the lease terms with fixed price purchase options.

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments as of December 31, 2001 are:

(continued)

|  | <b>Capital<br/>Leases</b> | <b>Operating<br/>Leases</b> |
|--|---------------------------|-----------------------------|
| 2002   | \$ 38,514                 | 70,078                      |
| 2003   | 90,269                    | 55,191                      |
| 2004   | 59,598                    | 51,256                      |
| 2005   |                           | 49,982                      |
| 2006   |                           | 42,958                      |
| Thereafter   |                           | 51,747                      |
| <b>Total minimum lease payments</b>                                    | <b>188,381</b>            | <b>321,212</b>              |
| Less amount representing interest (at rates ranging from 4.2% to 8.5%) | 19,298                    |                             |
| <b>Present value of net minimum capital lease payments</b>             | <b>169,083</b>            |                             |
| Less current installments of obligations under capital leases          | 28,426                    |                             |
| <b>Obligations under capital leases excluding current installments</b> | <b>\$ 140,657</b>         | <b>321,212</b>              |

At December 31, 2001 and 2000 gross property and equipment recorded under capital leases was \$194,256,000 and \$97,553,000, respectively. Total rent expense was \$98,783,000 in 2001, \$87,545,000 in 2000, and \$39,862,000 in 1999, respectively. At December 31, 2001, the Company had committed to purchase approximately \$128,000,000 of revenue and service equipment net of expected proceeds from sale or trade-in allowances. The Company is involved in certain claims and pending litigation arising from the normal conduct of business. Based on the present knowledge of the facts and, in certain cases, opinions of outside counsel, management believes the resolution of claims and pending litigation will not have a material adverse effect on the financial condition or results of operations of the Company.

#### **(9) Investment in Affiliated Company**

In March 2000, the Company, along with four other motor carriers, announced the intent to contribute all of its non-asset based logistics business into a recently formed joint venture, Transplace, Inc. (TPC). TPC is an internet-based global transportation logistics company. TPC commenced operations effective July 1, 2000. The Company contributed all of its logistics segment business and all related intangible assets, plus \$5.0 million of cash, in exchange for an approximate 27% initial membership interest in TPC. The Company accounts for its approximate 27% interest in TPC utilizing the equity method of accounting. No gain or loss was recognized.

(continued)

upon formation and contribution of logistics segment assets to TPC. The excess of the Company's share of TPC's net assets over its cost basis is being amortized over 20 years on a straight-line method. Equity in earnings of TPC was a loss of \$1,919,000 in 2001.

The Company provided various services to TPC under a shared service agreement, the terms of which expired on December 31, 2001. The services included the following: payroll and benefits; accounting; computer system maintenance; office facilities; and telecommunications. The fees from these services approximated \$6,483,000 and \$2,971,000 in 2001 and 2000, respectively, and were recorded in the consolidated statement of earnings as reimbursements of salaries, wages and employee benefits and general and administrative expenses.

The Company earned revenues of \$69,696,000 and \$43,500,000 from TPC in providing transportation services during 2001 and in the last six months of 2000, respectively.

At December 31, 2001 and 2000, trade accounts receivable included \$4,198,000 and \$1,148,000, respectively, due from TPC for freight and fees related to the shared service agreement.

For the year ending December 31, 2001, the Company had incurred approximately \$32,649,000 in purchased transportation expense as a result of TPC providing transportation services.

#### **(10) Segment Information**

The Company had three reportable business segments during 2001, Truck (JBT), Intermodal (JBI), and Dedicated Contract Services (DCS). For years prior, the Company had four reportable business segments, JBT, JBI, DCS and Logistics. JBT business includes full truck-load, dry-van freight which is typically transported utilizing company-owned or controlled revenue equipment. This freight is typically transported over roads and highways and does not move by rail. The JBI segment includes freight which is transported by rail over at least some portion of the movement and also includes certain repositioning truck freight moved by JBI equipment or third-party carriers, when such highway movement is intended to direct JBI equipment back toward intermodal operations. The JBT and JBI business segments were operated in combined fashion (formally reported as Van/Intermodal in prior periods) and limited identifiable comparative information is available for JBT and JBI prior to January 1, 2000. Accordingly, the Company has provided comparable segment information for the year ended December 31, 2001 based on the prior segmentation, which included JBT and JBI as the former segment, Van/Intermodal .

DCS segment business typically includes company-owned revenue equipment and employee drivers which are assigned to a specific customer, traffic lane or service. DCS operations usually include formal, written long-term agreements or contracts which govern services performed and applicable rates.

(continued)

Prior to July 1, 2000, the Logistics business segment primarily consisted of J. B. Hunt Logistics (JBL) a wholly-owned subsidiary which provided a wide range of comprehensive transportation and freight management services. Such services included experienced professional managers, information and optimization technology and the actual design or redesign of freight system solutions. JBL utilized JBT, JBI or DCS owned or controlled assets and employees, or third-party carriers, or a combination to meet customer service requirements. JBL services typically were provided in accordance with written long-term agreements. As discussed in Note 9, the Company exchanged its ownership in JBL for an initial membership interest in TPC. Effective July 1, 2000, the Company began accounting for its ownership in TPC utilizing the equity method of accounting. As of December 31, 2000, TPC qualifies as a reportable business segment and, accordingly, the Logistics segment information shown below includes both JBL and TPC. Information for TPC included in the following tables is the entity's results of operations without regard to the Company's ownership interest which is then subtracted in reconciling to the consolidated statement of earnings.

The Company's customers are geographically dispersed across the United States and include many of the Fortune 500 companies. One customer exceeded 10% of consolidated operating revenues in 2001 and 2000. No single customer exceeded 10% in 1999. A summary of certain segment information is presented below (in millions):

|  | Assets   |       |       |
|--|----------|-------|-------|
|  | 2001     | 2000  | 1999  |
| Truck  | \$ 892   | 871   |       |
| Intermodal   | 172      | 128   |       |
| Van/Intermodal   | 1,064    | 999   | 826   |
| Logistics  |          | 33    | 73    |
| Dedicated Contract Services                              | 179      | 138   | 95    |
| Other (includes corporate and intersegment eliminations) | 17       | 62    | 133   |
| Total  | \$ 1,260 | 1,232 | 1,127 |

|  | Revenues |       |       |
|--|----------|-------|-------|
|  | 2001     | 2000  | 1999  |
| Truck                                      | \$ 829   | 834   | 763   |
| Intermodal                                 | 740      | 681   | 652   |
| Van/Intermodal                             | 1,569    | 1,515 | 1,415 |
| Logistics                                  |          | 727   | 388   |
| Dedicated Contract Services                | 549      | 479   | 320   |
| Total segment revenues                     | 2,118    | 2,721 | 2,123 |
| Inter-segment eliminations                 | (18)     | (63)  | (78)  |
| Less revenues of equity method investee    |          | (498) |       |
| Consolidated statements of earnings amount | \$ 2,100 | 2,160 | 2,045 |

(continued)



|   | Operating income |      |      |
|---|------------------|------|------|
|   | 2001             | 2000 | 1999 |
| Truck   | \$ 9             | (7)  |      |
| Intermodal                                      | 42               | 37   |      |
| Van/Intermodal                                  | 51               | 30   | 44   |
| Logistics                                       |                  | 9    | 11   |
| Dedicated Contract Services                     | 17               | 28   | 24   |
| Other   | 4                | (3)  | (5)  |
| Total segment operating income                  | \$ 72            | 64   | 74   |
| Less operating income of equity method investee |                  | (1)  |      |
| Consolidated statements of earnings amount      | \$ 72            | 63   | 74   |

|                             | Depreciation expense |      |      |
|-----------------------------|----------------------|------|------|
|                             | 2001                 | 2000 | 1999 |
| Truck                       | \$ 70                | 65   |      |
| Intermodal                  | 21                   | 23   |      |
| Van/Intermodal              | 91                   | 88   | 113  |
| Logistics                   |                      |      | 1    |
| Dedicated Contract Services | 44                   | 36   | 26   |
| Other                       | 8                    | 10   | 9    |
| Total                       | \$ 143               | 134  | 149  |

(continued)

**(11) Quarterly Financial Information (Unaudited)**

Operating results by quarter for the years ended December 31, 2001 and 2000 are as follows (in thousands, except per share data):

|                            | <b>Quarter</b> |               |              |               |
|----------------------------|----------------|---------------|--------------|---------------|
|                            | <b>First</b>   | <b>Second</b> | <b>Third</b> | <b>Fourth</b> |
| <b>2001:</b>               |                |               |              |               |
| Operating revenues         | \$ 495,419     | 521,489       | 537,156      | 546,241       |
| Operating income           | \$ 8,367       | 15,318        | 11,950       | 36,574        |
| Net earnings               | \$ 1,645       | 8,568         | 4,549        | 18,183        |
| Basic earnings per share   | \$ .05         | .24           | .13          | .51           |
| Diluted earnings per share | \$ .05         | .24           | .12          | .50           |
| <b>2000:</b>               |                |               |              |               |
| Operating revenues         | \$ 533,556     | 583,500       | 509,422      | 533,969       |
| Operating income           | \$ 9,554       | 20,347        | 15,817       | 17,694        |
| Net earnings               | \$ 5,013       | 11,054        | 9,123        | 10,885        |
| Basic earnings per share   | \$ .14         | .31           | .26          | .31           |
| Diluted earnings per share | \$ .14         | .31           | .26          | .31           |

**(12) Restatement of Beginning Retained Earnings**

In 2001, the Company modified its method of estimating and accruing its ultimate cost related to accident workers' compensation, cargo and physical damage claims in accordance with accounting principles generally accepted in the United States of America. The Company began applying loss development factors to its accident and workers' compensation claims history. This new method results in a more accurate estimate of the Company's ultimate loss from claims than its prior method.

This new method resulted in a restatement of the following balances at December 31, 1998: a decrease in retained earnings of \$10.2 million, an increase in claims payable of \$16.3 million, and an increase in deferred tax assets of \$6.1 million. This restatement had no material impact on the 2000 and 1999 consolidated statements of income. Accordingly, the Company's consolidated balance sheet at December 31, 2000 has been restated to reflect the same adjustments to retained earnings, claims payable and deferred tax assets.

(continued)





**ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

No reports on Form 8-K have been filed within the twenty-four months prior to December 31, 2001 involving a change of accountants or disagreements on accounting and financial disclosure.

**PART III**

**ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT**

**DIRECTORS**

The schedule of directors is hereby incorporated by reference from the Notice and Proxy Statement for Annual Meeting of Stockholders to be held April 25, 2002 set forth under section entitled Proposal One Election of Directors .

**EXECUTIVE OFFICERS**

Information with respect to executive officers of the Company is set forth in Item 4 of this Report under the caption Executive Officers of the Company .

**ITEM 11. EXECUTIVE COMPENSATION**

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The information required for Items 11 and 12 is hereby incorporated by reference from the Notice and Proxy Statement for Annual Meeting of Stockholders to be held on April 25, 2002 set forth under sections entitled Principal Stockholders of the Company, Report of the Compensation Committee, 2002 Performance-based Compensation, and Compensation Committee Interlocks and Insider Participation.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

## Edgar Filing: HUNT J B TRANSPORT SERVICES INC - Form 10-K/A

The information required for Item 13 is hereby incorporated by reference from Note (7) Related Party Transactions and Note (9) Investment in Affiliated Company of the Notes to Consolidated Financial Statements and from the Notice and Proxy Statement for Annual Meeting of Stockholders to be held on April 25, 2002 set forth under the section entitled Compensation Committee Interlocks and Insider Participation.

### **PART IV**

#### **ITEM 14. EXHIBITS**

The following documents are filed as part of this report:

- (a) Exhibits

The response to this portion of Item 14 is submitted as a separate section of this report ( Exhibit Index ).

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this amendment to be signed on its behalf by the undersigned thereunto duly authorized, in the City of Lowell, Arkansas, on the 28th day of May, 2002.

**J.B. HUNT TRANSPORT SERVICES, INC.**

(Registrant)

By: /s/ Kirk Thompson  
Kirk Thompson  
President and Chief Executive Officer

By: /s/ Jerry W. Walton  
Jerry W. Walton  
Executive Vice President, Finance and  
Administration,  
Chief Financial Officer

By: /s/ Donald G. Cope  
Donald G. Cope  
Senior Vice President, Controller,  
Chief Accounting Officer