

KNIGHT TRANSPORTATION INC
Form 10-K
February 29, 2012

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, 2011

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.)

5601 West Buckeye Road, Phoenix,
Arizona
(Address of principal executive offices)

85043
(Zip Code)

(602) 269-2000
(Registrant's telephone number, including area code)

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

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2011, was approximately \$1.0 billion (based upon \$16.99 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 10, 2012 was 79,549,455.

DOCUMENTS INCORPORATED BY REFERENCE

Materials from the registrant's Notice and Proxy Statement relating to the 2012 Annual Meeting of Shareholders to be held on May 17, 2012 have been incorporated by reference into Part III of this Form 10-K.

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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. All statements, other than statements of historical fact, are statements that could be deemed forward-looking statements, including without limitation: any projections of earnings, revenues, or other financial items; any statement of plans, strategies, and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; and any statements of belief and any statement of assumptions underlying any of the foregoing. Such statements may be identified by their use of terms or phrases such as "believe," "may," "could," "expects," "estimates," "projects," "anticipates," "plans," "intends," and similar terms and phrases. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, which could cause future events and actual results to differ materially from those set forth in, contemplated by, or underlying the forward-looking statements. 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 truckload transportation services, which generally involve the movement of full trailer or container loads of freight from origin to destination for a single customer. We use our nationwide network of service centers, one of the country's largest company-owned tractor fleets, as well as access to the fleets of thousands of third-party equipment providers, to provide significant capacity and a broad range of solutions to truckload shippers. Our services include dry van truckload, temperature-controlled truckload, and dedicated truckload services, drayage services between ocean ports or rail ramps and shipping docks, rail intermodal services, and truckload freight brokerage services. Through our asset-based and non-asset-based operations, we are able to transport, or arrange for the transportation of, general commodities for customers throughout the United States and parts of Canada and Mexico.

We were founded as a provider of dry van truckload services. In 2004, we took the first step towards our strategy of providing truckload shippers with a diversified range of truckload solutions with the creation of Knight Refrigerated, LLC. In 2005, we created Knight Brokerage, LLC, which has developed relationships with thousands of carriers wherein they provide their third-party owned assets for truckload services to our customers. In 2008, we further enhanced our services by creating Knight Port Services, LLC (formerly known as Knight Intermodal, LLC), which provides environmentally friendly coastal drayage services with 2007 and 2010 U.S. EPA compliant engines. Most recently in 2010, we advanced our objective to grow services with the addition of our rail intermodal services offered through our Knight Intermodal operation. We believe that this diversified customer offering strategically positions us

for growth with existing and new truckload shipping customers.

In the past, we identified two reportable segments comprised of an asset-based segment and a non-asset-based segment. As we broaden the range of our truckload solutions for our customers across multiple service offerings and transportation modes, we assess the impact of these changes on our determination of operating and reportable segments. Based on the guidance set forth in Accounting Standards Codification ("ASC") Sub-Topic 280-10, Segment Reporting, we have determined that we have one reportable segment as all five operating segments meet all of the aggregation criteria. Based on our 2011 evaluation, we concluded that all operating segments exhibit similar long-term economic characteristics, have similar performance indicators, and are exposed to the same competitive, operating, financial, and other risk factors.

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Operations

Our operating strategy is to gain truckload market share by leveraging our services, relationships, and service center network, and to improve 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 alternatives for our customer. This operating strategy allows us to take advantage of the large amount of truckload freight transported in North America. Our decentralized 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, decrease maintenance expenses and downtime, and enhance our operating efficiencies. We employ technology in a cost-effective manner to assist us in controlling operating costs and enhancing revenue. Our operating strategy for our non-asset-based activities is to match quality capacity with the shipping needs of our customers through the third-party capacity provided by our network of third-party truckload 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.

Our operating strategy includes the following important elements:

Regional Service Centers. While our corporate headquarters is in Phoenix, Arizona, our operations are decentralized and handled in our service centers located throughout the country. 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 safety and driver development and retention;
- enhancing our ability to provide a high level of service and consistent capacity to our customers; and
- enhancing accountability for performance and growth.

Operating Efficiencies. Our company was founded on a philosophy of maintaining operating efficiencies and controlling costs. We focus on operating in particular geographical markets. This approach allows us to concentrate our marketing efforts to achieve higher penetration of our targeted service areas. We maintain a modern tractor and trailer fleet in order to obtain operating efficiencies and attract and retain drivers. A generally compatible fleet of tractors and trailers simplifies our maintenance procedures and reduces parts supplies. 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-2010 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.

Customer Service. We offer a high level of service to our customers, and we seek to establish ourselves as a preferred truckload 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. Our services include dry van truckload, temperature-controlled truckload, and dedicated truckload services, drayage services between ocean ports or rail ramps and shipping docks, rail intermodal services, and truckload freight brokerage services, multiple stop pick-ups and deliveries, dedicated equipment and personnel, on-time pickups and deliveries within narrow time frames, specialized driver training, and other services. We price our services commensurately with the level of service our customers require and the conditions in market demand. 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 when we believe that it will allow us to operate more safely, securely, and efficiently and the investment is cost-justified. We use a satellite-based tracking and communication system to communicate with our drivers, to obtain load position updates, to manage our fleets, and to provide our customers with freight visibility. We have installed Qualcomm's satellite-based tracking technology in substantially all of our tractors, which allows us to rapidly respond to customer needs and facilitates efficient communications between our drivers and service centers. The majority of our trailers are equipped with VeriWise trailer-tracking technology that allows us to more effectively manage our trailers. We have purchased and developed software for our non-asset-based businesses that provides greater visibility to capacity of our third party providers and enhances our ability to provide our customers solutions with a high level of service. We have automated many of our back-office functions, and we continue to invest in technology where it allows us to better serve our customers and improve efficiency.

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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, adding new customers, and expanding the range of truckload solutions offered from these service centers.

Strengthening our customer relationships. We market our services to both existing and new customers in freight lanes that complement our existing operations. We seek customers who will diversify our freight base. We market our dry van truckload, temperature-controlled truckload, dedicated, intermodal, and drayage services to existing customers who may have need for, but do not currently use us for, multiple services.

Diversifying our service offerings. Each of our truckload service offerings produced revenue growth in 2011. 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 of providing synergies and adding value to our customers through our diversified service offerings.

Opportunities to make selected acquisitions. We are regularly evaluating acquisition opportunities. Since 1999, we have acquired four short-to-medium haul truckload carriers or have acquired substantially all of the trucking assets of such carriers. Although our primary focus for growth is internal, we continue to evaluate acquisition opportunities.

We are one of the few large scale truckload transportation providers that continues to convert top line revenue growth into increased capacity in its tractor fleet. 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 many truckload solutions for our customers. We maintain the flexibility within our decentralized network to adapt to market conditions. We believe our unique mix of regional management, while centralizing certain business functions to leverage the collective economies of scale, allows us to develop future leaders with relevant operating experience, minimize the diseconomies of scale that can come with size, take advantage of regional knowledge, and manage our business with a high level of performance accountability.

Marketing and Customers

Our marketing mission is to be a strategic truckload capacity partner for our customers by providing truckload transportation 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 carriers, and our rail providers. The diverse and premium services we offer provide a comprehensive approach to providing supply chain solutions to our customers.

Our sales and marketing leaders are members of our senior management team, who are assisted by other sales professionals. Our sales team emphasizes our high level of service, our ability to accommodate a variety of customer needs, our ability to provide consistent capacity, and our financial strength.

We strive to maintain a diversified customer base. For the year ended December 31, 2011, our top 25 customers represented approximately 41% of revenue; our top 10 customers represented approximately 25% of revenue; and our top 5 customers represented approximately 17% of revenue. No single customer represented more than 5% of revenue

in 2011. Most of our truckload carriage contracts are cancelable on 30 days' notice.

To be responsive to the needs of our customers and drivers, we offer dedicated services, in which we assign particular drivers and equipment to prescribed routes. This can provide customers a guaranteed source of capacity, and level of service. Our dedicated fleet services may provide a significant part of a customer's transportation requirements. Under a dedicated carriage service agreement, we can provide drivers, equipment and maintenance, and, in some instances, transportation management services that supplement the customer's in-house transportation department.

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Each of our service centers is linked to our corporate information system in our Phoenix headquarters. The capabilities of this system enhance our operating efficiency by providing cost effective access to detailed information concerning equipment, shipment status, and 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. Additionally, our customers can track shipments and obtain copies of shipping documents via the Internet. We also provide electronic data interchange services to shippers desiring such service.

Drivers, Other Employees, and Independent Contractors

As of December 31, 2011, we had 4,682 employees, of which 3,817 were drivers. None of our employees are subject to a union contract.

Our decentralized operating model creates an environment where our employees are able to learn the many aspects of truckload transportation 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 drivers, while leveraging the substantial resource of our national network.

The recruitment, training, and retention of safe and qualified drivers are essential to support our continued growth and to meet the service requirements of our customers. We hire drivers who meet our objective guidelines relating primarily to their safety history, road test evaluations, and other personal evaluations, including physical examinations and mandatory drug and alcohol testing. In order to attract and retain safe drivers who are committed to the highest level of customer service, we build our operations for drivers around a 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. Drivers are recognized for providing superior service and developing good safety records.

In 2008, we launched a wholly-owned subsidiary, Squire Transportation, LLC. Squire is our asset-based training company focused on developing skilled, productive, and safe drivers. Squire's mission is to provide our drivers with the skills necessary to have a driving career with us. Squire is not a revenue-generating segment, as trainees enrolled in the training program are employees of the company. We believe Squire will continue to be very beneficial in terms of recruiting and retaining qualified drivers.

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. Drivers and other employees are invited to participate in our 401(k) program and in our company-sponsored health, life, and dental plans. Certain employees, who meet eligibility criteria, also participate in our equity compensation plan.

We also maintain an independent contractor program. Because independent contractors provide their own tractors, the independent contractor program provides us an alternate method of obtaining additional revenue equipment. We intend to continue our use of independent contractors. As of December 31, 2011, we had 467 tractors owned and operated by independent contractors under contract. Independent contractors enter into a contract with us whereby the independent contractor provides the tractor and a driver to service the load offered to them. We pay independent contractors a fixed level of compensation based on a predetermined number of loaded and empty miles. We offer 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. These loans are secured by a lien on the revenue equipment. As of December 31, 2011, outstanding loans to independent contractors totaled approximately \$1.3 million.

Revenue Equipment

As of December 31, 2011, we operated 3,509 company-owned tractors with an average age of 1.7 years. We also had under contract 467 tractors owned and operated by independent contractors. Our trailer fleet consisted of 8,986 53-foot long trailers with an average age of 5.3 years and includes 1,031 temperature-controlled trailers.

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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, 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. In addition to being able to react to market conditions because of our financial flexibility, we believe we can react more fluidly to market conditions because our service centers function as smaller, decentralized operations.

We have adopted an equipment configuration that meets a wide variety of customer needs and facilitates customer shipping flexibility. 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 several of our service centers. Our current policy is to replace most of our tractors around 48 months after purchase and to replace our trailers over a five to ten year period. Changes in the current market for used tractors, regulatory changes, and difficult market conditions faced by tractor manufacturers, may result in price increases that may affect the period of time we operate our equipment.

In 2002, the Environmental Protection Agency ("EPA") implemented regulations limiting exhaust emissions. Regulations limiting exhaust emissions became more restrictive in 2007 and 2010. In part to offset the costs of compliance with these requirements, some manufacturers have significantly increased new equipment prices. Equipment prices may continue to increase as new emission standards released by the EPA are implemented. If new equipment prices increase more than anticipated, we may be required to increase our capital investments and depreciation expense and/or retain some of our equipment longer, with a resulting increase in maintenance expenses. To the extent we are unable to offset any such increases in expenses with rate increases or cost savings, our results of operations would be adversely affected.

Safety and Risk Management

We are committed to safe and secure operations. We conduct intensive orientation, 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 Vice President of Safety and Risk Management.

We require prospective drivers to meet higher qualification standards than those required by the United States Department of Transportation ("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. 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 year February 1, 2011 to January 31, 2012, our SIR was \$2.0 million with no responsibility for "aggregate" losses. For the policy period February 1, 2012 to January 31, 2013 our SIR is \$2.0 million and we are

responsible for additional \$1.0 million in "aggregate" losses. In the past, our retention generally ranged from \$1.0 million to \$2.0 million per occurrence, plus "aggregate" losses of up to \$1.5 million. We have secured excess liability coverage up to \$55.0 million per occurrence. We also carry a \$2.5 million dollar 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.

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Competition

The trucking industry is highly competitive and fragmented. We compete primarily with other truckload carriers, and logistics providers, as well as railroads and air freight providers. We also compete with other motor carriers for the services of drivers, independent contractors, and management employees. A number of our competitors have greater financial resources, own more equipment, and carry a larger volume of freight than we do. We believe that the principal competitive factors in our business are service, pricing (rates), the availability and configuration of equipment that meets a variety of customers' needs, and our availability to provide multiple solutions to our customers.

The operating environment of the trucking industry has been especially challenging over the last three years. While freight demand remained consistent throughout most of 2010, the market softened towards the end of the year, and we experienced a weaker than usual first quarter of 2011, particularly in the West Coast. However, we experienced improved freight demand with each subsequent quarter of 2011.

Although we continue to see modest improvements in the general economic environment, there continues to be evidence that many truckload carriers are challenged with weak balance sheets, aging fleets, and rising costs. We expect the challenging truckload market to yield opportunities to continue to capture market share over time. We believe we are well-positioned to gain market share in the current environment and thrive as the market improves when truckload capacity decreases and/or freight demand increases.

Regulation

Our operations are regulated and licensed by various government agencies. Our company drivers and independent contractors also must comply with the safety and fitness regulations of the DOT, including those relating to drug and alcohol testing and 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 emissions, drivers' hours-of-service, driver eligibility, electronic, on-board recorders, collective bargaining, ergonomics, or other matters affecting safety or operating methods. Other agencies, such as the EPA and the Department of Homeland Security ("DHS"), also regulate our equipment, operations, and drivers.

The DOT, through the Federal Motor Carrier Safety Administration ("FMCSA"), imposes safety and fitness regulations on us and our drivers. In December of 2011, the FMCSA issued a final rule that placed additional limits on the amount of time drivers may operate a commercial motor vehicle. The FMCSA preserved the current 11-hour daily driving limit, but indicated that this daily limit may be revisited in the future. The rule proscribed two new requirements regarding driving hours. First, drivers must take 30 minute breaks after 8 hours of consecutive driving. Second, the rule reduced the total hours a driver is permitted to work during each week from 82 to 70.

The new rule also modified the requirements for when the weekly hours-of-service limit can be reset by having the driver refrain from working for a period of 34 hours, known as a "34-hour restart." While there were previously no conditions limiting the use of 34-hour restart periods, the new rule requires that a 34-hour restart may only be used once per week and only after the driver has observed two rest periods between 1 a.m. and 5 a.m. The new rule also adjusted the definition of "off-duty time" to exclude from hourly limits driver time spent in a parked vehicle. Finally, the rule defined what violations of hours-of-service rules are considered "egregious," and provided for enhanced penalties to carriers for when such violations occur.

We are unable to predict the impact that the new hours-of-service rules may have, how a court may rule on challenges to such rules, and to what extent the FMCSA might attempt to materially revise the rules. On the whole, however, we believe that the new rules will decrease productivity and cause some loss of efficiency, as drivers and shippers may

need to be retrained, computer programming may require modifications, additional drivers may need to be employed or engaged, additional equipment may need to be acquired, and some shipping lanes may need to be reconfigured. We are also unable to predict the effect of any new rules that might be proposed if the issued rule is stricken by a court, but any such proposed rules could increase costs in our industry or decrease productivity.

The FMCSA's new Comprehensive Safety Analysis 2010 ("CSA") initiative introduced a new enforcement and compliance model that ranks both fleets and individual drivers on certain safety-related standards. Please refer to "Item 1A. Risk Factors" for more information regarding CSA.

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The FMCSA also is considering revisions to the existing rating system and the safety labels assigned to motor carriers evaluated by the DOT. We currently have a satisfactory DOT rating, which is the highest available rating under the current safety rating scale. Under the revised rating system being considered by the FMCSA, our safety rating would be evaluated more regularly, and our safety rating would reflect a more in-depth assessment of safety-based violations.

Finally, the FMCSA has proposed new rules that will require nearly all carriers, including us, to install and use electronic, on-board recorders in their tractors (paperless logs) to electronically monitor truck miles and enforce hours-of-service. We have proactively installed electronic, on-board recorders on almost all of our company tractors. While there may be some impact on utilization, we believe that the on-board recorders may facilitate increased efficiencies that would mitigate the impact on utilization.

The Transportation Security Administration ("TSA") has adopted regulations that require a determination by the TSA that each driver who applies for or renews his or her license for carrying hazardous materials is not a security threat. This could reduce the pool of qualified drivers, which could require us to increase driver compensation, limit our fleet growth, or result in trucks sitting idle. These regulations also could complicate the matching of available equipment with hazardous material shipments, thereby increasing our response time on customer orders and our non-revenue miles. As a result, it is possible we may fail to meet the needs of our customers or may incur increased expenses to do so.

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, and our classification of independent contractors has been the subject of audits by such authorities from time-to-time. 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. Taxing and other regulatory authorities and courts apply a variety of standards in their determination of independent contractor status. If our independent contractor drivers are determined to be our employees, we would incur additional exposure under federal and state tax, workers' compensation, unemployment benefits, labor, employment, and tort laws, including for prior periods, as well as potential liability for employee benefits and tax withholdings.

Certain states and municipalities continue to restrict the locations and amount of time where diesel-powered tractors, such as ours, may idle, in order to reduce exhaust emissions. These restrictions could force us to alter our drivers' behavior, purchase on-board power units that replaces the engine power and eliminates idling, or face a decrease in productivity.

We are subject to various environmental laws and regulations dealing with the hauling and handling of hazardous materials, fuel storage tanks, emissions from our vehicles and facilities, engine idling, discharge and retention of storm water, and other environmental matters that involve inherent environmental risks. We maintain bulk fuel storage and fuel islands at several of our service centers. Our operations involve the risks of fuel spillage or seepage, environmental damage, and hazardous waste disposal, among others. Although we have instituted programs to monitor and control environmental risks and promote compliance with applicable environmental laws and regulations, if we are involved in a spill or other accident involving hazardous substances, if there are releases of hazardous substances we transport, or if we are found to be in violation of applicable laws or regulations, we could be subject to 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. As part of our safety and risk management program, we periodically perform internal environmental reviews so we can achieve environmental compliance and avoid

environmental risk. Our service centers and processes are designed to contain and properly dispose of hazardous substances and petroleum products which could be used or generated in connection with our business. We transport a small amount of environmentally hazardous materials and, to date, have experienced no significant claims for hazardous materials shipments.

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EPA regulations limiting exhaust emissions became effective in 2002 and became more restrictive for engines manufactured in 2007 and again for engines manufactured after January 1, 2010. In May of 2010, an executive memorandum was adopted directing the National Highway Traffic Safety Administration ("NHTSA") and the EPA to develop new, stricter fuel-efficiency standards for heavy tractors. In August of 2011, the EPA released fuel economy standards for heavy trucks for the first time. These standards will require a fuel economy improvement of approximately 20% by 2018, starting with the 2014 model year. California adopted new performance requirements for diesel tractors, with targets to be met between 2011 and 2023. In December 2008, California also adopted new trailer regulations, which require all 53-foot or longer box-type trailers that operate at least some of the time in California (no matter where they are registered) to meet specific aerodynamic efficiency requirements when operating in California. Beginning January 1, 2010, model year 2011 and newer 53-foot or longer box-type trailers subject to the California regulations were required to be either SmartWay certified or equipped with low-rolling, resistance tires and retrofitted with SmartWay-approved, aerodynamic technologies. Beginning December 31, 2012, pre-2011 model year 53-foot or longer box-type trailers must meet the same requirements as 2011 model year and newer trailers or have prepared and submitted a compliance plan, based on fleet size, which allows them to phase in their compliance over time. 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 addition, increasing efforts to control emissions of greenhouse gases are likely to have an impact on us. The EPA has announced a finding relating to greenhouse gas emissions that may result in promulgation of greenhouse gas air quality standards. Federal and state lawmakers have also considered a variety of climate-change proposals. New greenhouse gas regulations could increase the cost of new tractors, impair productivity, and increase our operating expenses.

Seasonality

Results of operations in the transportation industry frequently show a seasonal pattern. Continued expansion of our operations throughout the United States could expose us to greater operating variances due to periodic seasonal weather in various regions, which variance could have a materially adverse effect on our operations.

Acquisitions, Investments, and Dispositions

We regularly examine investment opportunities in areas related to the transportation industry. 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 four short-to-medium haul truckload carriers or have acquired substantially all of the trucking assets of such carriers, including: Phoenix, Arizona-based Roads West Transportation, Inc., acquired in 2006; Idaho Falls, Idaho-based Edwards Bros., Inc., acquired in 2005; Gulfport, Mississippi-based John Fayard Fast Freight, Inc., acquired in 2000; and Corsicana, Texas-based Action Delivery Service, Inc., acquired in 1999. Although most of our growth has been internal, we continue to evaluate acquisition opportunities.

In 2003, we signed a partnership agreement with Transportation Resource Partners, LP ("TRP"), a company that makes privately negotiated equity investments. Per the original partnership agreement, we committed to invest \$5.0 million out of approximately \$260.0 million. In early 2006, we increased the commitment amount to \$5.5 million. Our investment in TRP is accounted for using the cost method as our level of influence over the operations of TRP is minor. In 2011, we received \$115,000 earn-out for a TRP portfolio company that was sold in 2010, which

resulted a \$1.3 million gain in the year of the sale. The distribution received in 2011 was recognized as income in the current year. We also recorded a \$960,000 impairment in 2010 for an other-than-temporary loss in investment on the remaining TRP portfolio. At December 31, 2011, the carrying book balance of our investment in TRP was \$2.2 million, and our ownership interest was approximately 2.0%.

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In 2008, we formed Knight Capital Growth, LLC and committed \$15.0 million to invest in a new partnership managed and operated by the managers and principals of TRP. The new partnership, Transportation Resource Partners III, LP ("TRP III"), is focused on similar investment opportunities as TRP. As of December 31, 2011, we have contributed approximately \$5.2 million to TRP III. Our outstanding commitment to TRP III was approximately \$9.8 million as of December 31, 2011. Our investment in TRP III is accounted for using the equity method. In 2011, we recorded a gain of \$74,000 in our investment in TRP III, compared to a \$319,000 loss for the same period in 2010. At December 31, 2011, our investment balance in TRP III was approximately \$4.9 million, and our ownership interest was approximately 6.1%.

In 2009, our management consulting subsidiary, Knight Management Services, Inc. ("KMS"), entered into a consulting agreement with a truckload carrier ("Carrier"). In conjunction with the execution of the consulting agreement, the Company's investment subsidiary, Knight Capital Growth, LLC, negotiated an option agreement to purchase first 49%, then the remaining 51%, of the Carrier's outstanding stock. In the fourth quarter of 2010, Knight Capital Growth agreed to terminate these options without consideration.

In 2010, we invested \$5.0 million in marketable equity securities classified as available-for-sale securities. As of December 31, 2011, taking into account 2011 activity, our available-for-sale equity investment balance included in "Other long-term assets and restricted cash" was approximately \$4.2 million, including net unrealized losses of \$455,000 for the year.

Other Information

We were incorporated in 1989 and our headquarters are located at 5601 West Buckeye Road, Phoenix, Arizona 85043. 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 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. 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 trucking 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, excess tractor or trailer capacity in comparison with shipping demand, and downturns in customers' business cycles. Economic conditions, particularly in market segments and industries where we have a significant concentration of customers and in regions of the country where we have a significant amount of business, that decrease shipping demand or increase the supply of tractors and trailers can exert downward pressure on rates or equipment utilization, thereby decreasing asset productivity. Adverse economic conditions also may harm our customers and their ability to pay for our services. Customers encountering adverse economic conditions represent a greater potential for loss, and we may be required to increase our allowance for doubtful accounts.

We also are subject to increases in 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 prices, taxes, tolls, license and registration fees, insurance, revenue equipment, and healthcare for our employees. We could be affected by strikes or other work stoppages at our service centers or at customer, port, border, or other shipping locations. Changing impacts of regulatory measures could impair our operating efficiency and productivity and result in higher operating costs. In addition, declines in the resale value of revenue equipment can affect our profitability and cash flows.

In addition, we cannot predict the effects on the economy, fuel prices, or consumer confidence of actual or threatened armed conflicts or terrorist attacks, 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.

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Our growth may not continue at historical rates.

Although we experienced significant and rapid growth in revenue and profits since the inception of our business in 1990, our growth slowed in recent years until rebounding in 2011. There can be no assurance that our business will grow substantially or without volatility. Moreover, we may not be able to effectively adapt our management, administrative, and operational systems to respond to any future growth. Further, there can be no assurance that our operating margins will not be adversely affected by future changes in and expansion of our business or by changes in economic conditions.

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/or revenue equipment, as well as management resources, for future development. Should the growth in our regional operations slow or stagnate, 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 less economic activity and room for growth and fewer driver and non-driver personnel to support the service center. We may encounter operating conditions in these new markets that differ substantially from those previously experienced. We may not be able to duplicate our regional operating strategy successfully throughout the United States, or perhaps outside the United States, and it might take longer than expected or require a more substantial financial commitment than anticipated. In addition, the commencement of operations outside our existing lines of business is subject to the risks inherent in entering new lines of business, including, but not limited to: unfamiliarity with pricing, service, operational, and liability issues; the risk that customer relationships may be difficult to obtain or that we may have to reduce rates to gain customer relationships; the risk that the specialized equipment may not be adequately utilized; and the risk that claims may exceed our past experience.

Ongoing 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 employees' health insurance. We also are responsible for our legal expenses relating to such claims. We reserve for anticipated losses and expenses. We 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 above the amounts for which we self-insure with licensed insurance carriers. Although we believe the aggregate insurance limits should be sufficient to cover reasonably expected claims, it is possible that one or more claims could exceed our aggregate coverage limits. Insurance carriers have raised premiums for many businesses, including trucking companies. As a result, our insurance and claims expense could increase, or we could raise our self-insured retention when our policies are renewed or replaced. If these expenses increase, if we experience a claim in excess of our coverage limits, if our insurance carriers fail to pay on our insurance claims, or if we experience a claim for which coverage is not provided, our results of operations and financial condition could be materially and adversely affected.

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

The truckload industry is capital intensive, and our 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. If we are 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.

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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. Prices may increase, for among other reasons, due to increases in commodity prices and government regulations applicable to newly manufactured tractors and diesel engines and due to the pricing power among equipment manufacturers. In addition, the engines used 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 beginning in 2010. Compliance with such regulations has increased the cost of our new tractors and could impair equipment productivity and increase our operating expenses. These adverse effects, combined with the uncertainty as to the reliability of the vehicles equipped with the newly designed diesel engines and the residual values realized from the disposition of these vehicles, could increase our costs or otherwise adversely affect our business or operations as the regulations become effective. Over the past several years, some manufacturers have significantly increased new equipment prices, in part to meet new engine design requirements.

We have trade-in and/or 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, if we fail to enter into definitive agreements that reflect the terms we expect, if we fail to enter into similar arrangements in the future, or if we do not purchase the required number of replacement units from the vendors.

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

Our operations are dependent upon diesel fuel. Prices and availability of petroleum products are subject to political, economic, weather related, and market factors that are generally outside our control and each of which may lead to an increase in the cost of fuel. Because our operations are dependent upon diesel fuel, significant increases in diesel fuel costs could materially and adversely affect our results of operations and financial condition if we are unable to pass increased costs on to customers through rate increases or fuel surcharges. 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 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 program vary and customers may seek to modify the terms of their fuel surcharge programs to minimize recoverability for fuel price increases. A failure to improve our fuel price protection through these measures, increases in fuel prices, or a shortage of diesel fuel, could materially and adversely affect our results of operations.

Difficulty in driver and independent contractor recruitment and retention may have a materially adverse effect on our business.

Difficulty in attracting or retaining qualified drivers, including independent contractors, could have a materially adverse effect on our growth and profitability. Our industry periodically experiences a shortage of qualified drivers, particularly during periods of economic expansion, in which alternative employment opportunities are more plentiful. In addition, CSA and stricter hours-of-service limitations in the future may reduce effective driving capacity in our industry. Our independent contractors 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. If a shortage of drivers were to occur, or if we were unable to continue to attract and contract with independent contractors, we could be forced to, among other things, limit our

growth, increase the number of our tractors without drivers (which would lower our profitability), or further adjust our driver compensation package, which could adversely affect our profitability if not offset by a corresponding increase in rates.

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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. Taxing and other regulatory authorities and courts apply a variety of standards in their determination of independent contractor status. If our independent contractor drivers are determined to be our employees, we would incur additional exposure under federal and state tax, workers' compensation, unemployment benefits, labor, employment, and tort laws, including for prior periods, as well as potential liability for employee benefits and tax withholdings.

We operate in a highly regulated industry, and 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 authority granted by the DOT. Our company drivers and independent contractors also must comply with the safety and fitness regulations of the DOT, including those relating to drug and alcohol testing and 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, drivers' hours-of-service, ergonomics, on-board reporting of operations, collective bargaining, security at ports, and other matters affecting safety or operating methods.

The DOT, through the Federal Motor Carrier Safety Administration ("FMCSA"), imposes safety and fitness regulations on us and our drivers. In December of 2011, the FMCSA issued a final rule that placed additional limits on the amount of time drivers may operate a commercial motor vehicle. The FMCSA preserved the current 11-hour daily driving limit, but indicated that this daily limit may be revisited in the future. The rule proscribed two new requirements regarding driving hours. First, drivers must take 30 minute breaks after 8 hours of consecutive driving. Second, the rule reduced the total hours a driver is permitted to work during each week from 82 to 70.

The new rule also modified the requirements for when the weekly hours-of-service limit can be reset by having the driver refrain from working for a period of 34 hours, known as a "34-hour restart." While there were previously no conditions limiting the use of 34-hour restart periods, the new rule requires that a 34-hour restart may only be used once per week and only after the driver has observed two rest periods between 1 a.m. and 5 a.m. The new rule also adjusted the definition of "off-duty time" to exclude from hourly limits driver time spent in a parked vehicle. Finally, the rule defined what violations of hours-of-service rules are considered "egregious," and provided for enhanced penalties to carriers for when such violations occur.

We are unable to predict the impact that the new hours-of-service rules may have, how a court may rule on challenges to such rules, and to what extent the FMCSA might attempt to materially revise the rules. On the whole, however, we believe that the new rules will decrease productivity and cause some loss of efficiency, as drivers and shippers may need to be retrained, computer programming may require modifications, additional drivers may need to be employed

or engaged, additional equipment may need to be acquired, and some shipping lanes may need to be reconfigured. We are also unable to predict the effect of any new rules that might be proposed if the issued rule is stricken by a court, but any such proposed rules could increase costs in our industry or decrease productivity.

Failures to comply with DOT safety regulations or downgrades in our safety rating could have a material adverse impact on our operations or financial condition. A downgrade in our safety rating could cause us to lose the ability to self-insure. The loss of our ability to self-insure for any significant period of time would materially increase our insurance costs. In addition, we may experience difficulty in obtaining adequate levels of coverage in that event.

The FMCSA's CSA implemented a new enforcement and compliance model that ranks both fleets and individual drivers on certain safety-related standards. As discussed more fully below, CSA may reduce the number of eligible drivers and/or negatively impact our fleet ranking.

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Additionally, the FMCSA has proposed new rules that will require nearly all carriers, including us, to install and use electronic, on-board recorders in our tractors to electronically monitor truck miles and enforce hours-of-service. Such installation could cause an increase in driver turnover, adverse information in litigation, cost increases, and decreased asset utilization.

Other agencies, such as the EPA and the DHS also regulate our equipment, operations, and drivers. 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 prices could adversely affect our results of operations.

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

From time-to-time, various federal, state, or local taxes are 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.

CSA could adversely affect our profitability and operations, our ability to maintain or grow our fleet, and our customer relationships.

Under CSA, drivers and fleets are evaluated and ranked based on certain safety-related standards. The methodology for determining a carrier's DOT safety rating has been expanded to include the on-road safety performance of the carrier's drivers. As a result, certain current and potential drivers may no longer be eligible to drive for us, our fleet could be ranked poorly as compared to our peers, and our safety rating could be adversely impacted. The occurrence of future deficiencies could cause high-quality drivers to seek other carriers or could cause our customers to direct their business away from us and to carriers with higher fleet rankings, either of which would adversely affect our results of operations. Additionally, competition for drivers with favorable safety rating may increase and thus provide for increases in driver-related compensation costs. Additionally, we may incur greater than expected expenses in our attempts to improve our scores or as a result of those scores.

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 environmental laws and regulations dealing with the transportation, storage, presence, use, disposal and handling of hazardous materials, discharge of wastewater and storm water, and with waste oil and fuel storage tanks. Our truck terminals often are located in industrial areas where groundwater or other forms of environmental contamination could occur. Our operations involve the risks of fuel spillage or seepage, environmental damage, and hazardous waste disposal, among others. Certain of our facilities have waste oil or fuel storage tanks and fueling islands. A small percentage of our freight consists of low-grade hazardous substances, which subjects us to a wide array of regulations. Although we have instituted programs to monitor and control environmental risks and promote compliance with applicable environmental laws and regulations, if we are involved in a spill or other accident involving hazardous substances, if there are releases of hazardous substances we transport, if soil or groundwater contamination is found at our facilities or results from our operations, or if we are found to be in

violation of applicable laws or regulations, we could be subject to cleanup 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.

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EPA regulations limiting exhaust emissions became more restrictive in 2010. In May 2010, an executive memorandum was adopted directing the National Highway Traffic Safety Administration ("NHTSA") and the EPA to develop new, stricter fuel efficiency standards for heavy tractors, beginning in 2014. In August of 2011, the EPA released fuel economy standards for heavy trucks for the first time. These standards will require a fuel economy improvement of approximately 20% by 2018, starting with the 2014 model year. In December 2008, California adopted new performance requirements for diesel tractors, with targets to be met between 2011 and 2023. California also has adopted aerodynamics requirements for certain trailers. These regulations, as well as proposed regulations or legislation related to climate change that potentially impose restrictions, caps, taxes, or other controls on emissions of greenhouse gas, could adversely affect our operations and financial results. In addition, increasing efforts to control emissions of greenhouse gases are likely to have an impact on us. The EPA has announced a finding relating to greenhouse gas emissions that may result in promulgation of greenhouse gas emission limits. Federal and state lawmakers also are considering a variety of climate-change proposals. Compliance with such regulations could increase the cost of new tractors and trailers, impair equipment productivity, and increase operating expenses. These effects, combined with the uncertainty as to the operating results that will be produced by the newly designed diesel engines and the residual values of these vehicles, could increase our costs or otherwise adversely affect our business or operations.

Two of our service centers are located adjacent to environmental "superfund" sites. 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.

Our Indianapolis service center is located approximately one-tenth of a mile east of Reilly Tar and Chemical Corporation, a federal superfund site listed on the National Priorities List for cleanup. 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 it is possible that we could be responsible for cleanup costs regardless.

If we are involved in a spill or other accident involving hazardous substances, or if we are found to be in violation of applicable laws or regulations, it could have a materially adverse effect on our business and operating results. If we should fail to comply with applicable environmental regulations, we could be subject to substantial fines or penalties and to civil and criminal liability.

In order to reduce exhaust emissions and traffic congestion, some states and municipalities have begun to restrict the locations and amount of time where diesel-powered tractors, such as ours, may idle and/or travel. These restrictions could force us to alter our drivers' behavior and routes, purchase on-board power units that replaces the engine power and eliminates idling, or face a decrease in productivity.

Regulation or legislation related to climate change that potentially imposes restrictions, caps, taxes, or other controls on emissions of greenhouse gas could adversely affect our operations and financial results. More specifically, legislative or regulatory actions related to climate change could adversely impact the Company by increasing our fuel costs and reducing fuel efficiency and could result in the creation of substantial additional capital expenditures and operating costs in the form of taxes, emissions allowances, or required equipment upgrades. Any of these factors

could impair our operating efficiency and productivity and result in higher operating costs.

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

Historically, acquisitions have been a part of our growth. There is no assurance that we will be successful in identifying, negotiating, or consummating any future acquisitions. If we fail to make any future acquisitions, our growth rate could be materially and adversely affected. Any acquisitions we undertake could involve the dilutive issuance of equity securities and/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 retain our key employees or find, develop, and retain service center managers, 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: Kevin P. Knight, our Chairman of the Board and Chief Executive Officer; Gary J. Knight, our Vice Chairman of the Board; Keith T. Knight, our Chief Operating Officer; David A. Jackson, our President and Chief Financial Officer; and Kevin Quast, our Executive Vice President and Chief Operations Officer. We currently do not have employment agreements with any of these key employees, and the loss of any of their services could negatively impact our operations and future profitability. Additionally, we must, because of our regional operating strategy, continue to find, develop, and retain service center managers if we are to realize our goal of expanding our operations and continuing our growth. Failing to find, develop, and retain a core group of service center managers could have a materially adverse effect on our business.

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

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, 2011, our top 25 customers, based on revenue, accounted for approximately 41% of our revenue; our top 10 customers, approximately 25% of our revenue; and our top 5 customers, approximately 17% of our revenue. We operate in a highly competitive industry and generally do not have long-term contractual relationships with our customers. Accordingly, we cannot assure you that our customer relationships will continue as presently in effect. A reduction in 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 depend on third parties, particularly in our rail intermodal and brokerage businesses, and service instability from these providers could increase our operating costs and reduce our ability to offer rail intermodal and brokerage services, which could adversely affect our revenue, results of operations, and customer relationships.

Our rail intermodal business utilizes railroads and some third-party drayage carriers to transport freight for our customers. In most markets, rail service is limited to a few railroads or even a single railroad. Any reduction in service by the railroads with which we have, or in the future may have, relationships is likely to increase the cost of the rail-based services we provide and reduce the reliability, timeliness, 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, or obtain multiple providers, 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 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.

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If our investment in Transportation Resource Partners is not successful, we may be forced to write off part or all of our investment, 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 and its 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 financial position declines, we could be forced to write down all or part of our investment which could have a materially adverse effect on our operating results.

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

Our business depends on the efficient and uninterrupted operation of our computer and communications hardware systems and infrastructure. We currently maintain our computer system at our Phoenix, Arizona headquarters, along with computer equipment at each of our service centers. 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. 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 deploy the backup systems from an alternative location. However, this alternative location may be subject to the same interruptions as may affect our Phoenix headquarters. In the event of a significant system failure, our business could experience significant disruption.

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 headquarters and principal place of business is located at 5601 West Buckeye Road, Phoenix, Arizona on 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. The following table provides information regarding the location of our service centers and/or offices as at December 31, 2011:

Company	Owned or Leased			
Location	Office	Shop	Fuel	Leased
Atlanta, GA	Yes	Yes	Yes	Owned
Boise, ID	Yes	No	No	Leased

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Carlisle, PA	Yes	Yes	Yes	Owned
Charlotte, NC	Yes	Yes	Yes	Owned
Chicago, IL	Yes	Yes	Yes	Owned
Columbus, OH	Yes	Yes	Yes	Owned
Dallas, TX	Yes	Yes	Yes	Owned
Denver, CO	Yes	No	No	Leased
El Paso, TX	Yes	No	No	Owned
Fontana, CA	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	No	No	Leased
Las Vegas, NV	Yes	No	No	Leased
Memphis, TN	Yes	Yes	Yes	Owned
Minneapolis, MN	Yes	No	No	Leased
Nashville, TN	Yes	No	No	Owned
Phoenix, AZ	Yes	Yes	Yes	Owned
Portland, OR	Yes	Yes	Yes	Owned
Rancho Dominguez, CA	Yes	No	No	Leased
Reno, NV	Yes	No	No	Leased
Salt Lake City, UT	Yes	Yes	No	Owned
Seattle, WA	Yes	No	No	Leased
Tulare, CA	Yes	Yes	No	Owned
Tulsa, OK	Yes	No	No	Owned

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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 personnel matters. We maintain insurance to cover liabilities arising from the transportation of freight in amounts in excess of 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.

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

Item 4. Mine Safety Disclosures

None.

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.

2011	High	Low
First Quarter	\$20.12	\$18.00
Second Quarter	\$19.96	\$15.78
Third Quarter	\$17.79	\$12.78
Fourth Quarter	\$16.09	\$12.63
2010	High	Low
First Quarter	\$21.34	\$17.50
	\$22.38	\$18.81

Second Quarter		
Third Quarter	\$22.30	\$18.43
Fourth Quarter	\$20.16	\$17.67

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As of February 1, 2012, we had 71 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 28, 2012, the closing market price of our common stock on the NYSE was \$17.18 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
2011 dividend paid per common share	\$0.06	\$0.06	\$0.06	\$0.06	\$0.24
2010 dividend paid per common share	\$0.05	\$0.06	\$0.06	\$0.81	\$0.98

In addition to the routine quarterly dividend, we declared and paid a special cash dividend of \$0.75 per share in the fourth quarter of 2010, totaling \$0.81 per share for the quarter.

Our most recent dividend, which was declared in February of 2012 for \$0.06 per share, is scheduled to be paid in March of 2012.

We currently expect to continue to pay 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 November 13, 2008, our Board of Directors unanimously authorized the repurchase of up to 3.0 million shares of our common stock. As of December 31, 2010, there were 2,020,956 shares remaining for future purchases. On May 19, 2011, our Board of Directors unanimously authorized the repurchase of an additional 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, 2011, we repurchased 4,582,400 shares of its 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 2011. As of December 31, 2011, there were 7,438,556 shares remaining for future purchases under our current 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.

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Item 6. Selected Financial Data

The selected consolidated financial data presented below as of the end of, and for, each of the years in the five-year period ended December 31, 2011, 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)

	2011	2010	2009	2008	2007
Statements of Income Data:					
Revenue, before fuel surcharge	\$697,286	\$615,654	\$571,496	\$595,563	\$601,359
Fuel surcharge	168,913	115,055	80,225	171,372	112,224
Total revenue	866,199	730,709	651,721	766,935	713,583
Operating expenses	766,178	635,494	569,725	674,277	611,141
Income from operations	100,021	95,215	81,996	92,658	102,442
Interest income & other income	1,347	2,397	1,899	1,430	1,983
Interest expense	(180)	-	-	-	-
Income before income taxes	101,188	97,612	83,895	94,088	104,425
Net income	60,708	58,979	50,563	56,261	63,123
Net income attributable to Knight	60,248	59,072	50,563	56,261	63,123
Basic earnings per share	0.74	0.71	0.61	0.66	0.73
Diluted earnings per share	0.74	0.70	0.60	0.66	0.72
Balance Sheet Data (at end of period):					
Working capital	\$110,082	\$124,779	\$158,693	\$117,254	\$104,901
Total assets	737,583	676,987	686,473	646,940	643,364
Long-term debt	55,000	-	-	-	-
Cash dividend per share on common stock					
(1)	0.24	0.98	0.19	0.15	0.11
Knight Transportation Shareholders' equity					
	476,359	507,533	520,158	483,904	487,550
Operating Data (Unaudited):					
Operating ratio (2)	88.5 %	87.0 %	87.4 %	87.9 %	85.6 %
Operating ratio, excluding fuel surcharge (3)	85.7 %	84.5 %	85.7 %	84.4 %	83.0 %
Average revenue per tractor (4)	\$157,076	\$150,992	\$143,560	\$150,543	\$151,945
Average length of haul (miles)	483	478	470	518	542
Empty mile factor	10.6 %	10.7 %	11.9 %	11.8 %	12.8 %
Tractors operated at end of period (5)	3,976	3,866	3,736	3,699	3,758
Trailers operated at end of period	8,986	9,008	8,595	9,155	8,809

(1) In addition to the quarterly dividend paid in all four quarters of 2010, we declared and paid a special dividend of \$0.75 per share in the fourth quarter of 2010.

(2) Operating expenses as a percentage of total revenue.

(3) Operating expenses, net of fuel surcharge, as a percentage of revenue, before fuel surcharge. Management believes that eliminating the impact of this sometimes volatile

source of revenue affords a more consistent basis for comparing our results of operations from period to period.

- (4) Average revenue per tractor includes revenue for our assets based operation only. It does not include fuel surcharge revenue, other revenue, or revenue from our non-assets based operations.
- (5) Includes: (a) 467 independent contractor operated vehicles at December 31, 2011; (b) 446 independent contractor operated vehicles at December 31, 2010; (c) 329 independent contractor operated vehicles at December 31, 2009; (d) 185 independent contractor operated vehicles at December 31, 2008; and (e) 231 independent contractor operated vehicles at December 31, 2007.

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

Cautionary Note Regarding Forward-Looking Statements

Item 7 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. All statements, other than statements of historical fact, are statements that could be deemed forward-looking statements, including without limitation: any projections of earnings, revenues, or other financial items; any statement of plans, strategies, and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; and any statements of belief and any statement of assumptions underlying any of the foregoing. Such statements may be identified by their use of terms or phrases such as "believe," "may," "could," "expects," "estimates," "projects," "anticipates," "plans," "intends," and similar terms and phrases. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, which could cause future events and actual results to differ materially from those set forth in, contemplated by, or underlying the forward-looking statements. 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.

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 are one of North America's largest truckload transportation providers. We offer a broad range of truckload services through a nationwide network of service centers, one of the country's largest company-owned tractor fleets, and contractual access to the fleets of thousands of third-party equipment providers. We have grown substantially by increasing the geographic reach of our service center network and by expanding the breadth of our services. Our objective is to operate our businesses with industry-leading margin and growth, while providing safe, high-quality, cost-effective solutions for our customers.

Our current services include dry van truckload, temperature-controlled truckload, and dedicated truckload services, drayage services between ocean ports or rail ramps and shipping docks, rail intermodal services, and truckload freight brokerage services. Through this range of services, we are able to transport, or arrange for the transportation of, a wide range of commodities for a diversified customer base throughout the United States and parts of Canada and Mexico.

Our operations involve a range of investments in capital assets, and expected operating margins. Our asset-based businesses generally include dry van truckload, refrigerated truckload, dedicated truckload, and drayage services. Our non-asset-based services generally include rail intermodal and truckload brokerage services. However, within our asset-based services, the use of owner-operators to provide tractors lowers the capital investment in certain of our dry van and refrigerated operations. In addition, drayage operations generally involve less expensive tractors with longer lives, and do not require a large investment in trailers. In recent years, the less asset-intensive portions of our business have grown faster than the more asset-intensive portions of our business. We evaluate the growth opportunities for

each of our businesses based on customer demand and supply chain trends, availability of drivers, expected returns on invested capital, expected net cash flows, and our company-specific capabilities.

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Our operating strategy for our asset-based operations 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 decentralized 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, decrease maintenance expenses and downtime, and enhance our operating efficiencies. We employ technology in a cost-effective manner to assist us in controlling operating costs and enhancing revenue. Our operating strategy for our non-asset-based operations is to match the shipping needs of our customers that do not fit our asset-based services, with the capacity provided by our network of third-party truckload carriers and our rail partners. This operating strategy allows us to leverage our existing network and marketing personnel to provide our customers alternatives at a low cost per transaction.

The main factors that affect our results are industry-wide economic factors, such as supply and demand and fuel prices, 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), the freight volumes brokered to third-party equipment providers (including our rail partners), and our ability to control costs.

Revenue and Expenses

We primarily generate revenue by transporting freight for our customers. Generally, we are paid a predetermined rate per mile or per load for our services. Additional revenues are generated by charging for tractor and trailer detention, loading and unloading activities, 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 revenue are the revenue per mile we receive from our customers, the percentage of miles for which we are compensated, and the number of miles we generate with our equipment. These factors relate, among other things, to the general level of economic activity in the United States, inventory levels, specific customer demand, the level of capacity in the trucking industry, and driver availability.

The most significant expenses in our business include fuel, driver-related expenses (such as wages, benefits, training, and recruitment) and costs associated with independent contractors and third-party equipment providers (which are recorded on the "Purchased Transportation" line of our consolidated statements of income). Expenses that have both fixed and variable components include maintenance and tire expense and our total cost of insurance and claims. These expenses generally vary with the miles we travel, but also have a controllable component based on safety, fleet age, efficiency, and other factors. Our main fixed costs are the acquisition and depreciation of long-term assets, such as revenue equipment and service centers and the compensation of non-driver personnel. Effectively controlling our expenses is an important element of assuring our profitability. The primary measure we use to evaluate our profitability is the operating ratio of each of our businesses, excluding the impact of fuel surcharge revenue (operating expenses, net of fuel surcharge, as a percentage of revenue, before fuel surcharge).

Since our inception, an important element of our operating model has been an extreme focus on cost per mile. We intend to carry this focus with us as we expand service offerings, grow existing service centers, and make selective acquisitions.

Recent Results of Operations and Year-End Financial Condition

Our results of operations for the year ended December 31, 2011 compared to the year ended December 31, 2010 were as follows:

- Total revenue, including fuel surcharge, increased 18.5%, to \$866.2 million from \$730.7 million;
- Revenue, before fuel surcharge, increased 13.3%, to \$697.3 million from \$615.7 million;
- Net income attributable to Knight increased 2.0%, to \$60.2 million from \$59.1 million; and
- Net income attributable to Knight per diluted share increased to \$0.74 from \$0.70.

Overall, freight demand and industry-wide supply of tractors and trailers were in relative equilibrium during 2011, although occasional peaks in demand created opportunities to increase freight rates overall. Freight demand was weak in the first quarter of 2011, particularly on the West Coast, but improved with each subsequent quarter of the year. Our fourth quarter of 2011 was particularly strong as our asset-based businesses (dry van, refrigerated, and port/rail services) demonstrated healthy operating fundamentals to achieve a 6.8% improvement in revenue before fuel surcharge per tractor, when compared to the same quarter of last year. This was the most significant improvement in the last six quarters.

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In 2011, we operated an average 3,908 tractors, an increase of 91 tractors from a year ago. We finished the year with 3,976 tractors in the fleet, up 110 tractors from 2010. Equipment productivity, as measured by average revenue before fuel surcharge per tractor, increased 4.0% in 2011. The improvement in our equipment productivity was attributable to improvements in our freight mix and contract pricing resulting from favorable trends in a recovering truckload freight market.

Our average length of haul increased 1.0% to 483 miles in 2011 from 478 miles in 2010. Miles per tractor increased 1.1% overall for the year, and 4.1% in fourth quarter of 2011 compared to the same quarter a year ago. Non-paid empty miles were 10.6% for 2011, compared to 10.7% for 2010.

During 2011, our cash and short-term investment balance decreased \$42.8 million, after returning \$96.1 million to our shareholders in the form of quarterly cash dividends and stock repurchases. At December 31, 2011, our balance sheet reflected \$9.6 million in cash, cash equivalents and short-term investments, and shareholders' equity attributable to Knight of \$476.4 million. In 2011, we generated \$160.7 million in cash flow from operations and used \$138.3 million for capital expenditures net of equipment sales.

Since inception, we have been profitable through multiple economic cycles. We view these cycles as opportunities to gain market share from competitors that do not have the financial staying power to survive the cycles. These cycles also provide valuable experience to our managers that will help us develop the leaders to grow this business profitably.

Our liquidity is not materially affected by off-balance sheet transactions. See "Off-Balance Sheet Transactions" on page 27 for a description of our off-balance sheet transactions.

Trends and Outlook

We have created a service network with financial accountability, a modern fleet, and the capability of serving multiple truckload modes to customers in North America. We believe our operating strategies are contributing factors to our revenue and earnings growth.

While all our businesses produced revenue growth, a meaningful percentage of our growth in 2011 came through less capital-intensive operations such as brokerage, intermodal, drayage services, and growing our independent contractor fleet. Though economic recovery appears modest, freight demand has been strong in certain markets, especially during seasonal periods. We expect volume level improvement in future quarters, as the general economy strengthens.

In 2012, we expect truckload freight demand to continue to expand, although rising fuel prices, global political and economic forces, the strength of the dollar against other currencies, and other factors outside our control could affect freight volumes. We expect that CSA, the new hours-of-service rules, and other regulations could result in a reduction in effective capacity, a negative impact on equipment utilization, and driver shortages. Assuming freight demand is improving, we believe carriers that are well-positioned to meet such challenges will have opportunities to increase market share and revenue per mile. On the cost side, rising fuel prices are not fully offset by fuel surcharges and negatively impact earnings. Additionally, revenue equipment and tire prices, as well as driver pay, are expected to increase. In this environment, it will be important to allocate equipment to more compensatory shipments, use technology to generate efficiencies, and effectively manage fuel and other costs. We believe we have the service center network, the modern fleet, the comprehensive truckload services, the management team, the technology, intense focus on cost control, and the capital resources to successfully overcome these challenges and capitalize on future opportunities.

We will continue to utilize the flexibility of our decentralized model to react and adapt to market conditions. We are always optimizing our model and refining our execution in reaction to, or in anticipation of, the truckload market dynamics. We will continue to evaluate acquisition candidates and other opportunities that create value for our shareholders and further advance our long-term strategy.

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Results of Operations

The following table sets forth the percentage relationships of our expense items to total revenue and revenue, before fuel surcharge, for each of the three fiscal years indicated below. Fuel expense as a percentage of revenue, before fuel surcharge, is calculated using fuel expense, net of fuel surcharge. Management believes that eliminating the impact of this potentially volatile source of revenue affords a more consistent basis for comparing our results of operations from period to period.

	2011	2010	2009		2011	2010	2009
	100.0 %	100.0 %	100.0 %		100.0 %	100.0 %	100.0 %
Total revenue including fuel surcharge(1)				Revenue, before fuel surcharge(1)			
Operating expenses:				Operating expenses:			
Salaries, wages and benefits	25.3	28.3	30.5	Salaries, wages and benefits	31.3	33.5	34.8
Fuel (2)	26.1	23.9	21.5	Fuel (3)	8.3	9.6	10.5
Operations and maintenance	6.2	6.4	6.6	Operations and maintenance	7.7	7.6	7.5
Insurance and claims	3.5	3.4	3.4	Insurance and claims	4.3	4.1	3.9
Operating taxes and licenses	1.8	1.9	2.1	Operating taxes and licenses	2.2	2.3	2.4
Communications	0.6	0.7	0.8	Communications	0.8	0.9	0.9
Depreciation and amortization	8.8	9.7	11.0	Depreciation and amortization	10.9	11.5	12.5
Lease expense – revenue equipment	0.0	0.0	0.0	Lease expense – revenue equipment	0.0	0.0	0.0
Purchased transportation	14.9	11.2	9.5	Purchased transportation	18.5	13.3	10.8
Miscellaneous operating expenses	1.3	1.5	2.0	Miscellaneous operating expenses	1.7	1.7	2.4
Total operating expenses	88.5	87.0	87.4	Total operating expenses	85.7	84.5	85.7
Income from operations	11.5	13.0	12.6	Income from operations	14.3	15.5	14.3
Net interest and other income	0.2	0.4	0.3	Net interest and other income	0.2	0.4	0.3
Income before income taxes	11.7	13.4	12.9	Income before income taxes	14.5	15.9	14.6
Income taxes	4.7	5.3	5.1	Income taxes	5.8	6.3	5.8
Net income	7.0	8.1	7.8	Net income	8.7	9.6	8.8
Net gain attributable to noncontrolling interest	0.0	0.0	0.0	Net gain attributable to noncontrolling interest	(0.1)	0.0	0.0
Net income attributable to	7.0 %	8.1 %	7.8 %	Net Income attributable to	8.6 %	9.6 %	8.8 %

Knight
Transportation

Knight
Transportation

- (1) There are minor rounding differences in the table.
- (2) Gross fuel expense without fuel surcharge.
- (3) Fuel expense, net of fuel surcharge.

A discussion of our results of operations for the periods 2011 to 2010 and 2010 to 2009 is set forth below.

Fiscal 2011 Compared to Fiscal 2010

Total revenue increased 18.5% for 2011 to \$866.2 million from \$730.7 million for 2010. Total revenue included \$168.9 million of fuel surcharge revenue in 2011 and \$115.0 million of fuel surcharge revenue in 2010. Due to rising fuel prices and improvement in our freight mix and contract pricing, our fuel surcharge revenue increased 46.8% in 2011 from a year ago. In discussing our results of operations we use revenue, before fuel surcharge (and fuel expense, net of surcharge), because we believe that eliminating the impact of this, at times volatile source of revenue, affords a more consistent basis for comparing our operating results from period to period. We also discuss the changes in our expenses as a percentage of revenue, before fuel surcharge, rather than absolute dollar changes. We do this because we believe our relatively high variable costs as a percentage of revenue makes a comparison of changes in expenses as a percentage of revenue more meaningful than absolute dollar changes.

Revenue, before fuel surcharge, increased 13.3% to \$697.3 million for 2011, from \$615.7 million in 2010. We experienced revenue growth in each of our businesses in 2011. Growth in our asset-based operations was attributable to a combination of improved productivity and pricing which contributed to the 2.9% improvement in average revenue per total mile. We added 91 average tractors to the average size of our fleet, and produced marginal improvements in our non-paid empty mile percentage rate. Our average freight revenue per tractor per week improved 4.0% to \$3,021 per tractor in 2011, from \$2,904 per tractor in 2010. In addition to the improvement in our equipment productivity, we also increased our average length of haul 1.0% from a year ago. We ended 2011 with 3,976 tractors, including owner-operated tractors, an increase of 110 tractors from a year ago. If the economy continues to improve gradually, and capacity remains tight, we anticipate obtaining overall rate increases in 2012 and beyond; however, adverse changes in either of these factors would likely prevent rate increases and could negatively affect existing rates.

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Salaries, wages and benefits expense as a percentage of revenue, before fuel surcharge, decreased to 31.3% in 2011 from 33.5% in 2010. Our 2010 expense in this category included a non-cash \$2.5 million pre-tax (\$2.0 million after tax) stock compensation charge related to an adjustment to the straight-line recognition of expense as prescribed in ASC 718 and the accelerated vesting of equity awards under our equity compensation plan as a result of the passing of a senior executive. Our accrual for workers' compensation benefits and stock based compensation expense are components of our salaries, wages and benefit expense. We believe that the driver market is tightening and expect the implementation of CSA to reduce further the pool of available drivers, which could require us to increase driver pay in 2012.

Fuel expense, net of fuel surcharge, as a percentage of revenue, before fuel surcharge, decreased to 8.3% in 2011, from 9.6% in 2010. Fuel costs in total dollars increased as U.S. National Average Diesel Fuel price increased more than 25% in 2011. Our fuel cost as a percentage of revenue improved due to the significant revenue growth of our non-asset-based business where no fuel expense is incurred, and a 15.3% increase in the percentage of our fleet miles driven by independent contractors, who buy their own fuel, higher fuel surcharge recovery, fuel efficiency initiatives such as trailer blades, newer tractors, and idle-control programs. We maintain a fuel surcharge program to assist us in recovering a portion of our fuel expense, however, most fuel surcharge programs have not adequately offset the additional cost related to the increase in the average price of diesel. Fuel surcharge revenue was \$168.9 million in 2011, compared to \$115.1 million in 2010.

Operations and maintenance expense as a percentage of revenue, before fuel surcharge, increased slightly to 7.7% in 2011, from 7.6% in 2010. Equipment maintenance costs increased as the average age of our fleet peaked during the middle of 2011 at 2.4 years, which is significantly higher than our historic average age. During the second half of the year we replaced a significant number of tractors which lowered the average age of our fleet to 1.7 years. Furthermore, we experienced increases in tire costs due to rising commodity prices, and the expansion of our network of shop facilities and each of our operating business segments incurred more general operating expenses including driver hire related costs.

Insurance and claims expense as a percentage of revenue, before fuel surcharge, increased to 4.3% for 2011, compared to 4.1% for 2010.

Operating taxes and license expense as a percentage of revenue, before fuel surcharge, decreased slightly to 2.2% in 2011, compared to 2.3% in 2010.

Communications expense was marginally lower as a percentage of revenue, before fuel surcharge; 0.8% in 2011, compared to 0.9% in 2010.

Depreciation and amortization expense, as a percentage of revenue, before fuel surcharge, decreased to 10.9% for 2011, from 11.5% in 2010. This fixed cost was absorbed more effectively due to higher revenue per tractor, higher equipment utilization, and increased use of third-party carriers. Higher equipment prices for EPA compliant engines partially offset these decreases. Almost all of our company-owned tractor fleet is comprised of the US EPA 2010 or US EPA 2007 engine. 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 trade-in schedule. In 2011, we continued to invest in aerodynamic devices to improve trailer aerodynamics that lead to meaningful fuel efficiency improvements. Absent offsetting improvements in revenue per tractor or continued growth in our independent contractor fleet and non-asset-based operations, our expense in this category as a percentage of revenue could increase going forward if equipment prices continue to inflate.

Purchased transportation expense as a percentage of revenue, before fuel surcharge, increased to 18.5% for the year ended 2011, from 13.3% for the same period in 2010. Purchased Transportation is comprised of payments to

independent contractors for our dry-van, refrigerated, and port services operations, to third-party carriers in our brokerage operations, to railroads for our intermodal operations, and our sourcing activities. The increase in this category is primarily due to the growth in our brokerage operations, which grew revenues 52.8% in 2011. We experienced growth in our fleet of independent contractors, which also contributed to the increase. Purchased transportation costs generally take into account changes in diesel fuel prices, resulting in higher payments during periods of rising fuel prices.

Miscellaneous operating expenses as a percentage of revenue, before fuel surcharge, remained constant at 1.7% for both 2011 and 2010.

As a result of the above factors, our operating ratio (operating expenses, net of fuel surcharge, expressed as a percentage of revenue, before fuel surcharge) was 85.7% for 2011, compared to 84.5% for 2010. The change in operating ratio was consistent with the growth in our less asset-intensive businesses.

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Net interest and other income as a percentage of revenue, before fuel surcharge, decreased to 0.2% in 2011 compared to 0.4% in 2010. We increased our borrowing capacity in the third quarter of 2011 and have utilized \$55 million of our line of credit as at December 31, 2011. As a result, we incurred \$180,000 in interest expense for 2011. Other income in 2010 includes a \$718,000 final earn-out from our investment in Concentrek, which we sold in 2005.

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 40.0% for 2011 and 39.5% for 2010.

As a result of the preceding, our net income attributable to Knight increased 2.0% and our net income, as a percentage of revenue, before fuel surcharge, was 8.6% for 2011, compared to 9.6% in 2010.

Fiscal 2010 Compared to Fiscal 2009

Total revenue for 2010 increased 12.1% to \$730.7 million from \$651.7 million for 2009. Total revenue included \$115.0 million of fuel surcharge revenue in 2010 and \$80.2 million of fuel surcharge revenue in 2009. Due to rising fuel prices and improvement in our freight mix and contract pricing, our fuel surcharge revenue increased 43.4% in 2010 from a year ago. In discussing our results of operations we use revenue, before fuel surcharge (and fuel expense, net of surcharge), because management believes that eliminating the impact of this sometimes volatile source of revenue affords a more consistent basis for comparing our results of operations from period to period. We also discuss the changes in our expenses as a percentage of revenue, before fuel surcharge, rather than absolute dollar changes. We do this because we believe our relatively high variable costs as a percentage of revenue makes a comparison of changes in expenses as a percentage of revenue more meaningful than absolute dollar changes.

Revenue, before fuel surcharge, increased 7.7% to \$615.7 million for 2010, from \$571.5 million in 2009. In 2010, we experienced revenue growth in each of our services. Our revenue growth in 2010 was attributable to a 3.5% improvement in average revenue per total mile, adding 73 average tractors to the average size of our fleet, a 9.8% improvement in our non-paid empty mile, and growth in our brokerage and rail intermodal revenues. Our average freight revenue per tractor per week improved 5.2% to \$2,904 per tractor in 2010, from \$2,761 per tractor in 2009. In addition to the improvement in our equipment productivity, we also increased our average length of haul 1.7% from a year ago. We ended 2010 with 3,866 tractors, an increase of 130 tractors from a year ago.

Salaries, wages and benefits expense as a percentage of revenue, before fuel surcharge, decreased to 33.5% in 2010 from 34.8% in 2009. While driver wages rose in 2010, we were able to lower our overall salary and wages as a percent of revenue due to higher revenue per mile and by decreasing the percentage of our fleet operated by company drivers, as opposed to independent contractors. At December 31, 2010, 88.5% of our fleet was operated by company drivers, compared to 91.2% at December 31, 2009. Our accrual for workers' compensation benefits and stock based compensation expense are components of our salaries, wages and benefit expense. Our 2010 expense in this category included a non-cash \$2.5 million pre-tax (\$2.0 million after tax) stock compensation charge related to an adjustment to the straight-line recognition of expense as prescribed in ASC 718 and the accelerated vesting of equity awards under our equity compensation plan as a result of the passing of a senior executive.

Fuel expense, net of fuel surcharge, as a percentage of revenue, before fuel surcharge, decreased to 9.6% in 2010, from 10.5% in 2009. Fuel costs in total dollars increased as U.S. National Average Diesel Fuel price increased more than 20% in 2010. Our fuel cost as a percentage of revenue improved due to higher fuel surcharge recovery and a 2.6% increase in the percentage of our fleet miles driven by independent contractors, who buy their own fuel and receive a fuel surcharge payment from us, and an increase in purchased transportation costs paid to third-party equipment providers. Our fuel cost also was reduced by \$1.1 million due to a gain from a future swap contract that was settled in the second quarter of 2010. We maintain a fuel surcharge program to assist us in recovering a portion of

our fuel expense. Fuel surcharge revenue was \$115.1 million in 2010, compared to \$80.2 million in 2009.

Operations and maintenance expense as a percentage of revenue, before fuel surcharge, increased slightly to 7.6% in 2010, from 7.5% in 2009. Equipment maintenance cost increased as we added more miles to our trucks and due to a modest increase in the average age of our equipment. These expenses were partially offset by an increase in the percentage of miles driven by independent contractors, who pay for the maintenance of their own vehicles.

Insurance and claims expense as a percentage of revenue, before fuel surcharge, increased to 4.1% for 2010, compared to 3.9% for 2009.

Operating taxes and license expense as a percentage of revenue, before fuel surcharge, decreased slightly to 2.3% in 2010, compared to 2.4% in 2009.

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Communications expense as a percentage of revenue, before fuel surcharge, remained constant at 0.9% in 2010 and 2009.

Depreciation and amortization expense, as a percentage of revenue, before fuel surcharge, decreased to 11.5% for 2010, from 12.5% in 2009. The decrease is due to higher revenue per tractor which more effectively spread this fixed cost, higher equipment utilization, a decrease in the percentage of our fleet comprised of company-owned tractors, and increased use of third-party carriers. As of December 31, 2010, 11.5% of our fleet was operated by independent contractors, compared to 8.8% a year ago. These decreases were partially offset by higher equipment prices for EPA compliant engines. Over 85% of our company-owned tractor fleet are comprised of the US EPA 2007 or US EPA 2010 engine. These engines are documented to provide substantial emissions reductions, and we also believe this investment will contribute to our strategy of maintaining efficiency in our operations by adhering to a relatively consistent trade-in schedule. In 2010, we also have invested in aerodynamic devices to improve trailer aerodynamics which lead to meaningful fuel efficiency improvements. Absent offsetting improvements in revenue per tractor or continued growth in our independent contractor fleet, our expense in this category may increase going forward if equipment prices continue to inflate.

Purchased transportation represents the amount that independent contractors, as well as contracted carriers for our brokerage and intermodal operations, are paid to haul freight for us on a mutually agreed upon per-mile or per-shipment basis. Purchased transportation expense as a percentage of revenue, before fuel surcharge, increased to 13.3% for the year ended 2010, from 10.8% for the same period in 2009. The increases in this category are primarily due to a 2.6% increase in the miles operated by independent contractors, as opposed to company drivers, and that demand for broker loads improved in 2010 compared to the same period a year ago. To the extent compensation for independent contractors or third-party capacity providers increases, truckload demand exceeds capacity additions, fuel prices continue to rise, or competition for independent contractors increases, our purchased transportation expense per mile or load could increase.

Miscellaneous operating expenses as a percentage of revenue, before fuel surcharge, decreased to 1.7% for 2010, compared to 2.4% for 2009. Gains from the sale of used equipment are included in miscellaneous operating expenses. Gains from sale of equipment increased to \$6.2 million for the year ended December 31, 2010, compared to \$2.8 million for the year ended December 31, 2009. Excluding gains from sale of equipment, miscellaneous operating expense would have decreased to 2.7% for the year ended December 31, 2010, compared to 2.9% for the same period in 2009. This decrease is due to our continuous effort to manage our costs coupled with increased revenue that covers certain fixed components of our miscellaneous operating expenses.

As a result of the above factors, our operating ratio (operating expenses, net of fuel surcharge, expressed as a percentage of revenue, before fuel surcharge) was 84.5% for 2010, compared to 85.7% for 2009.

Net interest and other income as a percentage of revenue, before fuel surcharge, increased slightly to 0.4% for 2010, compared to 0.3% for 2009. We had no outstanding debt at December 31, 2010 or 2009. Other income in the current year includes a \$718,000 earn-out from our investment in Concentrek, which was sold in 2005. We also recognized a \$1.3 million gain for the sale of a TRP portfolio company whose value had substantially increased since purchase. However, the gain from the sale was off-set by approximately the same amount for an impairment charge in the remaining TRP portfolio and the equity loss in our investment in TRP III.

Income taxes have been provided 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 39.5% for 2010 and 39.7% for 2009.

As a result of the preceding changes, our net income, as a percentage of revenue, before fuel surcharge, was 9.6% for 2010, compared to 8.8% in 2009.

Liquidity and Capital Resources

The growth of our business has required, and will continue to require, a significant investment in new revenue equipment. Our primary sources of liquidity have been funds provided by operations, issuances of our common stock, and borrowings under our line of credit.

Net cash provided by operating activities was approximately \$160.7 million, \$170.1 million, and \$86.9 million for the years ended December 31, 2011, 2010, and 2009, respectively. The decrease for 2011 is partly due to a decrease in cash inflows from liquidating short-term investments of \$24.4 million in 2011 compared to \$42.6 million in 2010. A reduction in income taxes paid in 2011 compared to the income taxes paid in 2010 resulted in a \$29.8 million increase of cash, which was partially offset by an increase in the change in trade receivables to \$23.0 million in 2011, compared to an increase of \$6.3 million in 2010.

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Net cash used in investing activities was approximately \$140.1 million, \$95.6 million, and \$60.4 million for the years ended December 31, 2011, 2010, and 2009, respectively. The increase is mainly due to an increase in capital expenditures for revenue equipment in 2011 as we refreshed our tractor fleet from a peak average age of 2.4 years during the year 2011 to end the year at 1.7 years. Capital expenditures for the purchase of revenue equipment (net of equipment sales and trade-ins), office equipment, and land and leasehold improvements, totaled \$138.3 million, \$91.5 million, and \$55.7 million for the years ended December 31, 2011, 2010, and 2009, respectively. Excluding any acquisitions, we currently anticipate capital expenditures, net of trade-ins, of approximately \$80 million to \$90 million for 2012. We expect to use our capital expenditure estimate to acquire primarily new revenue equipment.

Net cash used in financing activities was approximately \$39.0 million, \$77.3 million, and \$17.7 million for the years ended December 31, 2011, 2010, and 2009. The decrease is primarily due to increasing our borrowing capacity in the third quarter of 2011 and utilizing \$55 million of our line of credit as at December 31, 2011. Furthermore, we returned \$96.1 million to our shareholders by way of dividends and stock repurchases in 2011 compared to \$82.0 million in 2010.

We currently maintain a line of credit, which permits revolving borrowings and letters of credit up to an aggregate of \$150.0 million. At December 31, 2011, amounts outstanding under our line of credit were \$55.0 million, which is classified as a long-term liability on the "Long-term debt" line in the balance sheet. 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 \$25.3 million at December 31, 2011. Combining the amounts borrowed and letters of credit issued, we have \$69.7 million available for future borrowing under our line of credit. Under our line of credit agreement, we are obligated to comply with certain financial covenants and were compliant at December 31, 2011.

As of December 31, 2011, our cash, cash equivalents, and short-term investments totaled \$9.6 million, compared to \$52.4 million as of December 31, 2010. We believe that we will be able to finance our short-term needs for working capital over the next 12 months and beyond, as well as acquisitions of revenue equipment during such period, with cash, cash flows from operations, and the borrowing available under our existing line of credit. We will have significant capital requirements over the long-term, which may require us to incur debt or seek additional equity capital. The availability of additional capital will depend upon prevailing market conditions, the market price of our common stock, and several other factors over which we have limited control, as well as our financial condition and results of operations. 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.

Off-Balance Sheet Transactions

Our liquidity is not materially affected by off-balance sheet transactions. Like many other trucking companies, periodically we have utilized operating leases to finance a portion of our revenue equipment acquisitions. We had no leased revenue equipment in 2011 or 2010.

We utilize operating leases to facilitate some of our service centers and temporary trailer storage. These operating leases have termination dates ranging from January 2012 through 2015. Rental payments for such facilities and trailer storage are reflected in our Consolidated Statements of Income in the "Miscellaneous operating expenses" line item. Rental payments for our facilities and trailer storage totaled \$2.5 million, \$2.3 million, and \$1.9 million for the years ended December 31, 2011, 2010, and 2009, respectively.

Tabular Disclosure of Contractual Obligations

The following table sets forth, as of December 31, 2011, 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)			
		Less than 1 year	1-3 years	3-5 years	More than 5 years
Purchase obligations(1)	\$ 121,331	\$ 121,331	\$-	\$-	\$ -
Long-term debt (2)	55,000	-	55,000	-	-
Investment commitments (3)	10,805	4,009	4,928	1,678	190
Operating leases – buildings & equipment	4,428	1,403	2,610	415	-
Dividend payable	1,534	77	156	158	1,143
Total	\$ 193,098	\$ 126,820	\$ 62,694	\$ 2,251	\$ 1,333

- (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 \$29,849 from 2011 contracts.
- (2) Long-term debt of \$55.0 million is borrowing under the company's line of credit, which has maturity date of July 2016. We expect to pay-off the debt balance prior to the final maturity date.
- (3) Investment commitments primarily consist of contractual obligations for TRP III, which are subject to capital calls by TRP's manager. The expected timing of the capital calls is presented above. However, calls may be made at any time in the discretion of TRP's manager.

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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, consulting with experts, and using 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 two 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, 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 indication 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 fair market value exceeds the carrying 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.

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 claims reserves are adjusted upon review of facts or information that better inform us as to the value of the claim based on numerous factors. 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 was 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.

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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, thereby impacting the likelihood of realizing the deferred tax assets, judgment would have to be applied to determine the amount of valuation allowance required in any given period.

Management judgment also is required regarding a variety of other factors, including, the appropriateness of tax strategies, expected future tax consequences based on our future performance, and to the extent tax strategies are challenged by taxing authorities, our likelihood of success. 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 in determining the likely range of defense and settlement costs, and an ultimate result worse than our expectations could adversely affect our results of operations.

A tax benefit 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.

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, but not to 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 and management bases such 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.

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

Segment Reporting. Based on the accounting guidance regarding segment reporting, we have determined that we have one reportable segment in 2011. Please refer to Note 1 to the consolidated financial statements for more information regarding segment reporting.

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.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk changes in interest rate on debt and from changes in commodity 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 do not enter into derivatives or other financial instruments for trading or speculative purposes, or for which there are no underlying related exposures. Because our operations are mostly confined to the United States, we are not subject to a material amount of foreign currency risk.

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, either at the prime rate or LIBOR plus 0.625%. 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 2011, a 1% increase in our applicable rate would reduce pretax earnings by approximately \$0.3 million on an annualized basis.

Historically, we have invested our excess cash primarily in highly liquid debt instruments of the U.S. government and its agencies, municipalities in the U.S., 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 impacted 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 may 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. We believe fuel surcharges are effective at mitigating most, but not all, of the risk of high fuel prices because we do not recover the full amount of fuel price increases. As of December 31, 2011, we did not have any derivative financial instruments to reduce our exposure to fuel price fluctuations, but may use such instruments in the future.

Item 8. Financial Statements and Supplementary Data

The consolidated balance sheets of Knight Transportation, Inc. and subsidiaries, as of December 31, 2011 and 2010, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2011, together with the related notes and the reports of Grant Thornton LLP, our current independent registered public accounting firm, and Deloitte & Touche LLP, our former 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 maintain 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 are 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.

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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 and to 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, 2011, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are 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 Rule 13a-15(f) and 15d-(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the principal executive and principal financial officers 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 generally accepted accounting principles and 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 our assets;
- (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 our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- (3) provide 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.

Under the supervision and with the 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 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our management's evaluation under the criteria set forth in Internal Control - Integrated Framework, management concluded that our internal control over financial reporting was effective as of December 31, 2011. 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 quarter ended December 31, 2011, 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, 2011, has been audited by Grant Thornton LLP, an independent registered public accounting firm, as stated in their attestation report, which is included herein.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Knight Transportation, Inc.

We have audited Knight Transportation, Inc.'s (an Arizona corporation) and subsidiaries' (collectively, the "Company") internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Knight Transportation, Inc.'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" in Item 9A, Controls and Procedures. Our responsibility is to express an opinion on Knight Transportation, Inc.'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, Knight Transportation Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in 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 balance sheet of Knight Transportation, Inc. and subsidiaries as of December 31, 2011, and the related consolidated statements of income, shareholders' equity, and cash flows for the year ended December 31, 2011, and our report dated February 29, 2012, expressed an unqualified opinion.

/s/ GRANT THORNTON LLP

Phoenix, AZ
February 29, 2012

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Item Other Information
9B.

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 Directors," "Continuing Directors," "Corporate Governance - Our Executive Officers and Certain Significant Employees," "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 2012 Annual Meeting of Shareholders to be held May 17, 2012.

Item Executive Compensation
11.

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 – Report of the Compensation Committee" from our definitive Proxy Statement to be delivered to our shareholders in connection with the 2012 Annual Meeting of Shareholders to be held May 17, 2012.

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 certain information, as of December 31, 2011, 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 exercise price of outstanding options and warrants and rights (b)	Number of securities remaining eligible for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
	3,823,585	\$15.80	2,917,405

Equity compensation plans approved by security holders			
Equity compensation plans not approved by security holders	-	-	-
Total	3,823,585	\$15.80	2,917,405

We have also issued 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 are service-based awards that vest gradually over a period ranging from 5 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 2012 Annual Meeting of Shareholders to be held May 17, 2012.

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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 2012 Annual Meeting of Shareholders to be held May 17, 2012.

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 2012 Annual Meeting of Shareholders to be held May 17, 2012.

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

Report of Deloitte & Touche LLP, Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2011 and 2010

Consolidated Statements of Income for the years ended December 31, 2011, 2010, and 2009

Consolidated Statements of Shareholders' Equity for the years ended December 31, 2011, 2010, and 2009

Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010, and 2009

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.

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(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
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	2010 Amended and Restated Bylaws of the Company. (Incorporated by reference to Exhibit 3 to the Company's Report on Form 8-K dated March 15, 2010 and filed on March 17, 2010.)
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 2010 Amended and Restated Bylaws of the Company. (Incorporated by reference to Exhibit 3.2 to this Report on Form 10-K.)
4.3 †	Knight Transportation, Inc. Amended and Restated 2003 Stock Option and Equity Compensation Plan. (Incorporated by reference to the Company's Definitive Proxy Statement on Schedule 14A filed April 10, 2009.)
4.4 †	Knight Transportation, Inc. Employee Stock Purchase Plan (Incorporated by reference to the Company's Definitive Proxy Statement on Schedule 14A filed April 10, 2009.)
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. Amended and Restated 2003 Stock Option and Equity Compensation Plan. (Incorporated by reference to the Company's Definitive Proxy Statement on Schedule 14A filed April 10, 2009.)
10.4 †	Knight Transportation, Inc. Employee Stock Purchase Plan (Incorporated by reference to the Company's Definitive Proxy Statement on Schedule 14A filed April 10, 2009.)
10.5	Credit Agreement between Knight Transportation, Inc. and Wells Fargo Bank, N.A., dated September 15, 2005. (Incorporated by reference to Exhibit 10.11 to the Company's Report on Form 10-Q for the period ended September 30, 2005.)
10.5.1	Modification Agreement to Credit Agreement between Knight Transportation, Inc. and Wells Fargo Bank, dated October 6, 2006. (Incorporated by reference to Exhibit 10.6.1 to the Company's Report on Form 10-K for the period ended December 31, 2006.)
10.5.2	Second Modification to Credit Agreement between Knight Transportation, Inc. and Wells Fargo Bank, dated March 30, 2007. (Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 10-Q for the period ended March 31, 2007.)

- 10.5.3 Third Modification to Credit Agreement between Knight Transportation, Inc. and Wells Fargo Bank, dated September 16, 2008. (Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 10-Q for the period ended September 30, 2010.)
- 10.5.4 Fourth Modification to Credit Agreement between Knight Transportation, Inc. and Wells Fargo Bank, dated September 20, 2010. (Incorporated by reference to Exhibit 10.2 to the Company's Report on Form 10-Q for the period ended September 30, 2010.)
- 10.5.5 Fifth Modification to Credit Agreement between Knight Transportation, Inc. and Wells Fargo Bank, dated July 26, 2011. (Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 10-Q for the period ended September 30, 2011.)
- 21.1 * Subsidiaries of the Company.
- 23.1 * Consent of Grant Thornton LLP.
- 23.2 * Consent of Deloitte & Touche 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 Kevin P. Knight, the Company's Chief 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 David A. Jackson, the Company's Chief 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 Kevin P. Knight, 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 David A. Jackson, the Company's Chief Financial Officer.
- 101.INS XBRL Instance Document.
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- 101.SCH XBRL Taxonomy Extension Schema Document.
**
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.
**
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document.
**
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.
**
- 101.DEF XBRL Taxonomy Extension Definition 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.

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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/ Kevin P. Knight
Kevin P. Knight
Chief Executive Officer, in his capacity
as such
and on behalf of the registrant

Date: February 29, 2012

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, Chief Executive Officer, and Director (Principal Executive Officer)	February 29, 2012
/s/ David A. Jackson David A. Jackson, President and Chief Financial Officer (Principal Financial Officer)	February 29, 2012
/s/ Adam Miller Adam Miller, Senior VP of Accounting & Finance	February 29, 2012
/s/ Gary J. Knight Gary J. Knight, Vice Chairman and Director	February 29, 2012
/s/ Randy Knight Randy Knight, Vice Chairman and Director	February 29, 2012

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Knight Transportation, Inc.

We have audited the accompanying consolidated balance sheet of Knight Transportation, Inc. (an Arizona corporation) and subsidiaries (collectively, the "Company") as of December 31, 2011, and the related consolidated statements of income, shareholders' equity, and cash flows for the year ended December 31, 2011. Our audit of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule 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 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 audit provides 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, 2011, and the results of their operations and their cash flows for the year ended December 31, 2011, 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.

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, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 29, 2012, expressed an unqualified opinion.

/s/ GRANT THORNTON LLP

Phoenix, AZ
February 29, 2012

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Knight Transportation, Inc.
Phoenix, Arizona

We have audited the accompanying consolidated balance sheet of Knight Transportation, Inc. and subsidiaries (the "Company") as of December 31, 2010, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the two years in the period then ended. Our audits also included the financial statement schedule for the years ended December 31, 2010 and 2009 listed in the Index at 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, such consolidated financial statements present fairly, in all material respects, the financial position of Knight Transportation, Inc. and subsidiaries as of December 31, 2010, and the results of their operations and their cash flows for each of the two years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule for the years ended December 31, 2010 and 2009, 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.

/s/ Deloitte & Touche LLP

Phoenix, Arizona
March 1, 2011

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KNIGHT TRANSPORTATION, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
December 31, 2011 and 2010
(In thousands)

Assets	2011	2010
Current Assets:		
Cash and cash equivalents	\$9,584	\$28,013
Short-term investments held for trading	-	24,379
Trade receivables, net of allowance for doubtful accounts of \$1,651 and \$2,355, respectively	101,319	78,479
Notes receivable, net of allowance for doubtful notes receivable of \$416 and \$480, respectively	1,034	1,391
Related party notes and interest receivable	2,868	3,038
Prepaid expenses	10,131	8,514
Assets held for sale	19,416	4,132
Other current assets	9,605	4,717
Income tax receivable	3,821	6,914
Current deferred tax assets	2,319	5,671
Total current assets	160,097	165,248
Property and Equipment:		
Revenue equipment	636,634	584,237
Land and land improvements	36,078	31,906
Buildings and improvements	81,627	77,949
Furniture and fixtures	11,378	8,112
Shop and service equipment	7,865	6,511
Leasehold improvements	2,853	2,512
	776,435	711,227
Less: accumulated depreciation and amortization	(229,402)	(227,518)
Property and equipment, net	547,033	483,709
Notes receivable, net of current portion	3,987	4,246
Goodwill	10,295	10,313
Intangible assets, net	-	52
Other long-term assets and restricted cash	16,171	13,419
Total assets	\$737,583	\$676,987

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

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KNIGHT TRANSPORTATION, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
December 31, 2011 and 2010
(In thousands, except par value)

Liabilities and Shareholders' Equity	2011	2010
Current Liabilities:		
Accounts payable	\$14,322	\$7,571
Accrued payroll and purchased transportation	9,096	6,547
Accrued liabilities	13,645	11,075
Claims accrual – current portion	12,875	13,843
Dividend payable – current portion	77	1,433
Total current liabilities	50,015	40,469
Long-term Liabilities:		
Claims accrual – long-term portion	8,693	10,168
Dividend Payable – long-term portion	1,457	-
Deferred tax liabilities	145,668	118,886
Long-term debt	55,000	-
Total long-term liabilities	210,818	129,054
Total liabilities	260,833	169,523
Commitments and Contingencies (Note 5)		
Shareholders' Equity:		
Preferred stock, \$0.01 par value; 50,000 shares authorized; none issued		
Common stock, \$0.01 par value; 300,000 shares authorized; 79,392 and 83,693 shares issued and outstanding at December 31, 2011 and 2010, respectively	794	837
Additional paid-in capital	132,723	126,975
Accumulated other comprehensive income	(448)	7
Retained earnings	343,290	379,714
Total Knight Transportation Shareholders' Equity	476,359	507,533
Noncontrolling interest	391	(69)
Total Shareholders' Equity	476,750	507,464
Total liabilities and shareholders' equity	\$737,583	\$676,987

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

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KNIGHT TRANSPORTATION, INC. AND SUBSIDIARIES

Consolidated Statements of Income
 For the Years Ended December 31, 2011, 2010 and 2009
 (In thousands, except per share data)

	2011	2010	2009
Revenue:			
Revenue, before fuel surcharge	\$697,286	\$615,654	\$571,496
Fuel surcharge	168,913	115,055	80,225
Total revenue	866,199	730,709	651,721
Operating Expenses:			
Salaries, wages and benefits	218,686	206,536	198,815
Fuel	226,471	174,398	140,385
Operations and maintenance	53,714	46,612	42,826
Insurance and claims	30,072	25,053	22,087
Operating taxes and licenses	15,212	13,998	13,450
Communications	5,534	5,465	5,407
Depreciation and amortization	75,832	70,962	71,444
Purchased transportation	129,143	82,031	61,802
Miscellaneous operating expenses	11,514	10,439	13,509
Total operating expenses	766,178	635,494	569,725
Income from operations	100,021	95,215	81,996
Other Income:			
Interest income	1,068	1,554	1,534
Interest expense	(180)	-	-
Other income	279	843	365
Total other income	1,167	2,397	1,899
Income before income taxes	101,188	97,612	83,895
Income Taxes	40,480	38,633	33,332
Net income	60,708	58,979	50,563
Net (income)/ loss attributable to noncontrolling interest	(460)	93	-
Net income attributable to Knight Transportation	\$60,248	\$59,072	\$50,563
Basic Earnings Per Share	\$0.74	\$0.71	\$0.61
Diluted Earnings Per Share	\$0.74	\$0.70	\$0.60
Weighted Average Shares Outstanding - Basic	81,439	83,533	83,230
Weighted Average Shares Outstanding - Diluted	81,872	84,416	83,632

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

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KNIGHT TRANSPORTATION, INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity
 For the Years Ended December 31, 2011, 2010 and 2009
 (In thousands)

	Common Stock		Additional	Retained	Accumulated	Total	Noncontrolling	Total
	Shares	Amount	Paid-in	Earnings	Other	Knight	Interest	Equity
	Issued		Capital		Income	Shareholders'		Equity
						Equity		
Balance, December 31, 2008	83,383	\$ 834	\$ 108,885	\$ 374,185	-	\$ 483,904	-	\$ 483,904
Exercise of stock options	302	3	2,554	-	-	2,557	-	2,557
Issuance of common stock	6	-	112	-	-	112	-	112
Stock repurchases	(389)	(4)	-	(4,895)	-	(4,899)	-	(4,899)
Excess tax benefit of stock option exercises	-	-	508					