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

Form 10-Q

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

For the Quarterly Period Ended March 31, 2014

OR

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

For the transition period from _____ to _____

Commission File Number 001-35007



Swift Transportation Company

(Exact name of registrant as specified in its charter)

Delaware

**(State or other jurisdiction of
incorporation or organization)**

20-5589597

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

2200 South 75th Avenue

Phoenix, AZ 85043

(Address of principal executive offices and zip code)

(602) 269-9700

(Registrant's telephone number, including area code)

N/A

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

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

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

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

Large accelerated filer ☒

Accelerated filer ☐

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

Smaller reporting company ☐

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

The number of outstanding shares of the registrant's Class A common stock as of April 29, 2014 was 88,757,598 and the number of outstanding shares of the registrant's Class B common stock as of April 29, 2014 was 52,441,938.

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PART I. FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

Swift Transportation Company and Subsidiaries Consolidated Balance Sheets

	March 31, 2014	December 31, 2013
	(Unaudited)	
	(In thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 46,098	\$ 59,178
Restricted cash	47,012	50,833
Restricted investments, held to maturity, amortized cost	25,832	25,814
Accounts receivable, net	454,709	418,436
Equipment sales receivable	7,276	368
Income tax refund receivable	11,854	23,704
Inventories and supplies	17,776	18,430
Assets held for sale	18,389	19,268
Prepaid taxes, licenses, insurance and other	57,397	63,958
Deferred income taxes	39,758	46,833
Current portion of notes receivable	8,419	7,210
Total current assets	734,520	734,032
Property and equipment, at cost:		
Revenue and service equipment	1,983,607	1,942,423
Land	116,973	117,929
Facilities and improvements	256,719	248,724
Furniture and office equipment	62,993	61,396
Total property and equipment	2,420,292	2,370,472
Less: accumulated depreciation and amortization	951,521	922,665
Net property and equipment	1,468,771	1,447,807
Other assets	50,926	57,166
Intangible assets, net	312,543	316,747
Goodwill	253,256	253,256
Total assets	\$ 2,820,016	\$ 2,809,008
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 174,397	\$ 118,014
Accrued liabilities	119,053	110,745
Current portion of claims accruals	80,645	75,469
Current portion of long-term debt and obligations under capital leases	80,619	75,056
Fair value of guarantees	—	366
Current portion of interest rate swaps	5,225	4,718
Total current liabilities	459,939	384,368
Revolving line of credit	—	17,000
Long-term debt and obligations under capital leases, less current portion	1,195,305	1,246,764
Claims accruals, less current portion	125,729	118,582
Fair value of interest rate swaps, less current portion	5,435	7,050
Deferred income taxes	469,690	484,200
Securitization of accounts receivable	259,000	264,000
Other liabilities	2,665	3,457
Total liabilities	2,517,763	2,525,421
Contingencies (note 12)		

Stockholders' equity:

Preferred stock, par value \$0.01 per share; Authorized 10,000,000 shares; none issued	—	—
Class A common stock, par value \$0.01 per share; Authorized 500,000,000 shares; 88,741,525 and 88,402,991 shares issued and outstanding as of March 31, 2014 and December 31, 2013, respectively	886	883
Class B common stock, par value \$0.01 per share; Authorized 250,000,000 shares; 52,441,938 shares issued and outstanding as of March 31, 2014 and December 31, 2013	525	525
Additional paid-in capital	764,958	759,408
Accumulated deficit	(458,864)	(471,169)
Accumulated other comprehensive loss	(5,354)	(6,162)
Noncontrolling interest	102	102
Total stockholders' equity	302,253	283,587
Total liabilities and stockholders' equity	\$ 2,820,016	\$ 2,809,008

See accompanying notes to consolidated financial statements.

Swift Transportation Company and Subsidiaries
Consolidated Statements of Income

	Three Months Ended March 31,	
	2014	2013
	(Unaudited) (Amounts in thousands, except per share data)	
Operating revenue	\$ 1,008,446	\$ 981,608
Operating expenses:		
Salaries, wages and employee benefits	229,366	226,485
Operating supplies and expenses	80,825	72,067
Fuel	156,022	168,116
Purchased transportation	319,169	292,156
Rental expense	51,719	40,623
Insurance and claims	42,448	31,538
Depreciation and amortization of property and equipment	56,175	54,870
Amortization of intangibles	4,204	4,204
Gain on disposal of property and equipment	(3,159)	(2,848)
Communication and utilities	7,170	6,565
Operating taxes and licenses	18,337	18,114
Total operating expenses	962,276	911,890
Operating income	46,170	69,718
Other (income) expenses:		
Interest expense	23,225	26,362
Derivative interest expense	1,653	562
Interest income	(766)	(591)
Loss on debt extinguishment	2,913	5,044
Gain on sale of real property	—	(6,078)
Other	(864)	(560)
Total other (income) expenses, net	26,161	24,739
Income before income taxes	20,009	44,979
Income tax expense	7,704	14,687
Net income	\$ 12,305	\$ 30,292
Basic earnings per share	\$ 0.09	\$ 0.22
Diluted earnings per share	\$ 0.09	\$ 0.21
Shares used in per share calculations		
Basic	140,981	139,686
Diluted	143,018	141,259

See accompanying notes to consolidated financial statements.

Swift Transportation Company and Subsidiaries
Consolidated Statements of Comprehensive Income

	Three Months Ended March 31,	
	2014	2013
	(Unaudited) (In thousands)	
Net income	\$ 12,305	\$ 30,292
Other comprehensive income before income taxes:		
Accumulated losses on derivatives reclassified to derivative interest expense	1,314	491
Change in fair value of interest rate swaps	—	(319)
Other comprehensive income before income taxes	1,314	172
Income tax effect of items within other comprehensive income	(506)	26
Other comprehensive income, net of taxes	808	198
Total comprehensive income	<u>\$ 13,113</u>	<u>\$ 30,490</u>

See accompanying notes to consolidated financial statements.

Swift Transportation Company and Subsidiaries
Consolidated Statement of Stockholders' Equity

	Class A Common Stock		Class B Common Stock		Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Stockholders' Equity
	Shares	Par Value	Shares	Par Value					
(Unaudited) (In thousands, except per share data)									
Balances, December 31, 2013	88,402,991	\$ 883	52,441,938	\$ 525	\$ 759,408	\$ (471,169)	\$ (6,162)	\$ 102	\$ 283,587
Exercise of stock options	310,136	3			3,154				3,157
Excess tax deficiency of stock options					1,078				1,078
Grant of restricted Class A common stock	16,198				24				24
Shares issued under employee stock purchase plan	12,200				257				257
Other comprehensive income							808		808
Non-cash equity compensation					1,037				1,037
Net income						12,305			12,305
Balances, March 31, 2014	<u>88,741,525</u>	<u>\$ 886</u>	<u>52,441,938</u>	<u>\$ 525</u>	<u>\$ 764,958</u>	<u>\$ (458,864)</u>	<u>\$ (5,354)</u>	<u>\$ 102</u>	<u>\$ 302,253</u>

See accompanying notes to consolidated financial statements.

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Swift Transportation Company and Subsidiaries Consolidated Statements of Cash Flows

	Three Months Ended March 31,	
	2014	2013
	(Unaudited) (In thousands)	
Cash flows from operating activities:		
Net income	\$ 12,305	\$ 30,292
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property, equipment and intangibles	60,379	59,074
Amortization of debt issuance costs, original issue discount, and losses on terminated swaps	2,515	1,228
Gain on disposal of property and equipment less write-off of totaled tractors	(2,958)	(2,747)
Gain on sale of real property	—	(6,078)
Equity losses of investee	—	186
Deferred income taxes	(7,942)	14,417
Provision for allowance for losses on accounts receivable	792	(164)
Loss on debt extinguishment	2,913	5,044
Non-cash equity compensation	1,061	605
Income effect of mark-to-market adjustment of interest rate swaps	(32)	189
Interest on Central stockholders' loan receivable, pre-acquisition	—	(16)
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	(37,064)	(22,067)
Inventories and supplies	653	(122)
Prepaid expenses and other current assets	18,446	(1,229)
Other assets	2,871	4,028
Accounts payable, accrued and other liabilities	22,218	28,162
Net cash provided by operating activities	76,157	110,802
Cash flows from investing activities:		
Decrease in restricted cash	3,821	6,211
Change in restricted investments	(164)	(7,073)
Proceeds from sale of property and equipment	28,428	14,326
Capital expenditures	(60,058)	(61,795)
Payments received on notes receivable	1,553	1,034
Expenditures on assets held for sale	(1,521)	(833)
Payments received on assets held for sale	2,269	21,828
Payments received on equipment sale receivables	469	596
Net cash used in investing activities	(25,203)	(25,706)
Cash flows from financing activities:		
Repayment of long-term debt and capital leases	(46,526)	(97,295)
Net (repayments) borrowings on revolving line of credit	(17,000)	7,407
Borrowings under accounts receivable securitization	—	56,000
Repayment of accounts receivable securitization	(5,000)	(56,000)
Proceeds from long-term debt	—	19,200
Payment of deferred loan costs	—	(1,257)
Distribution to Central stockholders, pre-acquisition	—	(386)
Issuance of Central stockholders' loan receivable, pre-acquisition	—	(30,000)
Proceeds from exercise of stock options and the issuance of employee stock purchase plan shares	3,414	2,875
Income tax benefit from exercise of stock options	1,078	(490)
Net cash used in financing activities	(64,034)	(99,946)
Net decrease in cash and cash equivalents	(13,080)	(14,850)
Cash and cash equivalents at beginning of period	59,178	53,596
Cash and cash equivalents at end of period	\$ 46,098	\$ 38,746

See accompanying notes to consolidated financial statements.

Swift Transportation Company and Subsidiaries
Consolidated Statements of Cash Flows — (continued)

	Three Months Ended March 31,	
	2014	2013
	(Unaudited) (In thousands)	
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 11,854	\$ 14,915
Income taxes	\$ 3,463	\$ 2,908
Supplemental schedule of:		
Non-cash investing activities:		
Equipment sales receivables	\$ 7,376	\$ 2,661
Equipment purchase accrual	\$ 59,867	\$ 32,705
Notes receivable from sale of assets	\$ 2,762	\$ 1,148
Non-cash financing activities:		
Accrued deferred loan costs	\$ —	\$ 75
Capital lease additions	\$ —	\$ 13,808
Insurance premium note payable	\$ 37	\$ —

See accompanying notes to consolidated financial statements.

Swift Transportation Company and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)

Note 1. Basis of Presentation

Swift Transportation Company is the holding company for Swift Transportation Co., LLC (a Delaware limited liability company) and its subsidiaries (collectively, “Swift Transportation Co.”), a truckload carrier headquartered in Phoenix, Arizona, and Interstate Equipment Leasing, LLC (“IEL”) (all the foregoing being, collectively, “Swift” or the “Company”).

As of March 31, 2014, the Company operated a national terminal network and a tractor fleet of approximately 18,400 units comprised of 13,300 tractors driven by company drivers and 5,100 owner-operator tractors, a fleet of 58,100 trailers, and 8,700 intermodal containers. The Company’s four reportable operating segments are Truckload, Dedicated, Central Refrigerated and Intermodal. In the first quarter of 2014, the Company reorganized its reportable segments to reflect management’s revised reporting structure of its lines of businesses following the integration of Central Refrigerated. In association with the operational reorganization, the operations of Central Refrigerated’s Trailer on Flat Car (TOFC) business will be reported within the Company’s Intermodal segment and the operations of Central Refrigerated’s logistics business, third-party leasing, and other services provided to owner-operators will be reported in the Company’s other non-reportable segment. All prior period historical results related to the above noted segment reorganization have been retrospectively recast.

In the opinion of management, the accompanying financial statements prepared in accordance with GAAP include all adjustments necessary for the fair presentation of the interim periods presented. These interim financial statements should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2013. Management has evaluated the effect on the Company’s reported financial condition and results of operations of events subsequent to March 31, 2014 through the issuance of the financial statements.

Note 2. Income Taxes

The effective tax rate for the three months ended March 31, 2014 was 38.5%, as expected. The effective tax rate for the three months ended March 31, 2013 was 32.7%, which is 5.8% percentage points lower than expected primarily due to Central Refrigerated’s pre-affiliated earnings that were taxed as an S-corporation prior to Swift’s acquisition.

The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense. Accrued interest and penalties as of March 31, 2014 were \$1.1 million. To the extent interest and penalties are not assessed with respect to uncertain tax positions, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision. The Company does not anticipate a decrease of unrecognized tax benefits during the next twelve months.

Certain of the Company’s subsidiaries are currently under examination by the Internal Revenue Service and various state jurisdictions for tax years ranging from 2008 through 2012. At the completion of these examinations, management does not expect any adjustments that would have a material impact on the Company’s effective tax rate. Tax years 2009 through 2013 remain subject to examination.

Note 3. Investments

The following table presents the cost or amortized cost, gross unrealized gains and losses, and estimated fair value of the Company’s restricted investments as of March 31, 2014 and December 31, 2013 (in thousands):

	March 31, 2014			
	Cost or Amortized Cost	Gross Unrealized		Estimated Fair Value
		Gains	Temporary Losses	
U.S. corporate securities	\$ 22,205	\$ 6	\$ 7	\$ 22,204
Foreign corporate securities	1,512	—	—	1,512
Negotiable certificate of deposits	2,115	—	1	2,114
Total restricted investments	\$ 25,832	\$ 6	\$ 8	\$ 25,830

	December 31, 2013			
	Cost or Amortized Cost	Gross Unrealized		Estimated Fair Value
		Gains	Temporary Losses	
U.S. corporate securities	\$ 20,197	\$ 2	\$ 7	\$ 20,192
Foreign corporate securities	3,502	—	—	3,502
Negotiable certificate of deposits	2,115	—	1	\$ 2,114
Total restricted investments	\$ 25,814	\$ 2	\$ 8	\$ 25,808

As of March 31, 2014, the contractual maturities of the restricted investments were one year or less. There were 13 securities and 15 securities that were in an unrealized loss position for less than twelve months as of March 31, 2014 and December 31, 2013, respectively.

The Company periodically evaluates restricted investments for impairment. The assessment of whether impairments have occurred is based on management’s case-by-case evaluation of the underlying reasons for the decline in estimated fair value.

The Company accounts for other-than-temporary impairments of debt securities using the provisions of Topic 320, *Investments – Debt and Equity Securities*, related to the recognition of other-than-temporary impairments of debt securities. This guidance requires the Company to evaluate whether it intends to sell an impaired debt security or whether it is more likely than not that it will be required to sell an impaired debt security before recovery of the amortized cost basis. If either of these criteria is met, an impairment equal to the difference between the debt security’s amortized cost and its estimated fair value is recognized in earnings.

Swift Transportation Company and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited) – (continued)

For impaired debt securities that do not meet this criteria, the Company determines if a credit loss exists with respect to the impaired security. If a credit loss exists, the credit loss component of the impairment (i.e., the difference between the security's amortized cost and the present value of projected future cash flows expected to be collected) is recognized in earnings and the remaining portion of the impairment is recognized as a component of accumulated other comprehensive income (OCI). The Company did not recognize any impairment losses for the three months ended March 31, 2014 and 2013, respectively.

Note 4. Intangible Assets

Intangible assets as of March 31, 2014 and December 31, 2013 were as follows (in thousands):

	March 31, 2014	December 31, 2013
Customer Relationship:		
Gross carrying value	\$ 275,324	\$ 275,324
Accumulated amortization	(143,818)	(139,614)
Trade Name:		
Gross carrying value	181,037	181,037
Intangible assets, net	<u>\$ 312,543</u>	<u>\$ 316,747</u>

For all periods ending on or after December 31, 2007, amortization of intangibles consists primarily of amortization of \$261.2 million gross carrying value of definite-lived intangible assets recognized under purchase accounting in connection with Swift Transportation Co.'s 2007 going private transaction. Intangible assets acquired as a result of the 2007 going private transaction include trade name, customer relationships, and owner-operator relationships. Amortization of the customer relationship acquired in the going private transaction is calculated on the 150% declining balance method over the estimated useful life of 15 years. The customer relationship contributed to the Company at May 9, 2007 is amortized using the straight-line method over 15 years. The trade name has an indefinite useful life and is not amortized, but rather is tested for impairment at least annually, unless events occur or circumstances change between annual tests that would more likely than not reduce the fair value.

The following table presents amortization of intangibles for the three months ended March 31, 2014 and 2013, related to intangible assets recognized in conjunction with the 2007 going private transaction and the previous intangible assets existing prior to the 2007 going private transaction (in thousands):

	Three Months Ended March 31,	
	2014	2013
Amortization of intangible assets related to 2007 going private transaction	\$ 3,912	\$ 3,912
Amortization of intangible assets related to intangible assets existing prior to the 2007 going private transaction	292	292
Amortization of intangibles	<u>\$ 4,204</u>	<u>\$ 4,204</u>

Note 5. Assets Held for Sale

Assets held for sale as of March 31, 2014 and December 31, 2013 were as follows (in thousands):

	March 31, 2014	December 31, 2013
Land and facilities	\$ 14,646	\$ 14,627
Revenue equipment	3,743	4,641
Assets held for sale	<u>\$ 18,389</u>	<u>\$ 19,268</u>

As of March 31, 2014 and December 31, 2013, assets held for sale are carried at the lower of depreciated cost or estimated fair value less expected selling costs. The Company expects to sell these assets within the next twelve months.

Swift Transportation Company and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited) – (continued)

Note 6. Debt and Financing Transactions

Other than the Company's accounts receivable securitization as discussed in Note 7 and its outstanding capital lease obligations as discussed in Note 8, the Company had long-term debt outstanding as of March 31, 2014 and December 31, 2013 as follows (in thousands):

	March 31, 2014	December 31, 2013
Senior secured first lien term loan B-1 tranche due December 2016	\$ 229,000	\$ 229,000
Senior secured first lien term loan B-2 tranche due December 2017	400,000	410,000
Senior second priority secured notes due November 15, 2018, net of \$5,582 and \$6,175 OID as of March 31, 2014 and December 31, 2013, respectively	470,663	493,825
Other	12,983	15,290
Central Debt		
Various notes payable to financing companies, due dates through May 2015, secured by revenue equipment	2,007	2,190
Total	1,114,653	1,150,305
Less: current portion	20,235	11,387
Long-term debt	\$ 1,094,418	\$ 1,138,918

The credit facility and senior notes are secured by substantially all of the assets of the Company and are guaranteed by Swift Transportation Company, IEL, Central Refrigerated Transportation, Inc. and its subsidiaries, Swift Transportation Co. and its domestic subsidiaries other than its captive insurance subsidiaries, driver training academy subsidiary, and its bankruptcy-remote special purpose subsidiary. As of March 31, 2014 and December 31, 2013, the balance of deferred loan costs was \$8.1 million and \$8.9 million, respectively, and is reported in Other assets in the Company's consolidated balance sheets.

Senior Secured Credit Facility

On March 7, 2013, the Company entered into a Second Amended and Restated Credit Agreement (the "2013 Agreement") replacing its previous Amended and Restated Credit Agreement dated March 6, 2012 (the "2012 Agreement"). The 2013 Agreement replaced the previous first lien term loan B-1 and B-2 tranches with outstanding principal balances of \$152.0 million and \$508.0 million, respectively, with new first lien term B-1 and B-2 tranches with balances of \$250.0 million and \$410.0 million, respectively. In addition, the 2013 Agreement reduced the interest rate applicable to the first lien term loan B-1 tranche to the LIBOR rate plus 2.75% with no LIBOR floor, down from the LIBOR rate plus 3.75% with no LIBOR floor, and reduced the interest rate applicable to the first lien term loan B-2 tranche to the LIBOR rate plus 3.00% with a 1.00% LIBOR floor, down from the LIBOR rate plus 3.75% with a 1.25% LIBOR floor. The replacement of the 2012 Agreement resulted in a loss on debt extinguishment of \$5.0 million for the three months ended March 31, 2013, representing the write-off of the unamortized original issue discount and deferred financing fees associated with the 2012 Agreement. As of March 31, 2014, interest accrues at 2.90% and 4.00% on the Company's first lien term loan B-1 and B-2 tranches, respectively.

As of March 31, 2014, the Company had no outstanding borrowings under the \$400.0 million revolving line of credit with a maturity date of September 21, 2016, and the Company had outstanding letters of credit under this facility primarily for workers' compensation and self-insurance liability purposes totaling \$108.5 million, leaving \$291.5 million available under the revolving line of credit. The applicable rate on the revolving credit facility ranges from 3.00% to 3.25% for LIBOR based borrowings and letters of credit ranges from 2.00% to 2.25% for Base Rate borrowings, depending on the Company's consolidated leverage ratio. Additionally, the commitment fee for the unused portion of the revolving credit facility ranges 0.25% to 0.50%, depending on the Company's consolidated leverage ratio. As of March 31, 2014, interest accrues at 3.00% and 0.44% on the outstanding letters of credit and unused portion, respectively, on the revolving line of credit.

Senior Second Priority Secured Notes

In December 2010, Swift Services Holdings, Inc., a wholly owned subsidiary, completed a private placement of senior second priority secured notes totaling \$500.0 million face value which mature in November 2018 and bear interest at 10.00% (the "senior notes"). The Company received proceeds of \$490.0 million, net of a \$10.0 million original issue discount. In March 2014, the Company repurchased in an open market transaction at a price of 110.70%, \$23.8 million face value of these notes with cash on hand. The Company paid total proceeds of \$27.1 million, which included the principal amount, the premium and the accrued interest. These amounts and the related write-off of the unamortized original issue discount resulted in a loss on debt extinguishment of \$2.9 million.

Central Debt

Central has approximately \$2.0 million in various notes payable to financing companies secured by revenue equipment with due dates through May 2015.

Note 7. Accounts Receivable Securitization

In June 2013, Swift Receivables Company II, LLC, a Delaware limited liability company ("SRCII"), a wholly-owned bankruptcy-remote special purpose subsidiary, entered into an Amended and Restated Receivables Sale Agreement (the "2013 RSA") with unrelated financial entities (the "Purchasers") to sell, on a revolving basis, undivided interests in the Company's accounts receivable. Pursuant to the 2013 RSA, the Company's receivable originator subsidiaries will sell all of their eligible accounts receivable to SRCII, which in turn sells a variable percentage ownership interest in its accounts receivable to the Purchasers. The 2013 RSA provides for up to \$325.0 million in borrowing capacity. The 2013 RSA terminates on July 13, 2016 and is subject to customary fees and contains various customary affirmative and negative covenants, representations and warranties, and default and termination provisions. Outstanding balances under the 2013 RSA accrue program fees generally at commercial paper rates plus 95 basis points and unused capacity is subject to an unused commitment fee of 35 basis points. Pursuant to the 2013 RSA, collections on the underlying receivables by the Company are held for the benefit of SRCII and the Purchasers in the facility and are unavailable.

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to satisfy claims of the Company and its subsidiaries. The facility qualifies for treatment as a secured borrowing under Topic 860, *Transfers and Servicing*, and as such, outstanding amounts are carried on the Company's consolidated balance sheets as a liability.

For the three months ended March 31, 2014 and 2013, the Company incurred program fees of \$0.8 million and \$0.8 million associated with the 2013 RSA and prior accounts receivable sale facility, respectively, which were recorded in interest expense in the Company's consolidated statements of income. As of March 31, 2014, the outstanding borrowing under the 2013 RSA was \$259.0 million against a total available borrowing base of \$317.7 million, leaving \$58.7 million available. As of December 31, 2013, the outstanding borrowing under the 2013 RSA was \$264.0 million against a total available borrowing base of \$300.8 million.

Note 8. Capital Leases

The Company leases certain revenue equipment under capital leases. The Company's capital leases are typically structured with balloon payments at the end of the lease term equal to the residual value the Company is contracted to receive from certain equipment manufacturers upon sale or trade back to the manufacturers. The Company is obligated to pay the balloon payments at the end of the leased term whether or not it receives the proceeds of the contracted residual values from the respective manufacturers. Certain leases contain renewal or fixed price purchase options. As of March 31, 2014 and December 31, 2013, the present value of obligations under capital leases totaled \$161.3 million and \$171.5 million, of which the current portion was \$60.4 million and \$63.7 million, respectively. The leases are collateralized by revenue equipment with a cost of \$267.6 million and accumulated amortization of \$57.2 million as of March 31, 2014. The amortization of the equipment under capital leases is included in depreciation and amortization expense in the Company's consolidated statements of income.

Note 9. Derivative Financial Instruments

In April 2011, as contemplated by the then existing credit facility, the Company entered into two forward-starting interest rate swap agreements with a notional amount of \$350.0 million. These interest rate swaps were effective in January 2013 and have a maturity date of July 2015. On April 27, 2011 ("designation date"), the Company designated and qualified these interest rate swaps as cash flow hedges. Subsequent to the designation date, the effective portion of the changes in estimated fair value of the designated swaps was recorded in accumulated OCI and is thereafter recognized to derivative interest expense as the interest on the hedged debt affects earnings, which hedged interest accruals began in January 2013. As of December 31, 2013, changes in estimated fair value of the designated interest rate swap agreements totaling \$0.1 million, net-of-tax was reflected in accumulated OCI. Refer to Note 10 below for further discussion of the Company's estimated fair value methodology.

The Company de-designated the hedges as of February 28, 2013 ("de-designation date"). Beginning on March 1, 2013, the effective portion of the change in fair value of interest rate swaps prior to the change (i.e., amounts previously recorded in accumulated OCI) have been and will continue to be amortized as derivative interest expense over the period of the originally designated hedged interest payments through July 2015. Following the de-designation date, changes in fair value of the interest rate swaps are immediately recognized in the consolidated statements of income as derivative interest expense.

The following table presents the changes in fair value, pre-tax of derivatives designated as cash flow hedges had on accumulated OCI and earnings (in thousands):

	Three Months Ended March 31,	
	2014	2013
Amount of loss recognized in OCI on derivatives (effective portion)	\$ —	\$ 319
Amount of loss reclassified from accumulated OCI into income as "Derivative interest expense" (effective portion)	\$ (1,314)	\$ (491)

The following tables presents information about pre-tax gains and losses recognized in earnings on the Company's interest rate derivative contracts that were de-designated on February 28, 2013 as hedging instruments under ASC Topic 815, is as follows (in thousands):

	Three Months Ended March 31,	
	2014	2013
Amount of loss recognized in income as "Derivative interest expense"	\$ (339)	\$ (71)

As of March 31, 2014, \$6.8 million of pre-tax deferred losses on derivatives in accumulated OCI is expected to be reclassified to earnings within the next twelve months.

Note 10. Fair Value Measurement

Topic 820, *Fair Value Measurements and Disclosures*, requires that the Company disclose estimated fair values for its financial instruments. The estimated fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Changes in assumptions could significantly affect these estimates. As the fair value is estimated at March 31, 2014 and December 31, 2013, the amounts that will actually be realized or paid at settlement or maturity of the instruments in the future could be significantly different.

The tables below exclude certain financial instruments. The excluded financial instruments are as follows: cash and cash equivalents, restricted cash, accounts receivable, net, income tax refund receivable and accounts payable. Additionally, for notes payable under revolving lines of credit, fair value approximates the carrying value due to the variable interest rate. For capital leases, the carrying value approximates the fair value. The estimated fair value of these financial instruments approximate carrying value as they are short-term in nature. The table below also excludes

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financial instruments reported at estimated fair value on a recurring basis. See “— Recurring Fair Value Measurements.” All remaining balance sheet amounts excluded from the table below are not considered financial instruments subject to this disclosure.

The following table presents the carrying amounts and estimated fair values of the Company’s financial instruments as of March 31, 2014 and December 31, 2013 (in thousands):

	March 31, 2014		December 31, 2013	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial Assets:				
Restricted investments	\$ 25,832	\$ 25,830	\$ 25,814	\$ 25,808
Financial Liabilities:				
Senior secured first lien term loan B-1 tranche (2013 Agreement)	229,000	229,916	229,000	230,031
Senior secured first lien term loan B-2 tranche (2013 Agreement)	400,000	403,200	410,000	412,358
Senior second priority secured notes	470,663	518,318	493,825	549,059
Securitization of accounts receivable	259,000	259,000	264,000	264,000
Central Financial Liabilities:				
Various notes payables to financing companies, due dates through May 2015, secured by revenue equipment	2,007	2,007	2,190	2,190

The carrying amounts shown in the table (other than the restricted investments, and the securitization of accounts receivable) are included in the consolidated balance sheets in long-term debt and obligations under capital leases. The estimated fair values of the financial instruments shown in the above table as of March 31, 2014 and December 31, 2013, represent management’s best estimates of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. The estimated fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the estimated fair value measurement reflects the Company’s own judgments about the assumptions that market participants would use in pricing the asset or liability. These judgments are developed by the Company based on the best information available under the circumstances.

The following summary presents a description of the methods and assumptions used to estimate the fair value of each class of financial instrument.

Restricted Investments

The estimated fair value of the Company’s restricted investments is based on quoted prices in active markets that are readily and regularly obtainable.

First Lien Term Loans and Senior Second Priority Secured Notes

The estimated fair values of the first lien term loan and senior second priority secured notes were determined by bid prices in trades between qualified institutional buyers.

Central Notes Payables

Fair value is assumed to approximate carrying values for these financial instruments since they are short term in nature, or had stated interest rates that approximate the interest rates available to the Company as of the reporting date.

Securitization of Accounts Receivable

The Company’s securitization of accounts receivable consists of borrowings outstanding pursuant to the Company’s 2013 RSA as of March 31, 2014 and December 31, 2013, respectively, as discussed in Note 7. Its fair value is estimated by discounting future cash flows using a discount rate commensurate with the uncertainty involved.

Fair Value Hierarchy

ASC Topic 820 establishes a framework for measuring fair value in accordance with GAAP and expands financial statement disclosure requirements for fair value measurements. ASC Topic 820 further specifies a hierarchy of valuation techniques, which is based on whether the inputs into the valuation technique are observable or unobservable. The hierarchy is as follows:

- *Level 1* — Valuation techniques in which all significant inputs are quoted prices from active markets for assets or liabilities that are identical to the assets or liabilities being measured.
- *Level 2* — Valuation techniques in which significant inputs include quoted prices from active markets for assets or liabilities that are similar to the assets or liabilities being measured and/or quoted prices from markets that are not active for assets or liabilities that are identical or similar to the assets or liabilities being measured. Also, model-derived valuations in which all significant inputs and significant value drivers are observable in active markets are Level 2 valuation techniques.
- *Level 3* — Valuation techniques in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are valuation technique inputs that reflect the Company’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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When available, the Company uses quoted market prices to determine the estimated fair value of an asset or liability. If quoted market prices are not available, the Company will measure fair value using valuation techniques that use, when possible, current market-based or independently-sourced market parameters, such as interest rates and currency rates. The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the estimated fair value measurement in its entirety. Following is a brief summary of the Company's classification within the fair value hierarchy of each major category of assets and liabilities that it measures and reports on its consolidated balance sheets at estimated fair value on a recurring basis as of March 31, 2014 :

- *Interest rate swaps.* The Company's interest rate swaps are not actively traded but are valued using valuation models and credit valuation adjustments, both of which use significant inputs that are observable in active markets over the terms of the instruments the Company holds, and accordingly, the Company classified these valuation techniques as Level 2 in the hierarchy. Interest rate yield curves and credit spreads derived from trading levels of the Company's first lien term loan are the significant inputs into these valuation models. These inputs are observable in active markets over the terms of the instruments the Company holds. The Company considers the effect of its own credit standing and that of its counterparties in the valuations of its derivative financial instruments.

Recurring Fair Value Measurements

As of March 31, 2014 and December 31, 2013, no assets of the Company were measured at estimated fair value on a recurring basis. As of March 31, 2014 and December 31, 2013, information about inputs into the estimated fair value measurements of each major category of the Company's liabilities that were measured at estimated fair value on a recurring basis in periods subsequent to their initial recognition was as follows (in thousands):

Description	Total Estimated Fair Value	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>As of March 31, 2014</i>				
Interest rate swaps	\$ 10,660	\$ —	\$ 10,660	\$ —
<i>As of December 31, 2013</i>				
Interest rate swaps	\$ 11,768	\$ —	\$ 11,768	\$ —

Nonrecurring Fair Value Measurements

As of March 31, 2014 and December 31, 2013, no assets or liabilities of the Company were measured at estimated fair value on a nonrecurring basis.

Note 11. Earnings per Share

The computation of basic and diluted earnings per share is as follows:

	Three Months Ended March 31,	
	2014	2013
	(In thousands, except per share amounts)	
Net income	\$ 12,305	\$ 30,292
Basic:		
Weighted average common shares outstanding	140,981	139,686
Diluted:		
Dilutive effect of stock options	2,037	1,573
Total weighted average diluted shares outstanding	143,018	141,259
Anti-dilutive shares excluded from the diluted earnings per share calculation ⁽¹⁾	—	507
Earnings per share:		
Basic earnings per share	\$ 0.09	\$ 0.22
Diluted earnings per share	\$ 0.09	\$ 0.21

- (1) Impact of outstanding options to purchase shares of the Company's Class A common stock were anti-dilutive because the options exercise price was greater than the average market price of the common shares and were excluded from the calculation of diluted earnings per share.

As of March 31, 2014 and 2013, there were 4,790,632 and 5,860,108 options outstanding, respectively.

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Note 12. Contingencies

The Company is involved in certain claims and pending litigation primarily arising in the normal course of business. The majority of these claims relate to workers' compensation, auto collision and liability, and physical damage and cargo damage. The Company expenses legal fees as incurred and accrues 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 and, in certain cases, advice of outside counsel, management believes the resolution of claims and pending litigation, taking into account existing reserves, will not have a material adverse effect on the Company. Moreover, the results of complex legal proceedings are difficult to predict and the Company's view of these matters may change in the future as the litigation and events related thereto unfold.

For certain cases described below, management is unable to provide a meaningful estimate of the possible loss or range of loss because, among other reasons, (i) the proceedings are in various stages; (ii) damages have not been sought; (iii) damages are unsupported and/or exaggerated; (iv) there is uncertainty as to the outcome of pending appeals; and/or (v) there are significant factual issues to be resolved. For these cases, however, management does not believe, based on currently available information, that the outcomes of these proceedings will have a material adverse effect on our financial condition, though the outcomes could be material to our operating results for any particular period, depending, in part, upon the operating results for such period.

2004 owner-operator class action litigation

On January 30, 2004, a class action lawsuit was filed by Leonel Garza on behalf of himself and all similarly situated persons against Swift Transportation: Garza vs. Swift Transportation Co., Inc., Case No. CV7-472, or the Garza Complaint. The putative class originally involved certain owner-operators who contracted with the Company under a 2001 Contractor Agreement that was in place for one year. The putative class is alleging that the Company should have reimbursed owner-operators for actual miles driven rather than the contracted and industry standard remuneration based upon dispatched miles. The trial court denied plaintiff's petition for class certification, the plaintiff appealed and on August 6, 2008, the Arizona Court of Appeals issued an unpublished Memorandum Decision reversing the trial court's denial of class certification and remanding the case back to the trial court. On November 14, 2008, the Company filed a petition for review to the Arizona Supreme Court regarding the issue of class certification as a consequence of the denial of the Motion for Reconsideration by the Court of Appeals. On March 17, 2009, the Arizona Supreme Court granted the Company's petition for review, and on July 31, 2009, the Arizona Supreme Court vacated the decision of the Court of Appeals opining that the Court of Appeals lacked automatic appellate jurisdiction to reverse the trial court's original denial of class certification and remanded the matter back to the trial court for further evaluation and determination. Thereafter, the plaintiff renewed the motion for class certification and expanded it to include all persons who were employed by Swift as employee drivers or who contracted with Swift as owner-operators on or after January 30, 1998, in each case who were compensated by reference to miles driven. On November 4, 2010, the Maricopa County trial court entered an order certifying a class of owner-operators and expanding the class to include employees. Upon certification, the Company filed a motion to compel arbitration as well as filing numerous motions in the trial court urging dismissal on several other grounds including, but not limited to the lack of an employee as a class representative, and because the named owner-operator class representative only contracted with the Company for a three month period under a one year contract that no longer exists. In addition to these trial court motions, the Company also filed a petition for special action with the Arizona Court of Appeals arguing that the trial court erred in certifying the class because the trial court relied upon the Court of Appeals ruling that was previously overturned by the Arizona Supreme Court. On April 7, 2011, the Arizona Court of Appeals declined jurisdiction to hear this petition for special action and the Company filed a petition for review to the Arizona Supreme Court. On August 31, 2011, the Arizona Supreme Court declined to review the decision of the Arizona Court of Appeals. In April 2012, the court issued the following rulings with respect to certain motions filed by Swift: (1) denied Swift's motion to compel arbitration; (2) denied Swift's request to decertify the class; (3) granted Swift's motion that there is no breach of contract; and (4) granted Swift's motion to limit class size based on statute of limitations. The Company intends to continue to pursue all available appellate relief supported by the record, which the Company believes demonstrates that the class is improperly certified and, further, that the claims raised have no merit. The Company retains all of its defenses against liability and damages. The final disposition of this case and the impact of such final disposition cannot be determined at this time.

Owner-operator misclassification class action litigation

On December 22, 2009, a class action lawsuit was filed against Swift Transportation and IEL: Virginia VanDusen, John Doe 1 and Joseph Sheer individually and on behalf of all other similarly situated persons v. Swift Transportation Co., Inc., and Interstate Equipment Leasing, Inc., Jerry Moyes, and Chad Killebrew, Case No. 9-CIV-10376 filed in the United States District Court for the Southern District of New York, or the Sheer Complaint. The putative class involves owner-operators alleging that Swift Transportation misclassified owner-operators as independent contractors in violation of the federal Fair Labor Standards Act, or FLSA, and various New York and California state laws and that such owner-operators should be considered employees. The lawsuit also raises certain related issues with respect to the lease agreements that certain owner-operators have entered into with IEL. At present, in addition to the named plaintiffs, approximately 200 other current or former owner-operators have joined this lawsuit. Upon Swift's motion, the matter has been transferred from the United States District Court for the Southern District of New York to the United States District Court in Arizona. On May 10, 2010, the plaintiffs filed a motion to conditionally certify an FLSA collective action and authorize notice to the potential class members. On September 23, 2010, plaintiffs filed a motion for a preliminary injunction seeking to enjoin Swift and IEL from collecting payments from plaintiffs who are in default under their lease agreements and related relief. On September 30, 2010, the District Court granted Swift's motion to compel arbitration and ordered that the class action be stayed pending the outcome of arbitration. The District Court further denied plaintiff's motion for preliminary injunction and motion for conditional class certification. The District Court also denied plaintiff's request to arbitrate the matter as a class.

The plaintiff filed a petition for a writ of mandamus to the Ninth Circuit Court of Appeals asking that the District Court's September 30, 2010 order be vacated. On July 27, 2011, the Ninth Circuit Court of Appeals denied the plaintiff's petition for writ of mandamus and thereafter the District Court denied plaintiff's motion for reconsideration and certified its September 30, 2010 order. The plaintiffs filed an interlocutory appeal to the Ninth Circuit Court of Appeals to overturn the District Court's September 30, 2010 order to compel arbitration alleging that the agreement to arbitrate is exempt from arbitration under Section 1 of the Federal Arbitration Act ("FAA") because the class of plaintiffs are alleged

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to be employees exempt from arbitration agreements. On November 6, 2013, the Ninth Circuit Court of Appeals reversed and remanded, stating its prior published decision “expressly held that a district court must determine whether an agreement for arbitration is exempt from arbitration under Section 1 of the FAA as a threshold matter”. As a consequence of this determination by the ninth Circuit Court of Appeals being different from a decision of the Eighth Circuit Court of Appeals on a similar issue, on February 4, 2014, the Company filed a petition for writ of certiorari to the U.S. Supreme Court to address the following legal question: where transportation workers engaged in interstate commerce have contracted to arbitrate questions of arbitrability, in addition to disputes relating to the relationship created by the parties’ agreement, must the district court determine whether the contract is an employment contract exempt from Section 1 of the Federal Arbitration Act or must the arbitrator do so? The Company intends to vigorously defend against any proceedings. The final disposition of this case and the impact of such final disposition cannot be determined at this time.

California wage, meal and rest employee class action

On March 22, 2010 , a class action lawsuit was filed by John Burnell , individually and on behalf of all other similarly situated persons against Swift Transportation: John Burnell and all others similarly situated v. Swift Transportation Co., Inc. , Case No. CIVDS 1004377 filed in the Superior Court of the State of California, for the County of San Bernardino, or the Burnell Complaint. On September 3, 2010, upon motion by Swift, the matter was removed to the United States District Court for the Central District of California, Case No. EDCV10-809-VAP. The putative class includes drivers who worked for Swift during the four years preceding the date of filing alleging that Swift failed to pay the California minimum wage, failed to provide proper meal and rest periods and failed to timely pay wages upon separation from employment. The Burnell Complaint was subject to a stay of proceedings pending determination of similar issues in a case unrelated to Swift, Brinker v Hohnbaum, which was then pending before the California Supreme Court. A ruling was entered in the Brinker matter and in August 2012 the stay in the Burnell Complaint was lifted. On April 9, 2013 the Company filed a motion for judgment on the pleadings requesting dismissal of plaintiffs claims related to alleged meal and rest break violations under the California Labor Code alleging that such claims are preempted by the Federal Aviation Administration Authorization Act. On May 29, 2013, the U.S. District Court for the Central District of California granted the Company's motion for judgment on the pleadings and dismissed plaintiff's claims that are based on alleged violations of meal and rest periods set forth in the California Labor Code.

On April 5, 2012, the Company was served with an additional class action complaint alleging facts similar to those as set forth in the Burnell Complaint. This new class action is James R. Rudsell, on behalf of himself and all others similarly situated v. Swift Transportation Co. of Arizona, LLC and Swift Transportation Company, Case No. CIVDS 1200255, in the Superior Court of California for the County of San Bernardino, or the Rudsell Complaint. The Rudsell matter has been stayed pending a resolution in Burnell v Swift. Any claims related to orientation pay in the Rudsell matter have been subsumed within the Montalvo v. Swift class action matter (discussed below).

The issue of class certification must first be resolved before the court will address the merits of the case, and we retain all of our defenses against liability and damages pending a determination of class certification. The Company intends to vigorously defend certification of the class in both matters as well as the merits of these matters should the classes be certified. The final disposition of both cases and the impact of such final dispositions of these cases cannot be determined at this time.

California and Oregon minimum wage class action

On July 12, 2011 , a class action lawsuit was filed by Simona Montalvo on behalf of herself and all similarly situated persons against Swift Transportation: Montalvo et al. v. Swift Transportation Corporation d/b/a ST Swift Transportation Corporation in the Superior Court of California, County of San Diego, or the Montalvo Complaint. The Montalvo Complaint was removed to federal court on August 15, 2011, case number 3-11-CV-1827-L. Upon petition by plaintiffs, the matter was remanded to state court and the Company filed an appeal to this remand, which appeal has been denied. The putative class includes employees alleging that candidates for employment within the four year statutory period in California were not paid the state mandated minimum wage during their orientation phase. On July 29, 2013, the court certified the class. The Company appealed the class certification and the remand to state court but on April 10, 2014, the Company’s appeal of class certification was denied.

The Company intends to vigorously defend against the merits of this matter. The final disposition of this case and the impact of such final disposition of this case cannot be determined at this time.

Washington overtime class action

On September 9, 2011 , a class action lawsuit was filed by Troy Slack on behalf of himself and all similarly situated persons against Swift Transportation: Troy Slack, et al v. Swift Transportation Co. of Arizona, LLC and Swift Transportation Corporation in the State Court of Washington, Pierce County, or the Slack Complaint. The Slack Complaint was removed to federal court on October 12, 2011, case number 11-2-114380. The putative class includes all current and former Washington State based employee drivers during the three year statutory period alleging that they were not paid overtime in accordance with Washington State law and that they were not properly paid for meals and rest periods. On November 23, 2013 the court entered an order on plaintiffs' motion to certify the class. The court only certified the class as it pertains to dedicated route drivers and did not certify any other class or claims including any class related to over the road drivers (“OTR Drivers”). The court also further limited the class of dedicated drivers to only those dedicated drivers that either begin or end their shift in the state of Washington and therefore is a Washington based employee. Swift is appealing the limited certification of the Washington dedicated drivers.

The issue of class certification must first be resolved before the court will address the merits of the case, and we retain all of our defenses against liability and damages pending a determination of class certification. The Company intends to vigorously defend certification of the class as well as the merits of these matters should the class be certified. The final disposition of this case and the impact of such final disposition of this case cannot be determined at this time.

Virginia FCRA class action

On July 23, 2013 , a class action lawsuit was filed by James Ellis III on behalf of himself and all similarly situated persons against Swift Transportation of Arizona, LLC; James Ellis III v. Swift Transportation of Arizona, LLC (“Swift Arizona”) in the United States District Court,

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Eastern District of Virginia, Civil Action No. 3:13-CV-00473-JAG, or the Ellis Complaint. Mr. Ellis, an applicant for a driver position, has alleged that the Swift's disclosures regarding criminal background checks did not comply with the Fair Credit Reporting Act ("FCRA"). The class action seeks to certify the FCRA claims as a class action, and in that regard Mr. Ellis is seeking to represent a class of applicants from North Carolina, South Carolina, Virginia, Maryland, and West Virginia over the five year period preceding the filing. Swift has answered the complaint denying the allegations including the allegations that a class should be certified. On February 5, 2014, the plaintiff's filed a motion for leave to file a first amended complaint to add plaintiff representatives and expand the class from the original five states to a nationwide class. A mediation on February 26, 2014 resulted in the parties reaching a settlement of all claims. The amount of the settlement is immaterial and is covered by Swift's employment practices and liability insurance ("EPLI"). Swift is responsible for the deductible on this EPLI policy against which a percentage Swift's payment of legal expenses have already been credited leaving an immaterial balance to be paid for the deductible.

Utah minimum wage collective action

On October 8, 2013, a collective action lawsuit was filed by Jacob Roberts on behalf of himself and all similarly situated persons against Central Refrigerated Service, Inc., Jon Isaacson, Bob Baer and John Does 1-10 ("CRS"): Jacob Roberts and Collective Action Plaintiffs John Does 1-10 v. Central Refrigerated Service, Inc., Jon Isaacson, Bob Baer and John Does 1-10 in the United States District Court for the District of Utah, Case No. 2:13-ev-00911-EJF, or the Roberts Complaint. The putative nationwide class includes employees alleging that candidates for employment within the three year statutory period in Utah were not paid proper compensation pursuant to the FLSA, specifically that the putative collective action plaintiffs were not paid the state mandated minimum wage for orientation, travel, and training.

The issue of collective action certification in the Roberts Complaint must first be resolved before the court will address the merits of the case, and we retain all of our defenses against liability and damages pending a determination of collective action certification. Central intends to vigorously defend against collective action certification as well as the merits of this matter should the collective action be certified. The final disposition of this case and the impact of such final disposition of this case cannot be determined at this time.

Utah collective and individual arbitration

On June 1, 2012, a collective and class action complaint was filed by Gabriel Cilluffo, Kevin Shire and Bryan Ratterree individually and on behalf of themselves and all similarly situated persons against Central Refrigerated Services, Inc., Central Leasing, Inc., Jon Isaacson, and Jerry Moyes ("Central"): Gabriel Cilluffo, Kevin Shire and Bryan Ratterree individually and on behalf themselves and all similarly situated persons v. Central Refrigerated Services, Inc., Central Leasing, Inc., Jon Isaacson, and Jerry Moyes in the United States District Court for the Central District of California, Case No. ED CV 12-00886, or the Cilluffo Complaint. The putative class involves owner-operators alleging that Central misclassified owner-operators as independent contractors in violation of the FLSA, and that such owner-operators should be considered employees. The lawsuit also raises a claim of forced labor and state law contractual claims. On September 24, 2012, the California District Court ordered that FLSA claim proceed to collective arbitration under the Utah Uniform Arbitration Act ("UUA") and not the Federal Arbitration Act ("FAA"). The September 24, 2012 order directed the arbitrator to determine the validity of proceeding as a collective arbitration under the UUA, and then if the arbitrator determines that such collective action is permitted, then the arbitrator is to consider the plaintiff's FLSA claim. On November 8, 2012, the California District Court entered a clarification order clarifying that the plaintiff's FLSA claim was to proceed to collective arbitration under the UUA, but the plaintiff's forced labor claim and state law contractual claims were to proceed as individual arbitrations for those plaintiffs seeking to pursue those specific claims. Central filed a motion for reconsideration and a motion for interlocutory appeal of the California District Court's orders, both of which were denied and the claims are proceeding to collective and individual arbitration as originally ordered. On December 9, 2013 the arbitrator determined that the issue of misclassification as it relates to the FLSA will proceed as a collective arbitration, however the plaintiffs forced labor claim and state law claims of contractual misrepresentation and breach of contract must proceed on an individual arbitration basis and not as a class.

Central intends to vigorously defend collective arbitration in the Cilluffo Complaint as well as the merits of the FLSA claim and any individual arbitration matters that are filed and proceed on the forced labor and state contract law claims. The final disposition of this case and the impact of such final disposition of this case cannot be determined at this time.

California minimum wage class action

On November 7, 2013, a class action lawsuit was filed by Jorge Calix on behalf of himself and all similarly situated persons against Central Refrigerated Service, Inc.: Calix et al. v. Central Refrigerated Service, Inc. ("Central") in the Superior Court of California, County of San Bernadino, or the Calix Complaint. The putative class includes employees alleging that candidates for employment within the four year statutory period in California were not paid the state mandated minimum wage during their orientation phase. On December 13, 2013, Central filed an answer denying the allegations.

The issue of class certification must first be resolved before before the court will address the merits of the case, and we retain all of our defenses against liability and damages pending a determination of class certification. Central intends to vigorously defend against certification of the class as well as the merits of this matter should the class be certified. The final disposition of this case and the impact of such final disposition of this case cannot be determined at this time.

Environmental notice

On April 17, 2009, the Company received a notice from the Lower Willamette Group, or LWG, advising that there are a total of 250 potentially responsible parties, or PRPs, with respect to alleged environmental contamination of the Lower Willamette River in Portland, Oregon designated as the Portland Harbor Superfund site, or the Site, and that as a previous landowner at the Site the Company has been asked to join a group of 60 PRPs and proportionately contribute to (i) reimbursement of funds expended by LWG to investigate environmental contamination at the Site and (ii) remediation costs of the same, rather than be exposed to potential litigation. Although the Company does not believe it contributed any contaminants to the Site, the Company was at one time the owner of property at the Site and the Comprehensive Environmental Response, Compensation and Liability Act imposes a standard of strict liability on property owners with respect to environmental claims. Notwithstanding this standard of strict liability, the Company believes our potential proportionate exposure to be minimal and not material. No formal complaint has been filed in this matter. The Company's pollution liability insurer has been notified of this potential claim. The Company does not believe

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the outcome of this matter is likely to have a material adverse effect on Swift. However, the final disposition of this matter and the impact of such final disposition cannot be determined at this time.

2013 Environmental Incident

On May 14, 2013, a Swift Transportation tractor and trailer was involved in an accident in Bridgeport, California that resulted in fuel and other liquid components being released into the ground and a nearby stream. Based on soil and water testing of the impacted area, the Company expects the range of cost to remediate this release is \$0.3 million to \$0.5 million.

Other environmental

Our tractors and trailers are involved in motor vehicle accidents, experience damage, mechanical failures and cargo issues as an incidental part of our normal ordinary course of operations. From time to time these matters result in the discharge of diesel fuel, motor oil or other hazardous materials into the environment. Depending on local regulations and who is determined to be at fault, we are sometimes responsible for the clean-up costs associated with these discharges. As of March 31, 2014, we estimate our total legal liability for all such clean-up and remediation costs to be approximately \$0.6 million in the aggregate for all current and prior year claims.

Note 13. Segment information

The Company's four reportable operating segments are Truckload, Dedicated, Central Refrigerated and Intermodal. In the first quarter of 2014, the Company reorganized its reportable segments to reflect management's revised reporting structure of its lines of businesses following the integration of Central Refrigerated. In association with the operational reorganization, the operations of Central Refrigerated's TOFC business will be reported within the Company's Intermodal segment and the operations of Central Refrigerated's logistics business, third-party leasing, and other services provided to owner-operators will be reported in the Company's other non-reportable segment. All prior period historical results related to the above noted segment reorganization have been retrospectively recast.

- **Truckload.** The truckload segment consists of one-way movements over irregular routes throughout the United States, Mexico, and Canada. This service utilizes both company and owner-operator tractors with dry van, flatbed, and other specialized trailing equipment.
- **Dedicated.** Through the dedicated segment, the Company devotes use of equipment and offers tailored solutions under long-term contracts. This dedicated segment utilizes refrigerated, dry van, flatbed and other specialized trailing equipment.
- **Central Refrigerated.** The Central Refrigerated segment is primarily shipments for customers that require temperature-controlled trailers and represents the core operations of Central Refrigerated. These shipments include one-way movements over irregular routes and dedicated truck operations.
- **Intermodal.** The intermodal segment includes revenue generated by moving freight over the rail in our containers and other trailing equipment, combined with revenue for drayage to transport loads between the railheads and customer locations.
- **Other businesses.** Nonreportable segments are comprised of the Company's freight brokerage and logistics management services, as well as revenue generated by the Company's subsidiaries offering support services to its customers and owner-operators, including shop maintenance, equipment leasing, and insurance.

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

Operating income is the measure of segment profit or loss the Company uses to evaluate segment performance and allocate resources and, consistent with GAAP accounting guidance for segment reporting, it is the Company's measure of segment performance and is reported below. Operating income should not be viewed as a substitute for GAAP net income (loss). The Company believes the presentation of operating income enhances the understanding of its performance by highlighting the results of operations and the underlying profitability drivers of the business segments.

Operating income is defined as operating revenues less operating expenses, before tax.

Based on the unique nature of the operating structure of the Company, revenue generating assets are interchangeable between segments. Therefore, the Company does not prepare separate balance sheets by segment as assets are not separately identifiable by segment. The Company allocates depreciation and amortization expense on its property and equipment to the segments based on the actual utilization of the asset by the segment during the period.

The Company's foreign operations total revenue was less than 5.0% of the Company's total revenue for the three months ended March 31, 2014 and 2013, respectively.

Swift Transportation Company and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited) – (continued)

Set forth in the tables below is certain financial information with respect to the Company's reportable segments (in thousands):

	Operating Revenue	
	Three Months Ended March 31,	
	2014	2013
Truckload	\$ 553,057	\$ 559,595
Dedicated	193,653	179,226
Central Refrigerated	106,763	106,402
Intermodal	91,313	83,264
Subtotal	944,786	928,487
Nonreportable segments	75,666	72,057
Intersegment eliminations	(12,006)	(18,936)
Consolidated operating revenue	<u>\$ 1,008,446</u>	<u>\$ 981,608</u>

	Operating Income (Loss)	
	Three Months Ended March 31,	
	2014	2013
Truckload	\$ 31,907	\$ 42,403
Dedicated	11,530	18,954
Central Refrigerated	2,420	4,721
Intermodal	(926)	(1,604)
Subtotal	44,931	64,474
Nonreportable segments	1,239	5,244
Consolidated operating income	<u>\$ 46,170</u>	<u>\$ 69,718</u>

	Depreciation and Amortization Expense	
	Three Months Ended March 31,	
	2014	2013
Truckload	\$ 30,245	\$ 30,993
Dedicated	12,405	10,505
Central Refrigerated	3,106	3,978
Intermodal	2,368	2,427
Subtotal	48,124	47,903
Nonreportable segments	8,051	6,967
Consolidated depreciation and amortization expense	<u>\$ 56,175</u>	<u>\$ 54,870</u>

Other Intersegment Transactions

Certain operating segments provide transportation and related services for other affiliates outside their reportable segment. Revenues for such services are based on negotiated rates, which we believe approximate fair value, and are reflected as revenues of the billing segment. These rates are adjusted from time to time based on market conditions. Such intersegment revenues and expenses are eliminated in our consolidated results.

Note 14. Accumulated Other Comprehensive Income

The following table is a reconciliation of accumulated other comprehensive income by component (in thousands):

Swift Transportation Company and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited) – (continued)

	Derivative Financial Instruments	Foreign Currency Transactions	Accumulated Other Comprehensive Income
Balance as of December 31, 2013	\$ (6,245)	\$ 83	\$ (6,162)
Other comprehensive loss before reclassifications	—	—	—
Amounts reclassified from accumulated other comprehensive loss	808	—	808
Net current-period other comprehensive income	808	—	808
Balance as of March 31, 2014	\$ (5,437)	\$ 83	\$ (5,354)

All amounts are net-of-tax. Amounts in parenthesis indicate debits.

The following table presents details about reclassifications out of accumulated other comprehensive loss for the three months ended March 31, 2014 and 2013 (in thousands):

	Amount Reclassified from Accumulated Other Comprehensive Loss		
	Three Months Ended March 31,		
	2014	2013	Statement of Income Classifications
Gains and losses on cash flow hedging:			
Interest rate swaps	\$ 1,314	\$ 491	Derivative interest expense
Income tax benefit	(506)	(191)	Income tax expense
	\$ 808	\$ 300	Net income

Note 15. Subsequent Events

On April 2, 2014, the Company repurchased in an open market transaction at a price of 110.30% , \$15.4 million face value of its senior second priority secured notes with cash on hand. The Company paid total proceeds of \$17.6 million , which included the principal amount, the premium and the accrued interest.

Note 16. Guarantor Condensed Consolidating Financial Statements

The payment of principal and interest on the Company's senior second priority secured notes are guaranteed by the Company's 100% owned domestic subsidiaries (the "Guarantor Subsidiaries") other than its driver academy subsidiary, its captive insurance subsidiaries, its special-purpose receivables securitization subsidiary, and its foreign subsidiaries (the "Non-guarantor Subsidiaries"). The separate financial statements of the Guarantor Subsidiaries are not included herein because the Guarantor Subsidiaries are the Company's 100% owned consolidated subsidiaries and are jointly, severally, fully and unconditionally liable for the obligations represented by the senior second priority secured notes.

Pursuant to the terms of the Indenture governing the senior second priority secured notes, the guarantees are full and unconditional, but are subject to release under the following circumstances:

- in connection with any sale, disposition or transfer of all or substantially all of the assets to a person that is not the parent Company or a subsidiary guarantor;
- in connection with any sale, disposition or transfer of all of the capital stock of that subsidiary guarantor to a person that is not the parent, the Company or a subsidiary guarantor;
- if the Company designates any restricted subsidiary that is a subsidiary guarantor to be an Unrestricted Subsidiary,
- upon legal Defeasance or the discharge of the Company's obligation under the Indenture; or
- at such time as such subsidiary guarantor does not have any indebtedness that would have required a guarantee.

Although the guarantees are subject to release under the above described circumstances, we have concluded they are still deemed full and unconditional for purposes of Rule 3-10 of Regulation S-X because these circumstances are customary, and accordingly, the Company concluded that it may rely on Rule 3-10 of Regulation S-X, as the other requirements of Rule 3-10 have been met.

The condensed financial statements present condensed financial data for (i) Swift Transportation Company (on a parent only basis), (ii) Swift Services Holdings, Inc. (on an issuer only basis), (iii) the combined Guarantor Subsidiaries, (iv) the combined Non-Guarantor Subsidiaries, (v) an elimination column for adjustments to arrive at the information for the parent company and subsidiaries on a consolidated basis and (vi) the parent company and subsidiaries on a consolidated basis as of March 31, 2014 and December 31, 2013 and for the three months ended March 31, 2014 and 2013 .

Investments in subsidiaries are accounted for by the respective parent company using the equity method for purposes of this presentation. Results of operations of subsidiaries are therefore reflected in the parent company's investment accounts and earnings. The principal elimination entries set forth below eliminate investments in subsidiaries and intercompany balances and transactions.

Swift Transportation Company and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited) – (continued)

Condensed consolidating balance sheet as of March 31, 2014 (in thousands)

	Swift Transportation Company (Parent)	Swift Services Holdings, Inc. (Issuer)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations for Consolidation	Consolidated
Cash and cash equivalents	\$ —	\$ —	\$ 40,771	\$ 5,327	\$ —	\$ 46,098
Restricted cash	—	—	—	47,012	—	47,012
Restricted investments, held to maturity, amortized cost				25,832	—	25,832
Accounts receivable, net	—	—	32,018	427,229	(4,538)	454,709
Intercompany receivable	106,494	379,169	—	57,536	(543,199)	—
Other current assets	18,626	—	126,263	17,124	(1,144)	160,869
Total current assets	125,120	379,169	199,052	580,060	(548,881)	734,520
Property and equipment, net	—	—	1,429,759	39,012	—	1,468,771
Investment in subsidiaries	253,590	874,674	978,711	—	(2,106,975)	—
Other assets	11,206	2,176	115,208	4,312	(81,976)	50,926
Intangible assets, net	—	—	303,081	9,462	—	312,543
Goodwill	—	—	246,977	6,279	—	253,256
Total assets	\$ 389,916	\$ 1,256,019	3,272,788	\$ 639,125	\$ (2,737,832)	\$ 2,820,016
Intercompany payable	67	1,144	543,199	—	(544,410)	—
Current portion of long-term debt and obligations under capital leases	4,239	—	72,457	73,472	(69,549)	80,619
Other current liabilities	2,334	17,998	335,455	28,004	(4,471)	379,320
Total current liabilities	6,640	19,142	951,111	101,476	(618,430)	459,939
Long-term debt and obligations under capital leases, less current portion	—	470,663	720,511	4,903	(772)	1,195,305
Deferred income taxes	—	—	472,967	8,378	(11,655)	469,690
Securitization of accounts receivable	—	—	—	259,000	—	259,000
Other liabilities	—	—	81,108	52,721	—	133,829
Total liabilities	6,640	489,805	2,225,697	426,478	(630,857)	2,517,763
Total stockholders' equity	383,276	766,214	1,047,091	212,647	(2,106,975)	302,253
Total liabilities and stockholders' equity	\$ 389,916	\$ 1,256,019	\$ 3,272,788	\$ 639,125	\$ (2,737,832)	\$ 2,820,016

Swift Transportation Company and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited) – (continued)

Condensed consolidating balance sheet as of December 31, 2013 (in thousands)

	Swift Transportation Company (Parent)	Swift Services Holdings, Inc. (Issuer)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations for Consolidation	Consolidated
Cash and cash equivalents	\$ —	\$ —	\$ 54,564	\$ 4,614	\$ —	\$ 59,178
Restricted cash	—	—	—	50,833	—	50,833
Restricted investments, held to maturity, amortized cost	—	—	—	25,814	—	25,814
Accounts receivable, net	—	—	28,997	394,044	(4,605)	418,436
Intercompany receivable	85,498	400,569	—	55,799	(541,866)	—
Other current assets	37,022	—	127,775	16,270	(1,296)	179,771
Total current assets	122,520	400,569	211,336	547,374	(547,767)	734,032
Property and equipment, net	—	—	1,407,414	40,393	—	1,447,807
Investment in subsidiaries	239,432	870,599	983,289	—	(2,093,320)	—
Other assets	11,780	2,355	83,967	4,639	(45,575)	57,166
Intangible assets, net	—	—	307,092	9,655	—	316,747
Goodwill	—	—	246,977	6,279	—	253,256
Total assets	\$ 373,732	\$ 1,273,523	\$ 3,240,075	\$ 608,340	\$ (2,686,662)	\$ 2,809,008
Intercompany payable	\$ —	\$ 1,296	\$ 542,772	\$ —	\$ (544,068)	\$ —
Current portion of long-term debt and obligations under capital leases	\$ 6,036	\$ —	\$ 64,970	\$ 36,626	\$ (32,576)	\$ 75,056
Other current liabilities	2,281	6,389	277,921	27,170	(4,449)	309,312
Total current liabilities	8,317	7,685	885,663	63,796	(581,093)	384,368
Long-term debt and obligations under capital leases, less current portion	—	493,825	747,918	5,046	(25)	1,246,764
Deferred income taxes	—	—	487,670	8,754	(12,224)	484,200
Securitization of accounts receivable	—	—	—	264,000	—	264,000
Revolving line of credit	—	—	17,000	—	—	17,000
Other liabilities	—	—	73,774	55,315	—	129,089
Total liabilities	8,317	501,510	2,212,025	396,911	(593,342)	2,525,421
Total stockholders' equity	365,415	772,013	1,028,050	211,429	(2,093,320)	283,587
Total liabilities and stockholders' equity	\$ 373,732	\$ 1,273,523	\$ 3,240,075	\$ 608,340	\$ (2,686,662)	\$ 2,809,008

Swift Transportation Company and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited) – (continued)

Condensed consolidating statement of income for the three months ended March 31, 2014 (in thousands)

	Swift Transportation Company (Parent)	Swift Services Holdings, Inc. (Issuer)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations for Consolidation	Consolidated
Operating revenue	\$ —	\$ —	\$ 988,993	\$ 38,522	\$ (19,069)	\$ 1,008,446
Operating expenses:						
Salaries, wages and employee benefits	1,061	—	220,534	7,771	—	229,366
Operating supplies and expenses	684	—	76,275	6,628	(2,762)	80,825
Fuel	—	—	149,132	6,890	—	156,022
Purchased transportation	—	—	329,512	2,457	(12,800)	319,169
Rental expense	—	—	50,992	890	(163)	51,719
Insurance and claims	1,715	—	34,935	9,142	(3,344)	42,448
Depreciation and amortization of property and equipment	—	—	54,768	1,407	—	56,175
Amortization of intangibles	—	—	4,011	193	—	4,204
Gain on disposal of property and equipment	—	—	(3,159)	—	—	(3,159)
Communication and utilities	—	—	6,880	290	—	7,170
Operating taxes and licenses	—	—	15,517	2,820	—	18,337
Total operating expenses	3,460	—	939,397	38,488	(19,069)	962,276
Operating income (loss)	(3,460)	—	49,596	34	—	46,170
Interest expense, net	30	12,781	9,944	1,357	—	24,112
Other (income) expenses, net	(14,156)	(1,163)	6,775	(3,062)	13,655	2,049
Income before income taxes	10,666	(11,618)	32,877	1,739	(13,655)	20,009
Income tax expense (benefit)	(1,639)	(5,819)	14,645	517	—	7,704
Net income (loss)	\$ 12,305	\$ (5,799)	\$ 18,232	\$ 1,222	\$ (13,655)	\$ 12,305

Swift Transportation Company and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited) – (continued)

Condensed consolidating statement of income for the three months ended March 31, 2013 (in thousands)

	Swift Transportation Company (Parent)	Swift Services Holdings, Inc. (Issuer)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations for Consolidation	Consolidated
Operating revenue	\$ —	\$ —	\$ 963,742	\$ 38,626	\$ (20,760)	\$ 981,608
Operating expenses:						
Salaries, wages and employee benefits	545	—	218,721	7,219	—	226,485
Operating supplies and expenses	499	—	70,337	2,989	(1,758)	72,067
Fuel	—	—	161,858	6,258	—	168,116
Purchased transportation	—	—	301,651	2,977	(12,472)	292,156
Rental expense	—	—	39,890	921	(188)	40,623
Insurance and claims	—	—	26,731	11,149	(6,342)	31,538
Depreciation and amortization of property and equipment	—	—	53,830	1,040	—	54,870
Amortization of intangibles	—	—	4,011	193	—	4,204
Gain on disposal of property and equipment	—	—	(2,833)	(15)	—	(2,848)
Communication and utilities	—	—	6,368	197	—	6,565
Operating taxes and licenses	—	—	15,450	2,664	—	18,114
Total operating expenses	1,044	—	896,014	35,592	(20,760)	911,890
Operating income (loss)	(1,044)	—	67,728	3,034	—	69,718
Interest expense, net	—	12,913	12,348	1,072	—	26,333
Other (income) expenses, net	(23,499)	(6,947)	(532)	(2,366)	31,750	(1,594)
Income (loss) before income taxes	22,455	(5,966)	55,912	4,328	(31,750)	44,979
Income tax expense (benefit)	(886)	(4,790)	18,515	1,848	—	14,687
Net income (loss)	\$ 23,341	\$ (1,176)	\$ 37,397	\$ 2,480	\$ (31,750)	\$ 30,292

Swift Transportation Company and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited) – (continued)

Condensed consolidating statement of comprehensive income for the three months ended March 31, 2014 (in thousands)

	Swift Transportation Company (Parent)	Swift Services Holdings, Inc. (Issuer)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations for Consolidation	Consolidated
Net income	\$ 12,305	\$ (5,799)	\$ 18,232	\$ 1,222	\$ (13,655)	\$ 12,305
Other comprehensive income before income taxes:						
Accumulated losses on derivatives reclassified to derivative interest expense	—	—	1,314	—	—	1,314
Change in fair value of interest rate swaps	—	—	—	—	—	—
Other comprehensive income before income taxes	—	—	1,314	—	—	1,314
Income tax effect of items of other comprehensive income	—	—	(506)	—	—	(506)
Total comprehensive income	\$ 12,305	\$ (5,799)	\$ 19,040	\$ 1,222	\$ (13,655)	\$ 13,113

Swift Transportation Company and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited) – (continued)

Condensed consolidating statement of comprehensive income for the three months ended March 31, 2013 (in thousands)

	Swift Transportation Company (Parent)	Swift Services Holdings, Inc. (Issuer)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations for Consolidation	Consolidated
Net income (loss)	\$ 23,341	\$ (1,176)	\$ 37,397	\$ 2,480	\$ (31,750)	\$ 30,292
Other comprehensive income before income taxes:						
Accumulated losses on derivatives reclassified to derivative interest expense	—	—	491	—	—	491
Change in fair value of interest rate swaps	—	—	(319)	—	—	(319)
Other comprehensive income before income taxes	—	—	172	—	—	172
Income tax effect of items of other comprehensive income	—	—	26	—	—	26
Total comprehensive income (loss)	\$ 23,341	\$ (1,176)	\$ 37,595	\$ 2,480	\$ (31,750)	\$ 30,490

Swift Transportation Company and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited) – (continued)

Condensed consolidating statement of cash flows for the three months ended March 31, 2014 (in thousands)

	Swift Transportation Company (Parent)	Swift Services Holdings, Inc. (Issuer)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations for Consolidation	Consolidated
Net cash provided by (used in) operating activities	\$ 18,299	\$ (21,400)	\$ 113,879	\$ (34,621)	\$ —	\$ 76,157
Cash flows from investing activities:						
Decrease in restricted cash	—	—	—	3,821	—	3,821
Change in restricted investments	—	—	—	(164)	—	(164)
Proceeds from sale of property and equipment	—	—	28,428	—	—	28,428
Capital expenditures	—	—	(60,033)	(25)	—	(60,058)
Payments received on notes receivable	—	—	1,553	—	—	1,553
Expenditures on assets held for sale	—	—	(1,521)	—	—	(1,521)
Payments received on assets held for sale	—	—	2,269	—	—	2,269
Payments received on equipment sale receivables	—	—	469	—	—	469
Net cash used in investing activities	—	—	(28,835)	3,632	—	(25,203)
Cash flows from financing activities:						
Repayment of long-term debt and capital leases	(1,797)	—	(43,705)	(1,024)	—	(46,526)
Net (repayments) borrowings on revolving line of credit	—	—	(17,000)	—	—	(17,000)
Repayment of accounts receivable securitization	—	—	—	(5,000)	—	(5,000)
Net funding (to) from affiliates	(20,994)	21,400	(38,132)	37,726	—	—
Proceeds from exercise of stock options	3,414	—	—	—	—	3,414
Income tax benefit from exercise of stock options	1,078	—	—	—	—	1,078
Net cash provided by (used in) financing activities	(18,299)	21,400	(98,837)	31,702	—	(64,034)
Net (decrease) increase in cash and cash equivalents	—	—	(13,793)	713	—	(13,080)
Cash and cash equivalents at beginning of period	—	—	54,564	4,614	—	59,178
Cash and cash equivalents at end of period	\$ —	\$ —	\$ 40,771	\$ 5,327	\$ —	\$ 46,098

Swift Transportation Company and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited) – (continued)

Condensed consolidating statement of cash flows for the three months ended March 31, 2013 (in thousands)

	Swift Transportation Company (Parent)	Swift Services Holdings, Inc. (Issuer)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations for Consolidation	Consolidated
Net cash provided by (used in) operating activities	\$ 5,363	\$ 4,817	\$ 119,287	\$ (18,665)	\$ —	\$ 110,802
Cash flows from investing activities:						
Decrease in restricted cash	—	—	—	6,211	—	6,211
Change in restricted investments	—	—	—	(7,073)	—	(7,073)
Proceeds from sale of property and equipment	—	—	14,286	40	—	14,326
Capital expenditures	—	—	(61,756)	(39)	—	(61,795)
Payments received on notes receivable	—	—	1,034	—	—	1,034
Expenditures on assets held for sale	—	—	(833)	—	—	(833)
Payments received on assets held for sale	—	—	21,828	—	—	21,828
Payments received on equipment sale receivables	—	—	596	—	—	596
Dividends from subsidiary	—	—	(1,160)	—	1,160	—
Payments received on intercompany notes payable	—	—	3,315	—	(3,315)	—
Net cash used in investing activities	—	—	(22,690)	(861)	(2,155)	(25,706)
Cash flows from financing activities:						
Repayment of long-term debt and capital leases	—	—	(97,162)	(133)	—	(97,295)
Net (repayments) borrowings on revolving line of credit	—	—	7,407	—	—	7,407
Borrowings under accounts receivable securitization	—	—	—	56,000	—	56,000
Repayment of accounts receivable securitization	—	—	—	(56,000)	—	(56,000)
Proceeds from long-term debt	—	—	16,000	3,200	—	19,200
Payment of deferred loan costs	—	—	(1,257)	—	—	(1,257)
Distribution to Central stockholders, pre-acquisition	—	—	(386)	—	—	(386)
Issuance of Central loan receivable, pre-acquisition	—	—	(30,000)	—	—	(30,000)
Proceeds from exercise of stock options	2,875	—	—	—	—	2,875
Income tax benefit from exercise of stock options	(490)	—	—	—	—	(490)
Dividend to parent	—	—	—	1,160	(1,160)	—
Repayment of intercompany notes payable	—	—	—	(3,315)	3,315	—
Net funding (to) from affiliates	(7,748)	(4,817)	(4,382)	16,947	—	—
Net cash provided by (used in) financing activities	(5,363)	(4,817)	(109,780)	17,859	2,155	(99,946)
Net increase (decrease) in cash and cash equivalents	—	—	(13,183)	(1,667)	—	(14,850)
Cash and cash equivalents at beginning of period	—	—	43,877	9,719	—	53,596
Cash and cash equivalents at end of period	\$ —	\$ —	\$ 30,694	\$ 8,052	\$ —	\$ 38,746

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and the related notes included elsewhere in this report and our Annual Report on Form 10-K for the year ended December 31, 2013 .

Non-GAAP Measures

In addition to disclosing financial results that are determined in accordance with United States generally accepted accounting principles, or GAAP, we also disclose certain non-GAAP financial information, such as, Adjusted Operating Ratio, Adjusted EBITDA and Adjusted EPS, which are not recognized measures under GAAP and should not be considered alternatives to or superior to profitability and cash flow measures derived in accordance with GAAP. We use Adjusted Operating Ratio, Adjusted EBITDA and Adjusted EPS as a supplement to our GAAP results in evaluating certain aspects of our business, as described below. We believe our presentation of Adjusted Operating Ratio, Adjusted EBITDA and Adjusted EPS is useful because it provides investors and securities analysts the same information that we use internally for purposes of assessing our core operating performance. See below for more information on our use of Adjusted Operating Ratio, Adjusted EBITDA and Adjusted EPS, as well as a description of the computation and reconciliation of our Operating Ratio to our Adjusted Operating Ratio, our net income to Adjusted EBITDA and our diluted earnings per share to Adjusted EPS.

We define Adjusted Operating Ratio as (a) total operating expenses, less (i) fuel surcharges, (ii) amortization of intangibles from our 2007 going-private transaction, (iii) non-cash impairment charges, (iv) other special non-cash items, and (v) excludable transaction costs, as a percentage of (b) total revenue excluding fuel surcharge revenue (Revenue xFSR). We believe fuel surcharge is sometimes volatile and eliminating the impact of this source of revenue (by netting fuel surcharge revenue against fuel expense) affords a more consistent basis for comparing our results of operations. We also believe excluding impairments, non-comparable nature of the intangibles from our going-private transaction and other special items enhances the comparability of our performance from period to period. A reconciliation of our Adjusted Operating Ratio for each of the periods indicated is as follows:

	Three Months Ended March 31,	
	2014	2013
	(Unaudited)	
	(Dollars in thousands)	
Total GAAP operating revenue	\$ 1,008,446	\$ 981,608
Less: Fuel surcharge revenue	191,447	197,057
Revenue xFSR	816,999	784,551
Total GAAP operating expense	962,276	911,890
Adjusted for:		
Fuel surcharge revenue	(191,447)	(197,057)
Amortization of certain intangibles (a)	(3,912)	(3,912)
Adjusted operating expense	766,917	710,921
Adjusted operating income	\$ 50,082	\$ 73,630
Adjusted Operating Ratio	93.9%	90.6%
Operating Ratio	95.4%	92.9%

(a) Amortization of certain intangibles reflects the non-cash amortization expense relating to certain intangible assets identified in our 2007 going private transaction.

We define adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") as net income (loss) plus (i) depreciation and amortization, (ii) interest and derivative interest expense, including other fees and charges associated with indebtedness, net of interest income, (iii) income taxes, (iv) non-cash equity compensation expense, (v) non-cash impairments, (vi) other special non-cash items, and (vii) excludable transaction costs. We believe that Adjusted EBITDA is a relevant measure for estimating the cash generated by our operations that would be available to cover capital expenditures, taxes, interest and other investments and that it enhances an investor's understanding of our financial performance. We use Adjusted EBITDA for business planning purposes and in measuring our performance relative to that of our competitors. Our method of computing Adjusted EBITDA is consistent with that used in our senior secured credit agreement for covenant compliance purposes and may differ from similarly titled measures of other companies. A reconciliation of GAAP net income to Adjusted EBITDA for each of the periods indicated is as follows:

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	Three Months Ended March 31,	
	2014	2013
	(Unaudited) (Dollars in thousands)	
Net income	\$ 12,305	\$ 30,292
Adjusted for:		
Depreciation and amortization of property and equipment	56,175	54,870
Amortization of intangibles	4,204	4,204
Interest expense	23,225	26,362
Derivative interest expense	1,653	562
Interest income	(766)	(591)
Income tax expense	7,704	14,687
EBITDA	104,500	130,386
Non-cash equity compensation (a)	1,061	605
Loss on debt extinguishment (b)	2,913	5,044
Adjusted EBITDA	\$ 108,474	\$ 136,035

- (a) Represents recurring non-cash equity compensation expense on a pre-tax basis. In accordance with the terms of our senior credit agreement, this expense is added back in the calculation of Adjusted EBITDA for covenant compliance purposes.
- (b) In March 2014, the Company repurchased in an open market transaction at a price of 110.70%, \$23.8 million principal amount of its Senior Second Priority Secured Notes with cash on hand. The Company paid total proceeds of \$27.1 million, which included the principal amount, the premium and the accrued interest. These amounts and the related write-off of the unamortized original issue discount resulted in a loss on debt extinguishment of \$2.9 million. On March 7, 2013, the Company entered into a Second Amended and Restated Credit Agreement (“2013 Agreement”). The 2013 Agreement replaced the then-existing first lien term loan B-1 and B-2 tranches under the Amended and Restated Credit Agreement (“2012 Agreement”) entered into on March 6, 2012, with outstanding principal balances of \$152.0 million and \$508.0 million, respectively, with new first lien term loan B-1 and B-2 tranches with face values of \$250.0 million and \$410.0 million, respectively. The replacement of the 2012 Agreement resulted in a loss on debt extinguishment of \$5.0 million in the first quarter of 2013, representing the write-off of the unamortized original issue discount and deferred financing fees associated with the 2012 Agreement.

We define Adjusted EPS as (1) income (loss) before income taxes plus (i) amortization of the intangibles from our 2007 going private transaction, (ii) non-cash impairments, (iii) other special non-cash items, (iv) excludable transaction costs, (v) the mark-to-market adjustment on our interest rate swaps that is recognized in the consolidated statement of income in a given period, and (vi) the amortization of previous losses recorded in accumulated other comprehensive income (“OCI”) related to interest rate swaps we terminated upon our IPO and refinancing transactions in December 2010; (2) reduced by income taxes; (3) divided by weighted average diluted shares outstanding. Beginning in 2013, we began using our GAAP expected effective tax rate of 38.5% for our adjusted EPS calculation. We believe the presentation of financial results excluding the impact of the items noted above provides a consistent basis for comparing our results from period to period and to those of our peers due to the non-comparable nature of the intangibles from our going-private transaction, the historical volatility of the interest rate derivative agreements and the non-operating nature of the impairment charges, transaction costs and other adjustment items. A reconciliation of GAAP diluted earnings per share to Adjusted EPS for each of the periods indicated is as follows (the numbers reflected in the below table are calculated on a per share basis and may not foot due to rounding):

	Three Months Ended March 31,	
	2014	2013
	(Unaudited)	
Diluted earnings per share	\$ 0.09	\$ 0.21
Adjusted for:		
Income tax expense	0.05	0.10
Income before income taxes	0.14	0.32
Loss on debt extinguishment (a)	0.02	0.04
Amortization of certain intangibles (b)	0.03	0.03
Adjusted income before income taxes	0.19	0.38
Provision for income tax expense at effective rate	0.07	0.15
Adjusted EPS	\$ 0.12	\$ 0.24

- (a) Includes the items discussed in note (b) to the Adjusted EBITDA table above.
- (b) Includes the items discussed in note (a) to the Adjusted Operating Ratio table above.

Overview

We are a multi-faceted transportation services company and have the largest fleet of truckload equipment in North America. As of March 31, 2014, we operate a tractor fleet of approximately 18,400 units comprised of 13,300 tractors driven by company drivers and 5,100 owner-operator tractors, a fleet of 58,100 trailers, and 8,700 intermodal containers from 40 major terminals positioned near major freight centers and traffic lanes in the United States and Mexico. We offer

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broad spectrum of services and equipment. Our extensive suite of services includes general, dedicated, and cross-border U.S./Mexico truckload services through dry van, temperature-controlled, flatbed, and specialized trailers, in addition to rail intermodal and non-asset based freight brokerage and logistics management services, making it an attractive choice for a broad array of customers.

We principally operate in short-to-medium-haul traffic lanes around our terminals or dedicated customer locations. We concentrate on this length of haul because the majority of domestic truckload freight (as measured by revenue) moves in these lanes and our extensive terminal network affords us marketing, equipment control, supply chain, customer service, and driver retention advantages in local markets. Our relatively short average length of haul also helps reduce competition from railroads and trucking companies that lack a regional presence.

The table below reflects our key operating and financial metrics for the periods indicated.

	Three Months Ended March 31,			
	2014		2013	
	(Unaudited)			
	(Dollars in thousands, except per share amounts)			
Total operating revenue	\$	1,008,446	\$	981,608
Revenue xFSR	\$	816,999	\$	784,551
Net income	\$	12,305	\$	30,292
Diluted earnings per share	\$	0.09	\$	0.21
Operating Ratio		95.4%		92.9%
Adjusted Operating Ratio		93.9%		90.6%
Adjusted EBITDA	\$	108,474	\$	136,035
Adjusted EPS	\$	0.12	\$	0.24

Revenue

We primarily generate revenue by transporting freight for our customers. Generally, we are paid a predetermined rate per mile for our services. We enhance our revenue by charging for fuel surcharges, stop-off pay, loading and unloading activities, tractor and trailer detention, and other ancillary services. The main factors that affect our revenue are the rate per mile we receive from our customers and the number of loaded miles we run.

Fuel surcharges are designed to compensate us for fuel costs above a certain cost per gallon base. Generally, we receive fuel surcharges on the miles for which we are compensated by customers. However, we continue to have exposure to increasing fuel costs related to deadhead miles, fuel inefficiency due to engine idle time, and other factors as well as the extent to which the surcharge paid by the customer is insufficient. The main factors that affect fuel surcharge revenue are the price of diesel fuel and the number of loaded miles. Although our surcharge programs vary by customer, we endeavor to negotiate an additional penny per mile charge for every five cent increase in the United States Department of Energy, or DOE, national average diesel fuel index over an agreed baseline price. In some instances, customers choose to incorporate the additional charge by splitting the impact between the basic rate per mile and the surcharge fee. In addition, we have moved much of our West Coast customer activity to a surcharge program that is indexed to the DOE's West Coast average diesel fuel index as diesel fuel prices in the western United States generally are higher than the national average index. Our fuel surcharges are billed on a lagging basis, meaning we typically bill customers in the current week based on a previous week's applicable index. Therefore, in times of increasing fuel prices, we do not recover as much as we are currently paying for fuel. In periods of declining prices, the opposite is true.

Revenue in our non-reportable segment is generated by our non-asset based freight brokerage and logistics management service, tractor leasing revenue from our financing subsidiaries, premium revenue generated by our captive insurance companies, and other revenue generated by our repair and maintenance shops. The main factors that affect the revenue in our non-reportable segment are demand for brokerage and logistics services and the number of owner-operators leasing equipment from our financing subsidiaries.

Expenses

The most significant expenses in our business vary with miles traveled and include fuel, driver-related expenses (such as wages and benefits) and services purchased from owner-operators and other transportation providers, such as the railroads, drayage providers, and other trucking companies (which are recorded on the "Purchased transportation" line of our consolidated statements of income). Expenses that have both fixed and variable components include maintenance and tire expense and our total cost of insurance and claims. These expenses generally vary with the miles we travel, but also have a controllable component based on safety improvements, fleet age, efficiency, and other factors. Our main fixed costs are depreciation and lease expense of long-term assets, such as tractors, trailers, containers, and terminals, interest expense, and the compensation of non-driver personnel.

A significant portion of our expenses are either fully or partially variable based on the number of miles traveled, changes in weekly trucking revenue per tractor caused by increases or decreases in deadhead miles percentage, rate per mile and loaded miles have varying effects on our profitability. In general, changes in deadhead miles percentage have the largest proportionate effect on profitability because we still bear all of the expenses for each deadhead mile but do not earn any revenue to offset those expenses. Changes in rate per mile have the next largest proportionate effect on profitability because incremental improvements in rate per mile are not offset by any additional expenses. Changes in loaded miles generally have a smaller effect on profitability because variable expenses increase or decrease with changes in miles. However, items such as driver and owner-operator satisfaction and network efficiency are affected by changes in mileage and have significant indirect effects on expenses.

In general, our miles per tractor per week, rate per mile, and deadhead miles percentage are affected by industry-wide freight volumes, industry-wide trucking capacity and the competitive environment, which factors are beyond our control, as well as by our service levels, planning, and discipline of our operations, over which we have significant control.

Results of Operations for the Three Months Ended March 31, 2014 and 2013

Factors Affecting Comparability between Periods

Three months ended March 31, 2014 results of operations

Net income for the three months ended March 31, 2014 was \$12.3 million . Items during the 2014 period impacting comparability between the three months ended March 31, 2014 and the corresponding 2013 period include the following:

- \$3.1 million reduction in interest expense in 2014 as compared to 2013 resulting from the amendment of the senior credit facility in March 2013 and our voluntary debt prepayments made throughout 2013; and
- \$2.9 million loss on debt extinguishment resulting from the repurchase of our Senior Second Priority Secured Notes.

Three months ended March 31, 2013 results of operations

Net income for the three months ended March 31, 2013 was \$30.3 million . Items during the 2013 period impacting comparability between the first quarter of 2013 and the corresponding 2014 period include the following:

- \$6.1 million gain on the sale of two properties classified as held for sale in the 2013 period; and
- \$5.0 million loss on debt extinguishment resulting from the replacement of our previous Amended and Restated Credit Agreement in the first quarter of 2013.

Results of Operations—Segment Review

We operate four reportable segments: Truckload, Dedicated, Central Refrigerated and Intermodal. The descriptions of the operations of these reportable segments are described in Note 13 in the notes to our consolidated financial statements. In the first quarter of 2014, the Company reorganized its reportable segments to reflect management's revised reporting structure of its lines of businesses following the integration of Central Refrigerated. In association with the operational reorganization, the operations of Central Refrigerated's Trailer on Flat Car business will be reported within the Company's Intermodal segment and the operations of Central Refrigerated's logistic business, third-party leasing, and other services provided to owner-operators will be reported in the Company's other non-reportable segment. The following tables reconcile our operating revenues and operating income by reportable segment to our consolidated operating revenue and operating income for the periods indicated.

	Three Months Ended March 31,	
	2014	2013
	(Unaudited) (Dollars in thousands)	
<u>Operating revenue:</u>		
Truckload	\$ 553,057	\$ 559,595
Dedicated	193,653	179,226
Central Refrigerated	106,763	106,402
Intermodal	91,313	83,264
Subtotal	944,786	928,487
Nonreportable segments	75,666	72,057
Intersegment eliminations	(12,006)	(18,936)
Consolidated operating revenue	<u>\$ 1,008,446</u>	<u>\$ 981,608</u>
<u>Operating income (loss):</u>		
Truckload	\$ 31,907	\$ 42,403
Dedicated	11,530	18,954
Central Refrigerated	2,420	4,721
Intermodal	(926)	(1,604)
Subtotal	44,931	64,474
Nonreportable segments	1,239	5,244
Consolidated operating income	<u>\$ 46,170</u>	<u>\$ 69,718</u>

The results and discussions that follow are reflective of how our chief operating decision makers monitor the performance of our reporting segments. We supplement the reporting of our financial information determined under generally accepted accounting principles (“GAAP”) with certain non-GAAP financial measures. Additionally, we use a number of primary indicators to monitor our revenue and expense performance and efficiency. We believe that these adjusted measures provide meaningful information to assist investors and analysts in understanding our financial results and assessing our prospects for future performance. We believe these adjusted financial measures are important indicators of our recurring results of operations because they exclude items that may not be indicative of, or are unrelated to, our core operating results, and provide a better baseline for analyzing trends in our underlying businesses.

Our main measure of productivity for our Truckload, Dedicated and Central Refrigerated reportable segments is weekly trucking revenue xFSR per tractor excluding fuel surcharge revenue (weekly trucking Revenue xFSR per tractor). Weekly trucking Revenue xFSR per tractor is affected by our loaded miles, which only include the miles driven when hauling freight, the size of our fleet (because available loads may be spread over fewer or more tractors), and the rates received for our services. We strive to increase our revenue per tractor by improving freight rates with our

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customers and hauling more loads with our existing equipment, effectively moving freight within our network, keeping tractors maintained and recruiting and retaining drivers as well as owner-operators.

We also strive to reduce our number of deadhead miles within our Truckload and Central Refrigerated segments. We measure our performance in this area by monitoring our deadhead miles percentage, which is calculated by dividing the number of unpaid miles by the total number of miles driven. By balancing our freight flows and planning consecutive loads with shorter distances between the drop-off and pick-up locations, we are able to reduce the percentage of deadhead miles driven to allow for more revenue-generating miles during our drivers' hours-of-service. This also enables us to reduce costs associated with deadhead miles, such as wages and fuel.

For our reportable segments, average tractors available measures the average number of tractors we have available during the period for dispatch and includes tractors driven by company drivers as well as owner-operator units. This measure changes based on our ability to increase or decrease our fleet size to respond to changes in demand.

We consider our Adjusted Operating Ratio to be an important measure of our operating profitability for each of our reportable segments. Operating Ratio is operating expenses as a percentage of revenue, or the inverse of operating margin, and produces a quick indication of operating efficiency. It is widely used in our industry as an assessment of management's effectiveness in controlling all categories of operating expenses. We net fuel surcharge revenue against fuel expense in the calculation of our Adjusted Operating Ratio, therefore excluding fuel surcharge revenue from total revenue in the denominator. We exclude fuel surcharge revenue because fuel prices and fuel surcharge revenue are often volatile and changes in fuel surcharge revenue largely offset corresponding changes in our fuel expense. Eliminating the volatility (by netting fuel surcharge revenue against fuel expense) affords a more consistent basis for comparing our results of operations between periods. We also exclude impairments and other special or non-cash items in the calculation of our Adjusted Operating Ratio because we believe this enhances the comparability of our performance between periods. Accordingly, we believe Adjusted Operating Ratio is a better indicator of our core operating profitability than Operating Ratio and provides a better basis for comparing our results between periods and against others in our industry.

Within our Intermodal reportable segment, we monitor our load count and average container count. These metrics allow us to measure our utilization of our container fleet.

We monitor weekly trucking Revenue xFSR per tractor, deadhead miles percentage, average tractors available, load count and average container count on a daily basis, and we measure Adjusted Operating Ratio on a monthly basis.

Truckload

	Three Months Ended March 31,			
	2014		2013	
	(Unaudited)			
	(Dollars and miles in thousands, except per tractor amounts)			
Operating revenue	\$	553,057	\$	559,595
Operating income	\$	31,907	\$	42,403
Operating Ratio		94.2%		92.4%
Adjusted Operating Ratio		92.8%		90.4%
Weekly trucking Revenue xFSR per tractor	\$	3,225	\$	3,182
Total loaded miles		254,426		261,850
Deadhead miles percentage		11.7%		11.2%
Average tractors available for dispatch:				
Company		7,151		7,494
Owner-Operator		3,484		3,291
Total		10,635		10,785

A reconciliation of our Adjusted Operating Ratio for each of the periods indicated is as follows:

	Three Months Ended March 31,			
	2014		2013	
	(Unaudited) (Dollars in thousands)			
Total GAAP operating revenue	\$	553,057	\$	559,595
Less: Fuel surcharge revenue		111,648		118,339
Revenue xFSR		441,409		441,256
Total GAAP operating expense		521,150		517,192
Adjusted for:				
Fuel surcharge revenue		(111,648)		(118,339)
Adjusted operating expense		409,502		398,853
Adjusted operating income	\$	31,907	\$	42,403
Adjusted Operating Ratio		92.8%		90.4%

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Revenue

For the three months ended March 31, 2014 , our Truckload segment operating revenue decreased by \$6.5 million , or 1.2% , compared with the same period in 2013 . During the first quarter of 2014 , Truckload Revenue xFSR remained flat as compared to the first quarter of 2013 . This consistency in Revenue xFSR was driven by a 3.0% increase in our Truckload Revenue xFSR per loaded mile driven by contractual rate increases, freight mix, and an increase in paid repositioning. The increase in tractor repositioning resulted in an increase in our deadhead percentage, although our unpaid miles were relatively consistent year over year. These rate increases were offset by a 2.8% decrease in loaded miles resulting from the severe winter weather during the first quarter of 2014.

Operating income

Truckload operating income decreased \$10.5 million from the first quarter of 2013 to the first quarter of 2014 , causing an increase in our Adjusted Operating Ratio to 92.8% during the three months ended March 31, 2014 compared with 90.4% during the same period in 2013. This increase in Adjusted Operating Ratio was driven primarily by increases in insurance and claims expense, other weather related items and higher equipment costs.

Dedicated

	Three Months Ended March 31,			
	2014		2013	
	(Unaudited)			
	(Dollars in thousands, except per tractor amounts)			
Operating revenue	\$	193,653	\$	179,226
Operating income	\$	11,530	\$	18,954
Operating Ratio		94.0%		89.4%
Adjusted Operating Ratio		92.7%		86.9%
Weekly trucking Revenue xFSR per tractor	\$	3,173	\$	3,385
Average tractors available for dispatch:				
Company		3,161		2,684
Owner-Operator		691		643
Total		3,852		3,327

A reconciliation of our Adjusted Operating Ratio for each of the periods indicated is as follows:

	Three Months Ended March 31,			
	2014		2013	
	(Unaudited) (Dollars in thousands)			
Total GAAP operating revenue	\$	193,653	\$	179,226
Less: Fuel surcharge revenue		36,534		34,433
Revenue xFSR		157,119		144,793
Total GAAP operating expense		182,123		160,272
Adjusted for:				
Fuel surcharge revenue		(36,534)		(34,433)
Adjusted operating expenses		145,589		125,839
Adjusted operating income	\$	11,530	\$	18,954
Adjusted Operating Ratio		92.7%		86.9%

Revenue

For the three months ended March 31, 2014 , our Dedicated segment operating revenue increased \$14.4 million, or 8.0% and our Revenue xFSR increased 8.5% , compared to the same period in 2013. This increase in Revenue xFSR was driven by new customer accounts added in the latter half of 2013 and the first quarter of 2014.

Operating income

Our Dedicated operating income decreased to \$11.5 million for the three months ended March 31, 2014 , compared to \$19.0 million in the same period in 2013 . Our Dedicated Adjusted Operating Ratio increased to 92.7% for the three months ended March 31, 2014 from 86.9% in the same period in 2013, which was primarily due to the increased insurance and claims expense referenced above, higher replacement costs of new equipment, start-up costs of new customer accounts, and severe winter weather in the first quarter of 2014. Additionally, the harsh winter weather combined with the staging of equipment to begin servicing new customer accounts caused our Weekly trucking Revenue xFSR per tractor to decrease 6.3% during the three months ended March 31, 2014, compared with the same period in 2013.

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Central Refrigerated

	Three Months Ended March 31,	
	2014	2013
	(Unaudited) (Dollars and miles in thousands, except per tractor amounts)	
Operating revenue	\$ 106,763	\$ 106,402
Operating income	\$ 2,420	\$ 4,721
Operating Ratio	97.7%	95.6%
Adjusted Operating Ratio	97.1%	94.2%
Weekly trucking Revenue xFSR per tractor	\$ 3,235	\$ 3,330
Total loaded miles	42,757	47,100
Deadhead miles percentage	14.0%	12.1%
Average tractors available for dispatch:		
Company	1,057	998
Owner-Operator	955	907
Total	2,012	1,905

A reconciliation of our Adjusted Operating Ratio for each of the periods indicated is as follows:

	Three Months Ended March 31,	
	2014	2013
	(Unaudited) (Dollars in thousands)	
Total GAAP operating revenue	\$ 106,763	\$ 106,402
Less: Fuel surcharge revenue	23,177	24,850
Revenue xFSR	83,586	81,552
Total GAAP operating expense	104,343	101,681
Adjusted for:		
Fuel surcharge revenue	(23,177)	(24,850)
Adjusted operating expenses	81,166	76,831
Adjusted operating income	\$ 2,420	\$ 4,721
Adjusted Operating Ratio	97.1%	94.2%

Revenue

For the three months ended March 31, 2014 , our Central Refrigerated segment operating revenue remained relatively flat increasing \$0.4 million , or 0.3% , compared with the same period in 2013 . During the first quarter of 2014 , our Central Refrigerated Revenue xFSR increased 2.5% , as compared to the first quarter of 2013 . This increase in Revenue xFSR was driven primarily by a significant new dedicated customer added in June 2013 which has a much lower average length of haul, higher deadhead, and a much higher Revenue xFSR per loaded mile. This increased business was partially offset by lower volumes during the quarter primarily due to the severe winter weather and the conversion to Swift's system and processes in February 2014.

Operating income

Our Central Refrigerated segment operating income decreased \$2.3 million from the first quarter of 2013 to the first quarter of 2014 . This decrease in operating income caused our Adjusted Operating Ratio to increase to 97.1% during the three months ended March 31, 2014 compared with 94.2% in the same period in 2013. The 290 basis point increase in Adjusted Operating Ratio over the first quarter of 2013 was driven primarily by the severe winter weather, higher equipment costs, an increase in unmanned equipment, higher deadhead percentages and the challenges associated with the February 2014 system conversion.

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Intermodal

	Three Months Ended March 31,	
	2014	2013
	(Unaudited) (Dollars in thousands, except per tractor amounts)	
Operating revenue	\$ 91,313	\$ 83,264
Operating loss	\$ (926)	\$ (1,604)
Operating Ratio	101.0%	101.9%
Adjusted Operating Ratio	101.3%	102.5%
Average tractors available for dispatch:		
Company	378	295
Owner-Operator	73	18
Total	451	313
Load count	38,603	35,639
Average container count	8,717	8,717

A reconciliation of our Adjusted Operating Ratio for each of the periods indicated is as follows:

	Three Months Ended March 31,	
	2014	2013
	(Unaudited) (Dollars in thousands)	
Total GAAP operating revenue	\$ 91,313	\$ 83,264
Less: Fuel surcharge revenue	18,364	18,011
Revenue xFSR	72,949	65,253
Total GAAP operating expense	92,239	84,868
Adjusted for:		
Fuel surcharge revenue	(18,364)	(18,011)
Adjusted operating expenses	73,875	66,857
Adjusted operating loss	\$ (926)	\$ (1,604)
Adjusted Operating Ratio	101.3%	102.5%

Revenue

For the three months ended March 31, 2014 , our Intermodal operating revenue increased \$8.0 million , or 9.7% , compared to the same period in 2013. During the first quarter of 2014 , our Intermodal Revenue xFSR grew 11.8% over the same period of 2013 . This increase in Revenue xFSR was driven by a 3.2% increase in Revenue xFSR per load and a 8.3% increase in loads during the first quarter of 2014 compared to 2013.

Operating loss

Our Intermodal operating loss improved from \$1.6 million in the first quarter of 2013 to \$0.9 million in the first quarter of 2014. Correspondingly, our Intermodal Adjusted Operating Ratio improved to 101.3% during the three months ended March 31, 2014 from 102.5% in the same period in 2013, due primarily to improvements in our network, utilization of our equipment, and management of our dray costs. These improvements were partially offset by the adverse weather conditions during the quarter negatively impacting volumes and operational costs.

Other non-reportable segments

	Three Months Ended March 31,	
	2014	2013
	(Unaudited) (Dollars in thousands)	
Operating revenue	\$ 75,666	\$ 72,057
Operating income	\$ 1,239	\$ 5,244

Revenue

Our other non-reportable segment revenue is generated primarily by our logistics and brokerage services and revenue generated by our subsidiaries offering support services to customers and owner-operators, including shop repair and maintenance services, equipment leasing, and insurance. The main factors that impact our other non-reportable segment revenue are the demand for our brokerage and logistics services and the number of owner-operators leasing equipment and purchasing insurance coverage from our financing subsidiaries.

For the three months ended March 31, 2014, combined revenue from these services increased 5.0%, compared to the corresponding period in 2013 . The increases for the first quarter were driven primarily by an increase in services provided to owner-operators compared to the same

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period in 2013.

Consolidated Operating Expense

Salaries, Wages and Employee Benefits

	Three Months Ended March 31,	
	2014	2013
	(Unaudited) (Dollars in thousands)	
Salaries, wages and employee benefits	\$ 229,366	\$ 226,485
% of Revenue xFSR	28.1%	28.9%
% of operating revenue	22.7%	23.1%

For the three months ended March 31, 2014, salaries, wages, and employee benefits increased by \$2.9 million, or 1.3%, compared with the same period in 2013. The dollar increase was primarily a result of an increase in non-driver administrative staff and an increase in driver wages per mile, primarily driven by driver mix changes across our various segments. Specifically, we experienced growth in our dedicated business, which typically has a shorter length of haul and a higher driver wage per mile. These increases are partially offset by a 4.9% decrease in the number of miles driven by company drivers during the first quarter of 2014, compared to the same period in 2013.

The compensation paid to our drivers and other employees increased and may increase further in future periods as the economy strengthens and other employment alternatives become more available. Furthermore, because we believe that the market for drivers has tightened, we expect hiring expenses, including recruiting and advertising, to increase in order to attract sufficient numbers of qualified drivers to operate our fleet.

Operating Supplies and Expenses

	Three Months Ended March 31,	
	2014	2013
	(Unaudited) (Dollars in thousands)	
Operating supplies and expenses	\$ 80,825	\$ 72,067
% of Revenue xFSR	9.9%	9.2%
% of operating revenue	8.0%	7.3%

For the three months ended March 31, 2014, operating supplies and expenses increased by \$8.8 million, or 12.2%, compared with the same period in 2013. As a percentage of Revenue xFSR, operating supplies and expenses increased to 9.9%, compared with 9.2% for the 2013 period. The increase was primarily due to increases in equipment maintenance, hiring costs and legal expenses.

We believe that the market for drivers has tightened, hiring expenses, including recruiting and advertising, which are included in operating supplies and expenses, have increased and we expect this will continue to increase in order to attract sufficient numbers of qualified drivers to operate our fleet.

Fuel Expense

	Three Months Ended March 31,	
	2014	2013
	(Unaudited) (Dollars in thousands)	
Fuel expense	\$ 156,022	\$ 168,116
% of operating revenue	15.5%	17.1%

To measure the effectiveness of our fuel surcharge program, we subtract fuel surcharge revenue (other than the fuel surcharge revenue we reimburse to owner-operators, the railroads, and other third parties which is included in purchased transportation) from our fuel expense. The result is referred to as net fuel expense. Our net fuel expense as a percentage of Revenue xFSR is affected by the cost of diesel fuel net of surcharge collection, the percentage of miles driven by company trucks, our fuel economy, and our percentage of deadhead miles, for which we do not receive fuel surcharge revenues. Net fuel expense as a percentage of Revenue xFSR is shown below:

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	Three Months Ended March 31,	
	2014	2013
	(Unaudited) (Dollars in thousands)	
Total fuel surcharge revenue	\$ 191,447	\$ 197,057
Less: Fuel surcharge revenue reimbursed to owner-operators and other third parties	86,309	84,012
Company fuel surcharge revenue	<u>\$ 105,138</u>	<u>\$ 113,045</u>
Total fuel expense	\$ 156,022	\$ 168,116
Less: Company fuel surcharge revenue	105,138	113,045
Net fuel expense	<u>\$ 50,884</u>	<u>\$ 55,071</u>
<i>% of Revenue xFSR</i>	6.2%	7.0%

For the three months ended March 31, 2014, net fuel expense decreased \$4.2 million, or 7.6%, compared with the same period in 2013. As a percentage of Revenue xFSR, net fuel expense improved to 6.2% during the first quarter of 2014 compared with 7.0% in the 2013 period. The decrease in net fuel expense is due primarily to the 4.9% reduction of miles driven by company drivers which was partially offset by an increase in idle fuel costs and lower miles per gallon resulting from the severe winter weather during the three months ended March 31, 2014.

Purchased Transportation

	Three Months Ended March 31,	
	2014	2013
	(Unaudited) (Dollars in thousands)	
Purchased transportation expense	\$ 319,169	\$ 292,156
<i>% of operating revenue</i>	31.6%	29.8%

Purchased transportation expense includes payments made to owner-operators, rail partners and other third parties for their services. Because we reimburse owner-operators and other third parties for fuel, we subtract fuel surcharge revenue reimbursed to third parties from our purchased transportation expense. The result, referred to as purchased transportation, net of fuel surcharge reimbursements, is evaluated as a percentage of Revenue xFSR, as shown below:

	Three Months Ended March 31,	
	2014	2013
	(Unaudited) (Dollars in thousands)	
Purchased transportation	\$ 319,169	\$ 292,156
Less: Fuel surcharge revenue reimbursed to owner-operators and other third parties	86,309	84,012
Purchased transportation, net of fuel surcharge reimbursement	<u>\$ 232,860</u>	<u>\$ 208,144</u>
<i>% of Revenue xFSR</i>	28.5%	26.5%

For the three months ended March 31, 2014, purchased transportation, net of fuel surcharge reimbursement, increased \$24.7 million, or 11.9%, compared with the same period in 2013. This year over year dollar increase was primarily due to an increase in the number of owner-operators and an increase in both intermodal and third party logistics volume. As a percentage of Revenue xFSR, purchased transportation, net of fuel surcharge reimbursement, increased 200 basis points due primarily to due to the increase in the percent of miles driven by owner-operators compared to company drivers and the higher revenue growth of both Intermodal and logistics businesses.

Insurance and Claims

	Three Months Ended March 31,	
	2014	2013
	(Unaudited) (Dollars in thousands)	
Insurance and claims	\$ 42,448	\$ 31,538
<i>% of Revenue xFSR</i>	5.2%	4.0%
<i>% of operating revenue</i>	4.2%	3.2%

For the three months ended March 31, 2014, insurance and claims expense increased by \$10.9 million, or 34.6%, compared with the same period in 2013. As a percentage of Revenue xFSR, insurance and claims increased to 5.2%, compared with 4.0% in the 2013 period. The increase is primarily due to the \$5.5 million we reserved associated with two claims in December 2013. Additionally, during the three months ended March 31, 2014, we experienced higher accident frequency, primarily related to the severe winter weather resulting in higher incurred but not reported reserves during the first quarter of 2014.

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Rental Expense and Depreciation and Amortization of Property and Equipment

Because the mix of our leased versus owned tractors varies, we believe it is appropriate to combine our rental expense with our depreciation and amortization of property and equipment when comparing results from period to period for analysis purposes.

	Three Months Ended March 31,	
	2014	2013
	(Unaudited) (Dollars in thousands)	
Rental expense	\$ 51,719	\$ 40,623
Depreciation and amortization of property and equipment	56,175	54,870
Rental expense and depreciation and amortization of property and equipment	<u>\$ 107,894</u>	<u>\$ 95,493</u>
% of Revenue xFSR	13.2%	12.2%
% of operating revenue	10.7%	9.7%

Rental expense and depreciation and amortization of property and equipment were primarily driven by our fleet of tractors and trailers shown below:

	As of		
	March 31, 2014	December 31, 2013	March 31, 2013
	(Unaudited)		
Tractors:			
Company			
Owned	6,464	6,081	5,838
Leased — capital leases	1,791	1,851	2,692
Leased — operating leases	5,017	4,834	4,211
Total company tractors	<u>13,272</u>	<u>12,766</u>	<u>12,741</u>
Owner-operator			
Financed through the Company	4,526	4,473	3,885
Other	572	722	1,049
Total owner-operator tractors	<u>5,098</u>	<u>5,195</u>	<u>4,934</u>
Total tractors	<u>18,370</u>	<u>17,961</u>	<u>17,675</u>
Trailers	<u>58,074</u>	<u>57,310</u>	<u>55,841</u>
Containers	<u>8,717</u>	<u>8,717</u>	<u>8,717</u>

For the three months ended March 31, 2014, rental expense and depreciation and amortization of property and equipment increased by \$12.4 million, or 13.0%, compared with the same period in 2013. As a percentage of Revenue xFSR, such expenses increased to 13.2% compared with 12.2% for same period in 2013. The increase was primarily due to the 2.3% growth in the number of tractors and the rising cost of new equipment in the first quarter of 2014 as compared to the first quarter of 2013.

Amortization of Intangibles

Amortization of intangibles consists primarily of amortization of \$261.2 million gross carrying value of definite-lived intangible assets recognized under purchase accounting in connection with our 2007 going private transaction.

	Three Months Ended March 31,	
	2014	2013
	(Unaudited) (Dollars in thousands)	
Amortization of intangibles	\$ 4,204	\$ 4,204

Amortization of intangibles for the three months ended March 31, 2014 and 2013 is comprised of \$3.9 million in each period related to intangible assets recognized in conjunction with the 2007 going private transaction and \$0.3 million in each period related to previous intangible assets from smaller acquisitions by Swift Transportation Co. prior to the going private transaction.

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Gain on disposal of property and equipment

	Three Months Ended March 31,	
	2014	2013
	(Unaudited) (Dollars in thousands)	
Gain on disposal of property and equipment	\$ 3,159	\$ 2,848

Gain on disposal of property and equipment remained relatively flat at \$3.2 million in the first quarter of 2014, compared to \$2.8 million in the first quarter of 2013.

Interest Expense

	Three Months Ended March 31,	
	2014	2013
	(Unaudited) (Dollars in thousands)	
Interest expense	\$ 23,225	\$ 26,362

Interest expense for the three months ended March 31, 2014 is primarily based on the end of period debt balances as of March 31, 2014 of \$229.0 million and \$400.0 million carrying value of the first lien term loan B-1 tranche and B-2 tranche, respectively, \$470.7 million net carrying value of senior second priority secured notes, \$259.0 million of our accounts receivable securitization obligation, and \$161.3 million present value of capital lease obligations.

Interest expense decreased for the three months ended March 31, 2014, compared to the prior year period primarily due to lower interest rates resulting from the refinance of our term loans in 2013. On March 7, 2013, we entered into the Second Amended and Restated Credit Agreement (the "2013 Agreement"). The 2013 Agreement reduced the interest rates applicable to the first lien term loan B-1 tranche to LIBOR plus 2.75% with no minimum LIBOR rate and the first lien term loan B-2 tranche to LIBOR plus 3.00% with a minimum LIBOR rate of 1.00%.

Derivative Interest Expense

In April 2011, in connection with our new senior secured credit facility, we entered into two forward-starting interest rate swap agreements with a total notional amount of \$350.0 million. These interest rate swaps became effective in January 2013, mature in July 2015, and had been designated and qualified as cash flow hedges. As such, the effective portion of the changes in fair value of these designated swaps was recorded in accumulated OCI and is thereafter recognized to derivative interest expense as the interest on the hedged debt affects earnings, which hedged interest accruals started in January of 2013. Any ineffective portions of the changes in the fair value of designated interest rate swaps was recognized directly to earnings as derivative interest expense.

As noted above, on March 7, 2013, we entered into the 2013 Agreement. Due to the incorporation of a new interest rate floor provision in the 2013 Agreement, we concluded as of February 28, 2013, the outstanding interest rate swaps were no longer highly effective in achieving offsetting changes in cash flows related to the hedged interest payments. As a result, we de-designated the hedges as of February 28, 2013 ("de-designation date"). Beginning on March 1, 2013, the effective portion of the interest rate swaps prior to the change (i.e., amounts previously recorded in accumulated OCI) have been and will continue to be amortized as derivative interest expense over the period of the originally designated hedged interest payments through July 2015. Following the de-designation date, changes in fair value of the interest rate swaps are immediately recognized in the consolidated statements of income as derivative interest expense.

The following is a summary of our derivative interest expense for the periods indicated:

	Three Months Ended March 31,	
	2014	2013
	(Unaudited) (Dollars in thousands)	
Derivative interest expense	\$ 1,653	\$ 562

Derivative interest expense for the three months ended March 31, 2014 represents reclassified amounts from OCI, mark-to-market adjustments and settlement payments related to our interest rate swaps, which were de-designated in February 2013.

Loss on Debt Extinguishment

	Three Months Ended March 31,	
	2014	2013
	(Unaudited) (Dollars in thousands)	
Loss on debt extinguishment	\$ 2,913	\$ 5,044

In March 2014, the Company repurchased in an open market transaction at a price of 110.70%, \$23.8 million principal amount of its Senior Second Priority Secured Notes with cash on hand. The Company paid total proceeds of \$27.1 million, which included the principal amount, the premium and the accrued interest. These amounts and the related write-off of the unamortized original issue discount resulted in a loss on debt extinguishment of \$2.9 million for the three months ended March 31, 2014. On March 7, 2013, the Company entered into a Second Amended and Restated Credit Agreement ("2013 Agreement"). The 2013 Agreement replaced the then-existing first lien term loan B-1 and B-2 tranches

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under the Amended and Restated Credit Agreement (“2012 Agreement”) entered into on March 6, 2012. The replacement of the 2012 Agreement resulted in a loss on debt extinguishment of \$5.0 million in the first quarter of 2013, representing the write-off of the unamortized original issue discount and deferred financing fees associated with the 2012 Agreement.

Gain on Sale of Real Property

	Three Months Ended March 31,	
	2014	2013
	(Unaudited) (Dollars in thousands)	
Gain on sale of real property	\$ —	\$ 6,078

During the first quarter of 2013, we disposed of two non-operating properties in Wilmington, CA and Phoenix, AZ, resulting in a gain of \$6.1 million.

Income Tax Expense

	Three Months Ended March 31,	
	2014	2013
	(Unaudited) (Dollars in thousands)	
Income tax expense	\$ 7,704	\$ 14,687

The effective tax rate for the three months ended March 31, 2014 was 38.5%, as expected. The effective tax rate for the three months ended March 31, 2013 was 32.7%, which was 5.8 percentage points lower than expected primarily due to Central Refrigerated’s pre-affiliated earnings that were taxed as an S-corporation prior to Swift’s acquisition.

Liquidity and Capital Resources

Cash Flow

Our summary statements of cash flows information for the three months ended March 31, 2014 and 2013 , is set forth in the table below:

	Three Months Ended March 31,	
	2014	2013
	(Unaudited) (Dollars in thousands)	
Net cash provided by operating activities	\$ 76,157	\$ 110,802
Net cash used in investing activities	\$ (25,203)	\$ (25,706)
Net cash used in financing activities	\$ (64,034)	\$ (99,946)

The \$34.6 million decrease in net cash provided by operating activities during the three months ended March 31, 2014 , compared to the same period in 2013 , was primarily the result of a \$23.5 million decrease in operating income and a \$15.0 million reduction in the net cash flows provided by changes in accounts receivable as a result of the timing of collections during the three months ended March 31, 2014, compared to the same period of 2013.

Our net cash used in investing activities decreased \$0.5 million during the three months ended March 31, 2014 , compared to the same period in 2013 . This decrease in cash used in investing activities was related to the \$1.7 million decrease in gross capital expenditures, offset by a \$5.5 million reduction in proceeds received from sale of property, equipment and assets classified as held for sale during the quarter.

Cash used in financing activities decreased \$35.9 million during the three months ended March 31, 2014 , compared to the same period in 2013 . This decrease in cash used in financing activities was primarily related to the \$33.8 million reduction in prepayments on long term debt and capital leases and the repayment of our revolving line of credit during the three months ended March 31, 2014, compared to the same period in 2013.

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Sources

As of March 31, 2014 and December 31, 2013 , we had the following sources of liquidity available to us:

	March 31, 2014	December 31, 2013
	(Unaudited) (Dollars in thousands)	
Cash and cash equivalents, excluding restricted cash	\$ 46,098	\$ 59,178
Availability under revolving line of credit due September 2016	291,493	274,493
Availability under 2013 RSA	58,700	36,800
Central Refrigerated availability under revolving line of credit due November 2013	\$ —	\$ —
Total unrestricted liquidity	\$ 396,291	\$ 370,471
Restricted cash	47,012	50,833
Restricted investments, held to maturity, amortized cost	25,832	25,814
Total liquidity, including restricted cash and investments	\$ 469,135	\$ 447,118

As of March 31, 2014 , we had no outstanding borrowings on our \$400.0 million revolving line of credit, and there were \$108.5 million in letters of credit outstanding under this facility, leaving \$291.5 million available. In addition, we had borrowed \$259.0 million against a total borrowing base of \$317.7 million of eligible receivables from our accounts receivable facility, leaving \$58.7 million available as of March 31, 2014 . The availability on these two facilities combined with our cash and cash equivalents provides a total of unrestricted liquidity of \$396.3 million as of March 31, 2014, compared to \$370.5 million as of December 31, 2013.

Uses

Our business requires substantial amounts of cash to cover operating expenses as well as to fund items such as cash capital expenditures, other assets, working capital changes, principal and interest payments on our obligations and tax payments.

We make substantial net capital expenditures to maintain a modern company tractor fleet, refresh our trailer fleet, and potentially fund growth in our revenue equipment fleet if justified by customer demand and our ability to fund the equipment and generate acceptable returns. As of March 31, 2014 , we expect our net cash capital expenditures to be in the range of approximately \$188 million to \$218 million for the remainder of 2014. In addition, we believe we have ample flexibility with our trade cycle and purchase agreements to alter our current plans if economic or other conditions warrant. Beyond 2014, we expect our net capital expenditures to remain substantial.

As of March 31, 2014 , we had \$350.2 million of purchase commitments outstanding to acquire replacement tractors through the rest of 2014 and 2015. We generally have the option to cancel tractor purchase orders with 60 to 90 day notice prior to scheduled production, although the notice date has lapsed for approximately 54% of the commitments remaining as of March 31, 2014 . In addition, we had trailer purchase commitments outstanding at March 31, 2014 for \$152.1 million through the rest of 2014. These purchases are expected to be financed by a combination of operating leases, capital leases, debt, proceeds from sales of existing equipment and cash flows from operations.

As of March 31, 2014 , we did not have outstanding purchase commitments for intermodal containers, fuel, facilities, or non-revenue equipment. Factors such as costs and opportunities for future terminal expansions may change the amount of such expenditures.

As of March 31, 2014 and December 31, 2013 , we had a working capital surplus of \$274.6 million and \$349.7 million , respectively. The decrease was primarily related to the \$64.7 million increase in accounts payable and accrued liabilities.

Financing

We believe we can finance our expected cash needs, including debt repayment, in the short-term with cash flows from operations, borrowings available under our revolving line of credit, borrowings under our 2013 RSA, and lease financing believed to be available for at least the next twelve months. Over the long-term, we will continue to have significant capital requirements, which may require us to seek additional borrowings, lease financing, or equity capital. The availability of financing or equity capital will depend upon our financial condition and results of operations as well as prevailing market conditions. If such additional borrowings, lease financing, or equity capital is not available at the time we need to incur such indebtedness, then we may be required to utilize the revolving portion of our senior secured credit facility (if not then fully drawn), extend the maturity of then-outstanding indebtedness, rely on alternative financing arrangements, or engage in asset sales.

As of March 31, 2014 , we had the following material debt agreements:

- senior secured credit facility consisting of a term loan B-1 tranche due December 2016 and term loan B-2 tranche due December 2017, and a revolving line of credit due September 2016;
- senior second priority secured notes due November 2018;
- 2013 RSA due July 2016; and
- other secured indebtedness and capital lease agreements.

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The amounts outstanding under such agreements and other debt instruments as of March 31, 2014 and December 31, 2013 were as follows:

	March 31, 2014	December 31, 2013
	(In thousands)	
	(Unaudited)	
Senior secured first lien term loan B-1 tranche due December 2016	\$ 229,000	\$ 229,000
Senior secured first lien term loan B-2 tranche due December 2017	400,000	410,000
Senior second priority secured notes due November 15, 2018, net of \$5,582 and \$6,175 OID as of March 31, 2014 and December 31, 2013, respectively	470,663	493,825
2013 RSA	259,000	264,000
Other secured debt and capital leases	174,254	186,805
Revolving line of credit	—	17,000
Central notes payable	2,007	2,190
Total debt and capital leases	\$ 1,534,924	\$ 1,602,820
Less: current portion	80,619	75,056
Long-term debt and capital leases	\$ 1,454,305	\$ 1,527,764

The indenture for our senior secured notes provides that we may only incur additional indebtedness if, after giving effect to the new incurrence, we meet a minimum fixed charge coverage ratio of 2.00:1.00, as defined therein, or the indebtedness qualifies under certain specifically enumerated carve-outs and debt incurrence baskets, including a provision that permits us to incur capital lease obligations of up to \$350.0 million outstanding at any one time. As of March 31, 2014, we had a fixed charge coverage ratio in excess of 4.00:1.00. However, there can be no assurance that we can maintain a fixed charge coverage ratio over 2.00:1.00, in which case our ability to incur additional indebtedness under our existing financial arrangements to satisfy our ongoing capital requirements would be limited as noted above, although we believe the combination of our expected cash flows, financing available through operating leases which are not subject to debt incurrence baskets, the capital lease basket, and the funds available to us through our accounts receivable sale facility and our revolving credit facility will be sufficient to fund our expected capital expenditures for the remainder of 2014.

See Notes 6 and 7 of the notes to our consolidated financial statements included in Part I, Item 1, in this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014 for further discussion of the senior secured credit facility, senior second priority secured notes and 2013 RSA.

Capital and Operating Leases

In addition to the net cash capital expenditures discussed above, we also acquired revenue equipment, including tractors and trailers, with capital and operating leases. During the three months ended March 31, 2014, we acquired tractors and trailers through operating leases with gross value of \$85.8 million, which were offset by capital lease and operating lease terminations with originating values of \$30.6 million and \$46.1 million, respectively. There were no capital lease additions for tractors or trailers in the first quarter of 2014. During the three months ended March 31, 2013, we acquired revenue equipment through capital leases and operating leases with gross values of \$13.8 million and \$45.0 million, respectively, which were offset by capital and operating lease terminations with originating values of \$10.7 million and \$13.8 million, respectively.

Contractual Obligations

During the three months ended March 31, 2014, other than the voluntary prepayments of our long-term debt there have not been any material changes outside the ordinary course of business to the contractual obligations table contained in our Form 10-K for the fiscal year ended December 31, 2013.

Off-Balance Sheet Arrangements

We lease approximately 8,500 tractors under operating leases, which includes approximately 5,000 company tractors and 3,500 owner-operator tractors financed by the Company. Operating leases have been an important source of financing for our revenue equipment. Tractors held under operating leases are not carried on our consolidated balance sheets, and lease payments in respect of such tractors are reflected in our consolidated statements of income in the line item "Rental expense." Our revenue equipment rental expense was \$50.3 million for the three months ended March 31, 2014, compared with \$39.4 million in the three months ended March 31, 2013.

Seasonality

In the transportation industry, results of operations generally show a seasonal pattern. As customers ramp up for the holiday season at year-end, the late third and fourth quarters have historically been our strongest volume quarters. As customers reduce shipments after the winter holiday season, the first quarter has historically been a lower volume quarter for us than the other three quarters. In the eastern and midwestern United States, and to a lesser extent in the western United States, during the winter season, our equipment utilization typically declines and our operating expenses generally increase, with fuel efficiency declining because of engine idling and harsh weather sometimes creating higher accident frequency, increased claims, and more equipment repairs. Our revenue also may be affected by holidays as a result of curtailed operations or vacation shutdowns, because our revenue is directly related to available working days of shippers. From time to time, we also suffer short-term impacts from weather-related events such as tornadoes, hurricanes, blizzards, ice storms, floods, fires, earthquakes, and explosions that could harm our results of operations or make our results of operations more volatile.

Inflation

Inflation can have an impact on our operating costs. A prolonged period of inflation could cause interest rates, fuel, wages, and other costs to increase, which would adversely affect our results of operations unless freight rates correspondingly increase. However, with the exception of fuel, the effect of inflation has been minor in recent years. Historically, the majority of the increase in fuel costs has been passed on to our customers through a corresponding increase in fuel surcharge revenue, making the impact of the increased fuel costs on our operating results less severe. If fuel costs escalate and we are unable to recover these costs timely with effective fuel surcharges, it would have an adverse effect on our operation and profitability.

Forward Looking Statements

This Quarterly Report contains statements that may constitute forward-looking statements, usually identified by words such as “anticipates,” “believes,” “estimates,” “plans,” “projects,” “expects,” “intends,” or similar expressions which speak only as of the date the statement was made. Forward-looking statements in this quarterly report include statements concerning: adjustments to income tax assessments as the result of ongoing and future examinations; anticipated changes in our unrecognized tax benefits during the next twelve months; the outcome of pending litigation and actions we intend to take in respect thereof; the amount and timing of the recognition of unrealized losses included in other comprehensive income; trends concerning supply, demand, pricing and costs in the trucking industry; our expectation of increasing driver wage and hiring expenses; the benefits of our fuel surcharge program and our ability to recover increasing fuel costs through surcharges; the impact of the lag effect relating to our fuel surcharges; the sources and sufficiency of our liquidity and financial resources; the consequences of a failure to maintain compliance with our debt covenants; the timing of our disposition of assets held for sale; our intentions concerning the use of derivative financial instruments to hedge fuel price exposure; and the timing and amount of future acquisitions of trucking equipment and other capital expenditures and the use and availability of cash, cash flow from operations, leases and debt to finance such acquisitions. Such statements are based upon the current beliefs and expectations of the Company’s management. Such forward-looking statements are subject to significant risks and uncertainties as set forth in the “Risk Factor” section of our Annual Report Form 10-K for the year ended December 31, 2013 and in this Form 10-Q. Actual events may differ materially from those set forth in the forward-looking statements. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

As to the Company’s business and financial performance, the following factors, among others, could cause actual results to differ materially from those in forward-looking statements: any future recessionary economic cycles and downturns in customers’ business cycles, particularly in market segments and industries in which we have a significant concentration of customers; increasing competition from trucking, rail, intermodal, and brokerage competitors; a significant reduction in, or termination of, our trucking services by a key customer; a significant reduction in, or termination of, our trucking services by a key customer; the amount and velocity of changes in fuel prices and our ability to recover fuel prices through our fuel surcharge program; volatility in the price or availability of fuel; increases in new equipment prices or replacement costs; the regulatory environment in which we operate, including existing regulations and changes in existing regulations, or violations by us of existing or future regulations; our Compliance Safety Accountability safety rating; increases in driver compensation to the extent not offset by increases in freight rates and difficulties in driver recruitment and retention; changes in rules or legislation by the National Labor Relations Board or Congress and/or union organizing efforts; potential volatility or decrease in the amount of earnings as a result of our claims exposure through our captive insurance companies; risks relating to our captive insurance companies; uncertainties associated with our operations in Mexico; our ability to attract and maintain relationships with owner-operators; the possible re-classification of our owner-operators as employees; our ability to retain or replace key personnel; conflicts of interest or potential litigation that may arise from other businesses owned by Jerry Moyes, including pledges of Swift stock and guarantees related to other businesses by Jerry Moyes; our dependence on third parties for intermodal and brokerage business; our ability to sustain cost savings realized as part of recent cost reduction initiatives; potential failure in computer or communications systems; our ability to execute or integrate any future acquisitions successfully; seasonal factors such as harsh weather conditions that increase operating costs; goodwill impairment; the potential impact of the significant number of shares of our common stock that is outstanding; our intention to not pay dividends; our significant ongoing capital requirements; our level of indebtedness and our ability to service our outstanding indebtedness, including compliance with our indebtedness covenants, and the impact such indebtedness may have on the way we operate our business; the significant amount of our stock and related control over the Company by Jerry Moyes; and restrictions contained in our debt agreements.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have interest rate exposure arising from our senior secured credit facility, 2013 RSA, and other financing agreements, which have variable interest rates. These variable interest rates are impacted by changes in short-term interest rates, although the volatility related to the first lien term loan B-2 tranche is mitigated due to a minimum LIBOR rate of 1.00%. We manage interest rate exposure through a mix of variable rate debt, and fixed rate notes (weighted average rate of 3.0% before applicable margin). Assuming the current level of borrowings, a hypothetical one-percentage point increase in interest rates would increase our annual interest expense by \$5.8 million considering the effect of the minimum LIBOR rate on the first lien term loan B-2 tranche.

We have commodity exposure with respect to fuel used in company tractors. Further increases in fuel prices will continue to raise our operating costs, even after applying fuel surcharge revenue. Historically, we have been able to recover a majority of fuel price increases from our customers in the form of fuel surcharges. The weekly average diesel price per gallon in the United States, as reported by the DOE, decreased slightly from an average of \$4.026 per gallon for the three months ended March 31, 2013 to an average of \$3.962 per gallon for the three months ended March 31, 2014. We cannot predict the extent or speed of potential changes in fuel price levels in the future, the degree to which the lag effect of our fuel surcharge programs will impact us as a result of the timing and magnitude of such changes, or the extent to which effective fuel surcharges can be maintained and collected to offset such increases. We generally have not used derivative financial instruments to hedge our fuel price exposure in the past, but continue to evaluate this possibility.

ITEM 4: CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures and determined that as of March 31, 2014 our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

During the first quarter of 2014, we successfully integrated the Central Refrigerated operations, including internal controls and procedures and extended our Sarbanes-Oxley Act Section 404 compliance program to include Central Refrigerated.

With the exception of the integration described above, there have been no change in our internal control over financial reporting during the quarter ended March 31, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

Information about our legal proceedings is included in Note 12 of the notes to our consolidated financial statements, included in Part I, Item 1, in this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014 as well as Part I, Item 3, "Legal Proceedings", in our Annual Report on Form 10-K for the year ended December 31, 2013 .

ITEM 1A: RISK FACTORS

In addition to the other information set forth in this report, the factors discussed in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2013 should be carefully considered as these risk factors could materially affect our business, financial condition, future results and/or our ability to maintain compliance with our debt covenants. The risks described in our Annual Report are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also adversely affect our business, financial condition, operating results and/or our ability to maintain compliance with our debt covenants.

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

Not applicable.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5: OTHER INFORMATION

Not applicable.

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ITEM 6: EXHIBITS

Exhibit Number	Description	Page or Method of Filing
3.1	Amended and Restated Certificate of Incorporation of Swift Transportation Company	Incorporated by reference to Exhibit 3.1 of Form 10-K for the year ended December 31, 2010
3.2	Bylaws of Swift Transportation Company	Incorporated by reference to Exhibit 3.2 of Form 10-K for the year ended December 31, 2010
31.1	Certification by CEO pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification by CFO pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certification by CEO and CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
101	XBRL Instance Document	Filed herewith
101	XBRL Taxonomy Extension Schema Document	Filed herewith
101	XBRL Taxonomy Calculation Linkbase Document	Filed herewith
101	XBRL Taxonomy Label Linkbase Document	Filed herewith
101	XBRL Taxonomy Presentation Linkbase Document	Filed herewith
101	XBRL Taxonomy Extension Definition Document	Filed herewith

SIGNATURES

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

SWIFT TRANSPORTATION COMPANY

/s/ Jerry Moyes

(Signature)

Jerry Moyes

Chief Executive Officer

Date: May 7, 2014

/s/ Virginia Henkels

(Signature)

Virginia Henkels

Executive Vice President and Chief Financial Officer

Date: May 7, 2014

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Jerry Moyes, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Swift Transportation Company;
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;
 - 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: May 7, 2014

/s/ Jerry Moyes

Jerry Moyes

Chief Executive Officer

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Virginia Henkels, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Swift Transportation Company;
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;
 - 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: May 7, 2014

/s/ Virginia Henkels

Virginia Henkels

Executive Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Swift Transportation Company (the “Company”) for the quarter ending March 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, the undersigned, certify, to the best of our knowledge, that:

- (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.

SWIFT TRANSPORTATION COMPANY,

a Delaware corporation

By: /s/ Jerry Moyes
Jerry Moyes
Chief Executive Officer

May 7, 2014

By: /s/ Virginia Henkels
Virginia Henkels
Executive Vice President and Chief Financial Officer

May 7, 2014