

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

FORM 10-Q

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

For the quarterly period ended **September 30, 2020**

or

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

For the transition period from _____ to _____

Commission File Number: 001-35007



Knight-Swift Transportation Holdings Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

20-5589597

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

20002 North 19th Avenue

Phoenix, Arizona 85027

(Address of principal executive offices and zip code)

(602) 269-2000

(Registrant's telephone number, including area code)

N/A

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

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock \$0.01 Par Value	KNX	New York Stock Exchange

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

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

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

Large Accelerated Filer ☒
Non-accelerated Filer ☐

Accelerated Filer ☐
Smaller Reporting Company ☐
Emerging Growth Company ☐

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

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

There were 169,831,537 shares of the registrant's common stock outstanding as of October 28, 2020.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

QUARTERLY REPORT ON FORM 10-Q

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KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

QUARTERLY REPORT ON FORM 10-Q

GLOSSARY OF TERMS

The following glossary defines certain acronyms and terms used in this Quarterly Report on Form 10-Q. These acronyms and terms are specific to our company, commonly used in our industry, or are otherwise frequently used throughout our document.

Term	Definition
<i>Knight-Swift/the Company/Management/We/Us/Our</i>	Unless otherwise indicated or the context otherwise requires, these terms represent Knight-Swift Transportation Holdings Inc. and its subsidiaries.
<i>2017 Merger</i>	The September 8, 2017 merger of Knight and Swift, pursuant to which we became Knight-Swift Transportation Holdings Inc.
<i>2017 Debt Agreement</i>	The Company's Credit Agreement, entered into on September 29, 2017, as amended on October 2, 2020, consisting of the Revolver and Term Loan, which are defined below.
<i>2018 RSA</i>	Fourth Amendment to the Amended and Restated Receivables Sales Agreement, entered into on July 11, 2018 by Swift Receivables Company II, LLC with unrelated financial entities.
<i>Annual Report</i>	Annual Report on Form 10-K
<i>ASC</i>	Accounting Standards Codification
<i>ASU</i>	Accounting Standards Update
<i>Board</i>	Knight-Swift's Board of Directors
<i>COVID-19</i>	Viral strain of a coronavirus which led the World Health Organization to declare a global pandemic in March 2020.
<i>DOE</i>	United States Department of Energy
<i>EPS</i>	Earnings Per Share
<i>ESPP</i>	Knight-Swift Transportation Holdings Inc. Amended and Restated 2012 Employee Stock Purchase Plan
<i>FASB</i>	Financial Accounting Standards Board
<i>GAAP</i>	United States Generally Accepted Accounting Principles
<i>Knight</i>	Unless otherwise indicated or the context otherwise requires, this term represents Knight Transportation, Inc. and its subsidiaries prior to the 2017 Merger.
<i>LIBOR</i>	London InterBank Offered Rate
<i>Quarterly Report</i>	Quarterly Report on Form 10-Q
<i>QTD</i>	Quarter-to-date
<i>Revolver</i>	Revolving line of credit under the 2017 Debt Agreement
<i>RSU</i>	Restricted Stock Unit
<i>SEC</i>	United States Securities and Exchange Commission
<i>Swift</i>	Unless otherwise indicated or the context otherwise requires, this term represents Swift Transportation Company and its subsidiaries prior to the 2017 Merger.
<i>Term Loan</i>	The Company's term loan under the 2017 Debt Agreement
<i>TRP</i>	Transportation Resource Partners
<i>US</i>	The United States of America
<i>YTD</i>	Year-to-date

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
Condensed Consolidated Balance Sheets (Unaudited)

	September 30, 2020	December 31, 2019
	(In thousands, except per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 240,236	\$ 159,722
Cash and cash equivalents – restricted	36,689	41,331
Restricted investments, held-to-maturity, amortized cost	9,052	8,912
Trade receivables, net of allowance for doubtful accounts of \$20,846 and \$18,178, respectively	559,657	518,547
Contract balance – revenue in transit	20,233	12,699
Prepaid expenses	61,686	62,160
Assets held for sale	38,098	41,786
Income tax receivable	8,358	17,026
Other current assets	24,544	27,848
Total current assets	998,553	890,028
Gross property and equipment	4,112,703	3,742,739
Less: accumulated depreciation and amortization	(1,142,138)	(892,019)
Property and equipment, net	2,970,565	2,850,720
Operating lease right-of-use assets	119,350	169,425
Goodwill	2,922,967	2,918,992
Intangible assets, net	1,400,719	1,379,459
Other long-term assets	89,207	73,108
Total assets	<u>\$ 8,501,361</u>	<u>\$ 8,281,732</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 140,228	\$ 99,194
Accrued payroll and purchased transportation	154,025	110,065
Accrued liabilities	112,189	175,222
Claims accruals – current portion	174,136	150,805
Finance lease liabilities and long-term debt – current portion	422,655	377,651
Operating lease liabilities – current portion	57,088	80,101
Accounts receivable securitization – current portion	201,878	—
Total current liabilities	1,262,199	993,038
Revolving line of credit	170,000	279,000
Finance lease liabilities – less current portion	87,253	57,383
Operating lease liabilities – less current portion	67,067	96,160
Accounts receivable securitization – less current portion	—	204,762
Claims accruals – less current portion	175,915	196,912
Deferred tax liabilities	802,292	771,719
Other long-term liabilities	55,387	14,455
Total liabilities	2,620,113	2,613,429
Commitments and contingencies (Notes 4, 10, and 11)		
Stockholders' equity:		
Preferred stock, par value \$0.01 per share; 10,000 shares authorized; none issued	—	—
Common stock, par value \$0.01 per share; 500,000 shares authorized; 170,218 and 170,688 shares issued and outstanding as of September 30, 2020 and December 31, 2019, respectively.	1,702	1,707
Additional paid-in capital	4,294,504	4,269,043
Retained earnings	1,582,814	1,395,465
Total Knight-Swift stockholders' equity	5,879,020	5,666,215
Noncontrolling interest	2,228	2,088
Total stockholders' equity	5,881,248	5,668,303
Total liabilities and stockholders' equity	<u>\$ 8,501,361</u>	<u>\$ 8,281,732</u>

See accompanying notes to condensed consolidated financial statements (unaudited).

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
**Condensed Consolidated Statements of Comprehensive Income
(Unaudited)**

	Quarter-to-Date September 30,		Year-to-Date September 30,	
	2020	2019	2020	2019
(In thousands, except per share data)				
Revenue:				
Revenue, excluding trucking fuel surcharge	\$ 1,137,313	\$ 1,090,210	\$ 3,162,005	\$ 3,309,920
Trucking fuel surcharge	73,093	110,312	233,897	337,220
Total revenue	1,210,406	1,200,522	3,395,902	3,647,140
Operating expenses:				
Salaries, wages, and benefits	376,923	375,491	1,097,067	1,119,700
Fuel	104,703	148,699	312,939	438,447
Operations and maintenance	69,964	85,108	204,435	247,311
Insurance and claims	45,186	46,792	144,768	145,724
Operating taxes and licenses	21,475	20,970	64,527	64,333
Communications	5,069	4,913	14,845	14,956
Depreciation and amortization of property and equipment	115,664	106,884	340,486	310,759
Amortization of intangibles	11,473	10,759	34,421	32,144
Rental expense	19,700	28,726	67,447	97,146
Purchased transportation	245,102	251,337	670,485	781,959
Impairments	—	—	1,255	2,182
Miscellaneous operating expenses	29,686	17,890	73,480	64,634
Total operating expenses	1,044,945	1,097,569	3,026,155	3,319,295
Operating income	165,461	102,953	369,747	327,845
Other income (expenses):				
Interest income	326	1,007	1,595	3,000
Interest expense	(3,232)	(7,790)	(13,360)	(22,294)
Other income, net	7,484	3,335	9,476	12,575
Total other income (expenses), net	4,578	(3,448)	(2,289)	(6,719)
Income before income taxes	170,039	99,505	367,458	321,126
Income tax expense	47,835	24,524	99,204	78,523
Net income	122,204	74,981	268,254	242,603
Net income attributable to noncontrolling interest	(146)	(362)	(581)	(841)
Net income attributable to Knight-Swift	\$ 122,058	\$ 74,619	\$ 267,673	\$ 241,762
Earnings per share:				
Basic	\$ 0.72	\$ 0.44	\$ 1.57	\$ 1.41
Diluted	\$ 0.71	\$ 0.44	\$ 1.57	\$ 1.40
Dividends declared per share:				
	\$ 0.08	\$ 0.06	\$ 0.24	\$ 0.18
Weighted average shares outstanding:				
Basic	170,205	170,504	170,257	171,841
Diluted	171,028	171,290	171,035	172,524

See accompanying notes to the condensed consolidated financial statements (unaudited).

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
Condensed Consolidated Statements of Cash Flows (Unaudited)

	Year-to-Date September 30,	
	2020	2019
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 268,254	\$ 242,603
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property, equipment, and intangibles	374,907	342,903
Gain on sale of property and equipment	(6,468)	(27,908)
Impairments	1,255	2,182
Deferred income taxes	32,565	33,102
Non-cash lease expense	64,301	97,307
Other adjustments to reconcile net income to net cash provided by operating activities	24,513	(3,559)
(Decrease) increase in cash resulting from changes in:		
Trade receivables	(58,246)	93,870
Income tax receivable	8,668	(35,581)
Accounts payable	1,946	(7,824)
Accrued liabilities and claims accrual	(12,926)	(10,743)
Operating lease liabilities	(66,333)	(97,677)
Other assets and liabilities	22,583	(16,263)
Net cash provided by operating activities	655,019	612,412
Cash flows from investing activities:		
Proceeds from maturities and sales of held-to-maturity investments	9,400	18,695
Purchases of held-to-maturity investments	(12,644)	(11,410)
Proceeds from sale of property and equipment, including assets held for sale	102,550	178,107
Purchases of property and equipment	(378,694)	(635,957)
Expenditures on assets held for sale	(483)	(14,515)
Net cash and equivalents invested in acquisitions	(46,811)	(1,885)
Other cash flows from investing activities	(8,920)	(1,455)
Net cash used in investing activities	(335,602)	(468,420)
Cash flows from financing activities:		
Repayment of finance leases and long-term debt	(61,321)	(88,962)
(Repayments) borrowings on revolving line of credit, net	(109,000)	95,000
Borrowings under accounts receivable securitization	49,000	150,000
Repayment of accounts receivable securitization	(52,000)	(185,000)
Proceeds from common stock issued	11,632	10,621
Repurchases of the Company's common stock	(34,630)	(86,892)
Dividends paid	(41,297)	(31,184)
Other cash flows from financing activities	(5,522)	(2,739)
Net cash used in financing activities	(243,138)	(139,156)
Net increase in cash, restricted cash, and equivalents	76,279	4,836
Cash, restricted cash, and equivalents at beginning of period	202,228	130,976
Cash, restricted cash, and equivalents at end of period	\$ 278,507	\$ 135,812

See accompanying notes to condensed consolidated financial statements (unaudited).

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
Condensed Consolidated Statements of Cash Flows (Unaudited) — Continued

	Year-to-Date September 30,			
	2020	2019		
	(In thousands)			
Supplemental disclosures of cash flow information:				
Cash paid during the period for:				
Interest	\$ 12,921	\$ 21,825		
Income taxes	35,233	77,386		
Non-cash investing and financing transactions:				
Equipment acquired included in accounts payable	\$ 45,430	\$ 47,351		
Equipment sales receivables	—	21,570		
Financing provided to independent contractors for equipment sold	4,359	4,565		
Transfers from property and equipment to assets held for sale	59,543	114,011		
Contingent consideration associated with acquisition	18,245	—		
Right-of-use assets obtained in exchange for new operating lease liabilities	1,871	9,285		
Right-of-use assets obtained in exchange for new operating lease liabilities through acquisitions	12,356	—		
Property and equipment obtained in exchange for new finance lease liabilities	68,590	—		
Property and equipment obtained in exchange for finance lease liabilities reclassified from operating lease liabilities	67,430	55,230		
Reconciliation of Cash, Restricted Cash, and Equivalents:				
	September 30, 2020	December 31, 2019	September 30, 2019	December 31, 2018
	(In thousands)			
Condensed Consolidated Balance Sheets				
Cash and cash equivalents	\$ 240,236	\$ 159,722	\$ 93,996	\$ 82,486
Cash and cash equivalents – restricted ¹	36,689	41,331	40,831	46,888
Other long-term assets ¹	1,582	1,175	985	1,602
Condensed Consolidated Statements of Cash Flows				
Cash, restricted cash, and equivalents	\$ 278,507	\$ 202,228	\$ 135,812	\$ 130,976

¹ Reflects cash and cash equivalents that are primarily restricted for claims payments.

See accompanying notes to condensed consolidated financial statements (unaudited).

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
Condensed Consolidated Statements of Stockholders' Equity (Unaudited)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Knight- Swift Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
	Shares	Par Value					
	(In thousands, except per share data)						
Balances – December 31, 2019	170,688	\$ 1,707	\$ 4,269,043	\$ 1,395,465	\$ 5,666,215	\$ 2,088	\$ 5,668,303
Common stock issued to employees	609	6	9,474		9,480		9,480
Common stock issued to the Board	13	—	515		515		515
Common stock issued under ESPP	47	—	1,637		1,637		1,637
Company shares repurchased	(1,139)	(11)		(34,619)	(34,630)		(34,630)
Shares withheld – RSU settlement				(4,508)	(4,508)		(4,508)
Employee stock-based compensation expense			13,835		13,835		13,835
Cash dividends paid and dividends accrued (\$0.08 per share)				(41,197)	(41,197)		(41,197)
Net income attributable to Knight-Swift				267,673	267,673		267,673
Distribution to noncontrolling interest						(441)	(441)
Net income attributable to noncontrolling interest						581	581
Balances – September 30, 2020	170,218	\$ 1,702	\$ 4,294,504	\$ 1,582,814	\$ 5,879,020	\$ 2,228	\$ 5,881,248

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Knight- Swift Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
	Shares	Par Value					
	(In thousands, except per share data)						
Balances – December 31, 2018	172,844	\$ 1,728	\$ 4,242,369	\$ 1,216,852	\$ 5,460,949	\$ 1,770	\$ 5,462,719
Common stock issued to employees	523	5	8,368		8,373		8,373
Common stock issued to the Board	19	—	531		531		531
Common stock issued under ESPP	61	1	1,716		1,717		1,717
Company shares repurchased	(2,874)	(29)		(86,863)	(86,892)		(86,892)
Shares withheld – RSU settlement				(2,304)	(2,304)		(2,304)
Employee stock-based compensation expense			10,055		10,055		10,055
Cash dividends paid and dividends accrued (\$0.06 per share)				(31,073)	(31,073)		(31,073)
Net income attributable to Knight-Swift				241,762	241,762		241,762
Distribution to noncontrolling interest						(436)	(436)
Net income attributable to noncontrolling interest						841	841
Balances – September 30, 2019	170,573	\$ 1,705	\$ 4,263,039	\$ 1,338,374	\$ 5,603,118	\$ 2,175	\$ 5,605,293

See accompanying notes to condensed consolidated financial statements (unaudited).

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
Condensed Consolidated Statements of Stockholders' Equity (Unaudited) — Continued

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Knight- Swift Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
	Shares	Par Value					
	(In thousands, except per share data)						
Balances – June 30, 2020	170,162	\$ 1,701	\$ 4,287,293	\$ 1,474,466	\$ 5,763,460	\$ 2,129	\$ 5,765,589
Common stock issued to employees	42	1	1,165		1,166		1,166
Common stock issued under ESPP	14	—	574		574		574
Shares withheld – RSU settlement				(8)	(8)		(8)
Employee stock-based compensation expense			5,472		5,472		5,472
Cash dividends paid and dividends accrued (\$0.08 per share)				(13,702)	(13,702)		(13,702)
Net income attributable to Knight-Swift				122,058	122,058		122,058
Distribution to noncontrolling interest						(47)	(47)
Net income attributable to noncontrolling interest						146	146
Balances – September 30, 2020	170,218	\$ 1,702	\$ 4,294,504	\$ 1,582,814	\$ 5,879,020	\$ 2,228	\$ 5,881,248

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Knight- Swift Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
	Shares	Par Value					
	(In thousands, except per share data)						
Balances – June 30, 2019	170,378	\$ 1,703	\$ 4,254,297	\$ 1,274,067	\$ 5,530,067	\$ 1,953	\$ 5,532,020
Common stock issued to employees	176	2	4,668		4,670		4,670
Common stock issued under ESPP	19	—	588		588		588
Employee stock-based compensation expense			3,486		3,486		3,486
Cash dividends paid and dividends accrued (\$0.06 per share)				(10,312)	(10,312)		(10,312)
Net income attributable to Knight-Swift				74,619	74,619		74,619
Distribution to noncontrolling interest						(140)	(140)
Net income attributable to noncontrolling interest						362	362
Balances – September 30, 2019	170,573	\$ 1,705	\$ 4,263,039	\$ 1,338,374	\$ 5,603,118	\$ 2,175	\$ 5,605,293

See accompanying notes to condensed consolidated financial statements (unaudited).

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1 — Introduction and Basis of Presentation

Certain acronyms and terms used throughout this Quarterly Report are specific to the Company, commonly used in the trucking industry, or are otherwise frequently used throughout this document. Definitions for these acronyms and terms are provided in the "Glossary of Terms," available in the front of this document.

Description of Business

Knight-Swift is a transportation solutions provider, headquartered in Phoenix, Arizona. During the year-to-date period ended September 30, 2020, the Company operated an average of 18,439 tractors (comprised of 16,347 company tractors and 2,092 independent contractor tractors) and 57,716 trailers within the Trucking segment. Additionally, the Company operated an average of 573 tractors and 10,522 containers in the Intermodal segment. The Company's three reportable segments are Trucking, Logistics, and Intermodal.

Basis of Presentation

The condensed consolidated financial statements and footnotes included in this Quarterly Report include the accounts of Knight-Swift Transportation Holdings Inc. and its subsidiaries and should be read in conjunction with the consolidated financial statements and footnotes included in Knight-Swift's 2019 Annual Report. In management's opinion, these condensed consolidated financial statements were prepared in accordance with GAAP and include all adjustments necessary (consisting of normal recurring adjustments) for the fair statement of the periods presented.

With respect to transactional/durational data, references to years pertain to calendar years. Similarly, references to quarters pertain to calendar quarters.

Changes in Presentation

Changes in presentation associated with adopting accounting pronouncements are included in Note 2.

Seasonality

In the transportation industry, results of operations generally follow a seasonal pattern. Freight volumes in the first quarter are typically lower due to less consumer demand, customers reducing shipments following the holiday season, and inclement weather. At the same time, operating expenses generally increase, and tractor productivity of the Company's fleet, independent contractors, and third-party carriers decreases during the winter months due to decreased fuel efficiency, increased cold weather-related equipment maintenance and repairs, and increased insurance claims and costs attributed to higher accident frequency from harsh weather. These factors typically lead to lower operating profitability, as compared to other parts of the year. Additionally, beginning in the latter half of the third quarter and continuing into the fourth quarter, the Company typically experiences surges pertaining to holiday shopping trends toward delivery of gifts purchased over the Internet, as well as the length of the holiday season (consumer shopping days between Thanksgiving and Christmas). However, cyclical changes in the trucking industry, including imbalances in supply and demand, can override the seasonality faced in the industry.

Impact of COVID-19

COVID-19 became a global pandemic in 2020, which triggered a significant downturn in the global economy. The Company continues to operate its business through the COVID-19 pandemic and has taken additional precautions to ensure the safety of its employees, customers, vendors, and the communities in which it operates. During the year-to-date period ended September 30, 2020, the Company incurred \$12.3 million of expenses (all within the first half of the year) directly attributable to the pandemic, which were incremental to those incurred prior to the outbreak. These primarily pertained to payroll premiums paid to driving associates and shop technicians, additional disinfectants and cleaning supplies, and various other pandemic-specific items. The costs are clearly separable from normal business operations and are not expected to recur once the pandemic subsides.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED**

There are various uncertainties that have arisen from the COVID-19 pandemic. While management is continuing to monitor the impact of the pandemic on Knight-Swift, including its employees, customers, independent contractors, stockholders, and other business partners and stakeholders, it is difficult to predict the impact that the pandemic will have on future results of its operations, financial position, and liquidity. This has caused some uncertainties around various accounting estimates. Due to these uncertainties, the Company's accounting estimates may change, as management's assessment of the impacts of the COVID-19 pandemic continues to evolve.

Refer to Part II, Item 1A "Risk Factors" in our Quarterly Report for the quarterly period ended March 31, 2020 for more discussion about potential risks and uncertainties surrounding the COVID-19 pandemic that may impact our business, results of operations, or financial condition.

Note 2 — Recently Adopted Accounting Pronouncements***ASU 2016-13: Financial Instruments – Credit Losses (Topic 326) — Measurements of Credit Losses on Financial Instruments***

Summary of the Standard — In June 2016, the FASB issued ASU 2016-13, which, in addition to several clarifying ASUs, established the new ASC Topic 326, *Financial Instruments — Credit Losses* ("CECL"). The new CECL standard amends the FASB's guidance on the impairment of financial instruments. Specifically, it adds the CECL impairment model to GAAP which is based on expected losses rather than incurred losses. This is intended to result in more timely recognition of such losses. Under the new CECL standard, an entity recognizes as an allowance its estimate of lifetime expected credit losses. The new CECL standard is also intended to reduce the complexity of GAAP by decreasing the number of credit impairment models that entities use to account for debt instruments. Further, the new CECL standard makes targeted changes to the impairment model for available-for-sale debt securities and moves the guidance from ASC Topic 320, *Investments — Debt and Equity Securities*, to ASC Subtopic 326-30. For public business entities, the new standard was effective for annual and interim reporting periods beginning after December 15, 2019. For most debt instruments, entities are required to adopt the new CECL standard using a modified retrospective approach, meaning that entities should record a cumulative-effect adjustment to equity as of the beginning of the first reporting period in which the guidance is effective.

Practical Expedient — As permitted under ASU 2016-13 (and related ASUs), management elected to apply the collateral-dependent financial asset practical expedient which allows entities to measure the expected credit losses for the financial asset by comparing the amortized cost basis with the fair value of the collateral at the reporting date, rather than using the fair value of the financial asset.

Current Period Impact of Adoption — The Company adopted ASC Topic 326 on January 1, 2020 using the modified retrospective approach. Upon adoption of the standard management assessed the potential impact of the CECL model on each type of the Company's financial assets and determined that there was no material impact on the Company's financial statements or accounting policies.

ASU 2018-15: Intangibles – Goodwill and Other – Internal Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract

Summary of the Standard — In August 2018, the FASB issued ASU 2018-15, which amended ASC Subtopic 350-40 to address a customer's accounting for implementation costs incurred in a cloud computing arrangement that is a service contract ("Service CCA"). The amendments in ASU 2018-15 align the accounting for costs incurred to implement a Service CCA with previously codified guidance on capitalizing costs associated with developing or obtaining internal-use software.

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Specifically, the ASU amends ASC Subtopic 350-40 to include in its scope implementation costs incurred with a Service CCA. This addition clarifies that a customer should apply the guidance from ASC Paragraph 350-40-25 to determine which stage the project is in before assessing whether implementation costs should be capitalized in a Service CCA that is considered a service contract. These capitalized items should be recorded within the same balance sheet line item as a prepayment for any fees.

Any capitalized costs from the Service CCA should be expensed over the term of the hosting arrangement, which includes the noncancelable period and any options to extend that are reasonably certain to be exercised and recorded in the same line item as fees associated with the hosting element of the arrangement. The amendments in this ASU were effective for public business entities for fiscal years beginning after December 15, 2019 and could be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption.

Current Period Impact of Adoption — The Company adopted the amendments in ASU 2018-15 on January 1, 2020 and elected to apply the amendments on a prospective basis to implementation costs incurred after the date of adoption. Upon review of the Service CCA's entered into subsequent to the implementation date, management has determined that adoption of the amendments has not had a material impact on the Company's financial statements and related accounting policies.

ASU 2017-04: Intangibles – Goodwill and Other (Topic 350) – Simplifying the Test for Goodwill Impairment

Summary of the Standard — In January 2017, the FASB issued ASU 2017-04, which amends ASC Topic 350 by simplifying the goodwill impairment test. The amendments in this ASU are intended to simplify subsequent measurement of goodwill. The key amendment in the ASU eliminates Step 2 from the goodwill impairment test, in which entities measured a goodwill impairment loss by comparing the implied fair value to the carrying amount of a reporting unit's goodwill. Instead, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value with the carrying amount of a reporting unit and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The amendments also require companies to disclose the amounts of goodwill allocated to each reporting unit with a zero or negative carrying amount of assets. The amendments were effective for public business entities for fiscal years beginning after December 15, 2019 and should be applied on a prospective basis.

Current Period Impact of Adoption — The Company adopted the amendments in ASU 2017-14 on January 1, 2020 on a prospective basis. Management has updated the Company's accounting policy to incorporate the amendments in the ASU and has included the revised disclosure requirements below.

Refer to Note 7 for disclosures about the Company's goodwill balances.

Accounting Policy Update

Goodwill — Management evaluates goodwill on an annual basis as of June 30th, or more frequently if indicators of impairment exist. The Company assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than the carrying amount. If the Company concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company conducts a quantitative goodwill impairment test. Management estimates the fair values of its reporting units using a combination of the income and market approaches. If the carrying amount of a reporting unit exceeds the fair value, then management recognizes an impairment loss of the same amount. This loss is only limited to the total amount of goodwill allocated to that reporting unit.

Other ASUs

There were various other ASUs that became effective during year-to-date September 30, 2020, which did not have a material impact on the Company's results of operations, financial position, cash flows, or disclosures.

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Note 3 — Recently Issued Accounting Pronouncements

Date Issued	Reference	Description	Adoption Date and Method	Financial Statement Impact
August 2020	ASU No. 2020-06: Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40) – <i>Accounting for Convertible Instruments and contracts in an Entity's Own Equity</i>	The amendments in this Update add disclosure requirements to convertible debt instruments and convertible preferred stock, require convertible instruments to be disclosed at fair value, and update the calculation requirements for diluted EPS. The amendments in this ASU can be applied on a modified or fully retrospective basis and are effective for public entities for years beginning after December 15, 2021.	January 2022, Modified retrospective or fully retrospective	No material impact
March 2020	2020-04: Reference Rate Reform (Topic 848) – <i>Facilitation of the Effects of Reference Rate Reform on Financial Reporting</i> ¹	The amendments in this Update provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in this ASU apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. The amendments in this ASU are effective for any interim period after March 12, 2020 and should be applied on a prospective basis.	March 2020, Prospective	No material impact ²
March 2020	2020-03: Codification Improvements to Financial Instruments ¹	The amendments within this ASU updated several sections of the Codification and how various topics and subtopics interacted due to new guidance on financial instruments. This includes addressing issues related to fair value option disclosures, line-of-credit or revolving-debt arrangements and leases among others. The amendments should be applied prospectively and have varying effective dates, which were all in effect for public business entities prior to issuance of the ASU.	March 2020, Prospective	No material impact
February 2020	2020-02: Financial Instruments – Credit Losses (Topic 326) and Leases – (Topic 842) – <i>Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 119 and Update to SEC Section on Effective Date Related to Accounting Standards Update No. 2016-02, Leases (Topic 842)</i> ¹	The amendments in this ASU incorporate discussion from SEC Staff Accounting Bulletin No. 119 about expected implementation practices related to ASC Topic 326. The amendments also codify the SEC Staff's announcement that it would not object to the FASB's update to effective dates for major updates, which were amended within ASU 2019-10.	January 2021, Adoption method varies by amendment	No material impact
January 2020	2020-01: Investments – Equity Securities (Topic 321), Investments – Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) – <i>Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the FASB Emerging Issues Task Force)</i>	The amendments clarify that an entity should consider observable transactions when determining to apply or discontinue the equity method for the purposes of applying the measurement alternative. The amendments also clarify that an entity would not consider whether a purchased option would be accounted for under the equity method when applying ASC 815-10-15-141(a).	January 2021, Prospective	Currently under evaluation, but not expected to be material

¹ Adopted during the first quarter 2020.

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- 2 As identified within the 2018 RSA, the lender can trigger an amendment by identifying and deciding upon a replacement for LIBOR. On October 2, 2020, the 2017 Debt Agreement was amended to extend the maturity date of the Term Loan to October 3, 2022, incorporate language regarding the transition away from LIBOR, and update other regulatory and technical provisions customary for facilities of this type. Just prior to this extension, the Company paid \$65.0 million on the outstanding balance of the Term Loan, leaving \$300.0 million face value outstanding.

Note 4 — Acquisitions

On January 1, 2020, pursuant to a stock purchase agreement (the "SPA") the Company acquired 100.0% of the equity interests of a warehousing-related company (the "Warehousing Co.") with locations throughout the Central US.

The total purchase price consideration of \$66.9 million included \$48.2 million in cash to the sellers at closing, which was funded through cash-on-hand and borrowing on the Revolver on the transaction date. At closing, \$6.8 million of the cash consideration was placed in escrow to secure certain of the sellers' indemnification obligations. During the third quarter of 2020, the escrow proceeds were released to the sellers pursuant to the SPA. The purchase price also included contingent consideration consisting of three additional annual payments of up to \$8.1 million each (or \$24.3 million in total), representing the maximum possible annual deferred payments to the sellers based on Warehousing Co.'s earnings before interest and taxes ("EBIT") for each of the calendar years ending December 31, 2020, December 31, 2021, and the annualized six-month period ending June 30, 2022. In order to estimate Warehousing Co.'s future performance, the Company utilized the Monte Carlo simulation method using certain inputs, including Warehousing Co.'s forecasted EBIT, discount rate, dividend yields, expected volatility, and expected stock returns during the above measurement periods. Based on the above inputs, the present value of the total contingent consideration, along with the estimated net working capital adjustment equaled \$18.7 million as of January 1, 2020. During the measurement period, the net working capital adjustment was reduced by \$0.4 million based on the actual versus estimated net working capital adjustment as of the transaction date. This adjustment resulted in the total estimated contingent consideration and net working capital adjustment decreasing to \$18.3 million. The total purchase price consideration, as if adjusted at the January 1, 2020 transaction date, is identified in the table below.

The SPA included an election under the Internal Revenue Code Section 338(h)(10). Accordingly, the book and tax basis of the acquired assets and liabilities are the same as of the purchase date. The SPA contains customary representations, warranties, covenants, and indemnification provisions.

The goodwill recognized represents expected synergies from combining the operations of Warehousing Co. with the Company, including enhanced service offerings, as well as other intangible assets that did not meet the criteria for separate recognition. The goodwill is expected to be deductible for tax purposes.

The purchase price allocation for the acquisition is preliminary and has been allocated based on estimated fair values of the assets acquired and liabilities assumed at the acquisition date, pending the completion of the valuation of acquired tangible assets, an independent valuation of certain acquired intangible assets, assessment of lease agreements, assessment of certain liabilities, the calculation of deferred taxes based upon the underlying tax basis of assets acquired and liabilities assumed, and assessment of other tax related items. As the Company obtains more information, the preliminary purchase price allocation disclosed below is subject to change. Any future adjustments to the preliminary purchase price allocation, including changes within identifiable intangible assets or estimation uncertainty impacted by market conditions, may impact future net earnings. The purchase price allocation adjustments can be made through the end of the measurement period, which is not to exceed one year from the acquisition date.

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The following table summarizes the fair value of the consideration transferred as of the acquisition date:

	January 1, 2020 Opening Balance Sheet as Reported at March 31, 2020	Adjustments (in thousands)	January 1, 2020 Opening Balance Sheet as Reported at September 30, 2020
<i>Fair value of the consideration transferred</i>	\$ 66,854	\$ (410)	\$ 66,444
Cash and cash equivalents	1,388	—	1,388
Trade and other receivables	3,301	—	3,301
Prepaid expenses	608	—	608
Other current assets	78	—	78
Property and equipment	1,938	—	1,938
Operating lease right-of-use assets	12,356	—	12,356
Identifiable intangible assets ¹	55,681	—	55,681
Deferred tax assets	54	—	54
Other noncurrent assets	404	—	404
<i>Total assets</i>	75,808	—	75,808
Accounts payable	(347)	—	(347)
Accrued liabilities	(644)	—	(644)
Operating lease liabilities – current portion	(4,451)	—	(4,451)
Operating lease liabilities – less current portion	(7,905)	—	(7,905)
<i>Total liabilities</i>	(13,347)	—	(13,347)
<i>Goodwill</i>	\$ 4,393	\$ (410)	\$ 3,983

- 1 Includes \$53.8 million in customer relationships, \$0.7 million in noncompete agreements, \$0.6 million in internally developed software, and a \$0.6 million trade name.

Other

On October 1, 2020, the Company used approximately \$39.6 million in cash to acquire 21.0% of the equity interests of a small company, complementary to its suite of services.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

Note 5 — Restricted Investments, Held-to-Maturity

The following tables present the cost or amortized cost, gross unrealized gains and temporary losses, and estimated fair value of the Company's restricted investments, held-to-maturity:

	September 30, 2020			
	Cost or Amortized Cost	Gross Unrealized		Estimated Fair Value
		Gains	Temporary Losses	
	(In thousands)			
US corporate securities	\$ 9,052	\$ 10	\$ (5)	\$ 9,057
Restricted investments, held-to-maturity	\$ 9,052	\$ 10	\$ (5)	\$ 9,057

	December 31, 2019			
	Cost or Amortized Cost	Gross Unrealized		Estimated Fair Value
		Gains	Temporary Losses	
(In thousands)				
US corporate securities	\$ 8,912	\$ 4	\$ (1)	\$ 8,915
Restricted investments, held-to-maturity	\$ 8,912	\$ 4	\$ (1)	\$ 8,915

As of September 30, 2020, the contractual maturities of the restricted investments, held-to-maturity, were one year or less. There were eight securities and seven securities that were in an unrealized loss position for less than twelve months as of September 30, 2020 and December 31, 2019, respectively. The Company did not recognize any impairment losses related to its held-to-maturity investments during the quarter or year-to-date periods ended September 30, 2020 or 2019.

Refer to Note 16 for additional information regarding fair value measurements of the Company's investments.

Note 6 — Assets Held for Sale

The Company expects to sell its assets held for sale, which primarily consist of revenue equipment, within the next twelve months. Revenue equipment held for sale totaled \$38.1 million and \$41.8 million as of September 30, 2020 and December 31, 2019, respectively. Net gains on disposals, including disposals of property and equipment classified as assets held for sale, reported in "Miscellaneous operating expenses" in the condensed consolidated statements of comprehensive income, were:

- \$1.7 million and \$8.6 million for the quarter-to-date periods ended September 30, 2020 and 2019, respectively.
- \$6.5 million and \$27.9 million for the year-to-date periods ended September 30, 2020 and 2019, respectively.

The Company did not recognize impairment losses related to assets held for sale during the quarters ended September 30, 2020 and 2019. The Company recognized impairment losses related to assets held for sale of \$0.4 million during year-to-date September 30, 2020, as compared to the same period of last year when the Company did not recognize any such impairment losses.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

Note 7 — Goodwill and Other Intangible Assets

Goodwill

The changes in the carrying amount of goodwill were as follows:

	(In thousands)
Goodwill, balance at December 31, 2019	\$ 2,918,992
Adjustments relating to deferred tax assets	(8)
Acquisition ¹	3,983
Goodwill, balance at September 30, 2020	\$ 2,922,967

- 1 The goodwill associated with the Warehousing Co. acquisition referenced in Note 4 was allocated to the non-reportable segment, and is net of purchase price accounting adjustments.

The Company did not record any goodwill impairments during the quarter or year-to-date periods ended September 30, 2020 or 2019.

Other Intangible Assets

Other intangible asset balances were as follows:

	September 30, 2020	December 31, 2019
	(In thousands)	
Definite-lived intangible assets ¹		
Gross carrying amount	\$ 894,597	\$ 839,516
Accumulated amortization	(134,378)	(99,957)
Definite-lived intangible assets, net	760,219	739,559
Trade names:		
Gross carrying amount	640,500	639,900
Intangible assets, net	\$ 1,400,719	\$ 1,379,459

- 1 The major categories of the Company's definite-lived intangible assets include customer relationships, non-compete agreements, internally-developed software, and others.

Identifiable intangible assets subject to amortization have been recorded at fair value. Intangible assets related to acquisitions other than the 2017 Merger are amortized over a weighted-average amortization period of 18.9 years. The Company's customer relationship intangible assets related to the 2017 Merger are being amortized over a weighted average amortization period of 19.9 years.

As of September 30, 2020, management anticipates that the composition and amount of amortization associated with intangible assets will be \$11.6 million for the remainder of 2020, \$46.3 million in 2021, \$46.1 million in 2022, and \$45.2 million for each of the years 2023 and 2024. Actual amounts of amortization expense may differ from estimated amounts due to additional intangible asset acquisitions, impairment of intangible assets, accelerated amortization of intangible assets, and other events.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED**

Note 8 — Income Taxes

Effective Tax Rate — The quarter-to-date September 30, 2020 and September 30, 2019 effective tax rates were 28.1% and 24.6%, respectively. The Company recognized discrete items relating to negative impacts from certain tax-related items within its Mexico operations, which were partially offset by a release of its reserve for uncertain tax positions during the quarter ended September 30, 2020. The Company also recognized discrete items relating to the partial release of its reserve for uncertain tax positions during the quarter ended September 30, 2019.

The year-to-date September 30, 2020 and September 30, 2019 effective tax rates were 27.0% and 24.5%, respectively. The Company recognized discrete items relating to negative impacts from certain tax-related items within its Mexico operations and foreign currency fluctuations, which were offset by stock compensation deductions and a partial release of its reserve for uncertain tax positions for the year-to-date September 30, 2020. The Company also recognized a discrete item relating to the partial release of its reserve for uncertain tax positions during the year-to-date period ended September 30, 2019.

Valuation Allowance — The Company has not established a valuation allowance as it has been determined that, based upon available evidence, a valuation allowance is not required. Management believes that it is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets. All other deferred tax assets are expected to be realized and utilized by continued profitability in future periods.

Unrecognized Tax Benefits — During the quarter-to-date and year-to-date periods ended September 30, 2020, the Company reduced its reserve by \$1.0 million for uncertain tax positions relating to various federal deductions. Management does not expect a decrease in unrecognized tax benefits relating to federal deductions to be necessary within the next twelve months.

Interest and Penalties — Accrued interest and penalties related to unrecognized tax benefits were approximately \$0.3 million and \$0.4 million as of September 30, 2020 and December 31, 2019, respectively.

Tax Examinations — The Company is currently under examination by the IRS for the 2012 tax year and management does not expect any adjustments that would have a material impact on the Company's effective tax rate. Certain of the Company's subsidiaries are also currently under examination by various state jurisdictions for tax years ranging from 2013 to 2018. At the completion of these examinations, management does not expect any adjustments that would have a material impact on the Company's effective tax rate. Years subsequent to 2014 remain subject to examination.

Note 9 — Accounts Receivable Securitization

The 2018 RSA is a secured borrowing that is collateralized by the Company's eligible receivables, for which the Company is the servicing agent. The Company's receivable originator subsidiaries sell, on a revolving basis, undivided interests in all of their eligible accounts receivable to Swift Receivables Company II, LLC ("SRCII") who in turn sells a variable percentage ownership in those receivables to the various purchasers. The Company's eligible receivables are included in "Trade receivables, net of allowance for doubtful accounts" in the condensed consolidated balance sheets. As of September 30, 2020, the Company's eligible receivables generally have high credit quality, as determined by the obligor's corporate credit rating.

The 2018 RSA is subject to fees, various affirmative and negative covenants, representations and warranties, and default and termination provisions customary for facilities of this type. The Company was in compliance with these covenants as of September 30, 2020. Collections on the underlying receivables by the Company are held for the benefit of SRCII and the various purchasers and are unavailable to satisfy claims of the Company and its subsidiaries.

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The following table summarizes the key terms of the 2018 RSA (dollars in thousands):

Effective date	July 11, 2018
Final maturity date ¹	July 9, 2021
Borrowing capacity	\$325,000
Accordion option ²	\$175,000
Unused commitment fee rate ³	20 to 40 basis points
Program fees on outstanding balances ⁴	one-month LIBOR + 80 to 100 basis points

- 1 The Company intends to refinance prior to the maturity date.
- 2 The accordion option increases the maximum borrowing capacity, subject to participation of the purchasers.
- 3 The 2018 RSA commitment fee rate is based on the percentage of the maximum borrowing capacity utilized.
- 4 The 2018 RSA program fee is based on the Company's consolidated total net leverage ratio. As identified within the 2018 RSA, the lender can trigger an amendment by identifying and deciding upon a replacement for LIBOR.

Availability under the 2018 RSA is calculated as follows:

	September 30, 2020	December 31, 2019
	(In thousands)	
Borrowing base, based on eligible receivables	\$ 285,000	\$ 299,100
Less: outstanding borrowings ¹	(202,000)	(205,000)
Less: outstanding letters of credit	(67,281)	(70,841)
Availability under accounts receivable securitization facilities	<u>\$ 15,719</u>	<u>\$ 23,259</u>

- 1 Outstanding borrowings are included in the condensed consolidated balance sheets, within "Accounts receivable securitization – current portion" as of September 30, 2020 and within "Accounts receivable securitization – less current portion" as of December 31, 2019. Outstanding borrowings were offset by \$0.1 million and \$0.2 million of deferred loan costs as of September 30, 2020 and December 31, 2019, respectively. Interest accrued on the aggregate principal balance at a rate of 1.0% and 2.6% as of September 30, 2020 and December 31, 2019, respectively.

Program fees and unused commitment fees are recorded in "Interest expense" in the condensed consolidated statements of comprehensive income. The Company incurred accounts receivable securitization program fees of \$0.7 million and \$1.8 million during the quarter-to-date September 30, 2020 and 2019 periods, respectively. The Company incurred accounts receivable securitization program fees of \$2.8 million and \$5.6 million during the year-to-date September 30, 2020 and 2019 periods, respectively.

Refer to Note 16 for information regarding the fair value of the 2018 RSA.

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Note 10 — Commitments

Purchase Commitments

As of September 30, 2020, the Company had outstanding commitments to purchase revenue equipment of \$134.5 million in the remainder of 2020 (\$82.6 million of which were tractor commitments) and none thereafter. These purchases may be financed through any combination of operating leases, finance leases, debt, proceeds from sales of existing equipment, and cash flows from operations.

As of September 30, 2020, the Company had outstanding commitments to purchase facilities and non-revenue equipment of \$20.4 million in the remainder of 2020, \$3.0 million in the two-year period 2021 through 2022, \$0.6 million in the two-year period 2023 through 2024, and \$0.2 million thereafter. Factors such as costs and opportunities for future terminal expansions may change the amount of such expenditures.

As of September 30, 2020, the Company had outstanding commitments for bulk fuel purchases of \$10.1 million in the remainder of 2020, \$35.4 million in 2021, and none thereafter.

TRP Commitments

Since 2003, Knight has entered into partnership agreements with entities that make privately-negotiated equity investments. In these agreements, Knight committed to invest in return for an ownership percentage. During the first quarter of 2020, Knight entered into a \$20.0 million commitment to invest in the newly formed TRP Capital Partners V, LP with \$16.5 million outstanding as of September 30, 2020. There were no other material changes related to the previously disclosed TRP commitments during the quarter ended September 30, 2020.

Note 11 — Contingencies and Legal Proceedings

Legal Proceedings

Information is provided below regarding the nature, status, and contingent loss amounts, if any, associated with the Company's pending legal matters. There are inherent uncertainties in these legal matters, some of which are beyond management's control, making the ultimate outcomes difficult to predict. Moreover, management's views and estimates related to these matters may change in the future, as new events and circumstances arise and the matters continue to develop.

The Company has made accruals with respect to its legal matters where appropriate, which are included in "Accrued liabilities" in the condensed consolidated balance sheets. The Company has recorded an aggregate accrual of approximately \$34.4 million, relating to the Company's outstanding legal proceedings as of September 30, 2020.

Based on management's present knowledge of the facts and (in certain cases) advice of outside counsel, management does not believe that loss contingencies arising from pending matters are likely to have a material adverse effect on the Company's overall financial position, operating results, or cash flows after taking into account any existing accruals. However, actual outcomes could be material to the Company's financial position, operating results, or cash flows for any particular period.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

EMPLOYEE COMPENSATION AND PAY PRACTICES MATTERS			
<i>CRST Expedited</i>			
The plaintiff alleges tortious interference with contract and unjust enrichment related to non-competition agreements entered into with certain of its drivers.			
Plaintiff(s)	Defendant(s)	Date instituted	Court or agency currently pending in
CRST Expedited, Inc.	Swift Transportation Co. of Arizona LLC.	March 20, 2017	United States District Court for the Northern District of Iowa
Recent Developments and Current Status			
In July 2019, a jury issued an adverse verdict in this lawsuit. The court issued a decision granting in part and denying in part certain motions related to the jury's verdict. Both parties have appealed the court's decision. The likelihood that a loss has been incurred is probable and estimable, and the loss has accordingly been accrued as of September 30, 2020.			
<i>California Wage, Meal, and Rest Class Actions</i>			
The plaintiffs generally allege one or more of the following: that the Company 1) failed to pay the California minimum wage; 2) failed to provide proper meal and rest periods; 3) failed to timely pay wages upon separation from employment; 4) failed to pay for all hours worked; 5) failed to pay overtime; 6) failed to properly reimburse work-related expenses; and 7) failed to provide accurate wage statements.			
Plaintiff(s)	Defendant(s)	Date instituted	Court or agency currently pending in
John Burnell ¹	Swift Transportation Co., Inc	March 22, 2010	United States District Court for the Central District of California
James R. Rudsell ¹	Swift Transportation Co. of Arizona, LLC and Swift Transportation Company	April 5, 2012	United States District Court for the Central District of California
Recent Developments and Current Status			
In April 2019, the parties reached settlement of this matter. In January 2020, the court granted final approval of the settlement. Two objectors appealed the court's decision granting final approval of the settlement. The likelihood that a loss has been incurred is probable and estimable, and the loss has accordingly been accrued as of September 30, 2020.			
<i>Arizona Minimum Wage Class Action</i>			
The plaintiffs generally allege one or more of the following: 1) failure to pay minimum wage for the first day of orientation; 2) failure to pay minimum wage for time spent studying; 3) failure to pay minimum wage for 16 hours per day; and 4) failure to pay minimum wage for the first eight hours of sleeper berth time.			
Plaintiff(s)	Defendant(s)	Date instituted	Court or agency currently pending in
Pamela Julian ¹	Swift Transportation Co., Inc. and Swift Transportation Co. of Arizona LLC	December 29, 2015	United States District Court for the District of Arizona
Recent Developments and Current Status			
In December 2019, the court awarded damages for failure to pay minimum wage for 16 hours per day. In August 2020, the parties reached settlement in this matter. The likelihood that a loss has been incurred is probable and estimable, and the loss has accordingly been accrued as of September 30, 2020.			

¹ Individually and on behalf of all others similarly situated.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

INDEPENDENT CONTRACTOR MATTERS			
<i>Ninth Circuit Independent Contractor Misclassification Class Action</i>			
The putative class alleges that Swift misclassified independent contractors as independent contractors, instead of employees, in violation of the Fair Labor Standards Act and various state laws. The lawsuit also raises certain related issues with respect to the lease agreements that certain independent contractors have entered into with Interstate Equipment Leasing, LLC. The putative class seeks unpaid wages, liquidated damages, interest, other costs, and attorneys' fees.			
Plaintiff(s)	Defendant(s)	Date instituted	Court or agency currently pending in
Joseph Sheer, Virginia Van Dusen, Jose Motolinia, Vickii Schwalm, Peter Wood ¹	Swift Transportation Co., Inc., Interstate Equipment Leasing, Inc., Jerry Moyes, and Chad Killebrew	December 22, 2009	Unites States District Court of Arizona and Ninth Circuit Court of Appeals
Recent Developments and Current Status			
In January 2020, the court granted final approval of the settlement in this matter. In March 2020, the Company paid the settlement amount approved by the court. As of September 30, 2020, the Company has a reserve accrued for anticipated costs associated with finalizing this matter.			

1 Individually and on behalf of all others similarly situated.

Self Insurance

Automobile Liability, General Liability, and Excess Liability — Effective November 1, 2019, the Company has \$130.0 million in excess auto liability ("AL") coverage. For prior years, Swift and Knight separately maintained varying excess AL and general liability limits. During prior policy periods, Swift AL claims were subject to a \$10.0 million self-insured retention ("SIR") per occurrence and Knight AL claims were subject to a \$1.0 million to \$3.0 million SIR per occurrence. Additionally, Knight carried a \$2.5 million aggregate deductible for any loss or losses within the \$5.0 million excess of \$5.0 million layer of coverage. Effective March 1, 2020, Knight and Swift retain the same \$10.0 million SIR per occurrence.

Cargo Damage and Loss — The Company is insured against cargo damage and loss with liability limits of \$2.0 million per truck or trailer with a \$10.0 million limit per occurrence.

Workers' Compensation and Employers' Liability — The Company is self-insured for workers' compensation coverage. Swift maintains statutory coverage limits, subject to a \$5.0 million SIR for each accident or disease. Effective March 1, 2019, Knight maintains statutory coverage limits, subject to a \$2.0 million SIR for each accident or disease. Prior to March 1, 2019, the Knight SIR was \$1.0 million per each accident or disease.

Medical — Knight maintains primary and excess coverage for employee medical expenses, with a \$0.3 million SIR per claimant. Through December 31, 2019, Swift was fully insured on its medical benefits (subject to contributed premiums). Effective January 1, 2020, Swift provides primary and excess coverage for employee medical expenses, with an SIR of \$0.5 million per claimant to all employees.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

Note 12 — Share Repurchase Plan

On May 31, 2019, the Company announced that the Board approved the repurchase of up to \$250.0 million worth of the Company's outstanding common stock (the "2019 Knight-Swift Share Repurchase Plan"). With the adoption of the 2019 Knight-Swift Share Repurchase Plan, the Company terminated the \$250.0 million repurchase plan previously approved by the Board in June 2018 (the "2018 Knight-Swift Share Repurchase Plan"). There was approximately \$0.2 million remaining under the 2018 Knight-Swift Share Repurchase Plan upon termination.

The following table presents the Company's repurchases of its common stock under the respective share repurchase plans, excluding advisory fees:

Share Repurchase Plan		Quarter-to-Date September 30, 2020		Year-to-Date September 30, 2020	
Board Approval Date	Authorized Amount	Shares	Amount	Shares	Amount
(in thousands)					
May 30, 2019 ¹	\$250,000	—	\$ —	1,139	\$ 34,630
		—	\$ —	1,139	\$ 34,630

Share Repurchase Plan		Quarter-to-Date September 30, 2019		Year-to-Date September 30, 2019	
Board Approval Date	Authorized Amount	Shares	Amount	Shares	Amount
(in thousands)					
June 1, 2018	\$250,000	—	\$ —	2,315	\$ 70,500
May 30, 2019 ¹	\$250,000	—	—	559	16,392
		—	\$ —	2,874	\$ 86,892

¹ \$199.0 million and \$233.6 million remained available under the 2019 Knight-Swift Share Repurchase Plan as of September 30, 2020 and December 31, 2019, respectively.

Subsequent to September 30, 2020, the Company repurchased 1.1 million shares for \$43.3 million under the 2019 Knight-Swift Share Repurchase Plan, leaving \$155.7 million available as of November 2, 2020.

Note 13 — Weighted Average Shares Outstanding

Earnings per share, basic and diluted, as presented in the condensed consolidated statements of comprehensive income, are calculated by dividing net income attributable to Knight-Swift by the respective weighted average common shares outstanding during the period.

The following table reconciles basic weighted average shares outstanding to diluted weighted average shares outstanding:

	Quarter-to-Date September 30,		Year-to-Date September 30,	
	2020	2019	2020	2019
(In thousands)				
Basic weighted average common shares outstanding	170,205	170,504	170,257	171,841
Dilutive effect of equity awards	823	786	778	683
Diluted weighted average common shares outstanding	171,028	171,290	171,035	172,524
Anti-dilutive shares excluded from diluted earnings per share ¹	8	408	187	829

¹ Shares were excluded from the dilutive-effect calculation because the outstanding awards' exercise prices were greater than the average market price of the Company's common stock for the periods presented.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

Note 14 — Related Party Transactions

The following table presents Knight-Swift's transactions with companies controlled by and/or affiliated with its related parties:

	Quarter-to-Date September 30,				Year-to-Date September 30,			
	2020		2019		2020		2019	
	Provided by Knight-Swift	Received by Knight-Swift	Provided by Knight-Swift	Received by Knight-Swift	Provided by Knight-Swift	Received by Knight-Swift	Provided by Knight-Swift	Received by Knight-Swift
	(In thousands)							
Freight Services:								
Central Freight Lines ¹	\$ 1	\$ —	\$ 6,830	\$ —	\$ 7,837	\$ —	\$ 13,789	\$ —
SME Industries ¹	28	—	54	—	56	—	271	—
Total	<u>\$ 29</u>	<u>\$ —</u>	<u>\$ 6,884</u>	<u>\$ —</u>	<u>\$ 7,893</u>	<u>\$ —</u>	<u>\$ 14,060</u>	<u>\$ —</u>
Facility and Equipment Leases:								
Central Freight Lines ¹	\$ 25	\$ 92	\$ —	\$ 92	\$ 48	\$ 277	\$ 322	\$ 277
Other Affiliates ¹	2	37	5	—	11	146	14	—
Total	<u>\$ 27</u>	<u>\$ 129</u>	<u>\$ 5</u>	<u>\$ 92</u>	<u>\$ 59</u>	<u>\$ 423</u>	<u>\$ 336</u>	<u>\$ 277</u>
Other Services:								
Central Freight Lines ¹	\$ 412	\$ —	\$ 817	\$ —	\$ 427	\$ —	\$ 1,359	\$ —
DPF Mobile ¹	—	2	—	50	—	33	—	148
Other Affiliates ¹	13	—	9	600	32	—	31	1,832
Total	<u>\$ 425</u>	<u>\$ 2</u>	<u>\$ 826</u>	<u>\$ 650</u>	<u>\$ 459</u>	<u>\$ 33</u>	<u>\$ 1,390</u>	<u>\$ 1,980</u>

¹ Entities affiliated with former Board member Jerry Moyes include Central Freight Lines, SME Industries, Compensi Services, and DPF Mobile. "Other affiliates" includes entities that are associated with various board members and executives and require approval by the Board prior to completing transactions. Transactions with these entities generally include freight services, facility and equipment leases, equipment sales, and other services.

- Freight Services Provided by Knight-Swift — The Company charges each of these companies for transportation services.
- Freight Services Received by Knight-Swift — Transportation services received from Central Freight Lines represent less-than-truckload freight services rendered to haul parts and equipment to Company shop locations.
- Other Services Provided by Knight-Swift — Other services provided by the Company to the identified related parties include equipment sales and miscellaneous services.
- Other Services Received by Knight-Swift — Consulting fees, diesel particulate filter cleaning, sales of various parts and tractor accessories, and certain third-party payroll and employee benefits administration services from the identified related parties are included in other services received by the Company.

During the quarter ended September 30, 2020, the ownership percentage of Jerry Moyes and related affiliates fell below the threshold requiring related party disclosure. The amounts included in this Note 14 pertain to transactions that occurred prior to the date that the ownership percentage changed.

Receivables and payables pertaining to related party transactions were:

	September 30, 2020		December 31, 2019	
	Receivable	Payable	Receivable	Payable
	(In thousands)			
Central Freight Lines	\$ 233	\$ —	\$ 2,872	\$ —
SME Industries	2	—	17	—
DPF Mobile	—	—	—	2
Other Affiliates	1	—	—	—
Total	<u>\$ 236</u>	<u>\$ —</u>	<u>\$ 2,889</u>	<u>\$ 2</u>

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

Note 15 — Information by Segment and Geography

Segment Information

The Company has three reportable segments: Trucking, Logistics, and Intermodal, as well as the non-reportable segments, discussed below. Based on how economic factors affect the nature, amount, timing, and uncertainty of revenue or cash flows, the Company disaggregates revenues by reportable segment for the purposes of applying the ASC Topic 606 guidance.

The Company's twenty operating segments are structured around the types of transportation service offerings provided to our customers, as well as the equipment utilized. In addition, the operating segments may be further distinguished by the Company's respective brands. The Company aggregated these various operating segments into the three reportable segments discussed below based on similarities with both their qualitative and economic characteristics.

Trucking

The Trucking reportable segment is comprised of nine trucking operating segments that provide similar transportation services to our customers utilizing similar transportation equipment over both irregular (one-way movement) and/or dedicated routes. The Trucking reportable segment consists of irregular route and dedicated, refrigerated, expedited, flatbed, and cross-border operations.

Logistics

The Logistics reportable segment is comprised of five logistics operating segments that provide similar transportation services to our customers and primarily consist of brokerage and other freight management services utilizing third-party transportation providers and their equipment.

Intermodal

The Intermodal reportable segment is comprised of two intermodal operating segments that provide similar transportation services to our customers. These transportation services include arranging the movement of customers' freight through third-party intermodal rail services on the Company's trailing equipment (trailers on flat cars and rail containers), as well as drayage services to transport loads between the railheads and customer locations.

Non-reportable

The non-reportable segments include four operating segments that consist of support services provided to the Company's customers and independent contractors (including repair and maintenance shop services, equipment leasing, warranty services, and insurance), trailer parts manufacturing, warehousing, and certain driving academy activities, as well as certain corporate expenses (such as legal settlements and accruals, certain impairments, and amortization of intangibles related to the 2017 Merger and various acquisitions).

Intersegment Eliminations

Certain operating segments provide transportation and related services for other affiliates outside of their reportable segments. For certain operating segments, such services are billed at cost, and no profit is earned. For the other operating segments, revenues for such services are based on negotiated rates, and are reflected as revenues of the billing segment. These rates are adjusted from time to time, based on market conditions. Such intersegment revenues and expenses are eliminated in Knight-Swift's consolidated results.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

The following tables present the Company's financial information by segment:

	Quarter-to-Date September 30,		Year-to-Date September 30,	
	2020	2019	2020	2019
Revenue:	(In thousands)			
Trucking	\$ 975,881	\$ 986,768	\$ 2,774,311	\$ 2,980,040
Logistics	99,018	86,213	248,320	258,094
Intermodal	98,859	108,937	276,410	343,499
Subtotal	\$ 1,173,758	\$ 1,181,918	\$ 3,299,041	\$ 3,581,633
Non-reportable segments	56,610	30,597	148,141	97,958
Intersegment eliminations	(19,962)	(11,993)	(51,280)	(32,451)
Total revenue	\$ 1,210,406	\$ 1,200,522	\$ 3,395,902	\$ 3,647,140

	Quarter-to-Date September 30,		Year-to-Date September 30,	
	2020	2019	2020	2019
Operating income (loss):	(In thousands)			
Trucking	\$ 168,781	\$ 109,409	\$ 383,903	\$ 350,356
Logistics	2,478	3,692	9,235	15,996
Intermodal	250	(2,652)	(6,962)	3,901
Subtotal	\$ 171,509	\$ 110,449	\$ 386,176	\$ 370,253
Non-reportable segments	(6,048)	(7,496)	(16,429)	(42,408)
Operating income	\$ 165,461	\$ 102,953	\$ 369,747	\$ 327,845

	Quarter-to-Date September 30,		Year-to-Date September 30,	
	2020	2019	2020	2019
Depreciation and amortization of property and equipment:	(In thousands)			
Trucking	\$ 97,867	\$ 91,390	\$ 288,970	\$ 262,742
Logistics	214	185	628	499
Intermodal	3,564	3,355	10,658	10,018
Subtotal	\$ 101,645	\$ 94,930	\$ 300,256	\$ 273,259
Non-reportable segments	14,019	11,954	40,230	37,500
Depreciation and amortization of property and equipment	\$ 115,664	\$ 106,884	\$ 340,486	\$ 310,759

Geographical Information

In the aggregate, total revenue from the Company's foreign operations was less than 5.0% of consolidated total revenue for the quarter and year-to-date periods ended September 30, 2020 and 2019. Additionally, long-lived assets on the Company's foreign subsidiary balance sheets were less than 5.0% of consolidated total assets as of September 30, 2020 and December 31, 2019.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

Note 16 — Fair Value Measurement

ASC Topic 820, *Fair Value Measurements and Disclosures*, requires that the Company disclose estimated fair values for its financial instruments. The estimated fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Changes in assumptions could significantly affect these estimates. Because the fair value is estimated as of September 30, 2020 and December 31, 2019, the amounts that will actually be realized or paid at settlement or maturity of the instruments in the future could be significantly different.

The estimated fair values of the Company's financial instruments represent management's best estimates of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. The estimated fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the estimated fair value measurement reflects management's own judgments about the assumptions that market participants would use in pricing the asset or liability. These judgments are developed by the Company based on the best information available under the circumstances.

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

Restricted Investments, Held-to-Maturity — The estimated fair value of the Company's restricted investments, held-to-maturity, is based on quoted prices in active markets that are readily and regularly obtainable. See Note 5 for additional disclosures regarding restricted investments, held-to-maturity.

Transportation Resource Partners — The estimated fair value of the Company's investments with Transportation Resource Partners are privately negotiated equity investments. The carrying amount of these investments approximates the fair value.

Equity Securities — The estimated fair value of the Company's investments in equity securities is based on quoted prices in active markets that are readily and regularly obtainable.

Debt Instruments and Leases — For notes payable under the Revolver and the Term Loan, fair value approximates the carrying value due to the variable interest rate. The carrying value of the 2018 RSA approximates fair value, as the underlying receivables are short-term in nature and only eligible receivables (such as those with high credit ratings) are qualified to secure the borrowed amounts. For finance and operating lease liabilities, the carrying value approximates the fair value, as the Company's finance and operating lease liabilities are structured to amortize in a manner similar to the depreciation of the underlying assets.

Contingent Consideration — The estimated fair value of the Company's contingent consideration owed to Warehousing Co.'s seller is calculated using a Monte Carlo simulation model based on the acquiree's earnings before interest and taxes.

Other — Cash and cash equivalents, restricted cash, net accounts receivable, income tax refund receivable, and accounts payable represent financial instruments for which the carrying amount approximates fair value, as they are short-term in nature. These instruments are accordingly excluded from the disclosures below. All remaining balance sheet amounts excluded from the below are not considered financial instruments, subject to this disclosure.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

The following table presents the carrying amounts and estimated fair values of the Company's major categories of financial assets and liabilities:

	September 30, 2020		December 31, 2019	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(In thousands)			
Financial Assets:				
Restricted investments, held-to-maturity ¹	\$ 9,052	\$ 9,057	\$ 8,912	\$ 8,915
TRP Investments ²	37,547	37,547	30,878	30,878
Investments in equity securities ²	21,859	21,859	8,722	8,722
Financial Liabilities:				
Term Loan, due October 2020 ³	\$ 365,000	\$ 365,000	\$ 364,825	\$ 365,000
2018 RSA, due July 2021 ⁴	201,878	202,000	204,762	205,000
Revolver, due October 2022	170,000	170,000	279,000	279,000
Contingent consideration associated with acquisition ⁵	17,570	17,570	—	—

- 1 Refer to Note 5 for the differences between the carrying amounts and estimated fair values of the Company's restricted investments, held-to-maturity.
- 2 The investments are carried at fair value and are included in "Other long-term assets" on the condensed consolidated balance sheets.
- 3 The carrying amount of the Term Loan is included in "Finance lease liabilities and long-term debt – current portion," on the condensed consolidated balance sheets and is net of \$0.2 million in deferred loan costs as of December 31, 2019. On October 2, 2020, the 2017 Debt Agreement was amended to extend the maturity date of the Term Loan to October 3, 2022, incorporate language regarding the transition away from LIBOR, and update other regulatory and technical provisions customary for facilities of this type. Just prior to this extension, the Company paid \$65.0 million on the outstanding balance of the Term Loan, leaving \$300.0 million face value outstanding.
- 4 The carrying amount of the 2018 RSA is included in "Accounts receivable securitization – current portion," on the condensed consolidated balance sheets as of September 30, 2020 and within "Accounts receivable securitization – less current portion" as of December 31, 2019. The carrying amount is net of \$0.1 million and \$0.2 million in deferred loan costs as of September 30, 2020 and December 31, 2019, respectively.
- 5 The carrying amount of the contingent consideration associated with the acquisition is included in both the "Accrued liabilities" and "Other long-term liabilities" line items on the condensed consolidated balance sheets.

Recurring Fair Value Measurements (Assets) — The following table depicts the level in the fair value hierarchy of the inputs used to estimate the fair value of assets measured on a recurring basis as of September 30, 2020 and December 31, 2019:

	Estimated Fair Value	Fair Value Measurements at Reporting Date Using:				Total Gain (Loss)
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs		
		(In thousands)				
As of September 30, 2020						
Investments in equity securities ¹	\$ 21,859	\$ 21,859	\$ —	\$ —	\$ 6,737	
As of December 31, 2019						
Investments in equity securities ¹	\$ 8,722	\$ 8,722	\$ —	\$ —	\$ (184)	

- 1 Total unrealized gains (losses) for these investments are included within "Other (expense) income, net" within the condensed consolidated statements of comprehensive income for the quarter and year-to-date periods ended September 30, 2020 and 2019. The Company did not sell any equity investments during the quarter and year-to-date periods ended September 30, 2020 or 2019 and therefore did not realize any gains (losses) on these investments.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — CONTINUED

Recurring Fair Value Measurements (Liabilities) — The following table depicts the level in the fair value hierarchy of the inputs used to estimate the fair value of liabilities measured on a recurring basis as of September 30, 2020:

		Fair Value Measurements at Reporting Date Using:				
	<u>Estimated Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total Gain (Loss)</u>	
			(In thousands)			
As of September 30, 2020						
Contingent consideration associated with acquisition ¹	\$ 17,570	\$ —	\$ —	\$ 17,570	\$ —	

1 There were no material adjustments to the contingent consideration made during the quarter and year-to-date periods ended September 30, 2020.

As of December 31, 2019, there were no major categories of liabilities on the condensed consolidated balance sheets estimated at fair value that were measured on a recurring basis.

Nonrecurring Fair Value Measurements (Assets) — The following table depicts the level in the fair value hierarchy of the inputs used to estimate fair value of assets measured on a nonrecurring basis as of September 30, 2020 and December 31, 2019:

	Estimated Fair Value	Fair Value Measurements at Reporting Date Using:				Total Loss
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs		
		(In thousands)				
As of September 30, 2020						
Equipment ¹	\$ 5,099	\$ —	\$ 5,099	\$ —	\$	(1,255)
As of December 31, 2019						
Leasehold improvements ²	\$ —	\$ —	\$ —	\$ —	\$	(2,182)
Equipment ³	1,380	—	1,380	—		(870)
Software ⁴	—	—	—	—		(434)

1 Reflects the non-cash impairment of certain tractors (within the Trucking segment) and certain legacy trailers (within the non-reportable segments) as a result of a softer used equipment market during the second quarter of 2020, as well as impairment charges of trailer tracking equipment (within the Trucking segment) during the first quarter of 2020.

2 During the second quarter of 2019, the Company incurred an impairment of leasehold improvements related to the early termination of a lease on one of its operating properties. This impairment was recorded in the Trucking segment.

3 During the fourth quarter of 2019, the Company incurred impairment charges which were associated with certain revenue equipment technology, warehousing equipment no longer in use, and certain Swift legacy trailer models as a result of a softer used equipment market. These impairments were allocated between the Logistics and non-reportable segments based on each segment's use of the assets.

4 During the fourth quarter of 2019, the Company incurred impairment charges related to discontinued use of software systems. These impairments were allocated between the Logistics and non-reportable segments based on each segment's use of the assets.

Nonrecurring Fair Value Measurements (Liabilities) — As of September 30, 2020 and December 31, 2019, the Company had no major categories of liabilities estimated at fair value that were measured on a nonrecurring basis.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report contains certain statements that may be considered "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Section 27A of the Securities Act of 1933, as amended. All statements, other than statements of historical or current fact, are statements that could be deemed forward-looking statements, including without limitation:

- any projections of or guidance regarding earnings, earnings per share, revenues, cash flows, dividends, capital expenditures, or other financial items,
- any statement of plans, strategies, and objectives of management for future operations,
- any statements concerning proposed acquisition plans, new services, or developments,
- any statements regarding future economic conditions or performance, and
- any statements of belief and any statements of assumptions underlying any of the foregoing.

In this Quarterly Report, forward-looking statements include, but are not limited to, statements we make concerning:

- the ability of our infrastructure to support future growth, whether we grow organically or through potential acquisitions,
- the impacts of the COVID-19 global pandemic,
- the future impact of acquisitions, including achievement of anticipated synergies,
- the flexibility of our model to adapt to market conditions,
- our ability to recruit and retain qualified driving associates,
- future safety performance,
- future performance of our segments or businesses,
- our ability to gain market share,
- the ability, desire, and effects of expanding our logistics, brokerage, and intermodal operations,
- future equipment prices, our equipment purchasing or leasing plans, and our equipment turnover (including expected tractor trade-ins),
- our ability to sublease equipment to independent contractors,
- the impact of pending legal proceedings,
- the expected freight environment, including freight demand and volumes,
- economic conditions and growth, including future inflation, consumer spending, supply chain conditions, and US Gross Domestic Product ("GDP") changes,
- future pricing terms from vendors and suppliers,
- expected liquidity and methods for achieving sufficient liquidity,
- future fuel prices and the expected impact of fuel efficiency initiatives,
- future expenses and our ability to control costs,
- future operating profitability,
- future third-party service provider relationships and availability,
- future contracted pay rates with independent contractors and compensation arrangements with driving associates,
- our expected need or desire to incur indebtedness,

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

- future capital expenditures and expected sources of liquidity, capital allocation, capital structure, capital requirements, and growth strategies and opportunities,
- expected capital expenditures,
- future mix of owned versus leased revenue equipment,
- future asset utilization,
- future return on capital,
- future share repurchases and dividends,
- future tax rates,
- future trucking industry capacity and balance between industry demand and capacity,
- future rates,
- future depreciation and amortization,
- expected tractor and trailer fleet age,
- future investment in and deployment of new or updated technology,
- political conditions and regulations, including trade regulation, quotas, duties, or tariffs, and any future changes to the foregoing,
- future insurance claims, premiums, and retention limits,
- future purchased transportation expense, and
- others.

Such statements may be identified by their use of terms or phrases such as "believe," "may," "could," "will," "would," "should," "expects," "estimates," "designed," "likely," "foresee," "goals," "seek," "target," "forecast," "projects," "anticipates," "plans," "intends," "hopes," "strategy," "potential," "objective," "continue," "outlook," and similar terms and phrases. Forward-looking statements are based on currently available operating, financial, and competitive information. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, which could cause future events and actual results to materially differ 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 Part I, Item 1A "Risk Factors" in our 2019 Annual Report, Part II, Item 1A "Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, and various disclosures in our press releases, stockholder reports, and other filings with the SEC.

All such forward-looking statements speak only as of the date of this Quarterly Report. You are cautioned not to place undue reliance on such forward-looking statements. We expressly disclaim any obligation or undertaking to publicly release 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.

Reference to Glossary of Terms

Certain acronyms and terms used throughout this Quarterly Report are specific to our company, commonly used in our industry, or are otherwise frequently used throughout our document. Definitions for these acronyms and terms are provided in the "Glossary of Terms," available in the front of this document.

Reference to Annual Report

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements (unaudited) and footnotes included in this Quarterly Report, as well as the consolidated financial statements and footnotes included in our 2019 Annual Report.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF
OPERATIONS — CONTINUED

Executive Summary

Impact of COVID-19

During year-to-date September 30, 2020, we incurred approximately \$12.3 million of expenses (all within the first half of the year) directly attributable to the pandemic, which were incremental to those incurred prior to the outbreak. These primarily pertained to payroll premiums paid to our driving associates and shop technicians, as well as additional disinfectants and cleaning supplies, and various other pandemic-specific items. The costs are clearly separable from our normal business operations and are not expected to recur once the pandemic subsides.

Refer to Note 1 in Part I, Item 1 of this Quarterly Report for further discussion around the impact of COVID-19 on our company. Refer to Part II, Item 1A "Risk Factors" in our Quarterly Report for the quarterly period ended March 31, 2020 for more discussion about potential risks and uncertainties surrounding the COVID-19 pandemic that may impact our business, results of operations, or financial condition.

Company Overview

Knight-Swift Transportation Holdings Inc. is North America's largest truckload carrier and a provider of transportation solutions, headquartered in Phoenix, Arizona. The Company provides multiple truckload transportation, intermodal, and logistics services using a nationwide network of business units and terminals in the US and Mexico to serve customers throughout North America. In addition to its truckload services, Knight-Swift also contracts with third-party capacity providers to provide a broad range of shipping solutions to its customers while creating quality driving jobs for our driving associates and successful business opportunities for independent contractors. Our three reportable segments are Trucking, Logistics, and Intermodal. Additionally, we have various non-reportable segments. Refer to Note 15 in Part I, Item 1 of this Quarterly Report for descriptions of our segments.

Our objective is to operate our business with industry-leading margins and growth while providing safe, high-quality, cost-effective solutions for our customers.

Revenue

- Our trucking services include irregular route and dedicated, refrigerated, expedited, flatbed, and cross-border transportation of various products, goods, and materials for our diverse customer base. We primarily generate revenue by transporting freight for our customers through our Trucking segment.
- Our logistics and intermodal operations provide a multitude of shipping solutions, including additional sources of truckload capacity and alternative transportation modes, by utilizing our vast network of third-party capacity providers and rail providers, as well as certain logistics and freight management services. Revenue in our logistics and intermodal operations is generated through our Logistics and Intermodal segments.
- Our non-reportable segments include support services provided to our customers and independent contractors (including repair and maintenance shop services, equipment leasing, warranty services, and insurance), trailer parts manufacturing, warehousing, and certain driving academy activities, as well as certain corporate expenses (such as legal settlements and accruals, certain impairments, and amortization of intangibles related to the 2017 Merger and various acquisitions).
- In addition to the revenues earned from our customers for the trucking and non-trucking services discussed above, we also earn fuel surcharge revenue from our customers through our fuel surcharge program, which serves to recover a majority of our fuel costs. This applies only to loaded miles and typically does not offset non-paid empty miles, idle time, and out-of-route miles driven. Fuel surcharge programs involve a computation based on the change in national or regional fuel prices. These programs may update as often as weekly, but typically require a specified minimum change in fuel cost to prompt a change in fuel surcharge revenue. Therefore, many of these programs have a time lag between when fuel costs change and when the change is reflected in fuel surcharge revenue for our Trucking segment.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

Expenses — Our most significant expenses vary with miles traveled and include fuel, driving associate-related expenses (such as wages and benefits), and services purchased from independent contractors and other transportation providers (such as railroads, drayage providers, and other trucking companies). Maintenance and tire expenses, as well as the cost of insurance and claims generally vary with the miles we travel, but also have a controllable component based on safety improvements, fleet age, efficiency, and other factors. Our primary fixed costs are depreciation and lease expense for revenue equipment and terminals, amortization of intangible assets, interest expense, and non-driver employee compensation.

Operating Statistics — We measure our consolidated and segment results through certain operating statistics, which are discussed under "Results of Operations — Segment Review — Operating Statistics," below. Our results are affected by various economic, industry, operational, regulatory, and other factors, which are set forth in Part I, Item 1A "Risk Factors" in our 2019 Annual Report, Part II, Item 1A "Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, and various disclosures in our press releases, stockholder reports, and other filings with the SEC.

Consolidated Key Financial Highlights and Operating Metrics

	Quarter-to-Date September 30,		Year-to-Date September 30,	
	2020	2019	2020	2019
GAAP financial data:				
	(Dollars in thousands, except per share data)			
Total revenue	\$ 1,210,406	\$ 1,200,522	\$ 3,395,902	\$ 3,647,140
Revenue, excluding trucking fuel surcharge	\$ 1,137,313	\$ 1,090,210	\$ 3,162,005	\$ 3,309,920
Net income attributable to Knight-Swift	\$ 122,058	\$ 74,619	\$ 267,673	\$ 241,762
Earnings per diluted share	\$ 0.71	\$ 0.44	\$ 1.57	\$ 1.40
Operating ratio	86.3 %	91.4 %	89.1 %	91.0 %
Non-GAAP financial data:				
Adjusted Net Income Attributable to Knight-Swift ¹	\$ 134,618	\$ 82,802	\$ 307,321	\$ 279,610
Adjusted EPS ¹	\$ 0.79	\$ 0.48	\$ 1.80	\$ 1.62
Adjusted Operating Ratio ¹	83.9 %	89.6 %	86.6 %	88.6 %
Revenue equipment:				
Average tractors (Trucking segment only) ²	18,464	18,899	18,439	18,939
Average trailers ³	58,310	57,889	57,716	58,394
Average containers	10,852	9,861	10,522	9,863

1 Adjusted Net Income Attributable to Knight-Swift, Adjusted EPS, and Adjusted Operating Ratio are non-GAAP financial measures and should not be considered alternatives, or superior to, the most directly comparable GAAP financial measures. However, management believes that presentation of these non-GAAP financial measures provides useful information to investors regarding the Company's results of operations. Adjusted Net Income Attributable to Knight-Swift, Adjusted EPS, and Adjusted Operating Ratio are reconciled to the most directly comparable GAAP financial measures under "Non-GAAP Financial Measures," below.

2 The average age of our company-owned tractor fleet was 2.1 years and 2.0 years as of September 30, 2020 and 2019, respectively.

3 The average age of our trailer fleet was 7.7 years and 7.4 years as of September 30, 2020 and 2019, respectively.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

Market Trends and Company Performance

Trends and Outlook — Our operational discipline, agility, and cost-control culture enabled us to execute through the unprecedented challenges presented by the COVID-19 pandemic, which introduced a new source of volatility throughout the global market in 2020. Our diversified customer base, networks, and unique brands positioned us to navigate a disrupted freight environment of unpredictable shipping volumes, shifts in pricing, and continued challenges in driver sourcing.

The national unemployment rate declined to 7.9%¹ as of September 30, 2020, after the COVID-19 pandemic and efforts to contain it caused a significant rise in unemployment during the first half of the year. Economic activities that were once curtailed during the initial surge of the pandemic began to resume during the third quarter of 2020, leading to an improved labor market. Despite the improved labor market, a reduction in trained drivers (primarily due to social distancing measures across the nation), ongoing competition for experienced hires, increased safety regulations, and various alternative sources of income to potential drivers continue to hamper driver sourcing efforts throughout the industry.

During the third quarter of 2020, the US gross domestic product, which is the broadest measure of goods and services produced across the economy, increased by 33.1%² per preliminary third-party forecasts. This may result in an expected annualized growth rate of approximately 3.0% to 4.0% for full-year 2020, as third-party forecasts are predicting a continued economic rebound in the last quarter of this year. The third quarter 2020 US employment cost index rose 2.4%¹ and 0.5%¹ on a year-over-year and sequential basis, respectively.

From a freight market perspective, demand toward the beginning of the year was weak, but gradually strengthened throughout the second and third quarters of 2020. We are encouraged by the continued strength in freight demand; however, demand may be difficult to predict for the last quarter of the year. We believe supply has and will continue to exit the market as evidenced by significantly lower class 8 truck orders, a weak used equipment market, and lower transportation employment levels.

Our consolidated operating income increased by 60.7% on a year-over-year basis for the third quarter of 2020 as a result of a 4.3% increase in consolidated revenue, excluding trucking fuel surcharge and our focus on cost control. Both the strength in freight demand and constrained capacity led to earlier peak volumes, which we expect will continue into the fourth quarter.

Our Trucking segment improved its Adjusted Operating Income by 54.1%, resulting in a 620 basis point Adjusted Operating Ratio improvement to 81.3% in the third quarter of 2020 from 87.5% in the third quarter of 2019. Our Logistics segment produced an Adjusted Operating Ratio of 97.4% in the third quarter of 2020. Load volumes within our Intermodal segment increased by 16.6% sequentially and decreased by 5.7% year-over-year, contributing to an Adjusted Operating Ratio of 99.7% in the third quarter of 2020, as compared 102.4% in the third quarter of last year.

We anticipate that depreciation and amortization expense will increase and rental expense will correspondingly decrease, as a percentage of revenue excluding trucking fuel surcharge, as we intend to purchase, rather than enter into operating leases for a majority of our revenue equipment in 2020. With significant tightening in the insurance markets, we may also experience changes in premiums, retention limits, and excess coverage limits in the remainder of 2020. While fuel expense is generally offset by fuel surcharge revenue, our fuel expense, net of fuel surcharge revenue may increase in the future.

We continue to manage our leverage ratio relative to our targeted range and remain committed to a strong capital structure, which we believe will position us for long-term success and enable us to pursue further opportunities for organic growth, growth through acquisitions, and other capital allocation opportunities. We do not foresee material liquidity constraints or any issues with our ongoing ability to meet our debt covenants.

1 Source: bls.gov

2 Source: bea.gov

3 Source: tradingeconomics.com

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

Comparison Between the Quarters Ended September 30, 2020 and 2019 — The \$47.4 million increase in net income attributable to Knight-Swift to \$122.1 million during the quarter ended September 30, 2020 from \$74.6 million during the same period last year includes the following:

- **Contributor** — \$59.4 million increase in operating income within our Trucking segment. Average revenue per tractor increased by 5.4%, driven by a 5.1% increase in revenue per loaded mile, excluding fuel surcharge and intersegment transactions.
- **Contributor** — \$4.6 million decrease in interest expense from lower overall interest rates, as well as lower overall debt balances.
- **Contributor** — \$4.2 million increase in "Other income, net" primarily related to an increase in gains recognized within our portfolio of investments.
- **Offset** — \$6.2 million charge incurred within the other non-reportable segments associated with certain class action lawsuits involving pre-merger employment-related claims that were previously disclosed by Swift.
- **Offset** — \$23.3 million increase in consolidated income tax expense, primarily due to an increase in pre-tax earnings and negative impacts from certain tax-related items within our Mexico operations in the third quarter of 2020, as compared to the third quarter of 2019. All of these factors resulted in an effective tax rate of 28.1% for the third quarter of 2020 and 24.6% for the third quarter of 2019.

Comparison Between Year-to-Date September 30, 2020 and 2019 — The \$25.9 million increase in net income attributable to Knight-Swift to \$267.7 million during year-to-date September 30, 2020 from \$241.8 million during the same period last year includes the following:

- **Contributor** — \$33.5 million increase in operating income within our Trucking segment. Improved operating margins offset a \$103.0 million decrease in revenue, excluding fuel surcharge and intersegment transactions.
- **Contributor** — \$9.3 million reduction in incurred legal costs within the non-reportable segments related to pre-merger legal matters previously disclosed by Swift.
- **Offset** — \$20.7 million increase in consolidated income tax expense, primarily due to an increase in pre-tax earnings, negative impacts from certain tax-related items within our Mexico operations, and an unfavorable foreign currency fluctuation adjustment, which were partially offset by an increase in stock compensation deductions recognized as discrete items. During year-to-date September 30, 2019, we also recognized discrete items related to a reduction in our reserve for uncertain tax positions and a decrease in stock compensation deductions. All of these factors resulted in an effective tax rate of 27.0% for year-to-date September 30, 2020 and 24.5% for year-to-date September 30, 2019.

See additional discussion of our operating results within "Results of Operations — Consolidated Operating and Other Expenses" below.

Liquidity and Capital — During year-to-date September 30, 2020, we generated \$655.0 million in operating cash flows, reduced our operating lease liabilities by \$66.3 million, used \$276.1 million for capital expenditures (net of equipment sales proceeds), and returned \$41.3 million to our stockholders in the form of quarterly dividends. We also repurchased \$34.6 million worth of our common stock at an average price of \$30.41 per share (all within the first quarter of 2020).

We ended the quarter with \$240.2 million in unrestricted cash and cash equivalents, \$170.0 million outstanding on the Revolver, \$365.0 million face value outstanding on the Term Loan, and \$5.9 billion of stockholders' equity.

We continue to maintain our leverage ratio within our targeted range and remain committed to a strong capital structure, which we believe will position us for long-term success and enable us to pursue further opportunities for organic growth, growth through acquisitions, and other capital allocation opportunities. We do not foresee material liquidity constraints or any issues with our ongoing ability to meet our debt covenants.

See discussion under "Liquidity and Capital Resources" and "Off-Balance Sheet Arrangements" for additional information.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF
OPERATIONS — CONTINUED

Results of Operations — Segment Review

The Company has three reportable segments: Trucking, Logistics, and Intermodal, as well as certain non-reportable segments. Refer to Note 15 to the condensed consolidated financial statements, included in Part I, Item 1 of this Quarterly Report for descriptions of the operations of these reportable segments.

Consolidating Tables for Total Revenue and Operating Income (Loss)

	Quarter-to-Date September 30,		Year-to-Date September 30,	
	2020	2019	2020	2019
Revenue:	(In thousands)			
Trucking	\$ 975,881	\$ 986,768	\$ 2,774,311	\$ 2,980,040
Logistics	99,018	86,213	248,320	258,094
Intermodal	98,859	108,937	276,410	343,499
Subtotal	\$ 1,173,758	\$ 1,181,918	\$ 3,299,041	\$ 3,581,633
Non-reportable segments	56,610	30,597	148,141	97,958
Intersegment eliminations	(19,962)	(11,993)	(51,280)	(32,451)
Total revenue	<u>\$ 1,210,406</u>	<u>\$ 1,200,522</u>	<u>\$ 3,395,902</u>	<u>\$ 3,647,140</u>

	Quarter-to-Date September 30,		Year-to-Date September 30,	
	2020	2019	2020	2019
Operating income (loss):	(In thousands)			
Trucking	\$ 168,781	\$ 109,409	\$ 383,903	\$ 350,356
Logistics	2,478	3,692	9,235	15,996
Intermodal	250	(2,652)	(6,962)	3,901
Subtotal	\$ 171,509	\$ 110,449	\$ 386,176	\$ 370,253
Non-reportable segments	(6,048)	(7,496)	(16,429)	(42,408)
Operating income	<u>\$ 165,461</u>	<u>\$ 102,953</u>	<u>\$ 369,747</u>	<u>\$ 327,845</u>

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED
Operating Statistics

Our chief operating decision makers monitor the GAAP results of our reportable segments, as supplemented by certain non-GAAP information. Refer to "Non-GAAP Financial Measures" below for more details. Additionally, we use a number of primary indicators to monitor our revenue and expense performance and efficiency.

Operating Statistic	Relevant Segment(s)	Description
<i>Average Revenue per Tractor</i>	Trucking	Measures productivity and represents revenue (excluding fuel surcharge and intersegment transactions) divided by average tractor count
<i>Total Miles per Tractor</i>	Trucking	Total miles (including loaded and empty miles) a tractor travels on average
<i>Average Length of Haul</i>	Trucking	Average miles traveled with loaded trailer cargo per order
<i>Non-paid Empty Miles Percentage</i>	Trucking	Percentage of miles without trailer cargo
<i>Average Tractors</i>	Trucking, Intermodal	Average tractors in operation during the period including company tractors and tractors provided by independent contractors
<i>Average Trailers</i>	Trucking	Average trailers in operation during the period
<i>Average Revenue per Load</i>	Logistics, Intermodal	Total revenue (excluding intersegment transactions) divided by load count
<i>Gross Margin Percentage</i>	Logistics (Brokerage only)	Brokerage gross margin (revenue, excluding intersegment transactions, less purchased transportation expense, excluding intersegment transactions) as a percentage of brokerage revenue, excluding intersegment transactions
<i>Average Containers</i>	Intermodal	Average containers in operation during the period
<i>GAAP Operating Ratio</i>	Trucking, Logistics, Intermodal	Measures operating efficiency and is widely used in our industry as an assessment of management's effectiveness in controlling all categories of operating expenses. Calculated as operating expenses as a percentage of total revenue, or the inverse of operating margin.
<i>Non-GAAP Adjusted Operating Ratio</i>	Trucking, Logistics, Intermodal	Measures operating efficiency and is widely used in our industry as an assessment of management's effectiveness in controlling all categories of operating expenses. Consolidated and segment Adjusted Operating Ratios are reconciled to their corresponding GAAP operating ratios under "Non-GAAP Financial Measures," below.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED
Segment Review
Trucking Segment

We generate revenue in the Trucking segment primarily through irregular route, dedicated, refrigerated, flatbed, expedited, and cross-border service offerings with 13,446 irregular route tractors and 5,018 dedicated route tractors. Generally, we are paid a predetermined rate per mile or per load for our trucking services. Additional revenues are generated by charging for tractor and trailer detention, loading and unloading activities, dedicated services, and other specialized services, as well as through the collection of fuel surcharge revenue to mitigate the impact of increases in the cost of fuel. The main factors that affect the revenue generated by our Trucking segment are rate per mile from our customers, the percentage of miles for which we are compensated, and the number of loaded miles we generate with our equipment.

The most significant expenses in the Trucking segment are primarily variable and include fuel and fuel taxes, driving associate-related expenses (such as wages, benefits, training, and recruitment), and costs associated with independent contractors primarily included in "Purchased transportation" in the condensed consolidated statements of comprehensive income. Maintenance expense (which includes costs for replacement tires for our revenue equipment) and insurance and claims expenses have both fixed and variable components. These expenses generally vary with the miles we travel, but also have a controllable component based on safety, fleet age, efficiency, and other factors. The main fixed costs in the Trucking segment are depreciation and rent expenses from leasing and acquiring revenue equipment and terminals, as well as compensating our non-driver employees.

	Quarter-to-Date September 30,		Year-to-Date September 30,		QTD 2020 vs.	YTD 2020 vs.
	2020	2019	2020	2019	QTD 2019	YTD 2019
	(Dollars in thousands, except per tractor data)				Increase (Decrease)	
Total revenue	\$ 975,881	\$ 986,768	\$ 2,774,311	\$ 2,980,040	(1.1 %)	(6.9 %)
Revenue, excluding fuel surcharge and intersegment transactions	\$ 902,592	\$ 876,385	\$ 2,539,709	\$ 2,642,663	3.0 %	(3.9 %)
GAAP: Operating income	\$ 168,781	\$ 109,409	\$ 383,903	\$ 350,356	54.3 %	9.6 %
Non-GAAP: Adjusted Operating Income ¹	\$ 169,105	\$ 109,758	\$ 398,076	\$ 353,585	54.1 %	12.6 %
Average revenue per tractor ²	\$ 48,884	\$ 46,372	\$ 137,736	\$ 139,536	5.4 %	(1.3 %)
GAAP: Operating ratio ²	82.7 %	88.9 %	86.2 %	88.2 %	(620 bps)	(200 bps)
Non-GAAP: Adjusted Operating Ratio ^{1 2}	81.3 %	87.5 %	84.3 %	86.6 %	(620 bps)	(230 bps)
Non-paid empty miles percentage ²	12.6 %	12.8 %	13.1 %	12.9 %	(20 bps)	20 bps
Average length of haul (miles) ²	436	431	427	429	1.2 %	(0.5 %)
Total miles per tractor ²	23,422	23,397	68,729	69,578	0.1 %	(1.2 %)
Average tractors ^{2 3}	18,464	18,899	18,439	18,939	(2.3 %)	(2.6 %)
Average trailers ²	58,310	57,889	57,716	58,394	0.7 %	(1.2 %)

1 Refer to "Non-GAAP Financial Measures" below.

2 Defined under "Operating Statistics," above.

3 Includes 16,391 and 16,564 average company-owned tractors for the third quarter of 2020 and 2019, respectively.

Includes 16,347 and 16,420 average company-owned tractors for year-to-date September 30, 2020 and 2019, respectively.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

Comparison Between the Quarters Ended September 30, 2020 and 2019 — We saw year-over-year improvement across our trucking operating segments during the third quarter. Operating ratio improved to 82.7% for the third quarter of 2020 from 88.9% for the third quarter of 2019. We improved the Adjusted Operating Ratio within this segment to 81.3% in the third quarter of 2020 from 87.5% in the third quarter of 2019. Average revenue per tractor increased by 5.4%, driven by a 5.1% increase in revenue per loaded mile, excluding fuel surcharge and intersegment transactions. We expect rate per mile to continue to improve in the coming quarters.

Comparison Between Year-to-Date September 30, 2020 and 2019 — Although revenue, excluding fuel surcharge and intersegment transactions decreased by \$103.0 million, operating ratio improved by 200 basis points to 86.2% from 88.2% and Adjusted Operating Ratio improved by 230 basis points to 84.3% from 86.6%. The decrease in revenue was offset by improvements in margins, ultimately leading to a 9.6% increase in operating income and a 12.6% increase in Adjusted Operating Income on a year-to-date basis. Average revenue per tractor decreased by 1.3%, driven by a 1.2% decrease in miles per tractor, which was partially offset by a 0.2% increase in revenue per loaded mile, excluding fuel surcharge and intersegment transactions.

Logistics Segment

The Logistics segment is less asset-intensive than the Trucking segment and is dependent upon capable non-driver employees, modern and effective information technology, and third-party capacity providers. Logistics revenue is primarily generated by its brokerage operations. We generate additional revenue by offering specialized logistics solutions (including, but not limited to, trailing equipment, origin management, surge volume, disaster relief, special projects, and other logistic needs). Logistics revenue is mainly affected by the rates we obtain from customers, the freight volumes we ship through third-party capacity providers, and our ability to secure third-party capacity providers to transport customer freight.

The most significant expense in the Logistics segment is purchased transportation that we pay to third-party capacity providers, which is primarily a variable cost and is included in "Purchased transportation" in the condensed consolidated statements of comprehensive income. Variability in this expense depends on truckload capacity, availability of third-party capacity providers, rates charged to customers, current freight demand, and customer shipping needs. Fixed Logistics operating expenses primarily include non-driver employee compensation and benefits recorded in "Salaries, wages, and benefits" and depreciation and amortization expense recorded in "Depreciation and amortization of property and equipment" in the condensed consolidated statements of comprehensive income.

	Quarter-to-Date September 30,		Year-to-Date September 30,		QTD 2020 vs.	YTD 2020 vs.
	2020	2019	2020	2019	QTD 2019	YTD 2019
(Dollars in thousands, except per load data)					Increase (Decrease)	
Total revenue	\$ 99,018	\$ 86,213	\$ 248,320	\$ 258,094	14.9 %	(3.8 %)
Revenue, excluding intersegment transactions	\$ 96,237	\$ 83,631	\$ 240,060	\$ 251,126	15.1 %	(4.4 %)
Operating income	\$ 2,478	\$ 3,692	\$ 9,235	\$ 15,996	(32.9 %)	(42.3 %)
Revenue per load – Brokerage only ¹	\$ 1,756	\$ 1,368	\$ 1,518	\$ 1,423	28.4 %	6.7 %
Gross margin percentage – Brokerage only ¹	11.0 %	14.0 %	13.5 %	16.0 %	(300 bps)	(250 bps)
GAAP: Operating ratio ¹	97.5 %	95.7 %	96.3 %	93.8 %	180 bps	250 bps
Non-GAAP: Adjusted Operating Ratio ^{1 2}	97.4 %	95.6 %	96.2 %	93.6 %	180 bps	260 bps

1 Defined under "Operating Statistics," above.

2 Refer to "Non-GAAP Financial Measures" below.

Comparison Between the Quarters Ended September 30, 2020 and 2019 — Operating ratio was 97.5% for the third quarter of 2020 compared to 95.7% for the third quarter of 2019. Adjusted Operating Ratio in the Logistics segment increased to 97.4% in the third quarter of 2020 from 95.6% in the third quarter of 2019.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

Brokerage-only — With recent tightening of capacity, brokerage gross margin decreased to 11.0% for the third quarter of 2020 from 14.0% for the third quarter of 2019. Margins began to stabilize and subsequently improved throughout the third quarter of 2020. A 28.4% increase in brokerage revenue per load, partially offset by a 7.9% decrease in brokerage load volume contributed to an 18.2% increase in brokerage revenue, excluding intersegment transactions. Load volumes grew 87.2% year-over-year within our power-only service offering, contributing to 109.6% revenue growth within power-only and representing 30.1% of our total third quarter 2020 brokerage load volumes.

Comparison Between Year-to-Date September 30, 2020 and 2019 — Operating ratio was 96.3% for year-to-date September 30, 2020 compared to 93.8% for year-to-date September 30, 2019. Adjusted Operating Ratio in the Logistics segment increased to 96.2% for year-to-date September 30, 2020 from 93.6% for year-to-date September 30, 2019.

Brokerage-only — Brokerage gross margin decreased to 13.5% for year-to-date September 30, 2020 from 16.0% for year-to-date September 30, 2019. An 8.1% decrease in brokerage load volumes, partially offset by a 6.7% increase in brokerage revenue per load resulted in a 2.0% decrease in brokerage revenue, excluding intersegment transactions.

Intermodal Segment

The Intermodal segment complements our regional operating model, allows us to better serve customers in longer haul lanes, and reduces our investment in fixed assets. Through the Intermodal segment, we generate revenue by moving freight over the rail in our containers and other trailing equipment, combined with revenue for drayage to transport loads between railheads and customer locations. The most significant expense in the Intermodal segment is the cost of purchased transportation that we pay to third-party capacity providers (including rail providers), which is primarily variable and included in "Purchased transportation" in the condensed consolidated statements of comprehensive income. Purchased transportation varies as it relates to rail capacity, freight demand, and customer shipping needs. The main fixed costs in the Intermodal segment are depreciation of our company tractors related to drayage, containers, and chassis, as well as non-driver employee compensation and benefits.

	Quarter-to-Date September 30,		Year-to-Date September 30,		QTD 2020 vs.	YTD 2020 vs.
	2020	2019	2020	2019	QTD 2019	YTD 2019
	(Dollars in thousands, except per load data)				Increase (Decrease)	
Total revenue	\$ 98,859	\$ 108,937	\$ 276,410	\$ 343,499	(9.3 %)	(19.5 %)
Revenue, excluding intersegment transactions	\$ 98,808	\$ 108,758	\$ 276,129	\$ 342,162	(9.1 %)	(19.3 %)
GAAP: Operating income (loss)	\$ 250	\$ (2,652)	\$ (6,962)	\$ 3,901	(109.4 %)	(278.5 %)
Non-GAAP: Adjusted Operating Income (Loss) ¹	\$ 250	\$ (2,652)	\$ (6,849)	\$ 3,901	(109.4 %)	(275.6 %)
Average revenue per load ²	\$ 2,305	\$ 2,393	\$ 2,291	\$ 2,429	(3.7 %)	(5.7 %)
GAAP: Operating ratio ²	99.7 %	102.4 %	102.5 %	98.9 %	(270 bps)	360 bps
Non-GAAP: Adjusted Operating Ratio ^{1,2}	99.7 %	102.4 %	102.5 %	98.9 %	(270 bps)	360 bps
Load count	42,862	45,445	120,520	140,844	(5.7 %)	(14.4 %)
Average tractors ^{2,3}	548	625	573	656	(12.3 %)	(12.7 %)
Average containers ²	10,852	9,861	10,522	9,863	10.0 %	6.7 %

1 Refer to "Non-GAAP Financial Measures" below.

2 Defined under "Operating Statistics," above.

3 Includes 494 and 553 company-owned tractors for the third quarter of 2020 and 2019, respectively.

Includes 513 and 579 company-owned tractors for year-to-date September 30, 2020 and 2019, respectively.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

Comparison Between the Quarters Ended September 30, 2020 and 2019 — During the third quarter of 2020, operating ratio was 99.7%, compared to 102.4% during the third quarter of 2019. Continued market pressures contributed to a 9.1% decrease in revenue, excluding intersegment transactions, as load counts decreased 5.7% and revenue per load decreased 3.7%. Excluding the impact of fuel, revenue per load increased 2.5% year-over-year. On a sequential basis, a 16.6% increase in load volumes contributed to a 560 basis point improvement in operating ratio for the third quarter of 2020, compared to the second quarter of 2020. We continue to develop our Intermodal network and cost structure and expect to continue to see improved results in the fourth quarter.

Comparison Between Year-to-Date September 30, 2020 and 2019 — Operating ratio was 102.5% for year-to-date September 30, 2020 compared to 98.9% for year-to-date September 30, 2019. Continued market pressures, including the impact of the COVID-19 pandemic on port volumes, especially in the first half of the year, contributed to a 19.3% decrease in revenue, excluding intersegment transactions, as load counts decreased 14.4% and revenue per load decreased 5.7% for year-to-date September 30, 2020 compared to the same period last year.

Non-reportable Segments

The non-reportable segments include support services provided to our customers and independent contractors (including repair and maintenance shop services, equipment leasing, warranty services, and insurance), trailer parts manufacturing, warehousing, and certain driving academy activities, as well as certain corporate expenses (such as legal settlements and accruals, certain impairments, and \$11.2 million in quarterly amortization of intangibles related to the 2017 Merger and various acquisitions).

	Quarter-to-Date September 30,		Year-to-Date September 30,		QTD 2020 vs.	YTD 2020 vs.
	2020	2019	2020	2019	QTD 2019	YTD 2019
	(Dollars in thousands)				Increase (Decrease)	
Total revenue	\$ 56,610	\$ 30,597	\$ 148,141	\$ 97,958	85.0 %	51.2 %
Operating loss	\$ (6,048)	\$ (7,496)	\$ (16,429)	\$ (42,408)	(19.3 %)	(61.3 %)

Comparison Between the Quarters Ended September 30, 2020 and 2019 — Operating results within the non-reportable segments improved in the third quarter of 2020, which included additional income earned from warehousing activities, partially offset by a \$6.2 million charge associated with certain class action lawsuits involving pre-merger employment-related claims that were previously disclosed by Swift.

Comparison Between Year-to-Date September 30, 2020 and 2019 — Operating results within the non-reportable segments improved for year-to-date September 30, 2020, which included additional income earned from warehousing activities, partially offset by a \$6.2 million charge associated with certain class action lawsuits involving pre-merger employment-related claims that were previously disclosed by Swift. During year-to-date September 30, 2019, we incurred \$15.5 million in costs associated with a jury verdict.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED
Results of Operations — Consolidated Operating and Other Expenses
Consolidated Operating Expenses

The following tables present certain operating expenses from our condensed consolidated statements of comprehensive income, including each operating expense as a percentage of total revenue and as a percentage of revenue, excluding trucking fuel surcharge. Trucking fuel surcharge revenue can be volatile and is primarily dependent upon the cost of fuel, rather than operating expenses unrelated to fuel. Therefore, we believe that revenue, excluding trucking fuel surcharge is a better measure for analyzing many of our expenses and operating metrics.

	Quarter-to-Date September 30,		Year-to-Date September 30,		QTD 2020 vs.	YTD 2020 vs.
	2020	2019	2020	2019	QTD 2019	YTD 2019
	(Dollars in thousands)				Increase (Decrease)	
Salaries, wages, and benefits	\$ 376,923	\$ 375,491	\$ 1,097,067	\$ 1,119,700	0.4 %	(2.0 %)
% of total revenue	31.1 %	31.3 %	32.3 %	30.7 %	(20 bps)	160 bps
% of revenue, excluding trucking fuel surcharge	33.1 %	34.4 %	34.7 %	33.8 %	(130 bps)	90 bps

Salaries, wages, and benefits expense is primarily affected by the total number of miles driven by company driving associates, the rate per mile we pay our company driving associates, and employee benefits, including healthcare, workers' compensation, and other benefits. To a lesser extent, non-driver employee headcount, compensation, and benefits affect this expense. Driving associate wages represent the largest component of salaries, wages, and benefits expense.

Several ongoing market factors have reduced the pool of available driving associates, contributing to a challenging driver sourcing market, which we believe will continue. Having a sufficient number of qualified driving associates is a significant headwind, although we continue to seek ways to attract and retain qualified driving associates, including heavily investing in our recruiting efforts, our driving academies, and technology and terminals that improve the experience of driving associates. We expect driving associate pay to remain inflationary, which we expect will result in additional driving associate pay increases in the future, thereby increasing our salaries, wages, and benefits expense.

- Comparison Between the Quarters Ended September 30, 2020 and 2019 — The \$1.4 million increase within consolidated salaries, wages and benefits was primarily due to an increase in driving associate pay rates, partially offset by a decrease in miles driven by company driving associates and lower medical insurance costs.
- Comparison Between Year-to-Date September 30, 2020 and 2019 — The \$22.6 million decrease within consolidated salaries, wages and benefits was primarily attributed to a decrease in miles driven by company driving associates, favorable development within workers' compensation expense, as well as lower medical insurance costs. These decreases were partially offset by \$9.0 million in incremental payroll premiums paid to our company driving associates and shop technicians in response to the COVID-19 pandemic during the first half of 2020. The COVID-19 expenses were clearly separable from our normal business operations and are not expected to recur once the pandemic subsides.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

	Quarter-to-Date September 30,		Year-to-Date September 30,		QTD 2020 vs.	YTD 2020 vs.
	2020	2019	2020	2019	QTD 2019	YTD 2019
	(Dollars in thousands)				Increase (Decrease)	
Fuel	\$ 104,703	\$ 148,699	\$ 312,939	\$ 438,447	(29.6 %)	(28.6 %)
% of total revenue	8.7 %	12.4 %	9.2 %	12.0 %	(370 bps)	(280 bps)
% of revenue, excluding trucking fuel surcharge	9.2 %	13.6 %	9.9 %	13.2 %	(440 bps)	(330 bps)

Fuel expense consists primarily of diesel fuel expense for our company-owned tractors and fuel taxes. The primary factors affecting our fuel expense are the cost of diesel fuel, the fuel economy of our equipment, and the miles driven by company driving associates.

Our fuel surcharge programs help to offset increases in fuel prices, but apply only to loaded miles and typically do not offset non-paid empty miles, idle time, or out-of-route miles driven. Typical fuel surcharge programs involve a computation based on the change in national or regional fuel prices. These programs may update as often as weekly, but typically require a specified minimum change in fuel cost to prompt a change in fuel surcharge revenue for our Trucking segment. Therefore, many of these programs have a time lag between when fuel costs change and when the change is reflected in fuel surcharge revenue. Due to this time lag, our fuel expense, net of fuel surcharge, negatively impacts our operating income during periods of sharply rising fuel costs and positively impacts our operating income during periods of falling fuel costs. We continue to utilize our fuel efficiency initiatives such as trailer blades, idle-control, management of tractor speeds, fleet updates for more fuel-efficient engines, management of fuel procurement, and driving associate training programs that we believe contribute to controlling our fuel expense.

- *Comparison Between the Quarters Ended September 30, 2020 and 2019* — The \$44.0 million decrease in consolidated fuel expense is primarily due to a decrease in average DOE fuel prices to \$2.43 per gallon for the third quarter of 2020 from \$3.02 per gallon for the third quarter of 2019 and a 0.4% decrease in the total miles driven by company driving associates.
- *Comparison Between Year-to-Date September 30, 2020 and 2019* — The \$125.5 million decrease in consolidated fuel expense is primarily due to a decrease in average DOE fuel prices to \$2.59 per gallon for year-to-date September 30, 2020 from \$3.05 per gallon for year-to-date September 30, 2019 and a 0.5% decrease in miles driven by company driving associates.

	Quarter-to-Date September 30,		Year-to-Date September 30,		QTD 2020 vs.	YTD 2020 vs.
	2020	2019	2020	2019	QTD 2019	YTD 2019
	(Dollars in thousands)				Increase (Decrease)	
Operations and maintenance	\$ 69,964	\$ 85,108	\$ 204,435	\$ 247,311	(17.8 %)	(17.3 %)
% of total revenue	5.8 %	7.1 %	6.0 %	6.8 %	(130 bps)	(80 bps)
% of revenue, excluding trucking fuel surcharge	6.2 %	7.8 %	6.5 %	7.5 %	(160 bps)	(100 bps)

Operations and maintenance expense consists of direct operating expenses, such as driving associate hiring and recruiting expenses, equipment maintenance, and tire expense. Operations and maintenance expenses are primarily affected by the age of our company-owned fleet of tractors and trailers and the miles driven. We expect the driver market to remain competitive throughout 2020, which could increase future driving associate development and recruiting costs and negatively affect our operations and maintenance expense. We expect to continue refreshing our tractor and trailer fleet in the coming quarters to maintain or improve the average age of our equipment.

The third quarter decrease of \$15.1 million and year-to-date decrease of \$42.9 million in consolidated operations and maintenance expense was attributed to reduced maintenance expense associated with refreshing our fleet with newer equipment, reduced driving associate hiring expenses, and the decreases in miles driven by company driving associates noted above.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

	Quarter-to-Date September 30,		Year-to-Date September 30,		QTD 2020 vs.	YTD 2020 vs.
	2020	2019	2020	2019	QTD 2019	YTD 2019
	(Dollars in thousands)				Increase (Decrease)	
Insurance and claims	\$ 45,186	\$ 46,792	\$ 144,768	\$ 145,724	(3.4 %)	(0.7 %)
% of total revenue	3.7 %	3.9 %	4.3 %	4.0 %	(20 bps)	30 bps
% of revenue, excluding trucking fuel surcharge	4.0 %	4.3 %	4.6 %	4.4 %	(30 bps)	20 bps

Insurance and claims expense consists of premiums for liability, physical damage, and cargo, and will vary based upon the frequency and severity of claims, as well as our level of self-insurance, and premium expense. In recent years, insurance carriers have raised premiums for many businesses, including transportation companies, and as a result, our insurance and claims expense could increase in the future, or we could raise our self-insured retention limits or reduce excess coverage limits when our policies are renewed or replaced. Insurance and claims expense also varies based on the number of miles driven by company driving associates and independent contractors, the frequency and severity of accidents, trends in development factors used in actuarial accruals, and developments in large, prior-year claims. In future periods, our higher self-insured retention limits, as well as a tightening of excess insurance markets, may cause our consolidated insurance and claims expense to fluctuate more.

- Comparison Between the Quarters Ended September 30, 2020 and 2019 — Consolidated insurance and claims expense decreased by \$1.6 million for the third quarter of 2020, as compared to the same period last year. This decrease was primarily due to a 2.3% decrease in total miles driven year-over-year, improvements within our current year experience as a result of lower frequency and severity of claims, and positive development within certain prior year losses.
- Comparison Between Year-to-Date September 30, 2020 and 2019 — Consolidated insurance and claims expense decreased by \$1.0 million for year-to-date September 30, 2020, as compared to the same period last year. This decrease was primarily due to a 3.7% decrease in total miles driven year-over-year, improvements within our current year experience as a result of lower frequency and severity of claims, and positive development within certain prior year losses.

	Quarter-to-Date September 30,		Year-to-Date September 30,		QTD 2020 vs.	YTD 2020 vs.
	2020	2019	2020	2019	QTD 2019	YTD 2019
	(Dollars in thousands)				Increase (Decrease)	
Operating taxes and licenses	\$ 21,475	\$ 20,970	\$ 64,527	\$ 64,333	2.4 %	0.3 %
% of total revenue	1.8 %	1.7 %	1.9 %	1.8 %	10 bps	10 bps
% of revenue, excluding trucking fuel surcharge	1.9 %	1.9 %	2.0 %	1.9 %	— bps	10 bps

Operating taxes and licenses include state franchise taxes, state and federal highway use taxes, property taxes, vehicle license and registration fees, fuel and mileage taxes, among others. The expense is impacted by changes in the tax rates and registration fees associated with our tractor fleet and regional operating facilities.

Operating taxes and licenses increased by \$0.5 million for the third quarter of 2020 and \$0.2 million for year-to-date September 30, 2020, but remained relatively flat as a percentage of revenue, excluding trucking fuel surcharge, as compared to the same periods last year.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

	Quarter-to-Date September 30,		Year-to-Date September 30,		QTD 2020 vs.	YTD 2020 vs.
	2020	2019	2020	2019	QTD 2019	YTD 2019
	(Dollars in thousands)				Increase (Decrease)	
Communications	\$ 5,069	\$ 4,913	\$ 14,845	\$ 14,956	3.2 %	(0.7 %)
% of total revenue	0.4 %	0.4 %	0.4 %	0.4 %	— bps	— bps
% of revenue, excluding trucking fuel surcharge	0.4 %	0.5 %	0.5 %	0.5 %	(10 bps)	— bps

Communications expense is comprised of costs associated with our tractor and trailer tracking systems, information technology systems, and phone systems.

Consolidated communications expense remained relatively flat as a percentage of revenue, excluding trucking fuel surcharge for the third quarter of 2020 and year-to-date September 30, 2020, as compared to the same periods last year.

	Quarter-to-Date September 30,		Year-to-Date September 30,		QTD 2020 vs.	YTD 2020 vs.
	2020	2019	2020	2019	QTD 2019	YTD 2019
	(Dollars in thousands)				Increase (Decrease)	
Depreciation and amortization of property and equipment	\$ 115,664	\$ 106,884	\$ 340,486	\$ 310,759	8.2 %	9.6 %
% of total revenue	9.6 %	8.9 %	10.0 %	8.5 %	70 bps	150 bps
% of revenue, excluding trucking fuel surcharge	10.2 %	9.8 %	10.8 %	9.4 %	40 bps	140 bps

Depreciation relates primarily to our owned tractors, trailers, buildings, electronic logging devices, other communication units, and other similar assets. Changes to this fixed cost are generally attributed to increases or decreases to company-owned equipment, the relative percentage of owned versus leased equipment, and fluctuations in new equipment purchase prices, which have historically been precipitated in part by new or proposed federal and state regulations. Depreciation can also be affected by the cost of used equipment that we sell or trade and the replacement of older used equipment. Management periodically reviews the condition, average age, and reasonableness of estimated useful lives and salvage values of our equipment and considers such factors in light of our experience with similar assets, used equipment market conditions, and prevailing industry practice.

Consolidated depreciation and amortization of property and equipment increased by \$8.8 million for the third quarter of 2020 and \$29.7 million for year-to-date September 30, 2020, when compared to the same periods last year. These increases were primarily related to the increase in owned versus leased equipment.

We expect consolidated depreciation and amortization of property and equipment to increase both in total and as a percentage of consolidated revenue, excluding trucking fuel surcharge, as we currently do not plan to use operating leases as a primary means of funding our equipment purchases in the remainder of 2020.

	Quarter-to-Date September 30,		Year-to-Date September 30,		QTD 2020 vs.	YTD 2020 vs.
	2020	2019	2020	2019	QTD 2019	YTD 2019
	(Dollars in thousands)				Increase (Decrease)	
Amortization of intangibles	\$ 11,473	\$ 10,759	\$ 34,421	\$ 32,144	6.6 %	7.1 %
% of total revenue	0.9 %	0.9 %	1.0 %	0.9 %	— bps	10 bps
% of revenue, excluding trucking fuel surcharge	1.0 %	1.0 %	1.1 %	1.0 %	— bps	10 bps

Amortization of intangibles relates to intangible assets identified with the 2017 Merger and other acquisitions. See Note 7 in Part I, Item 1, of this Quarterly Report for further details regarding the Company's intangible assets. The increases of \$0.7 million for the third quarter and \$2.3 million for year-to-date September 30, 2020, when compared to the same periods last year, were attributed to an acquisition completed on January 1, 2020. See Note 4 in Part I, Item 1, of this Quarterly Report for more details regarding details of our acquisitions.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

	Quarter-to-Date September 30,		Year-to-Date September 30,		QTD 2020 vs.	YTD 2020 vs.
	2020	2019	2020	2019	QTD 2019	YTD 2019
	(Dollars in thousands)				Increase (Decrease)	
Rental expense	\$ 19,700	\$ 28,726	\$ 67,447	\$ 97,146	(31.4 %)	(30.6 %)
% of total revenue	1.6 %	2.4 %	2.0 %	2.7 %	(80 bps)	(70 bps)
% of revenue, excluding trucking fuel surcharge	1.7 %	2.6 %	2.1 %	2.9 %	(90 bps)	(80 bps)

Rental expense consists primarily of payments for tractors and trailers financed with operating leases. The primary factors affecting the expense are the size of our revenue equipment fleet and the relative percentage of owned versus leased equipment.

Consolidated rental expense decreased by \$9.0 million and \$29.7 million for the third quarter and year-to-date September 30, 2020, as compared to the same periods last year. This was primarily due to increasing our ratio of owned versus leased equipment.

We expect consolidated rental expense to continue to decrease both in total and as a percentage of consolidated revenue, excluding trucking fuel surcharge, as we currently do not plan to use operating leases as a primary means of funding our equipment purchases in the remainder of 2020.

	Quarter-to-Date September 30,		Year-to-Date September 30,		QTD 2020 vs.	YTD 2020 vs.
	2020	2019	2020	2019	QTD 2019	YTD 2019
	(Dollars in thousands)				Increase (Decrease)	
Purchased transportation	\$ 245,102	\$ 251,337	\$ 670,485	\$ 781,959	(2.5 %)	(14.3 %)
% of total revenue	20.2 %	20.9 %	19.7 %	21.4 %	(70 bps)	(170 bps)
% of revenue, excluding trucking fuel surcharge	21.6 %	23.1 %	21.2 %	23.6 %	(150 bps)	(240 bps)

Purchased transportation expense is comprised of payments to independent contractors in our trucking operations, as well as payments to third-party capacity providers related to logistics, freight management, and non-trucking services in our logistics and intermodal businesses. Purchased transportation is generally affected by capacity in the market as well as changes in fuel prices. As capacity tightens, our payments to third-party capacity providers and to independent contractors tend to increase. Additionally, as fuel prices increase, payments to third-party capacity providers and independent contractors increase.

We expect purchased transportation will increase as a percentage of revenue if we grow our logistics and intermodal businesses faster than our trucking business. The increase could be partially offset if independent contractors exit the market due to regulatory changes.

Consolidated purchased transportation expense decreased by \$6.2 million for the third quarter of 2020 and \$111.5 million for year-to-date September 30, 2020, as compared to the same periods last year. This was primarily due to decreases in miles driven by independent contractors of 11.8% and 19.3% for the third quarter and year-to-date September 30, 2020 periods, respectively, and lower fuel reimbursement expenses to independent contractors due to fewer miles and the lower fuel prices discussed above. In addition, we experienced lower purchased transportation expense from third-party carrier activities in our Logistics and Intermodal segments.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

	Quarter-to-Date September 30,		Year-to-Date September 30,		QTD 2020 vs.	YTD 2020 vs.
	2020	2019	2020	2019	QTD 2019	YTD 2019
	(Dollars in thousands)				Increase (Decrease)	
Impairments	\$ —	\$ —	\$ 1,255	\$ 2,182	— %	(42.5 %)

In 2020, we incurred impairment charges associated with revenue equipment held for sale and trailer tracking systems (within our Trucking and non-reportable segments), all within the first half of the year. In 2019, we incurred impairment charges of leasehold improvements (within the Trucking segment) from the early termination of a lease of one of our operating properties, all within the first half of the year.

	Quarter-to-Date September 30,		Year-to-Date September 30,		QTD 2020 vs.	YTD 2020 vs.
	2020	2019	2020	2019	QTD 2019	YTD 2019
	(Dollars in thousands)				Increase (Decrease)	
Miscellaneous operating expenses	\$ 29,686	\$ 17,890	\$ 73,480	\$ 64,634	65.9 %	13.7 %

Miscellaneous operating expenses primarily consist of legal and professional services fees, general and administrative expenses, other costs, as well as net gain on sales of equipment.

- Comparison Between the Quarters Ended September 30, 2020 and 2019 — The \$11.8 million increase in net consolidated miscellaneous operating expenses was primarily due to an increase in legal expenses as we incurred \$6.2 million in incremental costs related to certain class actions lawsuits involving employment-related claims that were previously disclosed by Swift and a \$6.9 million reduction in gain on sales of equipment.
- Comparison Between Year-to-Date September 30, 2020 and 2019 — The \$8.8 million increase in net consolidated miscellaneous operating expenses is primarily due to a \$21.4 million reduction in gain on sales of equipment and was partially offset by a \$9.3 million reduction in incurred legal costs related to pre-merger legal matters previously disclosed by Swift.

Consolidated Other Expenses, net

	Quarter-to-Date September 30,		Year-to-Date September 30,		QTD 2020 vs.	YTD 2020 vs.
	2020	2019	2020	2019	QTD 2019	YTD 2019
	(Dollars in thousands)				Increase (Decrease)	
Interest expense	\$ 3,232	\$ 7,790	\$ 13,360	\$ 22,294	(58.5 %)	(40.1%)
Other (income), net	(7,484)	(3,335)	(9,476)	(12,575)	124.4 %	(24.6%)
Income tax expense	47,835	24,524	99,204	78,523	95.1 %	26.3%

Interest expense — Interest expense is comprised of debt and finance lease interest expense as well as amortization of deferred loan costs. The quarter and year-to-date decreases in interest expense were primarily due to lower overall interest rates, as well as lower overall debt balances.

Other (income), net — Other (income), net is primarily comprised of unrealized (gains) and losses from our various equity investments, including our TRP investments accounted for under the equity method, as well as certain other non-operating income and expense items that may arise outside of the normal course of business.

- Comparison Between the Quarters Ended September 30, 2020 and 2019 — The \$4.2 million favorable change between the third quarter of 2020 and 2019 is primarily driven by gains recognized within our portfolio of investments.
- Comparison Between Year-to-Date September 30, 2020 and 2019 — The \$3.1 million unfavorable change between year-to-date September 30, 2020 and 2019 is primarily driven by losses recognized within our portfolio of investments.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF
OPERATIONS — CONTINUED

Income tax expense — In addition to the discussion below, Note 8 in Part I, Item 1 of this Quarterly Report provides further analysis related to income taxes.

- Comparison Between the Quarters Ended September 30, 2020 and 2019 — The \$23.3 million increase in consolidated income tax expense was primarily due to an increase in pre-tax earnings and negative impacts from certain tax-related items within our Mexico operations in the third quarter of 2020, as compared to the third quarter of 2019. All of these factors resulted in an effective tax rate of 28.1% for the third quarter of 2020 and 24.6% for the third quarter of 2019.
- Comparison Between Year-to-Date September 30, 2020 and 2019 — The \$20.7 million increase in consolidated income tax expense was primarily due to an increase in pre-tax earnings, negative impacts from certain tax-related items within our Mexico operations, and an unfavorable foreign currency fluctuation adjustment, which were partially offset by an increase in stock compensation deductions recognized as discrete items. During year-to-date September 30, 2019, we also recognized discrete items related to a reduction in our reserve for uncertain tax positions and a decrease in stock compensation deductions. All of these factors resulted in an effective tax rate of 27.0% for year-to-date September 30, 2020 and 24.5% for year-to-date September 30, 2019.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED
Non-GAAP Financial Measures

The terms "Adjusted Net Income Attributable to Knight-Swift," "Adjusted EPS," "Adjusted Operating Income," and "Adjusted Operating Ratio," as we define them, are not presented in accordance with GAAP. These financial measures supplement our GAAP results in evaluating certain aspects of our business. We believe that using these measures improves comparability in analyzing our performance because they remove the impact of items from our operating results that, in our opinion, do not reflect our core operating performance. Management and the Board focus on Adjusted Net Income Attributable to Knight-Swift, Adjusted EPS, Adjusted Operating Income, and Adjusted Operating Ratio as key measures of our performance, all of which are reconciled to the most comparable GAAP financial measures and further discussed below. We believe our presentation of these non-GAAP financial measures is useful because it provides investors and securities analysts the same information that we use internally for purposes of assessing our core operating performance.

Adjusted Net Income Attributable to Knight-Swift, Adjusted EPS, Adjusted Operating Income, and Adjusted Operating Ratio are not substitutes for their comparable GAAP financial measures, such as net income, cash flows from operating activities, operating income, or other measures prescribed by GAAP. There are limitations to using non-GAAP financial measures. Although we believe that they improve comparability in analyzing our period to period performance, they could limit comparability to other companies in our industry if those companies define these measures differently. Because of these limitations, our non-GAAP financial measures should not be considered measures of income generated by our business or discretionary cash available to us to invest in the growth of our business. Management compensates for these limitations by primarily relying on GAAP results and using non-GAAP financial measures on a supplemental basis.

Pursuant to the requirements of Regulation G, the following tables reconcile GAAP consolidated net income attributable to Knight-Swift to non-GAAP consolidated Adjusted Net Income attributable to Knight-Swift, GAAP consolidated earnings per diluted share to non-GAAP consolidated Adjusted EPS, GAAP consolidated operating ratio to non-GAAP consolidated Adjusted Operating Ratio, GAAP reportable segment operating income to non-GAAP reportable segment Adjusted Operating Income, and GAAP reportable segment operating ratio to non-GAAP reportable segment Adjusted Operating Ratio.

Non-GAAP Reconciliation:
Consolidated Adjusted Net Income Attributable to Knight-Swift and Adjusted EPS

	Quarter-to-Date September 30,		Year-to-Date September 30,	
	2020	2019	2020	2019
	(In thousands)			
GAAP: Net income attributable to Knight-Swift	\$ 122,058	\$ 74,619	\$ 267,673	\$ 241,762
Adjusted for:				
Income tax expense attributable to Knight-Swift	47,835	24,524	99,204	78,523
Income before income taxes attributable to Knight-Swift	169,893	99,143	366,877	320,285
Amortization of intangibles ¹	11,473	10,759	34,421	32,144
Impairments ²	—	—	1,255	2,182
Legal accruals ³	6,160	—	6,160	15,500
COVID-19 incremental costs ⁴	—	—	12,259	—
Adjusted income before income taxes	187,526	109,902	420,972	370,111
Provision for income tax expense at effective rate	(52,908)	(27,100)	(113,651)	(90,501)
Non-GAAP: Adjusted Net Income Attributable to Knight-Swift	\$ 134,618	\$ 82,802	\$ 307,321	\$ 279,610

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

Note: Since the numbers reflected in the table below are calculated on a per share basis, they may not foot due to rounding.

	Quarter-to-Date September 30,		Year-to-Date September 30,	
	2020	2019	2020	2019
GAAP: Earnings per diluted share	\$ 0.71	\$ 0.44	\$ 1.57	\$ 1.40
Adjusted for:				
Income tax expense attributable to Knight-Swift	0.28	0.14	0.58	0.46
Income before income taxes attributable to Knight-Swift	0.99	0.58	2.15	1.86
Amortization of intangibles ¹	0.07	0.06	0.20	0.19
Impairments ²	—	—	0.01	0.01
Legal accruals ³	0.04	—	0.04	0.09
COVID-19 incremental costs ⁴	—	—	0.07	—
Adjusted income before income taxes	1.10	0.64	2.46	2.15
Provision for income tax expense at effective rate	(0.31)	(0.16)	(0.66)	(0.52)
Non-GAAP: Adjusted EPS	\$ 0.79	\$ 0.48	\$ 1.80	\$ 1.62

- "Amortization of intangibles" reflects the non-cash amortization expense relating to intangible assets identified in the 2017 Merger and other acquisitions. Refer to Note 4 in Part I, Item 1 of this Quarterly Report for additional details regarding the acquisition.
- "Impairments" reflects the non-cash impairment of certain tractors (within the Trucking segment) and certain legacy trailers (within the non-reportable segments) as a result of a softer used equipment market during the second quarter of 2020, as well as impairment charges of trailer tracking equipment (within the Trucking segment) during the first quarter of 2020. In the second quarter of 2019, we incurred a non-cash impairment of leasehold improvements (within the Trucking segment) which were incurred during the early termination of a lease related to one of our operating properties.
- "Legal accruals" reflects costs incurred in the third quarter of 2020 related to certain class actions lawsuits involving employment-related claims that were previously disclosed by Swift, and in the second quarter of 2019 costs incurred with an issued jury verdict. These costs are included in "Miscellaneous operating expenses" in the condensed consolidated statements of comprehensive income.
- "COVID-19 incremental costs" reflects costs incurred during 2020 that were directly attributable to the pandemic and were incremental to those incurred prior to the outbreak. These include payroll premiums paid to our driving associates and shop technicians, additional disinfectants and cleaning supplies, and various other pandemic-specific items. The costs are clearly separable from our normal business operations and are not expected to recur once the pandemic subsides.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED
Non-GAAP Reconciliation: Consolidated Adjusted Operating Income and Adjusted Operating Ratio

	Quarter-to-Date September 30,		Year-to-Date September 30,	
	2020	2019	2020	2019
GAAP Presentation				
	(Dollars in thousands)			
Total revenue	\$ 1,210,406	\$ 1,200,522	\$ 3,395,902	\$ 3,647,140
Total operating expenses	(1,044,945)	(1,097,569)	(3,026,155)	(3,319,295)
Operating income	<u>\$ 165,461</u>	<u>\$ 102,953</u>	<u>\$ 369,747</u>	<u>\$ 327,845</u>
Operating ratio	86.3 %	91.4 %	89.1 %	91.0 %
Non-GAAP Presentation				
Total revenue	\$ 1,210,406	\$ 1,200,522	\$ 3,395,902	\$ 3,647,140
Trucking fuel surcharge	(73,093)	(110,312)	(233,897)	(337,220)
Revenue, excluding trucking fuel surcharge	<u>1,137,313</u>	<u>1,090,210</u>	<u>3,162,005</u>	<u>3,309,920</u>
Total operating expenses	1,044,945	1,097,569	3,026,155	3,319,295
Adjusted for:				
Trucking fuel surcharge	(73,093)	(110,312)	(233,897)	(337,220)
Amortization of intangibles ¹	(11,473)	(10,759)	(34,421)	(32,144)
Impairments ²	—	—	(1,255)	(2,182)
Legal accruals ³	(6,160)	—	(6,160)	(15,500)
COVID-19 incremental costs ⁴	—	—	(12,259)	—
Adjusted Operating Expenses	<u>954,219</u>	<u>976,498</u>	<u>2,738,163</u>	<u>2,932,249</u>
Adjusted Operating Income	<u>\$ 183,094</u>	<u>\$ 113,712</u>	<u>\$ 423,842</u>	<u>\$ 377,671</u>
Adjusted Operating Ratio	83.9 %	89.6 %	86.6 %	88.6 %

1 See Non-GAAP Reconciliation: Consolidated Adjusted Net Income Attributable to Knight-Swift footnote 1.

2 See Non-GAAP Reconciliation: Consolidated Adjusted Net Income Attributable to Knight-Swift footnote 2.

3 See Non-GAAP Reconciliation: Consolidated Adjusted Net Income Attributable to Knight-Swift footnote 3.

4 See Non-GAAP Reconciliation: Consolidated Adjusted Net Income Attributable to Knight-Swift footnote 4.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED
Non-GAAP Reconciliation: Reportable Segment Adjusted Operating Income and Adjusted Operating Ratio
Trucking Segment

	Quarter-to-Date September 30,		Year-to-Date September 30,	
	2020	2019	2020	2019
GAAP Presentation	(Dollars in thousands)			
Total revenue	\$ 975,881	\$ 986,768	\$ 2,774,311	\$ 2,980,040
Total operating expenses	(807,100)	(877,359)	(2,390,408)	(2,629,684)
Operating income	\$ 168,781	\$ 109,409	\$ 383,903	\$ 350,356
Operating ratio	82.7 %	88.9 %	86.2 %	88.2 %
Non-GAAP Presentation				
Total revenue	\$ 975,881	\$ 986,768	\$ 2,774,311	\$ 2,980,040
Fuel surcharge	(73,093)	(110,312)	(233,897)	(337,220)
Intersegment transactions	(196)	(71)	(705)	(157)
Revenue, excluding fuel surcharge and intersegment transactions	902,592	876,385	2,539,709	2,642,663
Total operating expenses	807,100	877,359	2,390,408	2,629,684
Adjusted for:				
Fuel surcharge	(73,093)	(110,312)	(233,897)	(337,220)
Intersegment transactions	(196)	(71)	(705)	(157)
Amortization of intangibles ¹	(324)	(349)	(972)	(1,047)
Impairments ²	—	—	(1,055)	(2,182)
COVID-19 incremental costs ³	—	—	(12,146)	—
Adjusted Operating Expenses	733,487	766,627	2,141,633	2,289,078
Adjusted Operating Income	\$ 169,105	\$ 109,758	\$ 398,076	\$ 353,585
Adjusted Operating Ratio	81.3 %	87.5 %	84.3 %	86.6 %

1 "Amortization of intangibles" reflects the non-cash amortization expense relating to intangible assets identified in historical Knight acquisitions.

2 See Non-GAAP Reconciliation: Consolidated Adjusted Net Income Attributable to Knight-Swift footnote 2.

3 See Non-GAAP Reconciliation: Consolidated Adjusted Net Income Attributable to Knight-Swift footnote 4.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF
OPERATIONS — CONTINUED

Logistics Segment

	Quarter-to-Date September 30,		Year-to-Date September 30,	
	2020	2019	2020	2019
GAAP Presentation	(Dollars in thousands)			
Total revenue	\$ 99,018	\$ 86,213	\$ 248,320	\$ 258,094
Total operating expenses	(96,540)	(82,521)	(239,085)	(242,098)
Operating income	\$ 2,478	\$ 3,692	\$ 9,235	\$ 15,996
Operating ratio	97.5 %	95.7 %	96.3 %	93.8 %
Non-GAAP Presentation				
Total revenue	\$ 99,018	\$ 86,213	\$ 248,320	\$ 258,094
Intersegment transactions	(2,781)	(2,582)	(8,260)	(6,968)
Revenue, excluding intersegment transactions	96,237	83,631	240,060	251,126
Total operating expenses	96,540	82,521	239,085	242,098
Adjusted for:				
Intersegment transactions	(2,781)	(2,582)	(8,260)	(6,968)
Adjusted Operating Expenses	93,759	79,939	230,825	235,130
Adjusted Operating Income	\$ 2,478	\$ 3,692	\$ 9,235	\$ 15,996
Adjusted Operating Ratio	97.4 %	95.6 %	96.2 %	93.6 %

Intermodal Segment

	Quarter-to-Date September 30,		Year-to-Date September 30,	
	2020	2019	2020	2019
GAAP Presentation	(Dollars in thousands)			
Total revenue	\$ 98,859	\$ 108,937	\$ 276,410	\$ 343,499
Total operating expenses	(98,609)	(111,589)	(283,372)	(339,598)
Operating income (loss)	\$ 250	\$ (2,652)	\$ (6,962)	\$ 3,901
Operating ratio	99.7 %	102.4 %	102.5 %	98.9 %
Non-GAAP Presentation				
Total revenue	\$ 98,859	\$ 108,937	\$ 276,410	\$ 343,499
Intersegment transactions	(51)	(179)	(281)	(1,337)
Revenue, excluding intersegment transactions	98,808	108,758	276,129	342,162
Total operating expenses	98,609	111,589	283,372	339,598
Adjusted for:				
Intersegment transactions	(51)	(179)	(281)	(1,337)
COVID-19 incremental costs ¹	—	—	(113)	—
Adjusted Operating Expenses	98,558	111,410	282,978	338,261
Adjusted Operating Income (Loss)	\$ 250	\$ (2,652)	\$ (6,849)	\$ 3,901
Adjusted Operating Ratio	99.7 %	102.4 %	102.5 %	98.9 %

¹ See Non-GAAP Reconciliation: Consolidated Adjusted Net Income Attributable to Knight-Swift footnote 4.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF
OPERATIONS — CONTINUED

Liquidity and Capital Resources

Sources of Liquidity

Our primary sources of liquidity are funds provided by operations and the following:

Source	September 30, 2020
	(In thousands)
Cash and cash equivalents, excluding restricted cash	\$ 240,236
Availability under Revolver, due October 2022 ¹	598,906
Availability under 2018 RSA, due July 2021 ²	15,719
Total unrestricted liquidity	\$ 854,861
Cash and cash equivalents – restricted ³	38,271
Restricted investments, held-to-maturity, amortized cost ³	9,052
Total liquidity, including restricted cash and restricted investments	\$ 902,184

- 1 As of September 30, 2020, we had \$170.0 million in borrowings under our \$800.0 million Revolver. We additionally had \$31.1 million in outstanding letters of credit (discussed below), leaving \$598.9 million available under the Revolver.
- 2 Based on eligible receivables at September 30, 2020, our borrowing base for the 2018 RSA was \$285.0 million, while outstanding borrowings were \$202.0 million. We additionally had \$67.3 million in outstanding letters of credit (discussed below), leaving \$15.7 million available under the 2018 RSA. Refer to Note 9 in Part I, Item 1 of this Quarterly Report for more information regarding the 2018 RSA.
- 3 Restricted cash and restricted investments are primarily held by our captive insurance companies for claims payments. "Cash and cash equivalents – restricted" consists of \$36.7 million, included in "Cash and cash equivalents — restricted" in the condensed consolidated balance sheet and held by Mohave and Red Rock for claims payments. The remaining \$1.6 million is included in "Other long-term assets" and is held in escrow accounts to meet statutory requirements.

Uses of Liquidity

Our business requires substantial amounts of cash for operating activities, including salaries and wages paid to our employees, contract payments to independent contractors, insurance and claims payments, tax payments, and others. We also use large amounts of cash and credit for the following activities:

Capital Expenditures — When justified by customer demand, as well as our liquidity and our ability to generate acceptable returns, we make substantial cash capital expenditures to maintain a modern company tractor fleet, refresh our trailer fleet, fund replacement of our revenue equipment fleet, and, to a lesser extent, fund upgrades to our terminals and technology in our logistics service offerings. We expect that net capital expenditures from the aforementioned projects will be in the range of \$380.0 – \$405.0 million for the full-year 2020. We believe we have ample flexibility with our trade cycle and purchase agreements to alter our current plans if economic or other conditions warrant.

Over the long-term, we will continue to have significant capital requirements, which may require us to seek additional borrowing, lease financing, or equity capital. The availability of financing or equity capital will depend upon our financial condition and results of operations as well as prevailing market conditions. If such additional borrowing, lease financing, or equity capital is not available at the time we need it, then we may need to borrow more under the Revolver (if not then fully drawn), extend the maturity of then-outstanding debt, rely on alternative financing arrangements, engage in asset sales, limit our fleet size, or operate our revenue equipment for longer periods.

There can be no assurance that we will be able to obtain additional debt under our existing financial arrangements to satisfy our ongoing capital requirements. However, we believe the combination of our expected cash flows, financing available through operating and finance leases, available funds under the 2018 RSA, and availability under the Revolver will be sufficient to fund our expected capital expenditures for at least the next twelve months.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

Principal and Interest Payments — As of September 30, 2020, we had debt and finance lease obligations of \$881.8 million, which are discussed under "Material Debt Agreements," below. Certain cash flows from operations are committed to minimum payments of principal and interest on our debt and lease obligations. Additionally, when our financial position allows, we periodically make voluntary prepayments on our outstanding debt balances.

Letters of Credit — Pursuant to the terms of the 2017 Debt Agreement and the 2018 RSA, our lenders may issue standby letters of credit on our behalf. When we have letters of credit outstanding, the availability under the Revolver or 2018 RSA is reduced accordingly. Standby letters of credit are typically issued for the benefit of regulatory authorities, insurance companies and state departments of insurance for the purpose of satisfying certain collateral requirements, primarily related to our automobile, workers' compensation, and general insurance liabilities.

Share Repurchases — From time to time, and depending on free cash flow availability, debt levels, common stock prices, general economic and market conditions, as well as Board approval, we may repurchase shares of our outstanding common stock. As of September 30, 2020, the Company had \$199.0 million remaining under the 2019 Knight-Swift Share Repurchase Plan. Additional details are discussed in Note 12 in Part I, Item 1 of this Quarterly Report.

Working Capital

As of September 30, 2020, we had a working capital deficit of \$263.6 million, which was primarily due to the classification of both the Term Loan, scheduled to mature on October 2, 2020, and the 2018 RSA, scheduled to mature on July 9, 2021 as current liabilities. As of December 31, 2019, we had a working capital deficit of \$103.0 million, which was primarily due to the classification of the Term Loan as a current liability. On October 2, 2020, the 2017 Debt Agreement was amended to extend the maturity date of the Term Loan to October 3, 2022, incorporate language regarding the transition away from LIBOR, and update other regulatory and technical provisions customary for facilities of this type. Just prior to this extension, we paid \$65.0 million on the outstanding balance of the Term Loan, leaving \$300.0 million face value outstanding. We intend to refinance the 2018 RSA prior to its maturity date.

Material Debt Agreements

As of September 30, 2020, we had \$881.8 million in material debt obligations at the following carrying values:

- \$365.0 million: Term Loan, due October 2020
- \$201.9 million: 2018 RSA outstanding borrowings, due July 2021, net of \$0.1 million in deferred loan costs
- \$144.9 million: Finance lease obligations
- \$170.0 million: Revolver, due October 2022

As of December 31, 2019, we had \$918.8 million in material debt obligations at the following carrying values:

- \$364.8 million: Term Loan, due October 2020, net of \$0.2 million in deferred loan costs
- \$204.8 million: 2018 RSA outstanding borrowings, due July 2021, net of \$0.2 million in deferred loan costs
- \$70.2 million: Finance lease obligations
- \$279.0 million: Revolver, due October 2022.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF
OPERATIONS — CONTINUED

Cash Flow Analysis

	Year-to-Date September 30,		Change
	2020	2019	
	(In thousands)		
Net cash provided by operating activities	\$ 655,019	\$ 612,412	\$ 42,607
Net cash used in investing activities	(335,602)	(468,420)	132,818
Net cash used in financing activities	(243,138)	(139,156)	(103,982)

Net Cash Provided by Operating Activities

Comparison Between Year-to-Date September 30, 2020 and 2019 — The \$42.6 million increase in net cash provided by operating activities was primarily due to a \$42.2 million decrease in cash paid for income taxes, net of refunds, a \$41.9 million increase in our operating income, and various changes within our working capital. This was partially offset by a \$93.4 million cash settlement paid during the first quarter of 2020, associated with pre-2017 Merger legal matters that were previously accrued and disclosed by Swift.

Net Cash Used in Investing Activities

Comparison Between Year-to-Date September 30, 2020 and 2019 — The \$132.8 million decrease in net cash used in investing activities was due to a \$181.7 million decrease in net capital expenditures partially offset by a \$44.9 million increase in net cash used for acquisitions.

Net Cash Used in Financing Activities

Comparison Between Year-to-Date September 30, 2020 and 2019 — Net cash used in financing activities increased by \$104.0 million, primarily due to a \$144.4 million increase in net repayments of our debt obligations. This was partially offset by a \$52.3 million decrease in cash used to repurchase shares of our common stock.

Contractual Obligations

"Liquidity and Capital Resources," above, includes details regarding changes in our contractual obligations table during the year-to-date September 30, 2020 period. Aside from these items, there were no material changes to the contractual obligations table, which was included in our 2019 Annual Report.

Off Balance Sheet Arrangements

Information about our off balance sheet arrangements is included in Note 10 of the notes to our condensed consolidated financial statements, included in Part I, Item 1 of this Quarterly Report, which is incorporated by reference herein. See also "Contractual Obligations," above.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — CONTINUED

Seasonality

Discussion regarding the impact of seasonality on our business is included in Note 1 in the notes to the condensed consolidated financial statements, included in Part I, Item 1 of this Quarterly Report, incorporated by reference herein.

Inflation

Inflation can have an impact on our operating costs. A prolonged period of inflation could cause interest rates, fuel, wages, and other costs to increase, which would adversely affect our results of operations unless freight rates correspondingly increased. Consistent with trends in the trucking industry overall, we continue to experience inflationary pressures with respect to driver wages, as compared to prior years.

Recently Issued Accounting Pronouncements

See Part I, Item 1 of this Quarterly Report, which is incorporated herein by reference, for the impact of recently issued accounting pronouncements on the Company's condensed consolidated financial statements, as follows:

- Note 2 for accounting pronouncements adopted during year-to-date September 30, 2020.
- Note 3 for accounting pronouncements issued during year-to-date September 30, 2020.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We have exposure from variable interest rates, primarily related to our 2017 Debt Agreement and 2018 RSA. These variable interest rates are impacted by changes in short-term interest rates. We primarily manage interest rate exposure through a mix of variable rate debt (weighted average rate of 1.1% as of September 30, 2020) and fixed rate equipment lease financing. Assuming the level of borrowings as of September 30, 2020, a hypothetical one percentage point increase in interest rates would increase our annual interest expense by \$7.4 million.

Commodity Price Risk

We have commodity exposure with respect to fuel used in company-owned tractors. Increases in fuel prices would continue to raise our operating costs, even after applying fuel surcharge revenue. Historically, we have been able to recover a majority of fuel price increases from our customers in the form of fuel surcharges. The weekly average of diesel price per gallon in the US decreased to \$2.43 for the third quarter of 2020 from an average of \$3.02 in the third quarter of 2019. The weekly average diesel price per gallon in the US decreased to an average of \$2.59 for year-to-date September 30, 2020 from an average of \$3.05 for year-to-date September 30, 2019. We cannot predict the extent or speed of potential changes in fuel price levels in the future, the degree to which the lag effect of our fuel surcharge programs will impact us as a result of the timing and magnitude of such changes, or the extent to which effective fuel surcharges can be maintained and collected to offset such increases. We generally have not used derivative financial instruments to hedge our fuel price exposure in the past, but continue to evaluate this possibility. To mitigate the impact of rising fuel costs, we contract with some of our fuel suppliers to buy fuel at a fixed price or within banded pricing for a specified period, usually not exceeding twelve months. However, these purchase commitments only cover a small portion of our fuel consumption. Accordingly, fuel price fluctuations may still negatively impact us.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

ITEM 4. CONTROLS AND PROCEDURES

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 us, 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. 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 the end of the period covered by this Quarterly Report on Form 10-Q 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 (1) recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms, and (2) accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2020, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We base our internal control over financial reporting on the criteria set forth in the 2013 COSO Internal Control: Integrated Framework.

We have confidence in our disclosure controls and procedures and internal control over financial reporting. Nevertheless, 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, have been detected.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information about our legal proceedings is included in Note 11 of the notes to our condensed consolidated financial statements, included in Part I, Item 1, of this Quarterly Report for the period ended September 30, 2020, and is incorporated by reference herein. Based on management's present knowledge of the facts and (in certain cases) advice of outside counsel, management does not believe that loss contingencies arising from pending matters are likely to have a material adverse effect on the Company's overall financial position, operating results, or cash flows after taking into account any existing accruals. However, actual outcomes could be material to the Company's financial position, operating results, or cash flows for any particular period.

ITEM 1A. RISK FACTORS

While we attempt to identify, manage, and mitigate risks and uncertainties associated with our business, some level of risk and uncertainty will always be present. Our 2019 Annual Report and our Quarterly Report for the quarterly period ended March 31, 2020, in the section entitled "Item 1A. Risk Factors," describes some of the risks and uncertainties associated with our business.

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

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value that May Yet be Purchased Under the Plans or Programs ¹
July 1, 2020 to July 31, 2020	—	\$ —	—	\$ 198,977,224
August 1, 2020 to August 31, 2020	—	\$ —	—	\$ 198,977,224
September 1, 2020 to September 30, 2020	—	\$ —	—	\$ 198,977,224
Total	—	\$ —	—	\$ 198,977,224

¹ On May 31, 2019, the Company announced that the Board approved the \$250.0 million 2019 Knight-Swift Share Repurchase Plan. There is no expiration date associated with the 2019 Knight-Swift Share Repurchase Plan.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

ITEM 6. EXHIBITS

Exhibit Number	Description	Page or Method of Filing
2.1*	Agreement and Plan of Merger, dated as of April 9, 2017, by and among Swift Transportation Company, Bishop Merger Sub, Inc., and Knight Transportation, Inc.	Incorporated by reference to Exhibit 2.1 of Form 8-K filed on April 13, 2017
3.1	Fourth Amended and Restated Certificate of Incorporation of Knight-Swift Transportation Holdings Inc.	Incorporated by reference to Exhibit 3.1 of Form 10-Q for the quarter ended June 30, 2020
3.2	Third Amended and Restated By-laws of Knight-Swift Transportation Holdings Inc.	Filed herewith
31.1	Certification pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, by David A. Jackson, the Company's Chief Executive Officer (principal executive officer).	Filed herewith
31.2	Certification pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, by Adam W. Miller, the Company's Chief Financial Officer (principal financial officer).	Filed herewith
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by David A. Jackson, the Company's Chief Executive Officer.	Furnished herewith
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Adam W. Miller, the Company's Chief Financial Officer.	Furnished herewith
101.INS	Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith
101.CAL	XBRL Taxonomy Calculation Linkbase Document	Filed herewith
101.LAB	XBRL Taxonomy Label Linkbase Document	Filed herewith
101.PRE	XBRL Taxonomy Presentation Linkbase Document	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Document	Filed herewith
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)	Filed herewith

* Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to supplementally furnish to the SEC a copy of any omitted schedule upon request by the SEC.

** Management contract or compensatory plan, contract, or arrangement.

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

SIGNATURES

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

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

Date: November 4, 2020

/s/ David A. Jackson

David A. Jackson

Chief Executive Officer and President, in his capacity as
such and on behalf of the registrant

Date: November 4, 2020

/s/ Adam W. Miller

Adam W. Miller

Chief Financial Officer, in his capacity as such and on
behalf of the registrant

THIRD AMENDED AND RESTATED BY-LAWS
OF
KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

A Delaware Corporation

Effective July 30, 2020

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THIRD AMENDED AND RESTATED BY-LAWS
OF
KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.
(HEREINAFTER CALLED THE “CORPORATION”)

ARTICLE I
OFFICES

Section 1. Registered Office. The registered office of the Corporation shall be in the City of Dover, County of Kent, State of Delaware.

Section 2. Other Offices. The Corporation may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time determine.

ARTICLE 2
MEETINGS OF STOCKHOLDERS

Section 1. Place of Meetings. Meetings of the stockholders for the election of directors or for any other purpose shall be held at such time and place, either within or without the State of Delaware, as shall be designated from time to time by the Board of Directors.

Section 2. Annual Meetings. The Annual Meeting of Stockholders for the election of directors shall be held on such date and at such time as shall be designated from time to time by the Board of Directors. Any other proper business may be transacted at the Annual Meeting of Stockholders.

Section 3. Special Meetings. Unless otherwise required by law or by the certificate of incorporation of the Corporation, as amended from time to time (the “Certificate of Incorporation”), Special Meetings of Stockholders, for any purpose or purposes, may be called by (i) the Board of Directors or (ii) the Chairman of the Board of Directors, the Chief Executive Officer of the Corporation or the lead independent director (if any); and shall be called by the Board of Directors at the request of stockholders as provided in the Certificate of Incorporation. Such request shall state the purpose or purposes of the proposed Special Meeting. At a Special Meeting of Stockholders, only such business shall be conducted as shall be specified in the notice of meeting (or any supplement thereto).

Section 4. Notice. Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and hour of the meeting, and, in the case of a Special Meeting, the purpose or purposes for which the meeting is called. Unless otherwise required by law, written notice of any meeting shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to notice of and to vote at such meeting.

Section 5. Nature of Business at Meetings of Stockholders. Only such business (other than nominations for election to the Board of Directors, which must comply with the provisions of Section 6 of this Article II) may be transacted at an Annual Meeting of Stockholders as is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the Annual Meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof), or (c) otherwise properly brought before the Annual Meeting by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 5 of this Article II and on the record date for the determination of stockholders entitled to notice of and to vote at such Annual Meeting and (ii) who complies with the notice procedures set forth in this Section 5 of this Article II.

In addition to any other applicable requirements, for business to be properly brought before an Annual Meeting by a stockholder, such business must be a proper subject for stockholder action under the laws of the State of Delaware and such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or be mailed and received at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the anniversary date of the immediately preceding Annual Meeting; provided, however, subject to the last sentence of this paragraph, that in the event that the Annual Meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the Annual Meeting was mailed or such public disclosure of the date of the Annual Meeting was made, whichever first occurs. In no event shall the adjournment or postponement of an Annual Meeting, or the public announcement of such an adjournment or postponement, commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

To be in proper written form, a stockholder's notice to the Secretary must set forth the following information: (a) as to each matter such stockholder proposes to bring before the Annual Meeting, a brief description of the business desired to be brought before the Annual Meeting and the reasons for conducting such business at the Annual Meeting, and (b) as to the stockholder giving notice and the beneficial owner, if any, on whose behalf the proposal is being made, (i) the name and address of such person, (ii) (A) the class or series and number of all shares of stock of the Corporation which are owned beneficially or of record by such person and any affiliates or associates of such person, (B) the name of each nominee holder of shares of all stock of the Corporation owned beneficially but not of record by such person or any affiliates or associates of such person, and the number of such shares of stock of the Corporation held by each such nominee holder, (C) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of such person, or any affiliates or associates of such person, with respect to stock of the Corporation and (D) whether and the extent to which any other transaction, agreement,

arrangement or understanding (including any short position or any borrowing or lending of shares of stock of the Corporation) has been made by or on behalf of such person, or any affiliates or associates of such person, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk or benefit of stock price changes for, such person, or any affiliates or associates of such person, or to increase or decrease the voting power or pecuniary or economic interest of such person, or any affiliates or associates of such person, with respect to stock of the Corporation; (iii) a description of all agreements, arrangements, or understandings (whether written or oral) between or among such person, or any affiliates or associates of such person, and any other person or persons (including their names) in connection with the proposal of such business and any material interest of such person or any affiliates or associates of such person, in such business, including any anticipated benefit therefrom to such person, or any affiliates or associates of such person, (iv) a representation that the stockholder giving notice intends to appear in person or by proxy at the Annual Meeting to bring such business before the Annual Meeting; and (v) any other information relating to such person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with a contested solicitation of proxies by such person with respect to the proposed business to be brought by such person before the Annual Meeting pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder.

A stockholder providing notice of business proposed to be brought before an Annual Meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 5 of this Article II shall be true and correct as of the record date for determining the stockholders entitled to receive notice of the Annual Meeting and such update and supplement shall be delivered to or be mailed and received by the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for determining the stockholders entitled to receive notice of the Annual Meeting.

No business shall be conducted at the Annual Meeting of Stockholders except business brought before the Annual Meeting in accordance with the procedures set forth in this Section 5 of this Article II; provided, however that, once business has been properly brought before the Annual Meeting in accordance with such procedures, nothing in this Section 5 of this Article II shall be deemed to preclude discussion by any stockholder of any such business. If the Chairman of an Annual Meeting determines that business was not properly brought before the Annual Meeting in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the business was not properly brought before the Annual Meeting and such business shall not be transacted.

Nothing contained in this Section 5 of this Article II shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act (or any successor provision of law).

Section 6. Nomination of Directors.

(a) Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation, except as may be otherwise provided with respect to the right of holders of any one or more series of Preferred Stock (as defined in the Certificate of Incorporation) in the Certificate of Incorporation or in the resolution or resolutions adopted by the Board providing for the issuance of such stock to nominate and elect a specified number of directors in certain circumstances. Nominations of persons for election to the Board of Directors may be made at any Annual Meeting of Stockholders, or at any Special Meeting of Stockholders called for the purpose of electing directors, (x) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (y) by any stockholder of the Corporation who complies with the notice procedures set forth in this Section 6 of this Article II.

(b) In addition to any other applicable requirements, for a nomination to be made by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

(c) To be timely, a stockholder's notice to the Secretary must be delivered to or be mailed and received at the principal executive offices of the Corporation (x) in the case of an Annual Meeting, not less than ninety (90) days nor more than one hundred and twenty (120) days prior to the anniversary date of the immediately preceding Annual Meeting of Stockholders; provided, however, subject to the last sentence of this paragraph, that in the event that the Annual Meeting of Stockholders is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the Annual Meeting was mailed or such public disclosure of the date of the Annual Meeting was made, whichever first occurs; and (y) in the case of a Special Meeting of Stockholders called for the purpose of electing directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the Special Meeting was mailed or public disclosure of the date of the Special Meeting was made, whichever first occurs. In no event shall the adjournment or postponement of an Annual Meeting or a Special Meeting called for the purpose of electing directors, or the public announcement of such an adjournment or postponement, commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(d) To be in proper written form, a stockholder's notice to the Secretary must set forth the following information: (x) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) (A) the class or series and number of all shares of stock of the Corporation which are owned beneficially or of record by such person and any affiliates or associates of such person, (B) the name of each nominee holder of shares of all stock of the Corporation owned beneficially but not of record by such person or any affiliates or associates of such person, and the number of such shares of stock of the Corporation held by each such nominee holder, (C) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of such person, or any affiliates or associates of such person, with respect to stock of the Corporation and (D) whether and the extent to which

any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of shares of stock of the Corporation) has been made by or on behalf of such person, or any affiliates or associates of such person, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk or benefit of stock price changes for, such person, or any affiliates or associates of such person, or to increase or decrease the voting power or pecuniary or economic interest of such person, or any affiliates or associates of such person, with respect to stock of the Corporation; and (iv) any other information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with a contested solicitation of proxies for the election of directors pursuant to Section 14 of the Exchange Act, and the rules and regulations promulgated thereunder; and (y) as to the stockholder giving the notice, and the beneficial owner, if any, on whose behalf the nomination is being made, (i) the name and record address of such person; (ii) (A) the class or series and number of all shares of stock of the Corporation which are owned beneficially or of record by such person and any affiliates or associates of such person, (B) the name of each nominee holder of shares of the Corporation owned beneficially but not of record by such person or any affiliates or associates of such person, and the number of shares of stock of the Corporation held by each such nominee holder, (C) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of such person, or any affiliates or associates of such person, with respect to stock of the Corporation and (D) whether and the extent to which any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of shares of stock of the Corporation) has been made by or on behalf of such person, or any affiliates or associates of such person, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk or benefit of stock price changes for, such person, or any affiliates or associates of such person, or to increase or decrease the voting power or pecuniary or economic interest of such person, or any affiliates or associates of such person, with respect to stock of the Corporation; (iii) a description of all agreements, arrangements, or understandings (whether written or oral) between such person, or any affiliates or associates of such person, and any proposed nominee or any other person or persons (including their names) pursuant to which the nominations) are being made by such person, and any material interest of such person, or any affiliates or associates of such person, in such nomination, including any anticipated benefit therefrom to such person, or any affiliates or associates of such person; (iv) a representation that the stockholder giving notice intends to appear in person or by proxy at the Annual Meeting or Special Meeting to nominate the persons named in its notice; and (v) any other information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with a contested solicitation of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

(e) A stockholder providing notice of any nomination proposed to be made at an Annual Meeting or Special Meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 6 of this Article II shall be true and correct as of the record date for determining the stockholders entitled to receive notice of the Annual Meeting or Special Meeting, and such

update and supplement shall be delivered to or be mailed and received by the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for determining the stockholders entitled to receive notice of such Annual Meeting or Special Meeting.

(f) No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 6 of this Article II. If the Chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

(g) Nothing contained in this Section 6 of this Article II shall be deemed to affect any rights of stockholders to request inclusion of nominees for director in the Corporation's proxy statement pursuant to Section 17 of this Article II.

Section 7. Adjournments. Any meeting of the stockholders may be adjourned from time to time by the stockholders entitled to vote thereat, present in person or represented by proxy, or the Chairman of the meeting to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place, if any, thereof and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting in accordance with the requirements of Section 4 hereof shall be given to each stockholder of record entitled to notice of and to vote at the meeting.

Section 8. Quorum. Unless otherwise required by applicable law or the Certificate of Incorporation, the holders of shares of capital stock of the Corporation representing a majority of the voting power of the shares of the Corporation's capital stock issued and outstanding and entitled to vote with respect to the particular matter, present in person or represented by proxy, shall constitute a quorum of the stockholders for the transaction of business with respect to such matter. A quorum, once established, shall not be broken by the withdrawal of holders of enough voting power to leave less than a quorum. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, or the Chairman of the meeting shall have power to adjourn the meeting from time to time, in the manner provided in Section 7 hereof, until a quorum shall be present or represented.

Section 9. Voting. Unless otherwise required by law, the Certificate of Incorporation or these By-Laws, or the rules of any stock exchange on which the Corporation's shares are listed and traded, any question brought before any meeting of the stockholders, other than the election of directors, shall be decided by a majority of the votes cast by the stockholders entitled to vote thereon who are present in person or represented by proxy, and where a separate vote by class or series is required, a majority of the votes cast by the stockholders of such class or series

who are present in person or represented by proxy shall be the act of such class or series. Except as otherwise provided by law, each stockholder of record of any one or more series of Preferred Stock shall be entitled at each meeting of the stockholders to such number of votes, if any, for each share of such stock as may be fixed in the Certificate of Incorporation or in the resolution or resolutions adopted by the Board providing for the issuance of such stock, and each stockholder of record of Common Stock (as defined in the Certificate of Incorporation) shall be entitled at each meeting of the stockholders to one vote for each share of such stock, in each case, registered in such stockholder's name on the books of the Corporation on the date fixed pursuant to Section 13 of Article II of these By-Laws as the record date for the determination of stockholders entitled to notice of and to vote at such meeting. The Board of Directors, in its discretion, or the officer of the Corporation presiding at a meeting of the stockholders, may require that any votes cast at such meeting shall be cast by written ballot.

Section 10. Proxies. Each stockholder entitled to vote at a meeting of the stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for such stockholder as proxy, but no such proxy shall be voted upon after three years from its date, unless such proxy provides for a longer period. Without limiting the manner in which a stockholder may authorize another person or persons to act for such stockholder as proxy, the following shall constitute a valid means by which a stockholder may grant such authority:

(a) A stockholder may execute a writing authorizing another person or persons to act for such stockholder as proxy. Execution may be accomplished by the stockholder or such stockholder's authorized officer, director, employee or agent signing such writing or causing such person's signature to be affixed to such writing by any reasonable means, including, but not limited to, by facsimile signature.

(b) A stockholder may authorize another person or persons to act for such stockholder as proxy by transmitting or authorizing the transmission of a telegram, cablegram or other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, provided that any such telegram, cablegram or other means of electronic transmission must either set forth or be submitted with information from which it can be determined that the telegram, cablegram or other electronic transmission was authorized by the stockholder. If it is determined that such telegrams, cablegrams or other electronic transmissions are valid, the inspectors or, if there are no inspectors, such other persons making that determination shall specify the information on which they relied.

Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission authorizing another person or persons to act as proxy for a stockholder may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used; provided, however, that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

Section 11. Consent of Stockholders in Lieu of Meeting. Unless otherwise provided in the Certificate of Incorporation, any action required to be taken at a meeting of the stockholders of the Corporation, or any action that may be taken at a meeting of the stockholders, may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all of the stockholders entitled to vote with respect to the subject matter thereof. This consent shall have the same effect as a unanimous vote of stockholders and may be stated as such in any document.

Section 12. List of Stockholders Entitled to Vote. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least ten (10) days before every meeting of the stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the principal place of business of the Corporation. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting.

Section 13. Record Date.

(a) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of the stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of the stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of the stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting or request that the Board of Directors call a Special Meeting of Stockholders pursuant to Section 3 of Article II, the Board of

Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent or request that the Board of Directors call a Special Meeting pursuant to Section 3 of Article II shall, by written notice to the Secretary of the Corporation, request the Board of Directors to fix a record date. The Board of Directors shall promptly, but in all events within ten (10) days after the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed by the Board of Directors within ten (10) days of the date on which such a request is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting or request that the Board of Directors call a Special Meeting pursuant to Section 3 of Article II, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken or on which a signed request by a stockholder to call a Special Meeting pursuant to Section 3 of Article II (as applicable) is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of the stockholders are recorded, to the attention of the Secretary of the Corporation. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested.

Section 14. Stock Ledger. The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 12 of this Article II or the books of the Corporation, or to vote in person or by proxy at any meeting of the stockholders.

Section 15. Conduct of Meetings. The Board of Directors of the Corporation may adopt by resolution such rules and regulations for the conduct of any meeting of the stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the Chairman of any meeting of the stockholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such Chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the Chairman of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) the determination of when the polls shall open and close for any given matter to be voted on at the meeting; (iii) rules and procedures for maintaining order at the meeting and the safety of those present; (iv) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the Chairman of the meeting shall determine; (v) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (vi) limitations on the time allotted to questions or comments by participants.

Section 16. Inspectors of Election. In advance of any meeting of the stockholders, the Board of Directors, by resolution, the Chairman or the President shall appoint one or more

inspectors to act at the meeting and make a written report thereof. One or more other persons may be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of the stockholders, the Chairman of the meeting shall appoint one or more inspectors to act at the meeting. Unless otherwise required by applicable law, inspectors may be officers, employees or agents of the Corporation. Each inspector, before entering upon the discharge of the duties of inspector, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of such inspector's ability. The inspector shall have the duties prescribed by law and shall take charge of the polls and, when the vote is completed, shall make a certificate of the result of the vote taken and of such other facts as may be required by applicable law.

Section 17. Stockholder Nominations Included in the Corporation's Proxy Materials.

(a) Definitions. For purposes of this Section 17 of this Article II, the following terms shall have the meanings set forth below, except as otherwise provided herein.

"Eligible Holder" is a person who has either (i) been a record holder of the shares of Common Stock used to satisfy the eligibility requirements of Section 17(d) of this Article II continuously for the three (3)-year period as described in Section 17(d) of this Article II, or (ii) provides to the Secretary of the Corporation, within the time period specified in Section 17(e) of this Article II, evidence of continuous ownership of such shares for such three (3)-year period from one or more securities intermediaries in a form that the Board of Directors, or its designee, acting in good faith, determines would be acceptable for purposes of a stockholder proposal under Rule 14a-8(b)(2) under the Exchange Act (or any successor rule).

"Maximum Number" with respect to any Annual Meeting, means that number of nominees for election to the Board of Directors that constitutes no more than 20% of the total number of directors of the Corporation as of the last day on which a Nomination Notice may be submitted pursuant to Section 17(e) of this Article II (rounded down to the nearest whole number), but not less than two (2). The Maximum Number shall be subject to the adjustments described in Section 17(c) of this Article II.

"Minimum Number" means 3% of the Corporation's issued and outstanding shares of Common Stock as of the most recent date for which such amount is given in any filing made by the Corporation with the SEC prior to the submission of the Qualified Nomination Notice.

"Qualified Nomination Notice" means a notice given by a Nominating Stockholder that complies with the requirements of Section 17(e) of this Article II and names a Nominee.

"Nominating Stockholder" means an Eligible Holder or group of up to 20 Eligible Holders who nominate a nominee for election to the Board of Directors.

"Nominee" means any person nominated for election to the Board of Directors by a Nominating Stockholder that, individually and collectively, in the case of a group, satisfy all applicable procedures set forth in Section 17(d) and 17(e) of this Article II.

(b) Inclusion of Nominee in Proxy Statement. Subject to the provisions of this Section 17 of this Article II, if expressly requested in a Qualified Nomination Notice delivered by a Nominating Stockholder, the Corporation shall include in its proxy statement for any Annual Meeting:

(i) the name of the Nominee, which shall also be included on the Corporation's form of proxy and ballot;

(ii) disclosures about the Nominee and the Nominating Stockholder required under the rules of the SEC or other applicable law to be included in the proxy statement;

(iii) any statement included by the Nominating Stockholder in the Qualified Nomination Notice for inclusion in the proxy statement in support of the Nominee's election to the Board of Directors (subject, without limitation, to Section 17(e)(ii) of this Article II), if such statement does not exceed 500 words; and

(iv) any other information that the Corporation or the Board of Directors determines, in its discretion, to include in the proxy statement relating to the nomination of the Nominee, including, without limitation, any statement in opposition to the nomination and any of the information provided pursuant to this Section 17 of this Article II.

(c) Maximum Number of Nominees.

(i) The Corporation shall not be required to include in the proxy statement for an Annual Meeting more Nominees than the Maximum Number for such Annual Meeting. The Maximum Number for a particular Annual Meeting shall be reduced by: (1) Nominees who are subsequently withdrawn or that the Board of Directors itself decides to nominate for election at such Annual Meeting, and (2) the number of incumbent directors who were Nominees with respect to any of the preceding two Annual Meetings and whose reelection at the upcoming Annual Meeting is being recommended by the Board of Directors. If one or more vacancies for any reason occurs on the Board of Directors after the deadline set forth in Section 17(e) of this Article II, but before the date of the Annual Meeting, and the Board of Directors resolves to reduce the size of the Board in connection therewith, the Maximum Number shall be calculated based on the number of directors in office as so reduced.

(ii) If the number of Nominees pursuant to this Section 17 of this Article II for any Annual Meeting exceeds the Maximum Number then, promptly upon notice from the Corporation, each Nominating Stockholder will select one Nominee for inclusion in the proxy statement until the Maximum Number is reached, going in order of the amount (largest to smallest) of the ownership position as disclosed in each Nominating Stockholder's Qualified Nomination Notice, with the process repeated if the Maximum Number is not reached after each Nominating Stockholder has selected one Nominee. If, after the deadline for submitting a Qualified Nomination Notice as set forth in Section 17(e) of this Article II, a Nominating Stockholder becomes ineligible or withdraws its nomination, or a Nominee becomes unwilling to serve on the Board of Directors, whether before or after the mailing of the definitive proxy statement, then the nomination shall be disregarded, and the Corporation: (1) shall not be

required to include in its proxy statement or on any ballot or form of proxy the disregarded Nominee or any successor or replacement Nominee proposed by the Nominating Stockholder or by any other Nominating Stockholder, and (2) may otherwise communicate to its stockholders, including, without limitation, by amending or supplementing its proxy statement or ballot or form of proxy, that the Nominee will not be included as a Nominee in the proxy statement or on any ballot or form of proxy and will not be voted on at the Annual Meeting.

(d) Eligibility of Nominating Stockholder.

(i) An Eligible Holder or group of up to twenty (20) Eligible Holders may submit a nomination in accordance with this Section 17 of this Article II only if the person or group (in the aggregate) has continuously owned at least the Minimum Number of shares of the Common Stock (as adjusted for any stock splits, stock dividends or similar events) throughout the three (3)-year period preceding, including the date of submission of, the Qualified Nomination Notice, and continues to own at least the Minimum Number through the date of the Annual Meeting. A group of funds under common management and investment control shall be treated as one Eligible Holder if such Eligible Holder shall provide, together with the Qualified Nomination Notice, documentation reasonably satisfactory to the Corporation that demonstrates that the funds are under common management and investment control. For the avoidance of doubt, in the event of a nomination by a group of Eligible Holders, any and all requirements and obligations for an individual Eligible Holder that are set forth in this Section 17 of this Article II, including the minimum holding period, shall apply to each member of such group; provided, however, that the Minimum Number shall apply to the ownership of the group in the aggregate. If any stockholder withdraws from a group of Eligible Holders acting together as a Nominating Stockholder at any time prior to the Annual Meeting, the group of Eligible Holders shall only be treated as owning the shares held by the remaining members of the group.

(ii) For purposes of this Section 17(d) of this Article II, an Eligible Holder “owns” only those outstanding shares of Common Stock as to which the Eligible Holder possesses both: (A) the full voting and investment rights pertaining to the shares; and (B) the full economic interest in (including the opportunity for profit and risk of loss on) such shares. The number of shares calculated in accordance with clauses (A) and (B) shall not include any shares: (1) sold by such Eligible Holder or any of its affiliates in any transaction that has not been settled or closed, (2) borrowed by such Eligible Holder or any of its affiliates for any purpose or purchased by such Eligible Holder or any of its affiliates pursuant to an agreement to resell, or (3) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar agreement entered into by such Eligible Holder or any of its affiliates, whether any such instrument or agreement is to be settled with shares or with cash based on the notional amount or value of outstanding shares of Common Stock, in any such case which instrument or agreement has, or is intended to have, the purpose or effect of: (x) reducing in any manner, to any extent or at any time in the future, such Eligible Holder’s or any of its affiliates’ full right to vote or direct the voting of any such shares, and/or (y) hedging, offsetting, or altering to any degree, gain or loss arising from the full economic ownership of such shares by such Eligible Holder or any of its affiliates.

An Eligible Holder “owns” shares held in the name of a Nominee or other intermediary, so long as the Eligible Holder retains the right to instruct how the shares are voted with respect to the election of directors and possesses the full economic interest (including the opportunity for profit and risk of loss on) in the shares. An Eligible Holder’s ownership of shares shall be deemed to continue during any period in which the Eligible Holder has delegated any voting power by means of a proxy, power of attorney, or other similar instrument or arrangement that is revocable at any time by the Eligible Holder. The terms “owned,” “owning” and other variations of the word “own” shall have correlative meanings. Whether outstanding shares of Common Stock are “owned” for these purposes shall be determined by the Board of Directors, acting in good faith.

(iii) No person shall be permitted to be in more than one group constituting a Nominating Stockholder, and if any person appears as a member of more than one group, it shall be deemed to be a member of the group that has the largest ownership position as reflected in the Qualified Nomination Notice.

(e) Qualified Nomination Notice. To nominate a Nominee, the Nominating Stockholder must, no earlier than one hundred fifty (150) days and no later than one hundred twenty (120) days before the anniversary of the date that the Corporation mailed its proxy statement for the prior year’s Annual Meeting, submit to the Secretary of the Corporation at the principal executive office of the Corporation all of the following information and documents (collectively, the “Qualified Nomination Notice”); provided, however, that if (and only if) the Annual Meeting is not scheduled to be held within a period that commences thirty (30) days before the anniversary date of the prior year’s Annual Meeting of stockholders and ends thirty (30) days after such anniversary date (an Annual Meeting date outside such period being referred to herein as an “Other Meeting Date”), the Qualified Nomination Notice shall be given in the manner provided herein by the later of the close of business on the date that is one hundred eighty (180) days prior to such Other Meeting Date or the tenth (10th) day following the date such Other Meeting Date is first publicly announced or disclosed:

(i) A Schedule 14N (or any successor form) relating to the Nominee, completed and filed with the SEC by the Nominating Stockholder as applicable, in accordance with SEC rules;

(ii) A written notice of the nomination of such Nominee that includes the following additional information, agreements, representations and warranties by the Nominating Stockholder (including each group member): (A) the details of any relationship that existed within the past three (3) years and that would have been described pursuant to Item 6(e) of Schedule 14N (or any successor item) if it existed on the date of submission of the Schedule 14N; (B) a representation and warranty that the Nominating Stockholder did not acquire, and is not holding, securities of the Corporation for the purpose or with the effect of influencing or changing control of the Corporation; (C) a representation and warranty that the Nominee’s candidacy or, if elected, Board of Directors membership would not violate applicable state or federal law or the rules of any stock exchange on which the Corporation’s securities are traded; (D) a representation and warranty that the Nominee: (1) does not have any direct or indirect relationship with the Corporation other than those relationships that have been deemed

categorically immaterial pursuant to the Corporation's corporate governance guidelines as most recently published on its website and otherwise qualifies as independent under the rules of the primary stock exchange on which the Corporation's securities are traded; (2) meets the Audit Committee independence requirements under the rules of any stock exchange on which the Corporation's securities are traded; (3) is a "non-employee director" for the purposes of Rule 16b-3 under the Exchange Act (or any successor rule); (4) is an "outside director" for the purposes of Section 162(m) of the Internal Revenue Code, as amended (or any successor provision); and (5) is not and has not been subject to any event specified in Rule 506(d)(1) of Regulation D (or any successor rule) under the Securities Act of 1933, as amended (the "Securities Act") or Item 401(f) of Regulation S-K (or any successor rule) under the Exchange Act, without reference to whether the event is material to an evaluation of the ability or integrity of the Nominee; (E) a representation and warranty that the Nominating Stockholder satisfies the eligibility requirements set forth in Section 17(d) of this Article II and has provided evidence of ownership to the extent required by Section 17(d) of this Article II; (F) a representation and warranty that the Nominating Stockholder intends to continue to satisfy the share ownership eligibility requirements described in Section 17(d) of this Article II through the date of the Annual Meeting; (G) details of any position of the Nominee as an officer or director of any competitor (that is, any entity that produces products or provides services that compete with or are alternatives to the principal products produced or services provided by the Corporation or its affiliates) of the Corporation, within the five (5) years preceding the submission of the Qualified Nomination Notice; (H) a representation and warranty that the Nominating Stockholder will not engage in a "solicitation" within the meaning of Rule 14a-1(l) of the Exchange Act (without reference to the exception in Rule 14a-1(l)(2)(iv) of the Exchange Act) (or any successor rules) with respect to the Annual Meeting, other than with respect to the Nominee or any nominee of the Board; (I) a representation and warranty that the Nominating Stockholder will not use any proxy card other than the Corporation's proxy card in soliciting stockholders in connection with the election of a Nominee at the Annual Meeting; (J) if desired, a statement for inclusion in the proxy statement in support of the Nominee's election to the Board of Directors, provided that such statement shall not exceed 500 words and shall fully comply with Section 14 of the Exchange Act and the rules and regulations thereunder, including Rule 14a-9; (K) in the case of a nomination by a group, the designation by all group members of one group member who is authorized to act on behalf of all group members with respect to all matters relating to the nomination, including withdrawal of the nomination; and (L) the information required to be included in a stockholder's notice referenced in Section 6(d) of Article II;

(iii) An executed agreement, which must be submitted within seven (7) days of the Nominating Stockholder's first submission of any information required by this Section 17 of this Article II, in a form deemed satisfactory by the Board of Directors or its designee, acting in good faith, pursuant to which the Nominating Stockholder (including each group member) agrees: (A) to comply with all applicable laws, rules and regulations in connection with the nomination, solicitation and election; (B) to file any written solicitation or other communication with the Corporation's stockholders relating to one or more of the Corporation's directors or director nominees or any Nominee with the SEC, regardless of whether any such filing is required under rule or regulation or whether any exemption from filing is available for such materials under any rule or regulation; (C) to assume all liability stemming

from an action, suit or proceeding concerning any actual or alleged legal or regulatory violation arising out of any communication by the Nominating Stockholder with the Corporation, its stockholders or any other person in connection with the nomination or election of directors, including, without limitation, the Qualified Nomination Notice; (D) to indemnify and hold harmless (jointly with all other group members, in the case of a group member) the Corporation and each of its directors, officers and employees individually against any liability, loss, damages, expenses or other costs (including attorneys' fees) incurred in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the Corporation or any of its directors, officers or employees arising out of or relating to a failure or alleged failure of the Nominating Stockholder to comply with, or any breach or alleged breach of, its obligations, agreements or representations under this Section 17 of this Article II, or otherwise arising out of any nomination, solicitation or other activity by any Nominating Stockholder in connection with its efforts under this Section 17 of this Article II; (E) if any information included in the Qualified Nomination Notice, or any other communication by the Nominating Stockholder (including with respect to any group member), with the Corporation, its stockholders or any other person in connection with the nomination or election ceases to be true and accurate in all material respects (or due to a subsequent development omits a material fact necessary to make the statements made not misleading), or the Nominating Stockholder (including any group member) fails to continue to satisfy the eligibility requirements described in Section 17(d) of this Article II, to promptly (and in any event within 48 hours of discovering such misstatement or omission) notify the Corporation and any other recipient of such communication of the misstatement or omission in such previously provided information and of the information that is required to correct the misstatement or omission; and

(iv) An executed agreement, which must be submitted within seven (7) days of the Nominating Stockholder's first submission of any information required by this Section 17 of this Article II, in a form determined to be satisfactory by the Board of Directors, or its designee, acting in good faith, by the Nominee: (A) to provide to the Corporation such other information, including completion of the Corporation's director questionnaire, as it may reasonably request; (B) that the Nominee has read and agrees, if elected, to serve as a member of the Board of Directors, to adhere to the Corporation's corporate governance guidelines and code of ethical conduct and any other Corporation policies and guidelines applicable to directors as adopted from time to time; and (C) covenant that the Nominee will promptly and fully disclose to the Corporation if the Nominee is or becomes a party to (1) any compensatory, payment or other financial agreement, arrangement or understanding with any person or entity in connection with service or action as a director of the Corporation, (2) any agreement, arrangement or understanding with any person or entity as to how the Nominee would vote or act on any issue or question as a director (a "Voting Commitment") that has not been disclosed to the Corporation, or (3) any Voting Commitment that could limit or interfere with the Nominee's ability to comply, if elected as a director of the Corporation, with its fiduciary duties under applicable law.

The information and documents required by this Section 17(e) of this Article II shall be: (i) provided with respect to and executed by each group member, in the case of information applicable to group members; and (ii) provided with respect to the persons specified in Instruction 1 to Items 6(c) and (d) of Schedule 14N (or any successor items) in the case of a

Nominating Stockholder or group member that is an entity. The Qualified Nomination Notice shall be deemed submitted on the date on which all the information and documents referred to in this Section 17(e) of this Article II (other than such information and documents contemplated to be provided after the date the Qualified Nomination Notice is provided) have been delivered to or, if sent by mail, received by the Secretary of the Corporation.

(f) Exceptions.

(i) Notwithstanding anything to the contrary contained in Section 17 of this Article II, the Corporation may omit from its proxy statement any Nominee and any information concerning such Nominee (including a Nominating Stockholder's statement in support) and no vote on such Nominee will occur (notwithstanding that proxies in respect of such vote may have been received by the Corporation), and the Nominating Stockholder may not, after the last day on which a Qualified Nomination Notice would be timely, cure in any way any defect preventing the nomination of the Nominee, if: (A) the Nominating Stockholder or the designated lead group member, as applicable, or any qualified representative thereof, does not appear at the meeting of stockholders to present the nomination submitted pursuant to this Section 17 of this Article II or the Nominating Stockholder withdraws its nomination; (B) the Board of Directors, acting in good faith, determines that such Nominee's nomination or election to the Board of Directors would result in the Corporation violating or failing to be in compliance with the By-Laws or Certificate of Incorporation or any applicable law, rule or regulation to which the Corporation is subject, including any rules or regulations of any stock exchange on which the Corporation's securities are traded; (C) the Nominee was nominated for election to the Board of Directors pursuant to this Section 17 of this Article II at one of the Corporation's two (2) preceding Annual Meetings of stockholders and either withdrew or became ineligible or received a vote of less than 25% of the shares of Common Stock entitled to vote for such Nominee; (D) the Nominee has been, within the past three (3) years, an officer or director of a competitor, as defined for purposes of Section 8 of the Clayton Antitrust Act of 1914, as amended; or (E) the Corporation is notified, or the Board of Directors acting in good faith determines, that a Nominating Stockholder has failed to continue to satisfy the eligibility requirements described in Section 17(d) of this Article II, any of the representations and warranties made in the Qualified Nomination Notice ceases to be true and accurate in all material respects (or omits a material fact necessary to make the statement not misleading), the Nominee becomes unwilling or unable to serve on the Board of Directors or any material violation or breach occurs of the obligations, agreements, representations or warranties of the Nominating Stockholder or the Nominee under this Section 17 of this Article II.

(ii) Notwithstanding anything to the contrary contained in this Section 17 of this Article II, the Corporation may omit from its proxy statement, or may supplement or correct, any information, including all or any portion of the statement in support of the Nominee included in the Nomination Notice, if the Board of Directors in good faith determines that: (A) such information is not true in all material respects or omits a material statement necessary to make the statements made not misleading; (B) such information directly or indirectly impugns character, integrity or personal reputation of, or directly or indirectly makes charges concerning improper, illegal or immoral conduct or associations, without factual foundation, with respect to,

any person; or (C) the inclusion of such information in the proxy statement would otherwise violate the SEC proxy rules or any other applicable law, rule or regulation.

(iii) The Corporation may solicit against, and include in the proxy statement its own statement relating to, any Nominee.

ARTICLE III DIRECTORS

Section 1. Number; Classification and Election of Directors.

(a) The Board of Directors shall consist of not less than three (3) members, the exact number of which shall be fixed from time to time by the Board of Directors. The directors, other than those who may be elected by the holders of any one or more series of Preferred Stock then outstanding, shall, until the 2023 Annual Meeting of Stockholders, be classified, with respect to the time for which they severally hold office, into three (3) classes designated Class I, Class II and Class III. Beginning with the 2021 Annual Meeting of Stockholders, other than those who may be elected by holders of any one or more series of Preferred Stock then outstanding, the terms of the directors shall be as follows: (i) at the 2021 Annual Meeting of Stockholders, the directors whose terms expire at that meeting (the Class I directors), or such directors' successors, shall be elected to hold office for a two-year term expiring at the 2023 Annual Meeting of Stockholders; (ii) at the 2022 Annual Meeting of Stockholders, the directors whose terms expire at that meeting (the Class II directors), or such directors' successors, shall be elected to hold office for a one-year term expiring at the 2023 Annual Meeting of Stockholders; and (iii) at the 2023 Annual Meeting of Stockholders and at each Annual Meeting of Stockholders thereafter, all directors shall be elected for a one-year term expiring at the next Annual Meeting of Stockholders after their election, with each director to hold office until his or her successor is elected and qualified, or until such director's earlier death, resignation or removal. The division of directors into classes shall terminate at the 2023 Annual Meeting of Stockholders, and all directors elected at the 2023 Annual Meeting of Stockholders and thereafter shall be elected in accordance with clause (a)(iii) above.

(b) No decrease in the number of authorized directors shall shorten the term of any incumbent director.

(c) Except as provided in Section 2 of this Article III, a nominee for director shall be elected to the Board of Directors if the votes cast for such nominee's election exceed the votes cast against such nominee's election; provided, however, that directors shall be elected by a plurality of the votes cast at any meeting of stockholders for which the Secretary of the Corporation determines that the number of nominees exceeds the number of directors to be elected as of the record date of such meeting.

(d) At least a majority of the directors shall consist of persons who are not employees of the Corporation or any subsidiary of the Corporation and whom the Board has determined are independent under the listing standards of the New York Stock Exchange. Should the death, resignation or other removal of any non-employee director result in the failure of the requirement set forth in the preceding sentence to be met, such requirement shall not apply

during the time the vacancy caused by any death, resignation or removal of any such non-employee director, and the remaining directors of the Corporation shall cause any such vacancy to be filled in accordance with these By-laws within a reasonable period of time. At the Annual Meeting or a Special Meeting at which directors are to be elected in accordance with the Corporation's notice of meeting, directors shall be elected in accordance with the requirements of these By-Laws and the Certificate of Incorporation.

(e) To be eligible for election or reelection and to be seated as a director of the Corporation, a person must agree in advance to abide by (i) the Corporation's director resignation policy applicable to any director who fails to receive the required number of votes for reelection in connection with the Company's majority voting requirements and (ii) the applicable corporate governance, trading, conflict of interest and confidentiality policies and guidelines of the Corporation applicable to directors.

Section 2. Vacancies. Except as otherwise provided as to any one or more series of Preferred Stock in the Certificate of Incorporation or in the resolution or resolutions adopted by the Board providing for the issuance of such stock, vacancies on the Board of Directors arising from a director's death, resignation or removal and newly created directorships resulting from an increase in the number of authorized directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director. Any director chosen in accordance with the preceding sentence shall hold office until the next election of the class for which such director shall have been chosen, and until his or her successor shall be elected and qualified, or until his or her earlier death, resignation or removal. Unless otherwise required by law or the Certificate of Incorporation, vacancies on any committee of the Board of Directors arising from the death, resignation or removal of a member of the committee and newly created committee memberships resulting from an increase in the number of authorized members of the committee shall be filled only by a majority of the directors then in office, though less than a quorum, or by a sole remaining director and any member of a committee of the Board of Directors so chosen shall hold office until his or her successor is duly appointed by the Board of Directors or until his or her earlier death, resignation or removal.

Section 3. Duties and Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-Laws required to be exercised or done by the stockholders.

Section 4. Meetings. The Board of Directors and any committee thereof may hold meetings, both regular and special, either within or without the State of Delaware. Regular meetings of the Board of Directors or any committee thereof may be held without notice at such time and at such place as may from time to time be determined by the Board of Directors or such committee, respectively. Special Meetings of the Board of Directors may be called by the Chairman or by a majority of the directors. Special Meetings of any committee of the Board of Directors may be called by the Chairman of such committee, if there be one, or a majority of the directors serving on such committee. Notice thereof stating the place, date and hour of the

meeting shall be given to each director (or, in the case of a committee, to each member of such committee) either by mail not less than forty-eight (48) hours before the date of the meeting, by telephone, telegram or electronic means on twenty-four (24) hours' notice, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances.

Section 5. Organization. At each meeting of the Board of Directors or any committee thereof, the Chairman of the Board of Directors or the Chairman of such committee, as the case may be, or, in his or her absence or if there be none, the Vice Chairman of the Board of Directors or the Vice Chairman of such committee, if there be one, or another director chosen by a majority of the directors present, shall act as chairman of the meeting. Except as provided below, the Secretary of the Corporation shall act as secretary at each meeting of the Board of Directors and of each committee thereof. In case the Secretary shall be absent from any meeting of the Board of Directors or of any committee thereof, an Assistant Secretary shall perform the duties of secretary at such meeting; and in the absence from any such meeting of the Secretary and all the Assistant Secretaries, the chairman of the meeting may appoint any person to act as secretary of the meeting. Notwithstanding the foregoing, the members of each committee of the Board of Directors may appoint any person to act as secretary of any meeting of such committee and the Secretary or any Assistant Secretary of the Corporation may, but need not if such committee so elects, serve in such capacity.

Section 6. Resignations and Removals of Directors. Any director of the Corporation may resign from the Board of Directors or any committee thereof at any time, by giving notice in writing or by electronic transmission to the Chairman of the Board of Directors, the Chief Executive Officer or the Secretary of the Corporation. Such resignation shall take effect at the time therein specified or, if no time is specified, immediately; and, unless otherwise specified in such notice, the acceptance of such resignation shall not be necessary to make it effective. Subject to the rights, if any, of the holders of any one or more series of Preferred Stock then outstanding, until the 2023 Annual Meeting of stockholders, a director may be removed from office, only for cause, by the affirmative vote of the holders of at least a majority in voting power of the issued and outstanding capital stock of the Corporation entitled to vote in the election of directors. Subject to the rights, if any, of the holders of any one or more series of Preferred Stock then outstanding, from and after the 2023 Annual Meeting of stockholders, any director may be removed from office, with or without cause, by the affirmative vote of the holders of at least a majority in voting power of the issued and outstanding capital stock of the Corporation entitled to vote in the election of directors. Any director serving on a committee of the Board of Directors may be removed from such committee at any time by the Board of Directors.

Section 7. Quorum. Except as otherwise required by law, the Certificate of Incorporation, these By-Laws or the rules and regulations of any securities exchange or quotation system on which the Corporation's securities are listed or quoted for trading, at all meetings of the Board of Directors or any committee thereof, a majority of the entire Board of Directors or a majority of the directors constituting such committee, as the case may be, shall constitute a quorum for the transaction of business and the act of a majority of the directors or committee members present at any meeting at which there is a quorum shall be the act of the Board of

Directors or such committee, as applicable. If a quorum shall not be present at any meeting of the Board of Directors or any committee thereof, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting of the time and place of the adjourned meeting, until a quorum shall be present.

Section 8. Actions of the Board by Written Consent. Unless otherwise provided in the Certificate of Incorporation or these By-Laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all the members of the Board of Directors or such committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board of Directors or such committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 9. Meetings by Means of Conference Telephone. Unless otherwise provided in the Certificate of Incorporation or these By-Laws, members of the Board of Directors of the Corporation, or any committee thereof, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 9 shall constitute presence in person at such meeting.

Section 10. Committees. The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. Each member of a committee must meet the requirements for membership, if any, imposed by applicable law and the rules and regulations of any securities exchange or quotation system on which the securities of the Corporation are listed or quoted for trading. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee. Subject to the rules and regulations of any securities exchange or quotation system on which the securities of the Corporation are listed or quoted for trading, in the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another qualified member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any committee, to the extent permitted by law and provided in the resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. Each committee shall keep regular minutes and report to the Board of Directors when required. Notwithstanding anything to the contrary contained in this Article III, the resolution of the Board of Directors establishing any committee of the Board of Directors and/or the charter of any such committee may establish requirements or procedures relating to the governance and/or operation of such committee that are different from, or in addition to, those set forth in these By-Laws and, to the extent that there is any inconsistency

between these By-Laws and any such resolution or charter, the terms of such resolution or charter shall be controlling.

The following shall be standing committees of the Board of Directors:

(a) Executive Committee. The Executive Committee shall consist of the Chairman of the Board of Directors and at least one director who is not an officer of the Corporation, who shall be appointed annually by the Board of Directors, and who shall continue to serve until his successor is appointed. The Committee shall act as an Executive Committee of the Board of Directors, except when the Board of Directors is in session, and shall have and exercise all powers that the Board of Directors may exercise or lawfully delegate. A quorum of the Committee for the transaction of business shall be a majority of its members, including not less than one director who is not an officer of the Corporation. The powers of the Executive Committee shall not include the power:

- (i) to authorize distributions;
- (ii) to the extent permitted by the General Corporation Law of the State of Delaware (the “DGCL”), to approve or submit to stockholders any action that requires stockholders approval under the DGCL, the Certificate of Incorporation or these By-Laws;
- (iii) to fill vacancies on the Board of Directors or any committee;
- (iv) to amend the Certificate of Incorporation (except that the Executive Committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the Board of Directors, fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the Corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the Corporation or fix the number of shares of any series of stock or authorize the increase or decrease of the shares of any series);
- (v) to approve an agreement and plan of merger or consolidation not requiring stockholder approval;
- (vi) to the extent permitted by the DGCL, to recommend to the stockholders the sale, lease or exchange of all or substantially all of the Corporation’s property and assets;
- (vii) to the extent permitted by the DGCL, to recommend to the stockholders a dissolution of the Corporation or a revocation of a dissolution;
- (viii) to adopt, amend or repeal these By-laws; and
- (ix) to fix the compensation of directors serving on the Board or on any committee.

(b) Audit Committee. The Audit Committee shall consist of not less than three (3) directors, none of whom are employees, officers, or stockholders holding 10% or more of all of the votes entitled to be cast by holders of all of the outstanding shares of Common Stock. All members of the Audit Committee shall be determined by the Board of Directors to be independent, as that standard is defined in Rule 303A.02 under the NYSE Listed Company Manual, as such rule may be amended, supplemented or replaced from time to time. The Board of Directors shall adopt and maintain a written charter specifying the Audit Committee's duties, which shall include assisting the Corporation to ensure the fairness and accuracy of the Corporation's financial statements and the existence of adequate internal financial controls, and the independence of the independent public accountants engaged to audit the Corporation's financial statements and books and records and to render financial reports concerning the Corporation and its subsidiaries. The Audit Committee shall prepare a report, as required by the United States Securities and Exchange Commission ("SEC") for inclusion in the Corporation's annual proxy statement. Each member of the Audit Committee shall have a general familiarity with the requirements of financial reporting and accountability, and at least one member of the Audit Committee shall be a "financial expert," as defined in Section 303A of the NYSE Listed Company Manual, as such section may be amended, supplemented or replaced from time to time.

(c) Nominating and Corporate Governance Committee. The Nominating Committee shall consist of not less than two directors, none of whom are employees, officers, or stockholders holding 10% or more of all of the votes entitled to be cast by holders of all of the outstanding shares of Common Stock. All members of the Nominating Committee shall be determined by the Board to be independent, as that standard is defined in Rule 303A.02 under the NYSE Listed Company Manual, as such rule may be amended, supplemented or replaced from time to time. The Board of Directors shall adopt a written charter specifying the Nominating Committee's duties, which will include, at minimum, that the Nominating Committee shall (i) identify individuals qualified to become directors and assist the Board of Directors in selecting nominees for the Annual Meeting of Stockholders and (ii) recommend to the Board of Directors measures for appropriate corporation governance that comply with all corporate governance rules and standards applied by the NYSE and the SEC.

(d) Compensation Committee. The Compensation Committee shall consist of not less than two directors who are not employees, officers, or stockholders holding 10% or more of all of the votes entitled to be cast by holders of all of the outstanding shares of Common Stock. All members of the Compensation Committee shall be determined by the Board to be independent, as that standard is defined in Rule 303A.02 under the NYSE Listed Company Manual, as such rule may be amended, supplemented or replaced from time to time. The Board of Directors shall adopt and maintain a written charter specifying the Compensation Committee's duties, which will include, at minimum, that the Compensation Committee shall review and approve corporate goals and objectives relevant to compensation of the Chief Executive Officer ("CEO"), evaluate the CEO's performance in light of those goals and objectives, and, either as a committee or together with the other independent directors (as directed by the Board of Directors), determine and approve the CEO's compensation level based on the evaluation; make recommendations to the Board of Directors with respect to non-CEO compensation; assist in the development and implementation of a management succession plan, and produce a

Compensation Committee report on executive compensation as required by the SEC to be included in the Corporation's annual proxy statement or annual report.

Section 11. Compensation. Any officer or employee of the Corporation serving as a director or any member of any committee shall serve without compensation; however, they shall be reimbursed for the necessary expenses incurred in the execution of their duties. Independent directors who are not employees of the Corporation may receive such compensation as the Board of Directors, from time to time, determines appropriate. Nothing in these By-Laws shall preclude the paying by the Corporation of a salary or other compensation to an officer or employee who is also a director.

Section 12. Interested Directors. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association or other organization in which one or more of its directors or officers are directors or officers or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because any such director's or officer's vote is counted for such purpose if: (i) the material facts as to the director's or officer's relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to the director's or officer's relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified by the Board of Directors, a committee thereof or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

Section 13. Chairman of the Board of Directors. The Chairman of the Board of Directors shall be elected by the Board of Directors from among its members. The Chairman of the Board of Directors shall preside at all meetings of the stockholders and of the Board of Directors at which he is present. In the absence or disability of the Chairman of the Board, the duties of the Chairman of the Board (including presiding at meetings of the Board of Directors and at meetings of the stockholders of the Corporation) shall be performed and the authority of the Chairman of the Board may be exercised by an the lead independent director, if there be one, or another independent director designated for this purpose by the Board of Directors. The Chairman of the Board of Directors shall also perform such other duties and may exercise such other powers as may from time to time be assigned by these By-Laws or by the Board of Directors, and shall have the authority to sign such contracts, certificates and other instruments of the Corporation as may be authorized by the Board of Directors

Section 14. Lead Independent Director If the Board of Directors appoints as Chairman a director who is not an independent director, then at the same time as such appointment, the Board of Directors shall appoint an independent director to be the lead independent director. The lead independent director shall perform such duties and may exercise such powers as may from time to time be assigned by these By-Laws or by the Board of Directors.

Section 15. Vice Chairman. The Board of Directors may elect from its members a Vice Chairman of the Board of Directors, to serve as Chairman of the Board in the absence or unavailability of the Chairman, or for any other reason.

ARTICLE IV OFFICERS

Section 1. General. The officers of the Corporation shall be chosen by the Board of Directors and shall be a CEO, a President, a Secretary and a Treasurer. The Board of Directors, in its discretion, also may choose a Chief Administrative Officer (“CAO”), a Chief Financial Officer (“CFO”) and one or more Assistant CAOs, Assistant CFOs, Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers as may be determined by the Board of Directors. Any number of offices may be held by the same person, unless otherwise prohibited by law, the Certificate of Incorporation or these By-Laws. The officers of the Corporation need not be stockholders of the Corporation.

Section 2. Election. The Board of Directors, at its first meeting held after each Annual Meeting of Stockholders (or action by written consent of stockholders in lieu of the Annual Meeting of Stockholders), shall elect the officers of the Corporation who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors; and each officer of the Corporation shall hold office until such officer’s successor is elected and qualified, or until such officer’s earlier death, resignation or removal. Any officer elected by the Board of Directors may be removed at any time by the Board of Directors. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors. The salaries of all officers of the Corporation shall be fixed by the Board of Directors.

Section 3. Voting Securities Owned by the Corporation. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the President or any Vice President or any other officer authorized to do so by the Board of Directors and any such officer may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and power incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

Section 4. Chief Executive Officer. The CEO shall, subject to the control of the Board of Directors and the Chairman of the Board of Directors, have general supervision of the

business of the Corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect. The CEO shall execute all bonds, mortgages, contracts and other instruments of the Corporation requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except that the other officers of the Corporation may sign and execute documents when so authorized by these By-Laws, the Board of Directors or the CEO. The CEO shall also perform such other duties and may exercise such other powers as may from time to time be assigned to such officer by these By-Laws or by the Board of Directors, subject to the provisions of the Certificate of Incorporation and these By-Laws.

Section 5. President. The President shall do and perform such duties and have such powers as from time to time may be assigned to such officer by these By-Laws or by the Board of Directors or the Chief Executive Officer, subject to the provisions of the Certificate of Incorporation and these By-Laws. The President may sign and execute all authorized contracts, checks, and other instruments or obligations in the name of the Corporation. The President, in the event of the absence or inability of the Chairman (or Vice Chairman, if any) and Chief Executive Officer to act, shall have all the powers of both officers.

Section 6. Vice Presidents. The Board of Directors may, at its option, elect one or more Vice-Presidents, who shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors or the Chief Executive Officer.

Section 7. Chief Administrative Officer. The Board of Directors may, at its option, elect a CAO. Subject to the authority of the Board of Directors, the CEO, and the President, the CAO shall have general oversight and review powers over the conduct of the business and affairs of all departments, divisions, and regions of the Corporation and its subsidiaries, if any. The CAO shall periodically report to the CEO, President, and the Board of Directors, as requested. The CAO shall perform such other duties as from time to time may be assigned to him by the CEO, the President, or the Board of Directors.

Section 8. Chief Financial Officer; Treasurer. The office of Chief Financial Officer, and the office of Treasurer, if any, may be occupied by the same person or by different persons. The Chief Financial Officer and the Treasurer shall have custody of all the funds and securities of the Corporation, subject to all applicable internal controls. The Chief Financial Officer and the Treasurer may endorse on behalf of the Corporation for collection, checks, notes and other obligations, and shall deposit the same to the credit of the Corporation in such bank or banks or depositories as the Board of Directors may designate. The Chief Financial Officer and the Treasurer may (i) sign receipts and vouchers for payments made to the Corporation and (ii) sign checks made by the Corporation and pay out and dispose of the same under the direction of the Board, the Chief Executive Officer or the President. The Chief Financial Officer and the Treasurer shall perform other duties and have such powers as from time to time may be assigned to them by the Board of Directors or the Chief Executive Officer.

Section 10. Secretary. The Secretary shall keep the minutes of all proceedings of the Board and the minutes of all meetings of stockholders. The Secretary may hold any other position to which he has been appointed. The Secretary may sign with the President, in the name

of the Corporation, all contracts authorized by the Board, and shall have authority to attest to the authority of the Corporation to act and, if necessary, affix the seal (or other mark) of the Corporation thereto. He shall have charge of all certificate books and such other books and papers as the Board may direct. The Secretary shall perform such duties and have such powers as from time to time may be assigned to him by the Board of Directors or the Chief Executive Officer. In general, the Secretary shall perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the CEO or the Board of Directors.

Section 14. Combination of Offices. Any two of the offices hereinabove enumerated may be held by one and the same person, if such person is so elected or appointed.

Section 15. Other Officers. Such other officers as the Board of Directors or the CEO may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors or the CEO. The Board of Directors or the CEO may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

ARTICLE V STOCK

Section 1. Shares of Stock. The shares of capital stock of the Corporation may be represented by a certificate or may be uncertificated. Notwithstanding the foregoing, every holder of capital stock of the Corporation theretofore represented by certificates and, upon request, every holder of uncertificated shares, shall be entitled to have a certificate for shares of capital stock of the Corporation signed by, or in the name of the Corporation by, (a) the Chairman of the Board, the Vice Chairman of the Board, the Chief Executive Officer, the President or any Executive Vice President, and (b) the Chief Financial Officer, the Secretary or an Assistant Secretary, certifying the number of shares owned by such stockholder in the Corporation.

Section 2. Signatures. Any or all of the signatures on a certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

Section 3. Lost Certificates. The Board of Directors may direct a new certificate or uncertificated shares be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issuance of a new certificate or uncertificated shares, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or such owner's legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation on account

of the alleged loss, theft or destruction of such certificate or the issuance of such new certificate or uncertificated shares.

Section 4. Transfers. Stock of the Corporation shall be transferable in the manner prescribed by applicable law and in these By-Laws. Transfers of stock shall be made on the books of the Corporation, and in the case of certificated shares of stock, only by the person named in the certificate or by such person's attorney lawfully constituted in writing and upon the surrender of the certificate therefor, properly endorsed for transfer and payment of all necessary transfer taxes; or, in the case of uncertificated shares of stock, upon receipt of proper transfer instructions from the registered holder of the shares or by such person's attorney lawfully constituted in writing, and upon payment of all necessary transfer taxes and compliance with appropriate procedures for transferring shares in uncertificated form; provided, however, that such surrender and endorsement, compliance or payment of taxes shall not be required in any case in which the officers of the Corporation shall determine to waive such requirement. With respect to certificated shares of stock, every certificate exchanged, returned or surrendered to the Corporation shall be marked "Cancelled," with the date of cancellation, by the Secretary or Assistant Secretary of the Corporation or the transfer agent thereof. No transfer of stock shall be valid as against the Corporation for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing from and to whom transferred.

Section 5. Dividend Record Date. In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 6. Record Owners. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise required by law.

Section 7. Transfer and Registry Agents. The Corporation may from time to time maintain one or more transfer offices or agencies and registry offices or agencies at such place or places as may be determined from time to time by the Board of Directors.

ARTICLE VI NOTICES

Section 1. Notices. Whenever written notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, such notice may be given by mail, addressed to such director, member of a

committee or stockholder, at such person's address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the Corporation under applicable law, the Certificate of Incorporation or these By-Laws shall be effective if given by a form of electronic transmission if consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the Corporation. Any such consent shall be deemed to be revoked if (i) the Corporation is unable to deliver by electronic transmission two (2) consecutive notices by the Corporation in accordance with such consent and (ii) such inability becomes known to the Secretary or Assistant Secretary of the Corporation or to the transfer agent, or other person responsible for the giving of notice; provided, however, that the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action. Notice given by electronic transmission, as described above, shall be deemed given: (i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice; (ii) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; (iii) if by a posting on an electronic network, together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and (iv) if by any other form of electronic transmission, when directed to the stockholder. Notice to directors or committee members may be given personally or by telegram, telex, cable or by means of electronic transmission.

Section 2. Waivers of Notice. Whenever any notice is required by applicable law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, a waiver thereof in writing, signed by the person or persons entitled to notice, or a waiver by electronic transmission by the person or persons entitled to notice, whether before or after the time stated therein, shall be deemed equivalent thereto. Attendance of a person at a meeting, present in person or represented by proxy, shall constitute a waiver of notice of such meeting, except where the person attends the meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any Annual or Special Meeting of Stockholders or any regular or Special Meeting of the directors or members of a committee of directors need be specified in any written waiver of notice unless so required by law, the Certificate of Incorporation or these By-Laws.

ARTICLE VII GENERAL PROVISIONS

Section 1. Dividends. Dividends upon the capital stock of the Corporation, subject to the requirements of the DGCL and the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or Special Meeting of the Board of Directors (or any action by written consent in lieu thereof in accordance with Section 8 of Article III hereof), and may be paid in cash, in property, or in shares of the Corporation's capital stock. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for

purchasing any of the shares of capital stock, warrants, rights, options, bonds, debentures, notes, scrip or other securities or evidences of indebtedness of the Corporation, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any proper purpose, and the Board of Directors may modify or abolish any such reserve.

Section 2. Disbursements. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 3. Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 4. Corporate Seal. The corporate seal shall be in the form determined by the Board of Directors. It shall not be necessary to the validity of any instrument executed by any authorized officer or officers of the Corporation that the execution of such instrument be evidenced by the corporate seal, and all documents, instruments, contracts and writings of all kinds signed on behalf of the Corporation by any authorized officer or officers shall be as effectual and binding on the Corporation without the corporate seal, as if the execution of the same had been evidenced by affixing the corporate seal thereto. The Board of Directors may give general authority to any officer to affix the corporate seal and to attest the affixing by signature.

ARTICLE VIII INDEMNIFICATION

Section 1. Power to Indemnify in Actions, Suits or Proceedings other than Those by or in the Right of the Corporation. Subject to Section 3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation), by reason of the fact that such person is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person's conduct was unlawful.

Section 2. Power to Indemnify in Actions, Suits or Proceedings by or in the Right of the Corporation. Subject to Section 3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor

by reason of the fact that such person is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 3. Authorization of Indemnification. Any indemnification under this Article VIII (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the present or former director or officer is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VIII, as the case may be. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (i) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (ii) by a committee of such directors designated by a majority vote of such directors, even though less than a quorum, or (iii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion or (iv) by the stockholders. Such determination shall be made, with respect to former directors and officers, by any person or persons having the authority to act on the matter on behalf of the Corporation. To the extent, however, that a present or former director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described above, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith, without the necessity of authorization in the specific case.

Section 4. Good Faith Defined. For purposes of any determination under Section 3 of this Article VIII, a person shall be deemed to have acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe such person's conduct was unlawful, if such person's action is based on the records or books of account of the Corporation or another enterprise, or on information supplied to such person by the officers of the Corporation or another enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or another enterprise or on information or records given or reports made to the Corporation or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Corporation or another enterprise. The provisions of this Section 4 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VIII, as the case may be.

Section 5. Indemnification by a Court. Notwithstanding any contrary determination in the specific case under Section 3 of this Article VIII, and notwithstanding the absence of any determination thereunder, any director or officer may apply to the Court of Chancery of the State of Delaware or any other court of competent jurisdiction in the State of Delaware for indemnification to the extent otherwise permissible under Section 1 or Section 2 of this Article VIII. The basis of such indemnification by a court shall be a determination by such court that indemnification of the director or officer is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VIII, as the case may be. Neither a contrary determination in the specific case under Section 3 of this Article VIII nor the absence of any determination thereunder shall be a defense to such application or create a presumption that the director or officer seeking indemnification has not met any applicable standard of conduct. Notice of any application for indemnification pursuant to this Section 5 shall be given to the Corporation promptly upon the filing of such application. If successful, in whole or in part, the director or officer seeking indemnification shall also be entitled to be paid the expense of prosecuting such application.

Section 6. Expenses Payable in Advance. Expenses (including attorneys' fees) incurred by a director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized in this Article VIII. Such expenses (including attorneys' fees) incurred by former directors and officers or other employees and agents may be so paid upon such terms and conditions, if any, as the Corporation deems appropriate.

Section 7. Non-exclusivity of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the Certificate of Incorporation, these By-Laws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, it being the policy of the Corporation that indemnification of the persons specified in Section 1 and Section 2 of this Article VIII shall be made to the fullest extent permitted by law. The provisions of this Article VIII shall not be deemed to preclude the indemnification of any person who is not specified in Section 1 or Section 2 of this Article VIII but whom the Corporation has the power or obligation to indemnify under the provisions of the DGCL, or otherwise.

Section 8. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power or the obligation to indemnify such person against such liability under the provisions of this Article VIII.

Section 9. Certain Definitions. For purposes of this Article VIII, references to “the Corporation” shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors or officers, so that any person who is or was a director or officer of such constituent corporation, or is or was a director or officer of such constituent corporation serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued. The term “another enterprise” as used in this Article VIII shall mean any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise of which such person is or was serving at the request of the Corporation as a director, officer, employee or agent. For purposes of this Article VIII, references to “fines” shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to “serving at the request of the Corporation” shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director or officer with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interests of the Corporation” as referred to in this Article VIII.

Section 10. Survival of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VIII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 11. Limitation on Indemnification. Notwithstanding anything contained in this Article VIII to the contrary, except for proceedings to enforce rights to indemnification (which shall be governed by Section 5 of this Article VIII), the Corporation shall not be obligated to indemnify any director or officer (or his or her heirs, executors or personal or legal representatives) or advance expenses in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors of the Corporation.

Section 12. Indemnification of Employees and Agents. The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation similar to those conferred in this Article VIII to directors and officers of the Corporation.

ARTICLE IX AMENDMENTS

Section 1. Amendments. In furtherance and not in limitation of the powers conferred upon it by the laws of the State of Delaware, the Board of Directors shall have the power to adopt, amend, alter or repeal the Corporation's By-Laws. The affirmative vote of at least a majority vote of the directors present at any meeting of the Board of Directors at which a quorum is present shall be required to adopt, amend, alter or repeal the Corporation's By-Laws. The Corporation's By-Laws also may be adopted, amended, altered or repealed by the affirmative vote of the holders of at least two-thirds of the voting power of the shares entitled to vote in connection with the election of directors of the Corporation.

Section 2. Entire Board of Directors. As used in this Article IX and in these By-Laws generally, the term "entire Board of Directors" means the total number of directors which the Corporation would have if there were no vacancies.

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

I, David A. Jackson, certify that:

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

Date: November 4, 2020

/s/ David A. Jackson

David A. Jackson

Chief Executive Officer (principal executive officer)

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

I, Adam W. Miller, certify that:

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

Date: November 4, 2020

/s/ Adam W. Miller

Adam W. Miller
Chief Financial Officer
(principal financial officer)

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

In connection with the Quarterly Report of Knight-Swift Transportation Holdings Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David A. Jackson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

a Delaware corporation

Date: November 4, 2020

By: /s/ David A. Jackson

David A. Jackson

Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Knight-Swift Transportation Holdings Inc. and will be retained by Knight-Swift Transportation Holdings Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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

In connection with the Quarterly Report of Knight-Swift Transportation Holdings Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Adam W. Miller, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

KNIGHT-SWIFT TRANSPORTATION HOLDINGS INC.

a Delaware corporation

Date: November 4, 2020

By: /s/ Adam W. Miller

Adam W. Miller

Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Knight-Swift Transportation Holdings Inc. and will be retained by Knight-Swift Transportation Holdings Inc. and furnished to the Securities and Exchange Commission or its staff upon request.