

KNIGHT TRANSPORTATION INC
Form 10-K
February 29, 2016

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

FORM 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015
- 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: 001-32396

KNIGHT TRANSPORTATION, INC.
(Exact name of registrant as specified in its charter)

Arizona (State or other jurisdiction of incorporation or organization)	86-0649974 (I.R.S. Employer Identification No.)
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20002 North 19th Avenue, Phoenix, Arizona (Address of principal executive offices)	85027 (Zip Code)
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(602) 269-2000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: Common Stock, \$0.01 par value
New York Stock Exchange

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

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

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

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

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 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 definition of "accelerated filer," "large accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2015, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$1.9 billion (based upon \$26.74 per share closing price on that date as reported by the New York Stock Exchange). In making this calculation, the registrant has assumed, without admitting for any purpose, that all executive officers and directors, and no other persons, are affiliates.

The number of shares outstanding of the registrant's common stock as of February 25, 2016 was 80,655,035.

DOCUMENTS INCORPORATED BY REFERENCE

Materials from the registrant's Notice and Proxy Statement relating to the 2016 Annual Meeting of Shareholders to be held on May 12, 2016 have been incorporated by reference into Part III of this Form 10-K.

TABLE OF CONTENTS

PART I

Item 1.	<u>Business</u>	4
Item 1A.	<u>Risk Factors</u>	13
Item 1B.	<u>Unresolved Staff Comments</u>	20
Item 2.	<u>Properties</u>	20
Item 3.	<u>Legal Proceedings</u>	21
Item 4.	<u>Mine Safety Disclosures</u>	21

PART II

Item 5.	<u>Market for Company's Common Equity, Related Shareholder Matters, and Issuer Purchases of Equity Securities</u>	22
Item 6.	<u>Selected Financial Data</u>	24
Item 7.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	25
Item 7A.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	40
Item 8.	<u>Financial Statements and Supplementary Data</u>	41
Item 9.	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	41
Item 9A.	<u>Controls and Procedures</u>	41
Item 9B.	<u>Other Information</u>	44

PART III

Item 10.	<u>Directors, Executive Officers, and Corporate Governance</u>	44
Item 11.	<u>Executive Compensation</u>	44
Item 12.	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	44
Item 13.	<u>Certain Relationships and Related Transactions, and Director Independence</u>	45
Item 14.	<u>Principal Accounting Fees and Services</u>	45

PART IV

Item 15.	<u>Exhibits and Financial Statement Schedules</u>	45
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SIGNATURES

47

CONSOLIDATED FINANCIAL STATEMENTS

<u>Reports of Independent Registered Public Accounting Firm</u>	F-1
<u>Consolidated Balance Sheets as of December 31, 2015 and 2014</u>	F-2
<u>Consolidated Statements of Income for the years ended December 31, 2015, 2014, and 2013</u>	F-4
<u>Consolidated Statements of Comprehensive Income for the years ended December 31, 2015, 2014, and 2013</u>	F-5
<u>Consolidated Statements of Shareholders' Equity for the years ended December 31, 2015, 2014, and 2013</u>	F-6
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014, and 2013</u>	F-7
<u>Notes to Consolidated Financial Statements</u>	F-8

Table of Contents

PART I

Item 1. Business

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, cash flows, dividends, capital expenditures, or other financial items; any statement of plans, strategies, and objectives of management for future operations; any statements concerning proposed acquisition plans, 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. In this Annual Report, statements relating to the ability of our infrastructure to support future growth, our ability to recruit and retain qualified drivers, our ability to react to market conditions, our ability to gain market share, future tractor prices, potential acquisitions, our equipment purchasing plans and equipment turnover, our ability to obtain favorable pricing terms from vendors and suppliers, expected liquidity and methods for achieving sufficient liquidity, future fuel prices, future third-party service provider relationships and availability, future compensation arrangements with independent contractors and drivers, our expected need or desire to incur indebtedness, expected sources of liquidity for capital expenditures, expected tractor trade-ins, expected sources of working capital and funds for acquiring revenue equipment, expected capital expenditures, future asset utilization, future capital requirements, future trucking capacity, future consumer spending, expected freight demand and volumes, future rates, future depreciation and amortization, expected tractor and trailer fleet age, and future purchased transportation expense, among others, are forward-looking statements. Such statements may be identified by their use of terms or phrases such as "believe," "may," "could," "expects," "estimates," "projects," "anticipates," "plans," "intends," "hope," and similar terms and phrases. Forward-looking statements are based on currently available operating, financial, and competitive information. 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. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section entitled "Item 1A. Risk Factors," set forth below. Readers should review and consider the factors discussed in "Item 1A. Risk Factors," 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," "Knight," or the "Company" or similar terms refer to Knight Transportation, Inc. and its consolidated subsidiaries.

General

We are a provider of multiple full truckload transportation and logistics services, which generally involve the movement of full trailer or container loads of freight from origin to destination for a single customer. We are one of North America's largest truckload transportation providers. We provide significant capacity and a broad range of truckload and logistics services through our nationwide network of service centers, one of the country's largest truckload tractor fleets, and our contractual access to thousands of third-party capacity providers. We have grown substantially by increasing the geographic reach of our service center network and by expanding the breadth of our

services for customers. Most recently, our growth has come through the creation of Kold Trans, LLC (“Kold Trans”), and the acquisition of Barr-Nunn Transportation, Inc. and certain of its affiliates (“Barr-Nunn”) in the second half of 2014, which has enhanced our business and service offerings with additional service centers and increased our driving associates, tractor fleet and capacity. Through our multiple service offerings, capabilities, and transportation modes, we are able to transport, or arrange for the transportation of, general commodities for our diversified customer base throughout the contiguous United States and parts of Canada and Mexico using state-of-the-art equipment, information technology, and qualified driving associates and non-driver employees. We are committed to providing our customers with a wide range of truckload and logistics services and continue to invest considerable resources toward developing a range of solutions for our customers across multiple service offerings and transportation modes. Our overall objective is to provide truckload and logistics services that, when combined, lead the industry for margin and growth while providing efficient and cost-effective solutions for our customers.

Table of Contents

We have two reportable segments: (i) Trucking and (ii) Logistics. Financial information regarding these two segments is provided in the Notes to Consolidated Financial Statements under Item 8 of this Form 10-K.

Our Trucking segment is comprised of three operating units: (i) dry van truckload ("Dry Van"), (ii) temperature-controlled truckload ("Refrigerated"), and (iii) drayage services ("Drayage"). We were founded as a provider of dry van truckload services, and in 2004, we took the first step towards our strategy of providing customers with a diversified range of truckload solutions with the creation of Knight Refrigerated, LLC, which provides our refrigerated services. In 2008, we further enhanced our services by creating Knight Port Services, LLC, which provides drayage services between ocean ports, rail ramps, and shipping docks. In 2014, we grew our asset-based refrigerated offerings through Kold Trans, and we strengthened our dry van and expedited services through the acquisition of Barr-Nunn. We operate a large, modern tractor fleet and also use independent contractors to provide various asset-based solutions, including multiple stop pick-ups and deliveries, dedicated equipment and personnel, on-time expedited pick-ups and deliveries, specialized driver training, and other truckload services.

Our Logistics segment consists of two primary operating units: (i) freight brokerage services ("Brokerage") and (ii) rail intermodal ("Intermodal"). We also provide logistics, freight management and other non-trucking services to our customers through our Logistics business. In 2005, we established Knight Logistics LLC (formerly known as Knight Brokerage, LLC), which develops contractual relationships with thousands of third-party capacity providers who provide their equipment and services to transport customer freight. In 2010, we advanced our objective to grow our services with the addition of our Intermodal services. Our Logistics offerings meet our customers' transportation needs by providing a diverse range of shipping alternatives from our network of third-party capacity providers and our rail providers. As of December 31, 2015, our Logistics segment had transportation services contracts with approximately 23,137 carriers. We believe that the diversified customer offerings of our Trucking and Logistics segments strategically position us for growth with existing and new truckload and logistics customers.

Our headquarters and service center support is located in Phoenix, Arizona.

Operations

Our Trucking operating strategy is to gain truckload market share by leveraging our service offerings provided through our service center network, developing and enhancing customer relationships, and improving asset productivity through enhanced technology and market knowledge, while maintaining an extreme focus on cost. To achieve these goals, we operate primarily in high-density, predictable freight lanes in select geographic regions and attempt to develop and expand our customer base around each of our service centers by providing multiple truckload services for our customers. This operating strategy allows us to service the large amount of truckload freight transported in regional markets. Our service centers enable us to better serve our customers and work more closely with our driving associates. We operate a modern fleet to appeal to drivers and customers, reduce maintenance expenses and downtime, and enhance our operating efficiencies. We employ technology in both our Trucking and Logistics segments in a cost-effective manner to assist us in controlling operating costs and enhancing revenue. Our Logistics operating strategy is to match quality capacity with the shipping needs of our customers through the capacity provided by our network of third-party carriers and our rail providers. Our goal is to increase our market presence, both in existing operating regions and in other areas where we believe the freight environment meets our operating strategy, while seeking to achieve industry-leading operating margins and returns on investment.

Table of Contents

Our overall operating strategy includes the following important elements:

Regional Service Centers. We believe that regional operations offer several advantages, including:

- Obtaining greater freight volumes;
- Achieving higher revenue per mile by focusing on high-density freight lanes to minimize non-revenue miles;
- Enhancing our ability to recruit and train high quality driving associates;
- Enhancing safety and driver development and retention;
- Enhancing our ability to provide a high level of service and consistent capacity to our customers;
- Enhancing accountability for performance and growth; and
- Furthering our Trucking and Logistics capabilities to provide various shipment solutions to our customers and to contract with more third-party capacity providers.

We operate primarily in the United States with minor operations in Canada and Mexico. Substantially all of our revenue is generated from within the United States. All of our tractors are domiciled in the United States, and for the past three years, we estimate that less than one percent of our revenue has been generated in Canada and Mexico. We do not separately track domestic and foreign revenue from customers, and providing such information would not be meaningful. All of our long-lived assets are, and have been for the last three fiscal years, located within the United States.

Operating Efficiencies. We were founded on a philosophy of maintaining operating efficiencies and controlling costs. We operate modern tractors and trailers in order to obtain operating efficiencies and attract and retain driving associates. A generally compatible fleet of tractors and trailers simplifies our maintenance procedures and reduces parts, supplies, and maintenance costs. We regulate vehicle speed in order to maximize fuel efficiency, reduce wear and tear, and enhance safety. We continue to update our fleet with more fuel-efficient post-2014 U.S. Environmental Protection Agency ("EPA") emission compliant engines, install aerodynamic devices on our tractors, and equip our trailers with trailer blades, which lead to meaningful improvements in fuel efficiency. Our Logistics segment focuses on effectively optimizing and meeting the transportation and logistics requirements of our customers and providing customers with various sources and modes of transportation capacity across our nationwide service network. We invest in technology that enhances our ability to optimize our freight opportunities while maintaining a low cost per transaction.

Customer Service. We strive to provide superior, on-time service at a meaningful value to our customers and seek to establish ourselves as a preferred truckload and logistics provider for our customers. We provide truckload capacity for customers in high-density lanes where we can provide them with a high level of service, as well as flexible and customized logistics services on a nationwide basis. Our Trucking services include Dry Van, Refrigerated, and Drayage, which also include dedicated truckload services customized according to customer needs. Our Logistics services include Brokerage, Intermodal, and certain logistics, freight management, and non-trucking services, which provide various shipping alternatives and transportation modes for customers by utilizing our expansive network of third-party capacity providers and rail partners. We price our Trucking and Logistics services commensurately with the level of service our customers require and market conditions. By providing customers a high level of service, we believe we avoid competing solely on the basis of price.

Using Technology that Enhances Our Business. We purchase and deploy technology that we believe will allow us to operate more safely, securely, and efficiently. All of our company-owned tractors are equipped with in-cab communication devices that enable us to communicate with our drivers, obtain load position updates, manage our fleets, and provide our customers with freight visibility, as well as with electronic logging devices that automatically

record our drivers' hours-of-service. The majority of our trailers are equipped with trailer-tracking technology that allows us to more effectively manage our trailers. We have purchased and developed software for our Logistics businesses that provides greater visibility of the capacity of our third-party providers and enhances our ability to provide our customers with solutions with a superior level of service. We have automated many of our back-office functions, and we continue to invest in technology that allows us to better serve our customers and improve overall efficiency.

Growth Strategy

Our growth strategy is focused on the following key areas:

Expanding existing service centers. Historically, a substantial portion of our revenue growth has been generated by our expansion into new geographic regions through the opening of additional service centers. Although we continue to seek opportunities to further increase our business in this manner, our primary focus is on developing and expanding our existing service centers by strengthening our customer relationships, recruiting quality driving associates and non-driver employees, adding new customers, and expanding the range of transportation and logistics solutions offered from these service centers.

Table of Contents

Acquiring and growing opportunistically. We regularly evaluate acquisition and other development and growth opportunities. Since 1999, we have acquired five short-to-medium haul truckload carriers, including the acquisition of Barr-Nunn during 2014. These acquisitions have involved a complete buy-out, or the purchase of substantially all of the trucking assets, of such carriers. We are actively looking for acquisition and other opportunities that could favorably contribute to Trucking and Logistics development and growth.

Improving asset productivity. We are focused on improving the revenue generated from our tractors and trailers without compromising safety. We anticipate that we can accomplish this objective through increased miles driven and an increased rate per mile.

Strengthening our customer relationships. We market our services to both existing and new customers who value our broad geographic coverage, various transportation and logistics services, and truckload capacity and freight lanes that complement our existing operations. We seek customers who will diversify our freight base. We market our Dry Van, Refrigerated, Drayage, Brokerage, and Intermodal services, including dedicated services within those offerings, to existing customers who may be in need of multiple services but do not currently take advantage of our array of truckload solutions.

Diversifying our service offerings. We are committed to providing our customers a broad and growing range of truckload and logistics services and continue to invest considerable resources toward developing a range of solutions for our customers. We believe that these offerings contribute meaningfully to our results and reflect our strategy to bring complementary services to our customers to assist them with their supply chain objectives. We plan to continue to leverage our nationwide footprint and expertise to add value to our customers through our diversified service offerings.

We believe we have the service center network, systems capability, and management capacity to support substantial growth. We have established a geographically diverse network that can support a substantial increase in freight volumes, organic or acquired. Our network and business lines afford us the ability to provide multiple Trucking and Logistics solutions for our customers, and we maintain the flexibility within our network to adapt to freight market conditions. We believe our unique mix of regional management, together with our consistent efforts to centralize certain business functions to leverage the collective economies of scale, allow us to develop future company leaders with relevant operating and industry experience, minimize the potential diseconomies of scale that can come with growth in size, take advantage of regional knowledge concerning capacity and customer shipping needs, and manage our overall business with a high level of performance accountability.

We strive to provide superior, on-time service and meaningful value to our customers, and we seek to establish ourselves as a preferred truckload and logistics solutions provider for our customers. We provide truckload capacity for customers in high-density lanes where we can provide them with a high level of service, as well as flexible and customized logistics services on a nationwide basis.

Marketing and Customers

Our marketing mission is to be a strategic, efficient transportation capacity partner for our customers by providing truckload and logistics solutions customizable to the unique needs of our customers. We deliver these capacity solutions through our network of owned assets, contracted independent contractors, third-party capacity providers, and our rail providers. The diverse and premium services we offer provide a comprehensive approach to providing ample supply chain solutions to our customers.

Our Trucking and Logistics sales and marketing leaders are members of our senior management team, who are assisted by other sales professionals in each segment. Our sales team emphasizes our industry-leading service,

superior safety record, environmental leadership, capability to accommodate a variety of customer needs, ability to provide consistent capacity, and financial strength and stability.

We strive to maintain a diversified customer base. For the year ended December 31, 2015, our top 25 customers among our Trucking and Logistics segments represented approximately 42.9% of revenue; our top 10 customers represented approximately 28.0% of revenue; and our top 5 customers represented approximately 17.8% of revenue. No single customer represented more than 4.5% of revenue in 2015.

Table of Contents

To be responsive to the needs of our customers and driving associates, we offer dedicated truckload services under our Trucking segment, in which we assign particular drivers and revenue equipment to prescribed routes. This provides specific individual customers with a guaranteed source of capacity. Our dedicated tractor fleet services may provide a significant part of a customer's transportation requirements. Under our dedicated transportation services, we provide drivers, equipment, maintenance, and, in some instances, transportation management services that supplement the customer's in-house transportation department.

Each of our service centers is linked to our corporate information technology system in our Phoenix headquarters. The capabilities of this system and its software enhance our operating efficiency by providing cost-effective access to detailed information concerning equipment location and availability, shipment tracking and on-time delivery status, and other specific customer requirements. The system also enables us to respond promptly and accurately to customer requests and assists us in matching available equipment with customer loads geographically. Additionally, our customers can track shipments and obtain copies of shipping documents via our website. We also provide electronic data interchange services to customers desiring these services.

Drivers, Other Employees, and Independent Contractors

As of December 31, 2015, we had 6,196 total employees, of which 4,894 were company drivers. None of our employees is subject to a union contract or other collective bargaining unit.

Our operating model creates an environment where our employees are able to learn the many aspects of truckload transportation and logistics and demonstrate their talents, entrepreneurial spirit, and commitment. We believe that the depth of our employee talent within our service center network is one of our competitive advantages. Our front-line employees bring a high level of commitment to our customers and driving associates, while leveraging the substantial resource of our national network.

We recognize that the recruitment, training, and retention of a professional driver workforce, which is one of our most valuable assets, are essential to our continued growth and meeting the service requirements of our customers. We hire qualified drivers who hold a valid commercial driver's license, satisfy applicable federal and state safety performance and measurement requirements, and meet our objective guidelines relating primarily to their safety history, road test evaluations, and other personal evaluations, including mandatory drug and alcohol testing. In order to attract and retain safe drivers who are committed to the highest levels of customer service and safety, we focus our operations for drivers around a collaborative and supportive team environment. We provide late model and comfortable equipment, direct communication with senior management, competitive wages and benefits, and other incentives designed to encourage driver safety, retention, and long-term employment. We also recognize our drivers for providing superior service and developing good safety records. Our drivers are compensated on a per mile basis, based on the length of haul and a predetermined number of miles. Drivers are also compensated for additional flexible services provided to our customers. Our drivers and other employees are invited to participate in our 401(k) program, and company-sponsored health, life, and dental plans. We believe these factors help us in attracting, recruiting, and retaining professional drivers in a competitive driver market.

Through Squire Transportation, LLC ("Squire"), our trucking training company, we focus on developing skilled, productive, and safe qualified drivers. Squire's mission is to provide our drivers with the skills necessary to have a safe driving career with us. We believe Squire will continue to be very beneficial for recruiting and retaining qualified drivers.

We also maintain an independent contractor program. Because independent contractors provide their own tractors and drivers and are responsible for their own operating expenses, the independent contractor program provides us with an alternate method of obtaining additional truckload capacity. We intend to continue our use of independent

contractors, but competition for independent contractors is intense. As of December 31, 2015, we had 407 contracts with independent contractors. Independent contractors contract with us to provide the tractor and driver to service the load offered to them. We pay independent contractors a fixed rate and a fuel protection based on a predetermined number of loaded and empty miles, fuel prices, and other factors. We offer tractor maintenance services to our independent contractors, although they are financially responsible for the costs and pay for their own fuel. We provide trailers for each independent contractor. In certain instances, we provide financing to independent contractors to assist them in acquiring revenue equipment. As of December 31, 2015, outstanding loans to independent contractors totaled in the aggregate approximately \$0.8 million.

Table of Contents

Revenue Equipment

In 2015, we operated an average of 4,363 company-owned tractors with an average age of 1.7 years. We also had under contract 407 tractors owned and operated by independent contractors as of December 31, 2015. We also operated an average of 11,789 trailers in 2015. Growth of our tractor and trailer fleet is determined by market conditions and our experience and expectations regarding equipment utilization. In acquiring revenue equipment, we consider a number of factors, including economy, price, rate, economic environment, technology, warranty terms, manufacturer support, driver comfort, and resale value. We maintain strong relationships with our equipment vendors and the financial flexibility to react as market conditions dictate.

We have adopted an equipment configuration that meets a wide variety of customer needs and facilitates customer requirements. We adhere to a comprehensive maintenance program that minimizes downtime and enhances the resale value of our equipment. We perform routine servicing and maintenance of our equipment at most of our service centers, and we routinely inspect our equipment and that of our independent contractors to determine and monitor compliance with the United States Department of Transportation ("DOT") requirements. Our current policy is to replace most of our tractors approximately 48 months after purchase and to replace our trailers over a five to ten year period. Changes in the current market for used tractors and trailers, regulatory changes, and difficult market conditions faced by tractor and trailer manufacturers, may result in price increases that may affect the period of time for which we operate our equipment.

Safety and Risk Management

We are committed to safe and secure operations. We conduct a mandatory intensive driver qualification process, including defensive driving training for all driving associates, which includes our company drivers, independent contractors, and trainees. We regularly communicate with driving associates to promote safety and instill safe work habits through effective use of various media and safety review sessions. We also regularly conduct safety training for our drivers, independent contractors, and non-driving personnel. We dedicate personnel and resources to ensure safe operation and regulatory compliance. We employ safety personnel whose primary responsibility is the administration of our safety programs. We employ technology to assist us in managing risks associated with our business. In addition, we have an innovative recognition program for driver safety performance and emphasize safety through our equipment specifications and maintenance programs. Our Corporate Directors of Safety review all accidents and report weekly to the Senior Director of Safety and Risk Management.

We require prospective drivers to meet higher qualification standards than those required by the DOT. The DOT requires drivers to obtain commercial drivers' licenses and also requires that we perform drug and alcohol testing that meets DOT regulations. Our program includes pre-employment, random, and post-accident drug testing and all other testing required by the DOT as well as additional Company required testing. We are authorized by the DOT to haul hazardous materials. We require any driver who transports hazardous materials to have the proper endorsement and to be regularly trained as prescribed by DOT regulations.

The primary claims arising in our business consist of auto liability, including personal injury, property damage, physical damage, and cargo loss. We are insured against auto liability claims under a self-insured retention ("SIR") policy. For the policy periods from February 1, 2014 to March 1, 2015, and from March 1, 2015 to March 1, 2016, our SIR is \$2.5 million with no additional responsibility for "aggregate" losses. We regularly review insurance limits and retentions. We have secured excess liability coverage up to \$105.0 million per occurrence. We also carry a \$2.5 million aggregate deductible for any loss or losses that rise to the excess coverage layer.

We are self-insured for workers' compensation claims up to a maximum limit of \$500,000 per occurrence. We also maintain primary and excess coverage for employee medical expenses and hospitalization, with self-insured retention

of \$225,000 per claimant for 2015 and 2014, and \$240,000 per claimant for 2016.

Competition

The freight transportation industry is highly competitive and fragmented. We compete primarily with other truckload carriers and logistics companies, as well as railroads and airfreight providers. Our Trucking segment competes with other motor carriers for the services of drivers, independent contractors, and management employees. Our Logistics segment competes with other logistics companies for the services of third-party capacity providers and management employees. A number of our competitors have greater financial resources, own more revenue equipment, and carry a larger volume of freight than we do. We believe that the principal differentiating factors in our business, relative to competition, are service, efficiency, pricing, the availability and configuration of equipment that satisfies customers' needs, and our ability to provide multiple transportation solutions to our customers.

Table of Contents

In comparison to 2014, the rate of economic growth slowed and freight demand softened as 2015 progressed. Supply increased as more capacity entered the market, attracted by the improved rates experienced in 2014, and significantly lower fuel prices. We expect demand for our services to grow and supply to stabilize over the course of 2016 although we anticipate that soft freight demand will continue for at least the first half of 2016. We believe we are well positioned in this market due to our internal initiatives to improve yield, increase productivity, and manage our cost per mile.

Regulation

Our operations are regulated and licensed by various government agencies, including the DOT, EPA, and the U.S. Department of Homeland Security ("DHS"). These and other federal and state agencies also regulate our equipment, operations, drivers, and third-party capacity providers. We currently have, and have always maintained, a satisfactory DOT safety rating, which is the highest available rating, and we take continuous efforts to maintain our satisfactory rating.

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 in July 2013.

In December 2014, the 2015 Omnibus Appropriations bill was signed into law. Among other things, the legislation provided temporary relief from the 2011 Restart Restrictions, and essentially reverted to the more straightforward 34-hour restart rule that was in effect before the 2011 Rule became effective. In 2016, Congress is expected to consider a study conducted by the FMCSA related to the 2011 Restart Restrictions. Congressional action based on the findings of the study could result in a reinstatement, continued suspension, or complete withdrawal of the 2011 Restart Restrictions.

There are two methods of evaluating the safety and fitness of carriers. The first method is the application of a safety rating that is based on an onsite investigation and affects a carrier's ability to operate in interstate commerce. We currently have a satisfactory DOT safety rating under this method, which is the highest available rating under the current safety rating scale. If we were to receive a conditional or unsatisfactory DOT safety rating, it could adversely affect our business, as some of our existing customer contracts require a satisfactory DOT safety rating. In January 2016, the FMCSA published a Notice of Proposed Rulemaking outlining a revised safety rating measurement system, which would replace the current methodology. Under the proposed rules, the current three safety ratings of "satisfactory," "conditional," and "unsatisfactory" would be replaced with a single safety rating of "unfit," and a carrier would be deemed fit when no rating was assigned. Moreover, the proposed rules would use roadside inspection data in addition to investigations and onsite reviews to determine a carrier's safety fitness on a monthly basis. Under the current rules, a safety rating can only be given upon completion of a comprehensive onsite audit or review. Under the proposed rules, a carrier would be evaluated each month and could be given an "unfit" rating if the data collected from roadside inspections, investigations, and onsite reviews did not meet certain standards. The proposed rules will undergo a 90-day public comment period, after which, a final rule could either be published or become subject to further legislative reviews and delays. Therefore, it's uncertain if or when these proposed rules could take effect. However, if such rules were enacted, and we received a rating of "unfit," it would adversely affect our operations.

In addition to the safety rating system, the FMCSA has adopted the Compliance Safety Accountability program ("CSA") as an additional safety enforcement and compliance model that evaluates and ranks fleets on certain safety-related

standards. The CSA program analyzes data from roadside inspections, moving violations, crash reports from the last two years, and investigation results. The data is organized into seven categories. Carriers are grouped by category with other carriers that have a similar number of safety events (e.g., crashes, inspections, or violations) and carriers are ranked and assigned a rating percentile to prioritize them for interventions if they are above a certain threshold. Currently, these scores do not have a direct impact on a carrier's safety rating. However, the occurrence of unfavorable scores in one or more categories may (i) affect driver recruiting and retention by causing high-quality drivers to seek employment with other carriers, (ii) cause our customers to direct their business away from the us and to carriers with higher fleet safety rankings, (iii) subject us to an increase in compliance reviews and roadside inspections, or (iv) cause us to incur greater than expected expenses in our attempts to improve unfavorable scores, any of which could adversely affect the our results of operations and profitability.

Under CSA, these scores were initially made available to the public in five of the seven categories. However, pursuant to the FAST Act, which was signed into law in December 2015, the FMCSA is required to remove from public view the previously available CSA scores while it reviews the reliability of the scoring system. During this period of review by the FMCSA, we will continue to have access to our own scores and will still be subject to intervention by the FMCSA when such scores are above the intervention thresholds.

Table of Contents

In 2011, the FMCSA issued new rules that would require nearly all carriers, including us, to install and use electronic on-board recording devices (“EOBRs,” now referred to as electronic logging devices, or “ELDs”) in their tractors to electronically monitor truck miles and enforce hours-of-service. These rules, however, were vacated by the Seventh Circuit Court of Appeals in August 2011. The final rule related to mandatory use of ELDs was published in December 2015, and requires the use of ELDs by nearly all carriers by December 10, 2017. We have proactively installed ELDs on 100% of our tractor fleet.

In the aftermath of the September 11, 2001 terrorist attacks, the 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 license for carrying hazardous materials is not a security threat. This requirement could reduce the pool of qualified drivers who are permitted to transport hazardous materials. These regulations also could complicate the matching of available equipment with hazardous material shipments, thereby increasing our response time and our empty miles on customer shipments. As a result, we could possibly fail to meet certain customer needs or incur increased expenses to do so.

In November 2015, the FMCSA published its final rule related to driver coercion, which took effect on January 29, 2016. Under this rule, carriers, shippers, receivers, or transportation intermediaries that are found to have coerced drivers to violate certain FMCSA regulations (including hours-of-service rules) may be fined up to \$16,000 for each offense. The FMCSA and certain legislators have proposed other rules that may be published as early as 2016, including (i) the use of speed-limiting devices on heavy duty trucks to restrict maximum speeds, (ii) the creation of a national clearinghouse so employers and prospective employers could query to determine if current or prospective drivers have had any drug/alcohol positives or refusals, and (iii) an increase in the allowable length of twin trailers from 28 feet to 33 feet. If these rules take effect, they could result in a decrease in fleet production, driver availability, and freight tonnage available to full truckload carriers, all of which could adversely affect our business or operations.

Tax and other regulatory authorities have in the past sought to assert that independent contractor drivers in the trucking industry are employees rather than independent contractors. Federal legislators continue to introduce legislation concerning the classification of independent contractors as employees, including legislation that proposes to increase and heighten the tax and labor penalties against employers who intentionally or unintentionally misclassify their employees and are found to have violated employees' overtime or wage requirements. Additionally, federal legislators have sought to (i) abolish the current safe harbor allowing taxpayers meeting certain criteria to treat individuals as independent contractors if they are following a long-standing, recognized practice, (ii) extend the Fair Labor Standards Act to independent contractors, and (iii) impose notice requirements based upon employment or independent contractor status and fines for failure to comply. Some states have put initiatives in place to increase their revenues from items such as unemployment, workers' compensation, and income taxes, and we believe a reclassification of independent contractor drivers as employees would help states with this initiative. Federal and state taxing and other regulatory authorities and courts apply a variety of standards in their determination of independent contractor status. If our independent contractors were determined to be our employees, we would incur additional exposure under federal and state tax, workers' compensation, unemployment benefits, labor, employment, and tort laws, which could potentially include prior periods, as well as potential liability for employee benefits and tax withholdings. We currently observe and monitor our compliance with current related and applicable laws and regulations, but we cannot predict whether laws and regulations adopted in the future regarding the classification of our independent contractor drivers will adversely affect our business or operations.

The EPA adopted a series of emissions control regulations that require progressive reductions in exhaust emissions from new diesel engines manufactured on or after October 2002, January 2007, and January 2010. Compliance with these regulations increased our new tractor costs and operating expenses and for engines manufactured on or after January 2010, also reduced our fuel economy. In May 2010, an executive memorandum was executed directing the

National Highway Traffic Safety Administration ("NHTSA") and 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 tractor-trailers. These standards apply to model years 2014 to 2018, which are required to achieve an approximate 20 percent reduction in fuel consumption by calendar year 2017, which equates to approximately four gallons of fuel for every 100 miles travelled. In addition, in February 2014 President Barack Obama announced that his administration would begin developing the next phase of tighter fuel efficiency standards for medium and heavy-duty vehicles, including tractor-trailers, and directed the EPA and NHTSA to develop new fuel-efficiency and greenhouse gas standards by March 31, 2016. In response, in June 2015, the EPA and NHTSA jointly proposed new stricter standards that would apply to trailers beginning with model year 2018 and tractors beginning with model year 2021. After an extended comment period ending in October 2015, a final rule has not been published. If this rule or a similar rule was enacted, we believe that these requirements could result in increased new tractor prices and additional parts and maintenance costs incurred to upfit 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, but we cannot predict the extent to which our operations and productivity will be impacted.

Table of Contents

The California Air Resources Board ("CARB") also adopted emission control regulations that will be applicable to all heavy-duty tractors that pull 53-foot or longer box-type trailers 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 2011 model year equipment began in January 2010 and will be phased in over several years for older equipment. In order to comply with the CARB regulations, we submitted a large fleet compliance plan to CARB in June 2010. We will continue monitoring our compliance with the CARB regulations. Beginning January 1, 2014, CARB regulations require certain drayage trucks with 2006 or older model year engines to upgrade to 2007 or newer model year engines. We believe some industry participants may have difficulty complying with this new requirement, which may tighten drayage freight capacity and decrease drayage competition in California. 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 tractors, may increase the cost of any new trailers that will operate in California, may require us to retrofit certain of our pre-2011 model year trailers that operate in California, and could impair equipment productivity and increase our operating expenses. These adverse effects, combined with the uncertainty as to the reliability of the newly designed diesel engines and the residual values of these vehicles, could materially increase our costs or otherwise adversely affect our business or operations.

In order to reduce exhaust emissions, some states and municipalities have begun to restrict the locations and amount of time where diesel-powered tractors may idle. These restrictions could force us to purchase on-board power units that do not require the engine to idle or to alter its drivers' behavior, which could result in a decrease in productivity.

In addition to the foregoing laws and regulations, our operations are subject to other federal, state, and local environmental laws and regulations, many of which are implemented by the EPA and similar state agencies. Such laws and regulations generally govern the management and handling of hazardous materials, discharge of pollutants into the air, surface water and groundwater preservation, and disposal of certain various substances. We do not believe that our compliance with these statutory and regulatory measures have had a material adverse effect on our operating results, capital expenditures, or business and operations. For further discussion regarding such laws and regulations, refer to the "Risk Factors" section under Item 1A of Part I of this Annual Report.

Seasonality

In the transportation industry, results of operations generally follow a seasonal pattern. Freight volumes are typically lower from January through the first part of March because some customers reduce their shipments. At the same time, operating expenses generally increase, and the tractor productivity of our fleet, independent contractors, and third-party carriers decreases during the winter months because of decreased fuel efficiency, increased cold weather-related equipment maintenance and repairs, and increased insurance claims and costs attributed to higher accident frequency from harsh weather. During this period, the profitability of our Trucking operations is generally lower than during other parts of the year.

Acquisitions, Investments, and Dispositions

We regularly examine investment opportunities in areas related to our businesses. Our investment strategy is to invest in businesses that will strengthen our overall position in the transportation industry, minimize our exposure to start-up risk, and provide us with an opportunity to realize a substantial return on our investment. Since 1999, we have acquired five short-to-medium haul truckload carriers or have acquired substantially all of the trucking assets of such carriers, including: (i) Granger, Iowa-based Barr-Nunn, acquired in 2014; (ii) Phoenix, Arizona-based Roads West Transportation, Inc., acquired in 2006; (iii) Idaho Falls, Idaho-based Edwards Bros., Inc., acquired in 2005; (iv) Gulfport, Mississippi-based John Fayard Fast Freight, Inc., acquired in 2000; and (v) Corsicana, Texas-based Action Delivery Service, Inc., acquired in 1999. We have not conducted any acquisitions through our Logistics

segment. Although most of our growth is internal, we continue to evaluate acquisition and other opportunities that contribute to Trucking and Logistics development and growth.

Table of Contents

In 2003, we signed a partnership agreement with Transportation Resource Partners, LP ("TRP"), a company that makes privately negotiated equity investments. We are committed to invest in TRP \$5.5 million out of approximately \$260.0 million. Our investment in TRP is accounted for using the cost method, as our level of influence over the operations of TRP is minor, and no contributions have been made to TRP since 2011. In 2015, we recorded gains and received distributions totaling \$208,000. In 2014, distributions of \$2.1 million were received and a \$1.6 million gain was recorded, while in 2013, distributions received and gains recorded were \$467,000. The gains are recognized in the year distributions are received. We also recorded impairment of \$177,000, \$1.0 million, and \$209,000 in 2015, 2014, and 2013, respectively, for other-than-temporary loss on the investments remaining within the TRP portfolio. Our ownership interest in TRP is approximately 2.2%, with a carrying value of \$300,000 and \$477,000 at December 31, 2015 and 2014, respectively.

In the fourth quarter of 2008, we committed to invest \$15.0 million in a new partnership managed and operated by the managers and principals of TRP. The new partnership, TRP III, focuses on the same investment opportunities as TRP. Since its inception, we have contributed approximately \$11.0 million to TRP III. In June 2015, based on an analysis of expected future fund activity, TRP III released investors from a portion of their outstanding commitment. Our share of the commitment release was \$2.1 million leaving an outstanding commitment of \$1.9 million as of December 31, 2015. The investment in TRP III is accounted for using the equity method. We have recorded income of approximately \$422,000, \$6.1 million, and \$669,000 for our investment in TRP III for years ended December 31, 2015, 2014, and 2013, respectively. In 2015, we received distributions totaling \$152,000 from TRP III for the sale of TRP III portfolio companies. At December 31, 2015, the investment balance in TRP III was \$5.8 million, compared to \$5.4 million at December 31, 2014. Our ownership interest was approximately 6.1% as of December 31, 2015.

In the third quarter of 2015, we committed to invest in a new partnership, TRP Capital Partners, LP (TRP IV"). The new partnership is managed and operated by the managers and principals of TRP and TRP III, and is focused on similar investment opportunities. We committed to contribute a total of \$4.9 million to the new partnership, and have contributed \$41,000 as of December 31, 2015.

Since the year-end, we have committed to invest in another new partnership, TRP CoInvest Partners (NTI) I, LP. This new partnership is also operated and managed by the managers and principals of TRP and TRP III, and is focused on similar investment opportunities. We committed to contribute a total of \$10.0 million to the new partnership, and fulfilled our commitment in February 2016.

In 2014, we formed Kold Trans (formerly Kool Trans, LLC) for the purpose of expanding our refrigerated trucking business. We are entitled to 80% of the profits of the entity and have effective control over the management of the entity. In accordance with ASC 810-10-15-8, Consolidation, we consolidate the financial activities of this entity into the consolidated financial statements. The noncontrolling interest for this entity is presented as a separate component of the consolidated financial statements.

We also invest in marketable equity and debt securities, which are stated at fair value and are included in the "Other long-term assets and restricted cash and other investments" item of the consolidated balance sheets. As of December 31, 2015, the balance of these available-for-sale equity investments totaled approximately \$7.1 million, including net unrealized gains of \$2.6 million. Our trading debt securities balance was approximately \$2.3 million at December 31, 2015.

Other Information

We were incorporated in 1989, and our headquarters are located at 20002 North 19th Avenue, Phoenix, Arizona, 85027. This Annual Report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and all other reports filed with the U.S. Securities and Exchange Commission ("SEC") pursuant to Section 13(a) or 15(d)

of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), can be obtained free of charge by visiting our website at www.knighttrans.com. Information contained on our website is not incorporated into this Annual Report on Form 10-K, and you should not consider information contained on our website to be part of this report.

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 Item 1 above and the Cautionary Note Regarding Forward-Looking Statements in Item 7 of Part II of this Annual Report. The following issues, uncertainties, and risks, among others, should be considered in evaluating our business and growth outlook.

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

Our business is dependent on a number of factors that may have a materially adverse effect on our results of operations, many of which are beyond our control. Some of the most significant of these factors are recessionary economic cycles, changes in customers' inventory levels and in the availability of funding for their working capital, excess tractor or trailer capacity compared to shipping volumes, and downturns in customers' business cycles.

Table of Contents

Economic conditions that decrease shipping demand or increase the supply of available 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, such as the period from 2007 through 2009. Some of the principal risks during such times, which risks we experienced during prior recessionary times, include a reduction in overall freight levels, which may impair our asset utilization; the change of freight patterns as supply chains are redesigned, resulting in an imbalance between our capacity and our customers' freight demand; and an increase in competition as customers bid out freight or select competitors that offer lower rates, and we might be forced to lower our rates or lose freight.

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 could be affected by strikes or other work stoppages or at customer, port, border, or other shipping locations. Changing impacts of regulatory measures could impair our operating efficiency and productivity, decrease our revenues and profitability, and result in higher operating costs. In addition, declines in the resale value of revenue equipment can also affect our profitability and cash flows. From time-to-time, various federal, state, or local taxes are also increased, including taxes on fuels. We cannot predict whether, or in what form, any such increase applicable to us will be enacted, but such an increase 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.

We have historically experienced significant growth in revenue and profits since the inception of our business in 1990. In recent years, our Logistics segment has experienced considerable growth and accounted for 19.5% of our total revenue in 2015, whereas our Trucking segment growth has slowed. There can be no assurance that in the future, our business will grow substantially or without volatility, nor can we assure that we will be able to effectively adapt our management, administrative, and operational systems to respond to any future growth. Furthermore, 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.

In addition to our service centers in Phoenix, Arizona, we have established service centers 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. 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 service center, 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 service center. 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. We may not be able to duplicate our regional operating strategy successfully throughout, or possibly outside of, the United States, and establishing service centers and operations in new markets could require more time, resources, or a more substantial financial commitment than anticipated.

Furthermore, the continued progression and development of our Logistics business are subject to the risks inherent in entering and cultivating new lines of business, including, but not limited to, (i) initial unfamiliarity with pricing, service, operational, and liability issues; (ii) customer relationships may be difficult to obtain or we may have to reduce rates to gain and develop customer relationships; (iii) specialized equipment and information and management systems technology may not be adequately utilized; (iv) insurance and claims may exceed our past experience or estimations; and (v) recruiting and retaining qualified personnel and management with requisite experience or knowledge of our Logistics services.

Table of Contents

Insurance and claims expenses could significantly reduce 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 employee health insurance. We are also responsible for our legal expenses relating to such claims. We reserve for anticipated losses and expenses and periodically evaluate and adjust our claims reserves to reflect our experience. However, ultimate results may differ from our estimates, which could result in losses over our reserved amounts.

We maintain insurance with licensed insurance carriers above the amounts in which we self-insure. Although we believe our aggregate insurance limits should be sufficient to cover reasonably expected claims, it is possible that the amount of one or more claims could exceed our aggregate coverage limits. If any claim were to exceed our coverage, we would bear the excess, in addition to our other self-insured amounts. Insurance carriers have raised premiums for many businesses, including transportation 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. Our results of operations and financial condition could be materially and adversely affected if (i) cost per claim, premiums, or the number of claims significantly exceeds our coverage limits or retention amounts, (ii) we experience a claim in excess of our coverage limits, (iii) our insurance carriers fail to pay on our insurance claims, or (iv) we experience a claim for which coverage is not provided. Healthcare legislation and inflationary cost increases could also negatively affect our financial results.

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 and our Trucking segment are capital intensive, and our policy of operating newer equipment requires us to expend significant amounts annually. We expect to pay for projected capital expenditures with cash flows from operations or financing available under our existing line of credit. If we were unable to generate sufficient cash from operations, we would need to seek alternative sources of capital, including financing, to meet our capital requirements. In the event that we are unable to generate sufficient cash from operations or obtain 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 and reduced efficiency relating to new revenue equipment may adversely affect our earnings and cash flows.

We are subject to risk with respect to higher prices for new tractors for our Trucking operations. 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. Newer regulations with stricter emissions and efficiency requirements have been proposed that would further increase our costs and impair productivity. 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. Over the past several years, some manufacturers have significantly increased new equipment prices, in part to meet new engine design and operation requirements.

We have trade-in and repurchase commitments that specify, among other things, what our primary equipment vendors will pay us for disposal of a substantial portion of our revenue equipment. The prices we expect to receive under these arrangements may be higher than the prices we would receive in the open market. We may suffer a financial loss upon disposition of our equipment if these vendors refuse or are unable to meet their financial obligations under these agreements, we do not enter into definitive agreements that reflect favorable equipment replacement or trade-in terms, we fail to or are unable to enter into similar arrangements in the future, or we do not purchase the number of new replacement units from the vendors required for such trade-ins.

Table of Contents

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

Our Trucking operations are dependent upon diesel fuel. Prices and availability of petroleum products are subject to political, economic, weather-related, and market factors that are generally outside our control and each of which may lead to fluctuations in the cost of fuel. Because our Trucking 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. We use a number of strategies to mitigate fuel expense. We purchase bulk fuel at many of our service centers and utilize a fuel optimizer to identify the most cost effective fuel centers to purchase fuel over-the-road. We manage our fuel miles per gallon with a focus on reducing idle time, managing out-of-route miles, and improving the driving habits of our driving associates. We also continue to update our fleet with more fuel efficient, EPA emission-compliant post-2014 model engines and to install aerodynamic devices on our tractors and trailers, which lead to fuel efficiency improvements. Fuel also is subject to regional pricing differences and often costs more on the West Coast, where we have significant operations. We use a fuel surcharge program to recapture a portion, but not all, of the increases in fuel prices over a base rate negotiated with our customers. Our fuel surcharge program does not protect us against the full effect of increases in fuel prices. The terms of each customer's fuel surcharge agreements 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 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. As of December 31, 2015, we did not have any derivative financial instruments to reduce our exposure to fuel price fluctuations.

Difficulty in truckload driver, independent contractor, and third-party carrier recruitment and retention may have a materially adverse effect on our business.

With respect to our trucking services, difficulty in attracting or retaining qualified drivers and independent contractors in our Trucking segment, and third-party truckload carriers in our Logistics segment, could have a materially adverse effect on our growth and profitability. The truckload transportation industry periodically experiences a shortage of qualified drivers, particularly during periods of economic expansion, in which alternative employment opportunities are more plentiful and freight demand increases, or during periods of economic downturns, in which unemployment benefits might be extended and financing is limited for independent contractors who seek to purchase equipment or for students who seek financial aid for driving school. In addition, CSA and stricter hours-of-service regulations may reduce the number of available qualified drivers in our industry. Our independent contractors and third-party truckload carriers are responsible for paying for their own equipment, fuel, and other operating costs, and significant increases in these costs could cause them to seek higher compensation from us or seek other opportunities within or outside the trucking industry. Our industry suffers from a high driver turnover rate, which requires us to continually recruit a substantial number of drivers to operate our revenue equipment. If we were unable to attract and contract with independent contractors and third-party truckload carriers, we could be forced to, among other things, limit our growth, decrease the number of our tractors in service, adjust our driver compensation package or independent contractor compensation, or pay higher rates to third-party truckload carriers, which could adversely affect our profitability and results of operations if not offset by a corresponding increase in customer rates.

We operate in a highly regulated industry, and changes in existing regulations or violations of existing or future regulations could have a materially adverse effect on our operations and profitability.

We operate in the United States pursuant to operating and brokerage authority granted by the DOT, and we are also regulated by the EPA, DHS, and other agencies in states in which we operate. Our company drivers, independent contractors, and third-party capacity providers also must comply with the applicable safety and fitness regulations of the DOT, including those relating to drug and alcohol testing and driver hours-of-service. 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, driver hours-of-service, ergonomics, on-board reporting of operations, collective bargaining, and security of transported shipments, and other matters affecting safety or operating methods. Future laws and regulations may be more stringent, 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 onto us through higher supplies and materials pricing, could adversely affect our results of operations. The "Regulation" section in Item 1 of Part I of this Annual Report discusses in detail several proposed, pending, and final regulations that could significantly affect our business and operations.

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 against their peers based on certain safety-related standards. As a result, certain current and potential drivers may not be hired to drive for us and our fleet could be ranked poorly as compared to our peer carriers. We recruit and retain first-time drivers to be part of our fleet, and these drivers may have a higher likelihood of creating adverse safety events under CSA. The occurrence of future deficiencies could affect driver recruitment by causing high-quality drivers to seek employment with other carriers or could cause our customers to direct their business away from us and to carriers with higher fleet safety rankings, either of which would adversely affect our results of operations. Additionally, competition for drivers with favorable safety ratings may increase and thus could necessitate increases in driver-related compensation costs. Further, we may incur greater than expected expenses in our attempts to improve our scores or as a result of those scores.

Table of Contents

Receipt of an unfavorable DOT safety rating could have a material adverse effect on our operations and profitability.

If we were to receive a conditional or unsatisfactory DOT safety rating, it could adversely affect our business as customer contracts may require a satisfactory DOT safety rating, and a conditional or unsatisfactory rating could negatively impact or restrict our operations.

The FMCSA also has proposed regulations that would modify the existing rating system and the safety labels assigned to motor carriers evaluated by the DOT. Under the proposed regulations, the methodology for determining a carrier's DOT safety rating would be expanded to include the on-road safety performance of the carrier's drivers and equipment, as well as results obtained from investigations. Exceeding certain thresholds based on such performance or results would cause a carrier to receive an unfit safety rating. If these proposed regulations are enacted and we were to receive an unfit safety rating, our business would be adversely affected in the same manner as if we received a conditional or unsatisfactory safety rating under the current regulations.

If our independent contractor drivers 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 contractor drivers in the trucking industry are employees rather than independent contractors. Federal legislators have introduced legislation in the past to make it easier for tax and other authorities to reclassify independent contractor drivers as employees, including legislation to increase the recordkeeping requirements for employers of independent contractor drivers and to heighten the penalties of employers who misclassify their employees and are found to have violated employees' overtime and/or wage requirements. Additionally, federal legislators have sought to abolish the current safe harbor allowing taxpayers meeting certain criteria to treat individuals as independent contractors if they are following a long-standing, recognized practice, extend the Fair Labor Standards Act to independent contractors, and impose notice requirements based upon employment or independent contractor status and fines for failure to comply. 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 contractor drivers as employees would help states with this initiative. We are party to class actions from time to time alleging violations of the Fair Labor Standards Act and other labor laws. Taxing and other regulatory authorities and courts apply a variety of standards in their determination of independent contractor status. If our independent contractor drivers were 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.

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

Our operations are subject to various federal, state, and local environmental laws and regulations dealing with the transportation, storage, discharge, presence, use, disposal, and handling of hazardous materials, wastewater, storm water, waste oil, and fuel storage tanks. We are also subject to various environmental laws and regulations involving emissions from our equipment. Our truck terminals often are located in industrial areas where groundwater or other forms of environmental contamination have occurred and could in the future 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. A small percentage of our freight consists of low-grade hazardous substances, which subjects us to various regulations. We have instituted programs to monitor and control environmental risks and promote compliance with applicable environmental laws and regulations; however, 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.

Two of our service centers are located adjacent to environmental Superfund sites designated by the EPA. Although we have not been named as a potentially responsible party in either case, we are potentially exposed to claims that we may have contributed to environmental contamination in the areas in which we operate.

Our Phoenix service center is located on land identified as potentially having groundwater contamination resulting from the release of hazardous substances by persons who have operated in the general vicinity. The area has been classified as a state Superfund site. We have been located at our Phoenix facility since 1990 and, during such time, have not been identified as a potentially responsible party with regard to the groundwater contamination, and we do not believe that our operations have been a source of groundwater contamination.

Table of Contents

Our Indianapolis service center is located approximately one-tenth of a mile east of Reilly Tar and Chemical Corporation, a federal Superfund site designated and listed by the EPA on the National Priorities List for clean-up. The Reilly site has known soil and groundwater contamination. There also are other sites in the general vicinity of our Indianapolis property that have known contamination. Environmental reports obtained by us have disclosed no evidence that activities on our Indianapolis property have caused or contributed to the area's contamination, but we could possibly be deemed responsible for clean-up costs regardless.

In addition, tractors and trailers used in our Trucking operations have been and are affected by applicable federal, state, and local statutory and regulatory requirements related to air emissions and fuel efficiency. In order to reduce exhaust emissions and traffic congestion, some states and municipalities have restricted the locations and amount of time where diesel-powered tractors, such as ours, may idle or travel. These and other similar restrictions could cause us to alter our drivers' behavior and routes, purchase additional auxiliary or other on-board power units to replace or minimize engine power and idling, or experience decreases in productivity. Our tractors and trailers could also be adversely affected by related or similar legislative or regulatory actions in the future.

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 Trucking growth. There is no assurance that we will be successful in identifying, negotiating, or consummating any future acquisitions for either our Trucking or Logistics segments. If we do not make any future acquisitions, our growth rate could be materially and adversely affected. Any future acquisitions we undertake could involve the dilutive issuance of equity securities or incurring indebtedness. 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.

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

We are highly dependent upon the services of certain key employees, including, but not limited to, our team of executive officers and service center managers. 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. Additionally, because of our regional operating strategy, we must continue to recruit, develop, and retain skilled and experienced service center managers if we are to realize our goal of expanding our operations and continuing our growth. Failure to recruit, develop, and retain a core group of service center managers could have a materially adverse effect on our business.

We operate in a highly competitive industry, which could limit growth opportunities and adversely affect our profitability.

We operate in a highly competitive transportation industry, which includes thousands of trucking and logistics companies. In our Trucking segment, we primarily compete with other truckload carriers that provide dry van, temperature-controlled, and drayage services similar to those provided by our Dry Van, Refrigerated, and Drayage operating units. Less-than-truckload carriers, private carriers, intermodal companies, railroads, and logistics companies compete to a lesser extent with our Trucking segment but are direct competitors of the Brokerage and Intermodal operating units in our Logistics segment. We transport or arrange for the transportation of various types of

freight, and competition for such freight is based mainly on customer service, efficiency, available capacity and shipment modes, and rates that can be obtained from customers. Such competition in the transportation industry could adversely affect our freight volumes, the freight rates we charge our customers, or profitability and thereby limit our growth opportunities.

Table of Contents

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

We strive to maintain a diverse customer base; however, a significant portion of our revenue is generated from a number of major customers, the loss of one or more of which could have a materially adverse effect on our business. For the year ended December 31, 2015, our top 25 customers, based on revenue, accounted for approximately 42.9% of our revenue; our top 10 customers accounted for approximately 28.0% of our revenue; and our top 5 customers accounted for approximately 17.8% of our revenue. We generally do not have long-term contractual relationships or long-term rate agreements with our customers. Accordingly, 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. We also review and monitor the financial conditions of our customers on an ongoing basis to determine whether to grant credit, customer creditworthiness, forgiveness or acceleration of past due balances or collection concerns, or credit insurance is warranted. However, a major customer's financial hardship could negatively affect our operating results.

We depend on third-party capacity providers, and service instability from these transportation providers could increase our operating costs, reduce our ability to offer Intermodal and Brokerage services, and limit Logistics segment growth, which could adversely affect our revenue, results of operations, and customer relationships.

Our Intermodal business utilizes railroads and some third-party drayage carriers to transport freight for our customers, and Intermodal dependence on railroads could increase as Intermodal services expand. In certain markets, rail service is limited to a few railroads or even a single railroad. Recently, many Intermodal providers experienced poor service from providers of rail-based services. Railroads with which we have, or in the future may have, contractual relationships could reduce their services in the future, which could increase the cost of the rail-based services we provide and could reduce the reliability, timeliness, efficiency, and overall attractiveness of our rail-based Intermodal services. Furthermore, railroads increase shipping rates as market conditions permit. Price increases could result in higher costs to our customers and reduce or eliminate our ability to offer Intermodal services. In addition, we may not be able to negotiate additional contracts with railroads to expand our capacity, add additional routes, obtain multiple providers, or obtain railroad services at current cost levels, any of which could limit our ability to provide this service. Our Brokerage business is dependent upon the services of third-party capacity providers, including other truckload carriers. These third-party providers seek other freight opportunities and may require increased compensation in times of improved freight demand or tight trucking capacity. Our third-party truckload carriers may also be affected by certain factors to which our drivers and independent contractors are subject, including, but not limited to, changing workforce demographics, alternative employment opportunities, varying freight market conditions, trucking industry regulations, and limited availability of equipment financing. Most of our third-party capacity provider transportation services contracts are cancelable on 30 days' notice or less. Our inability to secure the services of these third-parties, or increases in the prices we must pay to secure such services, could have an adverse effect on our operations and profitability to the extent we are not able to obtain corresponding customer rate increases.

If our investments in entities are not successful or decrease in market value, we may have to write off or lose the value of a portion or all of our investments, which could have a materially adverse effect on our operating results.

We have invested, either directly or indirectly through one of our wholly owned subsidiaries, in TRP, TRP III, and each entity's respective related funds, which are companies that make privately negotiated equity investments. Due to portfolio losses in the past, we have recorded impairment charges in prior periods to reflect the other-than-temporary decrease in fair value of the portfolio. If TRP's or TRP III's financial position declines, we could be required to write down all or part of our investment in such entity, which could have a materially adverse effect on our operating results.

We are dependent on management information and communications systems, and significant systems disruptions could adversely affect our business.

Our business depends on the efficient, stable, and uninterrupted operation of our management information and communications systems. Some of our key software, hardware systems, and infrastructure were developed internally or by adapting purchased software applications and hardware to suit the needs of both our Trucking and Logistics segments. Our management information and communication systems are used in various aspects of our business, including but not limited to load planning and receiving, dispatch of drivers and third-party capacity providers, customer billing, producing productivity, financial and other reports, and other general functions and purposes. If any of our critical information or communications systems fail or become unavailable, we could have to perform certain functions manually, which could temporarily affect the efficiency and effectiveness of our operations. 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, malware, hacking, and other events beyond our control. More sophisticated and frequent cyber-attacks in recent years have also increased security risks associated with information technology systems. We maintain information security policies to protect our information, computer systems, and data from cyber security threats, breaches, and other such events. We currently maintain our primary computer hardware system at our Phoenix, Arizona headquarters, along with computer equipment at each of our service centers. In an attempt to reduce the risk of disruption to our business operations should a disaster occur, we have redundant computer systems and networks and the capability to deploy these back-up systems from an off-site alternate location. We believe that any such disruption would be minimal, moderate, or temporary. However, we cannot predict the likelihood or extent to which such alternate location or our information and communication systems would be affected. Our business and operations could be adversely affected in the event of a system failure, disruption, or security breach that causes a delay, interruption, or impairment of our services and operations.

Table of Contents

Difficulty in obtaining goods and services from our vendors and suppliers could adversely affect our business.

We are dependent upon our vendors and suppliers for certain products and materials. We believe that we have positive vendor and supplier relationships and are generally able to obtain favorable pricing and other terms from such parties. If we fail to maintain amenable relationships with our vendors and suppliers, or if our vendors and suppliers are unable to provide the products and materials we need or undergo financial hardship, we could experience difficulty in obtaining needed goods and services because of production interruptions, limited material availability, or other reasons. Subsequently, our business and operations could be adversely affected.

Declines in demand for our used revenue equipment could result in decreased equipment sales, resale values, and gains on sales of assets.

We are sensitive to the used equipment market and fluctuations in prices and demand for tractors and trailers. Through our wholly owned subsidiary, Knight Truck & Trailer Sales, LLC, we sell our used company-owned tractors and trailers that we do not trade-in to manufacturers or other parties. Declines in demand for the used equipment we sell could result in diminished sale volumes or lower used equipment sales prices, either of which could negatively affect our gains on sales of assets.

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

We face the risk that Congress or one or more states will approve legislation significantly affecting our business and our relationship with our employees, such as the previously proposed federal legislation referred to as the Employee Free Choice Act, which would substantially liberalize the procedures for union organization. Any attempt to organize by our employees could result in increased legal and other associated costs. In addition, if 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 current headquarters and principal place of business is located at 20002 North 19th Avenue in Phoenix, Arizona 85027. This facility includes office buildings of approximately 116,000 square feet. We also retained and repurposed our former headquarters property (located at 5601 West Buckeye Road in Phoenix, Arizona) as a regional operations facility consisting of approximately 75 acres. This facility includes office buildings of approximately 53,000 square feet, maintenance facilities of approximately 32,000 square feet, a body shop of 9,000 square feet, and a truck wash and fueling facility of approximately 7,000 square feet. All of our properties are utilized by both our Trucking and Logistics segments. The following table provides information regarding the locations of our service centers and/or offices (other than our current headquarters and principal place of business) as of December 31, 2015:

Table of Contents

Company Location	Office	Shop	Fuel	Owned or Leased
Atlanta, GA	Yes	Yes	Yes	Owned
Boise, ID	Yes	No	No	Leased
Boise, ID (recruiting office)	Yes	No	No	Leased
Carlisle, PA	Yes	Yes	Yes	Owned
Charlotte, NC (Barr-Nunn)	Yes	Yes	No	Leased
Charlotte, NC	Yes	Yes	Yes	Owned
Columbus, OH (Barr-Nunn)	Yes	No	No	Leased
Columbus, OH	Yes	Yes	Yes	Owned
Dallas, TX	Yes	Yes	Yes	Owned
Denver, CO	Yes	Yes	No	Owned
El Paso, TX	Yes	No	No	Owned
Fontana, CA	Yes	Yes	No	Owned
Grand Rapids, MI	Yes	No	No	Leased
Granger, IA (Barr-Nunn)	Yes	Yes	No	Owned
Green Bay, WI	Yes	No	No	Leased
Gulfport, MS	Yes	Yes	Yes	Owned
Idaho Falls, ID	Yes	Yes	Yes	Owned
Indianapolis, IN	Yes	Yes	Yes	Owned
Kansas City, KS	Yes	Yes	Yes	Owned
Katy, TX	Yes	Yes	Yes	Owned
Lakeland, FL	Yes	Yes	Yes	Owned
Las Vegas, NV	Yes	No	Yes	Owned
Manchester, PA (Barr-Nunn)	Yes	Yes	No	Leased
Memphis, MS	Yes	Yes	Yes	Owned
Minneapolis, MN	Yes	No	No	Leased
Nashville, TN	Yes	No	No	Owned
Phoenix, AZ (headquarters)	Yes	No	No	Owned
Phoenix, AZ (former headquarters)	Yes	Yes	Yes	Owned
Portland, OR	Yes	Yes	Yes	Owned
Rancho Dominguez, CA	Yes	No	No	Leased
Reno, NV	Yes	Yes	No	Owned
Salt Lake City, UT (Kold Trans)	Yes	No	No	Leased
Salt Lake City, UT	Yes	Yes	No	Owned
Seattle, WA	Yes	No	No	Owned
Springdale, AR	Yes	No	No	Leased

Syracuse, NY	Yes	No	No	Leased
Tonopah, AZ	Yes	No	No	Leased
Tulare, CA	Yes	Yes	No	Owned
Tulsa, OK	Yes	No	No	Owned

We also own and lease space in various locations for temporary trailer storage. Management believes that replacement space comparable to these trailer storage facilities is readily obtainable, if necessary. We lease excess trailer drop space at several of our facilities to other carriers.

We believe that our service centers are suitable and adequate for our present needs. We periodically seek to improve our service centers or identify other favorable locations.

Item 3. Legal Proceedings

We are a party to certain claims and pending litigation arising in the normal course of business. These proceedings primarily involve claims for personal injury or property damage incurred in the transportation of freight or for workers' compensation. We maintain insurance at coverage levels that management considers adequate to cover liabilities arising from the transportation of freight in amounts in excess of our self-insurance retentions. Based on its present knowledge of the facts and, in certain cases, advice of outside counsel, management does not believe the resolution of claims and pending litigation, taking into account existing accrued amounts, is likely to have a materially adverse effect on us.

Item 4. Mine Safety Disclosures

None.

Table of Contents

PART II

Item 5. Market for Company's Common Equity, Related Shareholder Matters, and Issuer Purchases of Equity Securities

Our common stock is traded under the symbol KNX on the New York Stock Exchange ("NYSE"). The following table sets forth, for the periods indicated, the high and low sales prices per share of our common stock as reported by the NYSE.

2015	High	Low
First Quarter	\$34.73	\$28.43
Second Quarter	\$33.00	\$26.15
Third Quarter	\$29.00	\$23.64
Fourth Quarter	\$27.66	\$21.72
2014	High	Low
First Quarter	\$23.54	\$17.95
Second Quarter	\$25.00	\$22.24
Third Quarter	\$27.67	\$23.19
Fourth Quarter	\$34.69	\$25.50

As of February 25, 2016, we had 49 shareholders of record. However, we believe that many additional holders of our common stock are unidentified because a substantial number of shares are held by brokers or dealers for their customers in street names.

On February 25, 2016, the closing market price of our common stock on the NYSE was \$25.00 per share.

Starting in December 2004, and in each consecutive quarter since, we have paid a quarterly cash dividend. Listed below are the dividends declared and paid for the two most recent fiscal years:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
2015 dividend paid per common share	\$0.06	\$0.06	\$0.06	\$0.06	\$0.24
2014 dividend paid per common share	\$0.06	\$0.06	\$0.06	\$0.06	\$0.24

Our most recent dividend, which was declared in February of 2016 for \$0.06 per share of common stock, is scheduled to be paid in March of 2016.

We currently expect to continue to pay comparable quarterly cash dividends in the future. Future payment of cash dividends, and the amount of any such dividends, will depend upon our financial condition, results of operations, cash requirements, tax treatment, and certain corporate law requirements, as well as other factors deemed relevant by our Board of Directors.

On May 19, 2011, our Board of Directors unanimously authorized the repurchase of 10.0 million shares of our common stock. Under our share repurchase program, repurchased shares are constructively retired and returned to unissued status. During the year ended December 31, 2015, we repurchased 1,606,790 shares of our common stock in the open market that were retired and made available for future issuance. We did not repurchase any shares during the fourth quarter of 2015. No shares were repurchased during the years ended December 31, 2014, or 2013. As of December 31, 2015, there were 5,831,766 shares remaining for future purchases under our current repurchase program.

Table of Contents

The table below sets forth the information with respect to purchases of our common stock made by or on behalf of us during the quarter ended December 31, 2015.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that May Yet Be Purchased Under the Publicly Announced Plans or Programs
October 1-31, 2015				
Other Transactions (1)	-	-	-	-
November 1-30, 2015				
Other Transactions (1)	5,046	\$26.52	-	-
December 1-31, 2015				
Other Transactions (1)	-	-	-	-
Total	5,046	\$26.52	-	5,831,766

(1) Other Transactions include restricted shares of our common stock withheld and used to offset tax withholding obligations that occurred upon vesting and release of restricted shares. The withholding of shares was permitted under the applicable award agreement and was not part of any stock repurchase program.

See "Securities Authorized for Issuance Under Equity Compensation Plans" under Item 12 in Part III of this Annual Report for certain information concerning shares of our common stock authorized for issuance under our equity compensation plans.

Table of Contents

Item 6. Selected Financial Data

The selected consolidated financial data presented below as of the end of the period ended December 31, 2015, and for each of the years in the preceding five-year period ended December 31, 2015, are derived from our consolidated financial statements. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," below, and the Consolidated Financial Statements and Notes thereto included in Item 8 of this Form 10-K.

For the Years Ended December 31,
(Dollar amounts in thousands, except per share amounts and operating data)

	2015	2014(7)	2013	2012	2011
Statements of Income Data:					
Total revenue	\$ 1,182,964	\$ 1,102,332	\$ 969,237	\$ 936,036	\$ 866,199
Operating expenses	1,004,964	939,610	855,328	827,769	766,178
Income from operations	178,000	162,722	113,909	108,267	100,021
Interest income & other income	9,502	9,838	3,257	1,967	1,347
Interest expense	(998)	(730)	(462)	(457)	(180)
Income before income taxes	186,504	171,830	116,704	109,777	101,188
Net income	118,457	104,021	70,024	64,763	60,708
Net income attributable to Knight	116,718	102,862	69,282	64,117	60,248
Basic earnings per share	1.43	1.27	0.87	0.80	0.74
Diluted earnings per share	1.42	1.25	0.86	0.80	0.74
Balance Sheet Data (at end of period):					
Working capital	\$ 164,090	\$ 145,667	\$ 101,768	\$ 109,274	\$ 110,082
Total assets	1,120,232	1,082,285	807,121	728,512	737,583
Total debt(1)	112,000	134,400	38,000	80,000	55,000
Cash dividend per share on common stock(2)	0.24	0.24	0.24	0.74	0.24
Knight Transportation shareholders' equity					
	738,398	677,760	553,588	490,232	476,359
Operating Data (Unaudited):					
Operating ratio (consolidated)(3)	85.0 %	85.2 %	88.2 %	88.4 %	88.5 %
Operating ratio (consolidated), excluding fuel surcharge revenue(4)	83.2 %	82.4 %	85.6 %	85.6 %	85.7 %
Average revenue per tractor(5)	\$ 173,329	\$ 171,510	\$ 160,186	\$ 158,978	\$ 157,076
Average length of haul (miles)	503	492	479	482	483
Non-paid empty mile percent	12.0 %	10.1 %	10.6 %	10.6 %	10.6 %
Average tractors operated(6)	4,793	4,173	4,017	4,096	3,908
Average trailers operated	11,789	9,732	9,405	9,195	8,907

(1) Includes amounts outstanding that were borrowed under our existing line of credit, which is classified as a long-term liability under this line item.

(2) In addition to the quarterly dividend paid in each year, we declared and paid a special dividend of \$0.50 in the fourth quarter of 2012.

(3) Operating expenses expressed as a percentage of total revenue.

(4)

Also referred to as Adjusted Operating Ratio herein. Operating expenses, less fuel surcharge revenue, expressed as a percentage of total revenue, excluding fuel surcharge revenue. Management believes that omitting this potentially volatile source of revenue affords a more consistent basis for comparing our results of operations from period to period. This calculation of operating ratio is a non-GAAP financial measure, is not an alternative for, and should be considered in addition to, the calculation of operating ratio (operating expenses expressed as a percentage of total revenue). See non-GAAP reconciliation on page 25.

- (5) Average revenue per tractor includes revenue for our Trucking operation only. It does not include fuel surcharge revenue, other revenue, or revenue from our Logistics operations.
- (6) Average tractors operated includes both company tractors and tractors operated by independent contractors
- (7) The Company acquired 100% of the outstanding stock of Barr-Nunn on October 1, 2014 and therefore, the operating results of the Company include the operating results of Barr-Nunn for periods after October 1, 2014.

Table of Contents

The following table reconciles consolidated operating ratio (GAAP) to adjusted operating ratio (Non-GAAP):

Consolidated Operating Ratio ("OR")

From 2011 to 2015 (Dollar amounts
in thousands)

G A A P										
Operating Ratio (Consolidated):	2015	OR %	2014	OR %	2013	OR %	2012	OR %	2011	OR %
Revenue, before fuel surcharge	\$1,061,739		\$925,985		\$791,851		\$752,151		\$697,286	
Fuel surcharge	121,225		176,347		177,386		183,885		168,913	
Total revenue	1,182,964		1,102,332		969,237		936,036		866,199	
Total operating expenses	1,004,964	85.0%	939,610	85.2%	855,328	88.2%	827,769	88.4%	766,178	88.5%
Income from operations	\$178,000		\$162,722		\$113,909		\$108,267		\$100,021	
A d j u s t e d										
Operating Ratio (Consolidated):	2015	OR %	2014	OR %	2013	OR %	2012	OR %	2011	OR %
Total revenue	\$1,182,964		\$1,102,332		\$969,237		\$936,036		\$866,199	
Less fuel surcharge:	(121,225)		(176,347)		(177,386)		(183,885)		(168,913)	
R e v e n u e (excluding fuel surcharge)	1,061,739		925,985		791,851		752,151		697,286	
Total operating expenses	1,004,964		939,610		855,328		827,769		766,178	
Less fuel surcharge	(121,225)		(176,347)		(177,386)		(183,885)		(168,913)	
Total operating expenses (net of fuel surcharge)	883,739	83.2%	763,263	82.4%	677,942	85.6%	643,884	85.6%	597,265	85.7%
Income from operations	\$178,000		\$162,722		\$113,909		\$108,267		\$100,021	

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Note Regarding Forward-Looking Statements

Item 7, as well as other items of 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, cash flows, dividends, capital expenditures, or other

financial items; any statement of plans, strategies, and objectives of management for future operations; any statements concerning proposed acquisition plans, 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. In this Item 7, statements relating to the ability of our infrastructure to support future growth, our ability to recruit and retain qualified drivers, our ability to react to market conditions, our ability to gain market share, future tractor prices, potential acquisitions, our equipment purchasing plans and equipment turnover, our ability to obtain favorable pricing terms from vendors and suppliers, expected liquidity and methods for achieving sufficient liquidity, future fuel prices, future third-party service provider relationships and availability, future compensation arrangements with independent contractors and drivers, our expected need or desire to incur indebtedness, expected sources of liquidity for capital expenditures, expected tractor trade-ins, expected sources of working capital and funds for acquiring revenue equipment, expected capital expenditures, future asset utilization, future capital requirements, future trucking capacity, future consumer spending, expected freight demand and volumes, future rates, future depreciation and amortization, expected tractor and trailer fleet age, and future purchased transportation expense, among others, are forward-looking statements. Such statements may be identified by their use of terms or phrases such as "believe," "may," "could," "expects," "estimates," "projects," "anticipates," "plans," "intends," "hope," and similar terms and phrases. Forward-looking statements are based on currently available operating, financial, and competitive information. 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. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section entitled "Item 1A. Risk Factors," set forth above. Readers should review and consider the factors discussed in "Item 1A. Risk Factors," along with various disclosures in our press releases, stockholder reports, and other filings with the Securities and Exchange Commission.

Table of Contents

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.

Introduction

Business Overview

We offer a broad range of truckload transportation and logistics services with one of North America's largest tractor fleets, operated through a nationwide network of service centers, and contractual access to thousands of third-party capacity providers. We have grown substantially by increasing the geographic reach of our service center network and by expanding the breadth of our services. Our Trucking segment provides truckload transportation, including dedicated services of various products, goods, and materials for our diverse customer base through our Dry Van, Refrigerated, and Drayage operating units. The Brokerage and Intermodal operating units of our Logistics segment provide a multitude of shipment solutions, including additional sources of truckload capacity and alternative transportation modes, by utilizing our vast network of third-party capacity providers and rail providers, as well as certain logistics, freight management, and other non-trucking services. Our objective is to operate our Trucking and Logistics businesses with industry-leading margins and growth, while providing safe, high-quality, cost-effective solutions for our customers.

Our results of operations are affected by industry-wide economic factors and by our capital allocation, sales and marketing, operating, and spending decisions. Industry-wide economic factors, such as freight demand, truckload and rail intermodal capacity, fuel prices, inventory levels, industrial production, government regulation, and unemployment rates, create an environment against which must make decisions. Our decisions in areas such as allocating capital to Trucking or Logistics, driver wages, customer acquisition or retention and freight rates, investments in technology, hiring and compensation of non-driving associates, and age of fleet are made against this background. We measure the results through key metrics, such as the number of tractors we operate, our revenue per tractor (which includes primarily our revenue per total mile and our number of miles per tractor), freight volumes brokered to third-party capacity providers (including our rail partners), driver and independent contractor recruitment and retention, and our ability to control costs on a company-wide basis, as measured by cost per mile in our Trucking segment and Adjusted Operating Ratio in both segments. Our success depends on our ability to efficiently and effectively manage our resources in providing transportation and logistics solutions to our customers in light of such factors. We evaluate the growth opportunities for each of our Trucking and Logistics businesses based on customer demand and supply chain trends, availability of drivers and third-party capacity providers, expected returns on invested capital, expected net cash flows, and our company-specific capabilities.

Recent Consolidated Results of Operations and Year-End Financial Condition

Our consolidated results of operations for the year ended December 31, 2015, compared to the year ended December 31, 2014, were as follows:

Total revenue increased 7.3%, to \$1.2 billion from \$1.1 billion;
Net income attributable to Knight increased 13.5%, to \$116.7 million from \$102.9 million; and
Net income attributable to Knight per diluted share increased 12.9%, to \$1.42 from \$1.25.

In 2015, our Trucking segment operated an average of 4,793 tractors, an increase of 620 tractors from a year ago. Productivity, as measured by average annual revenue per tractor, before fuel surcharge, increased 1.1% in 2015. This improvement was attributable to a combination of a favorable pricing environment during the first half of 2015, expansion of our freight mix, and having available capacity to meet the demands of our customers. Shipments serviced by our Logistics segment increased as we continued to increase the number of customers utilizing our Logistics services and to expand our third party carrier network. Revenues in our Logistics segment increased 9.9% in 2015 compared to 2014.

Total revenue and net income improved in 2015, as compared to 2014. Our results were positively affected by the full-year impact of our acquisition of Barr-Nunn in October 2014, a favorable pricing environment, during the first half of 2015, improved asset productivity, and declining fuel prices. We continued to intensify our cost control efforts and seek operational efficiencies while providing industry-leading service. Significant revenue growth in our Logistics businesses and a solid used equipment market for most of the year further contributed to the increased revenue and net income realized in 2015. These revenue and net income increases come despite a less robust freight environment in 2015 compared with 2014.

Table of Contents

In 2015, we generated \$205.8 million in cash flow from operations and used \$149.4 million for capital expenditures net of equipment sales. During 2015, we returned \$65.2 million to our shareholders in the form of quarterly dividends and stock repurchases. We ended the year with \$8.7 million of cash, \$112.0 million of long-term debt, and \$738.4 million of shareholders' equity.

The following factors should be considered when comparing our results of operations in 2015 to our results of operations in 2014. Our 2015 results included a \$7.2 million pretax (\$4.4 million after-tax) settlement expense for two class action lawsuits, an \$8.6 million pretax (\$5.3 million after-tax) gain on sale of available-for-sale securities, and an effective tax rate that positively affected net income by \$5.4 million. Our 2014 results included a \$3.2 million pretax (\$1.9 million after-tax) gain on sale of available-for-sale securities.

Our liquidity is not materially affected by off-balance sheet transactions. See the discussion under "Off-Balance Sheet Transactions" under Item 7 to Part II of this Annual Report for a description of our off-balance sheet transactions.

Consolidated Revenue and Expenses

We primarily generate revenue by transporting freight for our customers in our Trucking segment or arranging for the transportation of customer freight by third party capacity providers in our Logistics segment. Our operating revenue is reported under "Results of Operations" under Item 7 to Part II of this Annual Report and categorized as (i) Trucking revenue, net of fuel surcharge, (ii) Trucking fuel surcharge revenue, and (iii) Logistics revenue. Trucking revenue, net of fuel surcharge, and Trucking fuel surcharge revenue are largely generated by the trucking services provided by our three Trucking operating units (Dry Van, Refrigerated, and Drayage), whereas Logistics revenue is mostly generated by the logistics services provided by our two Logistics operating units (Brokerage and Intermodal). We also provide logistics, freight management and other non-trucking services, such as used equipment sales and leasing to independent contractors and third-parties through our Logistics business.

The operating revenue and operating expenses of our Trucking and Logistics segments are similarly affected by factors that generally relate to, among other things, overall economic and weather conditions in the United States, customer inventory levels, specific customer demand, the levels of truckload and rail intermodal capacity, and availability of qualified drivers, independent contractors, and third-party capacity providers.

To reduce our risk to fuel price fluctuations in our Trucking segment, we have a fuel surcharge program under which we obtain from our customers additional fuel surcharges that generally recover a majority, but not all, of the increased fuel costs; however, we cannot ensure whether current recovery levels will continue in the future. In discussing our overall and segment-based results of operations, because changes in fuel costs typically cause fuel surcharge revenue to fluctuate, we identify Trucking fuel surcharge revenue separately and omit fuel surcharge revenue from our statistical calculations. We believe that omitting this potentially volatile source of revenue provides a more meaningful comparison of our operating results from period to period.

The following table sets forth revenue and operating income between the Trucking and Logistics segments for the years ended December 31, 2015, 2014, and 2013. (Dollar amounts in thousands)

	2015		2014		2013	
Revenues:	\$	%	\$	%	\$	%
Trucking Segment	\$ 952,098	80.5 %	\$ 892,124	80.9 %	\$ 822,188	84.8 %
Logistics Segment	249,365	21.1	214,378	19.4	151,194	15.6
Subtotal	1,201,463		1,106,502		973,382	

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Intersegment Eliminations Trucking	(163)	0.0	(65)	0.0	(120)	0.0
Intersegment Eliminations Logistics	(18,336)	(1.6)	(4,105)	(0.3)	(4,025)	(0.4)
Total	\$ 1,182,964	100 %	\$ 1,102,332	100 %	\$ 969,237	100 %
Operating Income: Trucking Segment	\$ 162,143	91.1 %	\$ 147,424	90.6 %	\$ 106,167	93.2 %
Logistics Segment	15,857	8.9	15,298	9.4	7,742	6.8
Total	\$ 178,000	100 %	\$ 162,722	100 %	\$ 113,909	100 %

Table of Contents

Trucking Strategy and Segment Information

Our Trucking operating strategy is to achieve a high level of asset utilization within a highly disciplined operating system while maintaining strict controls over our cost structure. To achieve these goals, we operate primarily in high-density, predictable freight lanes in select geographic regions and attempt to develop and expand our customer base around each of our service centers by providing multiple truckload services for each customer. This operating strategy allows us to take advantage of the large amount of freight transported in regional markets. Our service centers enable us to better serve our customers and work more closely with our driving associates. We operate a premium modern fleet to appeal to drivers and customers, reduce maintenance expenses and equipment downtime, and enhance our fuel and other operating efficiencies. We employ technology in a cost-effective manner to assist us in controlling operating costs and enhancing revenue.

Trucking revenue is generated by our Dry Van, Refrigerated, and Drayage operating units. Generally, we are paid a predetermined rate per mile or per load for our trucking services. Additional revenues are generated by charging for tractor and trailer detention, loading and unloading activities, dedicated services, and other specialized services, as well as through the collection of fuel surcharges to mitigate the impact of increases in the cost of fuel. The main factors that affect our Trucking revenue are the revenue per mile we receive from our customers, the percentage of miles for which we are compensated, and the number of loaded miles we generate with our equipment.

Effectively controlling our expenses is an important element of maximizing our profitability. The most significant expenses of our Trucking segment are primarily variable and include fuel and fuel taxes, driver-related expenses (such as wages, benefits, training, and recruitment) and costs associated with independent contractors (which are primarily included in purchased transportation expense recorded on the "Purchased transportation" line of our consolidated statements of income). Expenses that have both fixed and variable components include maintenance expense (which includes costs for replacement tires for our revenue equipment) 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, fleet age, efficiency, and other factors. The main fixed costs for our Trucking segment are the acquisition and depreciation of long-term assets (such as revenue equipment and service centers) and the compensation of non-driver personnel.

The primary measure we use to evaluate the profitability of our Trucking segment is operating ratio, measured both on a GAAP basis (operating expenses expressed as a percentage of revenue) and on a non-GAAP basis that many in our industry use (operating expenses, net of Trucking fuel surcharge revenue, expressed as a percentage of Trucking revenue, excluding Trucking fuel surcharge revenue). We believe the second method allows us to more effectively compare periods while excluding the potentially volatile effect of changes in fuel prices. Non-GAAP operating ratio is not a substitute for GAAP operating ratio.

The tables below compare our operating ratio using both methods.

G A A P Presentation: T r u c k i n g (a m o u n t s i n t h o u s a n d s)	2015		2014		2013	
	\$	%	\$	%	\$	%
Total revenue	\$ 952,098		\$ 892,124		\$ 822,188	
O p e r a t i n g e x p e n s e s	789,955	83.0	744,700	83.5	716,021	87.1
O p e r a t i n g i n c o m e	\$ 162,143		\$ 147,424		\$ 106,167	

Table of Contents

The following table sets forth the Trucking segment adjusted operating ratio (non-GAAP) as if fuel surcharges are excluded from total revenue and instead reported as a reduction of operation expenses, excluding intersegment activity.

N o n - G A A P Presentation(1):	2015		2014		2013	
Trucking (amounts in thousands)	\$	%	\$	%	\$	%
Total revenue	\$ 952,098		\$ 892,124		\$ 822,188	
Less: Trucking fuel surcharge revenue	(121,225)		(176,347)		(177,386)	
Less: Intersegment transactions	(163)		(65)		(120)	
Revenue, net of fuel s u r c h a r g e a n d i n t e r s e g m e n t transactions	830,710		715,712		644,682	
Operating expenses	789,955		744,700		716,021	
Less: Trucking fuel surcharge revenue	(121,225)		(176,347)		(177,386)	
Less: Intersegment transactions	(163)		(65)		(120)	
Operating expenses, net of fuel surcharge and intersegment transactions	668,567	80.5	568,288	79.4	538,515	83.5
Operating income	\$ 162,143		\$ 147,424		\$ 106,167	

(1) These items represent non-GAAP financial measures and are not substitutes for, and should be considered in addition to, the GAAP financial measures presented in the previous table.

When evaluating Trucking revenue, we consider the following key operating statistics for each period: (i) average revenue per tractor; (ii) average length of haul (miles with loaded trailer cargo); (iii) average percentage of empty miles (miles without trailer cargo); and (iv) average number of tractors and trailers in operation. The following table sets forth certain key operating statistics and certain other statistical data of the Trucking segment for the indicated periods.

	2015		2014		2013	
Average revenue per tractor(1)	\$	173,329	\$	171,510	\$	160,186
Average length of haul		503		492		479
Non-paid empty mile percent		12.0 %		10.1 %		10.6 %
Average tractors in operation during period		4,793		4,173		4,017
Average trailers in operation during period		11,789		9,732		9,405

- (1) Average revenue per tractor is based on revenue net of intersegment elimination, and does not include fuel surcharge revenue.

Our Trucking segment requires substantial capital expenditures for purchases of new revenue equipment. We fund these purchases with cash flows from operations and financing available under our existing line of credit. We operated an average of 4,793 tractors in 2015, of which 4,363 were company-owned tractors. The average age of our company-owned tractor fleet was 1.7 years at December 31, 2015, which we do not expect to change materially in 2016. We also operated an average of 11,789 trailers in 2015, with an average age of 4.4 years as of December 31, 2015. We expect the average age of our trailers to remain relatively constant or decrease slightly in 2016 as we refresh our fleet. Our net property, plant, and equipment at December 31, 2015 was \$803.6 million, most of which relates to our Trucking segment.

Our capital expenditures can also affect depreciation expense. Trucking depreciation relates primarily to our owned tractors, trailers, ELDs and other communication units, and other similar assets. Changes to these fixed costs are generally attributed to increases or decreases to company-owned equipment and fluctuations in new equipment purchase prices, which have historically been precipitated in part by new or proposed federal and state regulations (such as the EPA engine emissions requirements relating to post-2014 model tractors and the California trailer efficiency requirements). Depreciation can also be affected by the cost of used equipment that we sell or trade and the replacement of older used equipment. Our management periodically reviews the condition, average age, and reasonableness of estimated useful lives and salvage values of our equipment and considers such factors in light of our experience with similar assets, used equipment market conditions, and prevailing industry practice. Total Trucking segment depreciation and amortization expense was approximately \$107.0 million in 2015.

Table of Contents

Logistics Strategy and Segment Information

Logistics revenue is generated primarily by our Brokerage and Intermodal operating units. We also provide logistics, freight management and other non-trucking services to our customers through our Logistics business. We are generally paid a predetermined rate per mile or per load for arranging freight transportation for our customers and providing other Logistics services. Additional revenue is generated by offering specialized logistics solutions (including, but not limited to, origin management, surge volumes, disaster relief, special projects, and other logistics needs). Our Logistics revenue is mainly affected by the rates we obtain from customers, the freight volumes we ship through our third-party capacity providers, and our ability to secure qualified third-party capacity providers to transport customer freight. Increases in shipments serviced by our Brokerage and Intermodal operating units and continued increases in the number of customers utilizing our Logistics services contributed to the improved productivity and revenue realized in 2015. We were able to provide Logistics services to our existing customers as well as effectively expand to new customers in 2015.

Our Logistics segment is less asset-intensive and is instead dependent upon capable non-driver personnel, modern and effective information technology, and qualified third-party capacity providers. The most significant expense of our Logistics segment, which is primarily variable, is the cost of purchased transportation that we pay to third-party capacity providers (including rail providers), which is included in the "Purchased transportation" line of our consolidated statements of income. This expense generally varies depending upon truckload and rail capacity, availability of third-party capacity providers, rates charged to customers, and current freight demand and customer shipping needs. Other Logistics operating expenses are generally fixed and primarily include the compensation and benefits of non-driver personnel (included in salaries, wages and benefits expense recorded on the "Salaries, wages and benefits" line of our consolidated statements of income) and depreciation and amortization expense.

The following table sets forth the Logistics segment revenue, other operating expenses, and operating income.

	2015		2014		2013	
Logistics (amounts in thousands)	\$	%	\$	%	\$	%
Total revenue	\$ 249,365		\$ 214,378		\$ 151,194	
Other operating expense	233,508	93.6	199,080	92.9	143,452	94.9
Operating income	\$ 15,857		\$ 15,298		\$ 7,742	

The following table sets forth the Logistics revenue, operating expenses, and operating income, excluding intersegment transactions.

	2015		2014		2013	
Logistics (amounts in thousands)	\$	%	\$	%	\$	%
Total revenue	\$ 249,365		\$ 214,378		\$ 151,194	
Less: Intersegment transactions	(18,336)		(4,105)		(4,025)	
Revenue excluding intersegment transactions	231,029		210,273		147,169	
Operating expenses	233,508		199,080		143,452	
Less: Intersegment transactions	(18,336)		(4,105)		(4,025)	

Operating expenses e x c l u d i n g i n t e r s e g m e n t transactions	215,172	93.1	194,975	92.7	139,427	94.7
Operating income	\$ 15,857		\$ 15,298		\$ 7,742	

We primarily measure the Logistics segment's profitability by reviewing the gross margin percentage (revenue net of intersegment elimination, less purchased transportation expense, expressed as a percentage of revenue) and the operating income percentage. The gross margin percentage can be affected by customer rates and the costs of securing third-party capacity providers. Our third-party capacity providers are generally not subject to long-term or predetermined contracted rates, and our operating results could be affected if the availability of third-party capacity providers or the rates for such providers change in the future. The following table lists the gross margin percentage for our Brokerage and Intermodal businesses.

	2015	2014	2013
Combined Brokerage and Intermodal gross margin percent(1)	16.4%	15.0%	12.5%

(1) Gross margin percentage is based on revenue net of intersegment elimination.

Our gross margin percentage improved from 2014 to 2015, but our operating margin contracted. The primary reasons for the operating margin contraction were lower revenue per load, as well as increased staffing and other costs associated with the start-up of our expanded logistics and transportation management offering. In addition, lower commodity prices negatively affected our sourcing division.

Table of Contents

Since our Logistics segment depends on effective usage of information systems and technology that enable us to efficiently arrange for the transportation of our customers' freight and remain resourceful and responsive in meeting customer shipping needs, we may incur costs to upgrade, integrate, or expand our information systems and technology, but we do not expect that costs for such improvements will require significant capital expenditures in the future. Total Logistics segment depreciation and amortization expense was approximately \$4.0 million in 2015, which is primarily attributed to equipment leased to third parties.

Trends and Outlook

We have created a service network with financial accountability, a modern tractor fleet, access to thousands of third-party capacity transportation providers, and the capability of providing multiple transportation service offerings and modes to customers in North America. We believe our operating strategies are contributing factors to our revenue and earnings growth over time.

In 2015, we continued to produce consolidated revenue growth. This growth was driven by improved asset productivity, organic tractor growth, the October 1, 2014 acquisition of Barr-Nunn, and expansion of our less capital-intensive operations such as Brokerage and Intermodal in the Logistics segment. We continue to gain market share, build out our team, source additional capacity, and strategically align our service offerings with the supply chain needs of our customers. We expect our investment in providing multiple solutions for our customers will continue to lead to additional revenue opportunities across all of our lines of business.

In 2016, although currently we are experiencing moderate improvements in miles per tractor, we expect the freight environment in the first two quarters to be more challenging than in the same periods of the prior two years. Over the past eighteen months, excess capacity has entered the market, which has led to a more competitive pricing market and fewer non-contract opportunities. We hope to see the market begin to improve in the second half of 2016 as excess capacity exits the market, as indicated by reduced new tractor orders and a weakening used equipment market. Market factors that include higher driver wages, lower gain on sale of revenue equipment, and fewer non-contract opportunities may negatively affect our margins in our Trucking and Logistics segments. In this environment, we plan to limit organic fleet expansion, focus on cost control, allocate expansion capital toward Logistics, and apply rigorous scrutiny to any acquisition opportunities.

Over the medium to long term, we believe capacity in the truckload market will be constrained by an increasingly competitive driver market, elevated regulatory costs for trucking companies and drivers, and potentially alternative employment opportunities for drivers we wish to hire. These factors are expected generally to have a positive impact on industry-wide rate structures. However, reduced hours of operation and driver shortages could negatively impact equipment utilization, even in a stronger demand environment. In such an environment, we believe carriers that are well-positioned to develop and retain drivers, withstand supply and demand fluctuations, and provide safe, dependable, and high-quality service to customers will have opportunities to increase freight rates and market share.

We believe domestic and global economic and political conditions present the most direct challenges to improved freight demand. These threats include fluctuations in commodity prices, an inability of the United States government to timely and adequately address fiscal issues, currency fluctuations, or other factors outside our control that could reduce consumer spending or industrial investment, thus negatively affecting freight volumes. In addition, the competitive landscape and the supply chains of our customers are constantly shifting based on manufacturing and transportation costs, business combinations, inventory levels, and other factors.

Several issues affecting the trucking industry could also cause our costs to increase in future periods. These issues include driver and independent contractor availability, fuel price fluctuations, increases to new tractor and trailer purchase prices, and compliance with new and proposed federal and state regulations. From a cost perspective, recruiting and retaining sufficient numbers of qualified drivers, independent contractors, and third-party capacity

providers may become increasingly costly; equipment prices are rising, medical, workers' compensation, and litigation expenses are increasing more rapidly than general inflation, and potentially higher fuel prices are not fully offset by fuel surcharges. In the current economic and regulatory environments, it will be important to allocate equipment to more profitable shipments, use technology to generate efficiencies, and effectively manage costs. We believe we have the service center network, modern tractor fleet, comprehensive truckload and logistics services, management team and qualified personnel, technology, intense focus on cost control, and capital resources necessary to successfully overcome these challenges and capitalize on future opportunities.

We will continue to utilize the flexibility of our model to react and adapt to market conditions. We continue to optimize our model and refine our execution in reaction to, or in anticipation of, transportation market dynamics, particularly the markets for truckload and logistics services that we offer. We will also look for additional strategic acquisitions, to supplement our growth.

Table of Contents

Results of Operations

The following table sets forth the consolidated statements of income in dollars and as a percentage of consolidated total revenue and the percentage increase or decrease in the dollar amounts of those items compared to the prior year.

	2015		2014		2013		Percentage Change in Dollar Amounts	
	\$	%	\$	%	\$	%	2015 to 2014 (%)	2014 to 2013 (%)
(Amounts in thousands)								
Trucking revenue	\$ 830,710	70.2 %	\$ 715,712	64.9 %	\$ 644,682	66.5 %	16.1 %	11.0 %
Trucking fuel surcharge revenue	121,225	10.3 %	176,347	16.0 %	177,386	18.3 %	(31.3 %)	(0.6 %)
Logistics revenue	231,029	19.5 %	210,273	19.1 %	147,169	15.2 %	9.9 %	42.9 %
Total revenue	1,182,964	100.0 %	1,102,332	100.0 %	969,237	100.0 %	7.3 %	13.7 %
Operating expenses:								
Salaries, wages and benefits	334,069	28.2 %	271,815	24.7 %	234,306	24.1 %	22.9 %	16.0 %
Fuel	152,752	12.9 %	203,758	18.5 %	214,843	22.2 %	(25.0 %)	(5.2 %)
Operations and maintenance	80,855	6.8 %	71,558	6.5 %	64,715	6.7 %	13.0 %	10.6 %
Operating taxes and licenses	18,911	1.6 %	17,972	1.6 %	15,624	1.6 %	5.2 %	15.0 %
Insurance and claims	33,632	2.9 %	31,133	2.8 %	29,350	3.0 %	8.0 %	6.1 %
Depreciation and amortization	111,023	9.4 %	92,893	8.4 %	86,129	8.9 %	19.5 %	7.9 %
Purchased transportation(1)	246,864	20.9 %	238,041	21.6 %	189,667	19.6 %	3.7 %	25.5 %
Communications	4,095	0.4 %	4,899	0.4 %	5,015	0.5 %	(16.4 %)	(2.3 %)
Miscellaneous operating expenses	22,763	1.9 %	7,541	0.7 %	15,679	1.6 %	201.9 %	(51.9 %)
Total operating expenses	1,004,964	85.0 %	939,610	85.2 %	855,328	88.2 %	7.0 %	9.9 %
Operating income	178,000	15.0 %	162,722	14.8 %	113,909	11.8 %	9.4 %	42.9 %
Total other income	8,504	0.8 %	9,108	0.8 %	2,795	0.3 %	(6.6 %)	225.9 %
Income before income taxes	186,504	15.8 %	171,830	15.6 %	116,704	12.0 %	8.5 %	47.2 %
Income taxes	68,047	5.8 %	67,809	6.2 %	46,680	4.8 %	0.4 %	45.3 %
Net income	118,457	10.0 %	104,021	9.4 %	70,024	7.2 %	13.9 %	48.6 %
Net income attributable to noncontrolling interest	(1,739)	(0.1 %)	(1,159)	(0.1 %)	(742)	(0.1 %)	50.0 %	56.2 %

Net income
 attributable to
 Knight

Transportation	116,718	9.9 %	102,862	9.3 %	69,282	7.1 %	13.5 %	48.5 %
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(1) Purchased transportation expense is comprised of (a) payments to independent contractors, which is primarily attributed to our Trucking segment; (b) payments to third-party capacity providers, which is primarily attributed to our Logistics segment; and (c) payments relating to our logistics, freight management and non-trucking services. Purchased transportation expense is further discussed in the year-to-year comparison of operating results below.

Table of Contents

Fiscal 2015 Compared to Fiscal 2014

Operating Revenue

Total revenue increased 7.3% for 2015 to \$1.2 billion from \$1.1 billion for 2014 generally because of higher revenues generated in both the Trucking and Logistics segments.

Total Trucking revenue was \$830.7 million in 2015 and \$715.7 million in 2014. Trucking fuel surcharge revenue decreased to \$121.2 million in 2015 from \$176.3 million in 2014, as fuel prices declined in each quarter of 2015. Tractor productivity, as measured by average annual Trucking revenue, before fuel surcharge per tractor, increased in 2015, compared to 2014. This was attributable to improved contract pricing. Average revenue per loaded mile increased 4.2%, as we improved pricing partially offset by an increase in non-paid empty mile percentage rate to 12.0% from 10.1%. If economic conditions improve and capacity tightens, we anticipate that we will be able to obtain rate increases in 2016 and beyond; however, adverse changes in either of these factors could prevent rate increases or negatively affect existing rates.

Logistics revenue is primarily generated by the Brokerage and Intermodal operating units. Total Logistics revenue was \$231.0 million in 2015 and \$210.3 million in 2014. We achieved the increase in revenue by providing more capacity to our customers through our third-party carriers and rail providers. Shipment volume growth in our Brokerage business, which is the largest component of our Logistics segment, increased 47.9% in 2015 compared to 2014, as we continued to increase our buyer pool, which led to increased access to third-party capacity. Although our revenue per load was negatively impacted in 2015 as a result of lower fuel surcharge, a shorter length of haul and less non-contract opportunities, we continued to expand gross margins.

Operating Expenses

Salaries, wages and benefits expense, as a percentage of total revenue, increased to 28.2% in 2015 from 24.7% in 2014. Costs associated with healthcare benefits provided to our employees and accruals for workers' compensation benefits are components of our salaries, wages and benefits in our consolidated statements of income. Factors contributing to the increase include increases in driver base pay, and a shift from purchased transportation expense to driver salaries and wages expense, as a greater percentage of our tractor fleet was comprised of company tractors rather than independent contractors. Our non-driver personnel salaries and wages increased, as did our payroll taxes and costs associated with benefits provided, as we increased our number of employees, particularly in our Logistics segment. We have improved our pay and performance bonus for our driving associates over the last several quarters in response to an increasingly challenging driver market. We believe that the driver market remains challenging and that the CSA implementation has further reduced the pool of available drivers. Having a sufficient number of qualified driving associates continues to be a major concern, however, we continue to seek ways to attract and retain qualified driving associates, including investing in technology and service centers that improve the experience of drivers.

Fuel expense decreased, as a percentage of total revenue, to 12.9% in 2015, from 18.5% in 2014, as the U.S. National Average Diesel Fuel price decreased by 29.2% in 2015. Fuel expense, net of Trucking fuel surcharge, expressed as a percentage of Trucking revenue, before Trucking fuel surcharge, remained flat year over year. Our fuel efficiency initiatives, such as trailer blades, idle-control, more fuel-efficient engines, and driver training programs, continued to be contributing factors in controlling our fuel expense on a cost per company tractor operated mile basis. However, as a percentage of revenue, net fuel expense was consistent, as lower diesel fuel prices and improved fuel efficiency were offset by a greater percentage of miles operated by company-owned tractors (for which we pay the fuel cost) instead of independent contractors (who bear their own fuel cost) in 2015 compared with 2014, as well as an increase in empty miles percentage (for which we do not receive fuel surcharges). Our fuel surcharge program helps to offset

increases in fuel prices but applies only to loaded miles and typically does not offset empty miles, idle time, and out of route miles driven. Typical fuel surcharge programs involve a computation based on the change in national or regional fuel prices. These programs may update as often as weekly but typically require a specified minimum change in fuel cost to prompt a change in Trucking fuel surcharge revenue. Therefore, many of these programs have a time lag between when fuel costs change and when the change is reflected in Trucking fuel surcharge revenue. Due to this time lag, our fuel expense, net of fuel surcharge, negatively impacts our operating income during periods of sharply rising fuel costs and positively affects our operating income during periods of falling fuel costs. Fuel prices began falling toward the end of 2014 and continued to fall each quarter in 2015, as compared to the same periods in 2014.

Operations and maintenance expense, as a percentage of total revenue, increased to 6.8% in 2015 from 6.5% in 2014. Operations and maintenance consist of direct operating expense, equipment maintenance, and tire expense. Operations and maintenance expenses as a percentage of total revenue, excluding Trucking fuel surcharge, decreased slightly to 7.6% in 2015 from 7.7% in 2014, as a result of the increased revenue generated in 2015 compared to 2014.

Table of Contents

Insurance and claims expense, as a percentage of total revenue, increased slightly to 2.9% in 2015, from 2.8% in 2014. Insurance and claims expense as a percentage of total revenue, excluding fuel surcharge, decreased to 3.2% in 2015 from 3.4% in 2014, and decreased slightly on a per mile basis, year-over-year. Insurance and claims expense consists of premiums for liability, physical damage, and cargo, and will vary based upon the frequency and severity of claims, as well as our level of self-insurance, and premium expense.

Communications expense, as a percentage of revenue, remained flat at 0.4% for 2015, and 2014. Communications expense is comprised of our tractor and trailer tracking systems, information technology systems, and phone systems.

Depreciation and amortization expense, as a percentage of total revenue, increased to 9.4% for 2015 from 8.4% in 2014, primarily because of the decrease in fuel surcharge revenue. As a percentage of total revenue, excluding Trucking fuel surcharge, depreciation and amortization increased to 10.5% in 2015 from 10.0% in 2014, as our Trucking revenue growth outpaced revenue growth in our Logistics segment, which is less capital intensive. A greater percentage of our tractor fleet was comprised of company-owned tractors rather than tractors provided by independent contractors, and we experienced higher equipment prices. Depreciation and amortization expense for our Trucking segment as a percentage of Trucking revenue was 12.9% in 2015, and 12.3% in 2014. The increased expense is primarily related to the increased number of tractors and trailers owned during 2015. The increased expense was partially offset by higher average revenue per tractor. Absent offsetting improvements in average revenue per tractor or growth in our independent contractor fleet and Logistics operations, our expense as a percentage of revenue in this category could increase in the future, if equipment prices continue to rise. The majority of our company-owned tractor fleet is comprised of tractors with 2014 compliant engines, which are more expensive than previous tractors due to compliance with NHTSA and EPA emissions standards, and the higher cost of these newer tractors is expected to result in higher depreciation and amortization going forward. These engines provide substantial emissions reductions, and we believe this investment will contribute to our strategy of maintaining efficiency in our operations by adhering to a relatively consistent tractor trade-in schedule.

Purchased transportation expense, as a percentage of total revenue, decreased to 20.9% for the year ended 2015 from 21.6% for the same period in 2014. Purchased transportation expense is comprised of (i) payments to independent contractors for our Dry Van, Refrigerated, and Drayage operations in our Trucking segment; and (ii) payments to third-party capacity providers for our Brokerage operations and to railroads for our Intermodal operations; and (iii) payments relating to logistics freight management, and non-trucking services in our Logistics segment. The overall decrease in this category is primarily due to lower fuel surcharge equivalent payments to independent contractors and third-party capacity providers, a smaller percentage of our miles being operated by independent contractors, and the growth in our larger Trucking segment operations, which grew revenues by 16.1% in 2015. Purchased transportation expense attributed to payments to third-party capacity providers (including railroads and sourcing activities) in our Logistics segment increased 10.4% in 2015, when compared to 2014. Purchased transportation costs generally take into account changes in diesel fuel prices, resulting in lower payments during periods of declining fuel prices. We expect purchased transportation will increase as a percentage of revenue if we are successful in continuing to grow our Logistics segment.

Miscellaneous operating expenses, as a percentage of total revenue, increased to 1.9% in 2015, from 0.7% for 2014. The increase is due in part to the decrease in Trucking fuel surcharge component of total revenue, and less gain on sale of equipment to offset these costs. However, the increase in 2015 is primarily due to the non-routine expense recorded in the second quarter of 2015 for \$7.2 million pretax (\$4.4 million after tax) relating to expected settlement costs for two class action lawsuits involving employment-related claims in California and Oregon. Excluding this non-routine expense, and excluding the effect of the decrease in the fuel surcharge component of consolidated revenue, and lower gain on sale of equipment, miscellaneous operating expenses increased due to increased legal expense associated with the non-routine claim expense, an increase in costs associated with technology and our management information systems, and revenue equipment operating lease expense. Gains from the sale of used

equipment are included in miscellaneous operating expenses and decreased to \$15.3 million in 2015, from \$16.8 million in 2014. We believe the used equipment market will continue to help offset other miscellaneous operating expenses, but not to the extent as in the earlier part of 2015, as the used equipment market softened beginning in the third quarter of 2015 and we expect a similar environment through the first half of 2016.

As a result of the above factors, our GAAP operating ratio (operating expenses expressed as a percentage of total revenue) was 85.0% for 2015, compared to 85.2% for 2014. The non-GAAP adjusted operating ratio (total operating expenses, net of fuel surcharge, as a percentage of total revenue before fuel surcharge), was 83.2% in 2015, compared to 82.4% in 2014. Please see the reconciliation table above for a reconciliation of GAAP operating ratio to non-GAAP operating ratio.

Net interest and other income, as a percentage of revenue, remained constant at 0.8% in 2015, and 2014. Other income includes realized gains from the sale of available-for-sale securities and unrealized gains from our investments in TRP III using the equity method of accounting. Our realized gains from the sale of available-for-sale securities was higher in 2015, compared to 2014. In the fourth quarter of 2014, we funded the acquisition of Barr-Nunn for approximately \$112.4 million with borrowings from our existing line of credit. We repurchased 1.6 million shares of our stock in 2015 for \$45.3 million, and interest expense increased in 2015 because of the increased average borrowing during the year. Our debt balance decreased to \$112.0 million at December 31, 2015 from \$134.4 million at December 31, 2014.

Table of Contents

We provide for income taxes at the statutory federal and state rates, adjusted for certain permanent differences between financial statement income and income for tax reporting. Our effective tax rate was 36.8% for 2015 and 39.7% for 2014. The unusually low rate in 2015 was attributable to favorable tax positions taken on amended federal and state income tax returns for tax years 2010 through 2013 and other miscellaneous non-recurring decreases, which positively impacted our net income by approximately \$5.4 million.

As a result of the preceding financial results, our net income attributable to Knight increased to 9.9%, compared to 9.3% in 2014.

Fiscal 2014 Compared to Fiscal 2013

Operating Revenue

Total revenue increased 13.7% for 2014 to \$1.1 billion from \$969.2 million for 2013 generally because of higher revenues generated in both the Trucking and Logistics segments.

Total Trucking revenue was \$715.7 million in 2014 and \$644.7 million in 2013. Trucking fuel surcharge revenue decreased to \$176.3 million in 2014 from \$177.4 million in 2013 as fuel prices declined in the latter half of 2014. Tractor productivity, as measured by average annual revenue, before fuel surcharge per tractor, increased in 2014, compared to 2013. This was attributable to increased demand for our capacity, improvements in our freight mix, and contract pricing. Average revenue per total mile increased 8.2% as we improved pricing and reduced non-paid empty mile percentage rate to 10.1% from 10.6%. Our average freight revenue per tractor improved 7.1% because of the combined increase in average revenue per total mile and a reduction of miles per tractor by 1.0%.

Logistics revenue is primarily generated by the Brokerage and Intermodal operating units. Total Logistics revenue was \$210.3 million in 2014 and \$147.2 million in 2013. We achieved the increase in revenue by providing more capacity to our customers through our third-party carriers and rail providers. We continued to increase our buyer pool, which lead to increased access to third-party capacity, increased shipment volume growth, and improved rates in our Brokerage and Intermodal businesses. The volume of shipments by our Brokerage and Intermodal businesses increased 19.6% in 2014 from 2013, and our revenue per shipment improved 27.5% in 2014.

Operating Expenses

Salaries, wages and benefits expense, as a percentage of revenue, increased to 24.7% in 2014 from 24.1% in 2013. Costs associated with healthcare benefits provided to our employees and accruals for workers' compensation benefits are components of our salaries, wages and benefits in our consolidated statements of income. Salaries, wages and benefits expense for 2014 increased primarily due to an increase in driver pay, increased workers' compensation claims, and increased performance based bonuses. Driver pay increased \$0.04 per mile in 2014. However as a percentage of consolidated revenue driver pay was comparable to 2013 due to significant revenue growth, particularly in our Logistics segment, which has lower salaries, wages, and benefits expense. We believe that the driver market remains challenging and that the CSA implementation has further reduced the pool of available drivers. We expect that driver pay will continue to increase in 2015. Having a sufficient number of qualified driving associates continues to be a major concern. We have implemented a performance related bonus plan for our drivers and could be required to create further pay incentives during 2015 given these conditions. However, we continue to seek ways to attract and retain qualified driving associates, including investing in technology and service centers that improve the experience of drivers, and we are encouraged by the favorable turnover rates experienced this year.

Fuel expense, as a percentage of revenue, decreased to 18.5% in 2014, from 22.2% in 2013 as the U.S. National Average Diesel Fuel price decreased by 2.9% in 2014. The increase in overall revenue and the significant revenue

growth of our Logistics segment, where no fuel expense is incurred, also contributed to the decrease in fuel expense as a percentage of revenue. Improved effectiveness of our fuel efficiency initiatives, such as trailer blades, idle-control, more fuel-efficient engines, and driver training programs, further contributed to the reduction in fuel expense. Fuel prices fell sharply at the end of 2014. Our fuel surcharge program helps to offset increases in fuel prices but applies only to loaded miles and typically does not offset empty miles, idle time, and out of route miles driven. Typical fuel surcharge programs involve a computation based on the change in national or regional fuel prices. These programs may update as often as weekly but typically require a specified minimum change in fuel cost to prompt a change in Trucking fuel surcharge revenue. Therefore, many of these programs have a time lag between when fuel costs change and when the change is reflected in Trucking fuel surcharge revenue. Due to this time lag, our fuel expense, net of fuel surcharge, negatively impacts our operating income during periods of sharply rising fuel costs and positively impacts our operating income during periods of falling fuel costs.

Table of Contents

Operations and maintenance expense, as a percentage of revenue, decreased to 6.5% in 2014 from 6.7% in 2013. Operations and maintenance consist of direct operating expense, equipment maintenance, and tire expense. Equipment maintenance expenses as a percentage of revenue decreased as a result of the increased revenue generated in 2014 compared to 2013. On a per mile basis, this expense remained constant in 2014 and 2013. Tight driver market conditions continued in 2014, and contributed to increased driver development and recruiting expenses.

Insurance and claims expense, as a percentage of revenue, decreased to 2.8% for 2014 from 3.0% in 2013. The improvement is due to increased revenue primarily from our Logistics segment where related insurance and claims costs are typically lower as a percentage of revenue than our larger Trucking segment. We experienced lower auto liability frequency and severity compared to 2013.

Communications expense, as a percentage of revenue, decreased slightly to 0.4% for 2014, compared to 0.5% in 2013. Communications expense is comprised of our tractor and trailer tracking systems, information technology systems, and phone systems.

Depreciation and amortization expense, as a percentage of revenue, decreased to 8.4% for 2014 from 8.9% in 2013. This fixed cost as a percentage of total revenue was lower in 2014 due to the significant growth in our Logistics segment, which is less capital intensive. Depreciation and amortization expense for our Trucking segment as a percentage of Trucking revenue was 9.9% in 2014, and 2013. The majority of our company-owned tractor fleet is comprised of tractors with 2010 EPA compliant engines, though we have also added tractors with 2014 compliant engines beginning in 2013. These engines provide substantial emissions reductions, and we believe this investment will contribute to our strategy of maintaining efficiency in our operations by adhering to a relatively consistent tractor trade-in schedule. Other factors contributing to the increase in this fixed cost were the addition of trailer blades and other fuel efficiency enhancing equipment. These higher costs were partially offset by higher average revenue per tractor and an increase in revenue generated by independent contractors. In addition, the 2014 model year tractors are more expensive than previous model year tractors due to compliance with NHTSA and EPA emissions standards.

Purchased transportation expense, as a percentage of revenue, increased to 21.6% for the year ended 2014 from 19.6% for the same period in 2013. Purchased transportation expense is comprised of (i) payments to independent contractors for our Dry Van, Refrigerated, and Drayage operations in our Trucking segment; and (ii) payments to third-party capacity providers for our Brokerage operations and to railroads for our Intermodal operations and our sourcing activities in our Logistics segment. The overall increase in this category is primarily due to the growth in our Logistics segment operations, which grew revenues 42.9% in 2014. Purchased transportation expense attributed to payments to third-party capacity providers (including railroads and sourcing activities) in our Logistics segment increased 44.0% in 2014, when compared to 2013. Purchased transportation expense attributed to payments to independent contractors in our Trucking segment decreased by approximately 4.2% in 2014 from 2013. Purchased transportation costs generally take into account changes in diesel fuel prices, resulting in lower payments during periods of declining fuel prices.

Miscellaneous operating expenses, as a percentage of revenue, decreased to 0.7% in 2014 compared to 1.6% in 2013. Gain from sales of equipment is recorded in miscellaneous operating expense and gain from sales of equipment increased to \$16.8 million in 2014, compared to \$7.6 million in 2013.

As a result of the above factors, our GAAP operating ratio (operating expenses expressed as a percentage of revenue) was 85.2% for 2014, compared to 88.2% for 2013. The non-GAAP operating ratio (total operating expenses, net of fuel surcharge, as a percentage of revenue before fuel surcharge), was 82.4% in 2014, compared to 85.6% in 2013. Please see the reconciliation table above for a reconciliation of GAAP operating ratio to non-GAAP operating ratio.

Net interest and other income, as a percentage of revenue, increased in 2014 to 0.8% from 0.3% in 2013. Other income includes realized gains from the sale of available-for-sale securities and unrealized gains from our investments in TRP III using the equity method of accounting. Our realized gains from the sale of available-for-sale securities was higher in 2014, compared to 2013. During 2013, our borrowing capacity increased to \$300.0 million from \$150.0 million. In the fourth quarter of 2014, we funded the acquisition of Barr-Nunn for approximately \$112.4 million with borrowings from our existing line of credit. Interest expense increased in 2014 because of the increased borrowing. Our debt balance increased to \$134.4 million at December 31, 2014 from \$38.0 million at December 31, 2013.

Table of Contents

We provide for income taxes at the statutory federal and state rates, adjusted for certain permanent differences between financial statement income and income for tax reporting. Our effective tax rate was 39.7% for 2014 and 40% for 2013.

As a result of the preceding financial results, our net income attributable to Knight increased to 9.3%, compared to 7.1% in 2013.

Liquidity and Capital Resources

The growth of our business has required, and will continue to require, significant investments. In our Trucking business, where investments are substantial, the primary investments are in new tractors and trailers and, to a lesser extent, in technology, service centers, and working capital. In our Logistics business, where investments are modest, the primary investments are in technology and working capital. Our primary sources of liquidity have been funds provided by operations and borrowings under our line of credit.

Net cash provided by operating activities was approximately \$205.8 million, \$177.2 million, and \$138.5 million for the years ended December 31, 2015, 2014, and 2013, respectively. The increase for 2015 is primarily due to the increases in net income and depreciation in 2015 compared to 2014.

Net cash used in investing activities was approximately \$138.3 million, \$266.9 million, and \$85.7 million for the years ended December 31, 2015, 2014, and 2013, respectively. The higher investment total in 2014 is due to the acquisition of Barr-Nunn in the fourth quarter of 2014 for approximately \$110.5 million. Excluding the Barr-Nunn acquisition, capital expenditures for the purchase of revenue equipment (net of equipment sales and trade-ins), office equipment, and land and leasehold improvements totaled \$149.4 million, \$178.8 million, and \$85.4 million for the years ended December 31, 2015, 2014, and 2013, respectively. Excluding any acquisitions, we currently anticipate capital expenditures, net of trade-ins, of approximately \$85.0 million to \$100.0 million for 2016. We expect this estimate will primarily be used to acquire new revenue equipment for replacement of existing units.

Net cash from financing activities typically varies with borrowing activity on our line of credit. In both 2015 and 2013, we had net payments to our line of credit of \$22.4 million, and \$42.0 million, respectively, while in 2014, we had net proceeds from borrowing on our line of credit of \$96.4 million to fund the purchase of Barr-Nunn. Exercises of stock options and repurchases of Company stock also contributed to the changes in cash used or provided by financing activities during the three years ended December 31, 2015. We repurchased \$45.3 million of Company stock on the open market in 2015, and no Company stock purchases were made in either 2014 or 2013. Proceeds from exercises of stock options were \$9.9 million, \$24.4 million, and \$4.3 million in 2015, 2014, and 2013, respectively. We returned \$19.9 million, \$19.6 million, and \$19.4 million to our shareholders by way of dividends in 2015, 2014, and 2013, respectively.

We currently maintain a line of credit that permits revolving borrowings and letters of credit up to an aggregate of \$300.0 million and matures on December 1, 2017. As of December 31, 2015, the aggregate amount outstanding under our line of credit was \$112.0 million, which is classified as a long-term liability in the accompanying consolidated balance sheets. We also utilized a portion of our line of credit for letters of credit, which are issued to various regulatory authorities in connection with our self-insurance programs. The issued but unused letters of credit totaled \$27.4 million as of December 31, 2015 and \$24.3 million as of December 31, 2014. Combining the amounts borrowed and letters of credit issued, we had \$160.6 million available for future borrowing under our existing line of credit as of December 31, 2015, compared with \$141.3 million as of December 31, 2014. Under our current line of credit agreement, we are obligated to comply with certain financial and other covenants and were in compliance with those covenants as of December 31, 2015.

As of December 31, 2015, our cash and cash equivalents totaled approximately \$8.7 million compared to \$17.1 million as of December 31, 2014. During the next 12 months and beyond, we believe that we will be able to finance our short-term needs for working capital and acquisitions of revenue equipment with cash, cash flows from operations, and financing available under our existing line of credit. We expect to have significant capital requirements over the long-term, which may require us to incur increased debt or seek additional equity capital. The availability of additional capital will depend upon prevailing market conditions, the market price of our common stock, our financial condition and results of operations, and several other factors over which we have limited control. Nevertheless, based on our recent operating results, current cash position, anticipated future cash flows, and sources of available financing, we do not expect that we will experience any significant liquidity constraints in the foreseeable future.

Table of Contents

Off-Balance Sheet Transactions

Our liquidity is not materially affected by off-balance sheet transactions. Like many other transportation companies, we have periodically utilized operating leases to finance a portion of our revenue equipment requirements and terminal facilities requirements. We leased revenue equipment under operating leases, and we lease some of our service centers and temporary trailer storage under operating leases. Operating lease expense for such equipment, facilities and trailer storage is reflected in the "Miscellaneous operating expenses" line in our consolidated statements of income, and totaled \$4.7 million, \$2.8 million, and \$2.2 million for the years ended December 31, 2015, 2014, and 2013, respectively.

Tabular Disclosure of Contractual Obligations

The following table sets forth, as of December 31, 2015, our contractual obligations and payments due by corresponding period for our short- and long-term operating expenses and other commitments.

Contractual Obligations	Total	Payments Due by Period (in thousands)			
		1 year or less	1-3 years	3-5 years	More than 5 years
Purchase obligations(1)	\$ 102,989	\$ 102,989	\$ -	\$ -	\$ -
Long-term debt(2)	112,000	-	112,000	-	-
Investment commitments(3)	16,739	12,409	2,463	1,112	755
Operating leases – buildings & equipment	8,566	3,242	4,856	432	36
Dividend payable	2,042	349	518	455	720
Total	\$ 242,336	\$ 118,989	\$ 119,837	\$ 1,999	\$ 1,511

- (1) Purchase obligations primarily consist of obligations to purchase revenue equipment, net of guaranteed trade-ins from contracted vendors, and a carry forward of approximately \$7.1 million from 2015 contracts.
- (2) Long-term debt of \$112.0 million is borrowings under our line of credit, which has a maturity date of December 2017. We expect to pay-off the debt balance prior to the final maturity date.
- (3) Investment commitments primarily consist of contractual obligations to investments in various Transportation Resource Partnerships, which are subject to capital calls. The expected timing of the capital calls are presented above.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with United States Generally Accepted Accounting Principles ("GAAP") requires that management make a number of assumptions and estimates that affect the reported amounts of assets, liabilities, revenue, and expenses in our consolidated financial statements and accompanying notes. Management evaluates these estimates and assumptions on an ongoing basis, utilizing historical experience, consultation with experts, and other methods considered reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from our estimates and assumptions, and it is possible that materially different amounts would be reported using differing estimates or assumptions. We consider our critical accounting policies to

be those that are both important to the portrayal of our financial condition and results of operations and that require significant judgment or use of complex estimates.

A summary of the significant accounting policies followed in preparation of the financial statements is contained in Note 1 to our consolidated financial statements attached hereto. The following discussion addresses our most critical accounting policies:

Property and Equipment. Property and equipment is stated at cost less accumulated depreciation. Property and equipment is depreciated to an estimated salvage value using the straight-line method over the asset's estimated useful life, which ranges from one to thirty years. Salvage values range from zero to 25% of the capitalized cost. We periodically review the reasonableness of our estimates regarding useful lives and salvage values of our revenue equipment and other long-lived assets based upon, among other things, our experience with similar assets, conditions in the used revenue equipment market, and prevailing industry practice. We both routinely and periodically review and make a determination whether the salvage value of our tractors and trailers is higher or lower than originally expected. This determination is based upon (i) market conditions in equipment sales, (ii) the guaranteed repurchase price with contracted dealerships, and (iii) the average miles driven on the equipment being sold. Future changes in our useful life or salvage value estimates, or fluctuation in market value not reflected in our estimates, could have a material effect on our results of operations. We continually monitor events and changes in circumstances for indications that the carrying amounts of our property and equipment may not be recoverable. When indicators of potential impairment are present, we compare the carrying value of our assets to the fair value to determine if any impairment exists. In the event that the carrying value exceeds the fair market value, we will adjust the property and equipment to the fair value and recognize any impairment loss. Our assets classified as held for sale are carried at the lower of cost or net selling value.

Table of Contents

Claims Accrual. Reserves are established based on estimated or expected losses for claims. The primary claims arising for us consist of cargo liability, personal injury, property damage, collision, comprehensive, workers' compensation, and employee medical expenses. We maintain self-insurance levels for these various areas of risk and have established reserves to cover these self-insured liabilities. We also maintain insurance to cover liabilities in excess of the self-insurance amounts. The reserves are analyzed quarterly and represent accruals for the estimated self-insured portion of pending claims, including adverse development of known claims, as well as incurred but not reported claims. Our estimates require judgments concerning the nature and severity of the claim, historical trends, advice from third-party administrators and insurers, the specific facts of individual cases, the jurisdictions involved, estimates of future claims development, and the legal and other costs to settle or defend the claims. We have significant exposure to fluctuations in the number and severity of claims. If there is an increase in the frequency and severity of claims, or we are required to accrue or pay additional amounts if the claims prove to be more severe than originally assessed, or any of the claims would exceed the limits of our insurance coverage, our profitability would be adversely affected.

In addition to estimates within our self-insured retention, we also must make judgments concerning our coverage limits. If any claim were to exceed our coverage limits, we would have to accrue for the excess amount. Our critical estimates include evaluating whether a claim may exceed such limits and, if so, by how much. Currently, we are not aware of any such claims. If one or more claims were to exceed our effective coverage limits, our financial condition and results of operations could be materially and adversely affected.

Accounting for Income Taxes. Income taxes are accounted for under the asset and liability method, in accordance with ASC 740-10, Income Taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Significant management judgment is required in determining our provision for income taxes and in determining whether deferred tax assets will be realized in full or in part. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. If it were ever estimated that it is more likely than not that all or some portion of specific deferred tax assets will not be realized, a valuation allowance must be established for the amount of the deferred tax assets that are determined not to be realizable. A valuation allowance for deferred tax assets has not been deemed necessary due to our profitable operations and because any deferred assets can be fully offset by deferred liabilities. Accordingly, if the facts or financial results were to change in such a way as to impact the likelihood of realizing the deferred tax assets, judgment would have to be applied to determine the amount of valuation allowance required in the appropriate period.

Management judgment is also required regarding a variety of other factors including the appropriateness of tax strategies, expected future tax consequences based on our future performance, and our likelihood of success in the event that tax strategies are challenged by taxing authorities. We utilize certain income tax planning strategies to reduce our overall cost of income taxes. It is possible that certain strategies might be disallowed, resulting in an increased liability for income taxes. Significant management judgments are involved in assessing the likelihood of sustaining the strategies and determining the likely range of defense and settlement costs. An ultimate result worse than our expectations could adversely affect our results of operations.

A tax benefit or liability from an uncertain tax position is recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. We have not recorded any contingent liability associated with uncertain tax positions.

Share-Based Payments. We have stock options outstanding under our stock compensation plan. Exercises are permitted in pre-determined installments based upon a vesting schedule established at the time of grant. Each stock option expires on a date determined at the time of the grant; expiration will not exceed ten years from the date of the

grant. The calculation of employee compensation expense involves estimates that require management judgments. These estimates include determining the value of each of our stock options on the date of grant using a Black-Scholes option-pricing model discussed in Note 9 to the consolidated financial statements. The fair value of our stock options is expensed on a straight-line basis, which generally ranges between five to seven years. Expected volatility is based on historical volatility of our stock. The risk-free rate for periods within the contractual life of the stock option award is based on the rate of a zero-coupon Treasury bond on the date the stock option is granted with a maturity equal to the expected term of the stock option. Management judgment is required to estimate stock option exercises and forfeitures within our valuation model; management bases those decisions on historical data. The expected life of our stock option awards is derived from historical experience under our share-based payment plans and represents the period of time that we expect our stock options to be outstanding.

Table of Contents

Beginning in 2014, we issued performance restricted stock units (“PRSUs”) to selected key employees that may be earned based on revenue growth and return on assets, and may then be modified based on our total shareholder return, as defined, over the three-year period. The applicable performance standards are reviewed, and approved each year by our Compensation Committee. The primary award adjustment may range from 0 percent to 150 percent of the initial grant, based upon performance achieved. The primary award modifier, which would multiply the adjusted primary award by 75 percent to 125 percent, is measured by determining the percentile rank of the total shareholder return of Knight common stock in relation to the total shareholder return of a peer group for the three-year period. The final award will be based on performance achieved in accordance with the scale set forth in the grant agreement. Performance restricted stock units do not earn dividend equivalents. The fair value of each PRSU grant is estimated on the date of grant using the Monte Carlo Simulation valuation model as discussed in Note 8 to the consolidated financial statements and is expensed on a straight-line basis over the requisite service period.

We have service and performance-based restricted stock awards outstanding. The compensation expense uses fair value recognition provisions of ASC 718 under which we estimate the expense.

New Accounting Pronouncements

See Note 1 to the consolidated financial statements set forth beginning at page F-8 of this report for discussion of new accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to various market risks, including changes in interest rates on debt, changes in commodity prices, and changes in equity prices.

Under Financial Accounting Reporting Release Number 48 and SEC rules and regulations, we are required to disclose information concerning market risk with respect to foreign exchange rates, interest rates, and commodity prices. We have elected to make such disclosures, to the extent applicable, using a sensitivity analysis approach based on hypothetical changes in interest rates and commodity prices. We have not entered into derivatives or other financial instruments for hedging or speculative purposes. We are not subject to a material amount of foreign currency risk because our operations are largely confined to the United States.

Interest Rate Risk

We have interest rate risk to the extent we borrow against our line of credit or incur other debt. Our line of credit bears a variable interest rate set at either at the prime rate or LIBOR plus 0.625%. Accordingly, our earnings would be affected by changes in these short-term interest rates. Risk can be quantified by measuring the financial impact of a near-term adverse increase in short-term interest rates. At our average level of borrowing during 2015, a 1.0% increase in our applicable interest rate would reduce pretax earnings, on an annualized basis, by approximately \$0.9 million.

Historically, we have invested our excess cash primarily in highly liquid debt instruments of the United States government and its agencies, municipalities in the United States, money market funds, and equity securities (e.g., common stock). Investments in both fixed rate and floating rate interest earning securities carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely affected due to a rise in interest rates, while floating rate securities may produce less income than predicted if interest rates fall. Due in part to these factors, our income from investments might decrease in the future.

Commodity Price Risk

We are subject to commodity price risk with respect to purchases of fuel. The price and availability of diesel fuel can fluctuate due to market factors that are beyond our control. Because we do not recover the full amount of fuel price increases, we believe fuel surcharges are effective at mitigating some, but not all, of the risk of high fuel prices. As of December 31, 2015, we did not have any derivative financial instruments to reduce our exposure to fuel price fluctuations, but we may use such instruments in the future. At our average level of fuel purchasing during 2015, a 10% increase in the average price per gallon, net of fuel surcharge collection, would decrease pretax earnings, on an annualized basis, by approximately \$6.4 million.

Table of Contents

Equity Price Risk

In 2013, we acquired 1,304,517 shares of the common stock of USA Truck in order to explore a business combination with USA Truck. As of December 31, 2015, we held 406,925 shares of USA Truck stock. USA Truck's common stock is publicly traded on NASDAQ, and market prices for equity securities are subject to fluctuation and volatility. Consequently, the amount realized in the subsequent sale of our investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Further, our significant holdings in USA Truck common stock make it difficult to quickly liquidate shares without negatively affecting the market price. Given the \$17.45 closing price on December 31, 2015, a 30% reduction in the market price of USA Truck common stock would decrease the value of our holdings by \$2.1 million and reduce our Shareholders' Equity by 0.2%.

Item 8. Financial Statements and Supplementary Data

The consolidated balance sheets of Knight Transportation, Inc. and subsidiaries, as of December 31, 2015 and 2014, and the related consolidated statements of income, consolidated statements of comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2015, together with the related notes and the reports of Grant Thornton LLP, our current independent registered public accounting firm, are set forth beginning at page F-1 in this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

In accordance with the requirements of the Exchange Act and SEC rules and regulations promulgated thereunder, we have established and maintained disclosure controls and procedures and internal control over financial reporting. Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures and internal control over financial reporting will prevent all errors, misstatements, or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected.

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) to ensure that material information relating to our Company, including our consolidated subsidiaries, is made known to the officers who certify our financial reports, other members of senior management, and the Board of Directors. Our management, with the participation of our principal executive officer and principal financial officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures. Based on this evaluation, as of December 31, 2015, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are at a reasonable level of assurance, effective to ensure that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and (ii) accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely

decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f), promulgated under the Exchange Act as a process designed by, or under the supervision of, the principal executive and principal financial officers or persons performing similar functions, and effected by the board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes policies and procedures under the following circumstances:

Table of Contents

- (1) Policies and procedures pertaining to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- (2) Policies and procedures providing reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- (3) Policies and procedures providing reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

With the supervision and participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria set forth in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission as of December 31, 2015. Based on our management's evaluation under the criteria set forth in the Internal Control - Integrated Framework (2013), management concluded that our internal control over financial reporting was effective as of December 31, 2015. No changes occurred in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal year ended December 31, 2015, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

The effectiveness of our internal control over financial reporting as of December 31, 2015, has been audited by Grant Thornton LLP, an independent registered public accounting firm, as stated in their attestation report included herein.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Knight Transportation, Inc.

We have audited the internal control over financial reporting of Knight Transportation, Inc. (an Arizona corporation) and subsidiaries (the “Company”) as of December 31, 2015, based on criteria established in the 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in the 2013 Internal Control—Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2015, and our report dated February 29, 2016, expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

Phoenix, Arizona
February 29, 2016

Table of Contents

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance

We incorporate by reference the information contained under the headings "Proposal No. 1 - Election of Class II Directors," "Continuing Directors," "Corporate Governance - Our Executive Officers and Significant Employees; Named Executive Officers," "Corporate Governance - The Board of Directors and Its Committees - Committees of the Board of Directors - The Audit Committee," "Corporate Governance - Section 16(a) Beneficial Ownership Reporting Compliance," and "Corporate Governance - Code of Ethics," from our definitive Proxy Statement to be delivered to our shareholders in connection with the 2016 Annual Meeting of Shareholders to be held May 12, 2016.

Item 11. Executive Compensation

We incorporate by reference the information contained under the headings "Executive Compensation," "Corporate Governance - The Board of Directors and Its Committees - Committees of the Board of Directors - The Compensation Committee - Compensation Committee Interlocks and Insider Participation," and "Corporate Governance - The Board of Directors and Its Committees - Committees of the Board of Directors - The Compensation Committee - Compensation Committee Report" from our definitive Proxy Statement to be delivered to our shareholders in connection with the 2016 Annual Meeting of Shareholders to be held May 12, 2016.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Securities Authorized For Issuance Under Equity Compensation Plans

The following table provides information, as of December 31, 2015, with respect to our compensation plans and other arrangements under which shares of our common stock are authorized for issuance.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average price of outstanding options and rights (b)	Number of securities remaining eligible for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
	2,008,872	\$21.41	2,327,586

Equity compensation plans approved by security holders			
Equity compensation plans not approved by security holders	-	-	-
Total	2,008,872	\$21.41	2,327,586

We have also issued restricted stock units and performance based restricted stock units to our employees, which are not included in the number of securities to be issued upon exercise of outstanding options, warrants, and rights, as listed in Column A above. Our restricted stock units and performance based restricted stock units vest gradually over periods ranging from four to 13 years.

We incorporate by reference the information contained under the heading "Security Ownership of Certain Beneficial Owners and Management" from our definitive Proxy Statement to be delivered to our shareholders in connection with the 2016 Annual Meeting of Shareholders to be held May 12, 2016.

Table of Contents

Item 13. Certain Relationships and Related Transactions, and Director Independence

We incorporate by reference the information contained under the headings "Certain Relationships and Related Transactions," and "Corporate Governance - The Board of Directors and Its Committees" from our definitive Proxy Statement to be delivered to our shareholders in connection with the 2016 Annual Meeting of Shareholders to be held May 12, 2016.

Item 14. Principal Accounting Fees and Services

We incorporate by reference the information contained under the heading "Principal Accounting Fees and Services" from our definitive Proxy Statement to be delivered to our shareholders in connection with the 2016 Annual Meeting of Shareholders to be held May 12, 2016.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report on Form 10-K beginning at page F-1, below.

1. Consolidated Financial Statements:

Knight Transportation, Inc. and Subsidiaries

Report of Grant Thornton LLP, Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2015 and 2014

Consolidated Statements of Income for the years ended December 31, 2015, 2014, and 2013

Consolidated Statements of Comprehensive Income for the years ended December 31, 2015, 2014, and 2013

Consolidated Statements of Shareholders' Equity for the years ended December 31, 2015, 2014, and 2013

Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014, and 2013

Notes to Consolidated Financial Statements

2. Consolidated Financial Statement Schedules required to be filed by Item 8 and Paragraph (b) of Item 15:

Valuation and Qualifying Accounts and Reserves

Schedules not listed (i.e., schedules, other than Schedule II) have been omitted because of the absence of conditions under which they are required or because the required material information is included in the Consolidated Financial Statements or Notes to the Consolidated Financial Statements included herein.

3. Exhibits.

The Exhibits required by Item 601 of Regulation S-K are listed at paragraph (b), below, and at the Exhibit Index appearing at the end of this report.

Table of Contents

(b) Exhibits:

The following exhibits are filed with this Form 10-K or incorporated herein by reference to the document set forth next to the exhibit listed below:

Exhibit Number	Descriptions
2.1	Stock Purchase Agreement, by and among Knight Transportation, Inc., Barr-Nunn Enterprises, Ltd., Barr-Nunn Transportation, Inc., Barr-Nunn Logistics, Inc., Sturgeon Equipment, Inc., and Jane E. Sturgeon, in her capacity as Seller's Representative, dated October 1, 2014 (Incorporated by reference to Exhibit 2.1 to the Company's Report on Form 10-K for the period ended December 31, 2014.)
3.1	Second Amended and Restated Articles of Incorporation of the Company. (Incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed April 20, 2007.)
3.2	2013 Amended and Restated Bylaws of the Company. (Incorporated by reference to Exhibit 3 to the Company's Report on Form 8-K dated February 7, 2013 and filed on February 13, 2013.)
4.1	Articles 4, 10, and 11 of the Second Amended and Restated Articles of Incorporation of the Company. (Incorporated by reference to Exhibit 3.1 to this Report on Form 10-K.)
4.2	Sections 2 and 5 of the 2013 Amended and Restated Bylaws of the Company. (Incorporated by reference to Exhibit 3.2 to this Report on Form 10-K.)
10.1 †	Form of Indemnity Agreement between Knight Transportation, Inc. and each director, first effective February 5, 1997. (Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 10-Q for the period ended March 31, 2008.)
10.2	Master Equipment Lease Agreement dated as of January 1, 1996, between the Company and Quad-K Leasing, Inc. (Incorporated by reference to Exhibit 10.7 to the Company's Report on Form 10-K for the period ended December 31, 1995.)
10.3 †	Knight Transportation, Inc. 2005 Executive Cash Bonus Plan. (Incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed December 1, 2005.)
10.4 †	Knight Transportation, Inc. 2012 Equity Compensation Plan. (Incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed April 6, 2012.)
10.5 †	Form of Restricted Stock Grant Agreement. (Incorporated by reference to Exhibit 10.4 to the Company's Report on Form 10-K for the period ended December 31, 2012.)
10.6 †	Form of Stock Option Grant Agreement. (Incorporated by reference to Exhibit 10.5 to the Company's Report on Form 10-K for the period ended December 31, 2012.)
10.7 †	Form of Restricted Stock Unit Grant Agreement. (Incorporated by reference to Exhibit 10.6 to the Company's Report on Form 10-K for the period ended December 31, 2012.)
10.8 †	Knight Transportation, Inc. Employee Stock Purchase Plan (Incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed April 10, 2009.)
10.9	Amended and Restated Credit Agreement, between Knight Transportation, Inc., and Wells Fargo Bank, National Association, dated October 21, 2013 (Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K dated October 21, 2013 and filed on October 23, 2013.)
10.10	Modification Agreement, between Knight Transportation, Inc. and Wells Fargo Bank, National Association, dated February 27, 2015 (Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 10-Q for the period ended March 31, 2015.)
10.11 †	Form of Director's Compensatory Restricted Stock Grant Agreement (Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 10-Q for the period ended June 30, 2015.)
10.12 †	Form of Performance Unit Officer Grant Agreement (Incorporated by reference to Exhibit 10.2 to the Company's Report on Form 10-Q for the period ended June 30, 2015.)
10.13	

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Second Modification Agreement, between Knight Transportation, Inc. and Wells Fargo Bank, National Association, dated June 26, 2015 (Incorporated by reference to Exhibit 10.3 to the Company's Report on Form 10-Q for the period ended June 30, 2015.)

10.14 † Knight Transportation, Inc. Amended and Restated 2015 Omnibus Incentive Plan (Incorporated by reference to Exhibit 99.1 to the Company's Report on Form 8-K filed on April 29, 2015.)

21.1 * Subsidiaries of the Company.

23.1 * Consent of Grant Thornton LLP.

31.1 * Certification pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, by David A. Jackson, the Company's Chief Executive Officer (Principal Executive Officer).

31.2 * Certification pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, by Adam W. Miller, the Company's Chief Financial Officer (Principal Financial Officer).

32.1 * Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by David A. Jackson, the Company's Chief Executive Officer.

32.2 * Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Adam W. Miller, the Company's Chief Financial Officer.

101.INS XBRL Instance Document.

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101.SCHXBRL Taxonomy Extension Schema Document.

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101.CALXBRL Taxonomy Extension Calculation Linkbase Document.

**

101.DEF XBRL Taxonomy Extension Definition Linkbase Document.

**

101.LABXBRL Taxonomy Extension Label Linkbase Document.

**

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.

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* Filed herewith.

**In accordance with Regulation S-T, the XBRL-related information in this Annual Report on Form 10-K shall be deemed to be "furnished" and not "filed."

† Management contract or compensatory plan or arrangement.

Table of Contents

SIGNATURES

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

KNIGHT
TRANSPORTATION,
INC.

By: /s/ David A. Jackson
David A. Jackson
President and Chief
Executive Officer, in his
capacity as such and on
behalf of the registrant

Date: February 29, 2016

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

Signature and Title	Date
/s/ Kevin P. Knight Kevin P. Knight, Chairman of the Board and Director	February 29, 2016
/s/ David A. Jackson David A. Jackson, President, Chief Executive Officer, and Director (Principal Executive Officer)	February 29, 2016
/s/ Adam W. Miller Adam W. Miller, Chief Financial Officer (Principal Financial and Accounting Officer)	February 29, 2016
/s/ Gary J. Knight Gary J. Knight, Vice Chairman and Director	February 29, 2016
/s/ G.D. Madden G.D. Madden, Director	February 29, 2016
/s/ Kathryn Munro Kathryn Munro, Director	February 29, 2016
/s/ Michael Garnreiter Michael Garnreiter, Director	February 29, 2016
/s/ Richard Lehmann Richard Lehmann, Director	February 29, 2016

/s/ Richard Kraemer
Richard Kraemer, Director

February 29, 2016

/s/ Roberta Roberts Shank
Roberta Roberts Shank, Director

February 29, 2016

/s/ Robert Synowicki, Jr.
Robert Synowicki, Jr., Director

February 29, 2016

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Knight Transportation, Inc.

We have audited the accompanying consolidated balance sheets of Knight Transportation, Inc. (an Arizona corporation) and subsidiaries (the “Company”) as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2015. Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15. These financial statements and the financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Knight Transportation, Inc. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, the Company adopted new accounting guidance in 2015 related to the presentation of deferred income taxes.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2015, based on criteria established in the 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 29, 2016, expressed an unqualified opinion.

/s/ GRANT THORNTON LLP

Phoenix, Arizona
February 29, 2016

Table of Contents

KNIGHT TRANSPORTATION, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
December 31, 2015 and 2014
(in thousands)

Assets	2015	2014
Current Assets:		
Cash and cash equivalents	\$ 8,691	\$ 17,066
Trade receivables, net of allowance for doubtful accounts of \$3,106 and \$3,355, respectively	131,945	143,531
Notes receivable, net of allowance for doubtful notes receivable of \$273 and \$351, respectively	648	1,020
Prepaid expenses	17,320	17,423
Assets held for sale	29,327	23,248
Other current assets	14,215	13,345
Income tax receivable	41,967	19,432
Current deferred tax assets	-	3,187
Total current assets	244,113	238,252
Property and Equipment:		
Revenue equipment	866,252	803,410
Land and land improvements	52,951	52,531
Buildings and building improvements	139,102	125,492
Furniture and fixtures	18,363	17,322
Shop and service equipment	16,729	16,653
Leasehold improvements	3,061	3,037
Gross property and equipment	1,096,458	1,018,445
Less: accumulated depreciation and amortization	(292,815)	(266,399)
Property and equipment, net	803,643	752,046
Notes receivable, long-term	3,419	4,065
Goodwill	47,050	47,067
Intangible assets, net	3,075	3,575
Other long-term assets and restricted cash and investments	18,932	37,280
Total long-term assets	876,119	844,033
Total assets	\$ 1,120,232	\$ 1,082,285

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

KNIGHT TRANSPORTATION, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
 December 31, 2015 and 2014
 (In thousands, except par value)

Liabilities and Shareholders' Equity	2015	2014
Current Liabilities:		
Accounts payable	\$ 14,818	\$ 19,122
Accrued payroll and purchased transportation	23,776	