HEARTLAND EXPRESS INC
Form 10-K
March 02, 2015

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2014

[ ] 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 0-15087

HEARTLAND EXPRESS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Nevada	93-0926999
(State or Other Jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)
901 North Kansas Avenue, North Liberty, Iowa	52317
(Address of Principal Executive Offices)	(Zip Code)

319-626-3600
(Registrant's telephone number, including area code)

Securities Registered Pursuant to section 12(b) of the Act: None

Securities Registered Pursuant to section 12(g) of the Act: Common stock, $0.01 par value
The NASDAQ Stock Market LLC

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act:
Large accelerated filer [X]   Accelerated filer [ ]   Non-accelerated filer [ ] 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 [X]

The aggregate market value of voting common stock held by non-affiliates of the registrant as of June 30, 2014 was $959.2 million. In making this calculation the registrant has assumed, without admitting for any purpose, that all of its executive officers and directors, and no other persons, are affiliates. As of February 26, 2015 there were 87,790,677 shares of the Company's common stock ($0.01 par value) outstanding, excluding 175,066 shares of unvested restricted stock.

Portions of the Proxy Statement for the annual shareholders' meeting to be held on May 14, 2015 are incorporated by reference in Part III of this report.

HEARTLAND EXPRESS, INC.
AND SUBSIDIARIES

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PART I

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains certain statements that may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and such statements are subject to the safe harbor created by those sections and the Private Securities Litigation Reform Act of 1995, as amended. All statements, other than statements of historical or current fact, are statements that could be deemed forward-looking statements, including without limitation: any projections of earnings, revenues, or other financial items; any statement of plans, strategies, and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; and any statements of belief and any statement of assumptions underlying any of the foregoing. Such statements may be identified by their use of terms or phrases such as "expects," "estimates," "projects," "believes," "anticipates," "intends," "may," "could," and similar terms and phrases. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, which could cause future events and actual results to differ materially from those set forth in, contemplated by, or underlying the forward-looking statements. Known factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section entitled "Risk Factors," set forth below. Readers should review and consider the factors discussed in "Risk Factors" of this Annual Report, along with various disclosures in our press releases, stockholder reports, and other filings with the Securities and Exchange Commission.

All such forward-looking statements speak only as of the date of this Annual Report. You are cautioned not to place undue reliance on such forward-looking statements. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in the events, conditions, or circumstances on which any such statement is based.

References in this Annual Report to "we," "us," "our," "Heartland," or the "Company" or similar terms refer to Heartland Express, Inc. and its subsidiaries.

PART I

ITEM 1. Business

General

Heartland Express, Inc. is a holding company incorporated in Nevada, which owns all of the stock of Heartland Express Inc. of Iowa, Gordon Trucking, Inc., ("GTI"), Heartland Express Services, Inc., Heartland Express Maintenance Services, Inc., and A & M Express, Inc. We operate as one segment (see Note 1 to the consolidated financial statements).

We are a short-to-medium haul truckload carrier (predominately 500 miles or less per load) with corporate headquarters in North Liberty, Iowa. We primarily provide nationwide asset-based dry van truckload service for major shippers from Washington to Florida and New England to California. During 2013, through the GTI acquisition, we expanded our historical asset-based dry van service offerings with temperature-controlled truckload, and non-asset-based freight brokerage services. Although these additional service offerings were added in late 2013, they are not significant to our operations. We generally earn revenue based on the number of miles per load delivered. We believe the keys to success are maintaining high levels of customer service and safety which are predicated on the availability of late-model equipment and experienced drivers. Management believes that our service standards, safety record, and equipment accessibility have made us a core carrier to many of our major customers, as well as allowed us to build solid, long-term relationships with customers and brand ourselves as an industry leader for on-time service.

We were founded by Russell A. Gerdin in 1978 and became publicly traded in November 1986. Over the twenty-eight years from 1986 to 2014, we have grown our revenue to $871.4 million in revenue from $21.6 million and our net income has increased to $84.8 million from $3.0 million. Much of this growth has been attributable to expanding service for existing customers, acquiring new customers, and continued expansion of our operating regions. More information regarding our total assets, revenues and profits for the past three years can be found in our “Consolidated Statements of Comprehensive Income” and “Selected Financial Data” that are included in this report.

In addition to organic growth, we have completed six acquisitions since 1987 with the most recent in 2013. These six acquisitions have enabled us to solidify our position within existing regions, expand into new operating regions, and pursue new customer relationships in new markets. We will continue to evaluate acquisition candidates that meet our financial and operating objectives.

On November 11, 2013, we announced the acquisition of GTI, a truckload carrier headquartered near Seattle, Washington. GTI was founded by the Gordon family in 1946, and certain family members remain actively involved in the business.
The acquisition of GTI was the largest acquisition we have undertaken in our history. With the acquisition, our historical areas of service were expanded from predominately east of the Rockies to a nationwide, coast-to-coast operation. This has resulted in nationwide capacity with one of the largest asset-based dry van truckload carriers in the industry. An expanded capacity network and customer base has allowed us to become more diversified, evidenced by the fact that no customer accounted for more than approximately 8% of our operating revenues in 2014. Throughout 2014, we continued to integrate the historical operations of GTI, which is primarily focused on asset-based dry van markets, with our legacy operations. During the third quarter of 2014 both legacy operations were brought together on a combined information technology platform which has led to favorable improvements in communications and overall fleet utilization.
Operations

Our operations department focuses on the successful execution of customer expectations and providing consistent opportunities for the fleet of employee drivers and independent contractors, in conjunction with maximizing equipment utilization. These objectives require a combined effort of marketing, regional operations managers, and fleet management.

Our customer service department is responsible for maintaining the continuity between the customer's needs and our ability to meet those needs by communicating the customer's expectations to the fleet management group. Collectively, the operations group (customer service and fleet management) and marketing are charged with developing customer relationships, ensuring service standards, coordinating proper freight-to-capacity balancing, trailer asset management, and daily tactical decisions to match customer demand with revenue equipment availability across our entire network. They assign orders to drivers based on well-defined criteria, such as United States Department of Transportation (the "DOT") hours of service compliance, customer requirements, equipment utilization, driver "home time", limiting non-revenue miles, and equipment maintenance needs.

Fleet management employees are responsible for driver management and development. Additionally, they maximize the capacity that is available to meet the service needs of our customers. Their responsibilities include meeting the needs of the drivers within the standards that have been set by the organization and communicating the requirements of the customers to the drivers on each order to ensure successful execution.

Serving the short-to-medium haul market (predominantly 500 miles or less per load) permits us to use primarily single, rather than team drivers and dispatch most loads directly from origin to destination without an intermediate equipment change other than for driver scheduling purposes. Substantially all of our revenue is, and for the last three fiscal years has been, generated from within the United States ("U.S.") with immaterial revenue derived from Canada. We do not have nor have we during the last three fiscal years had any long-lived assets permanently located outside the U.S.

We operate twenty-one terminal facilities throughout the U.S. in addition to our corporate headquarters in North Liberty, Iowa. These terminal locations are strategically located to concentrate on regional freight movements generally within a 500-mile radius of the terminals and are designed to meet the needs of significant customers in those regions while allowing our drivers to primarily stay within an operating region which provides them with more "home time." This also allows us to better service and maintain revenue equipment at facilities we operate.

Personnel at the individual terminal locations manage these operations based on the overall operating and maintenance corporate goals and objectives. We use a centralized computer network and regular communication to achieve enterprise-wide load coordination.

We emphasize customer satisfaction through on-time performance, dependable late-model equipment, and consistent equipment availability to meet the volume requirements of our large customers. We also maintain a high trailer to tractor ratio, which facilitates the positioning of trailers at customer locations for convenient loading and unloading. Most of the freight we transport is non-perishable and predominantly does not require driver handling. These factors help minimize waiting time, which increases tractor utilization and promotes driver retention.

During 2014, our operating fleet was also recognized with the following safety and other operational recognitions:

- 2014 SmartWay Excellence Award, for leadership in conserving energy and lowering greenhouse gas emissions
- Truckload Carriers Association (TCA) Top 20 Best Fleets to Drive For (third year in a row)

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- TCA - Safest U.S. based trucking company in its division (carriers over 100 million miles per year for the fifth consecutive year)
- Two Fleet Safety Awards by the California Trucking Association (fourth time in five years recognized as an outstanding and safe carrier by the State of California)
- BP's Driving Safety Standards (third year in a row)

Customers and Marketing

We seek to transport freight that will complement traffic in our existing service areas and remain consistent with our focus on short-to-medium haul and regional distribution markets. Management believes that building lane density in our primary traffic lanes will minimize empty miles and enhance driver "home time."

We target customers with multiple, time-sensitive shipments, including those utilizing "just-in-time" manufacturing and inventory management. In seeking these customers, we have positioned our business as a provider of premium service at compensatory rates, rather than competing solely on the basis of price. Management believes our reputation for quality service, reliable equipment, and equipment availability makes us a core carrier for many of our customers. This past year we once again were recognized for customer service by several of our customers as a testament to our service standards. These awards include:

- 2013 Walmart General Merchandise Carrier of the Year
- FedEx 2014 Gold Award (fourth consecutive year) with a most recent year of 99.82% on-time service
- FedEx SmartPost 2014 Peak Performance Award (fourth consecutive year)
- FedEx 2014 Core Carrier of the Year (fourth consecutive year)
- 2013 Whirlpool Corporation National Truckload Carrier of the Year (second consecutive year)
- 2014 Best Performing Walmart Carrier for Unilever Award
- United Sugars 2014 Dry Van Carrier of the Year (second consecutive year)
- CHEP 2013 Dedicated Provider of the Year Award
- Nestle Waters 2013 Southeast Region Carrier of the Year
- Armada Supply Chain Solutions 2014 Elite Fleet Member Award
- Winegard 2013 Carrier of the Year (third consecutive year)

Our primary customers include retailers and manufacturers. Our 25, 10, and 5 largest customers accounted for approximately 68%, 47%, and 32% of our operating revenues, respectively, in 2014. During 2013, our 25, 10, and 5 largest customers were approximately 68%, 47%, and 32%, of our operating revenues respectively. An expanded capacity network and customer base has allowed us to become more diversified and no customer accounted for more than approximately 8.0% of our operating revenues in 2014. The largest customer was approximately 10.0% in 2013.

Seasonality

The nature of our primary traffic (appliances, automotive parts, consumer products, paper products, packaged foodstuffs, and retail goods) causes it to be distributed with relative uniformity throughout the year. However, seasonal variations associated with the winter holiday season have historically resulted in reduced shipments by several industries after the holiday season. In addition, our operating expenses historically have been higher during the winter months due to decreased fuel efficiency, increased colder weather-related equipment maintenance and repairs, and increased claims and costs attributed to higher accident frequency from harsh weather.

Drivers, Independent Contractors, and Other Employees

We rely on our workforce in achieving our business objectives. As of December 31, 2014, we employed approximately 4,500 people compared to approximately 5,200 people as of December 31, 2013. We also contracted with independent contractors to provide and operate tractors which provides us additional revenue equipment capacity. Independent contractors own their own tractors and are responsible for all associated expenses, including financing costs, fuel, maintenance, insurance, and highway use taxes. We historically have operated a combined fleet of company and independent contractor tractors. For the year ended December 31, 2014, independent contractors accounted for approximately 3.6% of our total miles compared to 1.7% in 2013.

Management's strategy for both employee drivers and independent contractors is to (1) hire only safe and experienced drivers (the majority of driver positions hired require six to nine months of over-the-road experience); (2) promote retention with an industry leading compensation package, positive working conditions, and freight that requires little or no handling; and (3) minimize safety problems through careful screening, mandatory drug testing, continuous training, electronic logging system, and financial rewards

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for accident-free driving. We also seek to minimize turnover of our employee drivers by providing modern, comfortable equipment, and by regularly scheduling them to their homes. All drivers are generally compensated on the basis of miles driven including empty miles. This provides an incentive for us to minimize empty miles and at the same time does not penalize drivers for inefficiencies of operations that are beyond their control.

We are not a party to a collective bargaining agreement. Management believes that we have good relationships with our employees.

Driver Compensation

We implemented increases to our driver pay package effective November 1, 2014, raising driver compensation, on average, by approximately 10%. The new driver pay package includes future pay increases based on years of continued service with us, increased rates for accident-free miles of operation. Additionally, we improved detention pay to assist drivers with offsetting unproductive detention time, effective January 1, 2015. This compensation increase solidified our leadership position in terms of driver pay within the industry and rewards drivers for years of service and safe operating mileage benchmarks, which are critical to our operational and financial performance.

Revenue Equipment

Our revenue equipment program has three main components: (i) operate a relatively new fleet to improve fuel mileage, lower maintenance expense, increase reliability of service, and enhance our drivers' safety and comfort, (ii) depreciate new tractor revenue equipment on an accelerated basis, and (iii) avoid long-term purchase or trade-in agreements with manufacturers. Complementing these components is our preventive maintenance program which is designed to minimize equipment downtime, facilitate customer service, and enhance trade value when revenue equipment is replaced. This strategy affords us the flexibility to take advantage of favorable market conditions as presented.

All tractors are equipped with mobile communication systems. This technology allows for efficient communication with our drivers regarding freight and safety, and provides the ability to manage the needs of our customers based on real-time information on load status. Our mobile communication systems also allow us to obtain information regarding equipment and driver performance.

As of December 31, 2014 the average age of our tractor fleet was 2.0 years compared to 2.4 years at December 31, 2013. The estimated average age of our tractor fleet at the end of 2015, after planned capital expenditures, will be approximately 1.3 years. We have historically operated the majority of our tractors while under warranty to minimize repair and maintenance cost and reduce service interruptions caused by breakdowns. As of December 31, 2014, 71% of our trailer fleet was 2011 or newer model years. The average age of our trailer fleet was 4.4 years at December 31, 2014 compared to 4.6 years at December 31, 2013. It is currently estimated that our dry-van trailer fleet, after planned capital expenditures, will be 100% 2011 and newer model years by the end of 2015. We expect the average age of our trailer fleet at the end of 2015 to be approximately 4.8 years.

We obtain additional tractor capacity through the use of independent contractors who own their own tractor equipment. Independent contractors are responsible for the maintenance of their equipment and are periodically inspected by us for compliance with our operational and safety requirements and those of the DOT. We also gain tractor and trailer capacity through revenue equipment operating leases, post GTI acquisition. As of December 31, 2014, leased tractor equipment was 4.3% and leased trailer equipment was 1.5% of the total operating fleet. We are responsible for the maintenance of the equipment that we lease. We expect to transition away from the use of operating leases on tractor equipment and currently estimate that our operating tractor fleet, with the exception of independent contractors, will be 100% owned by the end of 2015.

The Environmental Protection Agency (“EPA”) implemented engine requirements designed to reduce emissions over a period of time. These requirements have been implemented in multiple phases and required progressively more restrictive emission requirements in 2007 and 2010. Compliance with the new emission standards has resulted in a significant increase in the cost of new tractors and higher maintenance costs. As of December 31, 2014, 95% of our owned tractor fleet was 2010 or newer model year engine technology.

In addition, in August 2011, the National Highway Traffic Safety Administration (“NHTSA”) and EPA adopted a new rule that established the first-ever fuel economy and greenhouse gas standards for tractors. These standards apply to model years 2014 to 2018, which are required to achieve an approximate 20% reduction in fuel consumption by 2018. Further, in February 2014 President Barack Obama announced that his administration will begin developing the next phase of tighter fuel efficiency standards for tractors, and directed the EPA and NHTSA to develop new fuel-efficiency and greenhouse gas standards by early 2016. We already have some of the 2014 engine technology in our fleet and have experienced increased new tractor prices and additional parts and maintenance costs, which will continue as we upgrade our fleet and could adversely affect our operating results and profitability, particularly if such costs are not offset by potential fuel savings. We cannot predict, however, the extent to which our operations and productivity will be impacted.

Fuel

We purchase diesel fuel ("fuel") over-the-road through a network of fuel stops throughout the United States at which we have negotiated price discounts. In addition, bulk fuel sites are maintained at the majority of our twenty-two terminal locations. We strategically manage fuel purchase decisions based on pricing of over-the-road fuel prices, bulk fuel prices, and the routing of equipment. Both above ground and underground storage tanks are utilized at the bulk fuel sites. Exposure to environmental cleanup costs is minimized by periodic inspection and monitoring of the tanks. Increases in fuel prices can have an adverse effect on the results of operations. We have fuel surcharge agreements with most customers that enable us to pass through most long-term price increases. For the years ended December 31, 2014, 2013, and 2012, fuel expense was $219.3 million, $172.3 million, and $169.0 million or 29.7%, 36.7%, and 37.5%, respectively, of our total operating expenses. Department of Energy (“DOE”) average price of fuel decreased 2.8%, which had a positive impact on our net fuel cost for the year ended December 31, 2014. Additionally, overall fuel efficiency has improved during 2014 due to adding more fuel-efficient late-model tractors to the operating fleet, which include various idle management technologies. Fuel consumed by empty and out-of-route miles and by truck engine idling time is not recoverable and therefore any increases or decreases in fuel prices related to empty and out-of-route miles and idling time will directly impact our operating results.

Competition and Industry

The truckload industry is highly competitive and fragmented with thousands of carriers of varying sizes. We compete with other truckload carriers; primarily those serving the regional, short-to-medium haul market. Logistics providers, railroads, less-than-truckload carriers, and private fleets provide additional competition but to a lesser extent. The industry is highly competitive based primarily upon freight rates, qualified drivers, service, and equipment availability.

Over the past year, we have seen improvements in the general economic environment. Increased demand for trucking services and a tightening of capacity has led to an improved trucking environment as well. We expect demand for our services to continue to improve in 2015. We believe we are well positioned to take advantage of this improved market by providing high-quality service and meeting the equipment needs of targeted shippers. However, strong competition within the industry for the hiring of drivers and independent contractors will continue to challenge us and others in our industry.

Safety and Risk Management

We are committed to promoting and maintaining a safe operation. Our safety program is designed to minimize accidents and to conduct our business within governmental safety regulations. We communicate safety issues with drivers on a regular basis and emphasize safety through equipment specifications and regularly scheduled maintenance intervals. Our drivers are compensated and recognized for the achievement of a safe driving record.

The primary risks associated with our business include cargo loss and physical damage, personal injury, property damage, and workers’ compensation claims. We self-insure a portion of the exposure related to all of the aforementioned risks. Insurance coverage, including self-insurance retention levels, is evaluated on an annual basis. We actively participate in the settlement of each claim incurred.

We act as a self-insurer for auto liability involving property damage, personal injury, or cargo based on defined insurance retention amounts ranging from $0.5 million to $2.0 million for any individual claim based on the insured party and circumstances of the loss event. Liabilities in excess of these amounts, for any individual claim, are covered by insurance up to $75.0 million. We retain any liability in excess of $75.0 million. We act as a self-insurer for workers' compensation liability ranging from $0.5 million to $1.0 million for any individual claim based on the insured party and circumstances of the loss event. Liabilities in excess of this amount are covered by insurance. In addition, we maintain primary and excess coverage for employee health insurance and catastrophic physical damage coverage is carried to protect against natural disasters. Finally, we act as a self-insurer for any physical damage to our tractors and trailers.

Regulation

We are a common and contract motor carrier regulated by the DOT and various state and local agencies. The DOT generally governs matters such as safety requirements, registration to engage in motor carrier operations, insurance requirements, and periodic financial reporting. Currently, our operating subsidiaries have satisfactory DOT safety ratings, which is the highest available rating under the current safety scale. A conditional or unsatisfactory DOT safety rating could have an adverse effect on us, as some of our contracts with customers require a satisfactory rating. Such matters as weight and dimensions of equipment are also subject to federal, state, and international regulations.

The DOT, through the Federal Motor Carrier Safety Administration (the “FMCSA”), imposes safety and fitness regulations on us and our drivers, including rules that restrict driver hours-of-service. In December 2011, the FMCSA published its 2011 Hours-of-Service Final Rule (the “2011 Rule”). The 2011 Rule requires drivers to take 30-minute breaks after eight hours of consecutive driving and reduces the total number of hours a driver is permitted to work during each week from 82 hours to 70 hours. The 2011 Rule provides that the 34-hour restart may only be used once per week and must include two rest periods between one a.m. and five a.m. (together, the “2011 Restart Restrictions”). These rule changes became effective on July 1, 2013.

On December 13, 2014, Congress passed the 2015 Omnibus Appropriations bill, which was signed into law December 16, 2014. Among other things, the legislation provides relief from the 2011 Restart Restrictions, which essentially reverts back to the more straight forward 34-hour restart that was in effect before the 2011 Rule became effective.

During 2009, the FMCSA introduced its Compliance Safety Accountability Program, (“CSA,”) (formerly Comprehensive Safety Analysis) which is a set of evaluation standards on the safety performance of motor carriers and drivers by which we are currently measured. CSA enhances the measurement of a motor carrier’s safety performance and adds innovative new tools designed to correct deficiencies. CSA is designed to impact the behavior of carriers and drivers, industry high-risk carriers and drivers, and apply a wider range of initiatives to reduce high risk behavior. Through CSA, the FMCSA along with its state partners includes a comprehensive measurement system of all safety-based violations found during roadside inspections and weighing such violations by their relationship to crash risk. Safety performance information is accumulated to assess the safety performance of both carriers and drivers. Prior to January 2015, we had not exceeded any of the performance thresholds established by FMCSA's seven CSA categories (unsafe driving, fatigued driving, driver fitness, controlled substances, vehicle maintenance, hazardous materials and crash rating). We monitor our CSA scores and compliance through results from roadside inspections and other data available to detect positive or negative trends in compliance issues on an ongoing basis. One of our subsidiaries has recently exceeded the established intervention threshold in one of the seven safety-related standards of CSA. Although the subsidiary exceeded the established threshold in one category, the subsidiary maintained an overall satisfactory DOT safety rating. Based on our historical CSA scores we believe this to be an isolated incident and, assuming no further incidents, we expect this subsidiary to be below the intervention threshold in this category after one year. Based on this unfavorable rating, however, we may be prioritized for an intervention action or roadside inspection, either of which could adversely affect our results of operations. Moreover, there can be no assurance that our operating subsidiaries will not exceed CSA intervention thresholds in the future.

The FMCSA also issued new rules that would require nearly all carriers, including us, to install and use electronic on-board recording devices (“EOBRs”) in their tractors to electronically monitor truck miles and enforce hours-of-service. These rules were vacated by the Seventh Circuit Court of Appeals in August 2011. In July 2012, Congress passed a federal transportation bill that requires promulgation of rules mandating the use of EOBRs (now referred to as electronic logging devices, or “ELDs”) by July 2013 with full adoption for all trucking companies no later than July 2015. It is uncertain if this adoption date will be challenged or extended. We believe the ELD mandate, together with the revised hours-of-service rules and other regulations, could result in a reduction in effective trucking capacity to service increased demand. Although we are not currently required to install ELDs in our tractors, we have proactively installed ELDs. Currently, 100% of our over-the-road tractors have ELDs installed including electronic logs. We believe early adoption and implementation of ELDs among our fleet during 2011 has provided cost savings to us by implementing ELDs prior to any final rules by the FMCSA as well as positioning us for future rules mandating the use of ELDs.

In the aftermath of the September 11, 2001 terrorist attacks, the Department of Homeland Security (“DHS”) and other federal, state, and municipal authorities implemented and continue to implement various security measures, including checkpoints and travel restrictions on large trucks. The U.S. Transportation Security Administration (“TSA”) adopted regulations that require determination by the TSA that each driver who applies for or renews his or her license for carrying hazardous materials is not a security threat. This could reduce the pool of qualified drivers who are permitted to transport hazardous waste, which could require us to increase driver compensation, limit our fleet growth, or result in trucks sitting idle. These regulations also could complicate the matching of available equipment with hazardous material shipments, thereby increasing our response time on customer orders and our non-revenue miles. As a result, it is possible we could fail to meet the needs of our customers or could incur increased expenses to do so. While transporting hazardous materials subjects us to a wide array of regulations, the number of hazardous material shipments we make is insignificant relative to our total number of shipments.

Our operations are subject to various federal, state, and local environmental laws and regulations, implemented principally by the EPA and similar state regulatory agencies. These laws and regulations include the management of underground fuel storage tanks, the transportation of hazardous materials, the discharge of pollutants into the air and surface and underground waters, the use of engine idling, and the disposal of hazardous waste. Our truck terminals often are located in industrial areas where groundwater or other forms of environmental contamination could occur. Our operations involve the risks of fuel spillage or seepage, environmental damage, and hazardous waste disposal, among others. Certain of our facilities have waste oil or fuel storage tanks and fueling islands. Management believes that its operations are in compliance with current laws and regulations and does not know of any existing condition that would cause compliance with applicable environmental regulations to have a material effect on our capital expenditures, earnings or competitive position. In the event we should fail to comply with applicable regulations,we could be subject to substantial fines or penalties and to civil or criminal liability, any of which could have a materially adverse effect on our business and operating results.

EPA regulations limiting exhaust emissions became more restrictive in 2010. In 2010, President Obama signed an executive memorandum directing the NHTSA and the EPA to develop new, stricter fuel efficiency standards for heavy tractors. In August 2011, the NHTSA and EPA adopted a new rule that established the first-ever fuel economy and greenhouse gas standards for medium- and heavy-duty vehicles, which include tractors we utilize. These standards apply to model years 2014 to 2018, which are required to achieve an approximate 20% reduction in fuel consumption by 2018. In addition, in February 2014, President Barrack Obama announced that his administration will begin developing the next phase of tighter fuel efficiency standards for medium- and heavy-duty vehicles, including tractors we utilize, and directed the EPA and NHTSA to develop new fuel efficiency and greenhouse gas standards by March 31, 2016. We believe these requirements could result in increased new tractor prices and additional parts and maintenance costs incurred to retrofit our tractors with technology to achieve compliance with such standards, which could adversely affect our operating results and profitability, particularly if such costs are not offset by potential fuel savings. We cannot predict, however, the extent to which our operations and productivity will be impacted.

In order to reduce exhaust emissions, some states and municipalities have begun to restrict the locations and amount of time where diesel-powered tractors, such as ours, may idle. These restrictions could force us to alter our drivers' behavior, purchase on-board power units (for portions of our tractor fleet that do not currently have them) that do not require the engine to idle, or face a decrease in productivity.

The California Air Resource Board ("CARB") has adopted emission control regulations which will be applicable to all heavy-duty tractors that pull 53-foot or longer box-type trailers traveling within the state of California. The tractors and trailers subject to these CARB regulations must be either EPA SmartWay certified or equipped with low-rolling, resistance tires and retrofitted with SmartWay-approved aerodynamic technologies. Enforcement of these CARB regulations for model year 2011 equipment began in 2010 and will be phased in over several years for older equipment. We will continue monitoring our compliance with the CARB regulations. Federal and state lawmakers also have proposed potential limits on carbon emissions under a variety of climate-change proposals. Compliance with such regulations has increased the cost of our new trailers, will continue to increase the cost of any new trailers that we will operate in California, required us to retrofit certain of our pre-2011 model year trailers that operate in California, and could impair equipment productivity and increase operating expenses. These adverse effects, combined with the uncertainty as to the reliability of the newly-designed diesel engines and the residual value of these vehicles, could materially increase our costs or otherwise adversely affect our business or operations.

As of October 2013, any entity acting as a broker or a freight forwarder is required to obtain authority from the FMCSA, and is subject to a minimum $75,000 financial security requirement, increased from the previous requirement of $10,000. We are licensed by the FMCSA as a property broker and are in compliance with the financial security requirement. This new requirement may limit entry of new brokers into the market or cause current brokers to exit the market. Such persons may seek agent relationships with companies such as us to avoid this increased cost. If they do not seek out agent relationships, the number of brokers in the industry could decrease.

We may also become subject to new or more restrictive regulations relating to matters such as fuel emissions and ergonomics. Our drivers and independent contractors also must comply with the safety and fitness regulations promulgated by the DOT, including those relating to drug and alcohol testing. Additional changes in the laws and regulations governing our industry could affect the economics of the industry by requiring changes in operating practices or by influencing the demand for, and the costs of providing, services to shippers.

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Definitive Proxy Statements, Current Reports on Form 8-K and other information filed with the Securities and Exchange Commission ("SEC") are available to the public, free of charge, through the “Investors” section on our Internet website, at http://www.heartlandexpress.com. Information on our website is not incorporated by reference into this Annual Report. You may also access and read our filings with the SEC without charge through the SEC's website at www.sec.gov.

ITEM 1A. RISK FACTORS

Our future results may be affected by a number of factors over which we have little or no control. The following discussion of risk factors contains forward-looking statements as discussed in "Cautionary Note Regarding Forward-Looking Statements" above. The following issues, uncertainties, and risks, among others, should be considered in evaluating our business and growth outlook. If any of the following risk factors, as well as other risks and uncertainties that are not currently known to us or that we currently believe are not material, actually occur, our business, financial condition, and results of operations could be materially adversely affected and you may lose all or a significant part of your investment.

Our business is subject to general economic and business factors affecting the trucking industry that are largely out of our control, any of which could have a materially adverse effect on our operating results.

The truckload industry is highly cyclical and our business is dependent on a number of factors that may have a negative impact on our results of operations, many of which are beyond our control. We believe that some of the most significant of these factors are economic changes that affect supply and demand, in transportation markets, such as:

- recessionary economic conditions and downturns in customers' business cycles;
- changes in customers' inventory levels and in the availability of funding for their working capital;
- excess tractor and trailer capacity in comparison with shipping demand;
- the rate of unemployment and availability of and compensation for alternative jobs for truck drivers;
- activity in key economic indicators such as manufacturing of automobiles and durable goods, and housing construction;
- supply chain disruptions due to factors such as weather, strikes or slowdowns affecting ports and other shipping locations or other transportation providers, and railroad congestion; and
- changes in interest rates.

Conditions that decrease shipping demand or increase the supply of tractors and trailers can exert downward pressure on rates and equipment utilization, thereby decreasing asset productivity. The risks associated with these factors are heightened when the U.S. economy is weakened. Some of the principal risks of such conditions are as follows:

- we may experience a reduction in overall freight levels, which may impair our asset utilization;
- certain of our customers may face credit issues and could experience cash flow problems that may lead to payment delays, increased credit risk, bankruptcies and other financial hardships that could result in even lower freight demand and may require us to increase our allowance for doubtful accounts;
- freight patterns may change as supply chains are redesigned, resulting in an imbalance between our capacity and our customers' freight demand;
- customers may solicit bids for freight from multiple trucking companies or select competitors that offer lower rates from among existing choices in an attempt to lower their costs and we might be forced to lower our rates or lose freight;
-

we may be forced to accept more freight from freight brokers, where freight rates are typically lower, or may be forced to incur more non-revenue miles to obtain loads; and

- the resale value of our equipment may decline, which could negatively impact our earnings and cash flows.

We also are subject to potential increases in various costs and other events that are outside of our control that could materially reduce our profitability if we are unable to increase our rates sufficiently. Such cost increases include, but are not limited to, fuel and energy prices, taxes and interest rates, tolls, license and registration fees, insurance premiums, revenue equipment and related maintenance costs, and healthcare and other benefits for our employees. We cannot predict whether, or in what form, any such cost increase or event could occur. Any such cost increase or event could adversely affect our profitability.

In addition, we cannot predict future economic conditions, fuel price fluctuations or how consumer confidence could be affected by actual or threatened armed conflicts or terrorist attacks, government efforts to combat terrorism, military action against a foreign state or group located in a foreign state, or heightened security requirements. Enhanced security measures could impair our operating efficiency and productivity and result in higher operating costs.

Our growth may not continue at historical rates, if at all, and any decrease in revenues or profits may impair our ability to implement our business strategy, which could have a materially adverse effect on our results of operations.

Historically, we have experienced significant and rapid growth in revenue and profits. There can be no assurance that our business will continue to grow in a similar fashion in the future, or at all, or that we can effectively adapt our management, administrative, and operational systems to respond to any future growth. Further, there can be no assurance that our operating margins will not be adversely affected by future changes in and expansion of our business or by changes in economic conditions.

We have established terminals throughout the United States in order to serve markets in various regions. These regional operations require the commitment of additional personnel and revenue equipment, as well as management resources, for future development and establishing terminals and operations in new markets could require more time, resources or a more substantial financial commitment than anticipated. Should the growth in our regional operations stagnate or decline, the results of our operations could be adversely affected. As we continue to expand, it may become more difficult to identify large cities that can support a terminal and we may expand into smaller cities where there is insufficient economic activity, fewer opportunities for growth and fewer drivers and non-driver personnel to support the terminal. We may encounter operating conditions in these new markets, as well as our current markets, that differ substantially from our current operations and customer relationships and appropriate freight rates in new markets could be challenging to attain. These challenges may negatively impact our growth, which could have a materially adverse effect on our ability to execute our business strategy and our results of operations.

We are highly dependent on a few major customers, the loss of one or more of which could have a materially adverse effect on our business.

A significant portion of our operating revenue is generated from several major customers. For the year ended December 31, 2014, our top 25 customers, based on operating revenue, accounted for approximately 68% of our operating revenue. We cannot assure you that our customer relationships will continue as presently in effect or that we will receive our current customer rate levels in the future. A reduction in freight volumes or our services or termination of our services by one or more of our major customers, could have a materially adverse effect on our business and operating results. In addition, if any of our major customers experience financial hardship, the demand for our services could decrease, which could negatively affect our operating results.

Indebtedness under our Credit Agreement could have adverse consequences on our future operations.

Prior to the acquisition of GTI, we had not had outstanding indebtedness since the third quarter of 1997. Accordingly, we had not been required to devote any cash flows from operations to debt service payments, and we were not subject to affirmative and negative covenants customarily in a bank debt facility that impose restrictions on the operation of our business. In conjunction with the acquisition of GTI, we entered into a five-year, unsecured credit agreement with Wells Fargo Bank, National Association (the “Credit Agreement”), in the original amount of $250.0 million. The Credit

Agreement includes periodic, permanent reductions in the lending commitment during the term of the facility. As of November 1, 2014, the lending commitment was reduced to $225.0 million. At December 31, 2014, we had $24.6 million outstanding borrowings under the Credit Agreement. As of January 31, 2015, we had no outstanding borrowings under the Credit Agreement. Any indebtedness under the Credit Agreement could have adverse consequences on our future operations, including:

- resulting in an event of default if we fail to comply with the financial and other covenants contained in the Credit Agreement, which could result in all of our debt thereunder becoming immediately due and payable;
- reducing the availability of our cash flows to fund organic growth, working capital, capital expenditures, dividends, stock repurchases, acquisitions and other general corporate purposes;
- limiting our flexibility in planning for or reacting to and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and
- increasing our vulnerability to the impact of adverse economic and industry conditions.

If our cash flows and capital resources are inadequate to service our obligations under the Credit Agreement, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the event that we need to refinance all or a portion of our outstanding debt before maturity or as it matures, we may be unable to obtain terms as favorable as the current terms of the Credit Agreement.

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

The truckload industry is capital intensive, and our historical policy of operating late-model revenue equipment requires us to invest significant amounts annually to maintain a newer average age for our fleet of revenue equipment. We expect to pay for projected capital expenditures with cash flows from operations, proceeds from sales of equipment being replaced, and perhaps with proceeds of borrowings. If we are unable to generate sufficient cash from operations, or proceeds from sales of equipment being replaced, or utilize borrowing capacity on our Credit Agreement, we would need to seek alternative sources of capital, including additional financing, to meet our capital requirements. In the event that we are unable to generate sufficient cash from operations or obtain additional financing on favorable terms in the future, we may have to limit our fleet size, enter into less favorable financing arrangements, or operate our revenue equipment for longer periods, any of which could have a materially adverse effect on our profitability.

Increased prices, reduced productivity, and restricted availability of new revenue equipment and decreased demand and value of used equipment may adversely affect our earnings and cash flows.

We are subject to risk with respect to higher prices for new tractors. Prices may increase due to, among other reasons, (i) increases in commodity prices, (ii) government regulations applicable to newly manufactured tractors, trailers and diesel engines and (iii) the pricing discretion of equipment manufacturers. In addition, the engines installed in our newer tractors are subject to emissions control regulations issued by the EPA. The regulations require reductions in exhaust emissions from diesel engines manufactured in or after 2010. Compliance with such regulations has increased the cost of our new tractors and could impair equipment productivity, lower fuel mileage and increase our operating expenses. These adverse effects, combined with the uncertainty as to the reliability of the vehicles equipped with the newly designed diesel engines and the residual values realized from the disposition of these vehicles, could increase our costs or otherwise adversely affect our business or operations as the regulations become effective.

The market for used equipment is cyclical and can be volatile, and any downturn in the market could negatively impact our earnings and cash flows. In recent periods, we have recognized significant gains on the sale of our used tractors and trailers, in part because of a strong used equipment market. During periods of lower used equipment values, we may generate lower gains on sale, which would reduce our earnings and cash flows, and could adversely impact our liquidity and financial condition. Alternatively, we could decide, or be forced, to operate our equipment longer, which could negatively impact maintenance and repairs expense, customer service, and driver satisfaction.

If diesel fuel prices increase significantly, our results of operations could be adversely affected.

Our operations are dependent upon diesel fuel. Prices and availability of petroleum products are subject to political, economic, weather-related, geographic and market factors that are outside our control and each of which may lead to fluctuations in the cost of fuel. Because our operations are dependent upon diesel fuel, significant increases in diesel fuel costs could materially and adversely affect our results of operations and financial condition if we are unable to pass increased costs on to customers through rate increases or fuel surcharges. Even if we are able to pass some increased costs on to customers, fuel surcharge programs generally do not protect us against all of the increases in fuel prices. Moreover, in times of rising fuel prices, the lag between purchasing the fuel, and the billing for the surcharge (which typically is based on the prior week's average price), can negatively impact our earnings and cash flows. In addition, the terms of each customer's fuel surcharge agreement vary, and customers may seek to modify the terms of their fuel surcharge agreements to minimize recoverability for fuel price increases. Our results of operations and cash flows would be negatively affected to the extent we cannot recover higher fuel costs or fail to improve our fuel price protection through our fuel surcharge program. Increases in fuel prices, or a shortage or rationing of diesel fuel, could also materially and adversely affect our results of operations.

Difficulty in attracting and retaining drivers, including independent contractors, may have a materially adverse effect on our business.

Difficulty in attracting or retaining qualified drivers, including independent contractors, could have a materially adverse effect on our growth and profitability. Competition for drivers, which has been historically intense, may increase even more as the overall demand for freight services increases with improvements in economic conditions. We have seen evidence that CSA and stricter hours-of-service (“HOS”) regulations adopted by the United States DOT in July 2013 have tightened, and may continue to tighten, the market for eligible drivers. If a shortage of drivers were to occur, or if we were unable to attract and contract with independent contractors, we could be forced to, among other things, limit our growth, decrease the number of our tractors in service, or adjust our driver compensation package or independent contractor compensation, which could adversely affect our profitability and results of operations if not offset by a corresponding increase in customer rates. In addition, our independent contractors are responsible for paying for their own equipment, fuel and other operating costs. Significant increases in these costs could cause them to seek higher compensation from us or seek other opportunities within or outside the trucking industry.

If our independent contractors are deemed by regulators or judicial process to be employees, our business and results of operations could be adversely affected.
Tax and other regulatory authorities have in the past sought to assert that independent contractors in the trucking industry are employees rather than independent contractors. Members of Congress have frequently proposed federal legislation that would make it easier to reclassify independent contractors as employees and impose increased recordkeeping and compliance obligations on businesses that use independent contractors. Some states have put initiatives in place to increase their revenues from items such as unemployment, workers’ compensation and income taxes, and a reclassification of independent contractors as employees would help states with this initiative. Further, class actions and other lawsuits have been filed in our industry seeking to reclassify independent contractors as employees for a variety of purposes, including workers’ compensation and health care coverage. Taxing and other regulatory authorities and courts apply a variety of standards in their determination of independent contractors’ status. If our independent contractors are determined to be our employees, we would incur additional exposure under federal and state tax, workers’ compensation, unemployment benefits, labor, employment and tort laws, including for prior periods, as well as potential liability for employee benefits and tax withholdings.

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

We operate in the United States pursuant to operating authority granted by the DOT. Our company drivers and independent contractors also must comply with the safety and fitness regulations of the DOT, including those relating to CSA safety performance and measurements, drug and alcohol testing and HOS. Weight and equipment dimensions also are subject to government regulations. We also may become subject to new or more restrictive regulations relating to exhaust emissions, drivers' HOS, ergonomics, ELDs, collective bargaining, security at ports, and other matters affecting safety or operating methods.

In July 2012, Congress passed a federal transportation bill that requires promulgation of rules mandating the use of ELDs by July 2013 with full adoption for all trucking companies no later than July 2015. In March 2014, the FMCSA announced a Supplemental Notice of Proposed Rulemaking to mandate ELDs. The effective date and publication date in the Federal Register were not announced. The rule will go into effect two years after the final rule is issued. It is uncertain if this adoption date will be challenged or extended. We believe the ELD mandate, together with the revised HOS rules and other regulations, could result in a reduction in effective trucking capacity to service increased demand. Although we are not currently required to install ELDs in our tractors, we have proactively installed ELDs. Since December 31, 2011, 100% of our over-the-road tractors have had ELDs installed including electronic logs. Such installation could cause an increase in driver turn-over, information that can be used in litigation, cost increases, and decreased asset utilization.

Federal, state, and municipal authorities have implemented and continue to implement various security measures, including checkpoints and travel restrictions on large trucks. The TSA has adopted regulations that require a determination by the TSA that each driver who applies for or renews his or her license for carrying hazardous materials is not a security threat. This could reduce the pool of qualified drivers, which could require us to increase driver compensation, limit our fleet growth, or let trucks sit idle. These regulations also could complicate the matching of available equipment with hazardous material shipments, thereby increasing our response time on customer orders and our non-revenue miles. As a result, it is possible we may fail to meet the needs of our customers or may incur increased expenses to do so. These security measures could negatively impact our operating results.

Some states and municipalities have begun to restrict the locations and amount of time where diesel-powered tractors, such as ours, may idle, in order to reduce exhaust emissions. These restrictions could force us to alter our drivers' behavior, purchase on-board power units (for portions of our tractor fleet that do not currently have them) that do not require the engine to idle, or face a decrease in productivity.

Future laws and regulations may be more stringent and require changes in our operating practices, influence the demand for transportation services or require us to incur significant additional costs. Higher costs incurred by us or by our suppliers who pass the costs on to us through higher prices could adversely affect our results of operations. The Regulation section in Item 1 of this Annual Report discusses several proposed, pending, and final regulations that could significantly impact our business and operations.

Safety-related evaluations and rankings under CSA could adversely affect our profitability and operations, our ability to maintain or grow our fleet, and our customer relationships.

Under CSA, drivers and fleets are evaluated and ranked based on certain safety-related standards. The methodology for determining a carrier's DOT safety rating has been expanded to include the on-road safety performance of the carrier's drivers. As a result, certain current and potential drivers may no longer be eligible to drive for us, our fleet could be ranked poorly as compared to our peers, and our safety rating could be adversely impacted. A reduction in eligible drivers or a poor fleet ranking may result in difficulty attracting and retaining qualified drivers, including impacting our number of unmanned trucks, and could cause our customers to direct their business away from us and to carriers with higher fleet rankings, which would adversely affect our results of operations. Additionally, competition for drivers with favorable safety ratings may increase and thus provide for increases in driver related compensation cost. One of our subsidiaries has recently exceeded the established intervention threshold in one of the seven safety-related standards of CSA. Based on this unfavorable rating, we may be prioritized for an intervention action or roadside inspection. In addition, from time to time we could further exceed the FMCSA's established intervention thresholds under certain categories, which could also cause our drivers to be prioritized for intervention action or roadside inspection by regulatory authorities. Such action or inspection could adversely affect our results of operations and we may incur greater than expected expenses in our attempts to improve our scores.

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

In addition to direct regulation by the DOT and other agencies, we are subject to various environmental laws and regulations dealing with the handling of hazardous materials, waste oil, underground fuel storage tanks, and discharge and retention of storm-water. We operate in industrial areas, where truck terminals and other industrial facilities are located and where groundwater or other forms of environmental contamination have occurred. Our operations involve the risks of fuel spillage or seepage, environmental damage and hazardous waste disposal, among others. We also maintain bulk waste oil or fuel storage and fuel islands at the majority of our facilities. If (i) we are involved in a spill or other accident involving hazardous substances, (ii) there are releases of hazardous substances we transport, (iii) soil or groundwater contamination is found at our facilities or results from our operations or (iv) we are found to be in violation of or fail to comply with applicable environmental laws or regulations, then we could be subject to clean-up costs and liabilities, including substantial fines or penalties or civil and criminal liability, any of which could have a materially adverse effect on our business and operating results.

Our business also is subject to the effects of new tractor engine design requirements implemented by the EPA. In August 2011, the NHTSA and EPA adopted a new rule that established the first-ever fuel economy and greenhouse gas standards for medium- and heavy-duty vehicles, which include tractors we utilize. These standards apply to model years 2014 to 2018, which are required to achieve an approximate 20% reduction in fuel consumption by 2018. In addition, President Barack Obama announced that his administration will begin developing the next phase of tighter fuel efficiency standards for medium and heavy-duty vehicles, including tractors, and directed the EPA and NHTSA to develop new fuel-efficiency and greenhouse gas standards by March 31, 2016. Additional changes in the laws and regulations governing or impacting our industry could affect the economics of the industry by requiring changes in operating practices or by influencing the demand for, and the costs of providing, services to shippers.

We are exposed to risks related to our acquisition of GTI and we may not be able to achieve the benefits we expected at the time of the acquisition. Any failure to implement our business strategy with respect to the GTI acquisition could negatively impact our business, financial condition and results of operations.

We have partially completed the integration of GTI's business into our own. However, additional activities, remain to be completed, and many of these activities involve third parties, including customers, drivers, and suppliers, whose actions are out of our control. We have not yet achieved, and may never achieve, the full benefit of the revenue enhancements and cost savings we expected at the time of the acquisition. In addition, even if we achieve the expected benefits, we may be unable to achieve them within the anticipated time frame. Also, the cost savings and other benefits may be offset by unexpected costs incurred in integrating GTI, increases in other expenses, or problems in the business unrelated to the GTI acquisition. If the integration is not successful, or if we fail to implement our business strategy with respect to the acquisition, we may be unable to achieve expected results and our business, financial condition and results of operations may be materially and adversely affected.

Specific risks associated with the remaining integration include the following:

- the potential loss of customers, employees, suppliers, other business partners or independent contractors;
- failure to effectively consolidate functional areas, which may be impeded by inconsistencies in, or conflicts between, standards, controls, procedures, policies, business cultures and compensation structures;
- potential future impairment charges, write-offs, write-downs or restructuring charges that could adversely affect our results of operations;
- significant deficiencies or material weaknesses in internal controls over financial reporting;
- increased tax liability or other tax risk if future earnings are less than anticipated, there is a change in the deductibility of items, or we are unable realize the benefits of a special tax election referred to as a "Section 338(h)(10) election";
- exposure to unknown liabilities or other obligations of GTI, which may include matters relating to employment, labor and employee benefits, litigation, accident claims and environmental issues, and which may affect our ability to comply with applicable laws;
- the ongoing integration and management of technologies and services of the two companies, including the consolidation and integration of information systems;
- the coordination of resources across broad geographical areas;
- the loss of truck drivers of GTI or our historical operations due to differences in pay, policies, business culture, branding, or other factors, or an increase in costs of recruiting and retaining truck drivers; and
- the challenges of moving toward a single brand and market identity.

We may not make acquisitions in the future, or if we do, we may not be successful in integrating the acquired company, either of which could have a materially adverse effect on our business.

Historically, acquisitions have been a part of our growth. There is no assurance that we will be successful in identifying, negotiating, or consummating any future acquisitions. If we fail to make any future acquisitions, our growth rate could be materially and adversely affected. Any additional acquisitions we undertake could involve the dilutive issuance of equity securities, incurring indebtedness and/or incurring large one-time expenses. In addition, acquisitions involve numerous risks, including difficulties in assimilating the acquired company's operations, the diversion of our management's attention from other business concerns, risks of entering into markets in which we have had no or only limited direct experience, and the potential loss of customers, key employees and drivers of the acquired company, all of which could have a materially adverse effect on our business and operating results. If we make acquisitions in the future, we cannot guarantee that we will be able to successfully integrate the acquired companies or assets into our business, which would have a materially adverse effect on our business, financial condition, and results of operations.

If we are unable to retain our key employees or find, develop and retain terminal managers, our business, financial condition and results of operations could be adversely affected.

We are highly dependent upon the services of several executive officers and key management employees. The loss of any of their services could have a short-term, negative impact on our operations and profitability. We currently do not have employment agreements with any of our key employees or executive officers, and the loss of any of their services could negatively impact our operations and future profitability. We must continue to develop and retain a core group of managers if we are to realize our goal of expanding our operations and continuing our growth. Failing to develop and retain a core group of managers could have a materially adverse effect on our business.

Seasonality and the impact of weather affect our operations and profitability.

Our tractor productivity decreases during the winter season because inclement weather impedes operations, and some shippers reduce their shipments after the winter holiday season. Revenue can also be affected by bad weather and holidays, since revenue is directly related to available working days of shippers. At the same time, operating expenses increase and fuel efficiency declines because of engine idling and harsh weather, which creates higher accident frequency, increased claims, and more equipment repairs. We can also suffer short-term impacts from weather-related events such as hurricanes, blizzards, ice storms, and floods that could harm our results or make our results more volatile. Weather and other seasonal events could adversely affect our operating results.

We self-insure for a significant portion of our claims exposure, which could significantly increase the volatility of, and decrease the amount of, our earnings.

Our future insurance and claims expense might exceed historical levels, which could reduce our earnings. We self-insure for a portion of our claims exposure resulting from workers' compensation, auto liability, general liability, cargo and property damage claims, as well as employees' health insurance. We are also responsible for our legal expenses relating to such claims. We reserve currently for anticipated losses and related expenses. We periodically evaluate and adjust our claims reserves to reflect trends in our own experience as well as industry trends. However, ultimate results may differ from our estimates, which could result in losses over our reserved amounts. We do not currently maintain directors' and officers' insurance coverage, although we are obligated to indemnify them against certain liabilities they may incur while serving in such capacities.

We maintain insurance with licensed insurance carriers for the amounts in excess of our self-insured portion. It is possible that one or more claims could exceed our aggregate coverage limits. Insurance carriers that provide excess insurance coverage to us currently and for past claim years have encountered financial issues. Insurance carriers have raised premiums for many businesses, including trucking companies. As a result, our insurance and claims expense could increase, or we could raise our self-insured retention when our policies are renewed or replaced. If these expenses increase, or if we experience a claim in excess of our coverage limits, we experience a claim for which coverage is not provided or we experience a claim that is covered and our insurance company fails to perform, results of our operations and financial condition could be materially and adversely affected.

We are dependent on computer and communications systems, and a systems failure could cause a significant disruption to our business.

Our business depends on the efficient and uninterrupted operation of our computer and communications hardware systems and infrastructure including our communications with our fleet of revenue equipment. We currently use a centralized computer network and regular communication to achieve system-wide load coordination. Our operating system is critical to understanding customer demands, accepting and planning loads, dispatching drivers and equipment, and billing and collecting for our services. Our operations and those of our technology and communications service providers are vulnerable to interruption by fire, earthquake, power loss, telecommunications failure, terrorist attacks, internet failures, computer viruses, deliberate attacks of unauthorized access to systems, denial-of-service attacks on websites and other events beyond our control. If any of our critical systems fail or become otherwise unavailable, whether as a result of the upgrade project or otherwise, we would have to perform the functions manually, which could temporarily impact our ability to manage our fleet efficiently, to respond to customers' requests effectively, to maintain billing and other records reliably and to bill for services and prepare financial statements accurately or in a timely manner. Any significant system failure, upgrade complication, security breach or other system disruption could interrupt or delay our operations, damage our reputation, cause us to lose customers or impact our ability to manage our operations and report our financial performance, any of which could have a materially adverse effect on our business.

Concentrated ownership of our stock can influence stockholder decisions, may discourage a change in control, and may have an adverse effect on share price of our stock.

Investors who purchase our common stock may be subject to certain risks due to the concentrated ownership of our common stock. The Gerdin family, our directors, and our executive officers, as a group, own or control approximately 49% of our common stock. This ownership concentration may have the effect of discouraging, delaying, or preventing a change in control, and may also have an adverse effect on the market price of our shares. As a result of their ownership, the Gerdin family, the executive officers and directors, as a group, may have the ability to influence the outcome of any matter submitted to our stockholders for approval, including the election of directors. This concentration of ownership could limit the price that some investors might be willing to pay for our common stock, and could allow the Gerdin family to prevent or could discourage or delay a change of control, which other stockholders may favor. Further, our bylaws have been amended to “opt out” of the Nevada control share statute. Accordingly, an acquisition of more than a majority of our common stock by the Gerdin family will not result in certain shares in excess of a majority losing their voting rights and may enhance the Gerdin family's ability to exercise control over decisions affecting us. The interests of the Gerdin family may conflict with the interests of other holders of our common stock, and they may take actions affecting us with which other stockholders disagree.

Efforts by labor unions could divert management's attention and could have a materially adverse effect on our operating results.

Any attempt to organize by our employees could result in increased legal and other associated costs. In addition, if an attempted organizing effort were successful and we were to enter into a collective bargaining agreement, the terms could negatively affect our costs, efficiency and ability to generate acceptable returns on the affected operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our headquarters is located in North Liberty, Iowa which is located on Interstate 380 near the intersection of Interstates 380 and 80. The headquarters is located on 40 acres of land along the Cedar Rapids/Iowa City business corridor and includes a 65,000 square foot office building and a 32,600 square foot shop and maintenance building.

The following table provides information regarding our terminal facilities:

Company Location	Office	Shop	Fuel	Owned or Leased
Albany, Oregon	Yes	Yes	Yes	Leased
Atlanta, Georgia	Yes	Yes	Yes	Owned
Boise, Idaho	Yes	Yes	No	Leased
Carlisle, Pennsylvania	Yes	Yes	Yes	Owned
Chester, Virginia	Yes	Yes	Yes	Owned
Clackamas, Oregon	Yes	Yes	No	Leased
Columbus, Ohio	Yes	Yes	Yes	Owned
Denver, Colorado	No	Yes	No	Leased
Green Bay, Wisconsin	Yes	No	No	Leased
Indianapolis, Indiana (1)	Yes	Yes	No	Leased
Jacksonville, Florida	Yes	Yes	Yes	Owned
Kingsport, Tennessee	Yes	Yes	Yes	Owned
Lathrop, California	Yes	Yes	Yes	Owned
Medford, Oregon	Yes	Yes	Yes	Leased
North Liberty, Iowa (2)	Yes	Yes	Yes	Owned
O'Fallon, Missouri	No	Yes	Yes	Owned
Olive Branch, Mississippi	Yes	Yes	Yes	Owned
Pacific, Washington	Yes	Yes	Yes	Leased
Phoenix, Arizona	Yes	Yes	Yes	Owned
Pontoon Beach, Illinois	Yes	Yes	No	Leased
Rancho Cucamonga, California	Yes	Yes	Yes	Leased
Seagoville, Texas	Yes	Yes	Yes	Owned

(1) This location includes a land lease for a location that is separate from the terminal location.
(2) Corporation headquarters.

ITEM 3. LEGAL PROCEEDINGS

We are a party to ordinary, routine litigation and administrative proceedings incidental to our business. These proceedings primarily involve claims for personal injury, property damage, cargo, and workers' compensation incurred in connection with the transportation of freight. We maintain insurance to cover liabilities arising from the transportation of freight for amounts in excess of certain self-insured retentions.

ITEM 4. MINE SAFETY DISCLOSURES
None.

PART II

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

Price Range of Common Stock

Our common stock trades on The NASDAQ Global Select Market under the symbol HTLD. The following table sets forth, for the calendar periods indicated, the range of high and low price quotations for our common stock as reported by The NASDAQ Global Select Market and our Company's dividends declared per common share from January 1, 2013 to December 31, 2014.

Period	High	Low	Dividends declared per Common Share
Calendar Year 2014			
1st Quarter	$23.05	$19.41	