

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

FORM 10-Q

[Mark one]

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2019
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Commission File Number: 0-14690

WERNER ENTERPRISES, INC.
(Exact name of registrant as specified in its charter)

Nebraska (State or other jurisdiction of incorporation or organization) 14507 Frontier Road Post Office Box 45308 Omaha , Nebraska (Address of principal executive offices)	47-0648386 (I.R.S. Employer Identification No.) 68145-0308 (Zip Code)
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(402) 895-6640
(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.01 Par Value	WERN	The NASDAQ Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large Accelerated Filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

As of July 29, 2019 , 69,195,003 shares of the registrant's common stock, par value \$0.01 per share, were outstanding.

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PART I

FINANCIAL INFORMATION

Cautionary Note Regarding Forward-Looking Statements:

This Quarterly Report on Form 10-Q contains historical information and forward-looking statements based on information currently available to our management. The forward-looking statements in this report, including those made in Item 2 (Management’s Discussion and Analysis of Financial Condition and Results of Operations) of Part I, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended. These safe harbor provisions encourage reporting companies to provide prospective information to investors. Forward-looking statements can be identified by the use of certain words, such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “project” and other similar terms and language. We believe the forward-looking statements are reasonable based on currently available information. However, forward-looking statements involve risks, uncertainties and assumptions, whether known or unknown, that could cause our actual results, business, financial condition and cash flows to differ materially from those anticipated in the forward-looking statements. A discussion of important factors relating to forward-looking statements is included in Item 1A (Risk Factors) of Part I of our Annual Report on Form 10-K for the year ended December 31, 2018 (“2018 Form 10-K”). Readers should not unduly rely on the forward-looking statements included in this Form 10-Q because such statements speak only to the date they were made. Unless otherwise required by applicable securities laws, we undertake no obligation or duty to update or revise any forward-looking statements contained herein to reflect subsequent events or circumstances or the occurrence of unanticipated events.

Item 1. Financial Statements.

The interim consolidated financial statements contained herein reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the financial condition, results of operations and cash flows for the periods presented. The interim consolidated financial statements have been prepared in accordance with the U.S. Securities and Exchange Commission (“SEC”) instructions to Form 10-Q and were also prepared without audit. The interim consolidated financial statements do not include all information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements; although in management’s opinion, the disclosures are adequate so that the information presented is not misleading.

Operating results for the three-month and six-month periods ended June 30, 2019 , are not necessarily indicative of the results that may be expected for the year ending December 31, 2019 . In the opinion of management, the information set forth in the accompanying consolidated condensed balance sheets is fairly stated in all material respects in relation to the consolidated balance sheets from which it has been derived.

These interim consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and accompanying notes contained in our 2018 Form 10-K.

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
(In thousands, except per share amounts)				
	(Unaudited)			
Operating revenues	\$ 627,533	\$ 619,130	\$ 1,223,650	\$ 1,181,814
Operating expenses:				
Salaries, wages and benefits	206,001	196,115	408,800	378,909
Fuel	61,064	65,665	117,202	124,697
Supplies and maintenance	44,371	45,681	90,056	91,420
Taxes and licenses	23,643	22,651	46,544	45,144
Insurance and claims	20,992	30,689	43,701	51,847
Depreciation	61,437	56,551	122,196	112,057
Rent and purchased transportation	146,176	151,433	279,012	287,355
Communications and utilities	3,903	3,928	7,914	8,035
Other	1,504	(4,366)	1,764	(3,548)
Total operating expenses	569,091	568,347	1,117,189	1,095,916
Operating income	58,442	50,783	106,461	85,898
Other expense (income):				
Interest expense	1,429	490	2,287	972
Interest income	(989)	(693)	(1,892)	(1,433)
Other	58	78	(58)	131
Total other expense (income)	498	(125)	337	(330)
Income before income taxes	57,944	50,908	106,124	86,228
Income taxes	14,626	12,644	26,720	20,157
Net income	\$ 43,318	\$ 38,264	\$ 79,404	\$ 66,071
Earnings per share:				
Basic	\$ 0.62	\$ 0.53	\$ 1.14	\$ 0.91
Diluted	\$ 0.62	\$ 0.53	\$ 1.13	\$ 0.91
Weighted-average common shares outstanding:				
Basic	69,593	72,144	69,932	72,289
Diluted	69,893	72,376	70,229	72,522

See Notes to Consolidated Financial Statements (Unaudited).

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Unaudited)			
Net income	\$ 43,318	\$ 38,264	\$ 79,404	\$ 66,071
Other comprehensive income (loss):				
Foreign currency translation adjustments	526	(2,537)	1,144	(212)
Change in fair value of interest rate swap, net of tax	(106)	94	(211)	372
Other comprehensive income	420	(2,443)	933	160
Comprehensive income	\$ 43,738	\$ 35,821	\$ 80,337	\$ 66,231

See Notes to Consolidated Financial Statements (Unaudited).

WERNER ENTERPRISES, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands, except share amounts)	June 30, 2019	December 31, 2018
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 46,420	\$ 33,930
Accounts receivable, trade, less allowance of \$8,409 and \$8,613, respectively	331,239	337,927
Other receivables	23,635	26,545
Inventories and supplies	10,282	10,060
Prepaid taxes, licenses and permits	8,008	16,619
Other current assets	33,717	31,577
Total current assets	453,301	456,658
Property and equipment	2,312,594	2,247,577
Less – accumulated depreciation	787,214	760,015
Property and equipment, net	1,525,380	1,487,562
Other non-current assets	149,936	139,284
Total assets	\$ 2,128,617	\$ 2,083,504
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 92,713	\$ 97,781
Current portion of long-term debt	—	75,000
Insurance and claims accruals	70,483	67,304
Accrued payroll	37,432	40,271
Other current liabilities	27,942	30,004
Total current liabilities	228,570	310,360
Long-term debt, net of current portion	390,000	50,000
Other long-term liabilities	17,424	10,911
Insurance and claims accruals, net of current portion	225,997	214,030
Deferred income taxes	234,282	233,450
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.01 par value, 200,000,000 shares authorized; 80,533,536 shares issued; 69,195,003 and 70,441,973 shares outstanding, respectively	805	805
Paid-in capital	110,102	107,455
Retained earnings	1,219,529	1,413,746
Accumulated other comprehensive loss	(15,140)	(16,073)
Treasury stock, at cost; 11,338,533 and 10,091,563 shares, respectively	(282,952)	(241,180)
Total stockholders' equity	1,032,344	1,264,753
Total liabilities and stockholders' equity	\$ 2,128,617	\$ 2,083,504

See Notes to Consolidated Financial Statements (Unaudited).

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Six Months Ended June 30,	
	2019	2018
	(Unaudited)	
Cash flows from operating activities:		
Net income	\$ 79,404	\$ 66,071
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	122,196	112,057
Deferred income taxes	1,088	16,269
Gain on disposal of property and equipment	(10,383)	(11,346)
Non-cash equity compensation	4,365	3,389
Insurance and claims accruals, net of current portion	11,967	14,081
Other	(3,365)	(2,795)
Changes in certain working capital items:		
Accounts receivable, net	6,688	(28,960)
Other current assets	7,028	3,791
Accounts payable	5,554	10,745
Other current liabilities	(4,206)	(851)
Net cash provided by operating activities	220,336	182,451
Cash flows from investing activities:		
Additions to property and equipment	(239,289)	(256,202)
Proceeds from sales of property and equipment	76,936	81,367
Issuance of notes receivable	—	(3,300)
Decrease in notes receivable	6,505	11,727
Net cash used in investing activities	(155,848)	(166,408)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	265,000	20,000
Change in net checks issued in excess of cash balances	—	(7,842)
Dividends on common stock	(273,734)	(10,140)
Repurchases of common stock	(42,301)	(22,884)
Tax withholding related to net share settlements of restricted stock awards	(1,189)	(679)
Stock options exercised	—	248
Net cash used in financing activities	(52,224)	(21,297)
Effect of exchange rate fluctuations on cash	226	47
Net increase (decrease) in cash, cash equivalents and restricted cash	12,490	(5,207)
Cash, cash equivalents and restricted cash, beginning of period	33,930	15,131
Cash, cash equivalents and restricted cash, end of period	\$ 46,420	\$ 9,924
Supplemental disclosures of cash flow information:		
Interest paid	\$ 1,830	\$ 972
Income taxes paid	36,805	5,463
Supplemental schedule of non-cash investing and financing activities:		
Notes receivable issued upon sale of property and equipment	\$ 3,732	\$ 3,816
Change in fair value of interest rate swap	(211)	372
Property and equipment acquired included in accounts payable	6,126	7,697
Property and equipment disposed included in other receivables	—	265
Dividends accrued but not yet paid at end of period	6,227	6,466

See Notes to Consolidated Financial Statements (Unaudited).

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except share and per share amounts)	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
	(Unaudited)					
BALANCE, December 31, 2018	\$ 805	\$ 107,455	\$ 1,413,746	\$ (16,073)	\$ (241,180)	\$ 1,264,753
Comprehensive income	—	—	36,086	513	—	36,599
Purchases of 600,000 shares of common stock	—	—	—	—	(20,545)	(20,545)
Dividends on common stock (\$0.09 per share)	—	—	(6,290)	—	—	(6,290)
Equity compensation activity, 46,129 shares	—	(1,578)	—	—	399	(1,179)
Non-cash equity compensation expense	—	2,051	—	—	—	2,051
BALANCE, March 31, 2019	805	107,928	1,443,542	(15,560)	(261,326)	1,275,389
Comprehensive income	—	—	43,318	420	—	43,738
Purchases of 700,000 shares of common stock	—	—	—	—	(21,756)	(21,756)
Dividends on common stock (\$3.84 per share)	—	—	(267,331)	—	—	(267,331)
Equity compensation activity, 6,901 shares	—	(140)	—	—	130	(10)
Non-cash equity compensation expense	—	2,314	—	—	—	2,314
BALANCE, June 30, 2019	\$ 805	\$ 110,102	\$ 1,219,529	\$ (15,140)	\$ (282,952)	\$ 1,032,344
BALANCE, December 31, 2017	\$ 805	\$ 102,563	\$ 1,267,871	\$ (15,835)	\$ (170,622)	\$ 1,184,782
Comprehensive income	—	—	27,807	2,603	—	30,410
Dividends on common stock (\$0.07 per share)	—	—	(5,071)	—	—	(5,071)
Equity compensation activity, 44,980 shares	—	(1,069)	—	—	631	(438)
Non-cash equity compensation expense	—	1,410	—	—	—	1,410
Cumulative effect of accounting change	—	—	2,011	—	—	2,011
BALANCE, March 31, 2018	805	102,904	1,292,618	(13,232)	(169,991)	1,213,104
Comprehensive income	—	—	38,264	(2,443)	—	35,821
Purchases of 627,652 shares of common stock	—	—	—	—	(22,884)	(22,884)
Dividends on common stock (\$0.09 per share)	—	—	(6,466)	—	—	(6,466)
Equity compensation activity, 4,935 shares	—	(84)	—	—	91	7
Non-cash equity compensation expense	—	1,979	—	—	—	1,979
BALANCE, June 30, 2018	\$ 805	\$ 104,799	\$ 1,324,416	\$ (15,675)	\$ (192,784)	\$ 1,221,561

See Notes to Consolidated Financial Statements (Unaudited).

WERNER ENTERPRISES, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****(1) Accounting Policies****New Accounting Pronouncements Adopted**

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, “Leases,” to increase transparency and comparability by recognizing a right-of-use asset and a lease liability on the balance sheet and disclosing key information about leasing arrangements. The Company adopted ASU No. 2016-02 and related amendments as of January 1, 2019, using the optional transition method. See Note 3 - Leases for additional adoption information and disclosures required by Accounting Standards Codification (“ASC”) Topic 842.

In August 2017, the FASB issued ASU No. 2017-12, “Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities,” with the objective of improving the financial reporting of hedging relationships to better portray the economic results of an entity’s risk management activities in its financial statements. The Company adopted ASU 2017-12 as of January 1, 2019. Upon adoption, this update had no effect on our financial position, results of operations and cash flows.

In February 2018, the FASB issued ASU No. 2018-02, “Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Comprehensive Income,” which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The Company adopted ASU No. 2018-02 as of January 1, 2019. Upon adoption, this update had no effect on our financial position, results of operations and cash flows.

Accounting Standards Updates Not Yet Effective

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Statements,” which requires measurement and recognition of expected versus incurred credit losses for financial assets. The provisions of this update are effective for fiscal years beginning after December 15, 2019. We are evaluating the impact of adopting ASU No. 2016-13 on our financial position, results of operations and cash flows.

In August 2018, the FASB issued ASU No. 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement,” which modifies the disclosure requirements on fair value measurements. As part of its disclosure framework project, the FASB has eliminated, amended and added disclosure requirements for fair value measurements in Topic 820, Fair Value Measurement. The provisions of this update are effective for fiscal years beginning after December 15, 2019. Although we are evaluating the impact of adopting ASU No. 2018-13 on our financial position, results of operations and cash flows, we do not expect a material effect upon adoption because we do not currently disclose any fair value measurements subject to the amendments.

In August 2018, the FASB issued ASU No. 2018-15, “Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (a consensus of the FASB Emerging Issues Task Force),” which updates the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract to align with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The provisions of this update are effective for fiscal years beginning after December 15, 2019. We are evaluating the impact of adopting ASU No. 2018-15 on our financial position, results of operations and cash flows.

(2) Revenue

Revenue Recognition

Revenues are recognized over time as control of the promised services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services.

The following table presents our revenues disaggregated by revenue source (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Truckload Transportation Services	\$ 479,959	\$ 470,277	\$ 942,850	\$ 901,833
Werner Logistics	130,883	134,012	248,253	251,432
Inter-segment eliminations	(34)	(212)	(239)	(670)
Transportation services	610,808	604,077	1,190,864	1,152,595
Other revenues	16,725	15,053	32,786	29,219
Total revenues	\$ 627,533	\$ 619,130	\$ 1,223,650	\$ 1,181,814

The following table presents our revenues disaggregated by geographic areas in which we conduct business (in thousands). Operating revenues for foreign countries include revenues for (i) shipments with an origin or destination in that country and (ii) other services provided in that country. If both the origin and destination are in a foreign country, the revenues are attributed to the country of origin.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
United States	\$ 554,261	\$ 540,284	\$ 1,080,853	\$ 1,028,305
Mexico	51,958	59,741	104,772	116,151
Other	21,314	19,105	38,025	37,358
Total revenues	\$ 627,533	\$ 619,130	\$ 1,223,650	\$ 1,181,814

Contract Balances and Accounts Receivable

A receivable is an unconditional right to consideration and is recognized when shipments have been completed and the related performance obligation has been fully satisfied. At June 30, 2019 and December 31, 2018, the accounts receivable, net, balance was \$331.2 million and \$337.9 million, respectively. Contract assets represent a conditional right to consideration in exchange for goods or services and are transferred to receivables when the rights become unconditional. At June 30, 2019 and December 31, 2018, the balance of contract assets was \$9.4 million and \$7.4 million, respectively. The Company has recognized contract assets within the other current assets financial statement caption on the balance sheet. These contract assets are considered current assets as they will be settled in less than 12 months.

Contract liabilities represent advance consideration received from customers and are recognized as revenues over time as the related performance obligation is satisfied. At June 30, 2019 and December 31, 2018, the balance of contract liabilities was \$2.3 million and \$1.7 million, respectively. The amount of revenues recognized in the six months ended June 30, 2019 that was included in the December 31, 2018 contract liability balance was \$1.7 million. The Company has recognized contract liabilities within the accounts payable and other current liabilities financial statement captions on the balance sheet. These contract liabilities are considered current liabilities as they will be settled in less than 12 months.

Performance Obligations

We have elected to apply the practical expedient in ASC Topic 606 to not disclose the value of remaining performance obligations for contracts with an original expected length of one year or less. Remaining performance obligations represent the transaction price allocated to future reporting periods for freight shipments started but not completed at the reporting date that we expect to recognize as revenue in the period subsequent to the reporting date; transit times generally average approximately 3 days.

During the six months ended June 30, 2019 and June 30, 2018, revenues recognized from performance obligations related to prior periods (for example, due to changes in transaction price) were not material.

(3) Leases

Adoption of ASC Topic 842, “Leases”

On January 1, 2019, the Company adopted ASC Topic 842, “Leases”, which requires lessees to recognize most leases in the consolidated balance sheet as a right-of-use asset and a lease obligation. Expenses are recognized in the consolidated statement of income in a manner similar to previous accounting guidance. The Company adopted the accounting standard using the optional transition approach, which applies the provisions of the new guidance at the effective date without adjusting the comparative periods presented.

The Company elected the following practical expedients upon adoption: not to reassess whether any existing contracts are or contain leases, not to reassess the lease classification for any existing leases, not to reassess initial direct costs for any existing leases and not to separately identify lease and non-lease components for all underlying classes of assets. Additionally, the Company made a short-term lease accounting policy election to not recognize right-of-use assets and liabilities for leases with a term of 12 months or less.

Adoption of the new standard resulted in recognition of right-of-use assets and corresponding lease liabilities of \$8.7 million as of January 1, 2019. The new standard did not have a significant impact on the consolidated statement of income.

The Company has entered into operating leases primarily for real estate. The leases have terms which range from 1 year to 11 years, and some include options to renew. Renewal terms are included in the lease term when it is reasonably certain that the Company will exercise the option to renew.

Operating leases are included in the other non-current assets, other current liabilities and other long-term liabilities on the consolidated condensed balance sheets. These assets and liabilities are recognized based on the present value of future minimum lease payments over the lease term at commencement date, using the Company’s incremental borrowing rate because the rate implicit in each lease is not readily determinable. The Company has certain contracts for real estate that may contain lease and non-lease components which it has elected to treat as a single lease component. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Variable lease expense is recognized in the period in which the obligation for those payments is incurred. Lease expense is reported in rent and purchase transportation on the consolidated statements of income.

The following table presents information about the amount, timing and uncertainty of cash flows arising from the Company's operating leases as of June 30, 2019 .

(In thousands)	June 30, 2019
Maturity of Lease Liabilities	
2019 (remaining)	\$ 1,619
2020	2,829
2021	2,005
2022	1,171
2023	331
Thereafter	749
Total undiscounted operating lease payments	\$ 8,704
Less: Imputed interest	(523)
Present value of operating lease liabilities	\$ 8,181
Balance Sheet Classification	
Right-of-use assets (recorded in other non-current assets)	\$ 7,910
Current lease liabilities (recorded in other current liabilities)	\$ 2,892
Long-term lease liabilities (recorded in other long-term liabilities)	5,289
Total operating lease liabilities	\$ 8,181
Other Information	
Weighted-average remaining lease term for operating leases	3.55 years
Weighted-average discount rate for operating leases	3.5%

Cash Flows

An initial right-of-use asset of \$8.7 million was recognized as a non-cash asset addition with the adoption of the new lease accounting standard. Additional right-of-use assets of \$0.8 million were recognized as non-cash asset additions that resulted from new operating lease liabilities during the six months ended June 30, 2019 . Cash paid for amounts included in the present value of operating lease liabilities was \$1.8 million during the six months ended June 30, 2019 , and is included in operating cash flows.

Operating Lease Expense

Operating lease expense was \$2.0 million and \$4.3 million during the three and six months ended June 30, 2019 , respectively. This expense included \$0.9 million and \$1.8 million for the three and six months ended June 30, 2019, respectively, for long-term operating leases, with the remainder for variable and short-term lease expense .

Lessor Operating Leases

We are the lessor of tractors and trailers under operating leases with initial terms of 2 to 10 years . We recognize revenue for such leases on a straight-line basis over the term of the lease, and revenues for the three and six months ended June 30, 2019 were \$3.5 million and \$6.8 million , respectively. The following table presents information about the maturities of these operating leases as of June 30, 2019 .

(In thousands)	June 30, 2019
2019 (remaining)	\$ 6,145
2020	5,162
2021	248
2022	62
2023	—
Thereafter	—
Total	\$ 11,617

(4) Credit Facilities

On May 14, 2019, we entered into new five-year, unsecured revolving credit facilities with Wells Fargo Bank, N.A. and BMO Harris Bank N.A., replacing the previous credit facilities with both lenders. We replaced our previous \$100.0 million credit facility and \$75.0 million term commitment with Wells Fargo Bank, N.A. with a \$300.0 million credit facility which will expire on May 14, 2024 . Also on May 14, 2019, we replaced our previous \$75.0 million credit facility with BMO Harris Bank N.A. with a \$200.0 million credit facility which will expire on May 14, 2024 . We also have an unsecured line of credit of \$75.0 million with U.S. Bank, N.A., which will expire on July 13, 2020 . Borrowings under these credit facilities bear variable interest based on the London Interbank Offered Rate (“LIBOR”).

As of June 30, 2019 and December 31, 2018 , our outstanding debt totaled \$390.0 million and \$125.0 million , respectively. We had \$315.0 million outstanding under the credit facilities at a weighted average variable interest rate of 3.07% as of June 30, 2019 , and we had an additional \$75.0 million outstanding under the Wells Fargo Bank, N.A. credit facility at a variable rate of 2.99% as of June 30, 2019 , which is effectively fixed at 2.5% with an interest rate swap agreement through September 15, 2019 . On July 2, 2019 , we (i) terminated our previous \$75.0 million interest rate swap agreement with Wells Fargo Bank, N.A., (ii) entered into a \$75.0 million interest rate swap agreement with Wells Fargo Bank, N.A., that effectively fixes our interest rate at 2.32% through May 14, 2024 , and (iii) entered into a \$75.0 million interest rate swap agreement with BMO Harris Bank N.A. that effectively fixes our interest rate at 2.36% through May 14, 2024 . The \$575.0 million of borrowing capacity under our credit facilities at June 30, 2019 , is further reduced by \$30.0 million in stand-by letters of credit under which we are obligated. Each of the debt agreements includes, among other things, financial covenants requiring us (i) to exceed a minimum ratio of earnings before interest, income taxes, depreciation and amortization to interest expense and/or (ii) not to exceed a maximum ratio of total funded debt to earnings before interest, income taxes, depreciation and amortization (as such terms are defined in each credit facility). At June 30, 2019 , we were in compliance with these covenants.

At June 30, 2019 , the aggregate future maturities of long-term debt by year are as follows (in thousands):

2019	\$ —
2020	75,000
2021	—
2022	—
2023	—
2024	315,000
Total	\$ 390,000

The carrying amounts of our long-term debt approximate fair value due to the duration of the notes and the variable interest rates.

(5) Commitments and Contingencies

As of June 30, 2019 , we have committed to property and equipment purchases of approximately \$176.5 million .

We are involved in certain claims and pending litigation, including those described herein, arising in the ordinary course of business. The majority of these claims relate to bodily injury, property damage, cargo and workers' compensation incurred in the transportation of freight, as well as certain class action litigation related to personnel and employment matters. We accrue for the uninsured portion of contingent losses from these and other pending claims when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Based on the knowledge of the facts, management believes the resolution of claims and pending litigation, taking into account existing reserves, will not have a material adverse effect on our consolidated financial statements. Moreover, the results of complex legal proceedings are difficult to predict, and our view of these matters may change in the future as the litigation and related events unfold.

On May 17, 2018, in Harris County District Court in Houston, Texas, a jury rendered an adverse verdict against Werner Enterprises, Inc. (the "Company") in a lawsuit arising from a December 30, 2014 accident between a Werner tractor-trailer and a passenger vehicle. On July 30, 2018, the court entered a final judgment against Werner for \$92 million, including pre-judgment interest.

The Company has premium-based liability insurance to cover the potential outcome from this jury verdict. Under the Company's insurance policies in effect on the date of this accident, the Company's maximum liability for this accident is \$10.0 million (plus pre-judgment and post-judgment interest) with premium-based coverage that exceeds the jury verdict amount. As a result of this jury verdict, the Company had recorded a liability of \$17.1 million as of June 30, 2019, and \$15.2 million as of December 31, 2018. Under the terms of the Company's insurance policies, the Company is the primary obligor of the verdict, and as such, the Company has also recorded a \$79.2 million receivable from its third-party insurance providers in other non-current assets and a corresponding liability of the same amount in the long-term portion of insurance and claims accruals in the consolidated balance sheets as of June 30, 2019 and December 31, 2018.

The Company is pursuing an appeal of this verdict. No assurances can be given regarding the outcome of any such appeal.

We are involved in class action litigation in the U.S. District Court for the District of Nebraska, in which the plaintiffs allege that we owe drivers for unpaid wages under the Fair Labor Standards Act ("FLSA") and the Nebraska Wage Payment and Collection Act and that we failed to pay minimum wage per hour for drivers in our student driver training program, related to short break time and sleeper berth time. The period covered by this class action suit is August 2008 through March 2014. The case was tried to a jury in May 2017, resulting in a verdict of \$0.8 million in plaintiffs' favor on the short break matter and a verdict in our favor on the sleeper berth matter. As a result of various post-trial motions, the court has awarded \$0.5 million to the plaintiffs for attorney fees and costs. As of June 30, 2019, we had accrued for the jury's award, attorney fees and costs in the short break matter and had not accrued for the sleeper berth matter. Plaintiffs have appealed the post-verdict amounts awarded by the trial court for fees, costs and liquidated damages.

We are also involved in certain class action litigation in which the plaintiffs allege claims for failure to provide meal and rest breaks, unpaid wages, unauthorized deductions and other items. Based on the knowledge of the facts, management does not currently believe the outcome of these class actions is likely to have a material adverse effect on our financial position or results of operations. However, the final disposition of these matters and the impact of such final dispositions cannot be determined at this time.

(6) Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the weighted average number of common shares outstanding plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding stock options and restricted stock awards. There are no differences in the numerators of our computations of basic and diluted earnings per share for any periods presented.

The computation of basic and diluted earnings per share is shown below (in thousands, except per share amounts).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	\$ 43,318	\$ 38,264	\$ 79,404	\$ 66,071
Weighted average common shares outstanding	69,593	72,144	69,932	72,289
Dilutive effect of stock-based awards	300	232	297	233
Shares used in computing diluted earnings per share	69,893	72,376	70,229	72,522
Basic earnings per share	\$ 0.62	\$ 0.53	\$ 1.14	\$ 0.91
Diluted earnings per share	\$ 0.62	\$ 0.53	\$ 1.13	\$ 0.91

There were no options to purchase shares of common stock that were outstanding during the periods indicated above that were excluded from the computation of diluted earnings per share because the option purchase price was greater than the average market price of the common shares during the period. Performance awards are excluded from the calculation of dilutive potential common shares until the threshold performance conditions have been satisfied.

(7) Equity Compensation

The Werner Enterprises, Inc. Amended and Restated Equity Plan (the “Equity Plan”), approved by the Company’s shareholders, provides for grants to employees and non-employee directors of the Company in the form of nonqualified stock options, restricted stock and units (“restricted awards”), performance awards, and stock appreciation rights. The Board of Directors or the Compensation Committee of our Board of Directors determines the terms of each award, including the type, recipients, number of shares subject to and vesting conditions of each award. No awards of stock appreciation rights have been issued under the Equity Plan to date. The maximum number of shares of common stock that may be awarded under the Equity Plan is 20,000,000 shares. The maximum aggregate number of shares that may be awarded to any one person in any one calendar year under the Equity Plan is 500,000 . As of June 30, 2019 , there were 6,777,546 shares available for granting additional awards.

Equity compensation expense is included in salaries, wages and benefits within the Consolidated Statements of Income. As of June 30, 2019 , the total unrecognized compensation cost related to non-vested equity compensation awards was approximately \$13.8 million and is expected to be recognized over a weighted average period of 2.0 years . The following table summarizes the equity compensation expense and related income tax benefit recognized in the Consolidated Statements of Income (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Restricted awards:				
Pre-tax compensation expense	\$ 1,313	\$ 1,127	\$ 2,476	\$ 2,063
Tax benefit	334	287	631	526
Restricted stock expense, net of tax	\$ 979	\$ 840	\$ 1,845	\$ 1,537
Performance awards:				
Pre-tax compensation expense	\$ 1,001	\$ 842	\$ 1,897	\$ 1,327
Tax benefit	256	214	484	338
Performance award expense, net of tax	\$ 745	\$ 628	\$ 1,413	\$ 989

We do not have a formal policy for issuing shares upon an exercise of stock options or vesting of restricted and performance awards. Such shares are generally issued from treasury stock. From time to time, we repurchase shares of our common stock, the timing and amount of which depends on market and other factors. Historically, the shares acquired from such repurchases have provided us with sufficient quantities of stock to issue for equity compensation. Based on current treasury stock levels, we do not expect to repurchase additional shares specifically for equity compensation during 2019 .

Stock Options

Stock options are granted at prices equal to the market value of the common stock on the date the option award is granted. Option awards currently outstanding become exercisable in installments from 24 to 72 months after the date of grant. The options are exercisable over a period not to exceed ten years, one day from the date of grant.

The following table summarizes stock option activity for the six months ended June 30, 2019 :

	Number of Options (in thousands)	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding at beginning of period	9	\$ 19.02		
Granted	—	—		
Exercised	—	—		
Forfeited	—	—		
Expired	—	—		
Outstanding at end of period	9	19.02	0.43	\$ 109
Exercisable at end of period	9	19.02	0.43	\$ 109

We did not grant any stock options during the six -month periods ended June 30, 2019 and June 30, 2018 . The fair value of stock option grants is estimated using a Black-Scholes valuation model. There were no stock options exercised in the six -month period ended June 30, 2019 , and the total intrinsic value of stock options exercised in the six -month period ended June 30, 2018 was \$235 thousand .

Restricted Awards

Restricted stock entitles the holder to shares of common stock when the award vests. Restricted stock units entitle the holder to a combination of cash or stock equal to the value of common stock when the unit vests. The value of these shares may fluctuate according to market conditions and other factors. Restricted awards currently outstanding vest over periods ranging from 12 to 60 months from the grant date of the award. The restricted awards do not confer any voting or dividend rights to recipients until such shares vest and do not have any post-vesting sales restrictions.

The following table summarizes restricted award activity for the six months ended June 30, 2019 :

	Number of Restricted Awards (in thousands)	Weighted Average Grant Date Fair Value (\$)
Nonvested at beginning of period	326	\$ 31.93
Granted	145	32.54
Vested	(52)	33.04
Forfeited	(5)	30.94
Nonvested at end of period	414	32.02

We estimate the fair value of restricted awards based upon the market price of the underlying common stock on the date of grant, reduced by the present value of estimated future dividends because the awards are not entitled to receive dividends prior to vesting. Our estimate of future dividends is based on the most recent quarterly dividend rate at the time of grant, adjusted for any known future changes in the dividend rate. Cash settled restricted stock units are recorded as a liability within the Consolidated Balance Sheets and are adjusted to fair value each reporting period.

The total fair value of previously granted restricted awards vested during the six -month periods ended June 30, 2019 and June 30, 2018 was \$1.8 million and \$0.8 million , respectively. We withheld shares based on the closing stock price on the vesting date to settle the employees' statutory obligation for the applicable income and other employment taxes. The shares withheld to satisfy the tax withholding obligations were recorded as treasury stock.

Performance Awards

Performance awards entitle the recipient to shares of common stock upon attainment of performance objectives as pre-established by the Compensation Committee. If the performance objectives are achieved, performance awards currently outstanding vest, subject to continued employment, over periods ranging from 12 to 60 months from the grant date of the award. The performance awards do not confer any voting or dividend rights to recipients until such shares vest and do not have any post-vesting sales restrictions.

The following table summarizes performance award activity for the six months ended June 30, 2019 :

	Number of Performance Awards (in thousands)	Weighted Average Grant Date Fair Value (\$)
Nonvested at beginning of period	207	\$ 27.92
Granted	97	32.88
Vested	(35)	27.07
Forfeited	—	—
Nonvested at end of period	269	29.83

The 2019 performance awards are earned based upon the level of attainment by the Company of specified performance objectives related to cumulative diluted earnings per share for the two-year period from January 1, 2019 to December 31, 2020. Shares earned based on cumulative diluted earnings per share may be capped based on absolute total shareholder return during the three-year period ended December 31, 2021. The 2019 performance awards will vest in one installment on the third anniversary from the grant date.

We estimate the fair value of performance awards based upon the market price of the underlying common stock on the date of grant, reduced by the present value of estimated future dividends because the awards are not entitled to receive dividends prior to vesting. Our estimate of future dividends is based on the most recent quarterly dividend rate at the time of grant, adjusted for any known future changes in the dividend rate.

The vesting date fair value of performance awards that vested during the six -month periods ended June 30, 2019 and June 30, 2018 was \$1.2 million and \$1.3 million , respectively. We withheld shares based on the closing stock price on the vesting date to settle the employees' statutory obligation for the applicable income and other employment taxes. The shares withheld to satisfy the tax withholding obligations were recorded as treasury stock.

(8) Segment Information

We have two reportable segments – Truckload Transportation Services (“TTS”) and Werner Logistics.

The TTS segment consists of two operating units, Dedicated and One-Way Truckload. These units are aggregated because they have similar economic characteristics and meet the other aggregation criteria described in the accounting guidance for segment reporting. Dedicated provides truckload services dedicated to a specific customer, generally for a retail distribution center or manufacturing facility, utilizing either dry van or specialized trailers. One-Way Truckload is comprised of the following operating fleets: (i) the medium-to-long-haul van (“Van”) fleet transports a variety of consumer nondurable products and other commodities in truckload quantities over irregular routes using dry van trailers, including Mexico cross-border routes; (ii) the expedited (“Expedited”) fleet provides time-sensitive truckload services utilizing driver teams; and (iii) the regional short-haul (“Regional”) fleet provides comparable truckload van service within geographic regions across the United States; and (iv) the Temperature Controlled fleet provides truckload services for temperature sensitive products over irregular routes utilizing temperature-controlled trailers. Revenues for the TTS segment include a small amount of non-trucking revenues which consist primarily of the intra-Mexico portion of cross-border shipments delivered to or from Mexico where we utilize a third-party capacity provider.

The Werner Logistics segment generates the majority of our non-trucking revenues through four operating units that provide non-trucking services to our customers. These four Werner Logistics operating units are as follows: (i) Truckload Logistics, which uses contracted carriers to complete shipments for brokerage customers and freight management customers for which we offer a full range of single-source logistics management services and solutions; (ii) the intermodal (“Intermodal”) unit offers rail transportation through alliances with rail and drayage providers as an alternative to truck transportation; (iii) Werner Global Logistics international (“WGL”) provides complete management of global shipments from origin to destination using a combination of air, ocean, truck and rail transportation modes; and (iv) Werner Final Mile (“Final Mile”) offers home and business deliveries of large or heavy items using third-party agents with two associates operating a liftgate straight truck.

We generate other revenues from our driver training schools, transportation-related activities such as third-party equipment maintenance and equipment leasing, and other business activities. None of these operations meets the quantitative reporting thresholds. As a result, these operations are grouped in “Other” in the table below. “Corporate” includes revenues and expenses that are incidental to our activities and are not attributable to any of our operating segments, including gains and losses on sales of assets not attributable to our operating segments. We do not prepare separate balance sheets by segment and, as a result, assets

are not separately identifiable by segment. Inter-segment eliminations in the table below represent transactions between reporting segments that are eliminated in consolidation.

The following table summarizes our segment information (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenues				
Truckload Transportation Services	\$ 479,959	\$ 470,277	\$ 942,850	\$ 901,833
Werner Logistics	130,883	134,012	248,253	251,432
Other	16,096	14,422	31,568	27,681
Corporate	629	631	1,218	1,538
Subtotal	627,567	619,342	1,223,889	1,182,484
Inter-segment eliminations	(34)	(212)	(239)	(670)
Total	<u>\$ 627,533</u>	<u>\$ 619,130</u>	<u>\$ 1,223,650</u>	<u>\$ 1,181,814</u>
Operating Income				
Truckload Transportation Services	\$ 51,665	\$ 43,432	\$ 94,618	\$ 76,854
Werner Logistics	5,182	5,602	9,893	8,359
Other	2,293	243	3,472	(143)
Corporate	(698)	1,506	(1,522)	828
Total	<u>\$ 58,442</u>	<u>\$ 50,783</u>	<u>\$ 106,461</u>	<u>\$ 85,898</u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Management's Discussion and Analysis of Financial Condition and Results of Operations (the "MD&A") summarizes the financial statements from management's perspective with respect to our financial condition, results of operations, liquidity and other factors that may affect actual results. The MD&A is organized in the following sections:

- Overview
- Results of Operations
- Liquidity and Capital Resources
- Contractual Obligations and Commercial Commitments
- Regulations
- Critical Accounting Estimates

The MD&A should be read in conjunction with our 2018 Form 10-K.

Overview:

We have two reportable segments, Truckload Transportation Services ("TTS") and Werner Logistics, and we operate in the truckload and logistics sectors of the transportation industry. In the truckload sector, we focus on transporting consumer nondurable products that generally ship more consistently throughout the year. In the logistics sector, besides managing transportation requirements for individual customers, we provide additional sources of truck capacity, alternative modes of transportation, a global delivery network and systems analysis to optimize transportation needs. Our success depends on our ability to efficiently and effectively manage our resources in the delivery of truckload transportation and logistics services to our customers. Resource requirements vary with customer demand, which may be subject to seasonal or general economic conditions. Our ability to adapt to changes in customer transportation requirements is essential to efficiently deploy resources and make capital investments in tractors and trailers (with respect to our TTS segment) or obtain qualified third-party capacity at a reasonable price (with respect to our Werner Logistics segment). Although our business volume is not highly concentrated, we may also be affected by our customers' financial failures or loss of customer business.

Revenues for our TTS segment operating units (Dedicated and One-Way Truckload) are typically generated on a per-mile basis and also include revenues such as stop charges, loading and unloading charges, equipment detention charges and equipment repositioning charges. To mitigate our risk to fuel price increases, we recover from our customers additional fuel surcharge revenues that generally recoup a majority of the increased fuel costs; however, we cannot assure that current recovery levels will continue in future periods. Because fuel surcharge revenues fluctuate in response to changes in fuel costs, we identify them separately and exclude them from the statistical calculations to provide a more meaningful comparison between periods. The key statistics used to evaluate trucking revenues, net of fuel surcharge, are (i) average revenues per tractor per week, (ii) average percentage of empty miles (miles without trailer cargo), (iii) average trip length (in loaded miles) and (iv) average number of tractors in service. General economic conditions, seasonal trucking industry freight patterns and industry capacity are important factors that impact these statistics. Our TTS segment also generates a small amount of revenues categorized as non-trucking revenues, which consist primarily of the intra-Mexico portion of cross-border shipments delivered to or from Mexico where the TTS segment utilizes a third-party capacity provider. We exclude such revenues from the statistical calculations.

Our most significant resource requirements are company drivers, independent contractors, tractors and trailers. Independent contractors supply their own tractors and drivers and are responsible for their operating expenses. Our financial results are affected by company driver and independent contractor availability and the markets for new and used revenue equipment. We are self-insured for a significant portion of bodily injury, property damage and cargo claims; workers' compensation claims; and associate health claims (supplemented by premium-based insurance coverage above certain dollar levels). For that reason, our financial results may also be affected by driver safety, medical costs, weather, legal and regulatory environments and insurance coverage costs to protect against catastrophic losses.

The operating ratio is a common industry measure used to evaluate our profitability and that of our TTS segment operating fleets. The operating ratio consists of operating expenses expressed as a percentage of operating revenues. The most significant variable expenses that impact the TTS segment are driver salaries and benefits, fuel, fuel taxes (included in taxes and licenses expense), payments to independent contractors (included in rent and purchased transportation expense), supplies and maintenance and insurance and claims. As discussed further in the comparison of operating results for second quarter 2019 to second quarter 2018, several industry-wide issues have caused, and could continue to cause, costs to increase in future periods. These issues include shortages of drivers or independent contractors, changing fuel prices, higher new truck and trailer purchase prices and compliance with new or proposed regulations. Our main fixed costs include depreciation expense for tractors and trailers and equipment licensing fees (included in taxes and licenses expense). The TTS segment requires substantial cash expenditures for tractor and trailer purchases. We fund these purchases with net cash from operations and financing available under our existing credit facilities, as management deems necessary.

We provide non-trucking services primarily through the four operating units within our Werner Logistics segment (Truckload Logistics, Intermodal, WGL and Final Mile). Unlike our TTS segment, the Werner Logistics segment is less asset-intensive and is instead dependent upon qualified associates, information systems and qualified third-party capacity providers. The largest expense item related to the Werner Logistics segment is the cost of purchased transportation we pay to third-party capacity providers. This expense item is recorded as rent and purchased transportation expense. Other operating expenses consist primarily of salaries, wages and benefits. We evaluate the Werner Logistics segment's financial performance by reviewing the gross margin percentage (revenues less rent and purchased transportation expenses expressed as a percentage of revenues) and the operating income percentage. The gross margin percentage can be impacted by the rates charged to customers and the costs of securing third-party capacity. We have a mix of contracted long-term rates and variable rates for the cost of third-party capacity, and we cannot assure that our operating results will not be adversely impacted in the future if our ability to obtain qualified third-party capacity providers changes or the rates of such providers increase.

Results of Operations:

The following table sets forth the Consolidated Statements of Income in dollars and as a percentage of total operating revenues and the percentage increase or decrease in the dollar amounts of those items compared to the prior year.

(Amounts in thousands)	Three Months Ended (3ME) June 30,				Six Months Ended (6ME) June 30,				Percentage Change in Dollar Amounts	
	2019		2018		2019		2018		3ME	6ME
	\$	%	\$	%	\$	%	\$	%	%	%
Operating revenues	\$ 627,533	100.0	\$ 619,130	100.0	\$ 1,223,650	100.0	\$ 1,181,814	100.0	1.4	3.5
Operating expenses:										
Salaries, wages and benefits	206,001	32.8	196,115	31.7	408,800	33.4	378,909	32.1	5.0	7.9
Fuel	61,064	9.7	65,665	10.6	117,202	9.6	124,697	10.5	(7.0)	(6.0)
Supplies and maintenance	44,371	7.1	45,681	7.4	90,056	7.4	91,420	7.7	(2.9)	(1.5)
Taxes and licenses	23,643	3.8	22,651	3.7	46,544	3.8	45,144	3.8	4.4	3.1
Insurance and claims	20,992	3.4	30,689	4.9	43,701	3.6	51,847	4.4	(31.6)	(15.7)
Depreciation	61,437	9.8	56,551	9.1	122,196	10.0	112,057	9.5	8.6	9.0
Rent and purchased transportation	146,176	23.3	151,433	24.5	279,012	22.8	287,355	24.3	(3.5)	(2.9)
Communications and utilities	3,903	0.6	3,928	0.6	7,914	0.6	8,035	0.7	(0.6)	(1.5)
Other	1,504	0.2	(4,366)	(0.7)	1,764	0.1	(3,548)	(0.3)	(134.4)	(149.7)
Total operating expenses	569,091	90.7	568,347	91.8	1,117,189	91.3	1,095,916	92.7	0.1	1.9
Operating income	58,442	9.3	50,783	8.2	106,461	8.7	85,898	7.3	15.1	23.9
Total other expense (income)	498	0.1	(125)	—	337	—	(330)	—	498.4	202.1
Income before income taxes	57,944	9.2	50,908	8.2	106,124	8.7	86,228	7.3	13.8	23.1
Income taxes	14,626	2.3	12,644	2.0	26,720	2.2	20,157	1.7	15.7	32.6
Net income	\$ 43,318	6.9	\$ 38,264	6.2	\$ 79,404	6.5	\$ 66,071	5.6	13.2	20.2

The following tables set forth the operating revenues, operating expenses and operating income for the TTS segment, as well as certain statistical data regarding our TTS segment operations for the periods indicated.

Truckload Transportation Services segment (amounts in thousands)	Three Months Ended June 30,				Six Months Ended June 30,			
	2019		2018		2019		2018	
	\$	%	\$	%	\$	%	\$	%
Trucking revenues, net of fuel surcharge	\$ 411,460		\$ 395,094		\$ 809,151		\$ 759,282	
Trucking fuel surcharge revenues	62,533		68,042		120,710		128,792	
Non-trucking and other operating revenues	5,966		7,141		12,989		13,759	
Operating revenues	479,959	100.0	470,277	100.0	942,850	100.0	901,833	100.0
Operating expenses	428,294	89.2	426,845	90.8	848,232	90.0	824,979	91.5
Operating income	\$ 51,665	10.8	\$ 43,432	9.2	\$ 94,618	10.0	\$ 76,854	8.5

Truckload Transportation Services segment	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Average tractors in service	7,937	7,548	5.2 %	7,912	7,488	5.7 %
Average revenues per tractor per week ⁽¹⁾	\$ 3,988	\$ 4,027	(1.0)%	\$ 3,934	\$ 3,900	0.9 %
Total tractors (at quarter end)						
Company	7,350	7,075	3.9 %	7,350	7,075	3.9 %
Independent contractor	585	625	(6.4)%	585	625	(6.4)%
Total tractors	7,935	7,700	3.1 %	7,935	7,700	3.1 %
Total trailers (at quarter end)	23,235	22,870	1.6 %	23,235	22,870	1.6 %

One-Way Truckload						
Trucking revenues, net of fuel surcharge (in 000's)	\$ 184,279	\$ 193,080	(4.6)%	\$ 364,413	\$ 371,046	(1.8)%
Average tractors in service	3,379	3,329	1.5 %	3,368	3,369	— %
Total tractors (at quarter end)	3,355	3,320	1.1 %	3,355	3,320	1.1 %
Average percentage of empty miles	12.18 %	10.94%	11.3 %	11.90 %	11.08%	7.4 %
Average revenues per tractor per week ⁽¹⁾	\$ 4,195	\$ 4,461	(6.0)%	\$ 4,161	\$ 4,236	(1.8)%
Average % change in revenues per total mile ⁽¹⁾	(2.7)%	15.6%		1.8 %	13.5%	
Average % change in total miles per tractor per week	(3.4)%	0.4%		(3.4)%	0.3%	
Average completed trip length in miles (loaded)	834	828	0.7 %	844	824	2.4 %

Dedicated						
Trucking revenues, net of fuel surcharge (in 000's)	\$ 227,181	\$ 202,014	12.5 %	\$ 444,738	\$ 388,236	14.6 %
Average tractors in service	4,558	4,219	8.0 %	4,544	4,119	10.3 %
Total tractors (at quarter end)	4,580	4,380	4.6 %	4,580	4,380	4.6 %
Average revenues per tractor per week ⁽¹⁾	\$ 3,833	\$ 3,683	4.1 %	\$ 3,764	\$ 3,625	3.8 %

⁽¹⁾ Net of fuel surcharge revenues.

The following tables set forth the Werner Logistics segment's revenues, rent and purchased transportation expense, gross margin, other operating expenses (primarily salaries, wages and benefits expense) and operating income, as well as certain statistical data regarding the Werner Logistics segment.

Werner Logistics segment (amounts in thousands)	Three Months Ended June 30,				Six Months Ended June 30,			
	2019		2018		2019		2018	
	\$	%	\$	%	\$	%	\$	%
Operating revenues	\$ 130,883	100.0	\$ 134,012	100.0	\$ 248,253	100.0	\$ 251,432	100.0
Rent and purchased transportation expense	109,836	83.9	112,918	84.3	206,856	83.3	213,194	84.8
Gross margin	21,047	16.1	21,094	15.7	41,397	16.7	38,238	15.2
Other operating expenses	15,865	12.1	15,492	11.5	31,504	12.7	29,879	11.9
Operating income	\$ 5,182	4.0	\$ 5,602	4.2	\$ 9,893	4.0	\$ 8,359	3.3

Werner Logistics segment	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Average tractors in service	37	40	(7.5)%	38	42	(9.5)%
Total tractors (at quarter end)	35	43	(18.6)%	35	43	(18.6)%
Total trailers (at quarter end)	1,670	1,620	3.1 %	1,670	1,620	3.1 %

Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018

Operating Revenues

Operating revenues increased 1.4% for the three months ended June 30, 2019, compared to the same period of the prior year. When comparing second quarter 2019 to second quarter 2018, TTS segment revenues increased \$9.7 million or 2.1%, and Werner Logistics revenues decreased \$3.1 million or 2.3%.

During second quarter 2019, freight demand in our One-Way Truckload fleet was seasonally below average and well below the unusually strong freight demand of second quarter 2018, which was aided by two December 2017 mandates. Tax reform incentives strengthened second quarter 2018 freight volumes while the electronic hours of service requirement limited truck and driver capacity in second quarter 2018. In the first five weeks of third quarter 2019, freight demand in our One-Way Truckload unit has remained lower than average compared to the same five-week periods in prior third quarters.

Trucking revenues, net of fuel surcharge, increased 4.1% in second quarter 2019 compared to second quarter 2018 due to a 5.2% increase in average tractors in service, partially offset by a 1.0% decrease in average revenues per tractor per week, net of fuel surcharge, which was due primarily to a decrease in average miles per tractor, partially offset by an increase in average revenues per total mile. The increase in average revenues per total mile was due primarily to higher contractual rates, dedicated fleet expansion and lane mix changes. We currently expect the percentage change in average revenues per total mile for the One-Way Truckload fleet for 2019 compared to 2018 to be in the range of flat to 3% lower. While year-to-date 2019 contract pricing increases are approximately 4% on average with recent contracts renewed in the flat-to-low single digit range, the lackluster 2019 freight market has provided few project and surge freight opportunities with premium rates, significantly lower spot rates and higher empty miles. As such, we are currently assuming the current freight trend will continue into third quarter, with an expectation that there will be a normal seasonal pickup in freight and rates during the fourth quarter holiday shipping season. Third and fourth quarter One-Way Truckload revenues per total mile is expected to be lower than the same quarters in 2018, due to significant rate increases and project activity that occurred in the last two quarters of 2018. The following factors all contributed to lower average miles per truck: (i) below average seasonal freight market in second quarter 2019 compared to an unusually strong seasonal freight market in second quarter 2018, (ii) growth in Dedicated which has lower miles per truck and a shorter length of haul, (iii) fewer team driver trucks and (iv) southern U.S. border security crossing delays affecting about one quarter of our One-Way Truckload revenues.

The average number of tractors in service in the TTS segment increased 5.2% to 7,937 in second quarter 2019 from 7,548 in second quarter 2018. We ended second quarter 2019 with 7,935 trucks in the TTS segment, a year-over-year increase of 235 trucks compared to the end of second quarter 2018, and a sequential decrease of 10 trucks compared to the end of first quarter 2019. We currently expect growth in our truck fleet from year-end 2018 to be in the low end of the range of 3% to 5% in 2019, with growth primarily in Dedicated and occurring in the first three quarters of 2019. We currently expect approximately 100 truck growth in third quarter 2019 and no truck growth in fourth quarter 2019. We cannot predict whether future driver shortages, if any, will

adversely affect our ability to maintain our fleet size. If such a driver shortage were to occur, it could result in a fleet size reduction, and our results of operations could be adversely affected.

Trucking fuel surcharge revenues decreased 8.1% to \$62.5 million in second quarter 2019 from \$68.0 million in second quarter 2018 due to lower average fuel prices in the 2019 quarter. These revenues represent collections from customers for the increase in fuel and fuel-related expenses, including the fuel component of our independent contractor cost (recorded as rent and purchased transportation expense) and fuel taxes (recorded in taxes and licenses expense), when diesel fuel prices rise. Conversely, when fuel prices decrease, fuel surcharge revenues decrease. To lessen the effect of fluctuating fuel prices on our margins, we collect fuel surcharge revenues from our customers for the cost of diesel fuel and taxes in excess of specified base fuel price levels according to terms in our customer contracts. Fuel surcharge rates generally adjust weekly based on an independent U.S. Department of Energy fuel price survey which is released every Monday. Our fuel surcharge programs are designed to (i) recoup higher fuel costs from customers when fuel prices rise and (ii) provide customers with the benefit of lower fuel costs when fuel prices decline. These programs generally enable us to recover a majority, but not all, of the fuel price increases. The remaining portion is generally not recoverable because it results from empty and out-of-route miles (which are not billable to customers) and truck idle time. Fuel prices that change rapidly in short time periods also impact our recovery because the surcharge rate in most programs only changes once per week.

Werner Logistics revenues are generated by its four operating units and exclude revenues for full truckload shipments transferred to the TTS segment, which are recorded as trucking revenues by the TTS segment. Werner Logistics also recorded revenue and brokered freight expense of \$34 thousand in second quarter 2019 and \$212 thousand in second quarter 2018 for Intermodal drayage movements performed by the TTS segment (also recorded as trucking revenue by the TTS segment), and these transactions between reporting segments are eliminated in consolidation. In second quarter 2019, Werner Logistics revenues decreased \$3.1 million, or 2.3%, due to fewer project freight opportunities, significantly lower year-over-year spot pricing trends and lower volumes in second quarter 2019. The Werner Logistics gross margin percentage in second quarter 2019 of 16.1% increased from 15.7% in second quarter 2018 due primarily to contractual pricing and improved capacity procurement in Truckload Logistics (formerly our Brokerage and Freight Management units within Werner Logistics). The Werner Logistics operating income percentage in second quarter 2019 of 4.0% decreased from second quarter 2018 of 4.2%, and operating income dollars decreased \$0.4 million, or 7.5%, compared to second quarter 2018.

Operating Expenses

Our operating ratio (operating expenses expressed as a percentage of operating revenues) was 90.7% for the three months ended June 30, 2019, compared to 91.8% for the three months ended June 30, 2018. Expense items that impacted the overall operating ratio are described on the following pages. The tables on pages 20 through 22 show the Consolidated Statements of Income in dollars and as a percentage of total operating revenues and the percentage increase or decrease in the dollar amounts of those items compared to the same quarter of the prior year, as well as the operating ratios, operating margins, and certain statistical information for our two reportable segments, TTS and Werner Logistics.

Salaries, wages and benefits increased \$9.9 million or 5.0% in second quarter 2019 compared to second quarter 2018 and increased 1.1% as a percentage of operating revenues to 32.8%. The higher dollar amount of salaries, wages and benefits expense in the 2019 second quarter was due primarily to higher driver and student pay rates and 4.8 million more company truck miles, both of which also resulted in an increased amount of payroll taxes and other payroll-related fringe benefits. When evaluated on the basis of company truck miles, driver salaries, wages and benefits also increased, which we primarily attribute to nearly 5% higher driver pay per company truck mile in second quarter 2019 compared to second quarter 2018. The rate of year-over-year percentage increases in driver pay began to moderate when compared to the larger driver pay increases from the first half of 2018. Non-driver salaries, wages and benefits in the non-trucking Werner Logistics segment decreased 0.5%.

We renewed our workers' compensation insurance coverage for the policy year beginning April 1, 2019. Our coverage levels are the same as the prior policy year. We continue to maintain a self-insurance retention of \$1.0 million per claim. Our workers' compensation insurance premium rate for the policy year beginning April 2019 is 5% higher than the rate for the previous policy year.

The driver recruiting market is extremely competitive. Several ongoing market factors persisted including a declining number of, and increased competition for, driver training school graduates, an historically low national unemployment rate, aging truck driver demographics and increased truck safety regulations including the regulation changes for electronic logging devices. We continue to take significant actions to strengthen our driver recruiting and retention to make Werner a preferred choice for the best drivers, including raising driver pay, maintaining a new truck and trailer fleet, purchasing best-in-class safety and training features for all new trucks, investing in our driver training school network and collaborating with customers to improve or eliminate unproductive freight. These efforts continue to have positive results on our driver retention. We are unable to predict whether we will experience

future driver shortages or continue to maintain our current driver retention rates. If such a driver shortage were to occur and additional driver pay rate increases became necessary to attract and retain drivers, our results of operations would be negatively impacted to the extent that we could not obtain corresponding freight rate increases.

Fuel decreased \$4.6 million or 7.0% in second quarter 2019 compared to second quarter 2018 and decreased 0.9% as a percentage of operating revenues due to lower average diesel fuel prices, despite 4.8 million more company truck miles in second quarter 2019. Average diesel fuel prices were 17 cents per gallon lower in second quarter 2019 than in second quarter 2018 and were 11 cents per gallon higher than in first quarter 2019.

We continue to employ measures to improve our fuel mpg such as (i) limiting truck engine idle time, (ii) optimizing the speed, weight and specifications of our equipment and (iii) implementing mpg-enhancing equipment changes to our fleet including new trucks, more aerodynamic truck features, idle reduction systems, trailer tire inflation systems, trailer skirts and automated manual transmissions to reduce our fuel gallons purchased. However, fuel savings from mpg improvement is partially offset by higher depreciation expense and the additional cost of diesel exhaust fluid. Although our fuel management programs require significant capital investment and research and development, we intend to continue these and other environmentally conscious initiatives, including our active participation as an EPA SmartWay Transport Partner. The SmartWay Transport Partnership is a national voluntary program developed by the EPA and freight industry representatives to reduce greenhouse gases and air pollution and promote cleaner, more efficient ground freight transportation.

For July 2019, the average diesel fuel price per gallon was approximately 25 cents lower than the average diesel fuel price per gallon in July 2018 and approximately 28 cents lower than in third quarter 2018.

Shortages of fuel, increases in fuel prices and petroleum product rationing can have a materially adverse effect on our operations and profitability. We are unable to predict whether fuel price levels will increase or decrease in the future or the extent to which fuel surcharges will be collected from customers. As of June 30, 2019, we had no derivative financial instruments to reduce our exposure to fuel price fluctuations.

Supplies and maintenance decreased \$1.3 million or 2.9% in second quarter 2019 compared to second quarter 2018 and decreased 0.3% as a percentage of operating revenues. The lower dollar amount of supplies and maintenance expense was due primarily to lower tractor maintenance costs resulting from more effective management of these costs in second quarter 2019 compared to second quarter 2018, despite 4.8 million more company truck miles.

Insurance and claims decreased \$9.7 million or 31.6% in second quarter 2019 compared to second quarter 2018 and decreased 1.5% as a percentage of operating revenues. During second quarter 2018, we accrued \$11.3 million of insurance and claims expense, including interest, related to a previously-disclosed adverse jury verdict rendered May 17, 2018 (see Note 5 in the Notes to Consolidated Financial Statements (Unaudited) set forth in Part 1 of this report). During third quarter 2018, the court entered the final judgment on the apportionment of fault related to this verdict, which we are appealing. We incurred insurance and claims expense of \$0.8 million in second quarter 2019 for accrued interest related to this matter. Interest is accrued at \$0.4 million per month, until such time as the outcome of our appeal is finalized, excluding months where the plaintiffs have requested an extension of time to respond to our appeal. To date the plaintiffs have requested extensions for the months of June and July 2019. The majority of our insurance and claims expense results from our claim experience and claim development under our self-insurance program; the remainder results from insurance premiums for claims in excess of our self-insured limits.

We renewed our liability insurance policies on August 1, 2019 with the same deductibles and aggregates as the August 1, 2018 renewal. We continue to be responsible for the first \$3.0 million per claim with an annual \$6.0 million aggregate for claims between \$3.0 million and \$5.0 million. We also have an additional \$5.0 million deductible per claim for each claim between \$5.0 million and \$10.0 million. As a result, we are responsible for the first \$10.0 million per claim, until we meet the \$6.0 million aggregate for claims between \$3.0 million and \$5.0 million. We maintain liability insurance coverage with insurance carriers substantially in excess of the \$10.0 million per claim. Our liability insurance premiums for the policy year that began August 1, 2019 are 11% higher, or \$0.7 million higher, than premiums for the previous policy year.

Depreciation expense increased \$4.9 million or 8.6% in second quarter 2019 compared to second quarter 2018 and increased 0.7% as a percentage of operating revenues. A larger company truck and trailer fleet, the higher cost of new truck and trailer equipment, and information technology and communications infrastructure upgrades resulted in higher depreciation expense in second quarter 2019.

We are continuing to invest in newer trucks and trailers in 2019 to improve our driver experience, raise operational efficiency and more effectively manage our maintenance, safety and fuel costs. We currently intend to maintain the average age of our truck and

trailer fleet at or near current levels. The average age of our truck fleet remains low by industry standards and was 1.8 years as of June 30, 2019, and the average age of our trailers was 4.1 years.

Rent and purchased transportation expense decreased \$5.3 million or 3.5% in second quarter 2019 compared to second quarter 2018 and decreased 1.2% as a percentage of operating revenues. Rent and purchased transportation expense consists mostly of payments to third-party capacity providers in the Werner Logistics segment and other non-trucking operations and payments to independent contractors in the TTS segment. The payments to third-party capacity providers generally vary depending on changes in the volume of services generated by the Werner Logistics segment. Werner Logistics rent and purchased transportation expense decreased \$3.1 million as a result of lower logistics revenues, and as a percentage of Werner Logistics revenues decreased to 83.9% in second quarter 2019 from 84.3% in second quarter 2018 due primarily to contractual pricing and improved capacity procurement.

Rent and purchased transportation expense for the TTS segment decreased \$2.3 million in second quarter 2019 compared to second quarter 2018. Independent contractor miles were slightly lower in second quarter 2019, and the per-mile settlement rate for certain independent contractors increased in June 2018. Independent contractor miles as a percentage of total miles were 10.0% in second quarter 2019 compared to 10.4% in second quarter 2018. Because independent contractors supply their own tractors and drivers and are responsible for their operating expenses, the decrease in independent contractor miles as a percentage of total miles shifted costs from the rent and purchased transportation category to other expense categories, including (i) salaries, wages and benefits, (ii) fuel, (iii) depreciation, (iv) supplies and maintenance and (v) taxes and licenses.

Challenging operating conditions continue to make independent contractor recruitment and retention difficult. Such conditions include inflationary cost increases that are the responsibility of independent contractors and a shortage of financing available to independent contractors for equipment purchases. Historically we have been able to add company tractors and recruit additional company drivers to offset any decrease in the number of independent contractors. If a shortage of independent contractors and company drivers were to occur, further increases in per-mile settlement rates (for independent contractors) and driver pay rates (for company drivers) may become necessary to attract and retain these drivers. This could negatively affect our results of operations to the extent that we would not be able to obtain corresponding freight rate increases.

Other operating expenses increased \$5.9 million in second quarter 2019 compared to second quarter 2018 and increased 0.9% as a percentage of operating revenues. Gains on sales of assets (primarily used trucks and trailers) are reflected as a reduction of other operating expenses and are reported net of sales-related expenses (which include costs to prepare the equipment for sale). Gains on sales of assets were \$4.5 million in second quarter 2019 compared to \$8.6 million in second quarter 2018, which included a \$3.5 million gain from the sale of real estate. We realized higher average gains per truck and lower average gains per trailer in second quarter 2019 compared to second quarter 2018 and sold 7% fewer trucks and 17% fewer trailers. Pricing in the market for our used trucks and trailers began to moderate in the latter part of second quarter 2019. We currently expect gains on sales of equipment in 2019 to be in the low end of the range of \$18 million to \$20 million and to moderate in the second half of 2019. Increased costs associated with professional and software consulting services also contributed to the increase in other operating expenses.

Other Expense (Income)

Other expense (income) increased \$0.6 million in second quarter 2019 compared to second quarter 2018. Higher interest expense in second quarter 2019 compared to second quarter 2018 due to higher average outstanding debt in the 2019 quarter was partially offset by higher interest income in the 2019 quarter. We currently expect interest expense to increase in third quarter 2019 to approximately \$2.7 million per quarter, based on our current debt level and interest rates, including the \$150 million of our debt for which we fixed the interest rate in early July 2019 at an average rate of 2.34% with two \$75 million interest rate swap agreements.

Income Taxes

Our effective income tax rate (income taxes expressed as a percentage of income before income taxes) was 25.2% in second quarter 2019 and 24.8% in second quarter 2018. The lower income tax rate in second quarter 2018 was attributed primarily to favorable discrete state income tax items. We currently expect our 2019 effective income tax rate to be in the range of 25% to 26%.

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

Operating Revenues

Operating revenues increased 3.5% for the six months ended June 30, 2019, compared to the same period of the prior year. In the TTS segment, trucking revenues, net of fuel surcharge, increased 6.6% in the 2019 year-to-date period compared to the 2018 year-to-date period due primarily to a 5.7% increase in the average number of tractors in service and a 0.9% increase in average revenues per tractor per week. Average revenues per total mile, net of fuel surcharge, increased 4.3% in the first six months of 2019 compared to the same period in 2018, and average monthly miles per tractor decreased by 3.3%. TTS segment fuel surcharge revenues for

the six months ended June 30, 2019 decreased \$8.1 million or 6.3% when compared to the six months ended June 30, 2018 due to lower average fuel prices in the 2019 period. Werner Logistics revenues decreased 1.3% to \$248.3 million in the first six months of 2019 compared to \$251.4 million in the same 2018 period.

Operating Expenses

Our operating ratio (operating expenses expressed as a percentage of operating revenues) was 91.3% for the six months ended June 30, 2019, compared to 92.7% for the six months ended June 30, 2018. Expense items that impacted the overall operating ratio are described on the following pages. The tables on pages 20 through 22 show the Consolidated Statements of Income in dollars and as a percentage of total operating revenues and the percentage increase or decrease in the dollar amounts of those items compared to the same period of the prior year, as well as the operating ratios, operating margins, and certain statistical information for our two reportable segments, TTS and Werner Logistics.

Salaries, wages and benefits increased \$29.9 million or 7.9% in the first six months of 2019 compared to the first six months of 2018 and increased as a percentage of operating revenues to 33.4%. The higher dollar amount of salaries, wages and benefits expense was due primarily to higher driver and student pay rates, approximately 9.5 million more company truck miles and higher non-driver pay, all of which resulted in higher payroll taxes and payroll-related fringe benefits, and increases in health insurance costs in the 2019 period. When evaluated on the basis of company truck miles, driver pay increased by about 7%. Non-driver salaries, wages and benefits in the non-trucking Werner Logistics segment increased 3.7% compared to 1.3% lower revenues.

Fuel decreased \$7.5 million or 6.0% in the first six months of 2019 compared to the same period in 2018 and decreased 0.9% as a percentage of operating revenues due primarily to lower average diesel fuel prices in 2019, partially offset by increased company truck miles. Average diesel fuel prices were 12 cents per gallon lower in the first six months of 2019 than in the same 2018 period.

Supplies and maintenance decreased \$1.4 million or 1.5% despite higher truck miles driven in the first six months of 2019 compared to the same period in 2018 and decreased 0.3% as a percentage of operating revenues. The lower dollar amount was due primarily to lower tractor maintenance costs in the first six months of 2019 compared to the first six months of 2018, partially the result of more effective management of winter weather conditions and lower weather-related maintenance costs in early 2019.

Insurance and claims expense decreased \$8.1 million or 15.7% in the first six months of 2019 compared to the same period in 2018 and decreased 0.8% as a percentage of operating revenues. The lower expense in the 2019 year-to-date period was due primarily to the \$11.3 million accrual in the 2018 period versus \$2.0 million accrued in the 2019 period related to the aforementioned adverse jury verdict.

Depreciation expense increased \$10.1 million or 9.0% in the first six months of 2019 compared to the same 2018 period and increased 0.5% as a percentage of operating revenues due primarily to the higher cost of new equipment, a larger company truck and trailer fleet, and information technology and communications infrastructure upgrades.

Rent and purchased transportation expense decreased \$8.3 million or 2.9% in the first six months of 2019 compared to the same 2018 period and decreased 1.5% as a percentage of operating revenues. Rent and purchased transportation for the TTS segment decreased \$2.4 million in the first six months of 2019 compared to the same 2018 period. This decrease is due primarily to 1.7% fewer independent contractor miles driven in the first six months of 2019 compared to the same period in 2018. Independent contractor miles as a percentage of total miles were 10.0% and 10.4% in the first six months of 2019 and 2018, respectively. Werner Logistics rent and purchased transportation expense decreased \$6.3 million and as a percentage of Werner Logistics revenues decreased to 83.3% in the 2019 period from 84.8% in the 2018 period.

Other operating expenses increased \$5.3 million in the first six months of 2019 compared to the same period in 2018 and increased 0.4% as a percentage of operating revenues. Gains on sales of assets (primarily used trucks and trailers) decreased to \$10.4 million in the six months ended June 30, 2019, compared to \$11.3 million in the six months ended June 30, 2018, which included a \$3.5 million gain on the sale of real estate. In the 2019 year-to-date period, we sold 9% fewer trucks and 8% fewer trailers and realized higher average gains per truck and slightly lower average gains per trailer when compared to same period of 2018. Increased costs associated with professional and software consulting services for the six months ended June 30, 2019, compared to the same period in 2018, also contributed to the increase of other operating expenses.

Other Expense (Income)

Other expense (income) increased \$0.7 million in the first six months of 2019 compared to the same 2018 period. Higher interest expense in first six months of 2019 compared to the same period in 2018 due to higher average outstanding debt in the 2019 period was partially offset by higher interest income in the 2019 period.

Income Taxes

Our effective income tax rate (income taxes expressed as a percentage of income before income taxes) increased to 25.2% for the first six months of 2019 from 23.4% for the first six months of 2018. The lower income tax rate in the year-to-date 2018 period is attributed primarily to the benefit of discrete federal and state income tax items in the 2018 period.

Liquidity and Capital Resources:

During the six months ended June 30, 2019, we generated cash flow from operations of \$220.3 million, a 20.8% or \$37.9 million increase in cash flows compared to the same six -month period a year ago. The increase in net cash provided by operating activities resulted primarily from increased cash flows from working capital items, primarily accounts receivable, and higher net income. We were able to make net capital expenditures, pay dividends and repurchase company stock with the net cash provided by operating activities and existing cash balances, supplemented by net borrowings under our credit facilities.

Net cash used in investing activities decreased to \$155.8 million for the six -month period ended June 30, 2019 from \$166.4 million for the six -month period ended June 30, 2018. Net property additions (primarily revenue equipment) were \$162.4 million for the six -month period ended June 30, 2019, compared to \$174.8 million during the same period of 2018. As of June 30, 2019, we were committed to property and equipment purchases of approximately \$176.5 million. We currently estimate net capital expenditures (primarily revenue equipment) in 2019 to be in the low end of the range of \$275 million to \$300 million, compared to net capital expenditures in 2018 of \$349.0 million. We intend to fund these net capital expenditures through cash flow from operations and financing available under our existing credit facilities, if necessary.

Net financing activities used \$52.2 million during the six months ended June 30, 2019, and used \$21.3 million during the same period in 2018. We borrowed \$265.0 million of long-term debt during the six months ended June 30, 2019, bringing our outstanding debt at June 30, 2019 to \$390.0 million, and borrowed \$20.0 million in the six months ended June 30, 2018. The proceeds from the additional borrowings in 2019 were used to pay the \$261.1 million special dividend. We paid dividends of \$273.7 million in the six -month period ended June 30, 2019 and \$10.1 million in the six-month period ended June 30, 2018. In May 2019, we declared a special dividend of \$3.75 per share, or \$261.1 million, which was paid on June 7, 2019. Beginning with the quarterly dividend paid in July 2018, we increased our quarterly dividend rate by \$0.02 per share, or 29%, to the current rate of \$0.09. Financing activities for the six months ended June 30, 2019, also included common stock repurchases of 1,300,000 shares at a cost of \$42.3 million. 627,652 shares were repurchased in the six months ended June 30, 2018 at a cost of \$22.9 million. From time to time, the Company has repurchased, and may continue to repurchase, shares of the Company's common stock. The timing and amount of such purchases depend upon stock market conditions and other factors. On May 14, 2019, the Board of Directors approved a new stock repurchase program under which the Company is authorized to repurchase up to 5,000,000 shares of its common stock. On the same day, the Board of Directors withdrew the previous stock repurchase authorization, which had 2,035,608 shares remaining available for repurchase. As of June 30, 2019, the Company had purchased 700,000 shares pursuant to the new authorization and had 4,300,000 shares remaining available for repurchase. We also had financing net outflows of \$7.8 million in the six months ended June 30, 2018 related to the change in net checks issued in excess of cash balances.

Management believes our financial position at June 30, 2019 is strong. As of June 30, 2019, we had \$46.4 million of cash and cash equivalents and over \$1 billion of stockholders' equity. Cash is invested primarily in government portfolio money market funds. As of June 30, 2019, we had a total of \$575.0 million of borrowing capacity under three credit facilities (see Note 4 in the Notes to Consolidated Financial Statements (Unaudited) under Item 1 of Part I of this Form 10-Q), of which we had borrowed \$390.0 million. The remaining \$185.0 million of credit available under these facilities at June 30, 2019 is reduced by the \$30.0 million in stand-by letters of credit under which we are obligated. These stand-by letters of credit are primarily required as security for insurance policies. Based on our strong financial position, management does not foresee any significant barriers to obtaining sufficient financing, if necessary.

Contractual Obligations and Commercial Commitments:

Item 7 of Part II of our 2018 Form 10-K includes our disclosure of contractual obligations and commercial commitments as of December 31, 2018. Except for entering into new debt agreements with additional borrowings under such agreements, and the associated future interest expense, as disclosed in Note 4 in the Notes to Consolidated Financial Statements (Unaudited) under Item I of Part I of this Form 10-Q, there were no material changes in the nature of these items during the six months ended June 30, 2019.

Regulations:

Item 1 of Part I of our 2018 Form 10-K includes a discussion of pending proposed regulations that may have an effect on our operations if they become adopted and effective as proposed. There have been no material changes in the status of these proposed regulations previously disclosed in the 2018 Form 10-K.

Critical Accounting Estimates:

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the (i) reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and (ii) reported amounts of revenues and expenses during the reporting period. We evaluate these estimates on an ongoing basis as events and circumstances change, utilizing historical experience, consultation with experts and other methods considered reasonable in the particular circumstances. Actual results could differ from those estimates and may significantly impact our results of operations from period to period. It is also possible that materially different amounts would be reported if we used different estimates or assumptions.

Information regarding our Critical Accounting Estimates can be found in our 2018 Form 10-K. Estimates of accrued liabilities for insurance and claims for liability and physical damage losses and workers' compensation is a critical accounting estimate that requires us to make significant judgments and estimates and affects our financial statements.

There have been no material changes to this critical accounting estimate from that discussed in our 2018 Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risk from changes in commodity prices, foreign currency exchange rates and interest rates.

Commodity Price Risk

The price and availability of diesel fuel are subject to fluctuations attributed to changes in the level of global oil production, refining capacity, seasonality, weather and other market factors. Historically, we have recovered a majority, but not all, of fuel price increases from customers in the form of fuel surcharges. We implemented customer fuel surcharge programs with most of our customers to offset much of the higher fuel cost per gallon. However, we do not recover all of the fuel cost increase through these surcharge programs. We cannot predict the extent to which fuel prices will increase or decrease in the future or the extent to which fuel surcharges could be collected. As of June 30, 2019, we had no derivative financial instruments to reduce our exposure to fuel price fluctuations.

Foreign Currency Exchange Rate Risk

We conduct business in several foreign countries, including Mexico, Canada, and China. To date, most foreign revenues are denominated in U.S. Dollars, and we receive payment for foreign freight services primarily in U.S. Dollars to reduce direct foreign currency risk. Assets and liabilities maintained by a foreign subsidiary company in the local currency are subject to foreign exchange gains or losses. Foreign currency translation gains and losses primarily relate to changes in the value of revenue equipment owned by a subsidiary in Mexico, whose functional currency is the Peso. Foreign currency translation gains were \$0.5 million for second quarter 2019 and losses were \$2.5 million for second quarter 2018. These were recorded in accumulated other comprehensive loss within stockholders' equity in the Consolidated Balance Sheets.

Interest Rate Risk

We manage interest rate exposure through a mix of variable rate debt and interest rate swap agreements. We had \$75 million of debt outstanding at June 30, 2019, for which the interest rate is effectively fixed at 2.5% through September 2019 with an interest rate swap agreement to reduce our exposure to interest rate increases. We had \$315 million of variable rate debt outstanding at June 30, 2019. Interest rates on the variable rate debt and our unused credit facilities are based on the LIBOR. Assuming this level of borrowing, a hypothetical one-percentage point increase in the LIBOR interest rate would increase our annual interest expense by approximately \$3.2 million. In early July 2019, we entered into two interest rate swap agreements to fix the interest rate on \$150 million of our debt that was outstanding as of June 30, 2019 at an average interest rate of 2.34% through May 2024, and we terminated the \$75 million interest rate swap agreement that would have ended in September 2019.

Item 4. Controls and Procedures.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"). Our disclosure controls and procedures are designed to provide reasonable assurance of achieving the desired control objectives. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective at a reasonable assurance level in enabling us to record, process, summarize and report information required to be included in our periodic filings with the SEC within the required time period and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management, under the supervision of and with the participation of our Chief Executive Officer and Chief Financial Officer, concluded that no changes in our internal control over financial reporting occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

We have confidence in our internal controls and procedures. Nevertheless, our management, including the Chief Executive Officer and Chief Financial Officer, does not expect that the internal controls or disclosure procedures and controls will prevent all errors or intentional fraud. An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of such internal controls are met. Further, the design of an internal control system must reflect that resource constraints exist, and the benefits of controls must be evaluated relative to their costs. Because of the inherent limitations in all internal control systems, no evaluation of controls can provide absolute assurance that all control issues, misstatements and instances of fraud, if any, have been prevented or detected.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings.

Information regarding the May 17, 2018 adverse jury verdict and subsequent final judgment on July 30, 2018 in Harris County District Court in Houston, Texas, is incorporated by reference from Note 5 in our Notes to Consolidated Financial Statements (Unaudited) set forth in Part I of this report.

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

On May 14, 2019, our Board of Directors approved and announced a new stock repurchase program under which the Company is authorized to repurchase up to 5,000,000 shares of its common stock. On the same day, the Board of Directors withdrew the previous stock repurchase authorization that was approved in October 2007, which had 2,035,608 shares remaining available for repurchase. As of June 30, 2019, the Company had purchased 700,000 shares pursuant to the new authorization and had 4,300,000 shares remaining available for repurchase. The Company may purchase shares from time to time depending on market, economic and other factors. The authorization will continue unless withdrawn by the Board of Directors.

The following table summarizes our stock repurchases during second quarter 2019. The Company did not purchase any shares during second quarter 2019 other than pursuant to the new authorization approved in May 2019. All stock repurchases were made by the Company or on its behalf and not by any “affiliated purchaser,” as defined by Rule 10b-18 of the Exchange Act.

Issuer Purchases of Equity Securities

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
April 1-30, 2019	—	\$ —	—	2,035,608
May 1-31, 2019	700,000	\$ 31.08	700,000	4,300,000
June 1-30, 2019	—	\$ —	—	4,300,000
Total	<u>700,000</u>	<u>\$ 31.08</u>	<u>700,000</u>	4,300,000

Item 6. Exhibits.

<u>Exhibit No.</u>	<u>Exhibit</u>	<u>Incorporated by Reference to:</u>
<u>3(i)</u>	<u>Restated Articles of Incorporation of Werner Enterprises, Inc.</u>	<u>Exhibit 3(i) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007</u>
<u>3(ii)</u>	<u>Revised and Restated By-Laws of Werner Enterprises, Inc.</u>	<u>Exhibit 3.1 to the Company's Current Report on Form 8-K dated August 14, 2018</u>
<u>10.1</u>	<u>Credit Agreement, dated May 14, 2019 between Werner Enterprises, Inc. and Wells Fargo Bank, National Association</u>	<u>Filed herewith</u>
<u>10.2</u>	<u>Facility Letter Agreement, dated May 14, 2019 between Werner Enterprises, Inc. and BMO Harris Bank N.A.</u>	<u>Filed herewith</u>
<u>11</u>	<u>Statement Re: Computation of Per Share Earnings</u>	<u>See Note 6 (Earnings Per Share) in the Notes to Consolidated Financial Statements (Unaudited) under Item 1 of Part I of this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2019</u>
<u>31.1</u>	<u>Certification of the Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934 (Section 302 of the Sarbanes-Oxley Act of 2002)</u>	<u>Filed herewith</u>
<u>31.2</u>	<u>Certification of the Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934 (Section 302 of the Sarbanes-Oxley Act of 2002)</u>	<u>Filed herewith</u>
<u>32.1</u>	<u>Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)</u>	<u>Furnished herewith</u>
<u>32.2</u>	<u>Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)</u>	<u>Furnished herewith</u>
101	The following unaudited financial information from Werner Enterprises' Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, formatted in iXBRL (Inline Extensible Business Reporting Language) includes: (i) Consolidated Statements of Income for the three and six months ended June 30, 2019 and June 30, 2018, (ii) Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2019 and June 30, 2018, (iii) Consolidated Condensed Balance Sheets as of June 30, 2019 and December 31, 2018, (iv) Consolidated Statements of Cash Flows for the six months ended June 30, 2019 and June 30, 2018, (v) Consolidated Statements of Stockholders' Equity for the three and six months ended June 30, 2019 and June 30, 2018, and (vi) the Notes to Consolidated Financial Statements (Unaudited) as of June 30, 2019.	

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WERNER ENTERPRISES, INC.

Date: August 7, 2019

By: /s/ John J. Steele

John J. Steele

Executive Vice President, Treasurer and
Chief Financial Officer

Date: August 7, 2019

By: /s/ James L. Johnson

James L. Johnson

Executive Vice President, Chief Accounting
Officer and Corporate Secretary

EXHIBIT 10.1

CREDIT AGREEMENT

THIS CREDIT AGREEMENT (this "Agreement") dated as of May 14, 2019, is by and between WERNER ENTERPRISES, INC., a Nebraska corporation ("Borrower"), and WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank").

RECITALS

Borrower has requested that Bank extend or continue credit to Borrower as described below, and Bank has agreed to provide such credit to Borrower on the terms and conditions contained herein.

This Agreement amends, restates and supersedes in its entirety that certain Restated Credit Agreement dated June 1, 2012, as amended, by and between Borrower and Bank (the "Prior Agreement").

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Bank and Borrower hereby agree as follows:

ARTICLE I

CREDIT TERMS

SECTION 1.1. LINE OF CREDIT.

(a) Line of Credit. Subject to the terms and conditions of this Agreement, Bank hereby agrees to make advances to Borrower from time to time up to and including May 14, 2024 (the "Maturity Date"), not to exceed at any time the aggregate principal amount of Three Hundred Million and No/100 Dollars (\$300,000,000.00) (the "Line of Credit"), the proceeds of which shall be used to refinance existing indebtedness and for its working capital and general corporate purposes. Borrower's obligation to repay advances under the Line of Credit shall be evidenced by a promissory note dated as of May 14, 2019, as modified from time to time ("Line of Credit Note"), all terms of which are incorporated herein by this reference.

The Borrower acknowledges that the outstanding term loan under the Prior Agreement as of the date hereof is \$75,000,000 (the "Prior Term Loan") and there is no principal balance outstanding on the line of credit under the Prior Agreement. The principal balance of the Prior Term Loan outstanding on the date hereof shall be deemed advances under the Line of Credit on the date hereof.

(b) Letter of Credit Subfeature. As a subfeature under the Line of Credit, Bank agrees from time to time during the term thereof to issue or cause an affiliate to issue standby and/or sight commercial letters of credit for the account of Borrower to finance Borrower's working capital requirements (each, a "Letter of Credit" and collectively, "Letters of Credit"); provided however, that the aggregate undrawn amount of all outstanding Letters of Credit shall not at any time exceed Fifty Million Dollars (\$50,000,000.00). The form and substance of each Letter of Credit shall be subject to approval by Bank, in its sole discretion. Each Letter of Credit shall be issued for a term not to exceed three hundred sixty-five (365) days, as designated by Borrower; provided however, that no Letter of Credit shall have an expiration date subsequent to the Maturity Date. The undrawn amount of all Letters of Credit shall be reserved under the Line of Credit and shall not be available for borrowings thereunder, whereby the unused commitment fee referenced in Section 1.2(c) below shall not apply to undrawn Letter of Credit

which are reserved under the Line of Credit. Each Letter of Credit shall be subject to the additional terms and conditions of the Bank's agreements relating to letters of credit, applications and any related documents required by Bank in connection with the issuance thereof. Each drawing paid under a Letter of Credit shall be deemed an advance under the Line of Credit and shall be repaid by Borrower in accordance with the terms and conditions of this Agreement applicable to such advances; provided however, that if advances under the Line of Credit are not available, for any reason, at the time any drawing is paid, then Borrower shall immediately pay to Bank the full amount drawn, together with interest thereon from the date such drawing is paid to the date such amount is fully repaid by Borrower, at the rate of interest applicable to advances under the Line of Credit. In such event Borrower agrees that Bank, in its sole discretion, may debit any account maintained by Borrower with Bank for the amount of any such drawing.

The issued and outstanding letters of credit issued by the Bank for the account of the Borrower under the Prior Agreement shall be deemed Letters of Credit issued hereunder.

(c) Borrowing and Repayment. Borrower may from time to time during the term of the Line of Credit borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions contained herein or in the Line of Credit Note; provided however, that the total outstanding borrowings under the Line of Credit shall not at any time exceed the maximum principal amount available thereunder, as set forth herein.

SECTION 1.2. INTEREST/FEES.

(a) Interest. The outstanding principal balance of each credit subject hereto, and the amount of each drawing paid under any Letter of Credit, shall bear interest at the rate of interest set forth in each promissory note or other instrument or document executed in connection therewith. The promissory notes or other instruments or documents executed in connection with the credit(s) subject to this Agreement may calculate interest at a rate equal to the sum of an index rate of interest plus a margin rate of interest. In the event any index rate of interest would be less than zero percent (0.0%), then the index rate of interest shall be deemed to be zero percent (0.0%) and the applicable promissory note or other instrument or document shall bear interest at a rate equal to the margin rate of interest.

(b) Computation and Payment. Interest shall be computed on the basis set forth in each promissory note or other instrument or document required hereby. Interest shall be payable at the times and place set forth in each promissory note or other instrument or document required hereby.

(c) Unused Commitment Fee. Borrower shall pay to Bank a fee at a rate per annum equal to the Applicable Margin (computed on the basis of a 360-day year, actual days elapsed) on the average daily unused amount of the Line of Credit (after deducting undrawn Letters of Credit), which fee shall be calculated on a quarterly basis by Bank and shall be due and payable by Borrower in arrears on the last day of each March, June, September and December.

(d) Letter of Credit Fees. Borrower shall pay to Bank (i) fees upon the issuance and extension (including any auto-extension) of each Letter of Credit issued under any credit subject hereto in an amount equal to the Applicable Margin, which fees shall be payable quarterly in advance, and (ii) fees upon the drawing, payment, or negotiation of each drawing under each Letter of Credit in an amount equal to the greater of (A) one quarter of one percent (0.25%) of the amount drawn and (B) \$250, and (iii) fees determined in accordance with Bank's standard fees

and charges then in effect for such activity upon the occurrence of any other activity with respect to any such Letter of Credit (including without limitation, the transfer, assignment, amendment, cancellation or non-extension of any such letter of credit).

(e) Definitions. For purposes hereof and the Line of Credit Note:

(i) “Applicable Margin” means the corresponding percentages per annum as set forth below based on the Total Funded Debt to EBITDA Ratio set forth in Section 4.9(b) hereof:

Pricing Level	Total Funded Debt to EBITDA Ratio	Commitment fee set forth in Section 1.2(c)	Letter of Credit fee set forth in Section 1.2(d)	Daily One Month LIBOR and LIBOR for a period of One Month	LIBOR for a period of three or six months
I	Less than 1.00 to 1.0	0.15%	0.550%	0.675%	0.600%
II	Greater than or equal to 1.00 to 1.0, but less than 2.00 to 1.0	0.13%	0.675%	0.800%	0.725%
III	Greater than or equal to 2.00 to 1.0	0.11%	0.800%	0.925%	0.850%

The Applicable Margin shall be determined and adjusted quarterly on the date five (5) days after the day on which the Borrower provides its financial statements pursuant to Section 4.3(b) for the most recently ended fiscal quarter of the Borrower (each such date, a “Calculation Date”); provided that (A) the Applicable Margin shall be based on Pricing Level I until the first Calculation Date occurring after the date hereof and, thereafter the Pricing Level shall be determined by reference to the Total Funded Debt to EBITDA Ratio as of the last day of the most recently ended fiscal quarter of the Borrower preceding the applicable Calculation Date, and (B) if the Borrower fails to provide its financial statements when due as required by Section 4.3(b) for the most recently ended fiscal quarter of the Borrower preceding the applicable Calculation Date, the Applicable Margin from the date on which such financial statements were required to have been delivered shall be based on Pricing Level III until such time as such financial statements are delivered, at which time the Pricing Level shall be determined by reference to the Total Funded Debt to EBITDA Ratio as of the last day of the most recently ended fiscal quarter of the Borrower preceding such Calculation Date. The applicable Pricing Level shall be effective from one Calculation Date until the next Calculation Date. Except as set forth in the Line of Credit Note, any adjustment in the Pricing Level shall be applicable to all advances then existing or subsequently made or issued.

(ii) Daily One Month LIBOR shall have the meaning ascribed to it in the Line of Credit Note.

(iii) LIBOR shall have the meaning ascribed to it in the Line of Credit Note.

SECTION 1.3. COLLECTION OF PAYMENTS. Except to the extent expressly specified otherwise in any Loan Document other than this Agreement, Borrower authorizes Bank to collect all amounts due to Bank from Borrower under this Agreement or any other Loan Document (whether for principal, interest or fees, or as reimbursement of drafts paid or other payments made by Bank under any credit subject to this Agreement) by debiting Borrower's deposit account number 4121105621 maintained by Borrower with Bank for the full amount thereof. Should there be insufficient funds in Borrower's deposit accounts with Bank to pay all such sums when due, the full amount of such deficiency shall be immediately due and payable by Borrower.

SECTION 1.4. GUARANTIES. (a) The payment and performance of all indebtedness and other obligations of the Borrower to Bank shall be guaranteed by all existing or hereafter acquired or formed Material Subsidiaries of the Borrower (such Material Subsidiaries being referred to herein as "Guarantors"), as evidenced by and subject to the terms of guaranties in form and substance satisfactory to Bank.

(b) In the event the Borrower or any subsidiary of the Borrower forms or acquires any other Material Subsidiary after the date hereof or if any existing Subsidiary of a Borrower becomes a Material Subsidiary, such Borrower shall promptly upon such formation, acquisition or qualification cause such newly formed, acquired or qualified Material Subsidiary to execute a guaranty and other documents as Bank may then require to guaranty the Borrower's indebtedness, obligations and liabilities owing to Bank, and the Borrower shall also deliver to Bank, or cause such Material Subsidiary to deliver to Bank, at the Borrower's cost and expense, such other instruments, documents, certificates, and opinions reasonably required by Bank in connection therewith.

(c) For purposes hereof:

(i) "Material Subsidiary" means the domestic Subsidiaries of the Borrower that, individually or in the aggregate with all other domestic Subsidiaries, have either (i) assets equal to or greater than \$50,000,000 or (ii) revenues equal to or greater than \$150,000,000, whichever is less. Notwithstanding the foregoing, each of Career Path Training Corp. and American Interstate of Training, Inc. shall be excluded from the Material Subsidiaries determination.

(ii) "Subsidiary" means any corporation, partnership, limited liability company or other entity of which more than fifty percent (50%) of the outstanding stock or other equity interests having ordinary voting power to elect a majority of the board of directors (or equivalent governing body) or other managers of such corporation, partnership, limited liability company or other entity is at the time owned by (directly or indirectly) or the management is otherwise controlled by (directly or indirectly) the Borrower (irrespective of whether, at the time, the stock or other equity interests of any other class or classes of such corporation, partnership, limited liability company or other entity shall have or might have voting power by reason of the happening of any contingency).

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Borrower makes the following representations and warranties to Bank, which representations and warranties shall survive the execution of this Agreement and shall continue in full force and effect until the full and final payment, and satisfaction and discharge, of all obligations of Borrower to Bank subject to this Agreement.

SECTION 2.1. LEGAL STATUS. Borrower is: (a) a corporation, duly organized and existing and in good standing under the laws of Nebraska, and is qualified or licensed to do business (and is in good standing as a foreign corporation, if applicable) in all jurisdictions in which such qualification or licensing is required or in which the failure to so qualify or to be so licensed could have a material adverse effect on Borrower; and (b) not the target of any trade or economic sanctions promulgated by the United Nations or the governments of the United States, the United Kingdom, the European Union, or any other jurisdiction in which the Borrower is located or operates (collectively, "Sanctions").

SECTION 2.2. AUTHORIZATION AND VALIDITY. This Agreement and each promissory note, contract, instrument and other document required hereby or at any time hereafter delivered to Bank in connection herewith (collectively, the "Loan Documents") have been duly authorized, and upon their execution and delivery in accordance with the provisions hereof will constitute legal, valid and binding agreements and obligations of Borrower or the party which executes the same, enforceable in accordance with their respective terms.

SECTION 2.3. NO VIOLATION. The execution, delivery and performance by Borrower of each of the Loan Documents do not violate any provision of any law or regulation, or contravene any provision of the Articles of Incorporation or By-Laws of Borrower, or result in any breach of or default under any contract, obligation, indenture or other instrument to which Borrower is a party or by which Borrower may be bound.

SECTION 2.4. LITIGATION. There are no pending, or to the best of Borrower's knowledge threatened, actions, claims, investigations, suits or proceedings by or before any governmental authority, arbitrator, court or administrative agency which could have a material adverse effect on the financial condition or operation of Borrower other than those disclosed by Borrower to Bank in writing prior to the date hereof (including disclosure in the Borrower's 10-Q and 10-K filed with the United States Securities and Exchange Commission).

SECTION 2.5. CORRECTNESS OF FINANCIAL STATEMENT AND OTHER INFORMATION. The annual financial statement of Borrower dated December 31, 2018, and all interim financial statements delivered to Bank since said date, true copies of which have been delivered by Borrower to Bank prior to the date hereof, (a) are complete and correct and present fairly the financial condition of Borrower, (b) disclose all liabilities of Borrower that are required to be reflected or reserved against under generally accepted accounting principles, whether liquidated or unliquidated, fixed or contingent, and (c) have been prepared in accordance with generally accepted accounting principles consistently applied. Since the dates of such financial statements there has been no material adverse change in the financial condition of Borrower, nor has Borrower mortgaged, pledged, granted a security interest in or otherwise encumbered any of its assets or properties except in favor of Bank or as otherwise permitted by Bank in writing. All information provided from time to time by Borrower to Bank for the purpose of enabling Bank to fulfill its regulatory and compliance requirements, standards and processes was complete and correct at the time such information was provided.

SECTION 2.6. INCOME TAX RETURNS. Borrower has no knowledge of any pending assessments or adjustments of its income tax payable with respect to any year.

SECTION 2.7. NO SUBORDINATION. There is no agreement, indenture, contract or instrument to which Borrower is a party or by which Borrower may be bound that requires the

subordination in right of payment of any of Borrower's obligations subject to this Agreement to any other obligation of Borrower.

SECTION 2.8. PERMITS, FRANCHISES. Borrower possesses, and will hereafter possess, all permits, consents, approvals, franchises and licenses required and rights to all trademarks, trade names, patents, and fictitious names, if any, necessary to enable it to conduct the business in which it is now engaged in compliance with applicable law.

SECTION 2.9. ERISA. Borrower is in compliance in all material respects with all applicable provisions of the Employee Retirement Income Security Act of 1974, as amended or recodified from time to time ("ERISA"); Borrower has not violated any provision of any defined employee pension benefit plan (as defined in ERISA) maintained or contributed to by Borrower (each, a "Plan"); no Reportable Event as defined in ERISA has occurred and is continuing with respect to any Plan initiated by Borrower; Borrower has met its minimum funding requirements under ERISA with respect to each Plan; and each Plan will be able to fulfill its benefit obligations as they come due in accordance with the Plan documents and under generally accepted accounting principles.

SECTION 2.10. OTHER OBLIGATIONS. Borrower is not in default on any obligation for borrowed money, any purchase money obligation or any other material lease, commitment, contract, instrument or obligation, in each case to the extent that such obligation and material lease, commitment, contract or instrument exceeds \$5,000,000 in the aggregate.

SECTION 2.11. ENVIRONMENTAL MATTERS. Except as disclosed by Borrower to Bank in writing prior to the date hereof, Borrower is in compliance in all material respects with all applicable federal or state environmental, hazardous waste, health and safety statutes, and any rules or regulations adopted pursuant thereto, which govern or affect any of Borrower's operations and/or properties, including without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act of 1986, the Federal Resource Conservation and Recovery Act of 1976, and the Federal Toxic Substances Control Act, as any of the same may be amended, modified or supplemented from time to time. None of the operations of Borrower is the subject of any federal or state investigation evaluating whether any remedial action involving a material expenditure is needed to respond to a release of any toxic or hazardous waste or substance into the environment. Borrower has no material contingent liability in connection with any release of any toxic or hazardous waste or substance into the environment.

SECTION 2.12. MARGIN STOCK; BENEFICIAL OWNERSHIP. The Borrower is not engaged principally or as one of its activities in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin stock" (as each such term is defined or used, directly or indirectly, in Regulation U of the Board of Governors of the Federal Reserve System). No part of the proceeds of any advance under the Line of Credit (including proceeds from any Letter of Credit) will be used for purchasing or carrying margin stock or for any purpose which violates, or which would be inconsistent with, the provisions of Regulation T, U or X of such Board of Governors. The Borrower is excluded as a "Legal Entity Customer" for purposes of the beneficial ownership rule under 31 CFR 1010.230.

ARTICLE III

CONDITIONS

SECTION 3.1. CONDITIONS TO THE EFFECTIVENESS OF THIS AGREEMENT. The effective date of this Agreement shall be (a) the date that each of the following conditions set forth in this Section 3.1 have been satisfied or waived, as reasonably determined by Bank, or (b) such alternative date to which Bank and Borrower may mutually agree, in each case as evidenced by Bank's system of record. Notwithstanding the occurrence of the effective date of this Agreement, Bank shall not be obligated to extend credit under this Agreement or any other Loan Document until all conditions to each extension of credit set forth in Section 3.2 have been fulfilled to Bank's satisfaction.

- (a) Approval of Bank Counsel. All legal matters incidental to the effectiveness of this Agreement shall be satisfactory to Bank's counsel.
- (b) Documentation. Bank shall have received, in form and substance satisfactory to Bank, each of the following, duly executed by all parties:
 - (i) This Agreement and each promissory note or other instrument or document required hereby.
 - (ii) An amendment to the intercreditor agreement by and among the Bank, BMO Harris Bank N.A. and U.S. Bank National Association.
 - (iii) Such other documents as Bank may require under any other Section of this Agreement.
- (c) Satisfaction of Regulatory and Compliance Requirements. In addition to any requirements set forth above, and notwithstanding Borrower's execution or delivery of this Agreement or any other Loan Document, all regulatory and compliance requirements, standards and processes shall be completed to the reasonable satisfaction of Bank.
- (d) Lien Search. Bank shall have received the results of a lien search, in form and substance reasonably satisfactory thereto, made against Borrower under the Uniform Commercial Code (or applicable judicial docket) as in effect in each jurisdiction in which filings or recordings under the Uniform Commercial Code should be made to evidence or perfect security interests in all assets of Borrower, indicating among other things that the assets of Borrower are free and clear of any lien (except for liens permitted hereunder).
- (e) Officer's Certificate. A certificate from an officer of the Borrower to the effect that (i) all representations and warranties of the Borrower contained in this Agreement and the other Loan Documents are true, correct and complete; (ii) the Borrower is not in violation of any of the covenants contained in this Agreement and the other Loan Documents; (iii) after giving effect to the transactions contemplated hereby, no Event of Default as defined herein, and no condition, event or act which with the giving of notice or the passage of time or both would constitute such an Event of Default, shall have occurred and be continuing or shall exist; and (iv) the Borrower has satisfied each of the conditions set forth in this Article III.
- (f) Certificate of Secretary. A certificate of an officer of Borrower certifying as to the incumbency and genuineness of the signature of each officer of Borrower executing the Loan Documents and certifying that attached thereto is a true, correct and complete copy of (A) the Articles of Incorporation of Borrower and all amendments thereto, certified as of a recent date by the appropriate governmental authority in its jurisdiction of formation, (B) the By-Laws of the

Borrower as in effect on the date hereof, and (C) resolutions duly adopted by the Board of Directors of Borrower authorizing and approving the transactions contemplated hereunder and the execution, delivery and performance of this Agreement and the other Loan Documents to which it is a party.

- (g) Certificate of Good Standing. A certificate as of a recent date of the good standing of Borrower under the laws of its jurisdiction of organization.
- (h) PATRIOT Act. Borrower shall have provided to the Bank the documentation and other information requested by the Bank in order to comply with requirements of any Anti-Money Laundering Laws, including, without limitation, the PATRIOT Act and any applicable “know your customer” rules and regulations.
- (i) Upfront Fee. The Bank shall have received a non-refundable upfront fee in an amount equal to \$93,750, which such fee shall be fully earned when paid.
- (j) Evidence of Indebtedness. The Bank shall have received copies of all documents evidencing the indebtedness listed on Schedule 5.2(b) attached hereto.
- (k) The Bank shall have received such other agreements, instruments, documents, certificates, and opinions as the Bank may reasonably request.

SECTION 3.2. CONDITIONS OF EACH EXTENSION OF CREDIT. The obligation of Bank to make each extension of credit requested by Borrower hereunder shall be subject to the fulfillment to Bank's satisfaction of each of the following conditions:

- (a) Compliance. The representations and warranties contained herein and in each of the other Loan Documents shall be true on and as of the date of the signing of this Agreement and on the date of each extension of credit by Bank pursuant hereto, with the same effect as though such representations and warranties had been made on and as of each such date, and on each such date, no Event of Default as defined herein, and no condition, event or act which with the giving of notice or the passage of time or both would constitute such an Event of Default, shall have occurred and be continuing or shall exist.
- (b) Documentation. Bank shall have received all additional documents which may be required in connection with such extension of credit.
- (c) Additional Letter of Credit Documentation. Prior to the issuance of each Letter of Credit, Bank shall have received a Letter of Credit Agreement, properly completed and duly executed by Borrower.
- (d) Payment of Fees. Bank shall have received payment in full of any fee required by any of the Loan Documents to be paid at the time such credit extension is made.
- (e) Financial Condition. There shall have been no material adverse change, as reasonably determined by Bank, in the financial condition or business of Borrower, if any, nor any material decline, as reasonably determined by Bank, in the market value of a material portion of the assets of Borrower.

ARTICLE IV
AFFIRMATIVE COVENANTS

Borrower covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto, Borrower shall, unless Bank otherwise consents in writing:

SECTION 4.1. PUNCTUAL PAYMENTS. Punctually pay all principal, interest, fees or other liabilities due under any of the Loan Documents at the times and place and in the manner specified therein, and immediately upon demand by Bank, the amount by which the outstanding principal balance of any credit subject hereto at any time exceeds any limitation on borrowings applicable thereto.

SECTION 4.2. ACCOUNTING RECORDS. Maintain adequate books and records in accordance with generally accepted accounting principles consistently applied, and permit any representative of Bank, at any reasonable time, to inspect, audit and examine such books and records, to make copies of the same, and to inspect the properties of Borrower. If at any time any change in generally accepted accounting principles would affect the computation of any covenant (including the computation of any financial covenant) and/or pricing grid set forth in this Agreement or any other Loan Document, Borrower and Bank shall negotiate in good faith to amend such covenant and/or pricing grid (including the Applicable Margin) to preserve the original intent in light of such change; provided, that, until so amended, (i) such covenant and/or pricing grid shall continue to be computed in accordance with the application of generally accepted accounting principles prior to such change and (ii) Borrower shall provide to Bank a written reconciliation in form and substance reasonably satisfactory to Bank, between calculations of such covenant and/or pricing grid made before and after giving effect to such change in generally accepted accounting principles.

SECTION 4.3. FINANCIAL STATEMENTS AND OTHER INFORMATION. Provide to Bank all of the following, in form and detail reasonably satisfactory to Bank:

- (a) not later than 90 days after and as of the end of each fiscal year, a consolidated financial statement of Borrower, prepared by Borrower and audited by a certified public accountant acceptable to Bank, to include balance sheet, income statement, statement of cash flows, all supporting schedules and footnotes;
- (b) not later than 45 days after and as of the end of each fiscal quarter, a financial statement of Borrower, prepared by Borrower, to include balance sheet, income statement, statement of cash flow, all supporting schedules and footnotes;
- (c) not later than 15 days after filing, copies of all financial reports filed with the Securities Exchange Commission (10-Q's, 10-K's and 8-K's);
- (d) contemporaneously with each annual and quarterly financial statement of Borrower required hereby, a certificate of the president or chief financial officer of Borrower that said financial statements are accurate and that there exists no Event of Default nor any condition, act or event which with the giving of notice or the passage of time or both would constitute an Event of Default;

(e) promptly after the entering thereof, the Borrower shall deliver a copy of the documents evidencing Material Indebtedness (as hereinafter defined), including all amendments, modifications, supplements and restatements to such documents. For purposes hereof, "Material Indebtedness" means any indebtedness permitted pursuant to Section 5.2(c) (other than documents evidencing capital lease obligations or purchase money indebtedness) and Section 5.2(d) (to the extent the person providing such indebtedness is required to become a party to the intercreditor agreement attached hereto as Schedule 5.2(d));

(f) from time to time such other financial and business information as Bank may reasonably request; and

(g) from time to time such other information as Bank may reasonably request for the purpose of enabling Bank to fulfill its regulatory and compliance requirements, standards and processes.

Documents required to be delivered pursuant to Section 4.3(a) or (b) may be delivered electronically (including delivery of such documents in electronic form on EDGAR) and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower posts such documents, or provides a link thereto on the Borrower's website on the Internet; or (ii) on which such documents are posted on the Borrower's behalf on an Internet or intranet website, if any, to which the Bank has access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); provided that: (i) the Borrower shall deliver paper copies of such documents to the Bank that requests the Borrower to deliver such paper copies until a written request to cease delivering paper copies is given by the Bank and (ii) the Borrower shall notify the Bank (by facsimile or electronic mail) of the posting of any such documents and provide to the Bank by electronic mail electronic versions of such documents.

SECTION 4.4. COMPLIANCE. Preserve and maintain all licenses, permits, governmental approvals, rights, privileges and franchises necessary for the conduct of its business; comply with the provisions of all documents pursuant to which Borrower is organized and/or which govern Borrower's continued existence; comply with the requirements of all laws, rules, regulations and orders of any jurisdiction in which the Borrower is located or doing business, or otherwise is applicable to Borrower, including, without limitation, (a) all Sanctions, (b) all laws and regulations that relate to money laundering, any predicate crime to money laundering, or any financial record keeping and reporting requirements related thereto, (c) the U.S. Foreign Corrupt Practices Act of 1977, as amended, (d) the U.K. Bribery Act of 2010, as amended, and (e) any other applicable anti-bribery or anti-corruption laws and regulations.

SECTION 4.5. INSURANCE. Maintain and keep in force, for each business in which Borrower is engaged, insurance of the types and in amounts customarily carried in similar lines of business, including but not limited to fire, extended coverage, public liability, flood, property damage and, workers' compensation, with all such insurance carried with companies and in amounts reasonably satisfactory to Bank, and deliver to Bank from time to time at Bank's request, schedules setting forth all insurance then in effect.

SECTION 4.6. FACILITIES. Keep all properties useful or necessary to Borrower's business in good repair and condition, and from time to time make necessary repairs, renewals and replacements thereto so that such properties shall be fully and efficiently preserved and maintained.

SECTION 4.7. TAXES AND OTHER LIABILITIES. Pay and discharge when due any and all indebtedness, obligations, assessments and taxes, both real or personal, including without limitation federal and state income taxes and state and local property taxes and assessments, except (a) such as Borrower may in good faith contest or as to which a bona fide dispute may arise, and (b) for which Borrower has made provision, to Bank's satisfaction, for eventual payment thereof in the event Borrower is obligated to make such payment.

SECTION 4.8. LITIGATION. Promptly give notice in writing to Bank of any litigation pending or threatened against Borrower by any governmental or regulatory agency, or any litigation in which the Borrower believes its settlement reserve liability is equal to or greater than \$15,000,000.00.

SECTION 4.9. FINANCIAL CONDITION. Maintain Borrower's financial condition as follows using generally accepted accounting principles consistently applied and used consistently with prior practices (except to the extent modified by the definitions herein):

(a) Interest Coverage Ratio. As of the last day of each fiscal quarter of Borrower, Borrower shall not permit the Interest Coverage Ratio at such time to be less than 3.0 to 1.0.

(b) Total Funded Debt to EBITDA Ratio. As of the last day of each fiscal quarter of Borrower, Borrower shall not permit the Total Funded Debt to EBITDA Ratio at such time to be greater than 2.5 to 1.0.

(c) For purposes hereof:

(i) "EBITDA" means, with reference to any period, net income of Borrower and its Subsidiaries determined on a consolidated basis for such period *plus* the sum of all amounts deducted in arriving at such net income amount in respect of (a) interest expense for such period, (b) federal, state, local and foreign income taxes for such period, and (c) depreciation of fixed assets and amortization of intangible assets for such period.

(ii) "Interest Coverage Ratio" means, at any time the same is to be determined, the ratio of (a) EBITDA of Borrower and its Subsidiaries for the most recently completed period of four (4) consecutive fiscal quarters then ended to (b) interest expense of Borrower and its Subsidiaries for such period.

(iii) "Total Funded Debt" means, at any time the same is to be determined, the sum (but without duplication) of (x) all indebtedness for borrowed money of Borrower and its Subsidiaries at such time (including, without limitation for purposes of this Agreement, letters of credit (at their full stated amount) and bankers acceptances and capitalized lease obligations), *plus* (y) all indebtedness for borrowed money of any other person which is directly or indirectly guaranteed by Borrower or any of its Subsidiaries or which Borrower or any of its Subsidiaries has agreed (contingently or otherwise) to purchase or otherwise acquire or in respect of which Borrower or any of its Subsidiaries has otherwise assured a creditor against loss.

(iv) "Total Funded Debt to EBITDA Ratio" means, at any time the same is to be determined, the ratio of (a) Total Funded Debt of Borrower and its Subsidiaries at such time to (b) EBITDA of Borrower and its Subsidiaries for the most recently completed period of four (4) consecutive fiscal quarters then ended.

SECTION 4.10. NOTICE TO BANK. Promptly (but in no event more than five (5) days after the occurrence of each such event or matter) give written notice to Bank in reasonable detail of:

- (a) the occurrence of any Event of Default, or any condition, event or act which with the giving of notice or the passage of time or both would constitute an Event of Default;
- (b) any change in the name or the organizational structure of Borrower, including, by illustration, merger, conversion or division;
- (c) the occurrence and nature of any Reportable Event or Prohibited Transaction, each as defined in ERISA, or any funding deficiency with respect to any Plan;
- (d) any declaration of a default or event of default, demand for payment or notice of like nature under documents governing the any indebtedness in excess of \$5,000,000 permitted pursuant to Section 5.2 hereof; or
- (e) any termination or cancellation of any insurance policy which Borrower is required to maintain, or any uninsured or partially uninsured loss through liability or property damage, or through fire, theft or any other cause affecting Borrower's property.

ARTICLE V
NEGATIVE COVENANTS

Borrower further covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto, Borrower will not without Bank's prior written consent:

SECTION 5.1. USE OF FUNDS. Use any of the proceeds of any credit extended hereunder except for the purposes stated in Article I hereof, or directly or indirectly use any such proceeds for the purpose of (a) providing financing to, or otherwise funding, any targets of Sanctions; or (b) providing financing for, or otherwise funding, any transaction which would be prohibited by Sanctions or would otherwise cause Bank or any of Bank's affiliates to be in breach of any Sanctions.

SECTION 5.2. OTHER INDEBTEDNESS. Create, incur, assume or permit to exist any indebtedness or liabilities resulting from borrowings, loans or advances, whether secured or unsecured, matured or unmatured, liquidated or unliquidated, joint or several, except:

- (a) the indebtedness, obligations and liabilities of Borrower to Bank;
- (b) the indebtedness, obligations and liabilities of Borrower existing as of the date of this Agreement as set forth on Schedule 5.2(b) attached to this Agreement;

(c) other secured indebtedness of Borrower in an amount not to exceed \$30,000,000 in the aggregate at any one time; and

(d) unsecured indebtedness of Borrower not otherwise permitted hereunder; provided, in the event that any such indebtedness owing to (or committed by) a person exceeds \$10,000,000, then such person shall become party to the intercreditor agreement attached hereto as Schedule 5.2(d).

SECTION 5.3. MERGER, CONSOLIDATION, TRANSFER OF ASSETS. (a) Merge into or consolidate with any other entity; (b) make any substantial change in the nature of Borrower's business as conducted as of the date hereof; (c) acquire all or substantially all of the assets of another entity; (d) sell, lease, transfer or otherwise dispose of all or a substantial or material portion of Borrower's assets; nor (e) accomplish any of the above by virtue of a division or similar transaction; provided, the foregoing shall not prevent:

(i) the sales of certain accounts receivable pursuant to supply chain financing programs established by account debtors so long as the aggregate value of all such sales in any fiscal year does not exceed 10% of Borrower's consolidated total assets at the end of such fiscal year;

(ii) sales, leases, transfers or other dispositions in the ordinary course of its business;

(iii) the merger or consolidation with or the acquisition of all or substantially all of the assets of another entity (each an "Acquisition") so long as:

(a) no Event of Default exists on the date of such Acquisition or would result therefrom;

(b) the Borrower is in compliance with the financial covenants set forth as Section 4.9 hereof on a pro forma basis after giving effect to such Acquisition; and

(c) if the Borrower forms or acquires one or more Subsidiaries in connection with such Acquisition, the Borrower shall comply with Section 1.4 hereof.

SECTION 5.4. GUARANTIES. Guarantee or become liable in any way as surety, endorser (other than as endorser of negotiable instruments for deposit or collection in the ordinary course of business), accommodation endorser or otherwise for, nor pledge or hypothecate any assets of Borrower as security for, any liabilities or obligations of any other person or entity, except any of the foregoing in favor of Bank or any other person if the aggregate amount of the foregoing does not exceed \$10,000,000 at any one time.

SECTION 5.5. LOANS, ADVANCES, INVESTMENTS. Make any loans or advances to or investments in any person or entity, including any of the foregoing accomplished by a division or similar transaction, except (i) any of the foregoing existing as of, and disclosed to Bank prior to, the date hereof, and (ii) loans or advances to or investments in any person or entity to the extent that the amount of such loans and advances to and investments does not exceed \$10,000,000 in the aggregate at any one time.

SECTION 5.6. PLEDGE OF ASSETS. Mortgage, pledge, grant or permit to exist a security interest in, or lien upon, other than purchased money interest, all or any portion of Borrower's assets now owned or hereafter acquired; except:

- (a) security interest in Borrower's assets existing as of, and disclosed to Bank in writing prior to, the date hereof;
- (b) security interest in Borrower's assets as a result of indebtedness permitted pursuant to Section 5.2.(c);
- (c) liens for taxes, assessments or other governmental charges not yet due or which are being contested in good faith by appropriate proceedings;
- (d) other liens, charges and encumbrances incidental to the conduct of its business or the ownership of its property which were not incurred in connection with the borrowing of money or the obtaining of an advance or credit, and which do not in the aggregate materially detract from the net value of its property or assets or materially impair the use thereof in the operation of its business;
- (e) liens arising out of judgements or awards with respect to which the Borrower shall concurrently therewith be prosecuting an appeal or proceedings for review and with respect to which it shall have secured a stay of execution pending such appeal or review;
- (f) pledges or deposits to secure obligations under workmen's compensation laws or similar legislation;
- (g) deposits to secure public or statutory obligations of the Borrower; and
- (h) precautionary liens filed against certain accounts receivable sold pursuant to supply chain financing programs established by account debtors provided that the aggregate value of all such precautionary liens does not at any time exceed 10% of Borrower's consolidated total assets.

SECTION 5.7. MOST FAVORED NATIONS. In the event that Borrower shall, directly or indirectly, be a party to or enter into or otherwise consent to any agreement or instrument (or any amendment, supplement or modification thereto) under which, directly or indirectly, any person or persons undertakes to make or provide Material Indebtedness to the Borrower (including, without limitation, any instrument, document or indenture relating to any such Material Indebtedness), which agreement (or amendment thereto) provides such person with more restrictive covenants (whether affirmative or negative covenants) or events of defaults than are provided to the Bank, the Borrower shall provide the Bank with a copy of each such agreement (or amendment thereto) and such more restrictive covenants or events of defaults shall automatically be deemed to be incorporated into this Agreement, and the Bank shall have the benefits of such more restrictive covenants or events of default as if specifically set forth herein. Upon the written request of the Bank, the Borrower shall promptly enter into an amendment to this Agreement to include such more restrictive covenants or events (provided that the Bank shall maintain the benefit of such more restrictive covenants or events of default even if the Bank fails to make such request or the Borrower fails to provide such amendment).

ARTICLE VI
EVENTS OF DEFAULT

SECTION 6.1. The occurrence of any of the following shall constitute an “Event of Default” under this Agreement:

- (a) Borrower shall fail to pay when due any principal, interest, fees or other amounts payable under any of the Loan Documents.
- (b) Any financial statement or certificate furnished to Bank in connection with, or any representation or warranty made by Borrower or any other party under this Agreement or any other Loan Document shall prove to be incorrect, false or misleading in any material respect when furnished or made.
- (c) Any default in the performance of or compliance with any obligation, agreement or other provision contained herein or in any other Loan Document (other than those specifically described herein as an “Event of Default”), and with respect to such default under this clause (c) that by its nature can be cured, such default shall continue for a period of twenty (20) days from its occurrence.
- (d) Any default in the payment or performance of any obligation, or any defined event of default, under the terms of any contract, instrument or document (other than any of the Loan Documents) pursuant to which Borrower has incurred any debt or other liability to any person or entity in excess of \$5,000,000, including Bank.
- (e) The filing of a notice of judgment lien against Borrower; or the recording of any abstract or transcript of judgment against Borrower in any county or recording district in which Borrower has an interest in real property; or the service of a notice of levy and/or of a writ of attachment or execution, or other like process, against the assets of Borrower; or the entry of a judgment against Borrower in excess of \$5,000,000 not covered by insurance or which has not been vacated, discharged or stayed pending appeal within 30 days from the entry thereof.
- (f) Borrower shall become insolvent, or shall suffer or consent to or apply for the appointment of a receiver, trustee, custodian or liquidator of itself or any of its property, or shall generally fail to pay its debts as they become due, or shall make a general assignment for the benefit of creditors; Borrower shall file a voluntary petition in bankruptcy, or seeking reorganization, in order to effect a plan or other arrangement with creditors or any other relief under the Bankruptcy Reform Act, Title 11 of the United States Code, as amended or recodified from time to time (“Bankruptcy Code”), or under any state or federal law granting relief to debtors, whether now or hereafter in effect; or any involuntary petition or proceeding pursuant to the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors is filed or commenced against Borrower; or Borrower shall file an answer admitting the jurisdiction of the court and the material allegations of any involuntary petition; or Borrower shall be adjudicated a bankrupt, or an order for relief shall be entered against Borrower by any court of competent jurisdiction under the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors.
- (g) There shall exist or occur any event or condition that Bank in good faith believes impairs, or is substantially likely to impair, the prospect of payment or performance by Borrower of its obligations under any of the Loan Documents.

(h) The dissolution, division, or liquidation of Borrower; or Borrower or any of its directors, stockholders or members, shall take action seeking to effect the dissolution, division, or liquidation of Borrower.

(i) The acquisition by any person or entity (other than any member of the Clarence Werner family or any trust for the benefit of any member of such family), or two or more persons or entities acting in concert (other than any member of the Clarence Werner family or any trusts for the benefit of any member of such family), of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 25% or more of the outstanding shares of voting stock of the Borrower.

SECTION 6.2. REMEDIES. Upon the occurrence of any Event of Default: (a) all principal, unpaid interest outstanding and other indebtedness of Borrower under each of the Loan Documents, any term thereof to the contrary notwithstanding, shall at Bank's option and without notice become immediately due and payable without presentment, demand, protest or any notices of any kind, including without limitation, notice of nonperformance, notice of protest, notice of dishonor, notice of intention to accelerate or notice of acceleration, all of which are hereby expressly waived by Borrower; (b) the obligation, if any, of Bank to extend any further credit under any of the Loan Documents shall immediately cease and terminate; and (c) Bank shall have all rights, powers and remedies available under each of the Loan Documents, or accorded by law, including without limitation the right to resort to any or all security for any credit subject hereto and to exercise any or all of the rights of a beneficiary or secured party pursuant to applicable law. All rights, powers and remedies of Bank may be exercised at any time by Bank and from time to time after the occurrence of an Event of Default, are cumulative and not exclusive, and shall be in addition to any other rights, powers or remedies provided by law or equity.

ARTICLE VII

MISCELLANEOUS

SECTION 7.1. NO WAIVER. No delay, failure or discontinuance of Bank in exercising any right, power or remedy under any of the Loan Documents shall affect or operate as a waiver of such right, power or remedy; nor shall any single or partial exercise of any such right, power or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power or remedy. Any waiver, permit, consent or approval of any kind by Bank of any breach of or default under any of the Loan Documents must be in writing and shall be effective only to the extent set forth in such writing.

SECTION 7.2. NOTICES. All notices, requests and demands which any party is required or may desire to give to any other party under any provision of this Agreement must be in writing delivered to each party at the following address:

BORROWER: WERNER ENTERPRISES, INC.

Attn: Chief Financial Officer

14507 Frontier Rd

Omaha, Nebraska 68138

BANK: WELLS FARGO BANK, NATIONAL ASSOCIATION

MAC #N8069-020

13625 California St, Suite 200

Omaha, Nebraska 68154

or to such other address as any party may designate by written notice to all other parties. Each such notice, request and demand shall be deemed given or made as follows: (a) if sent by hand delivery, upon delivery with proof of receipt; (b) if sent by certified or registered mail, upon the earlier of the date of receipt or three (3) days after deposit in the U.S. mail, postage prepaid; and (c) if sent by overnight courier, on the date given with proof of receipt.

SECTION 7.3. COSTS, EXPENSES AND ATTORNEYS' FEES. Borrower shall pay to Bank immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including, to the extent permitted by applicable law, reasonable out-of-pocket attorneys' fees expended or incurred by Bank in connection with (a) the negotiation and preparation of this Agreement and the other Loan Documents, Bank's continued administration hereof and thereof, and the preparation of any amendments and waivers hereto and thereto, (b) the enforcement of Bank's rights and/or the collection of any amounts which become due to Bank under any of the Loan Documents, whether or not suit is brought, and (c) the prosecution or defense of any action in any way related to any of the Loan Documents, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Borrower or any other person or entity. Notwithstanding anything in this Agreement to the contrary, reasonable attorneys' fees shall not exceed the amount permitted by law.

SECTION 7.4. SUCCESSORS, ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties; provided however, that Borrower may not assign or transfer its interests or rights hereunder without Bank's prior written consent. Bank reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in, Bank's rights and benefits under each of the Loan Documents. In connection therewith, Bank may disclose all documents and information which Bank now has or may hereafter acquire relating to any credit subject hereto, Borrower or its business, any guarantor hereunder or the business of such guarantor, if any, or any collateral required hereunder.

SECTION 7.5. ENTIRE AGREEMENT; AMENDMENT. To the full extent permitted by law, this Agreement and the other Loan Documents constitute the entire agreement between Borrower and Bank with respect to each credit subject hereto and supersede all prior negotiations, communications, discussions and correspondence concerning the subject matter hereof. This Agreement may be amended or modified only in writing signed by each party hereto.

SECTION 7.6. NO THIRD PARTY BENEFICIARIES. This Agreement is made and entered into for the sole protection and benefit of the parties hereto and their respective permitted successors and assigns, and no other person or entity shall be a third party beneficiary of, or have any direct or indirect cause of action- or claim in connection with, this Agreement or any other of the Loan Documents to which it is not a party.

SECTION 7.7. TIME. Time is of the essence of each and every provision of this Agreement and each other of the Loan Documents.

SECTION 7.8. SEVERABILITY OF PROVISIONS. If any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or any remaining provisions of this Agreement.

SECTION 7.9. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same Agreement.

SECTION 7.10. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of Nebraska (the "State"), but giving effect to federal laws applicable to national banks, without reference to the conflicts of law or choice of law principles thereof.

SECTION 7.11. BUSINESS PURPOSE. Borrower represents and warrants that each credit subject hereto is made for (a) a business, commercial, investment, agricultural or other similar purpose, (b) the purpose of acquiring or carrying on a business, professional or commercial activity, or (c) the purpose of acquiring any real or personal property as an investment and not primarily for a personal, family or household use.

SECTION 7.12. RIGHT OF SETOFF; DEPOSIT ACCOUNTS. Upon and after the occurrence of an Event of Default, (a) Borrower hereby authorizes Bank, at any time and from time to time, without notice, which is hereby expressly waived by Borrower, and whether or not Bank shall have declared any credit subject hereto to be due and payable in accordance with the terms hereof, to set off against, and to appropriate and apply to the payment of, Borrower's obligations and liabilities under the Loan Documents (whether matured or unmatured, fixed or contingent, liquidated or unliquidated), any and all amounts owing by Bank to Borrower (whether payable in U.S. dollars or any other currency, whether matured or unmatured, and in the case of deposits, whether general or special (except trust and escrow accounts), time or demand and however evidenced), and (b) pending any such action, to the extent necessary, to hold such amounts as collateral to secure such obligations and liabilities and to return as unpaid for insufficient funds any and all checks and other items drawn against any deposits so held as Bank, in its sole discretion, may elect. Bank may exercise this remedy regardless of the adequacy of any collateral for the obligations of Borrower to Bank and whether or not the Bank is otherwise fully secured. Borrower hereby grants to Bank a security interest in all deposits and accounts (other than Excluded Accounts) maintained with Bank to secure the payment of all obligations and liabilities of Borrower to Bank under the Loan Documents.

For purpose hereof, "Excluded Accounts" means accounts of the Borrower maintained with the Bank the balance of which consists exclusively of (and is identified when established as an account established solely for the purposes of) (a) withheld taxes in such amounts as are required in the reasonable judgment of the Borrower to be paid to the Internal Revenue Service or any other U.S., federal, state or local or foreign government agencies within the following month with respect to employees of such Loan Party, (b) amounts required to be paid over to an employee benefit plan pursuant to DOL Reg. Sec. 2510.3-102 on behalf of or for the benefit of employees of the Borrower, (c) amounts which are required to be pledged or otherwise provided as security pursuant to any requirement of any governmental authority or foreign pension requirement, and (d) amounts to be used to fund payroll obligations (including, but not limited to, amounts payable to any employment contracts between the Borrower and its respective employees).

SECTION 7.13. ARBITRATION.

(a) Arbitration. The parties hereto agree, upon demand by any party, to submit to binding arbitration all claims, disputes and controversies between or among them (and their respective employees, officers, directors, attorneys, and other agents), whether in tort, contract or otherwise in any way arising out of or relating to (i) any credit subject hereto, or any of the Loan Documents, and their negotiation, execution, collateralization, administration, repayment, modification, extension, substitution, formation, inducement, enforcement, default or termination; or (ii) requests for additional credit. In the event of a court ordered arbitration, the party requesting arbitration shall be responsible for timely filing the demand for arbitration and paying the appropriate filing fee within 30 days of the abatement order or the time specified by the court. Failure to timely file the demand for arbitration as ordered by the court will result in that party's right to demand arbitration being automatically terminated.

(b) Governing Rules. Any arbitration proceeding will (i) proceed in a location in the State selected by the American Arbitration Association ("AAA"); (ii) be governed by the Federal Arbitration Act (Title 9 of the United States Code), notwithstanding any conflicting choice of law provision in any of the documents between the parties; and (iii) be conducted by the AAA, or such other administrator as the parties shall mutually agree upon, in accordance with the AAA's commercial dispute resolution procedures, unless the claim or counterclaim is at least \$1,000,000.00 exclusive of claimed interest, arbitration fees and costs in which case the arbitration shall be conducted in accordance with the AAA's optional procedures for large, complex commercial disputes (the commercial dispute resolution procedures or the optional procedures for large, complex commercial disputes to be referred to herein, as applicable, as the "Rules"). If there is any inconsistency between the terms hereof and the Rules, the terms and procedures set forth herein shall control. Any party who fails or refuses to submit to arbitration following a demand by any other party shall bear all costs and expenses incurred by such other party in compelling arbitration of any dispute. Nothing contained herein shall be deemed to be a waiver by any party that is a bank of the protections afforded to it under 12 U.S.C. §91 or any similar applicable state law.

(c) No Waiver of Provisional Remedies, Self-Help and Foreclosure. The arbitration requirement does not limit the right of any party to (i) foreclose against real or personal property collateral; (ii) exercise self-help remedies relating to collateral or proceeds of collateral such as setoff or repossession; or (iii) obtain provisional or ancillary remedies such as replevin, injunctive relief, attachment or the appointment of a receiver, before during or after the pendency of any arbitration proceeding. This exclusion does not constitute a waiver of the right or obligation of any party to submit any dispute to arbitration or reference hereunder, including those arising from the exercise of the actions detailed in sections (i), (ii) and (iii) of this paragraph.

(d) Arbitrator Qualifications and Powers. Any arbitration proceeding in which the amount in controversy is \$5,000,000.00 or less will be decided by a single arbitrator selected according to the Rules, and who shall not render an award of greater than \$5,000,000.00. Any dispute in which the amount in controversy exceeds \$5,000,000.00 shall be decided by majority vote of a panel of three arbitrators; provided however, that all three arbitrators must actively participate in all hearings and deliberations. The arbitrator will be a neutral attorney licensed in the State or a neutral retired judge of the state or federal judiciary of the State, in either case with a minimum of ten years experience in the substantive law applicable to the subject matter of the dispute to be arbitrated. The arbitrator will determine whether or not an issue is arbitratable and will give effect to the statutes of limitation in determining any claim. In any arbitration proceeding the arbitrator will decide (by documents only or with a hearing at the arbitrator's discretion) any pre-hearing

motions which are similar to motions to dismiss for failure to state a claim or motions for summary adjudication. The arbitrator shall resolve all disputes in accordance with the substantive law of the State and may grant any remedy or relief that a court of such state could order or grant within the scope hereof and such ancillary relief as is necessary to make effective any award. The arbitrator shall also have the power to award recovery of all costs and fees, to impose sanctions and to take such other action as the arbitrator deems necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure, the corresponding rules of civil practice and procedure applicable in the State or other applicable law. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

(e) Discovery. In any arbitration proceeding, discovery will be permitted in accordance with the Rules. All discovery shall be expressly limited to matters directly relevant to the dispute being arbitrated and must be completed no later than 20 days before the hearing date. Any requests for an extension of the discovery periods, or any discovery disputes, will be subject to final determination by the arbitrator upon a showing that the request for discovery is essential for the party's presentation and that no alternative means for obtaining information is available.

(f) Class Proceedings and Consolidations. No party hereto shall be entitled to join or consolidate disputes by or against others in any arbitration, except parties who have executed any Loan Document, or to include in any arbitration any dispute as a representative or member of a class, or to act in any arbitration in the interest of the general public or in a private attorney general capacity.

(g) Payment of Arbitration Costs and Fees. The arbitrator shall award all costs and expenses of the arbitration proceeding.

(h) Miscellaneous. To the maximum extent practicable, the AAA, the arbitrators and the parties shall take all action required to conclude any arbitration proceeding within 180 days of the filing of the dispute with the AAA. No arbitrator or other party to an arbitration proceeding may disclose the existence, content or results thereof, except for disclosures of information by a party required in the ordinary course of its business or by applicable law or regulation. If more than one agreement for arbitration by or between the parties potentially applies to a dispute, the arbitration provision most directly related to the Loan Documents or the subject matter of the dispute shall control. This arbitration provision shall survive termination, amendment or expiration of any of the Loan Documents or any relationship between the parties.

(i) Small Claims Court. Notwithstanding anything herein to the contrary, each party retains the right to pursue in Small Claims Court any dispute within that court's jurisdiction. Further, this arbitration provision shall apply only to disputes in which either party seeks to recover an amount of money (excluding attorneys' fees and costs) that exceeds the jurisdictional limit of the Small Claims Court.

A CREDIT AGREEMENT MUST BE IN WRITING TO BE ENFORCEABLE UNDER NEBRASKA LAW. TO PROTECT THE PARTIES FROM ANY MISUNDERSTANDINGS OR DISAPPOINTMENTS, ANY CONTRACT, PROMISE, UNDERTAKING OR OFFER TO FOREBEAR REPAYMENT OF MONEY OR TO MAKE ANY OTHER FINANCIAL ACCOMMODATION IN CONNECTION WITH THIS LOAN OF MONEY OR GRANT OR EXTENSION OF CREDIT, OR ANY AMENDMENT OF, CANCELLATION OF, WAIVER OF, OR

SUBSTITUTION FOR ANY OR ALL OF THE TERMS OR PROVISIONS OF ANY INSTRUMENT OR DOCUMENT EXECUTED IN CONNECTION WITH THIS LOAN OF MONEY OR GRANT OR EXTENSION OF CREDIT, MUST BE IN WRITING TO BE EFFECTIVE

[Remainder Left Intentionally Blank]

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have caused this Agreement to be effective as of the effective date set forth above.

BORROWER:

WERNER ENTERPRISES, INC.

BANK:

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Derek J. Leathers

Name: Derek J. Leathers

Its: President and Chief Executive Officer

By: /s/ Joseph Finnegan

Name: Joseph Finnegan

Its: Vice President

By: /s/ John J. Steele

Name: John J. Steele

Its: EVP, CFO & Treasurer

EXHIBIT 10.2

May 14, 2019

Werner Enterprises, Inc.
Interstate 80 & Highway 50
P. O. Box 45308
Omaha, Nebraska 68145

Attention: Mr. John Steele, Executive Vice President,
Treasurer, and Chief Financial Officer

Dear Mr. Steele:

Pursuant to our recent discussions, BMO Harris Bank N.A. (the “*Bank*”), is pleased to offer a committed credit facility to Werner Enterprises, Inc. (the “*Borrower*”). The terms of the facility set forth in this letter agreement (as the same may be amended, modified, or restated from time to time in accordance with the terms hereof, the “*Facility Letter*”) are:

1. *Amount and Type of Credit.* The facility will be available in the form of loans (“*Loans*”) and standby and commercial letters of credit (“*Letters of Credit*”). The aggregate amount of Letters of Credit outstanding shall not at any time exceed \$50,000,000. The aggregate amount of Loans and Letters of Credit outstanding shall not exceed \$200,000,000 at any time (such amount being referred to herein as the “*Maximum Facility Amount*” and Bank’s commitment to extend credit to Borrower (whether in Loans or Letters of Credit) up to such amount being referred to herein as the Bank’s “*Commitment*”).

Borrower may request that Bank increase the Maximum Facility Amount provided that (i) any such request for an increase shall be in a minimum amount of \$25,000,000, (ii) the Borrower may make a maximum of two (2) such requests, and (iii) after giving effect thereto, the Maximum Facility Amount after giving effect to any such increase request does not exceed \$250,000,000 in the aggregate. Nothing contained in this section shall constitute, or otherwise be deemed to be, a commitment on the part of Bank to increase the Maximum Facility Amount or its commitment hereunder at any time and Borrower acknowledges that Bank may decline the request for any reason, or no reason whatsoever, notwithstanding the absence of a material adverse effect, Default or Event of Default. The amendment hereto for such an increase shall be in form and substance satisfactory to Bank. As conditions precedent to any such increase, (i) Borrower shall deliver to Bank a certificate of Borrower and each Guarantor (as hereinafter defined) signed by an authorized officer of Borrower or such Guarantor (A) certifying and attaching the resolutions adopted by such entity approving or consenting to such increase, and (B) in the case of Borrower, certifying that, before and after giving effect to such increase, (1) the representations and warranties contained herein are true and correct, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, (2) no Default or Event of Default exists, and

(3) Borrower is in compliance (on a pro forma basis) with the covenants contained in Section 12(h) and 12(i) hereto, (ii) Borrower shall have delivered to Bank a replacement Note in the amount of the Maximum Facility Amount as so increased in the form of Exhibit A, and (iii) Borrower shall deliver to Bank legal opinions and documents consistent with those delivered on the date hereof, to the extent requested by Bank.

2. *Purpose.* Proceeds of the Loans shall be used to finance capital expenditures, to finance working capital and for general corporate purposes.

3. *Evidence of Indebtedness.* Loans shall be evidenced by a single Replacement Promissory Note in the form of Exhibit A hereto to be signed by Borrower (the “*Note*”).

4. *Termination Date.* This facility shall expire and Bank’s commitment to extend credit hereunder shall terminate, and all Loans (both for principal and accrued but unpaid interest) not sooner paid shall be due and payable, on May 14, 2024 (herein, the “*Termination Date*”).

5. *Interest Rate Options and Borrowing Requests.*

(a) *Interest Rate Options.* The outstanding principal balance of the Loans (the principal balance of the Loans bearing interest at the same rate for the same period of time being hereinafter referred to as a “*Portion*”) shall bear interest with reference to the Base Rate (the “*Base Rate Portion*”) or, at Borrower’s election subject to the terms and conditions hereof, with reference to an Adjusted LIBOR (“*LIBOR Portions*”). Subject to the terms and conditions hereof, Portions may be converted from time to time from one basis to another. All principal of the Loans that bears interest with reference to a particular Adjusted LIBOR for a particular Interest Period shall constitute a single LIBOR Portion; and all principal of the Loans that is not part of a LIBOR Portion shall constitute a single Base Rate Portion. There shall not be more than six (6) LIBOR Portions outstanding at any one time. Anything contained herein to the contrary notwithstanding, no LIBOR Portion shall be advanced, continued, or created by conversion during the existence of any Event of Default. Borrower hereby promises to pay interest on each Portion at the rates and times specified herein. The interest rate payable under this Facility Letter shall be subject, however, to the limitation that such interest rate shall never exceed the highest rate that Borrower may contract to pay under applicable law.

(b) *Base Rate Portion.* The Base Rate Portion shall bear interest at the rate per annum equal to the Base Rate as in effect from time to time plus the Applicable Margin, *provided* that if the Base Rate Portion or any part thereof is not paid when due (whether by lapse of time, acceleration, or otherwise), or at the election of Bank upon notice to Borrower during the existence of any other Event of Default, such Portion shall bear interest, whether before or after judgment, until payment in full thereof at the rate per annum determined by adding 2.0% to the interest rate which would otherwise be applicable thereto. Interest on the Base Rate Portion

shall be payable monthly in arrears on the last day of each calendar month in each year; and interest after maturity shall be due and payable upon demand.

(c) *LIBOR Portions* . Each LIBOR Portion shall bear interest for each Interest Period selected therefor at a rate per annum determined by adding the Applicable Margin to the Adjusted LIBOR for such Interest Period, *provided* that if any LIBOR Portion is not paid when due (whether by lapse of time, acceleration, or otherwise), or at the election of Bank upon notice to Borrower during the existence of any other Event of Default, such Portion shall bear interest, whether before or after judgment, until payment in full thereof through the end of the Interest Period then applicable thereto at the rate per annum determined by adding 2.0% to the interest rate which would otherwise be applicable thereto, and effective at the end of such Interest Period such LIBOR Portion shall automatically be converted into and added to the Base Rate Portion and shall thereafter bear interest at the interest rate applicable to the Base Rate Portion after default. Interest on each LIBOR Portion shall be due and payable on the last day of each Interest Period applicable thereto and, with respect to any Interest Period in excess of 3 months, on the date occurring every 3 months after the date such Interest Period began and at the end of such Interest Period; and interest after maturity shall be due and payable upon demand. Borrower shall notify Bank on or before 11:00 a.m. (Chicago time) on the third Business Day preceding the end of an Interest Period applicable to a LIBOR Portion whether such LIBOR Portion is to continue as a LIBOR Portion, in which event Borrower shall notify Bank of the new Interest Period selected therefor; and in the event Borrower shall fail to so notify Bank, such LIBOR Portion shall automatically be continued with an Interest Period of one month as of and on the last day of such Interest Period unless any Event of Default has occurred and is then continuing in which case such LIBOR Portion shall automatically be converted into and added to the Base Rate Portion as of and on the last day of such Interest Period.

(d) *Minimum Amounts* . Each Base Rate Portion shall be in an amount not less than \$100,000; and each LIBOR Portion shall be in an amount equal to \$1,000,000 or such greater amount which is an integral multiple of \$100,000.

(e) *Computation of Interest* . Interest on the Base Rate Portion of the Loans shall be computed on the basis of a year of 365 or 366 days, as the case may be, for the actual number of days elapsed; and interest on the LIBOR Portions of the Loans shall be computed on the basis of a year of 360 days for the actual number of days elapsed.

(f) *Manner of Borrowing and Rate Selection* . Borrower shall notify Bank by 11:00 a.m. (Chicago time) (i) on the Business Day that Borrower requests that any Base Rate Portion of Loans be advanced and (ii) at least (3) Business Days prior to the date upon that Borrower requests that any LIBOR Portion of Loans be advanced or continued or that any part of the Base Rate Portion be converted into a LIBOR Portion (each such notice to specify in each instance the amount thereof and, in the case of any LIBOR Portions, the Interest Period selected therefor). If any request is made to convert a LIBOR Portion into the Base Rate Portion, such conversion shall only be made so as to become effective as of the last day of the Interest Period

applicable thereto. All requests for an advance, continuance, and conversion of Loans under this Facility Letter shall be in writing substantially in the form attached hereto as Exhibit B (Notice of Borrowing) or Exhibit C (Notice of Continuation/Conversion), as applicable, or in such other form acceptable to Bank signed by an Authorized Representative of Borrower and delivered (including delivery by telecopy or email) to Bank. The proceeds of Loans made hereunder shall be made available at the principal office of Bank in Chicago, Illinois by credit to the account of Borrower, and Bank may charge payments of principal and interest against such account of Borrower. Bank is authorized to rely on Loan requests which Bank determines, in accordance with standard banking practices, to emanate from a properly authorized representative of Borrower, whether or not that is in fact the case. For purposes hereof, "*Authorized Representative*" means any one of John J. Steele, Executive Vice President, Treasurer, and Chief Financial Officer; James L. Johnson, Executive Vice President, Chief Accounting Officer, and Corporate Secretary; and David Hughes, Senior Director of Treasury, as shown on the list of such officers provided by Borrower on or about the date hereof or on any update of any such list provided by Borrower to Bank or any further or different officers of Borrower so named by any Authorized Representative of Borrower in a written notice to Bank.

(g) *Change of Law.* Notwithstanding any other provisions hereof, if at any time any Change in Law (as hereinafter defined) makes it unlawful for Bank to advance or continue to maintain any LIBOR Portion, it shall promptly so notify Borrower and thereafter Bank's obligation to advance, continue, or maintain any such LIBOR Portion after the date of such determination shall be suspended until it is no longer unlawful for Bank to advance, continue, or maintain such LIBOR Portion. If the continued maintenance of any such LIBOR Portion is unlawful, upon demand by Bank, Borrower shall thereupon prepay the outstanding principal amount of such LIBOR Portions, together with all interest accrued thereon and all other amounts payable to Bank with respect thereto under this Facility Letter (including without limitation any amount due Bank under Section 5(j) below); *provided, however*, that Borrower may elect to convert the principal amount of the affected LIBOR Portion into the Base Rate Portion, subject to the terms and conditions hereof (including, without limitation, the payment of interest and other amounts payable to Bank hereunder).

(h) *Unavailability of Deposits or Inability to Ascertain, or Inadequacy of, Adjusted LIBOR.* Notwithstanding any other provision hereof, if Bank shall determine prior to the commencement of any Interest Period that (i) deposits in the amount of any LIBOR Portion scheduled to be outstanding during such Interest Period are not readily available to Bank in the relevant market or, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining Adjusted LIBOR or (ii) LIBOR as determined hereby will not adequately and fairly reflect the cost to Bank of funding any LIBOR Portion for such Interest Period or that the making or funding of LIBOR Portions has become impracticable, then Bank shall promptly give notice thereof to Borrower and thereafter Bank's obligation to advance, continue, or effect by conversion any such LIBOR Portion in such amount and for such Interest Period shall be suspended until deposits in such amount and for the Interest Period

selected by Borrower shall again be readily available to Bank in the relevant market and adequate and reasonable means exist for ascertaining Adjusted LIBOR.

If at any time Bank reasonably determines (which determination shall be conclusive absent manifest error) that (i) the circumstances set forth in clause (h)(i) above have arisen and such circumstances are unlikely to be temporary, (ii) LIBOR is no longer a widely recognized benchmark rate for newly originated loans in Dollars in the U.S. market, or (iii) the circumstances set forth in clause (h)(i) have not arisen but the supervisor for the administrator of the LIBOR Index Rate or a Governmental Authority having jurisdiction over Bank has made a public statement identifying a specific date after which the LIBOR Index Rate shall no longer be used for determining interest rates for loans, then Bank and Borrower shall endeavor to establish an alternate rate of interest to LIBOR that gives due consideration to the then prevailing market convention for determining a rate of interest for syndicated loans in the United States at such time, and shall enter into an amendment to this Facility Letter to reflect such alternate rate of interest and such other related changes to this Facility Letter as may be applicable. Bank agrees that its determination under clauses (i)-(iii) above, and its request to establish an alternate rate of interest to LIBOR hereunder, shall only be made if it has made a similar determination and request for other similarly situated borrowers. Until an alternate rate of interest shall be determined in accordance with this section, (x) any borrowing request that requests the conversion of any Base Rate Portion to, or continuation of any Loans as, a LIBOR Portion shall be ineffective, and (y) any borrowing request that requests a LIBOR Portion shall be made as a Base Rate Portion; *provided that*, if such alternate rate of interest shall be less than zero, such rate shall be deemed to be zero for the purposes of this Facility Letter.

(i) *Taxes and Increased Costs.* If any Change in Law shall (i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, Bank (except any reserve requirement reflected in Adjusted LIBOR); (ii) subject Bank to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or (iii) impose on Bank or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Facility Letter or Loans made by Bank or any Letter of Credit issued by Bank hereunder; and the result of any of the foregoing shall be to increase the cost to Bank of making, converting to, continuing or maintaining any Loan or of maintaining its obligation to make any such Loan, or to increase the cost to Bank of issuing or maintaining any Letter of Credit, or to reduce the amount of any sum received or receivable by Bank hereunder (whether of principal, interest or any other amount) then, within 15 days after demand by Bank, Borrower will pay to Bank such additional amount or amounts as will compensate Bank for such additional costs incurred or reduction suffered. If Bank makes such a claim for compensation, it shall provide to Borrower a certificate setting forth the computation of the increased cost or reduced amount as a result of any event

mentioned herein in reasonable detail and such certificate shall be conclusive if reasonably determined.

(j) *Funding Indemnity.* In the event Bank shall incur any loss, cost, or expense (including, without limitation, any loss, cost, or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired or contracted to be acquired by Bank to fund or maintain any LIBOR Portion or the relending or reinvesting of such deposits or other funds or amounts paid or prepaid to Bank) as a result of: (i) any payment of a LIBOR Portion on a date other than the last day of the then applicable Interest Period for any reason, whether before or after default, and whether or not such payment is required by any provisions of this Facility Letter; or (ii) any failure by Borrower to borrow, continue, or effect by conversion a LIBOR Portion on the date specified in a notice given pursuant to this Facility Letter; then Borrower shall pay to Bank upon its demand such amount as will reimburse Bank for such loss, cost or expense. If Bank requests compensation under this Section, it shall provide to Borrower a certificate setting forth the computation of the loss, cost or expense giving rise to the request for compensation in reasonable detail and such certificate shall be conclusive if reasonably determined.

(k) *Lending Branch; Discretion of Bank as to Manner of Funding.* Bank may, at its option, elect to make, fund, or maintain Portions of the Loans hereunder at such of its branches or offices as Bank may from time to time elect. Notwithstanding any provision of this Facility Letter to the contrary, Bank shall be entitled to fund and maintain its funding of all or any part of the Loans in any manner it sees fit; it being understood, however, that for the purposes of this Facility Letter all determinations hereunder with respect to LIBOR Portions shall be made as if Bank had actually funded and maintained each LIBOR Portion during each Interest Period applicable thereto through the purchase of deposits in the relevant market in the amount of such LIBOR Portion, having a maturity corresponding to such Interest Period, and bearing an interest rate equal to the LIBOR for such Interest Period.

(l) *Notations.* The status of all Loans as constituting part of the Base Rate Portion or a LIBOR Portion, and, in the case of any LIBOR Portion, the rates of interest and Interest Periods applicable to such Portions shall be recorded by Bank on its books and records or, at its option in any instance, endorsed on a schedule to the Note and the unpaid principal balance and status, rates and Interest Periods so recorded or endorsed by Bank shall be *prima facie* evidence in any court or other proceeding brought to enforce the Note and the principal amount of Loans remaining unpaid thereon, the status of the Loans evidenced by the Note, and the interest rates and Interest Periods applicable thereto; *provided* that the failure of Bank to record any of the foregoing shall not limit or otherwise affect the obligation of Borrower to repay the principal balance of the Loans together with accrued interest thereon. Prior to any negotiation of the Note, Bank shall record on a schedule hereto the status of all amounts evidenced thereby as constituting part of the Base Rate Portion or a LIBOR Portion and, in the case of any LIBOR Portion, the rates of interest and the Interest Periods applicable thereto.

(m) *Definitions* . For purposes of this Facility Letter, the following terms shall have the following meanings:

“*Adjusted LIBOR*” means a rate per annum determined by Bank in accordance with the following formula:

$$\text{Adjusted LIBOR} = \frac{\text{LIBOR}}{1 - \text{Reserve Percentage}}$$

“*Reserve Percentage*” means the maximum reserve percentage, expressed as a decimal, at which reserves (including, without limitation, any emergency, marginal, special, and supplemental reserves) are imposed by the Board of Governors of the Federal Reserve System (or any successor) on “*eurocurrency liabilities*”, as defined in such Board’s Regulation D (or any successor thereto), subject to any amendments of such reserve requirement by such Board or its successor, taking into account any transitional adjustments thereto. For purposes of this definition, the relevant Portions of the Loans shall be deemed to be “*eurocurrency liabilities*” as defined in Regulation D without benefit or credit for any prorations, exemptions or offsets under Regulation D. The Reserve Percentage shall be adjusted automatically on and as of the effective date of any change in any such reserve percentage. “*LIBOR*” means, for an Interest Period for a LIBOR Portion, (a) the LIBOR Index Rate for such Interest Period, if such rate is available, and (b) if the LIBOR Index Rate cannot be determined, the arithmetic average of the rates of interest per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) at which deposits in U.S. Dollars in immediately available funds are offered to Bank at 11:00 a.m. (London, England time) two (2) Business Days before the beginning of such Interest Period by three (3) or more major banks in the interbank eurodollar market selected by Bank for delivery on the first day of and for a period equal to such Interest Period and in an amount equal or comparable to the applicable LIBOR Portion scheduled to be outstanding from Bank during such Interest Period, provided that in no event shall “LIBOR” be less than 0.00%. “*LIBOR Index Rate*” means, for any Interest Period, the rate per annum (rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point) for deposits in U.S. Dollars for a period equal to such Interest Period, as reported on the applicable Bloomberg screen page (or such other commercially available source providing such quotations as may be designated by Bank from time to time) as of 11:00 a.m. (London, England time) on the day two (2) Business Days before the commencement of such Interest Period. Each determination of LIBOR made by Bank shall be conclusive and binding absent manifest error.

“*Applicable Margin*” means, with respect to Loans, letter of credit fees payable under Section 9(b), and the commitment fees payable under Section 9(a), until the first Pricing Date, the rates per annum shown opposite Level I below, and thereafter from one Pricing Date to the next the Applicable Margin means the rates per annum determined in accordance with the following schedule:

Level	Total Funded Debt/EBITDA Ratio for Such Pricing Date	Applicable Margin for LIBOR Portions and Letter of Credit Fee shall be:	Applicable Margin for Base Rate Portion shall be:	Applicable Margin for Commitment shall be:
III	Greater than or equal to 2.0 to 1.0	1.50%	0.50%	0.25%
II	Less than 2.0 to 1.0, but greater than or equal to 1.0 to 1.0	1.15%	0%	0.15%
I	Less than 1.0 to 1.0	0.70%	0%	0.10%

For purposes hereof, the term “*Pricing Date*” means, for any fiscal quarter of Borrower ending on or after June 30, 2019, the date on which Bank is in receipt of Borrower’s most recent financial statements (and, in the case of the year-end financial statements, audit report) for the fiscal quarter then ended, pursuant to Section 12(c); *provided, however*, so long as Borrower is publicly traded and files Forms 10-K and 10-Q with the SEC, solely for purposes of determining the Pricing Date, Bank shall be deemed to have received such financial statements on the date such forms are made publicly available in electronic form on EDGAR. The Applicable Margin shall be established based on the Total Funded Debt/EBITDA Ratio for the most recently completed fiscal quarter and the Applicable Margin established on a Pricing Date shall remain in effect until the next Pricing Date. If Borrower has not delivered its financial statements within fifteen (15) days after the date such financial statements (and, in the case of the year-end financial statements, audit report) are required to be delivered under Section 12(c), or if Borrower’s applicable Form 10-K or 10-Q has not been made publicly available in electronic form on EDGAR within fifteen (15) days after the date such financial statements (and, in the case of the year-end financial statements, audit report) are required to be delivered under Section 12(c), until such financial statements and audit report are delivered, the Applicable Margin shall be the highest Applicable Margin (*i.e.*, Level III shall apply). If Borrower subsequently delivers such financial statements before the next Pricing Date, the Applicable Margin shall be determined on the date of delivery of such financial statements and remain in effect until the next Pricing Date. In all other circumstances, the Applicable Margin shall be in effect from the Pricing Date that occurs immediately after the end of the fiscal quarter covered by such financial statements until the next Pricing Date. Each determination of the Applicable Margin made by Bank in accordance with the foregoing shall be conclusive and binding on Borrower if reasonably determined.

“*Base Rate*” means, for any day, the rate per annum equal to the greatest of: (a) the rate of interest announced or otherwise established by Bank from time to time as its prime commercial rate as in effect on such day, with any change in the Base Rate resulting from a change in said prime commercial rate to be effective as of the date of the relevant change in said prime commercial rate (it being acknowledged and agreed that

such rate may not be Bank's best or lowest rate), (b) the sum of (i) the Federal Funds Rate for such day, *plus* (ii) 1/2 of 1%, and (c) the LIBOR Quoted Rate for such day *plus* 1.00%. As used herein, the term "*LIBOR Quoted Rate*" means, for any day, the rate per annum equal to the quotient of (i) the rate per annum (rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point) for deposits in U.S. Dollars for a one-month interest period as reported on the applicable Bloomberg screen page (or such other commercially available source providing such quotations as may be designated by Bank from time to time) as of 11:00 a.m. (London, England time) on such day (or, if such day is not a Business Day, on the immediately preceding Business Day) divided by (ii) one (1) minus the Reserve Percentage (as defined in the definition of Adjusted LIBOR), *provided* that in no event shall the "*LIBOR Quoted Rate*" be less than 0.00%. If the Base Rate is being used as an alternate rate of interest pursuant to Section 5(h) hereof, then the Base Rate shall be the greater of clause (a) and (b) above and shall be determined without reference to clause (c) above.

"*Business Day*" means any day other than a Saturday or Sunday on which Bank is not authorized or required to close in Chicago, Illinois and, when used with respect to LIBOR Portions, a day on which Bank is also dealing in United States Dollar deposits in London, England.

"*Change in Law*" means the occurrence, after the date hereof, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority, or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; *provided* that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, regulations, guidelines or directives thereunder or issued in connection therewith shall be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued and (y) all requests, rules, guidelines or directives promulgated by Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"*Connection Income Taxes*" means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

"*Excluded Taxes*" means any Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of Bank being organized under the laws of, or having its principal

office or its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes.

“Federal Funds Rate” means, for any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; *provided* that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to Bank on such day on such transactions as determined by Bank; *provided* that in no event shall the Federal Funds Rate be less than 0.00%.

“Governmental Authority” means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

“Interest Period” means, with respect to any LIBOR Portion, the period commencing on, as the case may be, the creation, continuation, or conversion date with respect to such LIBOR Portion and ending 1, 2, 3, or 6 months thereafter as selected by Borrower in its notice as provided herein; *provided* that all of the foregoing provisions relating to Interest Periods are subject to the following: (i) if any Interest Period would otherwise end on a day which is not a Business Day, that Interest Period shall be extended to the next succeeding Business Day, unless in the case of an Interest Period for a LIBOR Portion the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day; (ii) the interest rate to be applicable to each LIBOR Portion for each Interest Period shall apply from and including the first day of such Interest Period to but excluding the last day thereof; and (iii) no Interest Period may be selected which would end after the final maturity of the Loans. For purposes of determining an Interest Period, a month means a period starting on one day in a calendar month and ending on a numerically corresponding day in the next calendar month, *provided, however*, if an Interest Period begins on the last day of a month or if there is no numerically corresponding day in the month in which an Interest Period is to end, then such Interest Period shall end on the last Business Day of such month.

“Other Connection Taxes” means, with respect to Bank, Taxes imposed as a result of a present or former connection between Bank and the jurisdiction imposing such Tax (other than connections arising from Bank having executed, delivered, become a

party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced the Facility Letter or the Note or any Application or other instrument or document delivered pursuant hereto or thereto, or sold or assigned an interest in any Loan or the Facility Letter or the Note or any Application or other instrument or document delivered pursuant hereto or thereto).

“*Taxes*” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

6. *Letters of Credit.*

(a) *General Terms.* Each Letter of Credit issued hereunder shall be payable in U.S. Dollars, conform to the general requirements of Bank for the issuance of a standby or commercial letter of credit, as the case may be, as to form and substance, and be a letter of credit which Bank may lawfully issue. Each Letter of Credit issued hereunder shall expire not later than 12 months from the date of issuance (or be cancelable not later than 12 months from the date of issuance and each renewal). Borrower agrees that if on the Termination Date any Letters of Credit remains outstanding Borrower shall then deliver to Bank, without notice or demand, cash collateral in form and substance acceptable to Bank in an amount equal to 105% of the aggregate amount of each Letter of Credit then outstanding. For purposes of this Facility Letter, a Letter of Credit shall be deemed outstanding as of any time in an amount equal to the maximum amount which could be drawn thereunder under any circumstances and over any period of time plus any unreimbursed drawings then outstanding with respect thereto. If and to the extent any Letter of Credit expires or otherwise terminates without having been drawn upon, the availability under the Commitment shall to such extent be reinstated.

(b) *Applications.* At the time Borrower requests a Letter of Credit to be issued (or prior to the first issuance of a Letter of Credit in the case of a continuing application), Borrower shall execute and deliver to Bank an application for such Letter of Credit in the form then customarily prescribed by Bank (individually an “*Application*” and collectively the “*Applications*”). Subject to the other provisions of this subsection, the obligation of Borrower to reimburse Bank for drawings under a Letter of Credit shall be governed by the Application for such Letter of Credit. Anything contained in the Applications to the contrary notwithstanding, in the event Bank is not reimbursed by Borrower for the amount Bank pays on any drawing made under a Letter of Credit issued hereunder by 11:00 a.m. (Chicago time) on the date when such drawing is paid, the obligation of Borrower to reimburse Bank for the amount of such drawing shall be deemed converted into the Base Rate Portion of the Loans and bear interest as provided in Section 5(b) above, (ii) Borrower shall pay fees in connection with each Letter of Credit as set forth in Section 9 hereof, and (iii) except as otherwise provided in Section 6(a) above or Section 10 hereof, prior to the occurrence of a Default or an Event of Default, Bank will not call

for the funding of a Letter of Credit by Borrower prior to being presented with a drawing thereunder.

7. *Capital Adequacy Requirements.* If Bank determines that any Change in Law affecting Bank or its lending office or Bank's holding company, if any, regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on Bank's capital or on the capital of Bank's holding company, if any, as a consequence of this Facility Letter, the commitment of Bank hereunder or the Loans made by, or Letters of Credit issued by, Bank hereunder to a level below that which Bank or Bank's holding company could have achieved but for such Change in Law (taking into consideration Bank's policies and the policies of Bank's holding company with respect to capital adequacy), then from time to time, within 15 days after demand by Bank, Borrower shall pay to Bank such additional amount or amounts as will compensate Bank or Bank's holding company for any such reduction suffered.

8. *Payments and Prepayment.* (a) All payments of principal, interest, fees, and all other obligations payable hereunder or under the Note or any Application shall be made to Bank at its office at 111 West Monroe Street, Chicago, Illinois (or at such other place as Bank may specify) no later than 1:00 p.m. (Chicago time) on the date any such payment is due and payable. Payments received by Bank after 1:00 p.m. (Chicago time) shall be deemed received as of the opening of business on the next Business Day. All such payments shall be made in lawful money of the United States of America, in immediately available funds at the place of payment, without set-off or counterclaim and without reduction for, and free from, any and all present or future taxes, levies, imposts, duties, fees, charges, deductions, withholdings, restrictions, and conditions of any nature imposed by any government or any political subdivision or taxing authority thereof (but excluding any taxes imposed on or measured by the net income of Bank). Unless Borrower otherwise directs, principal payments shall be applied first to the Base Rate Portion until payment in full thereof, with any balance applied to the LIBOR Portions in the order in which their Interest Periods expire. If any payment from Borrower under this Facility Letter, the Note or any Application becomes due on a day which is not a Business Day, such payment shall be made on the next Business Day and any such extension shall be included in computing interest under this Facility Letter.

(b) *Prepayments.* Borrower shall have the privilege of prepaying the Loans in whole or in part (but, if in part, then (i) if such Loan or Loans constitutes part of the Base Rate Portion, in an amount not less than \$100,000, (ii) if such Loan or Loans constitutes part of a LIBOR Portion, in an amount not less than \$100,000, and (iii) in each case, in an amount such that the minimum amount required for a Loan pursuant to Section 5(d) hereof remain outstanding) at any time upon prior notice to Bank (such notice if received subsequent to 11:00 a.m. (Chicago time) on a given day to be treated as though received at the opening of business on the next Business Day) by paying to Bank the principal amount to be prepaid and (i) if such a prepayment prepays the Note in full and is accompanied by the termination of the facility in whole, accrued interest thereon to the date of prepayment, and (ii) in the case of any prepayment of a LIBOR Portion of

the Loans, accrued interest thereon to the date of prepayment plus any amounts due Bank under Section 5(j) hereof.

9. *Fees.*

(a) *Commitment Fee* . For the period from and including the date hereof to but not including the Termination Date, Borrower shall pay to Bank a commitment fee at the rate per annum equal to the Applicable Margin (computed on the basis of a year of 360 days for the actual number of days elapsed) on the average daily unused portion of the Commitment. Such commitment fee shall be payable quarterly in arrears on the last day of each March, June, September, and December in each year (commencing on the first such date occurring after the date hereof) and on the Termination Date.

(b) *Letter of Credit Fees.* On the last day of each March, June, September, and December of each year (commencing on the first such date occurring after the date hereof), Borrower shall pay to Bank a letter of credit fee at the rate per annum equal to Applicable Margin (computed on the basis of a year of 360 days for the actual number of days elapsed) on the daily average face amount of Letters of Credit outstanding during the preceding calendar quarter; *provided* that, at the election of Bank during the existence of any Event of Default, such letter of credit fee shall be increased by adding 2.0% per annum to the letter of credit fee otherwise applicable thereto. In addition to the letter of credit fee called for above, Borrower further agrees to pay to Bank such issuing, processing, and transaction fees and charges as Bank from time to time customarily imposes in connection with any issuance, amendment, cancellation, negotiation, and/or payment of letters of credit and drafts drawn thereunder.

10. *Reduction or Termination.* Borrower may permanently reduce the Maximum Facility Amount in whole or in part (but if in part, then in an amount not less than \$5,000,000 or such greater amount that is an integral multiple of \$1,000,000) without premium or penalty, *provided* that the amount of the Maximum Facility Amount may not be reduced below the aggregate principal amount of Loans and Letters of Credit then outstanding. On each date the Maximum Facility Amount is reduced, Borrower shall prepay Loans and, if necessary, prefund the Letters of Credit by the amount, if necessary, to reduce the sum of the aggregate principal amount of the Loans and Letters of Credit then outstanding to the Maximum Facility Amount as so reduced.

11. *Representations.* Borrower represents and warrants to Bank as follows:

(a) Borrower is duly organized and existing under the laws of the State of Nebraska, has full and adequate corporate power to carry on its business as now conducted, is duly licensed or qualified in all jurisdictions wherein the nature of its activities require such licensing or qualifying, has full right, power and authority to enter into and perform this Facility Letter, the Note, and the Applications; and entering into and performing this Facility Letter, the Note, and the Applications does not contravene or

constitute a default under any provision of law or any judgment, injunction, order or decree binding upon Borrower or any provision of any charter or bylaw provision or any covenant, indenture or agreement of or affecting Borrower or any of its properties.

(b) Each Subsidiary of Borrower as of the date hereof is listed on Exhibit E hereof. Each Subsidiary is duly organized and existing under the laws of the state of its organization, has full and adequate power to carry on its business as now conducted, is duly licensed or qualified in all jurisdictions wherein the nature of its activities require such licensing or qualifying, and with respect to each Subsidiary that is a Guarantor (as hereinafter defined) hereunder, it has full right, power and authority to enter into and perform its Guaranty (as hereinafter defined); and entering into and performing such Guaranty does not contravene or constitute a default under any provision of law or any judgment, injunction, order or decree binding upon such Subsidiary or any provision of any charter or bylaw provision or any covenant, indenture or agreement of or affecting such Subsidiary or any of its properties. For purposes of this Facility Letter, (i) “*Subsidiary*” means any corporation, limited liability company, partnership or other Person more than 50% of the outstanding ordinary voting shares or other equity interests of which is at the time directly or indirectly owned by Borrower, by one or more of its Subsidiaries within the meaning hereof, or by Borrower and one or more of its Subsidiaries within the meaning hereof and (ii) “*Person*” means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or any other entity or organization, including a government or agency or political subdivision thereof.

(c) Borrower has heretofore delivered to Bank a copy of the consolidated balance sheet of Borrower and its Subsidiaries as at December 31, 2018, and the related consolidated statements of income, retained earnings, and cash flows of Borrower and its Subsidiaries for the fiscal year then ended, accompanied by the audit report of Borrower dated as of March 1, 2019. Such financial statement was prepared on a consolidated basis in accordance with generally accepted accounting principles on a basis consistent with that of the previous fiscal year or period, except where otherwise noted in the financial statement, and fairly reflects the financial position of Borrower and its Subsidiaries as of the date thereof and the results of their operations for the period covered thereby. Neither Borrower nor any of its Subsidiaries have any significant known contingent liabilities other than as indicated on said financial statements.

(d) Since December 31, 2018, there has been no material adverse change in the operations, business, property, or condition (financial or otherwise) of Borrower or any of its Subsidiaries.

(e) Except as disclosed in writing in note number 7 to Borrower’s Form 10-K filing for the year ended December 31, 2018, there is no material litigation or administrative or governmental proceedings pending against Borrower or any of its

Subsidiaries or their property, nor to the knowledge of Borrower is any such material litigation or administrative or governmental proceeding threatened against Borrower or any of its Subsidiaries or their property which, if adversely determined, could reasonably be expected to result in any material adverse change in the operations, business, property, or condition (financial or otherwise) of Borrower or its Subsidiaries. All federal, state and local income tax returns for Borrower and its Subsidiaries required to be filed have been filed on a timely basis, and all amounts required to be paid as shown by said returns have been paid. There are no material pending, or to the best of Borrower's knowledge, threatened objections to or controversies in respect of the federal, state and local income tax returns of Borrower or any of its Subsidiaries for any fiscal year. No authorization, consent, license, exemption or filing or registration with any court or governmental department, agency or instrumentality is or will be necessary to the valid execution, delivery or performance by Borrower of this Facility Letter, the Note or the Applications.

(f) Borrower is in full compliance with all of the terms and conditions of this Facility Letter, and no Event of Default, as hereafter defined, or event or condition which, with the giving of notice or lapse of time, or both, would constitute an Event of Default (herein, a "*Default*"), is existing under this Facility Letter.

(g) No information, exhibit or report furnished by Borrower to Bank in connection with the negotiation of the Facility Letter contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements contained therein not misleading in light of the circumstances in which made. The information included in the Beneficial Ownership Certification, as updated in accordance with Section 12(c)(iv), is true and correct in all respects. For purposes hereof, (i) "*Beneficial Ownership Certification*" means a certification regarding beneficial ownership as required by Beneficial Ownership Regulation and (ii) "*Beneficial Ownership Regulation*" means 31 C.F.R. § 1010.230.

(h) This Facility Letter and the Note have been duly authorized, executed, and delivered by Borrower, and this Facility Letter and the Note constitute, and Applications when executed and delivered by Borrower hereunder will constitute, the legal, valid and binding obligation of Borrower enforceable against Borrower in accordance with their respective terms. The Guaranty has been duly authorized, executed, and delivered by each Subsidiary a party thereto and constitutes the legal, valid and binding obligation of each such Subsidiary enforceable against Subsidiary in accordance with its terms.

(i) Borrower and its Subsidiaries are in compliance with the requirements of all federal, state and local laws, rules and regulations applicable to or pertaining to their property or business operations (including, without limitation, the Occupational Safety and Health Act of 1970, the Americans with Disabilities Act of 1990, and laws and regulations establishing quality criteria and standards for air, water, land and toxic or hazardous wastes and substances), non-compliance with which, individually or in the

aggregate, could reasonably be expected to have a material adverse effect on their operations, business, property, or condition (financial or otherwise). Borrower and each other member of its Controlled Group has fulfilled its obligations under the minimum funding standards of, and is in compliance in all material respects with, ERISA and the Code to the extent applicable to it and has not incurred any liability to the PBGC or a Plan under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA. Neither Borrower nor any Subsidiary has any contingent liabilities with respect to any post-retirement benefits under a Welfare Plan (as defined in Section 3(1) of ERISA), other than liability for continuation coverage described in Article 6 of Title I of ERISA. To the best of Borrower's knowledge, following reasonable inquiry, neither Borrower nor any of its Subsidiaries have any material liability, contingent or otherwise, arising under any applicable federal or state environmental health and safety statutes and regulations. For purposes of this Facility Letter, (i) "*Controlled Group*" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with Borrower, are treated as a single employer under Section 414 of the Code, (ii) "*Code*" means the Internal Revenue Code of 1986, as amended, and any successor statute thereto, (iii) "*ERISA*" means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute thereto, (iv) "*PBGC*" means the Pension Benefit Guaranty Corporation or any Person succeeding to any or all of its functions under ERISA, and (v) "*Plan*" means any employee pension benefit plan covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code that either (a) is maintained by a member of the Controlled Group for employees of a member of the Controlled Group or (b) is maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

(j) Borrower shall use the proceeds of the extensions of credit made available hereunder to finance capital expenditures, to finance working capital, for general corporate purposes and any other lawful corporate purposes, including funding dividends and stock repurchases. Neither Borrower nor any of its Subsidiaries is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System), and no part of the proceeds of any extension of credit made hereunder will be used to purchase or carry any such margin stock or to extend credit to others for the purpose of purchasing or carrying any such margin stock.

(k) Borrower and its Subsidiaries have good and defensible title (or valid leasehold interests) to their assets as reflected on the most recent consolidated balance sheet of Borrower and its Subsidiaries furnished to Bank (except for sales of assets by Borrower and its Subsidiaries in the ordinary course of business), subject to no Liens

other than such thereof as are permitted by Section 12(f) hereof. Borrower and its Subsidiaries own, possess or have the right to use all necessary patents, licenses, franchises, trademarks, trade names, trade styles, copyrights, trade secrets, know how, and confidential commercial and proprietary information to conduct their businesses as now conducted, without known conflict with any patent, license, franchise, trademark, trade name, trade style, copyright, or other proprietary right of any other person.

(l) Neither Borrower nor any Subsidiary is a party to any contracts or agreements with any of its Affiliates on terms and conditions which are less favorable to Borrower or such Subsidiary than would be usual and customary in similar contracts or agreements between persons not affiliated with each other. For purposes hereof, "*Affiliate*" means any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, another Person (a Person shall be deemed to control another Person for purposes of this definition if such Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the other Person, whether through the ownership of voting securities, common directors, trustees or officers, by contract or otherwise; *provided* that, in any event for purposes of this definition, any Person that owns, directly or indirectly, 5% or more of the securities having the ordinary voting power for the election of directors or governing body of a corporation or 5% or more of the partnership or other ownership interests of any other Person (other than as a limited partner of such other Person) will be deemed to control such corporation or other Person).

(m) Neither Borrower nor any Subsidiary is an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(n) Neither Borrower nor any Subsidiary is in default under the terms of any covenant, indenture or agreement of or affecting Borrower, any Subsidiary or any of their property, which default if uncured could reasonably be expected to have a material adverse effect on the properties, business or operations.

(o) Borrower and its Subsidiaries are solvent, able to pay their debts as they become due, and have sufficient capital to carry on their business and all businesses in which they are about to engage.

(p) No broker's or finder's fee or commission will be payable with respect hereto or any of the transactions contemplated thereby; and Borrower hereby indemnifies Bank against, and agrees that it will hold Bank harmless from, any claim, demand, or liability for any such broker's or finder's fees alleged to have been incurred in connection herewith or therewith and any expenses (including reasonable attorneys' fees) arising in connection with any such claim, demand, or liability.

(q) None of Borrower, any of its Subsidiaries, any director, officer or employee of Borrower or any of its Subsidiaries, nor, to the knowledge of Borrower, any agent or representative of Borrower or any of its Subsidiaries, is a Sanctioned Person or currently the subject or target of any Sanctions. Borrower, each of its Subsidiaries, each of Borrower's and its Subsidiaries' respective directors, officers and employees, and, to the knowledge of Borrower, each of Borrower's and its Subsidiaries' respective agents and representatives, is in compliance with all applicable Anti-Corruption Laws, Anti-Money Laundering Laws and Sanctions. Borrower and its Subsidiaries have instituted and maintain in effect policies and procedures reasonably designed to ensure compliance by Borrower, its Subsidiaries, and Borrower's and its Subsidiaries' respective directors, officers, employees and agents with all applicable Anti-Corruption Laws, Anti-Money Laundering Laws and Sanctions. For purposes hereof, (1) "*Anti-Corruption Laws*" means all laws, rules, and regulations of any jurisdiction applicable to Borrower or any of its Subsidiaries from time to time concerning or relating to bribery or corruption; (2) "*Anti-Money Laundering Laws*" means any and all laws, statutes, regulations or obligatory government orders, decrees, ordinances or rules applicable to Borrower or its Subsidiaries related to terrorism financing or money laundering, including any applicable provision of the Patriot Act; (3) "*Designated Jurisdiction*" means, at any time, any country, region or territory which is itself the subject or target of any Sanctions; (4) "*OFAC*" means the United States Department of Treasury Office of Foreign Assets Control, (5) "*OFAC SDN List*" means the list of the Specially Designated Nationals and Blocked Persons maintained by OFAC; (6) "*Patriot Act*" means the USA Patriot Act (Title III of Pub. L. 107 56 (signed into law October 26, 2001)), (7) "*Sanctioned Person*" means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by OFAC (including the OFAC SDN List), the United States Department of State, the United Nations Security Council, the European Union, any European Union member state, Her Majesty's Treasury of the United Kingdom, or any other relevant sanctions authority, (b) any Person located, organized or resident in a Designated Jurisdiction or (c) any Person owned or controlled by any such Person or Persons described in clauses (7)(a) or (b) above; (8) "*Sanctions*" means all economic or financial sanctions, sectoral sanctions, secondary sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the United States government (including those administered by OFAC or the United States Department of State) or (b) the United Nations Security Council, the European Union, any European Union member state, Her Majesty's Treasury of the United Kingdom, or any other relevant sanctions authority with jurisdiction over Borrower or any of its Subsidiaries or Affiliates.

12. *Covenants.* Borrower agrees that, so long as any credit is available to or in use by Borrower hereunder, except to the extent compliance in any case or cases is waived in writing by Bank:

(a) Borrower shall, and shall cause each Subsidiary to, preserve and maintain its existence and shall keep in force and effect all licenses, permits and franchises necessary and material to the proper conduct of their respective businesses; *provided, however,* that nothing in this Section shall prevent Borrower from dissolving any of its Subsidiaries or, to the extent permitted under subsection (d) below, merging any of its Subsidiaries with and into Borrower or another Subsidiary if such action is, in the reasonable business judgment of Borrower, desirable in the conduct of its business and is not disadvantages in any material respect to Bank. Borrower shall, and shall cause each Subsidiary to, maintain, preserve and keep its property, plant and equipment, including, without limitation, rolling stock, in good repair, working order and condition.

(b) Borrower shall, and shall cause each Subsidiary to, duly pay and discharge all material taxes, assessments, fees and governmental charges upon it or any of its properties before the same become delinquent, except to the extent that they are being contested in good faith by appropriate proceedings and adequate reserves are provided therefor.

(c) Borrower shall, and shall cause each Subsidiary to, maintain a standard accounting system in accordance with generally accepted accounting principles ("*GAAP*") and shall furnish to Bank the following:

(i) as soon as available and in any event within 45 days after the end of each fiscal quarter, the consolidated and consolidating balance sheet of Borrower and its Subsidiaries, consolidated and consolidating statements of income, stockholders equity and cash flows of Borrower and its Subsidiaries for such fiscal quarter, prepared in accordance with GAAP and certified as accurate by the chief financial officer of Borrower;

(ii) as soon as available and in any event within 90 days after the end of each fiscal year, the consolidated and consolidating balance sheet of Borrower and its Subsidiaries, consolidated and consolidating statements of income, stockholders equity and cash flows of Borrower and its Subsidiaries for such fiscal year, accompanied by an unqualified opinion prepared by independent public accountants of recognized national standing, in accordance with GAAP;

(iii) Each of the financial statements furnished to Bank pursuant to paragraphs 12(c)(i) and (ii) above shall be accompanied by a written compliance certificate of Borrower substantially in the form attached hereto as Exhibit D signed by its chief financial officer: (1) to the effect that the signer thereof has

reviewed the terms and provisions of this Facility Letter and that no Default or Event of Default has occurred during the period covered by such statements or if any such Default or Event of Default has occurred during such period, setting forth a description of such Default or Event of Default and specifying the action, if any, taken by Borrower to remedy the same; and (2) setting forth the information and computations (in sufficient detail) required to establish whether Borrower was in compliance with the financial requirements and covenants set forth herein during the period covered by the financial statements then being furnished;

(iv) Promptly upon obtaining knowledge of the existence thereof, Borrower shall give written notice of (1) any Change of Control (as defined in Section 14(h) hereof), (2) the occurrence of any material adverse change in the operations, business, property, or condition (financial or otherwise) of Borrower or any of its Subsidiaries, (3) the occurrence of any Default or Event of Default hereunder together with a detailed statement by a responsible officer of Borrower of the steps being taken by Borrower to cure any such Default or Event of Default, or (4) any change in the information provided in the Beneficial Ownership Certification that would result in a change to the list of beneficial owners identified in of such certification;

(v) Immediately upon the occurrence of a default, breach or event of default under any note or any other evidence of indebtedness of Borrower or any Subsidiary in excess of \$1,000,000 in the aggregate, or upon becoming aware that the holder of any such note or other evidence of indebtedness has given or threatened to give notice or taken any other action with respect to a claim of default, breach or event of default under such evidence of indebtedness, Borrower shall give Bank notice describing the action taken, the nature of the actual or claimed default and the period of existence thereof, together with a detailed statement by an officer of Borrower of the steps being taken by Borrower or such Subsidiary to cure the actual or claimed default;

(vi) Immediately after the commencement thereof, notice in writing of all litigation and of all proceedings before any governmental or regulatory agency affecting Borrower or any Subsidiary, or which seek a monetary recovery for uninsured claims against Borrower or any Subsidiary in excess of \$10,000,000 in the aggregate, or \$10,000,000 for claims subject to Employment Practice Liability insurance;

(vii) promptly after the sending, copies of each financial statement, report or notice sent by Borrower or any Subsidiary to its stockholders or other equity holders, and, within fifteen days after filing, copies of each regular, periodic or special report, registration statement or prospectus (including all

Form 10-K and Form 10-Q reports) filed by Borrower or any Subsidiary with any securities exchange or the Securities and Exchange Commission or any successor agency; and

(viii) promptly, from time to time, (i) such other information regarding the operations, business affairs and financial condition of Borrower or any any of its Subsidiaries, or compliance with the terms of this Facility Letter, as Bank may reasonably request or (ii) information and documentation reasonably requested by Bank for purposes of compliance with applicable “know your customer” requirements under the Patriot Act or other applicable Anti-Corruption Laws and the Beneficial Ownership Regulation.

(d) Neither Borrower nor any Subsidiary shall, either directly or indirectly, (i) be a party to any merger or consolidation or division, other than (x) the merger of any Subsidiary with and into any other Subsidiary, provided that, in the case of any merger involving a Subsidiary that is a Guarantor, such Subsidiary that is a Guarantor is the company surviving the merger, and (y) the merger of any Subsidiary with and into Borrower, provided that Borrower is the company surviving the merger, nor (ii) sell, transfer, lease, encumber or otherwise dispose of all or any substantial part of its property or business or all or any substantial part of its assets other than in the ordinary course of business. The term “substantial” as used herein shall mean 25% of Borrower’s consolidated Tangible Net Worth at the close of the most recent fiscal year. For purposes of this facility, “Tangible Net Worth” means the consolidated net worth of Borrower (determined by the sum of the common and preferred stock of Borrower, less treasury stock, plus paid in capital and retained earnings) minus the amount of all intangibles, all as determined in accordance with GAAP.

(e) Borrower shall, and shall cause each Subsidiary to, comply in all material respects with the requirements of all federal, state and local laws, rules, regulations, ordinances and orders applicable to Borrower or such Subsidiary or their properties or business operations, the non-compliance with which could reasonably be expected to have a material adverse effect on the financial condition, properties or business of Borrower and its Subsidiaries. Borrower shall at all times comply with the requirements of all Anti-Corruption Laws, Anti-Money Laundering Laws and Sanctions applicable to Borrower and shall cause each of its Subsidiaries to comply with the requirements of all Anti-Corruption Laws, Anti-Money Laundering Laws and Sanctions applicable to such Subsidiaries. Borrower shall provide Bank any information regarding Borrower and each of its owners, Affiliates, and Subsidiaries necessary for Bank to comply with all applicable Anti-Corruption Laws, Anti-Money Laundering Laws and Sanctions, subject however, in the case of Affiliates, to Borrower’s ability to provide information applicable to them. Borrower will maintain in effect and enforce policies and procedures reasonably designed to ensure compliance by Borrower, its Subsidiaries, and Borrower’s

and its Subsidiaries' respective directors, officers, employees and agents with applicable Anti-Corruption Laws, Anti Money-Laundering Laws and Sanctions.

(f) Borrower agrees that it shall not, and shall not permit any Subsidiary to, create, incur, assume or permit to exist any indebtedness or liabilities resulting from borrowings, loans or advances, whether secured or unsecured, matured or unmatured, liquidated or unliquidated, joint or several, except:

(i) the liabilities of Borrower to Bank;

(ii) the liabilities of Borrower existing as of the date of this Facility Letter as set forth on Exhibit F attached to this Facility Letter;

(iii) the liabilities of Borrower resulting from additional secured indebtedness, so long as such secured indebtedness does not exceed \$30,000,000.00 or, if less, the amount permitted under Section 12(g)(vii) hereof; and

(iv) the liabilities of Borrower resulting from additional unsecured indebtedness, provided any loan commitments to an individual lender equal to or in excess of \$10,000,000.00, will be subject to an intercreditor agreement between such lender and Bank in a form and substance reasonably similar to the intercreditor agreement in effect as of the date hereof between Bank and Wells Fargo Bank, National Association.

(g) Borrower agrees that it shall not, and shall not permit any Subsidiary to, create, assume, incur or suffer or permit to exist any mortgage, pledge, encumbrance, security interest, assignment, lien or charge of any kind or character upon any asset of Borrower or any Subsidiary, whether owned at the date hereof or hereafter acquired, except:

(i) liens for taxes, assessments or other governmental charges not yet due or which are being contested in good faith by appropriate proceedings;

(ii) other liens, charges and encumbrances incidental to the conduct of its business or the ownership of its property which were not incurred in connection with the borrowing of money or the obtaining of an advance or credit, and which do not in the aggregate materially detract from the net value of its property or assets or materially impair the use thereof in the operation of its business;

(iii) liens arising out of judgments or awards with respect to which Borrower or such Subsidiary shall concurrently therewith be prosecuting an

appeal or proceedings for review and with respect to which it shall have secured a stay of execution pending such appeal or review;

(iv) pledges or deposits to secure obligations under workmen's compensation laws or similar legislation;

(v) deposits to secure public or statutory obligations of Borrower or such Subsidiary;

(vi) precautionary liens filed against certain accounts receivable of Borrower sold on a non-recourse basis pursuant to one or more supply chain financing programs established by Borrower's account debtors and which sales are permitted within the limitations of Section 12(d)(ii) above; and

(vii) additional liens exclusive of those permitted by Section 12(g)(i-vi) above, *provided* that the sum or such additional liens shall not at any time exceed an amount equal to 10% of Borrower's consolidated Tangible Net Worth.

(h) As of the last day of each fiscal quarter of Borrower, Borrower shall not permit the Total Funded Debt/EBITDA Ratio at such time to be greater than 2.5 to 1.0. For purposes of this Facility Letter, (i) "*Total Funded Debt/EBITDA Ratio*" means, at any time the same is to be determined, the ratio of (a) Total Funded Debt of Borrower and its Subsidiaries at such time to (b) EBITDA of Borrower and its Subsidiaries for the most recently completed period of four (4) consecutive fiscal quarters then ended; (ii) "*Total Funded Debt*" means, at any time the same is to be determined, the sum (but without duplication) of (x) all indebtedness for borrowed money of Borrower and its Subsidiaries at such time (including, without limitation for purposes of this Facility Letter, letters of credit (at their full stated amount) and bankers acceptances and capitalized lease obligations), *plus* (y) all indebtedness for borrowed money of any other Person which is directly or indirectly guaranteed by Borrower or any of its Subsidiaries or which Borrower or any of its Subsidiaries has agreed (contingently or otherwise) to purchase or otherwise acquire or in respect of which Borrower or any of its Subsidiaries has otherwise assured a creditor against loss; and (iii) "*EBITDA*" means, with reference to any period, Net Income of Borrower and in its Subsidiaries determined on a consolidated basis for such period *plus* the sum of all amounts deducted in arriving at such Net Income amount in respect of (a) interest expense for such period, (b) federal, state, local and foreign income taxes for such period, and (c) depreciation of fixed assets and amortization of intangible assets for such period.

(i) As of the last day of each fiscal quarter of Borrower, Borrower shall not permit the Interest Coverage Ratio at such time to be less than 3.0 to 1.0. For purposes of this Facility Letter, (i) "*Interest Coverage Ratio*" means, at any time the same is to be determined, the ratio of (a) EBITDA of Borrower and its Subsidiaries for the most

recently completed period of four (4) consecutive fiscal quarters then ended to (b) interest expense of Borrower and its Subsidiaries for such period.

(j) Borrower will, and will cause each Subsidiary to, maintain insurance coverage by good and responsible insurance underwriters in such forms and amounts and against such risks and hazards as are customary for companies engaged in similar businesses and owning and operating similar properties.

(k) Borrower will, and will cause each Subsidiary to, promptly pay and discharge all obligations and liabilities arising under the ERISA of a character which if unpaid or unperformed might result in the imposition of a lien against its properties and assets and will promptly notify Bank of (i) the occurrence of any reportable event (as defined in ERISA) which might result in the termination by the PBGC of any Plan (ii) receipt of any notice from PBGC of its intention to seek termination of such Plan or appointment of a trustee therefor, and (iii) its intention to terminate or withdraw from any Plan. Borrower will not, and will not permit any Subsidiary to, terminate any such Plan or withdraw therefrom unless it shall be in compliance with all of the terms and conditions of this Facility Letter after giving effect to any liability to PBGC resulting from such termination or withdrawal.

(l) Borrower shall, and shall cause each Subsidiary to, comply in all material respects with the requirements of all federal, state and local pollution laws, regulations, and orders applicable to or pertaining to its properties and business operations of Borrower.

(m) Borrower shall not, nor shall it permit any Subsidiary to, enter into any contract, agreement or business arrangement with any of its Affiliates on terms and conditions which are less favorable to Borrower or such Subsidiary than would be usual and customary in similar contracts, agreements or business arrangements between Persons not affiliated with each other.

(n) The fiscal year of Borrower and its Subsidiaries ends on December 31st of each year; and Borrower shall not, nor shall it permit any Subsidiary to, change its fiscal year from its present basis with the prior written consent of Bank (such consent not to be unreasonably withheld).

(o) Borrower shall not, nor shall it permit any Subsidiary to, engage in any business or activity if as a result the general nature of the business of Borrower or any Subsidiary would be changed in any material respect from the general nature of the business engaged in by it as of the date hereof.

(p) Borrower shall use the credit extended under this Facility Letter solely for the purposes set forth in, or otherwise permitted by, Section 11(j) hereof. Borrower will

not request any Loan or issuance of a Letter of Credit, and the Borrower shall not use, and shall ensure that its Subsidiaries and Affiliates, and its or their respective directors, officers, employees and agents not use, the proceeds of any Loan or Letter of Credit, directly or indirectly, (i) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (ii) to fund, finance or facilitate any activities, business or transaction of or with any Sanctioned Person or in any Designated Jurisdiction, or (iii) in any other manner that would result in the violation of any Sanctions applicable to any party hereto.

(q) Except as provided herein, Borrower shall not, nor shall it permit any Subsidiary to, directly or indirectly create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of Borrower or any Subsidiary to: (i) pay dividends or make any other distribution on any Subsidiary's capital stock or other equity interests owned by Borrower or any other Subsidiary, (ii) pay any indebtedness owed to Borrower or any other Subsidiary, (iii) make loans or advances to Borrower or any other Subsidiary, (iv) transfer any of its property to Borrower or any other Subsidiary, or (v) guarantee the Loan and other obligations of Borrower from time to time owing to Bank hereunder and/or grant security interests or liens on its assets to Bank.

(r) Promptly upon the formation or acquisition of any Subsidiary, Borrower shall provide Bank notice thereof (at which time Exhibit E shall be deemed amended to include reference to any such Subsidiary) and timely comply with the requirements of Section 14(s) below.

(s) The payment and performance of the Loans, reimbursement obligations with respect to Letters of Credit and all other obligations of Borrower from time to time owing to Bank hereunder shall at all times be guaranteed by each direct and indirect Material Domestic Subsidiary of Borrower pursuant to one or more guaranty agreements in form and substance acceptable to Bank, as the same may be amended, modified, or supplemented from time to time (individually a "*Guaranty*" and collectively the "*Guaranties*" and each such Material Domestic Subsidiary being referred to herein as a "*Guarantor*" and collectively the "*Guarantors*"). As of the date hereof, Borrower represents that it has no Material Domestic Subsidiaries. In the event any Subsidiary becomes a Material Domestic Subsidiary after the date hereof or Borrower forms or acquires any Material Domestic Subsidiary after the date hereof, Borrower shall promptly give written notice thereof to Bank and within 30 days cause such newly formed or acquired Material Domestic Subsidiary to execute and deliver a Guaranty and cause to be delivered to Bank such other instruments, documents, certificates, and opinions as may then be required by Bank (at Borrower's expense) in connection therewith. For purposes of this facility, "*Material Domestic Subsidiary*" means each direct or indirect domestic Subsidiary of Borrower which (i) owned as of the end of the

most recently completed fiscal quarter (or, in the case of an acquired subsidiary, on a *pro forma* basis would have owned) assets that represent in excess of 5% of the consolidated total assets of Borrower and its domestic Subsidiaries as of the end of such fiscal quarter or (ii) generated (or, in the case of an acquired subsidiary, on a *pro forma* basis would have generated) gross revenues in excess of 5% of the consolidated total gross revenues for Borrower and its domestic Subsidiaries for the most recently completed fiscal year.

(t) In the event that Borrower shall, directly or indirectly, be a party to or enter into or otherwise consent to any agreement or instrument (or any amendment, supplement or modification thereto) under which, directly or indirectly, any person or persons undertakes to make or provide Material Indebtedness to Borrower (including, without limitation, any instrument, document or indenture relating to any such Material Indebtedness), which agreement (or amendment thereto) provides such person with more restrictive covenants (whether affirmative or negative covenants) or events of defaults than are provided to Bank, Borrower shall provide Bank with a copy of each such agreement (or amendment thereto) and such more restrictive covenants or events of defaults shall automatically be deemed to be incorporated into this Facility Letter, and Bank shall have the benefits of such more restrictive covenants or events of default as if specifically set forth herein. Upon the written request of Bank, Borrower shall promptly enter into an amendment to this Facility Letter to include such more restrictive covenants or events (provided that Bank shall maintain the benefit of such more restrictive covenants or events of default even if Bank fails to make such request or Borrower fails to provide such amendment). For purposes of this subsection, "Material Indebtedness" means any indebtedness permitted pursuant to Section 12(f)(iii) (other than documents evidencing capital lease obligations or purchase money indebtedness) and Section 12(f)(iv) (to the extent the person providing such indebtedness is required to become a party to the intercreditor agreement referred to therein).

13. *Conditions Precedent.* As of the time of the making of each Loan or the issuance of, or extension of the expiration date or increase in the amount of, any Letter of Credit hereunder: (a) each of the representations and warranties set forth in Section 11 hereof shall be true and correct as of such time, except to the extent the same expressly relate to an earlier date; and (b) Borrower shall be in full compliance with all of the terms and conditions of this Facility Letter, and no Event of Default or event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default shall have occurred and be continuing or would occur as a result of making such extension of credit. Borrower's request for any Loan or the issuance of, or extension of the expiration date or increase in the amount of, any Letter of Credit shall constitute its warranty as to the facts specified in subsections (a) and (b) above.

14. *Default.* Borrower without notice or demand of any kind, shall be in default under this Facility Letter upon the occurrence of any of the following events (each an "*Event of Default*").

(a) Any amount due and owing on the Note or any Application or any other obligation owed by Borrower hereunder, whether by its terms or as otherwise provided herein, is not paid when due, or any other indebtedness or obligation (whether direct, contingent or otherwise) of Borrower owing to Bank is not paid when due;

(b) Any written warranty, representation, certificate or statement herein or any other written agreement with Bank shall be false when made or deemed made;

(c) Any failure to perform or default in the performance of any covenant, condition or agreement contained herein or any other written agreement with Bank;

(d) Borrower makes an assignment for the benefit of creditors, fails to pay, or admits in writing its inability to pay its debts as they mature; or if a trustee of any substantial part of the assets of Borrower is applied for or appointed, and in the case of such trustee being appointed in a proceeding brought against Borrower, Borrower by any action or failure to act indicates its approval of, consent to, or acquiescence in such appointment and such appointment is not vacated, stayed on appeal or otherwise shall not have ceased to continue in effect within 60 days after the date of such appointment;

(e) Any proceeding involving Borrower is commenced under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law or statute of the federal government or any state government, and in the case of any such proceeding being instituted against Borrower, (i) Borrower by any action or failure to act indicates its approval of, consent to or acquiescence therein, or (ii) an order shall be entered approving the petition in such proceedings;

(f) The entry of any judgment, decree, levy, attachment, garnishment or other process, in excess of \$5,000,000, or the filing of any lien against Borrower which is not covered by insurance and such judgment, decree, levy, attachment, garnishment, lien or other process shall not have been vacated, discharged or stayed pending appeal within thirty (30) days from the entry thereof;

(g) If a default exists and Borrower is notified of a default (or, if no such declaration or notification exists, a default occurs which is of the type which allows such party to declare the outstanding amounts immediately due and payable without prior declaration of notice to Borrower) in the payment or performance by Borrower of any agreement(s) in excess of \$5,000,000 in the aggregate between Borrower and any other parties other than Bank evidencing the borrowing of money or a guaranty, the effect of which default is to cause or permit the holder of such obligation(s) to cause such obligation(s) to become due prior to its stated maturity;

(h) The acquisition by any person or entity (other than any member of the Clarence Werner family or any trust for the benefit of any member of such family), or

two or more persons or entities acting in concert (other than any members of the Clarence Werner family or any trusts for the benefit of any member of such family), of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 20% or more of the outstanding shares of voting stock of Borrower (any such event being referred to herein as a “*Change of Control*”);

(i) any Material Domestic Subsidiary shall terminate, breach, repudiate, or disavow its Guaranty or any part thereof or any event of the type specified in subsection (a) through (h) of this Section 14 shall occur with respect to any Material Domestic Subsidiary; or

(j) Borrower or any member of its Controlled Group shall fail to pay when due an amount or amounts aggregating in excess \$5,000,000 which it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans having aggregate Unfunded Vested Liabilities in excess of \$5,000,000 (collectively, a “*Material Plan*”) shall be filed under Title IV of ERISA by Borrower or any other member of its Controlled Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Material Plan or a proceeding shall be instituted by a fiduciary of any Material Plan against Borrower or any member of its Controlled Group to enforce Section 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed within 30 days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated.

15. *Remedies.*

(a) *Non-bankruptcy Defaults.* When any Event of Default described in Section 14 has occurred and is continuing (other than those described in subsection (d) or (e) of Section 14 with respect to Borrower) , Bank may, by notice to Borrower, take one or more of the following actions:

(i) terminate the obligation of Bank to extend any further credit hereunder on the date (which may be the date thereof) stated in such notice;

(ii) declare the principal of and the accrued interest on the Note to be forthwith due and payable and thereupon the Note, including both principal and interest and all fees, charges and other obligations payable hereunder and under any other document executed between Borrower and Bank, shall be and become immediately due and payable without further demand, presentment, protest or notice of any kind;

(iii) demand that Borrower immediately deliver to Bank cash collateral in an amount equal to 105% of the aggregate amount of each Letter of Credit then outstanding, and Borrower agrees to immediately make such payment and acknowledges and agrees that Bank would not have an adequate remedy at law for failure by Borrower to honor any such demand and Bank shall have the right to require Borrower to specifically perform such undertaking whether or not any drawings or other demands for payment have been made under any Letter of Credit; and

(iv) enforce any and all rights and remedies available to it under any other document executed between Borrower and Bank or under applicable law.

(b) *Bankruptcy Defaults.* When any Event of Default described in subsection (d) or (e) of Section 14 has occurred and is continuing with respect to Borrower, then the Note, including both principal and interest, and all fees, charges and other obligations payable hereunder and thereunder, shall immediately become due and payable without presentment, demand, protest or notice of any kind, the obligation of Bank to extend further credit pursuant to any of the terms hereof shall immediately terminate, and Borrower shall immediately deliver to Bank cash collateral in an amount equal to 105% of the aggregate amount of each Letter of Credit then outstanding (Borrower acknowledging and agreeing that Bank would not have an adequate remedy at law for failure by Borrower to honor any such demand and that Bank shall have the right to require Borrower to specifically perform such undertaking whether or not any draws or other demands for payment have been made under any of the Letters of Credit). In addition, Bank may exercise any and all remedies available to it under any other document executed between Borrower and Bank or applicable law.

No delay by Bank in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by Bank of any right or remedy shall preclude any other or further exercise thereof or the exercise of any other right or remedy.

Bank may at any time hereafter following the occurrence and during the continuation of any Event of Default, without notice, appropriate and apply toward the payment of the outstanding balance of this Note, if not paid when due, or toward the payment of outstanding sums then due to Bank under the Facility Letter, any indebtedness of Bank to Borrower howsoever created or arising, including, without limitation, any and all balances, credits, deposits, accounts or monies of Borrower.

Borrower agrees to pay on demand the reasonable costs and expenses of Bank in connection with the negotiation, preparation, execution and delivery of this Facility Letter and the other instruments and documents to be delivered hereunder or thereunder, and in connection with the transactions contemplated hereby or thereby, and in connection with any consents hereunder or waivers or amendments hereto or thereto, including the reasonable fees and expenses of counsel for Bank with respect to all of the foregoing, with such fees and expenses of counsel for Bank incurred in connection with the initial closing of this Facility Letter not to

exceed \$20,000 (whether or not the transactions contemplated hereby are consummated). Borrower further agrees to pay to Bank or any other holder of the Note all costs and expenses (including court costs and reasonable attorneys' fees), if any, incurred or paid by Bank or any other holder of the Note in connection with any Default or Event of Default or in connection with the enforcement of this Facility Letter or any other instrument or document delivered hereunder or thereunder (including, without limitation, all such costs and expenses incurred in connection with any proceeding under the United States Bankruptcy Code involving Borrower or any guarantor). Borrower further agrees to indemnify Bank and any other holder of the Note, and their respective directors, officers and employees, against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all expenses of litigation or preparation therefor, whether or not the indemnified Person is a party thereto) which any of them may pay or incur arising out of or relating to this Facility Letter or any of the transactions contemplated thereby or the direct or indirect application or proposed application of the proceeds of any extension of credit made available hereunder, other than those which arise from the bad faith, gross negligence or willful misconduct of, or material breach of this Facility Letter by, the party claiming indemnification. Borrower, upon demand by Bank at any time, shall reimburse Bank for any reasonable legal or other expenses incurred in connection with investigating or defending against any of the foregoing except if the same is directly due to the gross negligence or willful misconduct of the party to be indemnified. The obligations of Borrower under this Section shall survive the termination of this Facility Letter.

Except as otherwise specified herein, all notices hereunder shall be in writing (including, without limitation, notice by fax transmission or electronic mail transmission) and shall be given to the relevant party at its address or fax number or electronic mail address set forth below, or such other address or fax number or electronic mail address as such party may hereafter specify by notice to the other given by courier, by United States certified or registered mail, by fax transmission, electronic mail transmission or by other telecommunication device capable of creating a written record of such notice and its receipt. Notices hereunder shall be addressed:

to Borrower at:

Werner Enterprises, Inc.
14507 Frontier Road
Omaha, Nebraska 68138
Attention: John J. Steele
Telephone: (402) 894-3036
Fax: (402) 894-3990
Email: steele@werner.com

with a copy to:

Werner Enterprises, Inc.
14507 Frontier Road
Omaha, NE 68138
Attention: General Counsel

to Bank at:

BMO Harris Bank N.A.
115 South LaSalle Street
Chicago, Illinois 60603
Attention: Isabella Battista
Telephone: (312) 461-5583
Fax: (312) 293-4044
Email: isabella.battista@bmo.com

and, in the case of any request for any advance,
continuation or conversion of Loans hereunder, also to:

BMO Financial Group
111 West Monroe Street
Chicago, Illinois 60603
Attention: Tiairria Mays, Senior Service Rep. T&O,
P&C PO US/ Client Servicing
Telephone: (312) 293-4219
Fax: (312) 461-5955
Email: GFS.CSAgency@bmo.com

or

BMO Financial Group
115 South LaSalle Street, 19W
Chicago, Illinois 60603
Attention: Anita Williams, Service Specialist II, Mid-
Corporate Group
Telephone: (312) 461-5337
Fax: (312) 765-1136
Email: anita.williams@bmo.com

Each such notice, request or other communication shall be effective (i) if given by fax transmission, when such fax is transmitted to the fax number specified in this Section and a confirmation of such fax has been received by the sender, (ii) if given by electronic mail transmission, when such electronic mail is transmitted to the electronic mail address specified in this Section and a confirmation of such electronic mail has been received by the sender from the intended recipient (such as by the "return receipt requested" function, as available, return electronic mail address or other written acknowledgement), (iii) if given by mail, five (5) days after such communication is deposited in the mail, certified or registered with return receipt

requested, addressed as aforesaid or (iv) if given by any other means, when delivered at the addresses specified in this Section; provided that any notice given pursuant to Section 5 or Section 6 hereof shall be effective only upon receipt.

Borrower hereby authorizes Bank and any other holder of the Note to disclose confidential information relating to the financial condition or operations of Borrower (i) to any affiliate of Bank or any such holder, (ii) to any purchaser or prospective purchaser of an interest in any Loan or other obligation of Borrower hereunder with notice thereof to Borrower (provided no such notice shall be required if the purchaser or prospective purchaser is an affiliate of Bank), (iii) to legal counsel, accountants, and other professional advisors to Bank or any holder, (iv) to regulatory officials, (v) as requested or required by law, regulation, or legal process, or (vi) in connection with any legal proceeding to which Bank or any other such holder is a party. In the event that Bank or such holder receives any subpoena, order or request concerning any confidential information relating to the financial condition or operations of Borrower, Bank or the relevant holder will, except as prohibited by law or to the extent not practicable, (a) promptly notify Borrower thereof, and (b) if disclosure is required or deemed advisable, reasonably cooperate with Borrower in any reasonable attempt that it may make to obtain an order or other reliable assurance that confidential treatment will be accorded to designated portions of the confidential information (and, if in the absence of a protective order Bank is nonetheless required to disclose any confidential information in the reasonable opinion of its legal counsel, Bank may disclose such information without liability hereunder), *provided* Borrower agrees that Bank shall be entitled to reimbursement for its reasonable expenses, including the fees and expense of its counsel, in connection with action taken pursuant to this paragraph.

This Facility Letter shall be binding upon Borrower and its successors and assigns, and shall inure to the benefit of Bank and the benefit of its successors and assigns, including any subsequent holder of the Note or other obligations hereunder. Borrower understands and agrees that this facility is not assignable by Borrower. Bank reserves the right to sell assignments and participations in this Facility Letter and the credit facility set forth herein.

We trust that the foregoing adequately sets forth the terms and conditions with respect to this facility. If you are in agreement with the above, please execute and return the enclosed note and a copy of this Facility Letter. This facility shall be effective when you have signed and returned both of such items to us. The offer to establish a facility which is evidenced by Bank's delivery of a copy of this letter to Borrower will expire May 31, 2019, unless on or prior to such time Bank shall have received (a) an upfront fee of \$100,000 paid to the Bank for its own use and benefit, which shall be nonrefundable and fully earned when paid, (b) a current Beneficial Ownership Certificate, and (c) a copy of this letter signed by Borrower accompanied by satisfactory corporate resolutions, incumbency certificates, good standing certificates, and opinion letter from Borrower's counsel in form and substance acceptable to Bank.

This Facility Letter may be executed in any number of counterparts, and by different parties hereto on separate counterpart signature pages, and all such counterparts taken together shall be deemed to constitute one and the same agreement. This Facility Letter and the Note constitutes the entire understanding of the parties with respect to the subject matter hereof and any prior agreements, whether written or oral, with respect thereto are superseded hereby. This Facility Letter and the Note and the rights and duties of the parties hereto shall be governed by, and construed in accordance with, the internal laws of the State of Illinois without regard to principles of conflicts of laws.

Borrower hereby submits to the nonexclusive jurisdiction of the United States District Court for the Northern District of Illinois and of any Illinois State court sitting in the City of Chicago for purposes of all legal proceedings arising out of or relating to this Facility Letter or the transactions contemplated hereby or thereby. Borrower irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum. Borrower and Bank hereby irrevocably waive any and all right to trial by jury in any legal proceeding arising out of or relating to this Facility Letter, the Note, the Applications, or the transactions contemplated hereby or thereby.

Bank hereby notifies Borrower that pursuant to the requirements of the Patriot Act, it is required to obtain, verify, and record information that identifies Borrower, which information includes the name and address of Borrower and other information that will allow Bank to identify Borrower in accordance with the Patriot Act.

From and after the date of this Facility Letter, all references to the Facility Letter dated as of March 5, 2015 (as amended, the "*Prior Facility Letter*") in any Loan Document or in any other instrument or document shall, unless otherwise explicitly stated therein, be deemed to refer to this Facility Letter. This Facility Letter shall become effective as of the date hereof, and supersede all provisions of the Prior Facility Letter as of such date, upon the execution of this Facility Letter by each of the parties hereto and fulfillment of the conditions precedent contained herein. This Facility Letter shall constitute for all purposes an extension and amendment of the Prior Facility Letter and not a new or refinancing agreement and all loans and letters of credit outstanding under the Prior Facility Letter shall continue to be outstanding as Loans and Letters of Credit hereunder and shall not constitute a novation of the indebtedness or other obligations outstanding under the Prior Facility Letter.

[Signature Page to Follow]

This Facility Letter is entered into as of the date and year first above written.

Sincerely,

BMO Harris Bank N.A.

By	<u>/s/ Kenneth J. Kramer</u>
Name	<u>Kenneth J. Kramer</u>
Title	<u>Director</u>

Acknowledged and Agreed as of May 14, 2019.

Werner Enterprises, Inc.

By	<u>/s/ John J. Steele</u>
	John J. Steele, Executive Vice President
	Treasurer & Chief Financial Officer

By	<u>/s/ Derek J. Leathers</u>
Name	<u>Derek J. Leathers</u>
Title	<u>President and CEO</u>

Exhibit A

Replacement Promissory Note

Dated: May 14, 2019

USD \$200,000,000.00

Werner Enterprises, Inc., a Nebraska corporation (the "*Borrower*"), for value received, promises to pay to BMO Harris Bank N.A. (the "*Bank*"), or its registered assigns, in lawful money of the United States at the principal office of Bank in Chicago, Illinois, or as Bank may otherwise direct, the lesser of the principal sum of Two Hundred Million United States Dollars or the principal amount outstanding, if any, under the Facility Letter (as hereinafter defined), with interest on the principal amount outstanding hereunder as set forth in the Facility Letter.

This Replacement Promissory Note (this "*Note*") evidences Loans made under that certain Facility Letter dated as of May 14, 2019, between Borrower and Bank (as the same may be amended, modified, or restated from time to time, the "*Facility Letter*"); and this Note and the holder hereof are entitled to all the benefits provided for under the Facility Letter, to which reference is hereby made for a statement thereof. This Note may be declared to be, or be and become, due prior to its expressed maturity, voluntary prepayments may be made hereon, and certain prepayments may be required to be made hereon, all in the events, on the terms, and with the effects provided in the Facility Letter. The undersigned hereby waives presentment and notice of dishonor. The undersigned agrees to pay to the holder hereof all expenses incurred or paid by such holder, including reasonable attorneys' fees and court costs, in connection with the collection of this Note.

This Note shall be governed by the Internal Law (and not the Law of Conflicts) of the State of Illinois. Borrower and Bank each hereby waive trial by jury in any judicial proceeding involving, directly or indirectly, any matter (whether sounding in tort, contract or otherwise) in any way arising out of, related to, or connected with this Note or the relationship established hereunder.

This Note is issued in replacement of and substitution for, but not in novation of, the Promissory Note issued March 5, 2015, in favor of Bank in the aggregate principal amount of USD \$75,000,000.00 (the "*Replaced Note*"), and the Loans evidenced by the Replaced Note are continuing and are evidenced by this Note.

Werner Enterprises, Inc.

By _____
John J. Steele, Executive Vice President
Treasurer & Chief Financial Officer

By _____
Name _____
Title _____

Exhibit B

Notice of Borrowing

Date: _____ , _____

To: BMO Harris Bank N.A. ("*Bank*")

Ladies and Gentlemen:

Werner Enterprises, Inc. (the "*Borrower*"), refers to the Facility Letter dated as of May 14, 2019, between Borrower and Bank (as the same may be amended, modified, or restated from time to time, the "*Facility Letter*"), the terms defined therein being used herein as therein defined, and hereby gives you irrevocable notice, pursuant to Section 5(f) of the Facility Letter, of a request for a Loan specified below:

1. The Business Day of the proposed Loan is _____, ____.
2. The aggregate amount of the proposed Loan is \$ _____.
3. The Loan is to be advanced as **[part of the Base Rate Portion][a LIBOR Portion with an Interest Period of __ months]** .

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the proposed advance, before and after giving effect thereto and to the application of the proceeds therefrom:

(a) the representations and warranties of Borrower contained in Section 11 of the Facility are true and correct as though made on and as of such date (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct as of such date); and

(b) Borrower is in full compliance with all of the terms and conditions of the Facility Letter, and no Event of Default or event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default has occurred and is continuing or would occur as a result of making such proposed Loan.

Werner Enterprises, Inc.

By

Name

Title

Exhibit C

Notice of Continuation/Conversion

Date: _____, ____

To: BMO Harris Bank N.A. ("*Bank*")

Ladies and Gentlemen:

Werner Enterprises, Inc. (the "*Borrower*"), refers to the Facility Letter dated as of May 14, 2019, between Borrower and Bank (as the same may be amended, modified, or restated from time to time, the "*Facility Letter*"), the terms defined therein being used herein as therein defined, and hereby gives you irrevocable notice, pursuant to Section 5(f) of the Facility Letter, of the **[conversion] [continuation]** of the Loans specified herein, that:

1. The conversion/continuation date is _____, ____.
2. The aggregate amount of the Loans to be **[converted] [continued]** is \$_____.
3. The Loans are to be **[converted into] [continued as] [LIBOR Portions] [part of the Base Rate Portion]** of the Loans.
4. **[If applicable:]** The duration of the Interest Period for the LIBOR Portion of the Loans included in the **[conversion] [continuation]** shall be _____ months.

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the proposed conversion/continuation date, before and after giving effect thereto and to the application of the proceeds therefrom:

(a) the representations and warranties of Borrower contained in Section 11 of the Facility are true and correct as though made on and as of such date (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct as of such date); and

(b) Borrower is in full compliance with all of the terms and conditions of the Facility Letter, and no Event of Default or event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default has occurred and is continuing or would occur as a result of making such proposed Loan.

Werner Enterprises, Inc.

By _____

Name _____

Title _____

Exhibit D

Compliance Certificate

This Compliance Certificate is furnished to BMO Harris Bank N.A. (the "*Bank*") pursuant to that certain Facility Letter dated as of May 14, 2019, between Werner Enterprises, Inc. (the "*Borrower*") and Bank (the "*Facility Letter*"). Unless otherwise defined herein, the terms used in this Compliance Certificate have the meanings ascribed thereto in the Line of Credit Agreement.

The Undersigned hereby certifies that:

1. I am the duly elected _____ of Borrower;
2. I have reviewed the terms of the Facility Letter and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of Borrower during the accounting period covered by the attached financial statements;
3. The examinations described in Section 2 did not disclose, and I have no knowledge of, the existence of any condition or the occurrence of any event which constitutes a Default (or any event or condition which with notice or lapse of time, or both, would constitute a Default) during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth below;
4. The financial statements required by Section 12(c) of the Facility Letter and being furnished to you concurrently with this certificate are, to the best of my knowledge, true, correct and complete as of the dates and for the periods covered thereby; and
5. The Attachment hereto sets forth financial data and computations evidencing Borrower's compliance with certain covenants of the Facility Letter, all of which data and computations are, to the best of my knowledge, true, complete and correct and have been made in accordance with the relevant Sections of the Facility Letter.

Described below are the exceptions, if any, to Section 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which Borrower has taken, is taking, or proposes to take with respect to each such condition or event:

The foregoing certifications, together with the computations set forth in the Attachment hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this _____ day of _____, _____.

_____, _____
(Type or Print Name) (Title)

**Attachment To Compliance Certificate
Werner Enterprises, Inc.**

Compliance Calculations for Facility Letter
Dated as of May 14, 2019
Calculations as of _____, ____ =

A. Total Funded Debt/EBITDA Ratio (Section 12(h))

- | | |
|---|--------------|
| 1.Total Funded Debt | \$ _____ |
| 2.Net Income for past 4 quarters | \$ _____ |
| 3.Interest Expense for past 4 quarters | \$ _____ |
| 4.Income taxes for past 4 quarters | \$ _____ |
| 5.Depreciation and Amortization Expense for past 4 quarters | \$ _____ |
| 6.Sum of lines A2, A3, A4 and A5 (" <i>EBITDA</i> ") | \$ _____ |
| 7.Ratio of Line A1 to A6 | _____ to 1.0 |
| 8.Line A7 ratio must not be greater than | 2.5 to 1.0 |
| 9.Borrower is in compliance (circle yes or no) | yes/no |

B. Interest Coverage Ratio (Section 12(i))

- | | |
|--|--------------|
| 1.EBITDA for past 4 quarters (Line A6 above) | \$ _____ |
| 2.Interest Expense for past 4 quarters (Line A3 above) | \$ _____ |
| 3.Ratio of Line B1 to Line B2 | _____ to 1.0 |
| 4.Line B3 ratio must not be less than | 3.0 to 1.0 |
| 5.Borrower is in compliance (circle yes or no) | yes/no |
-

Exhibit E

Subsidiaries

No.	Subsidiary Name	Jurisdiction of Organization	Percentage Ownership	Material Domestic Subsidiary (Yes or No)
1.	Werner Leasing LLC	Nebraska	100%	No
2.	Gra-Gar, LLC	Delaware	100%	No
3.	Drivers Management, LLC	Delaware	100%	No
4.	Werner Management, Inc.	Nebraska	100%	No
5.	Fleet Truck Sales, Inc.	Nebraska	100%	No
6.	Werner Global Logistics, Inc.	Nebraska	100%	No
7.	Werner Transportation, Inc.	Nebraska	100%	No
8.	Werner de Mexico, S. de R.L. de C.V.	Mexico	100%	No
9.	Werner Enterprises Canada Corporation	Canada	100%	No
10.	Werner Leasing de Mexico, S. de R.L. de C.V.	Mexico	100%	No
11.	Werner Global Logistics U.S., LLC	Nebraska	100%	No
12.	Werner Global Logistics (Barbados), SRL	Barbados	100%	No
13.	Werner Global Logistics (Shanghai), Co., Ltd.	China	100%	No
14.	Werner Global Logistics-Hong Kong Limited	Hong Kong	100%	No
15.	WECC, Inc.	Nebraska	100%	No
16.	Werner Global Logistics Mexico, S. de R.L. de C.V.	Mexico	100%	No
17.	Werner Global Logistics Australia Pty. Ltd	Australia	100%	No
18.	American Institute of Trucking, Inc.	Arizona	100%	No
19.	CG&G, Inc.	Nebraska	100%	No
20.	CG&G II, Inc.	Nebraska	100%	No
21.	Career Path Training, Inc.	Florida	100%	No
22.	Werner International Freight Forwarding (Shanghai), Co. Ltd.	China	100%	No
23.	WGL Panama, Inc.	Panama	100%	No
24.	American Consulting Services Corp.	Florida	100%	No

Exhibit F

Existing Indebtedness

Description	Available Amount
Wells Fargo Bank, National Association Unsecured Revolving Line of Credit	\$100,000,000
Wells Fargo Bank, National Association Term Loan	\$75,000,000
U.S. Bank, National Association Unsecured Revolving Line of Credit	\$75,000,000

EXHIBIT 31.1

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO RULES 13a-14(a) AND 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934
(SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)**

I, Derek J. Leathers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Werner Enterprises, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2019

/s/ Derek J. Leathers

Derek J. Leathers

President and Chief Executive Officer

EXHIBIT 31.2

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO RULES 13a-14(a) AND 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934
(SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)**

I, John J. Steele, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Werner Enterprises, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2019

/s/ John J. Steele

John J. Steele

Executive Vice President, Treasurer and Chief Financial Officer

EXHIBIT 32.1

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

In connection with the Quarterly Report of Werner Enterprises, Inc. (the “Company”) on Form 10-Q for the period ending June 30, 2019 (the “Report”), filed with the Securities and Exchange Commission, I, Derek J. Leathers, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 7, 2019

/s/ Derek J. Leathers

Derek J. Leathers

President and Chief Executive Officer

EXHIBIT 32.2

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

In connection with the Quarterly Report of Werner Enterprises, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2019 (the "Report"), filed with the Securities and Exchange Commission, I, John J. Steele, Executive Vice President, Treasurer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 7, 2019

/s/ John J. Steele

John J. Steele

Executive Vice President, Treasurer and
Chief Financial Officer