REFINITIV

DELTA REPORT

10-Q

CVLG - COVENANT LOGISTICS GROUP,

10-Q - SEPTEMBER 30, 2024 COMPARED TO 10-Q - JUNE 30, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	987
CHANGES	296
DELETIONS	452
ADDITIONS	239

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **June September 30, 2024**

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: **001-42192**

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COVENANT LOGISTICS GROUP, INC.
(Exact name of registrant as specified in its charter)

Nevada	88-0320154
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
400 Birmingham Hwy. Chattanooga, TN	37419
(Address of principal executive offices)	(Zip Code)

423-821-1212
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
$0.01 Par Value Class A common stock	CVLG	The NASDAQ Global Select Market 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, 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 ☐ Accelerated filer ☒

Non-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 ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date (July 31, (October 30, 2024).

Class A Common Stock, $.01 par value: 10,820,868 10,829,667 shares

Class B Common Stock, $.01 par value: 2,350,000 shares

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

COVENANT LOGISTICS GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	June 30, 2024 (unaudited)	December 31, 2023	September 30, 2024 (unaudited)	December 31, 2023
ASSETS				
Current assets:				
Cash and cash equivalents	$ 1,280	$ 2,294	$ 35,197	$ 2,294
Accounts receivable, net of allowance of $2,567 in 2024 and $2,449 in 2023	145,065	142,504		
Drivers' advances and other receivables, net of allowance of $585 in 2024 and $591 in 2023	4,775	4,367		
Accounts receivable, net of allowance of $2,357 in 2024 and $2,449 in 2023			135,080	142,504
Drivers' advances and other receivables, net of allowance of $586 in 2024 and $591 in 2023			4,430	4,367
Inventory and supplies	5,605	4,848	6,109	4,848
Prepaid expenses	24,192	17,880	21,054	17,880
Assets held for sale	7,719	6,782	4,914	6,782
Income taxes receivable	12,626	6,739	7,533	6,739
Other short-term assets	529	531	430	531
Total current assets	201,791	185,945	214,747	185,945
Property and equipment, at cost	726,082	692,532	735,810	692,532
Less: accumulated depreciation and amortization	(193,198)	(177,877)	(198,619)	(177,877)
Net property and equipment	532,884	514,655	537,191	514,655
Goodwill	78,941	75,747	78,941	75,747
Other intangibles, net	94,870	99,615	92,498	99,615
Other assets, net	86,193	78,067	86,009	78,067
Noncurrent assets of discontinued operations	308	409	259	409
Total assets	$ 994,987	$ 954,438	$ 1,009,645	$ 954,438

LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Checks outstanding in excess of bank balances	$ 1,185	$ -		
Accounts payable	31,584	33,155	$ 31,644	$ 33,155
Accrued expenses	50,381	59,067	55,722	59,067
Current maturities of long-term debt	70,738	47,651	73,101	47,651
Current portion of finance lease obligations	956	781	985	781
Current portion of operating lease obligations	10,612	11,950	10,980	11,950
Current portion of insurance and claims accrual	22,228	17,687	22,214	17,687
Total current liabilities	187,684	170,291	194,646	170,291
Long-term debt	197,346	196,894	192,461	196,894
Long-term portion of finance lease obligations	5,571	5,296	5,353	5,296
Long-term portion of operating lease obligations	32,044	30,892	33,608	30,892
Insurance and claims accrual	18,907	15,746	19,461	15,746
Deferred income taxes	120,214	116,095	119,016	116,095
Other long-term liabilities	12,613	14,169	12,513	14,169
Long-term liabilities of discontinued operations	1,235	1,635	1,035	1,635
Total liabilities	575,614	551,018	578,093	551,018
Stockholders' equity:				
Class A common stock, $.01 par value; 40,000,000 shares authorized; 16,125,786 shares issued and 10,820,868 outstanding as of June 30, 2024; and 16,125,786 shares issued and 10,721,517 outstanding as of December 31, 2023	161	161		
Class A common stock, $.01 par value; 40,000,000 shares authorized; 16,125,786 shares issued and 10,829,667 outstanding as of September 30, 2024; and 16,125,786 shares issued and 10,721,517 outstanding as of December 31, 2023			161	161
Class B common stock, $.01 par value; 5,000,000 shares authorized; 2,350,000 shares issued and outstanding	24	24	24	24
Additional paid-in-capital	157,448	155,846	158,481	155,846
Treasury stock at cost; 5,304,918 and 5,404,269 shares as of June 30, 2024 and December 31, 2023, respectively	(131,566)	(132,346)		
Treasury stock at cost; 5,296,119 and 5,404,269 shares as of September 30, 2024 and December 31, 2023, respectively			(131,472)	(132,346)
Accumulated other comprehensive income	1,110	816	579	816
Retained earnings	392,196	378,919	403,779	378,919
Total stockholders' equity	419,373	403,420	431,552	403,420
Total liabilities and stockholders' equity	$ 994,987	$ 954,438	$ 1,009,645	$ 954,438

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

COVENANT LOGISTICS GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE AND SIX NINE MONTHS ENDED JUNE 30, 2024 SEPTEMBER 30, 2024 AND 2023

(In thousands, except per share data)

	Three Months Ended June 30, (unaudited)		Six Months Ended June 30, (unaudited)		Three Months Ended September 30, (unaudited)		Nine Months Ended September 30, (unaudited)	
	2024	2023	2024	2023	2024	2023	2024	2023
Revenues								

Freight revenue	$ 256,512	$ 243,704	$ 504,197	$ 477,126	$ 258,599	$ 253,377	$ 762,796	$ 730,503
Fuel surcharge revenue	30,985	30,312	62,063	63,741	29,286	35,344	91,349	99,085
Total revenue	$ 287,497	$ 274,016	$ 566,260	$ 540,867	$ 287,885	$ 288,721	$ 854,145	$ 829,588
Operating expenses:								
Salaries, wages, and related expenses	$ 106,373	$ 101,280	$ 206,708	$ 200,439	$ 110,815	$ 102,314	$ 317,523	$ 302,753
Fuel expense	29,093	31,428	60,045	65,519	28,545	35,173	88,590	100,692
Operations and maintenance	15,552	16,235	29,148	33,344	17,690	16,984	46,838	50,328
Revenue equipment rentals and purchased transportation	62,755	67,983	129,506	130,999	64,434	72,046	193,940	203,045
Operating taxes and licenses	2,283	3,317	5,644	6,780	3,227	3,381	8,871	10,161
Insurance and claims	17,148	11,043	32,538	23,736	12,241	13,074	44,779	36,810
Communications and utilities	1,272	1,215	2,675	2,499	1,330	1,254	4,005	3,753
General supplies and expenses	14,477	12,775	35,307	26,395	11,937	11,774	47,244	38,169
Depreciation and amortization	22,130	18,944	43,238	33,519	21,222	18,182	64,460	51,701
Loss (gain) on disposition of property and equipment, net	837	(1,987)	1,539	(11,778)	209	(602)	1,748	(12,380)
Total operating expenses	271,920	262,233	546,348	511,452	271,650	273,580	817,998	785,032
Operating income	15,577	11,783	19,912	29,415	16,235	15,141	36,147	44,556
Interest expense, net	3,799	2,124	7,137	2,893	3,204	2,637	10,341	5,530
Income from equity method investment	(4,094)	(5,381)	(7,770)	(11,324)	(3,993)	(5,335)	(11,763)	(16,659)
Income before income taxes	15,872	15,040	20,545	37,846	17,024	17,839	37,569	55,685
Income tax expense	3,828	2,897	4,677	9,218	4,141	4,483	8,817	13,701
Income from continuing operations, net of tax	12,044	12,143	15,868	28,628	12,883	13,356	28,752	41,984
Income from discontinued operations, net of tax	150	150	300	300	150	150	450	450
Net income	$ 12,194	$ 12,293	$ 16,168	$ 28,928	$ 13,033	$ 13,506	$ 29,202	$ 42,434
Basic income per share: (1)								
Income from continuing operations	$ 0.92	$ 0.94	$ 1.21	$ 2.18	$ 0.98	$ 1.03	$ 2.19	$ 3.21
Income from discontinued operations	0.01	0.01	0.02	0.02	0.01	0.01	0.03	0.03
Net income per share	$ 0.93	$ 0.95	$ 1.23	$ 2.20	$ 0.99	$ 1.04	$ 2.22	$ 3.24
Diluted income per share: (1)								
Income from continuing operations	$ 0.87	$ 0.90	$ 1.15	$ 2.08	$ 0.93	$ 0.98	$ 2.08	$ 3.06
Income from discontinued operations	0.01	0.01	0.02	0.02	0.01	0.01	0.03	0.03
Net income per share	$ 0.88	$ 0.91	$ 1.17	$ 2.10	$ 0.94	$ 0.99	$ 2.11	$ 3.09
Basic weighted average shares outstanding	13,146	12,939	13,117	13,150	13,177	12,947	13,137	13,082
Diluted weighted average shares outstanding	13,831	13,574	13,802	13,766	13,901	13,679	13,827	13,739

(1) Total may not sum due to rounding.

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

COVENANT LOGISTICS GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE AND SIX NINE MONTHS ENDED JUNE 30, 2024 SEPTEMBER 30, 2024 AND 2023

(Unaudited and in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023

Net income	$ 12,194	$ 12,293	$ 16,168	$ 28,928	$ 13,033	$ 13,506	$ 29,202	$ 42,434
Other comprehensive income:								
Unrealized gain on effective portion of cash flow hedges, net of tax of ($47) and ($172) in 2024 and ($158) and ($44) in 2023, respectively	133	452	492	127				
Reclassification of cash flow hedge gains into statement of operations, net of tax of $34 and $69 in 2024 and $33 and $60 in 2023, respectively	(99)	(93)	(198)	(171)				
Total other comprehensive income (loss)	34	359	294	(44)				
Unrealized (loss) gain on effective portion of cash flow hedges, net of tax of $152 and ($20) in 2024 and ($177) and ($221) in 2023, respectively					(435)	505	57	632
Reclassification of cash flow hedge gains into statement of operations, net of tax of $34 and $103 in 2024 and $35 and $95 in 2023, respectively					(96)	(100)	(294)	(271)
Total other comprehensive (loss) income					(531)	405	(237)	361
Comprehensive income	$ 12,228	$ 12,652	$ 16,462	$ 28,884	$ 12,502	$ 13,911	$ 28,965	$ 42,795

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

COVENANT LOGISTICS GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE THREE AND SIX NINE MONTHS ENDED JUNE 30, 2024 SEPTEMBER 30, 2024 AND 2023

(Unaudited and in thousands)

	For the Three and Six Months Ended June 30, 2024							For the Three and Nine Months Ended September 30, 2024					
	Common Stock		Additional Paid-In	Treasury	Accumulated Other Comprehensive	Retained	Total Stockholders'	Common Stock		Additional Paid-In	Treasury	Accumulated Other Comprehensive	Retained
	Class A	Class B	Capital	Stock	Income	Earnings	Equity	Class A	Class B	Capital	Stock	Income	Earnings
Balances at December 31, 2023	$ 161	$ 24	$ 155,846	$ (132,346)	$ 816	$ 378,919	$ 403,420	$ 161	$ 24	$ 155,846	$ (132,346)	$ 816	$ 378,919
Net income	-	-	-	-	-	3,974	3,974	-	-	-	-	-	3,974
Cash dividend ($0.11 per common share)	-	-	-	-	-	(1,443)	(1,443)	-	-	-	-	-	(1,443)
Share repurchase								-	-	-	-	-	-
Other comprehensive income	-	-	-	-	260	-	260	-	-	-	-	260	-
Stock-based employee compensation expense	-	-	947	-	-	-	947	-	-	947	-	-	-

Exercise of stock options	-	-	150	278	-	-	428	-	-	150	278	-	-
Issuance of restricted shares, net	-	-	(248)	(91)	-	-	(339)	-	-	(248)	(91)	-	-
Balances at March 31, 2024	$ 161	$ 24	$ 156,695	$ (132,159)	$ 1,076	$ 381,450	$ 407,247	$ 161	$ 24	$ 156,695	$ (132,159)	$ 1,076	$ 381,450
Net income	-	-	-	-	-	12,194	12,194	-	-	-	-	-	12,194
Cash dividend ($0.11 per common share)	-	-	-	-	-	(1,448)	(1,448)	-	-	-	-	-	(1,448)
Other comprehensive income	-	-	-	-	34	-	34	-	-	-	-	34	-
Stock-based employee compensation expense	-	-	765	-	-	-	765	-	-	765	-	-	-
Exercise of stock options	-	-	195	386	-	-	581	-	-	195	386	-	-
Issuance of restricted shares, net	-	-	(207)	207	-	-	-	-	-	(207)	207	-	-
Balances at June 30, 2024	$ 161	$ 24	$ 157,448	$ (131,566)	$ 1,110	$ 392,196	$ 419,373	$ 161	$ 24	$ 157,448	$ (131,566)	$ 1,110	$ 392,196
Net income								-	-	-	-	-	13,033
Cash dividend ($0.11 per common share)								-	-	-	-	-	(1,450)
Other comprehensive income								-	-	-	-	(531)	-
Stock-based employee compensation expense								-	-	988	-	-	-
Exercise of stock options								-	-	45	94	-	-
Balances at September 30, 2024								$ 161	$ 24	$ 158,481	$ (131,472)	$ 579	$ 403,779

	For the Three and Six Months Ended June 30, 2023							For the Three and Nine Months Ended September 30, 2023					
	Common Stock		Additional Paid-In	Treasury	Accumulated Other Comprehensive	Retained	Total Stockholders'	Common Stock		Additional Paid-In	Treasury	Accumulated Other Comprehensive	Retained
	Class A	Class B	Capital	Stock	Income	Earnings	Equity	Class A	Class B	Capital	Stock	Income	Earnings
Balances at December 31, 2022	$ 161	$ 24	$ 152,886	$ (106,500)	$ 1,086	$ 329,471	$ 377,128	$ 161	$ 24	$ 152,886	$ (106,500)	$ 1,086	$ 329,471
Net income	-	-	-	-	-	16,635	16,635	-	-	-	-	-	16,635

Cash dividend ($0.11 per common share)	-	-	-	-	-	(1,466)	(1,466)	-	-	-	-	-	(1,466)
Other comprehensive loss	-	-	-	-	(403)	-	(403)	-	-	-	-	(403)	-
Share repurchase	-	-	-	(20,805)	-	-	(20,805)	-	-	-	(20,805)	-	-
Stock-based employee compensation expense	-	-	1,558	-	-	-	1,558	-	-	1,558	-	-	-
Issuance of restricted shares, net	-	-	(1,523)	38	-	-	(1,485)	-	-	(1,523)	38	-	-
Balances at March 31, 2023	$ 161	$ 24	$ 152,921	$ (127,267)	$ 683	$ 344,640	$ 371,162	$ 161	$ 24	$ 152,921	$ (127,267)	$ 683	$ 344,640
Net income	-	-	-	-	-	12,293	12,293	-	-	-	-	-	12,293
Cash dividend ($0.11 per common share)	-	-	-	-	-	(1,442)	(1,442)	-	-	-	-	-	(1,442)
Other comprehensive income	-	-	-	-	359	-	359	-	-	-	-	359	-
Share repurchase	-	-	-	(4,683)	-	-	(4,683)	-	-	-	(4,683)	-	-
Stock-based employee compensation expense reversal	-	-	1,774	-	-	-	1,774	-	-	1,774	-	-	-
Exercise of stock options	-	-	42	194	-	-	236	-	-	42	194	-	-
Issuance of restricted shares, net	-	-	(389)	354	-	-	(35)	-	-	(389)	354	-	-
Balances at June 30, 2023	$ 161	$ 24	$ 154,348	$ (131,402)	$ 1,042	$ 355,491	$ 379,664	$ 161	$ 24	$ 154,348	$ (131,402)	$ 1,042	$ 355,491
Net income								-	-	-	-	-	13,506
Cash dividend ($0.11 per common share)								-	-	-	-	-	(1,436)
Other comprehensive loss								-	-	-	-	405	-
Stock-based employee compensation expense								-	-	1,884	-	-	-
Balances at September 30, 2023								$ 161	$ 24	$ 156,232	$ (131,402)	$ 1,447	$ 367,561

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

COVENANT LOGISTICS GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX NINE MONTHS ENDED JUNE 30, 2024 SEPTEMBER 30, 2024 AND 2023

(Unaudited and in thousands)

	Six Months Ended June 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Cash flows from operating activities:				
Net income	$ 16,168	$ 28,928	$ 29,202	$ 42,434
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for losses on accounts receivable	169	69	(46)	10
Reversal of gain on sales to equity method investee	(11)	(1)	(28)	(1)
Depreciation and amortization	43,238	33,519	64,460	51,701
Deferred income tax expense	6,312	1,840	5,426	4,128
Income tax expense arising from restricted share vesting and stock options exercised	(581)	(816)	(658)	(816)
Stock-based compensation expense	1,712	3,332	2,700	5,216
Income from equity method investment	(7,770)	(11,324)	(11,763)	(16,659)
Return on investment from equity method investee			3,675	9,800
Loss (gain) on disposition of property and equipment	1,539	(11,778)	1,748	(12,580)
Changes in operating assets and liabilities:				
Receivables and advances	(8,133)	(13,225)	7,704	(24,563)
Prepaid expenses and other assets	(7,105)	(6,770)	(4,080)	(2,511)
Inventory and supplies	(757)	406	(1,261)	(332)
Insurance and claims accrual	7,702	(3,609)	8,242	(1,645)
Accounts payable and accrued expenses	(8,382)	(8,203)	(4,360)	(1,209)
Net cash flows provided by operating activities	44,101	12,368	100,961	52,973
Cash flows used by investing activities:				
Acquisition, net of cash acquired	(4,556)	(99,887)	(4,556)	(107,922)
Other investments	(299)	(1,448)	(488)	(1,580)
Purchase of property and equipment	(98,896)	(59,067)	(131,494)	(112,047)
Proceeds from disposition of property and equipment	17,280	47,073	32,332	76,954
Net cash flows used by investing activities	(86,471)	(113,329)	(104,206)	(144,595)
Cash flows from financing activities:				
Change in checks outstanding in excess of bank balances	1,185	2,096	-	771
Cash dividend	(2,891)	(2,908)	(4,341)	(4,344)
Proceeds from issuance of notes payable	89,411	44,673	104,785	98,451
Repayments of notes payable	(28,053)	(4,438)	(45,949)	(23,142)
Repayments of finance lease obligations	(364)	(3,508)	(553)	(5,432)
Proceeds under revolving credit facility	52,178	94,542	57,247	123,463
Repayments under revolving credit facility and draw note	(63,757)	(54,385)	(68,826)	(123,463)
Payment of contingent consideration liability	(7,023)	(9,187)	(7,023)	(9,187)
Proceeds from exercise of stock options	1,009	236	1,147	236
Payment of minimum tax withholdings on stock compensation	(339)	(1,520)	(339)	(1,520)

Common stock repurchased	-	(25,488)	-	(25,488)
Net cash flows provided by financing activities	41,356	40,113	36,148	30,345
Net change in cash and cash equivalents	(1,014)	(60,848)	32,903	(61,277)
Cash and cash equivalents at beginning of period	2,294	68,665	2,294	68,665
Cash and cash equivalents at end of period	$ 1,280	$ 7,817	$ 35,197	$ 7,388

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

COVENANT LOGISTICS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Significant Accounting Policies

Basis of Presentation

The condensed consolidated financial statements include the accounts of Covenant Logistics Group, Inc., a Nevada holding company, and its wholly owned subsidiaries. References in this report to "we," "us," "our," the "Company," and similar expressions refer to Covenant Logistics Group, Inc. and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X promulgated under the Securities Act of 1933. In preparing financial statements, it is necessary for management to make assumptions and estimates affecting the amounts reported in the condensed consolidated financial statements and related notes. These estimates and assumptions are developed based upon all information available. Actual results could differ from estimated amounts. In the opinion of management, the accompanying financial statements include all adjustments that are necessary for a fair presentation of the results for the interim periods presented, such adjustments being of a normal recurring nature.

Certain information and footnote disclosures have been condensed or omitted pursuant to such rules and regulations. The December 31, 2023, condensed consolidated balance sheet was derived from our audited balance sheet as of that date. Our operating results are subject to seasonal trends when measured on a quarterly basis; therefore, operating results for the six nine months ended June September 30, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024. These condensed consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes thereto included in our Form 10-K for the year ended December 31, 2023. Results of operations in interim periods are not necessarily indicative of results to be expected for a full year.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation for book purposes is determined using the straight-line method over the estimated useful lives of the assets. Depreciation of revenue equipment is our largest item of depreciation. We generally depreciate new tractors over five years to salvage values ranging from approximately 0% to 35% of their cost, depending on the utilization profile of the equipment. We generally depreciate new trailers over seven years for refrigerated trailers and ten years for dry van trailers to salvage values of approximately 28% and 25% of their cost, respectively. We annually, or whenever events or changes in circumstances indicate that a review is warranted, review the reasonableness of our estimates regarding useful lives and salvage values of our revenue equipment and other long-lived assets, based upon, among other things, our experience with similar assets, conditions in the used revenue equipment market, and prevailing industry practice. We performed a review of our estimates for certain subsets of revenue equipment during the quarter ended June 30, 2024 and, due to a weak used revenue equipment market, we increased the rate of depreciation on these units in the period. This change resulted in an additional $2.6 million $1.2 million and $3.8 million of depreciation expense during the three and ninemonths ended June September 30, 2024. 2024, respectively. Changes in the useful life or salvage value estimates, or fluctuations in market values that are not reflected in our estimates, could have a material effect on our results of operations. During the three months ended March 31, 2023, we sold a Tennessee terminal resulting in a $7.6 million gain which is included in gain on disposition of property and equipment, net in the condensed consolidated statements of operations.

Recent Accounting Pronouncements

Accounting Standards not yet adopted

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU No. 2023-07, Improvements to Reportable Segment Disclosures (Topic 280). This ASU updates reportable segment disclosure requirements by requiring disclosures of significant reportable segment expenses that are regularly provided to the Chief Operating Decision Maker ("CODM") and included within each reported measure of a segment's profit or loss. This ASU also requires disclosure of the title and position of the individual identified as the CODM and an explanation of how the CODM uses the reported measures of a segment's profit or loss in assessing segment performance and deciding how to allocate resources. The ASU is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Adoption of the ASU should be applied retrospectively to all prior periods presented in the financial statements. Early adoption is also permitted. This ASU will likely result in us including the additional required disclosures when adopted. We are currently evaluating the provisions of this ASU and expect to adopt them for the year ending December 31, 2024.

In December 2023, the FASB issued ASU 2023-09, Improvements to Income Tax Disclosures. This new guidance is designed to enhance the transparency and decision usefulness of income tax disclosures. The amendments of this update are related to the rate reconciliation and income taxes paid, requiring (1) consistent categories and greater disaggregation of information in the rate reconciliation and (2) income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently assessing the impact that adopting this new accounting standard will have on its consolidated financial statements.

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Note 2. Income Per Share

Basic income per share excludes dilution and is computed by dividing earnings available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted income per share reflects the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in our earnings. There were approximately 64,000 75,000 and 71,000 shares issuable upon conversion of unvested restricted shares for the three and six nine months ended June September 30, 2024, respectively, and 235,000 254,000 and 251,000 247,000 shares issuable upon conversion of unvested restricted shares for the three and six nine months ended June September 30, 2023, respectively. There were no unvested shares excluded from the calculation of diluted earnings per share as anti-dilutive for either of the three and six nine months ended June September 30, 2024 and 2023. There were approximately 621,000 649,000 and 614,000 619,000 shares issuable upon conversion of unvested employee stock options for the three and six nine months ended June September 30, 2024, respectively, and 400,000 478,000 and 365,000 411,000 shares issuable upon conversion of unvested employee stock options for the three and six nine months ended June September 30, 2023, respectively. There were no unvested employee stock options excluded from the calculation of diluted earnings per share as anti-dilutive for the three and six nine months ended June September 30, 2024, respectively, and no and 35,000 32,000 unvested employee stock options excluded from the calculation of diluted earnings per share as anti-dilutive for the three and six nine months ended June September 30, 2023, respectively. Income per share is the same for both Class A and Class B shares.

The following table sets forth, for the periods indicated, the calculation of net income per share included in the condensed consolidated statements of operations:

(in thousands except per share data)	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Numerators:								
Income from continuing operations	$ 12,044	$ 12,143	$ 15,868	$ 28,628	$ 12,883	$ 13,356	$ 28,752	$ 41,984
Income from discontinued operations	150	150	300	300	150	150	450	450
Net income	$ 12,194	$ 12,293	$ 16,168	$ 28,928	$ 13,033	$ 13,506	$ 29,202	$ 42,434
Denominator:								
Denominator for basic income per share – weighted-average shares	13,146	12,939	13,117	13,150	13,177	12,947	13,137	13,082
Effect of dilutive securities:								
Equivalent shares issuable upon conversion of unvested restricted shares	64	235	71	251	75	254	71	247

Equivalent shares issuable upon conversion of unvested employee stock options	621	400	614	365	649	478	619	411
Denominator for diluted income per share adjusted weighted-average shares and assumed conversions	13,831	13,574	13,802	13,766	13,901	13,679	13,827	13,740
Basic income per share(1):								
Income from continuing operations	$ 0.92	$ 0.94	$ 1.21	$ 2.18	$ 0.98	$ 1.03	$ 2.19	$ 3.21
Income from discontinued operations	0.01	0.01	0.02	0.02	0.01	0.01	0.03	0.03
Net income per share	$ 0.93	$ 0.95	$ 1.23	$ 2.20	$ 0.99	$ 1.04	$ 2.22	$ 3.24
Diluted income per share: (1)								
Income from continuing operations	$ 0.87	$ 0.90	$ 1.15	$ 2.08	$ 0.93	$ 0.98	$ 2.08	$ 3.06
Income from discontinued operations	0.01	0.01	0.02	0.02	0.01	0.01	0.03	0.03
Net income per share	$ 0.88	$ 0.91	$ 1.17	$ 2.10	$ 0.94	$ 0.99	$ 2.11	$ 3.09

(1) Total may not sum due to rounding.

Note 3. Fair Value of Financial Instruments

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Accordingly, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability.

The fair value of our interest rate swap agreements is determined using the market-standard methodology of netting the discounted future fixed-cash payments and the discounted expected variable-cash receipts. The variable-cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. These analyses reflect the contractual terms of the swap, including the period to maturity, and use observable market-based inputs, including interest rate curves and implied volatilities. The fair value calculation also includes an amount for risk of non-performance of our counterparties using "significant unobservable inputs" such as estimates of current credit spreads to evaluate the likelihood of default, which we have determined to be insignificant to the overall fair value of our interest rate swap agreements.

The fair value of the contingent consideration arrangement is based on inputs that are not observable in the market and is estimated using a probability-weighted method. The significant unobservable inputs used in the fair value of the contingent consideration liability include the financial projections over the earn-out period, the volatility of the underlying financial metrics, and estimated discount rates.

The fair value of the life insurance policies was determined by the underwriting insurance company’s valuation models and represents the guaranteed value we would receive upon surrender of these policies as of the reporting date.

A three-tier fair value hierarchy is used to prioritize the inputs in measuring fair value as follows:

- Level 1. Observable inputs such as quoted prices in active markets;
- Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Financial Instruments Measured at Fair Value on a Recurring Basis

(in thousands)	June 30, 2024	December 31, 2023	Input Level	September 30, 2024	December 31, 2023	Input Level
Interest rate swaps	1,498	1,101	2	782	1,101	2
Contingent consideration	(20,616)	(21,802)	3	(20,836)	(21,802)	3
Cash surrender value life insurance policies	2,887	2,424	2	3,262	2,424	2

The carrying amount of cash and cash equivalents, certificates of deposit, accounts receivable, accounts payable, and current debt approximates their fair value because of the short-term maturity of these instruments.

Interest rates that are currently available to us for issuance of long-term debt with similar terms and remaining maturities are used to estimate the fair value of our long-term debt, which primarily consists of revenue equipment installment notes. The fair value of our revenue equipment installment notes approximated the carrying value as of June September 30, 2024, as the weighted average interest rate on these notes approximates the market rate for similar debt. Borrowings under our revolving Credit Facility (as defined herein) approximate fair value due to the variable interest rate on that facility.

Contingent consideration arrangements require us to pay up to $20.0 million of additional consideration to AAT Carriers, Inc.'s ("AAT's") former shareholders based on AAT's results during the first two post-acquisition years, of which the final installment was made during 2024, up to $30.0 million of additional consideration to Lew Thompson & Son Trucking, Inc.'s ("LTST's") former shareholders based on LTST's results during the first three calendar years following closing, and up to $12.0 million of additional consideration to Sims Transport Services, LLC's ("Sims") former shareholders based on Sims' results during the first four calendar years following closing. Refer to Note 13, "Acquisition of Lew Thompson & Son Trucking, Inc.", for additional information regarding the LTST acquisition and Note 12, "Acquisition of Sims Transport Services, LLC", for additional information regarding the Sims acquisition.

The fair value of the contingent consideration is adjusted at each reporting period based on changes to the expected cash flows and related assumptions. There were no contingent consideration payments made during the three months ended June September 30, 2024 or 2023, and $10.0 million and $10.0 million paid during the six nine months ended June September 30, 2024 and 2023, respectively, based on AAT's results for the first and second post-acquisition years. Of the $10.0 million paid for the contingent consideration liability during 2024, $7.0 million was classified as financing cash flows and $3.0 million was classified as operating cash flows within the condensed consolidated statements of cash flows. Of the $10.0 million paid for the contingent consideration liability during 2023, $9.2 million was classified as financing cash flows and $0.8 million was classified as operating cash flows within the condensed consolidated statements of cash flows. The fair value of the contingent consideration increased $0.2 million and increased $9.0 million during the three and six nine months ended June September 30, 2024, respectively, and increased by $2.3 million and $14.3 million during the three and nine months ended September 30, 2023, respectively. Of the 2024 increases, increases of $0.7 million and $8.8 $9.5 million respectively, related to a change in the fair value for the LTST contingent consideration arrangement and by $0.5 million and $2.0 million during for the three and six nine months ended June September 30, 2024 partially offset by decreases of $0.5 million and $0.5 million related to a change in the fair value for the Sims contingent consideration arrangement. Of the 2023respectively, increases, $1.8 million was related to the initial recognition of the Sims contingent consideration arrangement and $0.5 million was due to a change in the fair value for the AAT contingent consideration arrangement. arrangement for the three month period and $10.0 million was related to the initial recognition of the LTST contingent consideration arrangement, $2.5 million was due to a change in the fair value for the AAT contingent consideration arrangement, and $1.8 million was related to the initial recognition of the Sims contingent consideration arrangement for the nine-month period. The adjustment to the fair value of the contingent consideration liability was recorded as a component of general supplies and expenses within the condensed consolidated statements of operations. The contingent consideration liability is included in accounts payable and other long-term liabilities in our condensed consolidated balance sheets.

The following table provides a summary (in thousands) of the activity for the contingent consideration liability for 2024:

	December 31, 2023	Additions	Adjustments to fair market value	Payments	June
Contingent consideration	$ (21,802)	$ -	$ (8,814)	$ 10,000	$

	December 31, 2023	Additions	Adjustments to fair market value	Payments	Septemb
Contingent consideration	$ (21,802)	$ -	$ (9,034)	$ 10,000	$

Note 4. Discontinued Operations

As of June 30, 2020, our former Factoring reportable segment was classified as discontinued operations as it: (i) was a component of the entity, (ii) met the criteria as held for sale, and (iii) had a material effect on the Company's operations and financial results. On July 8, 2020, we closed on the disposition of substantially all of the operations and assets of Transport Financial Services ("TFS"), which included substantially all of the assets and operations of our Factoring reportable segment. The sale consisted primarily of $103.3 million of net accounts receivable, which included $108.7 million of gross accounts receivable, less advances and rebates of $5.4 million.

We have reflected the former Factoring reportable segment as discontinued operations in the condensed consolidated statements of operations for all periods presented.

The following table summarizes the results of our discontinued operations for the three and six nine months ended June September 30, 2024 and 2023:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Reversal of contingent loss liability	$ (200)	$ (200)	$ (400)	$ (400)	$ (200)	$ (200)	$ (600)	$ (600)
Income before income taxes	200	200	400	400	200	200	600	600
Income tax expense	50	50	100	100	50	50	150	150
Income from discontinued operations, net of tax	$ 150	$ 150	$ 300	$ 300	$ 150	$ 150	$ 450	$ 450

Reversal of contingent loss liability for the three and six nine months ended June September 30, 2024 and 2023 relates to the reduced exposure of future indemnification by the Company to the purchaser of TFS, Triumph Bancorp, Inc. ("Triumph"), as a result of the collection of covered receivables identified in the amended purchase agreement.

The following table summarizes the major classes of assets and liabilities included as discontinued operations as of June September 30, 2024 and December 31, 2023:

(in thousands)	June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
Noncurrent deferred tax asset	$ 308	$ 409	$ 259	$ 409
Noncurrent assets from discontinued operations	308	409	259	409
Total assets from discontinued operations	$ 308	$ 409	$ 259	$ 409
Liabilities:				
Long-term contingent loss liability	$ 1,235	$ 1,635	$ 1,035	$ 1,635
Long-term liabilities of discontinued operations	1,235	1,635	1,035	1,635
Total liabilities from discontinued operations	$ 1,235	$ 1,635	$ 1,035	$ 1,635

There were no operating cash outflows for the three and six nine months ended June September 30, 2024 and 2023.

Note 5. Segment Information

We have four reportable segments:

- Expedited: The Expedited reportable segment primarily provides truckload services to customers with high service freight and delivery standards, such as 1,000 miles in 22 hours, or 15-minute delivery windows. Expedited services generally require two-person driver teams on equipment either owned or leased by the Company.

- Dedicated: The Dedicated reportable segment provides customers with committed truckload capacity over contracted periods with the goal of three to five years in length. Equipment is either owned or leased by the Company.

- Managed Freight: The Managed Freight reportable segment includes our brokerage and transport management services ("TMS"). Brokerage services provide logistics capacity by outsourcing the carriage of customers' freight to third parties. TMS provides comprehensive logistics services on a contractual basis to customers who prefer to outsource their logistics needs.

- Warehousing: The Warehousing reportable segment provides day-to-day warehouse management services to customers who have chosen to outsource this function. We also provide shuttle and switching services related to shuttling containers and trailers in or around freight yards and to/from warehouses.

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies in our Form 10-K for the year ended December 31, 2023. Substantially all intersegment sales prices are market based. We evaluate performance based on operating income of the respective business units.

The following table summarizes our total revenue by our four reportable segments, as used by our chief operating decision maker in making decisions regarding allocation of resources etc., for the three and six nine months ended June September 30, 2024 and 2023:

(in thousands)										
Three Months Ended June 30, 2024	Expedited	Dedicated	Managed Freight	Warehousing	Consolidated					
Three Months Ended September 30, 2024						Expedited	Dedicated	Managed Freight	Warehousing	Consolidated
Total revenue from external customers	$ 108,010	$ 93,465	$ 60,366	$ 25,656	$ 287,497	$ 104,314	$ 94,715	$ 63,385	$ 25,471	$ 287,885
Intersegment revenue	886	-	-	-	886	1,152	-	-	-	1,152
Operating income	4,768	5,450	3,330	2,029	15,577	6,467	5,429	2,451	1,888	16,235

Six Months Ended June 30, 2024	Expedited	Dedicated	Managed Freight	Warehousing	Consolidated					
Nine Months Ended September 30, 2024						Expedited	Dedicated	Managed Freight	Warehousing	Consolidated
Total revenue from external customers	$ 213,481	$ 177,947	$ 123,283	$ 51,549	$ 566,260	$ 317,795	$ 272,662	$ 186,668	$ 77,020	$ 854,145
Intersegment revenue	1,527	-	-	-	1,527	2,680	-	-	-	2,680
Operating income	9,552	753	5,599	4,008	19,912	16,019	6,182	8,050	5,896	36,147

Three Months Ended June 30, 2023	Expedited	Dedicated	Managed Freight	Warehousing	Consolidated					
Three Months Ended September 30, 2023						Expedited	Dedicated	Managed Freight	Warehousing	Consolidated
Total revenue from external customers	$ 104,073	$ 81,194	$ 63,281	$ 25,468	$ 274,016	$ 113,419	$ 80,242	$ 69,713	$ 25,347	$ 288,721
Intersegment revenue	3,915	-	-	-	3,915	1,556	-	-	-	1,556
Operating income	5,815	3,243	1,945	780	11,783	7,522	2,976	3,742	901	15,141

Six Months Ended June 30, 2023	Expedited	Dedicated	Managed Freight	Warehousing	Consolidated					
Nine Months Ended September 30, 2023						Expedited	Dedicated	Managed Freight	Warehousing	Consolidated
Total revenue from external customers	$ 204,969	$ 161,438	$ 124,155	$ 50,305	$ 540,867	$ 318,388	$ 241,680	$ 193,868	$ 75,652	$ 829,588
Intersegment revenue	8,377	-	-	-	8,377	9,933	-	-	-	9,933
Operating income	15,091	10,390	3,163	771	29,415	22,613	13,366	6,905	1,672	44,556

(in thousands)	**For the Three Months Ended June 30,**		**For the Six Months Ended June 30,**		**For the Three Months Ended September 30,**		**For the Nine Months Ended September 30,**	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Total external revenues for reportable segments	$ 287,497	$ 274,016	$ 566,260	$ 540,867	$ 287,885	$ 288,721	$ 854,145	$ 829,588
Intersegment revenues for reportable segments	886	3,915	1,527	8,377	1,152	1,556	2,680	9,933
Elimination of intersegment revenues	(886)	(3,915)	(1,527)	(8,377)	(1,152)	(1,556)	(2,680)	(9,933)
Total consolidated revenues	$ 287,497	$ 274,016	$ 566,260	$ 540,867	$ 287,885	$ 288,721	$ 854,145	$ 829,588

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Note 6. Income Taxes

Income tax expense in both 2024 and 2023 varies from the amount computed by applying the federal corporate income tax rates of 21% to income before income taxes, primarily due to state income taxes, net of federal income tax effect, adjusted for permanent differences the most significant of which is the effect of the per diem pay structure for drivers. Drivers who meet the requirements to receive per diem receive non-taxable per-diem pay in lieu of a portion of their taxable wages. This per diem program increases our drivers' net pay per mile, after taxes, while decreasing gross pay, before taxes. As a result, salaries, wages, and related expenses are slightly lower and our effective income tax rate is higher than the statutory rate. Generally, as pre-tax income increases, the impact of the driver per diem program on our effective tax rate decreases, because aggregate per diem pay becomes smaller in relation to pre-tax income, while in periods where earnings are at or near breakeven the impact of the per diem program on our effective tax rate is significant. Due to the partially nondeductible effect of per diem pay, our tax rate will fluctuate in future periods based on fluctuations in earnings.

Our liability recorded for uncertain tax positions as of June September 30, 2024 is unchanged since December 31, 2023.

The net deferred tax liability of $119.9 million $118.8 million primarily relates to differences in cumulative book versus tax depreciation of property and equipment, partially off-set by net operating loss carryovers and insurance claims that have been reserved but not paid. The carrying value of our deferred tax assets assumes that we will be able to generate, based on certain estimates and assumptions, sufficient future taxable income in certain tax jurisdictions to utilize these deferred tax benefits. If these estimates and related assumptions change in the future, we may be required to establish a valuation allowance against the carrying value of the deferred tax assets, which would result in additional income tax expense. On a periodic basis, we assess the need for adjustment of the valuation allowance. The Company has determined that a valuation allowance was not necessary at June September 30, 2024 for its deferred tax assets since it is more likely than not they will be realized from the future reversals of temporary differences. If these estimates and related assumptions change in the future, we may be required to modify our valuation allowance against the carrying value of the deferred tax assets.

On March 11, 2021, President Biden signed the American Rescue Plan ("ARPA") into law. The law includes several provisions meant to stimulate the U.S. economy. Of relevance to the Company, ARPA extended the reach of IRC Section 162(m) to include compensation paid to the eight highest-paid individuals other than the chief executive officer and the chief financial officers (rather than the three highest), however, this change is not effective until 2027. There is no material impact to the financial statements at this time.

President Biden signed the Inflation Reduction Act (the "IRA") into law on August 16, 2022. We do not anticipate the IRA will have a significant impact on income tax expense or on other taxes. One of the most impactful provisions of the IRA includes the establishment of a Corporate Alternative Minimum Tax ("CAMT"). However, this tax only applies to corporations with three-year average earnings in excess of $1.0 billion. We will continue to monitor the CAMT each year to determine if we will become an applicable corporation. Additionally, the IRA enacted an excise tax on stock buybacks, which imposes a 1% tax on stock buybacks, subject to netting provisions regarding stock awarded to employees as part of their compensation. We do not believe this will have a material impact on our active buyback program, but will continue to monitor IRS guidance and regulations on how the buyback tax will be imposed and administered.

Note 7. Debt

Current and long-term debt and lease obligations consisted of the following as of June September 30, 2024 and December 31, 2023:

(in thousands)	June 30, 2024		December 31, 2023		September 30, 2024		December 31, 2023	
	Current	Long-Term	Current	Long-Term	Current	Long-Term	Current	Long-Term
Borrowings under Credit Facility	$ -	$ -	$ -	$ 11,579	$ -	$ -	$ -	$ 11,579
Borrowings under the Draw Note	-	-	-	-	-	-	-	-
Revenue equipment installment notes; weighted average interest rate of 5.3% at June 30, 2024, and 5.2% at December 31, 2023, due in monthly installments with final maturities at various dates ranging from October 2024 to March 2029, secured by related revenue equipment	69,416	180,208	46,357	167,509				
Real estate notes; interest rate of 7.1% at June 30, 2024 and 7.1% at December 31, 2023 due in monthly installments with a fixed maturity at August 2035, secured by related real estate	1,322	17,138	1,294	17,806				

Revenue equipment installment notes; weighted average interest rate of 5.3% at September 30, 2024, and 5.2% at December 31, 2023, due in monthly installments with final maturities at various dates ranging from February 2028 to March 2029, secured by related revenue equipment					71,765	175,662	46,357	167,509
Real estate notes; interest rate of 6.6% at September 30, 2024 and 7.1% at December 31, 2023 due in monthly installments with a fixed maturity at August 2035, secured by related real estate					1,336	16,799	1,294	17,806
Total debt	70,738	197,346	47,651	196,894	73,101	192,461	47,651	196,894
Principal portion of finance lease obligations, secured by related revenue equipment	956	5,571	781	5,296	985	5,353	781	5,296
Principal portion of operating lease obligations, secured by related real estate and revenue equipment	10,612	32,044	11,950	30,892	10,980	33,608	11,950	30,892
Total debt and lease obligations	$ 82,306	$ 234,961	$ 60,382	$ 233,082	$ 85,066	$ 231,422	$ 60,382	$ 233,082

We and substantially all of our subsidiaries are parties to the Third Amended and Restated Credit Agreement (the "Credit Facility") with Bank of America, N.A., as agent (the "Agent") and JPMorgan Chase Bank, N.A. (together with the Agent, the "Lenders"). The Credit Facility is a $110.0 million revolving credit facility, with an uncommitted accordion feature that, so long as no event of default exists, allows us to request an increase in the revolving credit facility of up to $75.0 million subject to Lender acceptance of the additional funding commitment. The Credit Facility includes a letter of credit sub facility in an aggregate amount of $105.0 million and a swing line sub facility in an aggregate amount equal to the greater of $10.0 million or 10% of the Lenders' aggregate commitments under the Credit Facility from time-to-time. The Credit Facility matures in May 2027.

Borrowings under the Credit Facility are classified as either "base rate loans" or "SOFR loans." Base rate loans accrue interest at a base rate equal to the greater of the Agent’s prime rate, the federal funds rate plus 0.5%, or SOFR for a one month period as of such day, plus an applicable margin ranging from 0.25% to 0.75%; while SOFR loans accrued interest at SOFR, plus an applicable margin ranging from 1.25% to 1.75%. The applicable rates are adjusted quarterly based on average pricing availability. The unused line fee is the product of 0.25% times the average daily amount by which the Lenders' aggregate revolving commitments under the Credit Facility exceed the outstanding principal amount of revolver loans and the aggregate undrawn amount of all outstanding letters of credit issued under the Credit Facility. The obligations under the Credit Facility are guaranteed by us and secured by a pledge of substantially all of our assets, with the notable exclusion of any real estate, revenue equipment pledged under other financing agreements, including revenue equipment installment notes and finance leases, and revenue equipment that we do not designate as being included in the borrowing base.

Borrowings under the Credit Facility are subject to a borrowing base limited to the lesser of (A) $110.0 million, minus the sum of the stated amount of all outstanding letters of credit; or (B) the sum of (i) 87.5% of eligible accounts receivable, plus (ii) the least of (a) 85% of the appraised net orderly liquidation value of eligible revenue equipment, (b) 100% of the net book value of eligible revenue equipment, (c) 60.0% of the Lenders' aggregate revolving commitments under the Credit Facility, or (d) $65.0 million.

We had no borrowings outstanding under the Credit Facility as of June September 30, 2024, undrawn letters of credit outstanding of approximately $20.8 million $19.7 million, and available borrowing capacity of $88.8 million $90.3 million. As of June September 30, 2024, there were no base rate and no SOFR loans. Based on availability as of June September 30, 2024 and 2023, there was no fixed charge coverage requirement.

The Credit Facility includes usual and customary events of default for a facility of this nature and provides that, upon the occurrence and continuation of an event of default, payment of all amounts payable under the Credit Facility may be accelerated, and the Lenders' commitments may be terminated. If an event of default occurs under the Credit Facility and the Lenders cause, or have the ability to cause, all of the outstanding debt obligations under the Credit Facility to become due and payable, this could result in a default under other debt instruments that contain acceleration or cross-default provisions. The Credit Facility contains certain restrictions and covenants relating to, among other things, debt, dividends, liens, acquisitions and dispositions outside of the ordinary course of business, and affiliate transactions. Failure to comply with the covenants and restrictions set forth in the Credit Facility could result in an event of default.

Pricing for the revenue equipment installment notes is quoted by the respective financial affiliates of our primary revenue equipment suppliers and other lenders at the funding of each group of equipment acquired and include fixed annual rates for new equipment under retail installment contracts. The notes included in the funding are due in monthly installments with final maturities at various dates ranging from October 2024 February 2028 to March 2029. The notes contain certain requirements regarding payment, insuring of collateral, and other matters, but do not have any financial or other material covenants or events of default except certain notes totaling $34.1 million $32.2 million are cross-defaulted with the Credit Facility. Additional borrowings from the financial affiliates of our primary revenue equipment suppliers and other lenders are expected to be available to fund new tractors expected to be delivered in 2024, while any other property and equipment purchases, including trailers, are expected to be funded with a combination of available cash, notes, operating leases, finance leases, and/or from the Credit Facility.

In August 2015, we financed a portion of the purchase of our corporate headquarters, a maintenance facility, and certain surrounding property in Chattanooga, Tennessee by entering into a $28.0 million variable rate note with a third-party lender. The note contains certain restrictions and covenants that are usual and customary for a note of this nature. Failure to comply with the covenants and restrictions set forth in the note could result in an event of default. Concurrently with entering into the note, we entered into an interest rate swap to effectively fix the related interest rate to 4.2%. We expect to be in compliance with our debt covenants for the next 12 months.

In connection with the settlement of a dispute related to the sale of TFS (the "TFS Settlement"), in September 2020, TBK Bank, SSB, as lender and agent for Triumph (“TBK Bank”), provided the Company with a $45 million line of credit (the “Draw Note”), the proceeds of which are to be used solely to satisfy our indemnification obligations under the TFS Settlement. We may borrow pursuant to the Draw Note until September 23, 2025.

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Note 8. Lease Obligations

The finance leases in effect at June September 30, 2024 terminate from May 2025 through November 2033 and contain guarantees of the residual value of the related equipment by us.

A summary of our lease obligations at June September 30, 2024 and 2023 are as follows:

(dollars in thousands)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Finance lease cost:								
Amortization of right-of-use assets	$ 123	$ 257	$ 246	$ 513	$ 122	$ 54	$ 368	$ 567
Interest on lease liabilities	222	57	421	66	215	181	636	305
Operating lease cost	3,325	4,639	6,959	9,245	3,648	4,656	10,607	13,901
Variable lease cost	125	388	149	885	50	87	199	972
Short-term lease cost	914	2,509	1,974	4,133	802	1,497	2,776	5,630
Total lease cost	$ 4,709	$ 7,850	$ 9,749	$ 14,842	$ 4,837	$ 6,475	$ 14,586	$ 21,375
Other information								
Cash paid for amounts included in the measurement of lease liabilities:								
Operating cash flows from finance leases	222	57	421	66	215	181	636	305
Operating cash flows from operating leases	2,505	3,329	5,435	7,178	2,851	3,436	8,286	10,614
Financing cash flows from finance leases	203	151	365	3,509	188	1,923	553	5,432
Right-of-use assets obtained in exchange for new finance lease liabilities	5	3,139	815	3,139	-	2,799	815	5,938
Right-of-use assets obtained in exchange for new operating lease liabilities	8,970	3,846	8,970	3,992	4,783	-	13,753	3,992
Weighted-average remaining lease term—finance leases (in years)	3.7				3.5			
Weighted-average remaining lease term—operating leases (in years)	4.7				4.6			
Weighted-average discount rate—finance leases	13.4 %				13.5 %			
Weighted-average discount rate—operating leases	9.2 %				8.6 %			

As of June September 30, 2024, and December 31, 2023, right-of-use assets of $40.9 million $42.9 million and $41.2 million for operating leases and $6.7 million $6.6 million and $6.4 million for finance leases, respectively, are included in net property and equipment in our condensed consolidated balance sheets. Operating lease right-of-use asset amortization is included in revenue equipment rentals and purchased transportation and general supplies and expenses, depending on the underlying asset, in the condensed consolidated statement of operations. Amortization of finance leased assets is included in depreciation and amortization expense in the condensed consolidated statement of operations.

Our future minimum lease payments as of June September 30, 2024, are summarized as follows by lease category:

(in thousands)	Operating	Finance	Operating	Finance
2024 (1)	$ 6,925	$ 886	$ 3,739	$ 443
2025	12,007	1,770	13,083	1,770
2026	10,565	1,768	11,560	1,768
2027	9,450	1,768	10,386	1,768
2028	5,008	1,487	5,944	1,487
Thereafter	7,678	1,703	8,186	1,703
Total minimum lease payments	$ 51,633	$ 9,382	$ 52,898	$ 8,939
Less: amount representing interest	(8,977)	(2,855)	(8,310)	(2,601)
Present value of minimum lease payments	$ 42,656	$ 6,527	$ 44,588	$ 6,338
Less: current portion	(10,612)	(956)	(10,980)	(985)
Lease obligations, long-term	$ 32,044	$ 5,571	$ 33,608	$ 5,353

(1) Excludes the six nine months ended June September 30, 2024.

Note 9. Stock-Based Compensation

Our Third Amended and Restated 2006 Omnibus Incentive Plan, as amended (the "Incentive Plan") governs the issuance of equity awards and other incentive compensation to management and members of the Board of Directors (the "Board"). On May 17, 2023, the stockholders, upon recommendation of the Board, approved the Third Amendment (the “Third Amendment”) to our Third Amended and Restated 2006 Omnibus Incentive Plan (the "Incentive Plan"). The Third Amendment (i) increased the number of shares of Class A common stock available for issuance under the Incentive Plan by an additional 575,000 shares, (ii) re-set the term of the plan to expire on May 1, 2033, and (iii) made other miscellaneous, administrative and conforming changes as necessary. The Incentive Plan includes (i) a fungible share reserve feature, under which shares subject to stock options and stock appreciation rights will be counted as one share for every share granted and shares subject to all other awards will be counted as 1.80 shares for every share granted, (ii) a double-trigger vesting requirement upon a change in control, and (iii) a maximum award granted or payable to any one participant under the Incentive Plan for a calendar year of 500,000 shares of Class A common stock or $4,000,000, in the event the award is paid in cash.

The Incentive Plan permits annual awards of shares of our Class A common stock to executives, other key employees, consultants, non-employee directors, and eligible participants under various types of options, restricted stock, or other equity instruments. As of June September 30, 2024, there were 1,063,228 shares remaining of the 4,775,000 shares available for award under the Incentive Plan. No awards may be made under the Incentive Plan after May 1, 2033. To the extent available, we have issued treasury stock to satisfy all share-based incentive plans.

Included in salaries, wages, and related expenses within the condensed consolidated statements of operations is stock-based compensation expense of $0.6 million $0.8 million and $1.6 million $1.7 million for the three months ended June September 30, 2024 and 2023, respectively, and expense of $1.3 million $2.1 million and $3.0 million $4.7 million for the six nine months ended June September 30, 2024 and 2023, respectively. Included in general supplies and expenses within the condensed consolidated statements of operations is stock-based compensation expense for non-employee directors of $0.2 million and $0.2 million for each of the three months ended June September 30, 2024 and 2023, respectively, and $0.4 million $0.6 million and $0.3 million $0.5 million for the six nine months ended June September 30, 2024 and 2023, respectively. Of the stock compensation expense recorded for the three months ended June September 30, 2024 and June September 30, 2023, $0.6 million $0.8 million and $0.6 million $0.7 million relates to restricted shares, respectively, and $0.0 million respectively. There were no unvested employee stock options or related stock compensation expense for the three months ended September 30, 2024 and $1.0 million relates of stock compensation expense related to unvested employee stock options respectively. for the three months ended September 30, 2023. Of the stock compensation expense recorded for the six nine months ended June September 30, 2024 and 2023, $0.7 million $1.5 million and $1.1 million $1.8 million relates to restricted shares, respectively, and $0.6 million and $1.9 million $2.9 million relates to unvested employee stock options, respectively.

The Incentive Plan allows participants to pay the federal and state minimum statutory tax withholding requirements related to awards that vest or allows participants to deliver to us shares of Class A common stock having a fair market value equal to the minimum amount of such required withholding taxes. To satisfy withholding requirements for shares that vested through June September 30, 2024, certain participants elected to forfeit receipt of an aggregate of 6,879 shares of Class A common stock at a weighted average per share price of $49.27 based on the closing price of our Class A common stock on the dates the shares vested in 2024, in lieu of the federal and state minimum statutory tax withholding requirements. We remitted $0.3 million to the proper taxing authorities in satisfaction of the employees' minimum statutory withholding requirements.

Note 10. Commitments and Contingencies

From time-to-time, we are a party to ordinary, routine litigation arising in the ordinary course of business, most of which involves claims for personal injury and/or property damage incurred in connection with the transportation of freight.

We had $20.8 million $19.7 million and $21.8 million of outstanding and undrawn letters of credit as of June September 30, 2024 and December 31, 2023. The letters of credit are maintained primarily to support our insurance programs. Additionally, we had $45.0 million of availability on a line of credit from Triumph solely to fund any indemnification owed to Triumph in relation to the sale of TFS. As of June September 30, 2024 the remaining contingent liability was $1.2 million $1.0 million.

Note 11. Equity Method Investment

We own a 49.0% interest in Transport Enterprise Leasing, LLC ("TEL"), a tractor and trailer equipment leasing company and used equipment reseller. There is no loss limitation on our 49.0% interest in TEL. We have not guaranteed any of TEL's debt and have no obligation to provide funding, services, or assets. There are no current put rights to purchase or sell with any owners. TEL's majority owners are generally restricted from transferring their interests in TEL, other than to certain permitted transferees, without our consent. There are no third-party liquidity arrangements, guarantees, and/or other commitments that may affect the fair value or risk of our interest in TEL.

During the quarter ended March 31, 2024, we sold revenue equipment to TEL in exchange for the assumption of the related notes payable of $26.2 million and $0.5 million of cash. During the quarter nine months ended June September 30, 2024, we entered into revenue equipment operating leases with TEL, which resulted in an operating lease obligation to TEL of $6.7 million $10.7 million as of June September 30, 2024. No other transactions with TEL were material for the six nine months ended June September 30, 2024 and 2023.

We have accounted for our investment in TEL using the equity method of accounting, and thus our financial results include our proportionate share of TEL's 2024 net income through June September 30, 2024, or $7.8 million $11.8 million.

Our accounts receivable from TEL, accounts payable to TEL, and investment in TEL as of June September 30, 2024 and December 31, 2023 are as follows (in thousands):

Description:	Balance Sheet Line Item:	June 30, 2024	December 31, 2023	Balance Sheet Line Item:	September 30, 2024	December 31, 2023
Accounts receivable from TEL	Driver advances and other receivables	$ 127	$ 37	Driver advances and other receivables	$ 24	$ 37
Accounts payable to TEL	Accrued expenses	$ -	$ 460	Accrued expenses	$ 41	$ 460
Investment in TEL	Other assets	$ 74,108	$ 66,327	Other assets	$ 74,444	$ 66,327
Operating lease obligations	Current and long-term portion of operating lease obligations	$ 6,651	$ 4,100	Current and long-term portion of operating lease obligations	$ 10,662	$ 4,100

Our accounts receivable from TEL related to cash disbursements made pursuant to our performance of certain back-office and maintenance functions on TEL’s behalf.

Note 12. Acquisition of Sims Transport Services, LLC

On August 18, 2023, we acquired 100% of the equity interests of Sims, a specialized brokerage company, headquartered in Maysville, GA. The acquisition date fair value of the consideration transferred was $9.8 million. The Stock Purchase Agreement contains customary representations, warranties, covenants, and indemnification provisions. The Stock Purchase Agreement includes an earnout component of up to an aggregate of $12.0 million based on Sims' adjusted earnings before interest, taxes, depreciation, and amortization reported for the first through fourth calendar years following closing. The total purchase price, including any earnout achieved, is expected to range from $9.8 million to $20.0 million depending on the results achieved by Sims.

Sims' results have been included in the consolidated financial statements since the date of acquisition and are reported within our Managed Freight reportable segment.

The acquisition date fair value of the consideration transferred consisted of the following:

(in thousands)		August 1
Cash paid pursuant to Stock Purchase Agreement	$	
Cash acquired included in historical book value of Sims' assets and liabilities		
Contingent consideration		
Net purchase price	$	

The contingent consideration arrangement requires us to pay up to $12.0 million of additional consideration to Sim's former equity-holders based on Sims' results during the first four calendar years following closing. We estimated the fair value of the contingent consideration using a probability-weighted model. This fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement. Refer to Note 3, "Fair Value of Financial Instruments" for information regarding changes in the contingent consideration arrangement.

All goodwill related to the acquisition is deductible for tax purposes and there are no deferred income taxes arising from the acquisition.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date.

		August 1
Accounts receivable	$	
Other intangibles, net		
Total identifiable assets acquired		
Accounts payable		
Accrued expenses		
Total liabilities assumed		
Net identifiable assets acquired		
Goodwill		
Net assets acquired	$	

During the six nine months ended June September 30, 2024 we recognized measurement period adjustments of $1.6 million, primarily related to the deductibility of goodwill and other intangibles, which decreased goodwill from $5.1 million as of December 31, 2023 to $3.5 million as of June September 30, 2024. The goodwill recognized is attributable primarily to expected cost synergies as a result of overhead support. Refer to Note 14, "Goodwill and Other Assets" for a summary of changes to goodwill during the period as well as information related to the identifiable intangible asset acquired.

The amounts of revenue and earnings of Sims included in the Company's consolidated results of operations from the acquisition date of August 18, 2023, to the periods ended September 30, 2024 and 2023 are as follows:

(in thousands)	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	Septemb 202
Total revenue	$ 2,694	$ 1,026	$ 7,421	$
Net income	$ 361	$ 219	$ 982	$

Note 13. Acquisition of Lew Thompson & Son Trucking, Inc.

On April 26, 2023, we acquired 100% of the outstanding stock of LTST and related entities, headquartered in Huntsville, AR. LTST is a dedicated contract carrier specializing in poultry feed and live haul transportation in Northwest Arkansas and surrounding areas and was acquired to expand the Dedicated reportable segment into this niche market. The acquisition date fair value of the consideration transferred was $114.5 million. The Stock Purchase Agreement contains customary representations, warranties, covenants, and indemnification provisions. The Stock Purchase Agreement includes an earnout component of up to an aggregate of $30.0 million based on LTST's adjusted earnings before interest, taxes, depreciation, and amortization reported for the first, second, and third calendar years following closing. The total purchase, including any earnout achieved, is expected to range from $114.5 million to $134.5 million depending on the results achieved by LTST.

LTST's results have been included in the condensed consolidated financial statements since the date of acquisition and are reported within our Dedicated reportable segment.

The acquisition date fair value of the consideration transferred consisted of the following:

(in thousands)	April 26,
Cash paid pursuant to Stock Purchase Agreement	$
Cash acquired included in historical book value of LTST's assets and liabilities	
Contingent consideration	
Net purchase price	$

The contingent consideration arrangement requires us to pay up to $30.0 million of additional consideration to LTST's former shareholders based on LTST's results during the first three calendar years following closing. We estimated the fair value of the contingent consideration using a probability-weighted model. This fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement.

Because of our 338(h)10 election, all goodwill related to the acquisition is deductible for tax purposes and there are no deferred income taxes arising from the acquisition.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date:

	April 26,
Accounts receivable	$
Driver advances and other receivables	
Inventory and supplies	
Prepaid expenses	
Net property and equipment	
Other assets, net	
Other intangibles, net	
Total identifiable assets acquired	
Accounts payable	
Accrued expenses	

Current portion of operating lease obligations		
Current portion of insurance and claims accrual		
Long-term portion of operating lease obligations		
Total liabilities assumed		
Net identifiable assets acquired		
Goodwill		
Net assets acquired	$	

During the six nine months ended June September 30, 2024 we recognized measurement period adjustments of $4.8 million, primarily related to the Section 338(h)10 election which increased goodwill from $12.4 million as of December 31, 2023 to $17.3 million as of June September 30, 2024. The goodwill recognized is attributable primarily to expected cost synergies in the areas of fuel and purchases of revenue equipment. Refer to Note 14, "Goodwill and Other Assets" for a summary of changes to goodwill during the period as well as information related to the identifiable intangible asset acquired.

The amounts of revenue and earnings of LTST included in the Company's consolidated results of operations from the acquisition date of April 26, 2023, to the periods ended June September 30,2024and 2023 are as follows:

(in thousands)	Three months ended		Six months ended		Three months ended		Nine months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Total revenue	$ 31,398	$ 10,809	$ 53,127	$ 10,809	$ 35,730	$ 15,020	$ 88,857	$ 25,829
Net income	$ 3,534	$ 1,878	$ 5,152	$ 1,878	$ 3,058	$ 1,542	$ 8,211	$ 3,420

The following unaudited pro forma consolidated results of operations assume that the acquisition of LTST occurred as of January 1, 2023:

(in thousands)	Three months ended	Six months ended	Three months ended	Nine months ended
	June 30, 2023	June 30, 2023	September 30, 2023	September 30, 2023
Total revenue	$ 279,421	$ 562,485	$ 303,741	$ 878,626
Net income	$ 12,976	$ 31,659	$ 14,687	$ 49,772
Basic net income per share	$ 1.00	$ 2.41	$ 1.13	$ 3.80
Diluted net income per share	$ 0.96	$ 2.30	$ 1.07	$ 3.62

The pro forma financial information for all periods presented above has been calculated after adjusting the results of LTST to reflect the business combination accounting effects resulting from this acquisition, including the amortization expense from acquired intangible assets as though the acquisition occurred as of the beginning of the Company's fiscal year 2023. The Company's historical consolidated financial statements have been adjusted in the pro forma combined financial statements to give effect to pro forma events that are directly attributable to the business combination and factually supportable. The pro forma financial information is for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of the Company's 2023 fiscal year.

Note 14. Goodwill and Other Assets

The Landair Holdings, Inc. ("Landair") trade name has a residual value of $0.5 million.

Amortization expense of $4.7 million $7.1 million and $2.9 million $5.1 million for the six nine months ended June September 30, 2024 and 2023, respectively, was included in depreciation and amortization in the condensed consolidated statements of operations.

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A summary of other intangible assets as of June September 30, 2024 and December 31, 2023 is as follows:

(in thousands)	June 30, 2024				September 30, 2024			
	Gross intangible assets	Accumulated amortization	Net intangible assets	Remaining life (months)	Gross intangible assets	Accumulated amortization	Net intangible assets	Remaining life (months)
Trade name:								
Dedicated	$ 4,502	$ (2,374)	$ 2,128		$ 4,502	$ (2,426)	$ 2,076	
Managed Freight	1,089	(901)	188		1,089	(906)	183	
Warehousing	999	(885)	114		999	(885)	114	
Total trade name	6,590	(4,160)	2,430	104	6,590	(4,217)	2,373	101
Non-compete agreement:								
Dedicated	4,670	(1,362)	3,308		4,670	(1,654)	3,016	
Managed Freight	380	(79)	301		380	(103)	277	
Total non-compete agreement	5,050	(1,441)	3,609	34	5,050	(1,757)	3,293	31
Customer relationships:								
Dedicated	60,172	(10,200)	49,972		60,172	(11,171)	49,001	
Managed Freight	7,312	(1,515)	5,797		7,312	(1,751)	5,561	
Warehousing	12,436	(6,218)	6,218		12,436	(6,477)	5,959	
Total customer relationships:	79,920	(17,933)	61,987	154	79,920	(19,399)	60,521	152
Credentialing:								
Expedited	32,000	(5,156)	26,844		32,000	(5,689)	26,311	
Total credentialing	32,000	(5,156)	26,844	151	32,000	(5,689)	26,311	148
Total other intangible assets	$ 123,560	$ (28,690)	$ 94,870	147	$ 123,560	$ (31,062)	$ 92,498	144

(in thousands)	December 31, 2023			
	Gross intangible assets	Accumulated amortization	Net intangible assets	Remaining
Trade name:				
Dedicated	$ 4,502	$ (2,269)	$ 2,233	
Managed Freight	1,089	(891)	198	
Warehousing	999	(885)	114	
Total trade name	6,590	(4,045)	2,545	
Non-compete agreement:				
Dedicated	4,670	(778)	3,892	
Managed Freight	380	(32)	348	
Total non-compete agreement	5,050	(810)	4,240	
Customer relationships:				
Dedicated	60,172	(8,258)	51,914	
Managed Freight	7,312	(1,043)	6,269	
Warehousing	12,436	(5,700)	6,736	
Total customer relationships:	79,920	(15,001)	64,919	
Credentialing:				
Expedited	32,000	(4,089)	27,911	
Total credentialing	32,000	(4,089)	27,911	
Total other intangible assets	$ 123,560	$ (23,945)	$ 99,615	

The expected amortization of these assets for the next five successive years is as follows:

	(in thousands)	(in thousands)
2024 (1)	4,744	2,372
2025	9,488	9,488
2026	9,488	9,488

2027	8,678	8,678
2028	8,220	8,220
Thereafter	53,752	53,752

(1) Excludes the six nine months ended June September 30, 2024.

The carrying amount of goodwill increased to $78.9 million at June September 30, 2024 from $75.7 million at December 31, 2023. A summary of the changes in carrying amount of goodwill is as follows:

(in thousands)	June 30, 2024				September 30, 2024			
	Expedited	Dedicated	Managed Freight	Warehousing	Expedited	Dedicated	Managed Freight	Warehousing
Balance at December 31, 2023	$ 15,699	$ 27,767	$ 10,531	$ 21,750	$ 15,699	$ 27,767	$ 10,531	$ 21,750
Post-acquisition goodwill adjustments	-	4,808	(1,614)	-	-	4,808	(1,614)	-
Goodwill	$ 15,699	$ 32,575	$ 8,917	$ 21,750	$ 15,699	$ 32,575	$ 8,917	$ 21,750

Note 15. Equity

On May 18, 2022, our Board approved a stock repurchase authorization of up to $75.0 million of our Class A common stock, with any remaining amount available under prior authorizations being excluded and no longer available. Under such authorization, we repurchased 2.0 million shares of our Class A common stock for $54.7 million during 2022. On January 30, 2023, the Board approved an amendment to the Company's stock repurchase program authorizing the purchase of up to an aggregate $55.0 million of our Class A common stock. The amendment added an incremental approximately $37.5 million to the approximately $17.5 million that was then-remaining under the program. Between May 2022 and April 2023, we repurchased a total of 2.7 million shares of our Class A common stock. The program expired on January 31, 2024.

On February 15, 2023, our Board declared a cash dividend of $0.11 per share, which was paid on March 31, 2023, to stockholders of record on March 3, 2023. On May 17, 2023, our Board declared a cash dividend of $0.11 per share which was paid on June 30, 2023, to stockholders of record on June 2, 2023. On February 13, 2024, our Board declared a cash dividend of $0.11 per share which was paid on March 29, 2024, to stockholders of record on March 1, 2024. On May 15, 2024, our Board declared a cash dividend of $0.11 per share which was paid on June 28, 2024, to stockholders of record on June 7, 2024. On August 14, 2024, our Board declared a cash dividend of $0.11 per share which was paid on September 27,2024, to stockholders of record on September 6, 2024.

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

The condensed consolidated financial statements include the accounts of Covenant Logistics Group, Inc., a Nevada holding company, and its wholly owned subsidiaries. References in this report to "we," "us," "our," the "Company," and similar expressions refer to Covenant Logistics Group, Inc. and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

This 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 (the "Securities Act") and such statements are subject to the safe harbor created by those sections and the Private Securities Litigation Reform Act of 1995, as amended. All statements, other than statements of historical or current fact, are statements that could be deemed forward-looking statements, including without limitation: any projections of earnings, revenues, or other financial items; any statement of plans, strategies, and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; and any statements of belief and any statements of assumptions underlying any of the foregoing. In this Form 10-Q, statements relating to future impact of accounting standards, future third-party transportation provider expenses, future tax rates, expenses, and deductions, expected freight demand, capacity, and volumes and trucking industry conditions, potential results of a default and testing of our fixed charge covenant under the Credit Facility or other debt agreements, expected sources, as well as adequacy, of working capital and liquidity (including our mix of debt, finance leases, and operating leases as means of financing revenue equipment), future inflation, future stock repurchases (including any taxes imposed on such repurchases) and dividends, if any, expected capital expenditures, allocations, and requirements, future customer relationships, including the length of contracted *periods with our Dedicated segment, future interest expense, future driver market conditions, including driver satisfaction, future use of independent contractors, expected cash flows, future investments in and growth of our reportable segments and services, future margins of our reportable segments, future rates and prices, future depreciation and amortization, future salaries, wages, and related expenses, including driver compensation, expected net fuel costs, strategies for managing fuel costs, the effectiveness and impact of, and cash flows relating to, our fuel surcharge programs, future fluctuations in operations and maintenance expenses, expected effects and mix of our solo and team operations, future fleet size, management, utilization, upgrades, and age, availability and usage of tractors and trailers, the market value of used equipment, the anticipated impact of our investment in TEL, the future impact of our business model, service standards, strategic plan and other strategic initiatives, changes to and deviations from our business model, strategic plan, and other strategic initiatives, anticipated levels of and fluctuations relating to insurance and claims expenses, including the erosion of available limits in our aggregate insurance policies, any future indemnification obligations related to the TFS Settlement, contingent consideration related to our purchase of AAT, LTST and Sims, and the future impact of our acquisition of LTST and Sims, among others, are forward-looking statements. Forward-looking statements may be identified by the use of terms or phrases such as "believe," "may," "could," "would," "will," "expects," "estimates," "projects," "anticipates," "plans," " outlook," "focus," "seek," "potential," "continue," "goal," "target," "objective," "intends," derivations thereof, and similar terms and phrases. Such statements are based on currently available operating, financial, and competitive information. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, which could cause future events and actual results to differ materially from those set forth in, contemplated by, or underlying the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section entitled "Item 1A. Risk Factors," set forth in our Form 10-K for the year ended December 31, 2023. Readers should review and consider the factors discussed in "Item 1A. Risk Factors," set forth in our Form 10-K for the year ended December 31, 2023, along with various disclosures in our press releases, stockholder reports, and other filings with the Securities and Exchange Commission.*

All such forward-looking statements speak only as of the date of this Form 10-Q. You are cautioned not to place undue reliance on such forward-looking statements. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in the events, conditions, or circumstances on which any such statement is based.

Executive Overview

We are pleased to report second third quarter earnings of $0.88 $0.94 per diluted share. Our second third quarter's results further demonstrate the value proposition include year over year freight revenue growth of 2.1%, operating income growth of 7.2%, and a $36.6 million sequential reduction of our diversified logistics services in net indebtedness, composed of total debt and finance lease obligations, net of cash, while improving the midst average age of a freight environment that has remained challenged with general market headwinds. our fleet by one month. Our team has worked hard core business continues to navigate through perform well despite the prolonged general freight market down cycle, by as a result of capitalizing on new value-added commercial opportunities where available, allocating equipment investments toward more profitable operations, and controlling costs.

Our asset-based segments, consisting of Expedited and Dedicated, contributed approximately 70% 69% of total revenue and 67% 66% of total freight revenue in the quarter. Our combined truckload operations experienced improved year over year margins primarily related to operating 9.1% 8.0% more average tractors combined with improved freight revenue per total mile, partially offset by a reduction in utilization and higher costs compared to the prior year quarter.

Our asset-light segments, consisting of Managed Freight and Warehousing, contributed approximately 30% 31% of total revenue and 33% 34% of total freight revenue in the quarter. Although year Year over year freight revenue declined 3.1%, and operating income improved by approximately 96.7% each declined 6.5%, due to the combination of softer volumes of available profitable freight and a large cargo related claim incurred during the third quarter in our Managed Freight reportable segment, which was partially offset by improved cost efficiencies and rate increases in our Warehousing reportable segment as well as improved purchased transportation costs, cargo related claims costs, and the year over year impact of the higher-margin Sims acquisition in our Managed Freight segment.

Additional items of note for the second third quarter of 2024 include the following:

- Total revenue of $287.5 million $287.9 million, an increase a decrease of 4.9% 0.3% compared with the second third quarter of 2023, and freight revenue (which excludes revenue from fuel surcharges) of $256.5 million $258.6 million, an increase of 5.3% 2.1% compared with the second third quarter of 2023;

- Operating income of $15.6 million $16.2 million, compared with $11.8 million $15.1 million in the second third quarter of 2023;

- Net income of $12.2 million $13.0 million, or $0.88 $0.94 per diluted share, compared with $12.3 million $13.5 million, or $0.91 $0.99 per diluted share, in the second third quarter of 2023. Net income from continuing operations of $12.0 million $12.9 million, or $0.87 $0.93 per diluted share, compared to $12.1 million $13.4 million or $0.90 $0.98 per diluted share, in the second third quarter of 2023. Net income from discontinued operations of $0.2 million, or $0.01 per diluted share, compared to $0.2 million, or $0.01 per diluted share, in the second third quarter of 2023;

- Our equity investment in TEL provided $4.1 million $4.0 million of pre-tax earnings in the second third quarter of 2024 compared to $5.4 million $5.3 million in the second third quarter of 2023;

- We distributed a total of $1.4 million $1.5 million to stockholders through dividends;

- Since December 31, 2023, total indebtedness, comprised of total debt and finance leases, net of cash, increased decreased by $25.0 million $11.6 million to $273.3 million $236.7 million, primarily due to cash flows from operations exceeding our net capital investment in revenue equipment of $72.9 million and the final post-acquisition earnout payment of $10.0 million related to AAT's operational performance and approximately $50.3 million of net capital expenditures for revenue equipment, offset by cash flows from operations. performance. With available borrowing capacity of $88.8 million $90.3 million under our Credit Facility at June 30, 2024 September 30, 2024 we do not expect to be required to test our fixed charge covenant in the foreseeable future;

- Leverage ratio (ending total indebtedness, comprised of debt and finance leases, net of cash, divided by the sum of operating income, depreciation and amortization, gain on disposition of property and equipment, net, and impairment of long lived property and equipment) as of June 30, 2024 September 30, 2024 was 2.11; 1.76;

- Stockholders' equity at June 30, 2024 September 30, 2024, was $419.3 million $431.6 million; and

- Tangible book value at June 30, 2024 September 30, 2024, was $245.6 million. $260.1 million; and

- During the third quarter of 2024, we voluntarily transferred the listing of our Class A common stock to the New York Stock Exchange from the NASDAQ Global Select Market.

Outlook

Our consistently strong financial performance over Although we are pleased with our results for the duration of a very weak period, our belief is that the overall general freight market is encouraging and reflects the benefits of the significant structural changes made to our business model over the last four years as part of our strategic plan. We remain committed to continued improvement to our business model and are actively working to take the Company to the next level of performance. While we believe freight market fundamentals have continued to slowly improve and macroeconomic indicators are beginning to positively reveal themselves, absent an outside catalyst, we believe a material improvement in the freight market will take time. time to meaningfully improve. The combination of lingering excess carrier capacity and the lack of an immediate catalyst to improve volumes, feeds our thesis that improvements will be slow and steady. While we are seeing some green shoots in the form of new dedicated business awards and a small number of customer rate increases, these wins have somewhat been offset with softer than anticipated volumes, particularly in our Expedited reportable segment. Additionally, we remind investors that our less volatile operating model, consisting of a large percentage of multi-year contractual agreements, will likely take time to execute and recognize the benefits of operational leverage than our historical model if and when freight demand and pricing improve materially. Regardless of the operating environment, our focus and commitment remains unchanged as we execute our strategic plan through tactical step by step execution that will continue to allow us to capitalize on opportunities that drive us deeper into the supply chain, add value for our customers, and create efficiencies across our enterprise, which we believe will allow us to become a stronger, more profitable, and more predictable business.

Non-GAAP Reconciliation

In addition to operating ratio, we use "adjusted operating ratio" as a key measure of profitability. Adjusted operating ratio is not a substitute for operating ratio measured in accordance with GAAP. There are limitations to using non-GAAP financial measures. Adjusted operating ratio means operating expenses, net of fuel surcharge revenue, excluding amortization of intangibles, and significant unusual items, divided by total revenue, less fuel surcharge revenue. We believe the use of adjusted operating ratio allows us to more effectively compare periods, while excluding the potentially volatile effect of changes in fuel prices, amortization of intangibles, and significant unusual items. Our Board and management focus on our adjusted operating ratio as an indicator of our performance from period to period. We believe our presentation of adjusted operating ratio is useful because it provides investors and securities analysts the same information that we use internally to assess our core operating performance. Although we believe that adjusted operating ratio improves comparability in analyzing our period-to-period performance, it could limit comparability to other companies in our industry, if those companies define adjusted operating ratio differently. Because of these limitations, adjusted operating ratio should not be considered a measure 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.

Operating Ratio

	Three Months Ended June 30,	Six Months Ended June 30,	Three Months Ended September 30,	Nine Months Ended September 30,

GAAP Operating Ratio:	2024	OR %	2023	OR %	2024	OR %	2023	OR %	2024	OR %	2023	OR %	2024	OR %	2023	OR %
Total revenue	$ 287,497		$ 274,016		$ 566,260		$ 540,867		$ 287,885		$ 288,721		$ 854,145		$ 829,588	
Total operating expenses	271,920	94.6 %	262,233	95.7 %	546,348	96.5 %	511,452	94.6 %	271,650	94.4 %	273,580	94.8 %	817,998	95.8 %	785,032	94.6 %
Operating income	$ 15,577		$ 11,783		$ 19,912		$ 29,415		$ 16,235		$ 15,141		$ 36,147		$ 44,556	

Adjusted Operating Ratio:	2024	Adj. OR %	2023	Adj. OR %	2024	Adj. OR %	2023	Adj. OR %	2024	Adj. OR %	2023	Adj. OR %	2024	Adj. OR %	2023	Adj. OR %
Total revenue	$ 287,497		$ 274,016		$ 566,260		$ 540,867		$ 287,885		$ 288,721		$ 854,145		$ 829,588	
Fuel surcharge revenue	(30,985)		(30,312)		(62,063)		(63,741)		(29,286)		(35,344)		(91,349)		(99,085)	
Freight revenue (total revenue, excluding fuel surcharge)	256,512		243,704		504,197		477,126		258,599		253,377		762,796		730,503	
Total operating expenses	271,920		262,233		546,348		511,452		271,650		273,580		817,998		785,032	
Adjusted for:																
Fuel surcharge revenue	(30,985)		(30,312)		(62,063)		(63,741)		(29,286)		(35,344)		(91,349)		(99,085)	
Amortization of intangibles	(2,373)		(1,802)		(4,744)		(2,922)		(2,372)		(2,220)		(7,116)		(5,142)	
Gain on disposal of terminals, net	-		-		-		7,627		-		-		-		7,627	
Contingent consideration liability adjustment	(720)		(492)		(8,814)		(1,992)		(720)		(493)		(9,534)		(2,485)	
Transaction and executive retirement	-		(2,158)		-		(2,158)		-		-		-		(2,158)	
Adjusted operating expenses	237,842	92.7 %	227,469	93.3 %	470,727	93.4 %	448,266	94.0 %	239,272	92.5 %	235,523	93.0 %	709,999	93.1 %	683,789	93.6 %
Adjusted operating income	$ 18,670		$ 16,235		$ 33,470		$ 28,860		$ 19,327		$ 17,854		$ 52,797		$ 46,714	

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Revenue and Expenses

We focus on targeted markets throughout the United States where we believe our service standards can provide a competitive advantage. We are a major carrier for transportation companies such as parcel freight forwarders, less-than-truckload carriers, and third-party logistics providers that require a high level of service to support their businesses, as well as for traditional truckload customers such as manufacturers, retailers, and food and beverage shippers.

We have four reportable segments, which include:

- Expedited: The Expedited reportable segment primarily provides truckload services to customers with high service freight and delivery standards, such as 1,000 miles in 22 hours, or 15-minute delivery windows. Expedited services generally require two-person driver teams on equipment either owned or leased by the Company.

- Dedicated: The Dedicated reportable segment provides customers with committed truckload capacity over contracted periods with the goal of three to five years in length. Equipment is either owned or leased by the Company.

- Managed Freight: The Managed Freight reportable segment includes our brokerage and transport management services ("TMS"). Brokerage services provide logistics capacity by outsourcing the carriage of customers' freight to third parties. TMS provides comprehensive logistics services on a contractual basis to customers who prefer to outsource their logistics needs.

- Warehousing: The Warehousing reportable segment provides day-to-day warehouse management services to customers who have chosen to outsource this function. We also provide shuttle and switching services related to shuttling containers and trailers in or around freight yards and to/from warehouses.

In our Expedited and Dedicated reportable segments, we primarily generate revenue by transporting freight for our customers. Generally, we are paid a predetermined rate per mile for our truckload services. We enhance our truckload revenue by charging for tractor and trailer detention, loading and unloading activities, and other specialized services, as well as through the collection of fuel surcharges to mitigate the impact of increases in the cost of fuel. The main factors that could affect our Expedited and Dedicated revenue are the revenue per mile we receive from our customers, the percentage of miles for which we are compensated, and the number of shipments and miles we generate. These factors relate, among other things, to the general level of economic activity in the United States, inventory levels, specific customer demand, the level of capacity in the trucking industry, and driver availability.

The main expenses that impact the profitability of our Expedited and Dedicated reportable segments are the variable costs of transporting freight for our customers. These costs include fuel expenses, driver-related expenses, such as wages, benefits, training, and recruitment, and purchased transportation expenses, which primarily include compensating independent contractors. Expenses that have both fixed and variable components include maintenance and tire expense and our total cost of insurance and claims. These expenses generally vary with the miles we travel, but also have a controllable component based on safety, self-insured retention versus insurance premiums, fleet age, efficiency, and other factors. Historically, our main fixed costs include rentals and depreciation of long-term assets, such as revenue equipment and terminal facilities, and the compensation of non-driver personnel.

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Within our Expedited and Dedicated reportable segments, we operate tractors driven by a single driver and also tractors assigned to two-person driver teams. Our single driver tractors generally operate in shorter lengths of haul, generate fewer miles per tractor, and experience more non-revenue miles, but the lower productive miles are expected to be offset by generally higher revenue per loaded mile and the reduced employee expense of compensating only one driver. In contrast, our two-person driver tractors generally operate in longer lengths of haul, generate greater miles per tractor, and experience fewer non-revenue miles, but we typically receive lower revenue per loaded mile and incur higher employee expenses of compensating both drivers. We expect operating statistics and expenses to shift with the mix of single and team operations.

Within our Managed Freight reportable segment, we derive revenue from Brokerage and TMS services, particularly, for arranging transportation services for customers, directly and through relationships with thousands of third-party carriers and integration with our Expedited reportable segment. Additionally, utilizing technology and process management we provide detailed visibility into a customer's movement of freight – inbound and outbound – throughout the customer's network and focused customer support through multiyear contracts. We provide Brokerage services directly and through agents, who are paid a commission for the freight they provide. The main factors that impact profitability in terms of expenses are the variable costs of outsourcing the transportation freight for our customers and managing fixed costs, including purchased transportation, facility warehousing costs, salaries, and selling, general, and administrative expenses.

Within our Warehousing reportable segment, we empower customers to outsource warehousing management, including moving containers and trailers in or around freight yards. The main factors that impact profitability in terms of expenses are fixed costs, including salaries, facility warehousing costs, and selling, general, and administrative expenses.

In May 2011, we acquired a 49.0% interest in TEL. TEL is a tractor and trailer equipment leasing company and used equipment reseller. We have accounted for our investment in TEL using the equity method of accounting and thus our financial results include our proportionate share of TEL's net income since May 2011.

Our main measures of profitability are operating ratio and adjusted operating ratio. We define adjusted operating ratio as operating expenses, net of fuel surcharge revenue, excluding amortization of intangibles, and significant unusual items, divided by total revenue, less fuel surcharge revenue. See page 25 for the uses and limitations associated with adjusted operating ratio.

Revenue Equipment

At June 30, 2024 September 30, 2024, we operated 2,314 2,306 tractors and 6,314 6,484 trailers. Of such tractors, 2,160 2,169 were owned, 22 were financed under finance or operating leases, and 132 115 tractors were provided by independent contractors, who own and drive their own tractors. Of such trailers, 5,833 5,842 were owned and 481 642 were held under finance or operating leases. At June 30, 2024 September 30, 2024, our fleet had an average tractor age of 1.7 1.6 years and an average trailer age of 5.7 5.6 years.

Independent contractors provide a tractor and a driver and are responsible for all operating expenses in exchange for a fixed payment per mile. We do not have the capital outlay of purchasing or leasing the tractor. The payments to independent contractors and the financing of equipment under operating leases are recorded in revenue equipment rentals and purchased transportation. Expenses associated with company owned equipment, such as interest and depreciation, and expenses associated with employee drivers, including driver compensation, fuel, and other expenses, are not incurred with respect to independent contractors. Obtaining equipment from independent contractors and under operating leases effectively shifts financing expenses from interest to "above the line" operating expenses, and as such, we evaluate our efficiency using net income margin, as well as operating ratio.

RESULTS OF CONSOLIDATED OPERATIONS

COMPARISON OF THREE AND SIX NINE MONTHS ENDED JUNE 30, 2024 SEPTEMBER 30, 2024 TO THREE AND SIX NINE MONTHS ENDED JUNE 30, 2023 SEPTEMBER 30, 2023

The following tables set forth the percentage relationship of certain items to total revenue and freight revenue (total revenue less fuel surcharge revenue) for the periods indicated, where applicable (dollars in thousands):

Revenue

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Revenue:								
Freight revenue	$ 256,512	$ 243,704	$ 504,197	$ 477,126	$ 258,599	$ 253,377	$ 762,796	$ 730,503
Fuel surcharge revenue	30,985	30,312	62,063	63,741	29,286	35,344	91,349	99,085
Total revenue	$ 287,497	$ 274,016	$ 566,260	$ 540,867	$ 287,885	$ 288,721	$ 854,145	$ 829,588

The increases decrease in total revenue for the three months ended September 30, 2024 primarily resulted from a $12.6 million $6.3 million and $4.3 million decrease in Managed Freight and Expedited freight revenue, respectively, and a $6.1 million decrease in fuel surcharge revenue partially offset by a $15.7 million and $0.1 million increase in Dedicated and Warehousing freight revenue, respectively. The increase in total revenue for the nine months ended September 30, 2024 primarily resulted from a $34.6 million, $2.9 million $3.6 million, and $0.2 million $1.4 million increase in Dedicated, Expedited, and Warehousing freight revenue, respectively, and a $7.7 million decrease in fuel surcharge revenue partially offset by a $2.9 million $7.2 million decrease in Managed Freight for the three months ended June 30, 2024 and an $18.8 million, $7.9 million, and $1.2 million increase in Dedicated, Expedited, and Warehousing freight revenue, respectively, partially offset by a $0.9 million decrease in Managed Freight freight revenue for the six months ended June 30, 2024. revenue.

See results of reportable segment operations section for discussion of fluctuations.

For comparison purposes in the discussion below, we use total revenue and freight revenue (total revenue less fuel surcharge revenue) when discussing changes as a percentage of revenue.

For each expense item discussed below, we have provided a table setting forth the relevant expense first as a percentage of total revenue, and then as a percentage of freight revenue.

Salaries, wages, and related expenses

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Salaries, wages, and related expenses	$ 106,373	$ 101,280	$ 206,708	$ 200,439	$ 110,815	$ 102,314	$ 317,523	$ 302,753
% of total revenue	37.0 %	37.0 %	36.5 %	37.1 %	38.5 %	35.4 %	37.2 %	36.5 %
% of freight revenue	41.5 %	41.6 %	41.0 %	42.0 %	42.9 %	40.4 %	41.6 %	41.4 %

Salaries, wages, and related expenses for the three and six nine months ended June 30, 2024 September 30, 2024, increased on a dollars basis primarily as a result of averaging more drivers and tractors primarily due to growth in our Dedicated reportable segment, resulting in higher driver salaries, wages, and benefits. As a percentage of total revenue and freight revenue, salaries, wages, and related expenses for the three and six months ended June 30, 2024, decreased slightly primarily benefits, as well as an increase in workers' compensation expense due to improved tractor utilization that more efficiently covered fixed compensation expense and lower overall driver cost based on the hiring and retention market. a large current period claim.

We believe salaries, wages, and related expenses will continue to increase as the result of wage inflation, higher healthcare costs, and, in certain periods, increased incentive compensation due to better performance. Driver pay may also fluctuate based on the number of miles driven. While driver pay remains stable at the present time, we have historically put driver pay increases in place as necessary to address driver market pressure and will continue to do so in the future as necessary. If freight market rates increase, we would expect to, as we have historically, pass a portion of those rate increases on to our professional drivers. Salaries, wages, and related expenses will fluctuate to some extent based on the percentage of revenue generated by independent contractors and our Managed Freight reportable segment, for which payments are reflected in the purchased transportation line item.

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Fuel expense

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Fuel expense	$ 29,093	$ 31,428	$ 60,045	$ 65,519	$ 28,545	$ 35,173	$ 88,590	$ 100,692
% of total revenue	10.1 %	11.5 %	10.6 %	12.1 %	9.9 %	12.2 %	10.4 %	12.1 %
% of freight revenue	11.3 %	12.9 %	11.9 %	13.7 %	11.0 %	13.9 %	11.6 %	13.8 %

The decreases in total fuel expense are primarily related to lower fuel prices in the 2024 periods partially offset by a 7.3% 3.4% and 8.1% 6.5% increase in total miles compared to the same 2023 periods, respectively.

We receive a fuel surcharge on our loaded miles from most shippers; however, this does not cover the entire cost of fuel for several reasons, including the following: surcharges cover only loaded miles we operate; surcharges do not cover miles driven out-of-route by our drivers; and surcharges typically do not cover refrigeration unit fuel usage or fuel burned by tractors while idling. Moreover, most of our business relating to shipments obtained from freight brokers does not carry a fuel surcharge. Finally, fuel surcharges vary in the percentage of reimbursement offered, and not all surcharges fully compensate for fuel price increases even on loaded miles.

The rate of fuel price changes also can have an impact on results. Most fuel surcharges are based on the average fuel price as published by the Department of Energy ("DOE") for the week prior to the shipment, meaning we typically bill customers in the current week based on the previous week's applicable index. Therefore, in times of increasing fuel prices, we do not recover as much as we are currently paying for fuel. In periods of declining prices, the opposite is true. Fuel prices as measured by the DOE were $0.07 $0.62 per gallon, or 1.8% 14.5%, lower for the quarter ended June 30, 2024 September 30, 2024 compared with the same quarter in 2023.

To measure the effectiveness of our fuel surcharge program, we subtract fuel surcharge revenue (other than the fuel surcharge revenue we reimburse to independent contractors and other third parties which is included in purchased transportation) from our fuel expense. The result is referred to as net fuel expense. Our net fuel expense as a percentage of freight revenue is affected by the cost of diesel fuel net of fuel surcharge revenue, the percentage of miles driven by company tractors, our fuel economy, and our percentage of deadhead miles, for which we do not receive material fuel surcharge revenues.

Net fuel expense is shown below:

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Total fuel surcharge	$ 30,985	$ 30,312	$ 62,063	$ 63,741	$ 29,286	$ 35,344	$ 91,349	$ 99,085
Less: Fuel surcharge revenue reimbursed to independent contractors and other third parties	2,647	2,174	5,201	4,433	2,225	2,672	7,426	7,105
Company fuel surcharge revenue	$ 28,338	$ 28,138	$ 56,862	$ 59,308	$ 27,061	$ 32,672	$ 83,923	$ 91,980
Total fuel expense	$ 29,093	$ 31,428	$ 60,045	$ 65,519	$ 28,545	$ 35,173	$ 88,590	$ 100,692
Less: Company fuel surcharge revenue	28,338	28,138	56,862	59,308	27,061	32,672	83,923	91,980
Net fuel expense	$ 755	$ 3,290	$ 3,183	$ 6,211	$ 1,484	$ 2,501	$ 4,667	$ 8,712
% of freight revenue	0.3%	1.4%	0.6%	1.3%	0.6%	1.0%	0.6%	1.2%

For the periods presented, net fuel expense decreased as a percentage of freight revenue primarily due to lower fuel prices and higher fuel surcharge recovery.

We expect to continue managing our idle time and tractor speeds, investing in more fuel-efficient tractors and auxiliary power units to improve our miles per gallon, locking in fuel hedges when deemed appropriate, partnering with customers to adjust fuel surcharge programs that are inadequate to recover a fair portion of fuel costs, and testing the latest technologies that reduce fuel consumption. Going forward, our net fuel expense is expected to fluctuate as a percentage of revenue based on factors such as diesel fuel prices, percentage recovered from fuel surcharge programs, percentage of uncompensated miles, percentage of revenue generated by team-driven tractors (which tend to generate higher miles and lower revenue per mile, thus proportionately more fuel cost as a percentage of revenue), percentage of revenue generated from independent contractors, and the success of fuel efficiency initiatives.

Operations and maintenance

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Operations and maintenance	$ 15,552	$ 16,235	$ 29,148	$ 33,344	$ 17,690	$ 16,984	$ 46,838	$ 50,328
% of total revenue	5.4%	5.9%	5.1%	6.2%	6.1%	5.9%	5.5%	6.1%
% of freight revenue	6.1%	6.7%	5.8%	7.0%	6.8%	6.7%	6.1%	6.9%

The decreases increase in operations and maintenance for the three and six months ended June 30, 2024 September 30, 2024 was insignificant both as a percentage of total revenue and freight revenue. The decrease in operations and maintenance for the nine months ended September 30, 2024 were was primarily related to a decrease in the average age of our fleet and the improvement in both availability and cost of tires and maintenance related parts compared to the prior year period.

Going forward, we believe this category will fluctuate based on several factors, including the condition of the driver market and our ability to hire and retain drivers, our continued ability to maintain a relatively young fleet, accident severity and frequency, weather, the reliability of new and untested revenue equipment models, and the global disruption of the supply chain. Additionally, operations and maintenance costs may increase if we experience wage and parts inflation.

Revenue equipment rentals and purchased transportation

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Revenue equipment rentals and purchased transportation	$ 62,755	$ 67,983	$ 129,506	$ 130,999	$ 64,434	$ 72,046	$ 193,940	$ 203,045
% of total revenue	21.8%	24.8%	22.9%	24.2%	22.4%	25.0%	22.7%	24.5%
% of freight revenue	24.5%	27.9%	25.7%	27.5%	24.9%	28.4%	25.4%	27.8%

The decreases in revenue equipment rentals and purchased transportation for the three and six nine months ended June 30, 2024 September 30, 2024 were primarily the result of a decrease in purchased transportation costs due to the decline in the spot market primarily affecting the Managed Freight reportable segment. These decreases were The decrease for the nine months ended September 30, 2024 was partially offset as total miles run by independent contractors increased from 7.4% and 7.2% for the three and six nine months ended June 30, 2023, respectively, September 30, 2023 to 8.3% and 8.4% 8.2% for the same 2024 periods. period.

We expect purchased transportation to fluctuate as volumes in our Managed Freight reportable segment may be volatile. In addition, if fuel prices increase, it would result in a further increase in what we pay third party carriers and independent contractors. However, this expense category will fluctuate with the number and percentage of loads hauled by independent contractors, loads handled by Managed Freight, and tractors, trailers, and other assets financed with operating leases. In addition, factors such as the cost to obtain third party transportation services and the amount of fuel surcharge revenue passed through to the third party carriers and independent contractors will affect this expense category. If industry-wide trucking capacity tightens in relation to freight demand, we may need to increase the amounts we pay to third-party transportation providers and independent contractors, which could increase this expense category on an absolute basis and as a percentage of freight revenue absent an offsetting increase in revenue. If we were to recruit more independent contractors, we would expect this line item to increase as a percentage of revenue.

Operating taxes and licenses

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Operating taxes and licenses	$ 2,283	$ 3,317	$ 5,644	$ 6,780	$ 3,227	$ 3,381	$ 8,871	$ 10,161
% of total revenue	0.8%	1.2%	1.0%	1.3%	1.1%	1.2%	1.0%	1.2%
% of freight revenue	0.9%	1.4%	1.1%	1.4%	1.2%	1.3%	1.2%	1.4%

For the periods presented, the change in operating taxes and licenses was insignificant both as a percentage of total revenue and freight revenue.

Insurance and claims

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Insurance and claims	$ 17,148	$ 11,043	$ 32,538	$ 23,736	$ 12,241	$ 13,074	$ 44,779	$ 36,810
% of total revenue	6.0%	4.0%	5.7%	4.4%	4.3%	4.5%	5.2%	4.4%
% of freight revenue	6.7%	4.5%	6.5%	5.0%	4.7%	5.2%	5.9%	5.0%

Insurance and claims per mile cost increased decreased to 23.9 cents per mile and 23.4 17.4 cents per mile for the three and six months ended June 30, 2024 September 30, 2024, and increased to 21.3 cents per mile for the nine months ended September 30, 2024, respectively, compared to 16.5 19.2 cents per mile and 18.4 18.7 cents per mile, respectively, for the same 2023 periods. The increases decrease on a cents per mile basis for the three and six months ended June 30, 2024 are September 30, 2024 is primarily the result of increased miles compared to the same 2023 period. The increase for the nine months ended September 30, 2024 is primarily the result of current period claims expense and the development of prior period claims compared to the same 2023 period.

Our insurance program includes multi-year policies with specific insurance limits that may be eroded over the course of the policy term. If that occurs, we will be operating with less liability coverage insurance at various levels of our insurance tower. For the policy period that ran from April 1, 2018 to March 31, 2021, the aggregate limits available in the coverage layer $9.0 million in excess of $1.0 million were fully eroded. We replaced our $9.0 million in excess of $1.0 million layer with a new $7.0 million in excess of $3.0 million policy that we continue to maintain. Due to the erosion of the $9.0 million in excess of $1.0 million layer, any adverse developments in claims filed between April 1, 2018 and March 31, 2021, could result in additional expense accruals. We have maintained our retention and limits set in place during the prior renewal cycle. Due to these developments, we may experience additional expense accruals, increased insurance and claims expenses, and greater volatility in our insurance and claims expenses, which could have a material adverse effect on our business, financial condition, and results of operations.

We expect insurance and claims expense to continue to be volatile over the long-term. Recently the trucking industry has experienced a decline in the number of carriers and underwriters that write insurance policies or that are willing to provide insurance for trucking companies, however, for 2024, we expect insurance premiums expense to be similar to that of 2023.

Communications and utilities

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Communications and utilities	$ 1,272	$ 1,215	$ 2,675	$ 2,499	$ 1,330	$ 1,254	$ 4,005	$ 3,753
% of total revenue	0.4%	0.4%	0.5%	0.5%	0.5%	0.4%	0.5%	0.5%
% of freight revenue	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%

For the periods presented, the change in communications and utilities were insignificant both as a percentage of total revenue and freight revenue.

General supplies and expenses

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
General supplies and expenses	$ 14,477	$ 12,775	$ 35,307	$ 26,395	$ 11,937	$ 11,774	$ 47,244	$ 38,169
% of total revenue	5.0%	4.7%	6.2%	4.9%	4.1%	4.1%	5.5%	4.6%
% of freight revenue	5.6%	5.2%	7.0%	5.5%	4.6%	4.6%	6.2%	5.2%

The increase change in general supplies and expenses for the three months ended June 30, 2024 September 30, 2024 was insignificant both as a percentage of total revenue and freight revenue. The increase in general supplies and expenses for the six nine months ended June 30, 2024 September 30, 2024 was primarily the result of the increase in the contingent consideration liability since the 2023 period partially offset by acquisition costs recognized during the 2023 period with no similar costs during the same 2024 period.

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Depreciation and amortization

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Depreciation and amortization	$ 22,130	$ 18,944	$ 43,238	$ 33,519	$ 21,222	$ 18,182	$ 64,460	$ 51,701
% of total revenue	7.7%	6.9%	7.6%	6.2%	7.4%	6.3%	7.5%	6.2%
% of freight revenue	8.6%	7.8%	8.6%	7.0%	8.2%	7.2%	8.5%	7.1%

Depreciation and amortization consists primarily of depreciation of tractors, trailers, and other capital assets, as well as amortization of intangible assets.

Depreciation expense increased $2.6 million $2.8 million and $7.9 million $10.7 million to $19.7 million $18.8 million and $38.5 million $57.3 million for the three and six nine months ended June 30, 2024 September 30, 2024, respectively, compared to $17.1 million $16.0 million and $30.6 million $46.6 million in the same 2023 periods, as a result of increased costs on new equipment and an increase in our average total tractor count. Amortization of intangible assets was $2.4 million and $4.7 million $7.1 million for three and six nine months ended June 30, 2024 September 30, 2024, respectively, compared to $1.8 million $2.2 million and $2.9 million $5.1 million for the same 2023 periods. The increase for the three and six months ended June 30, 2024 September 30, 2024 is due to the amortization of the intangible assets related to the Sims acquisitions and the increase for the nine months ended September 30, 2024 is due to the amortization of intangible assets related to the LTST and Sims acquisitions.

We expect depreciation and amortization to increase going forward as the cost of new equipment increases and we see the full year effect of our 2023 equipment replacement plan. Additionally, changes in the used tractor market could cause have caused us to adjust residual values and increase depreciation, and further adjustments may be necessary in the future. These changes may also cause us to hold assets longer than planned, or experience increased losses on sale. Successfully executing our plan to grow the Dedicated reportable segment could also increase depreciation and amortization going forward.

Loss (gain) on disposition of property and equipment, net

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Loss (gain) on disposition of property and equipment, net	$ 837	$ (1,987)	$ 1,539	$ (11,778)	$ 209	$ (602)	$ 1,748	$ (12,380)
% of total revenue	0.3%	(0.7%)	0.3%	(2.2%)	0.1%	(0.2%)	0.2%	(1.5%)
% of freight revenue	0.3%	(0.8%)	0.3%	(2.5%)	0.1%	(0.2%)	0.2%	(1.7%)

The loss on disposition of property and equipment, net for the three and six nine months ended June 30, 2024 September 30, 2024, compared to a gain on disposition of property and equipment, net for the prior periods, was primarily the result of reductions in the gain on disposition of equipment due to the soft used equipment market. Additionally, the six nine months ended 2023 includes the $7.6 million gain on sale of a Tennessee terminal in the first quarter of 2023, with no such sales in the same 2024 period.

Interest expense, net

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Interest expense, net	$ 3,799	$ 2,124	$ 7,137	$ 2,893	$ 3,204	$ 2,637	$ 10,341	$ 5,530
% of total revenue	1.3%	0.8%	1.3%	0.5%	1.1%	0.9%	1.2%	0.7%
% of freight revenue	1.5%	0.9%	1.4%	0.6%	1.2%	1.0%	1.4%	0.8%

For the periods presented, the increases The change in interest expense were for the three months ended September 30, 2024 was insignificant both as a percentage of total revenue and freight revenue. For nine months ended September 30, 2024, the increase in interest expense was primarily the result of an increase in revenue equipment installment notes as a result of additional equipment added during 2023 and 2024 as a result of our revenue equipment replacement plan, as well as increased interest rates since the 2023 periods.

This line item will fluctuate based on our decision with respect to purchasing revenue equipment with balance sheet debt versus operating leases, our revenue equipment replacement plan, and changing interest rates.

Income from equity method investment

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Income from equity method investment	$ 4,094	$ 5,381	$ 7,770	$ 1[illegible]

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Income from equity method investment	$ 3,993	$ 5,335	$ 11,763	$ 1[illegible]

We have accounted for our investment in TEL using the equity method of accounting and thus our financial results include our proportionate share of TEL's net income or loss. The decrease decreases in TEL's contribution to our results for the three and six nine months ended June 30, 2024 September 30, 2024 were primarily the result of a deterioration in the equipment market, suppressing gains on sale of used equipment, and increased interest expense associated with higher interest rates on equipment related debt compared to the 2023 periods. Due to TEL's business model, gains and losses on sale of equipment is a normal part of the business and can cause earnings to fluctuate from period to period and therefore our income from investment to similarly fluctuate. We expect TEL's net income for the full remainder of 2024 year to approximate decline compared that of the third quarter of 2024, resulting in a lower full year 2024 net income from TEL compared to full year 2023.

Income tax expense

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Income tax expense	$ 3,828	$ 2,897	$ 4,677	$ 9,218	$ 4,141	$ 4,483	$ 8,817	$ 13,701
% of total revenue	1.3 %	1.1 %	0.8 %	1.7 %	1.4 %	1.6 %	1.0 %	1.7 %
% of freight revenue	1.5 %	1.2 %	0.9 %	1.9 %	1.6 %	1.8 %	1.2 %	1.9 %

The increase decreases in income tax expense for the three and nine months ended June 30, 2024 was September 30, 2024 were the result of the rate impact of executive compensation disallowance as well as a $0.8 million increase and $18.1 million decrease in pre-tax income, respectively, compared to the same 2023 period. The decrease in income tax expense for the six months ended June 30, 2024, were primarily related to the $17.3 million decrease in pre-tax income in the six months ended June 30, 2024, compared to the same 2023 period. periods. The decreases in pre-tax income resulted from the aforementioned changes in operating income and earnings on investment in TEL.

The effective tax rate is different from the expected combined tax rate due primarily to state tax expense and permanent differences. The rate impact of items such as executive compensation disallowance and the deductibility of per diem payments will fluctuate in future periods as income fluctuates.

RESULTS OF SEGMENT OPERATIONS

We have four reportable segments, Expedited, Dedicated, Managed Freight, and Warehousing, each as described above.

COMPARISON OF THREE AND SIX NINE MONTHS ENDED JUNE 30, 2024 SEPTEMBER 30, 2024 TO THREE AND SIX NINE MONTHS ENDED JUNE 30, 2023 SEPTEMBER 30, 2023

The following table summarizes revenue and operating income data by reportable segment:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Revenues:								
Expedited	$ 108,010	$ 104,073	$ 213,481	$ 204,969	$ 104,314	$ 113,419	$ 317,795	$ 318,388
Dedicated	93,465	81,194	177,947	161,438	94,715	80,242	272,662	241,680
Managed Freight	60,366	63,281	123,283	124,155	63,385	69,713	186,668	193,868
Warehousing	25,656	25,468	51,549	50,305	25,471	25,347	77,020	75,652
Total revenues	$ 287,497	$ 274,016	$ 566,260	$ 540,867	$ 287,885	$ 288,721	$ 854,145	$ 829,588
Operating Income:								
Expedited	$ 4,768	$ 5,815	$ 9,552	$ 15,091	$ 6,467	$ 7,522	$ 16,019	$ 22,613
Dedicated	5,450	3,243	753	10,390	5,429	2,976	6,182	13,366
Managed Freight	3,330	1,945	5,599	3,163	2,451	3,742	8,050	6,905
Warehousing	2,029	780	4,008	771	1,888	901	5,896	1,672
Total operating income	$ 15,577	$ 11,783	$ 19,912	$ 29,415	$ 16,235	$ 15,141	$ 36,147	$ 44,556

The increase decrease in Expedited revenue for the three months ended June 30, 2024 September 30, 2024 relates to an increase of 55 (or 6.4%) average tractors and a $1.0 million increase in fuel surcharge revenue partially offset by a decrease in average freight revenue per tractor per week of 2.8% 4.8%, and a $4.8 million decrease in fuel surcharge revenue compared to the 2023 quarter. The decrease in average freight revenue per tractor per week for the quarter ended June 30, 2024 September 30, 2024 is the result of a 4.0 3.7% decrease in average miles per unit and a 3.0 cents per mile (or 1.9% 1.2%) decrease in average rate per total mile and a 0.9% decrease in average miles per unit as compared to the 2023 quarter. Expedited team-driven tractors averaged 845 823 and 789 831 tractors in the second third quarter of 2024 and 2023, respectively.

For the six nine months ended June 30, 2024 September 30, 2024, the increase decrease in Expedited revenue relates to a 50 (or 5.9%) average tractor increase partially offset by an decrease in average freight revenue per tractor per week of 1.7% 2.8%, and a $4.2 million decrease in fuel surcharge revenue partially offset by a 34 (or 3.9%) average tractor increase compared to the same 2023 period. The decrease in average freight revenue per tractor per week for the six nine months ended June 30, 2024 September 30, 2024 is the result of a 7.0 6.0 cents per mile (or 3.3% 2.8%) decrease in average rate per total mile partially offset by a 2.6% 0.3% increase in average miles per unit compared to the same 2023 period. Expedited team-driven tractors averaged 844 837 and 786 801 for the six nine months ended June 30, 2024 September 30, 2024 and 2023, respectively.

The increase in Dedicated revenue for the three months ended June 30, 2024 September 30, 2024 relates to a 136, 167, or 10.9% 13.5% average tractor increase and an increase in average freight revenue per tractor per week of 6.6% 8.7% compared to the 2023 quarter. The increase in average freight revenue per tractor per week was the result of a 19.0 18.4 cents per mile (or 7.1% 6.8%) increase in average rate per total mile partially offset by and a 0.5% decrease 1.8% increase in average miles per unit compared to the 2023 quarter.

For the six nine months ended June 30, 2024 September 30, 2024, the increase in Dedicated revenue relates to a 82 110 (or 6.6% 8.9%) average tractor increase and an increase in average freight revenue per tractor per week of 6.3% 7.1% compared to the same 2023 period. The increase in average freight revenue per tractor per week for the six nine months ended June 30, 2024 September 30, 2024 is the result of a 16.0 16.9 cents per mile (or 6.0% 6.3%) increase in average rate per total mile and a 0.8% 1.1% increase in average miles per unit compared to the same 2023 period.

For the three and six nine months ended June 30, 2024 September 30, 2024, Managed Freight total revenue decreased primarily as a result of a degraded spot market, partially offset by the third quarter 2023 Sims acquisition.

For the three and six nine months ended June 30, 2024 September 30, 2024, Warehousing total revenue increased as a result of customer rate increases since the same 2023 periods.

The increase in operating income for the three months ended June 30, 2024 September 30, 2024, was the result of the increase an $8.1 million, $5.0 million, and $0.9 million decrease in total revenue described above and a $4.3 million and $1.1 million decrease in Expedited, Managed Freight, and Warehousing operating expenses, respectively, partially offset by a $10.1 million and $5.0 million $12.0 million increase in Dedicated and Expedited operating expenses respectively. and the decrease in total revenue described above. The decrease in operating income for the six nine months ended June 30, 2024 September 30, 2024, was the result of a $26.2 million $38.2 million and $14.1 million $6.0 million increase in Dedicated and Expedited operating expenses, respectively, partially offset by a $3.3 million an $8.4 million and $2.0 million $2.9 million decrease in Managed Freight and Warehousing operating expenses, respectively as well as the aforementioned changes in total revenue.

The decrease in Expedited operating income for the three and six nine months ended June 30, 2024 September 30, 2024 was primarily the result of an increase the aforementioned decreases in revenue and changes to the Expedited operating expenses. The decrease in Expedited operating expenses for the three months ended September 30, 2024 was primarily the result of a decrease in fuel expense and a decrease in operations and maintenance expenses as a compared to the same 2023 period, partially offset by a large workers' compensation claim during the aforementioned increase in revenue. 2024 period. The increase in Expedited operating expenses for the three and six nine months ended June 30, 2024 was September 30, 2024, primarily the result of related to increases in insurance and claims expense, and depreciation expense as a result of increased equipment costs cost, and losses on the sale of equipment since the 2023 period, partially offset by the prior period increases reductions in the contingent consideration liability. fuel expense and operations and maintenance expense. The increase in Dedicated operating income for the three months ended June 30, 2024 September 30, 2024 was primarily the result of the aforementioned increase in revenue, partially offset by an increase in Dedicated operating expenses. The decrease in Dedicated operating income for the six nine months ended June 30, 2024 September 30, 2024 was primarily the result of an increase in Dedicated operating expenses partially offset by the aforementioned increase in revenue. The increase in Dedicated operating expenses for the three and six nine months ended June 30, 2024 September 30, 2024, was primarily the result of increased salaries, wages, and benefits for our professional drivers of $6.6 million and $13.9 million, respectively, as the result of growth, the increase in the contingent consideration liability of $0.7 million and $9.5 million, respectively, increased depreciation expense as a result of growth and increased equipment costs, and losses on the increase in the contingent consideration liability sale of equipment since the 2023 period. Additionally, during the six nine months ended June 30, 2023 September 30, 2023, we sold a Tennessee terminal resulting in a $7.6 million gain which is included in gain on disposition of property and equipment, net in the condensed consolidated statements of operations with no similar gain in the same 2024 period.

The decrease in operating income for Managed Freight for the three months ended September 30, 2024was primarily the result of the aforementioned decreases in revenue partially offset by a decrease in Managed Freight operating expenses. The decrease in Managed Freight operating expenses for the three months ended September 30, 2024 was primarily the result of the changes in revenue driving changes in variable expenses, primarily purchased transportation, partially offset by a large cargo related claim during the 2024 period. The increase in operating income for Managed Freight for the three and six nine months ended June 30, 2024 September 30, 2024 was primarily the result of a decrease in Managed Freight operating expenses partially offset by the aforementioned decreases decrease in revenue. The decrease in Managed Freight operating expenses for the threenine months ended June 30, 2024 September 30, 2024 was primarily the result of the changes in revenue driving changes in variable expenses, primarily purchased transportation, while the decrease in operating expenses for the six months ended June 30, 2024 was primarily due to as well as a small number of prior period claims recognized in the same 2023 period with no similar 2024 activity. Additionally, operating income improved for both periods as a result of the impact of the higher-margin Sims acquisition since the same 2023 periods.

The increase in operating income for Warehousing for the three and six nine months ended June 30, 2024 September 30, 2024 was primarily the result of the aforementioned increase in revenue and a decrease in Warehousing operating expenses. The decrease in Warehousing operating expenses for the three and six nine months ended June 30, 2024 September 30, 2024, was a result of a reduction in outsourced labor since the 2023 periods. In our asset-light reportable segments, we are prioritizing long-term growth, focusing on talent acquisition and technology enhancements.

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LIQUIDITY AND CAPITAL RESOURCES

Our business requires significant capital investments over the short-term and the long-term. Historically, we have financed our capital requirements with borrowings under our Credit Facility, cash flows from operations, long-term operating leases, finance leases, secured installment notes with finance companies, and proceeds from the sale of our used revenue equipment. Going forward, we expect revenue equipment acquisitions to primarily be through purchases and finance leases. Further, we expect to increase our capital allocation toward our Dedicated, Managed Freight, and Warehousing reportable segments to become the go-to partner for our customers' most critical transportation and logistics needs. We had working capital (total current assets less total current liabilities) of $14.1 million $20.1 million and $15.7 million at June 30, 2024 September 30, 2024 and December 31, 2023, respectively. Our working capital on any particular day can vary significantly due to the timing of collections and cash disbursements. Based on our expected financial condition, net capital expenditures, results of operations, related net cash flows, installment notes, and other sources of financing, we believe our working capital and sources of liquidity will be adequate to meet our current and projected needs, and we do not expect to experience material liquidity constraints in the foreseeable future.

With an average fleet tractor fleet age of 1.7 1.6 years at June 30, 2024 September 30, 2024, we believe we have flexibility to manage our fleet, and we plan to regularly evaluate our tractor replacement cycle, new tractor purchase requirements, and purchase options. If we were to grow our independent contractor fleet, our capital requirements would be reduced.

As of June 30, 2024 September 30, 2024 and December 31, 2023 we had $317.3 million $316.5 million and $293.5 million in debt and lease obligations, respectively, consisting of the following:

- No and $11.6 million outstanding borrowings under the Credit Facility;
- No outstanding borrowings under the Draw Note;
- $249.6 247.4 million and $213.9 million in revenue equipment installment notes, respectively;
- $18.5 18.1 million and $19.1 million in real estate notes, respectively;
- $6.5 6.3 million and $6.1 million of the principal portion of financing lease obligations, respectively; and
- $42.7 44.6 million and $42.8 million of the operating lease obligations, respectively.

The increase in revenue equipment installment notes is primarily due to replacing our older equipment with new equipment. equipment as well as growth in our Dedicated reportable segment.

As of June 30, 2024 September 30, 2024, we had no borrowings outstanding, undrawn letters of credit outstanding of approximately $20.8 million $19.7 million, and available borrowing capacity of $88.8 million $90.3 million under the Credit Facility. Additionally, we had $45.0 million of remaining availability of a $45.0 million Draw Note from Triumph which is available solely to fund any indemnification owed to Triumph in relation to the TFS Settlement. Fluctuations in the outstanding balance and related availability under our Credit Facility are driven primarily by cash flows from operations and the timing and nature of property and equipment additions that are not funded through notes payable, as well as the nature and timing of collection of accounts receivable, payments of accrued expenses, and receipt of proceeds from disposals of property and equipment.

Our net capital expenditures for the six nine months ended June 30, 2024 September 30, 2024 totaled $54.8 million $77.5 million of expenditures, as compared to $111.9 million $143.0 million of expenditures for the prior year period. During the six nine months ended June 30, 2024 September 30, 2024, we took delivery of approximately 220 691 new tractors and 345 757 new trailers, while disposing of approximately 211 791 used tractors and 160 319 used trailers. Our current fleet plan for the remainder of 2024 includes the delivery of an additional 332 104 new company replacement tractors and 312 93 additional new trailer deliveries. Net losses on disposal of equipment and real estate in the six nine months ended June 30, 2024 September 30, 2024 were $1.5 million $1.7 million compared to $11.8 million $12.4 million net gains in the same prior year period primarily due to the $7.6 million gain on a Tennessee terminal during the 2023 period and the aforementioned disposal of revenue equipment as part of our trade cycle. For the balance of 2024, our baseline expectation for net capital expenditures is $30.0 million $15.0 million to $40.0 million $20.0 million. Our capital investment plan reflects our priorities growing Dedicated with new poultry related business, of maintaining the average age of our equipment fleet in a manner that allows us to optimize operational uptime and related operating costs, and offering a fleet of equipment that our professional drivers are proud to operate. We expect the benefits of improved utilization, fuel economy and maintenance costs to produce acceptable returns despite increased prices of new equipment and potentially lower values of used equipment.

We distributed a total of $2.9 million $4.3 million to stockholders in the first six nine months of 2024 through dividends.

We believe we have sufficient liquidity to satisfy our cash needs, and we will continue to evaluate the nature and extent of potential short-term and long-term impacts to our business.

Cash Flows

Despite a year over year reduction in net income of $12.8 million $13.2 million, net cash flows provided by operating activities increased to $44.1 million $101.0 million for the six nine months ended June 30, 2024 September 30, 2024, compared to $12.3 million $52.9 million for the same 2023 period, primarily due to increases in non-cash expenses such as depreciation and amortization and reductions to non-cash gains on sale of property and equipment in the current period. Changes in operating assets and liabilities such as receivables and driver advances accounts payable and accrued expenses, and insurance and claims accruals provided improved cash flow for the six nine months ended June 30, 2024 September 30, 2024, compared to the 2023 period.

Net cash flows used by investing activities were $86.5 million $104.2 million for the six nine months ended June 30, 2024 September 30, 2024, compared to $113.3 million $144.6 million used in the same 2023 period. The decrease in net cash flows used by investing activities was primarily due to the April 2023 acquisition and the August 2023 acquisitions of LTST and Sims, respectively, for $99.9 million $107.9 million, net of cash acquired, partially offset by the $4.6 million payment related to the acquisition of LTST and our Section 338(h)(10) election during the 2024 period, and the timing of our trade cycle whereby we took delivery of approximately 220 691 new tractors and 345 757 new trailers, while disposing of approximately 211 791 used tractors and 160 319 used trailers during the 2024 period compared to delivery of 234 607 new tractors and 262 367 new trailers, while disposing of approximately 321 926 used tractors and 175 518 used trailers in the same 2023 period. Additionally, the 2023 period provided $12.5 million of proceeds related to the sale of a Tennessee terminal.

Net cash flows provided by financing activities were approximately $41.4 million $36.1 million for the six nine months ended June 30, 2024 September 30, 2024, compared to $40.1 million $30.4 million provided in the same 2023 period. The increase in net cash flows provided by financing activities was primarily a function of no repurchases of shares of our Class A common stock during the 2024 period compared to $25.4 million during the same 2023 period, partially offset by net borrowings of proceeds relating to our notes payable and our Credit Facility of $49.4 million $47.3 million in the 2024 period compared to $76.9 million in the 2023 period.

Net cash flows provided by operating activities and provided by financing activities in the 2024 period also included payment of $3.0 million and $7.0 million, respectively, of contingent consideration liabilities related to the acquisition of AAT. Net cash flows provided by operating activities and used provided by financing activities in the 2023 period also included payment of $0.8 million and $9.2 million, respectively, of contingent consideration liabilities related to the acquisition of AAT.

On May 18, 2022 our Board approved a stock repurchase authorization of up to $75.0 million of our Class A common stock, with any remaining amount available under prior authorizations being excluded and no longer available. Under such authorization, we repurchased 2.0 million shares of our Class A common stock for $54.7 million during 2022. On January 30, 2023, the Board approved an amendment to the Company's stock repurchase program authorizing the purchase of up to an aggregate $55.0 million of our Class A common stock. The amendment added an incremental approximately $37.5 million to the approximately $17.5 million that was then-remaining under the program. Between May 2022 and April 2023, we repurchased a total of 2.7 million shares of our Class A common stock. The program expired on January 31, 2024.

Our cash flows may fluctuate depending on capital expenditures, future stock repurchases, dividends, strategic investments or divestitures, any indemnification calls related to the TFS Settlement, and the extent of future income tax obligations and refunds.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires us to make decisions based upon estimates, assumptions, and factors we consider as relevant to the circumstances. Such decisions include the selection of applicable accounting principles and the use of judgment in their application, the results of which impact reported amounts and disclosures. Changes in future economic conditions or other business circumstances may affect the outcomes of our estimates and assumptions. Accordingly, actual results could differ from those anticipated. There have been no material changes to our most critical accounting policies and estimates during the three and six nine months ended June 30, 2024 September 30, 2024, compared to those disclosed in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in our Form 10-K for the year ended December 31, 2023.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our market risks have not changed materially from the market risks reported in our Form 10-K for the year ended December 31, 2023.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures 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.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operations of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2024 September 30, 2024.

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

We have confidence in our internal controls and procedures. Nevertheless, our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure procedures and controls or our internal controls will prevent all errors or intentional fraud. An internal control system, no matter how well-conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of such internal controls are met. Further, the design of an internal control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. As a result of the inherent limitations in all internal control systems, no evaluation of controls can provide absolute assurance that all our control issues and instances of fraud, if any, have been detected.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act) that occurred during the three months ended June 30, 2024 September 30, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information about our legal proceedings is included in Note 10, "Commitments and Contingencies" of the accompanying condensed consolidated financial statements and is incorporated by reference herein.

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 Form 10-K for the year ended December 31, 2023, in the sections entitled "Item 1A. Risk Factors," describe some of the risks and uncertainties associated with our business. These risks and uncertainties have the potential to materially affect our business, financial condition, results of operations, cash flows, projected results, and future prospects.

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

During the quarter ended June 30, 2024 September 30, 2024, we did not engage in unregistered sales of securities or any other transactions required to be reported under this Item 2 of Part II on Form 10-Q.

The payment of cash dividends is currently limited by our financing arrangements, including certain covenants under our Credit Facility. We distributed a total of $2.9 million $4.3 million to stockholders in the first six nine months of 2024 through dividends.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

During the second third quarter of 2024, no director or officer adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement.

ITEM 6. EXHIBITS

Exhibit Number	Reference	Description	Reference	Description
3.1	(1)	Third Amended and Restated Articles of Incorporation	(1)	Third Amended and Restated Articles of Incorporation
3.2	(2)	Sixth Amended and Restated Bylaws	(2)	Sixth Amended and Restated Bylaws
4.1	(1)	Third Amended and Restated Articles of Incorporation	(1)	Third Amended and Restated Articles of Incorporation
4.2	(2)	Sixth Amended and Restated Bylaws	(2)	Sixth Amended and Restated Bylaws

10.1	#*	Form of Restricted Stock Unit Award		
10.2	#*	Form of Performance Restricted Stock Unit Award		
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 R. Parker, the Company's Principal Executive Officer	#	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 R. Parker, the Company's Principal Executive Officer
31.2	#	Certification pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, by James S. Grant, the Company's Principal Financial Officer	#	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 James S. Grant, the Company's Principal Financial Officer

32.1	##	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by David R. Parker, the Company's Chief Executive Officer	##	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by David R. Parker, the Company's Chief Executive Officer
32.2	##	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by James S. Grant, the Company's 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, by James S. Grant, the Company's Principal Financial Officer
101.INS		Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document		Inline XBRL 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	Inline XBRL Taxonomy Extension Schema Document	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document	Inline XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL Document and included in Exhibit 101)	Cover Page Interactive Data File (embedded within the Inline XBRL Document and included in Exhibit 101)

References:

(1)	Incorporated by reference to Exhibit 3.1 to the Company's Report on Form 8-K (File No. 000-24960), filed July 2, 2020.	Incorporated by reference to Exhibit 3.1 to the Company's Report on Form 8-K (File No. 000-24960), filed July 2, 2020.
(2)	Incorporated by reference to Exhibit 3.2 to the Company's Report on Form 8-K (File No. 000-24960), filed August 9, 2021.	Incorporated by reference to Exhibit 3.2 to the Company's Report on Form 8-K (File No. 000-24960), filed August 9, 2021.
#	Filed herewith.	Filed herewith.
##	Furnished herewith.	Furnished herewith.

*   Management contract or compensatory plan or arrangement.

SIGNATURE

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

COVENANT LOGISTICS GROUP, INC.

Date: August 2, 2024 November 1, 2024	By:	/s/ James S. Grant
		James S. Grant
		Chief Financial Officer in his capacity as such and as a duly authorized officer on behalf of the issuer

Exhibit 10.1

COVENANT LOGISTICS GROUP, INC.
THIRD AMENDED AND RESTATED
2006 OMNIBUS INCENTIVE PLAN, AS AMENDED
AWARD NOTICE

GRANTEE:	
TYPE OF AWARD:	Restricted Stock Unit Award
NUMBER OF UNITS:	
DATE OF GRANT:	

1. Grant of Restricted Stock Units. This Award Notice serves to notify you that Covenant Logistics Group, Inc., a Nevada corporation (the "Company"), hereby grants to you, under the Company's Third Amended and Restated 2006 Omnibus Incentive Plan, as amended (the "Plan"), a Restricted Stock Unit Award (the "Award"), on the terms and conditions set forth in this Award Notice and the Plan, of the number of restricted stock units set forth above ("Restricted Units"). A copy of the Plan is included with this Award Notice, if it has not previously been provided to you. You should review the terms of this Award Notice and the Plan carefully.

2. Restrictions and Vesting. Subject to the terms and conditions set forth in this Award Notice, the Plan, and Schedule A attached hereto, and provided you are still in the employment of or service to the Company or any Subsidiary at the applicable Vest Date (as defined in Schedule A), one or more portions of the Restricted Units shall vest as of the applicable Vest Date.

3. Additional Vesting Matters. Subject to Section 4, any Restricted Units that do not vest as a result of your failure to have been continuously in the employment by or service to the Company or a Subsidiary from the date of grant until the applicable Vest Date, shall automatically be forfeited on the date your employment or service is terminated without any obligation of the Company to pay any amount with respect to the Restricted Units or deliver any shares of the Company's Class A Common Stock, par value $0.01 per share (the "Common Stock") with respect to the Restricted Units, to you or to any other person or entity.

4. Effect of Retirement, Death, or Disability. In the event of your Retirement, death, or Disability prior to the vesting of the Award, any unvested Restricted Units shall vest on the date of such Retirement, death, or Disability.

The term "Retirement" as used in this Award Notice means (i) terminating employment with or service to the Company or a Subsidiary, whichever occurs later, (ii) at the date of such retirement you are at least sixty-two (62) years of age, (iii) at the date of such retirement you have had at least five (5) years of service to the Company or a Subsidiary, and (iv) following retirement you do not provide any employment, consulting, agent, or independent contractor services to any person or entity (other than consulting services provided to the Company or a Subsidiary) of any material nature, as determined in the sole discretion of the Company either at the time of retirement or thereafter through any vesting of an Award.

The term "Disability" means (i) you are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (ii) you are, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Company or any wholly- or partially owned entity in the Company's consolidated group that would be aggregated with the Company under Sections 414(b) or (c) of the Internal Revenue Code of 1986, as amended.

5. Effect of Change in Control.

(a) In General. The following provisions shall apply in the event of a Change in Control:

(i) To the extent the successor company (or a subsidiary or parent thereof) assumes the Award, with appropriate adjustments to preserve the value of the Award, or provides a substitute for the Award on substantially the same terms and conditions, the existing vesting terms will continue to apply;

(ii) To the extent (x) the successor company (or a subsidiary or parent thereof) does not assume or provide a substitute for an Award on substantially the same terms and conditions or (y) the successor company (or a subsidiary or parent thereof) assumes the Award and your employment or service is terminated without Cause or with Good Reason between execution of a definitive agreement in contemplation of a Change in Control and continuing through twenty-four (24) months following a Change in Control, any restrictions imposed on the Award outstanding as of the Change in Control shall lapse.

(b) "Cause" Defined. "Cause" for termination by the Company or any of its affiliates of your employment or service shall mean: (i) failure by you to perform the essential functions of your position with the Company or any of its affiliates, other than any failure resulting from your incapacity due to physical or mental disability, it being understood that a reasonable, good faith attempt to perform but failure to do so will not be deemed a failure to perform essential functions; (ii) failure to comply with any lawful directive by the Board of Directors of the Company (the "Board"), it being understood that a reasonable, good faith attempt to comply with such directive but failure to do so will not be deemed a failure to comply for purposes of this definition of "Cause"; (iii) a material violation by you of the corporate governance guidelines, code of ethics, insider trading policy, governance policy, or other policy of the Company or any of its affiliates; (iv) a breach of any fiduciary duty to the Company or any of its affiliates; (v) misconduct in the course and scope of employment by you that is injurious to the Company or any of its affiliates from a monetary or reputational standpoint in any material respect; (vi) any attempt to willfully obtain any personal profit from any transaction which is adverse to the interests of the Company or any of its affiliates or in which the Company or any of its affiliates has an interest or any act of fraud or embezzlement against the Company or any of its affiliates or any of their respective customers or suppliers; (vii) a breach by you of any of the covenants contained in any employment, severance or other agreement applicable to you; (viii) the repeated use of alcohol or abuse of prescription drugs by you that interferes with your duties, the use of illegal drugs by you, or a violation by you of the drug and/or alcohol policies of the Company or any of its affiliates; (ix) violation of any applicable law, rule or regulation, including without limitation the Sarbanes-Oxley Act of 2002 or other federal or state securities law, rule, or regulation, in each case, that is injurious to the Company or any of its affiliates from a monetary or reputational standpoint in any material respect; or (x) the conviction or plea of guilty or nolo contendere to a felony or a misdemeanor involving moral turpitude. For purposes of this definition following a Change in Control, the Board's determination of "Cause" must be made in good faith and will be binding on you.

(c) "Change in Control" Defined. "Change in Control" means a change in control of the Company of a nature that would be required to be reported in response to Item 5.01 of a Current Report on Form 8-K, pursuant to Section 13 or 15(d) of the Exchange Act; provided that, without limitation, a Change in Control shall be deemed to have occurred at such time as any of the following occurs after the grant date of the Award:

(i) Any "person" within the meaning of Section 3(a)(9) of the Exchange Act, and as modified and used in Section 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) of the Exchange Act (but excluding the Company, any employee benefit plan sponsored or maintained by the Company (including any trustee of such plan (acting as trustee) or other fiduciary holding securities under an employee benefit plan of the Company), and any underwriter temporarily holding securities pursuant to an offering of such securities) ("Person"), other than a Permitted Holder becomes the "beneficial owner," as defined in Rule 13d-3 under the Exchange Act, directly or indirectly, of fifty percent (50%) or more of the combined voting power of the outstanding securities of the Company ordinarily having the right to vote in the election of directors; provided, however, that the following will not constitute a Change in Control: any acquisition by any corporation if, immediately following such acquisition, more than seventy-five percent (75%) of the outstanding securities of the acquiring corporation (or the parent thereof) ordinarily having the right to vote in the election of directors is beneficially owned by all or substantially all of those persons who, immediately prior to such acquisition, were the beneficial owners of the outstanding securities of the Company ordinarily having the right to vote in the election of directors;

(ii) Individuals who constitute the Board of the Company as of the grant date of the Award (the "Incumbent Board") have ceased for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to the grant date of the Award, whose election or nomination for election by the Company's stockholders was approved by a vote of at least three-fourths (3/4) of the directors comprising the Incumbent Board, either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director without objection to such nomination (other than an election or nomination of an individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of the Company, including, without limitation, in connection with a "tender offer," as such term is used in Section 14(d) of the Exchange Act), shall be, for purposes of the Agreement, considered as though such person were a member of the Incumbent Board;

(iii) Upon the consummation by the Company of a reorganization, merger, or consolidation, other than one with respect to which all or substantially all of those persons who were the beneficial owners, immediately prior to such reorganization, merger, or consolidation, of outstanding securities of the Company ordinarily having the right to vote in the election of directors own, immediately after such transaction, more than seventy-five percent (75%) of the outstanding securities of the resulting corporation ordinarily having the right to vote in the election of directors;

(iv) Upon the approval by the Company's stockholders of a complete liquidation and dissolution of the Company or the sale or other disposition of all or substantially all of the assets of the Company other than to a Subsidiary or to an entity controlled by a Permitted Holder; or

(v) Upon the consummation of a transaction subject to Rule 13e-3 of the Exchange Act in which the Permitted Holders identified in romanette (iii) of the definition of Permitted Holder hereunder are the beneficial owners of more than fifty percent (50%) of the outstanding securities of the resulting corporation ordinarily having the right to vote in the election of directors.

(d) "Good Reason" Defined. "Good Reason" means the occurrence of any of the following, without your express written consent, resulting in the termination of your employment or service with the Company or any of its affiliates:

(i) material diminution in the overall scope of your duties, authorities and/or responsibilities from those held by you immediately prior to the time of a Change in Control, it being understood that the fact that the Company may be a subsidiary of a different public company or becomes a private company, and any diminution of duties in respect of no longer having public company related duties will not be considered a diminution;

(ii) written requirement for geographic relocation of your assigned principal business location to a location greater than fifty (50) miles from the place of the your principal business location immediately prior to the time of a Change in Control; or

(iii) diminution by ten percent (10%) or more of your annual base salary or target bonus in effect immediately prior to the time of a Change in Control.

(e) "Permitted Holder" Defined. "Permitted Holder" means: (i) the Company or a Subsidiary, (ii) any employee benefit plan sponsored by the Company or a Subsidiary, or (iii) David or Jacqueline Parker or their siblings, children, or grandchildren ("Family Members") or a trust, corporation, partnership, limited partnership, limited liability company, or other such entity, so long as at least eighty percent (80%) of the beneficial interests of the entity are held by Mr. or Mrs. Parker and/or one or more Family Members, where such person(s) or entity acquired their Company stock from Mr. or Mrs. Parker.

6. Settlement of Restricted Stock Units. The Restricted Units will be settled in shares of Common Stock; provided, however, in its sole discretion, the Committee may require the Restricted Units to be settled in cash. Subject to Sections 7 and 12 of this Award Notice, upon the vesting of any Restricted Units pursuant to this Award Notice, the Company shall issue a certificate or book-entry for shares of Common Stock representing such vested Restricted Units on a one-for-one basis, as promptly as practicable following the date of vesting (or the Company shall issue cash, in the Committee's sole discretion). Upon settlement, the number of settled Restricted Units shall be extinguished and such number of Restricted Units will no longer be considered to be held by you for any purpose. The Restricted Units and any shares of Common Stock earned upon vesting of the Restricted Units (or cash, in the Committee's sole discretion) may be issued during your lifetime only to you, or after your death to your designated beneficiary, or, in the absence of such beneficiary, to your duly qualified personal representative.

7. Withholding. You shall pay to the Company or a Subsidiary, or make other arrangements satisfactory to the Company regarding the payment of, any federal, state, or local taxes of any kind required by applicable law to be withheld with respect to the Restricted Units awarded under this Award Notice and any shares of Common Stock to be issued with respect to the vesting of the Restricted Units (or cash, in the Committee's sole discretion). Your right to receive the Restricted Units under this Award Notice and any shares of Common Stock to be issued with respect to the vesting of the Restricted Units (or cash, in the Committee's sole discretion) is subject to, and conditioned on, your payment of such withholding amounts.

8. Nonassignability. The Restricted Units may not, except as otherwise provided in the Plan, be sold, assigned, transferred, pledged, or encumbered in any way prior to the vesting of such shares, whether by operation of law or otherwise, except by will or the laws of descent and distribution or a qualified domestic relations order. After vesting, the sale or other transfer of the shares of Common Stock shall be subject to applicable laws and regulations under the Exchange Act.

9. Rights as a Stockholder; Limitation on Rights. You do not have any of the rights of a stockholder with respect to the Restricted Units awarded under this Award Notice. Without limiting the generality of the foregoing, no dividends or dividend equivalents shall be paid or accrue on the Restricted Units granted before such Restricted Units vest and you shall have no right to vote any shares of Common Stock underlying any Restricted Units unless and until such Restricted Units vest and you receive shares of Common Stock in accordance with Section 6 of this Award Notice. Neither the Plan, the granting of the Award, nor this Award Notice gives you any right to remain in the employment of the Company or a Subsidiary.

10. Company Policies. Your ability to dispose of the shares of Common Stock you receive after vesting of the Restricted Units in accordance with Section 6 may be limited by stock ownership guidelines adopted by the Company for certain officers and key employees, and the Company is authorized to place a restrictive legend on such shares, issue stop-transfer instructions to the transfer agent, or take such other actions as may be advisable, in the Committee's sole discretion, to enforce such ownership guidelines. Your rights with respect to Restricted Units and any shares of Common Stock (or cash, in the Committee's sole discretion) issued with respect to the vesting of the Restricted Units may be subject to the Company's clawback policy. Please determine whether you are subject to the guidelines and how many shares of Common Stock may be disposed of prior to attempting to dispose of any shares or other restrictions that may be applicable to you.

11. Rights of the Company and Subsidiaries. This Award Notice does not affect the right of the Company or a Subsidiary to take any corporate action whatsoever, including, without limitation, its right to recapitalize, reorganize, or make other changes in its capital structure or business, merge or consolidate, issue bonds, notes, shares of Common Stock, or other securities, including preferred stock, or options therefor, dissolve or liquidate, or sell or transfer any part of its assets or business. Nothing in this Award Notice shall create any rights to employment by the Company or any Subsidiary or alter the at-will nature of your employment.

12. Restrictions on Issuance of Shares. If at any time the Company determines that the listing, registration, or qualification of the Restricted Units or shares of Common Stock upon any securities exchange or quotation system, or under any state or federal law, or the approval of any governmental agency, is necessary or advisable as a condition to the issuance of a certificate or book-entry for shares of Common Stock representing any vested Restricted Units, such issuance may not be made in whole or in part unless and until such listing, registration, qualification, or approval shall have been effected or obtained free of any conditions not acceptable to the Company.

13. Plan Controls; Definitions. The Award is subject to all of the provisions of the Plan, which is hereby incorporated by reference, and is further subject to all the interpretations, amendments, rules, and regulations that may from time to time be promulgated and adopted by the Committee pursuant to the Plan. Except as set forth in the last sentence of this Section 13, in the event of any conflict among the provisions of the Plan and this Award Notice, the provisions of the Plan will be controlling and determinative. The capitalized terms used in this Award Notice and not otherwise defined herein are defined in the Plan; provided, however, that when the defined term "Company" is used in the Plan in Sections 1.2, 2.1(c), 2.1(e), 2.1(f), 2.1(i), 2.1(w), 2.1(aa), 2.1(ee), 4.2(h) (second usage), 4.3, 6.1, 6.2, 11.3, 13.2 (second usage), 16.2, and 16.4, the term "Company" shall be interpreted to mean only Covenant Logistics Group, Inc., a Nevada corporation (and not also its Subsidiaries).

14. Amendment. Except as otherwise provided by the Plan, the Company may only alter, amend, or terminate this Award with your consent.

15. Governing Law. This Award Notice shall be governed by and construed in accordance with the laws of the State of Nevada, except as superseded by applicable federal law, without giving effect to its conflicts of law provisions.

16. Notices. All notices and other communications to the Company required or permitted under this Award Notice shall be written, and shall be either delivered personally or sent by registered or certified first-class mail, postage prepaid and return receipt requested addressed to the Company's office at 400 Birmingham Highway, Chattanooga, Tennessee 37419, Attention: President. Each such notice and other communication delivered personally shall be deemed to have been given when delivered. Each such notice and other communication delivered by mail shall be deemed to have been given when it is deposited in the United States mail in the manner specified herein.

ACKNOWLEDGEMENT

The undersigned acknowledges receipt of, and understands and agrees to be bound by, this Award Notice and the Plan. The undersigned further acknowledges that this Award Notice and the Plan set forth the entire understanding between him or her and the Company regarding the restricted stock units granted by this Award Notice and that this

Award Notice and the Plan supersede all prior oral and written agreements on that subject.

Dated: ____________________

Grantee:

____

Covenant Logistics Group, Inc.

By:

Exhibit 10.2

COVENANT LOGISTICS GROUP, INC.

THIRD AMENDED AND RESTATED

2006 OMNIBUS INCENTIVE PLAN, AS AMENDED

AWARD NOTICE

GRANTEE:	______________________
TYPE OF AWARD:	Performance Restricted Stock Unit Award
NUMBER OF UNITS:	______________________
DATE OF GRANT:	______________________

1. Grant of Restricted Stock Units. This Award Notice serves to notify you that Covenant Logistics Group, Inc., a Nevada corporation (the "Company"), hereby grants to you, under the Company's Third Amended and Restated 2006 Omnibus Incentive Plan, as amended (the "Plan"), a Restricted Stock Unit Award (the "Award"), on the terms and conditions set forth in this Award Notice and the Plan, of the number of performance restricted stock units set forth above ("Restricted Units"). A copy of the Plan is included with this Award Notice, if it has not previously been provided to you. You should review the terms of this Award Notice and the Plan carefully.

2. Restrictions and Vesting. Subject to the terms and conditions set forth in this Award Notice, the Plan, and Schedule A attached hereto, and provided you are still in the employment of or service to the Company or any Subsidiary at the Vest Date (as defined in Schedule A), up to ___% of the Restricted Units may be earned and shall vest as of the Vest Date as determined in accordance with Schedule A, if (and only if) the Performance Rule (as defined in Schedule A) is achieved at or above the threshold level.

3. Additional Vesting Matters. Subject to Section 4, any Restricted Units that do not vest as a result of your failure to have been continuously in the employment by or service to the Company or a Subsidiary from the date of grant until the Vest Date, shall automatically be forfeited on the date your employment or service is terminated without any obligation of the Company to pay any amount with respect to the Restricted Units or deliver any shares of the Company’s Class A Common Stock, par value $0.01 per share (the “Common Stock”) with respect to the Restricted Units, to you or to any other person or entity.

4. Effect of Retirement, Death, or Disability. In the event of your Retirement, death, or Disability prior to the vesting of the Award, the Restricted Units shall vest on the date of such Retirement, death, or Disability.

The term "Retirement" as used in this Award Notice means (i) terminating employment with or service to the Company or a Subsidiary, whichever occurs later, (ii) at the date of such retirement you are at least sixty-two (62) years of age, (iii) at the date of such retirement you have had at least five (5) years of service to the Company or a Subsidiary, and (iv) following retirement you do not provide any employment, consulting, agent, or independent contractor services to any person or entity (other than consulting services provided to the Company or a Subsidiary) of any material nature, as determined in the sole discretion of the Company either at the time of retirement or thereafter through any vesting of an Award.

The term "Disability" means (i) you are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (ii) you are, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Company or any wholly- or partially owned entity in the Company’s consolidated group that would be aggregated with the Company under Sections 414(b) or (c) of the Internal Revenue Code of 1986, as amended.

5. Effect of Change in Control.

(a) In General. The following provisions shall apply in the event of a Change in Control:

(i) To the extent the successor company (or a subsidiary or parent thereof) assumes the Award, with appropriate adjustments to preserve the value of the Award, or provides a substitute for the Award on substantially the same terms and conditions, the existing vesting terms will continue to apply;

(ii) To the extent (x) the successor company (or a subsidiary or parent thereof) does not assume or provide a substitute for an Award on substantially the same terms and conditions or (y) the successor company (or a subsidiary or parent thereof) assumes the Award and your employment or service is terminated without Cause or with Good Reason between execution of a definitive agreement in contemplation of a Change in Control and continuing through twenty-four (24) months following a Change in Control, the Restricted Units shall be multiplied by ___% and vest.

(b) “Cause” Defined. “Cause” for termination by the Company or any of its affiliates of your employment or service shall mean: (i) failure by you to perform the essential functions of your position with the Company or any of its affiliates, other than any failure resulting from your incapacity due to physical or mental disability, it being understood that a reasonable, good faith attempt to perform but failure to do so will not be deemed a failure to perform essential functions; (ii) failure to comply with any lawful directive by the Board of Directors of the Company (the “Board”), it being understood that a reasonable, good faith attempt to comply with such directive but failure to do so will not be deemed a failure to comply for purposes of this definition of "Cause"; (iii) a material violation by you of the corporate governance guidelines, code of ethics, insider trading policy, governance policy, or other policy of the Company or any of its affiliates; (iv) a breach of any fiduciary duty to the Company or any of its affiliates; (v) misconduct in the course and scope of employment by you that is injurious to the Company or any of its affiliates from a monetary or reputational standpoint in any material respect; (vi) any attempt to willfully obtain any personal profit from any transaction which is adverse to the interests of the Company or any of its affiliates or in which the Company or any of its affiliates has an interest or any act of fraud or embezzlement against the Company or any of its affiliates or any of their respective customers or suppliers; (vii) a breach by you of any of the covenants contained in any employment, severance or other agreement applicable to you; (viii) the repeated use of alcohol or abuse of prescription drugs by you that interferes with your duties, the use of illegal drugs by you, or a violation by you of the drug and/or alcohol policies of the Company or any of its affiliates; (ix) violation of any applicable law, rule or regulation, including without limitation the Sarbanes-Oxley Act of 2002 or other federal or state securities law, rule, or regulation, in each case, that is injurious to the Company or any of its affiliates from a monetary or reputational standpoint in any material respect; or (x) the conviction or plea of guilty or nolo contendere to a felony or a misdemeanor involving moral turpitude. For purposes of this definition following a Change in Control, the Board's determination of "Cause" must be made in good faith and will be binding on you.

(c) "Change in Control" Defined. "Change in Control" means a change in control of the Company of a nature that would be required to be reported in response to Item 5.01 of a Current Report on Form 8-K, pursuant to Section 13 or 15(d) of the Exchange Act; provided that, without limitation, a Change in Control shall be deemed to have occurred at such time as any of the following occurs after the grant date of the Award:

(i) Any "person" within the meaning of Section 3(a)(9) of the Exchange Act, and as modified and used in Section 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) of the Exchange Act (but excluding the Company, any employee benefit plan sponsored or maintained by the Company (including any trustee of such plan (acting as trustee) or other fiduciary holding securities under an employee benefit plan of the Company), and any underwriter temporarily holding securities pursuant to an offering of such securities) ("Person"), other than a Permitted Holder becomes the "beneficial owner," as defined in Rule 13d-3 under the Exchange Act, directly or indirectly, of fifty percent (50%) or more of the combined voting power of the outstanding securities of the Company ordinarily having the right to vote in the election of directors; provided, however, that the following will not constitute a Change in Control: any acquisition by any corporation if, immediately following such acquisition, more than seventy-five percent (75%) of the outstanding securities of the acquiring corporation (or the parent thereof) ordinarily having the right to vote in the election of directors is beneficially owned by all or substantially all of those persons who, immediately prior to such acquisition, were the beneficial owners of the outstanding securities of the Company ordinarily having the right to vote in the election of directors;

(ii) Individuals who constitute the Board of the Company as of the grant date of the Award (the "Incumbent Board") have ceased for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to the grant date of the Award, whose election or nomination for election by the Company's stockholders was approved by a vote of at least three-fourths (3/4) of the directors comprising the Incumbent Board, either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director without objection to such nomination (other than an election or nomination of an individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of the Company, including, without limitation, in connection with a "tender offer," as such term is used in Section 14(d) of the Exchange Act), shall be, for purposes of the Agreement, considered as though such person were a member of the Incumbent Board;

(iii) Upon the consummation by the Company of a reorganization, merger, or consolidation, other than one with respect to which all or substantially all of those persons who were the beneficial owners, immediately prior to such reorganization, merger, or consolidation, of outstanding securities of the Company ordinarily having the right to vote in the election of directors own, immediately after such transaction, more than seventy-five percent (75%) of the outstanding securities of the resulting corporation ordinarily having the right to vote in the election of directors;

(iv) Upon the approval by the Company's stockholders of a complete liquidation and dissolution of the Company or the sale or other disposition of all or substantially all of the assets of the Company other than to a Subsidiary or to an entity controlled by a Permitted Holder; or

(v) Upon the consummation of a transaction subject to Rule 13e-3 of the Exchange Act in which the Permitted Holders identified in romanette (iii) of the definition of Permitted Holder hereunder are the beneficial owners of more than fifty percent (50%) of the outstanding securities of the resulting corporation ordinarily having the right to vote in the election of directors.

(d) "Good Reason" Defined. "Good Reason" means the occurrence of any of the following, without your express written consent, resulting in the termination of your employment or service with the Company or any of its affiliates:

(i) material diminution in the overall scope of your duties, authorities and/or responsibilities from those held by you immediately prior to the time of a Change in Control, it being understood that the fact that the Company may be a subsidiary of a different public company or becomes a private company, and any diminution of duties in respect of no longer having public company related duties will not be considered a diminution;

(ii) written requirement for geographic relocation of your assigned principal business location to a location greater than fifty (50) miles from the place of the your principal business location immediately prior to the time of a Change in Control; or

(iii) diminution by ten percent (10%) or more of your annual base salary or target bonus in effect immediately prior to the time of a Change in Control.

(e) "Permitted Holder" Defined. "Permitted Holder" means: (i) the Company or a Subsidiary, (ii) any employee benefit plan sponsored by the Company or a Subsidiary, or (iii) David or Jacqueline Parker or their siblings, children, or grandchildren ("Family Members") or a trust, corporation, partnership, limited partnership, limited liability company, or other such entity, so long as at least eighty percent (80%) of the beneficial interests of the entity are held by Mr. or Mrs. Parker and/or one or more Family Members, where such person(s) or entity acquired their Company stock from Mr. or Mrs. Parker.

6. Settlement of Restricted Stock Units. The Restricted Units will be settled in shares of Common Stock; provided, however, in its sole discretion, the Committee may require the Restricted Units to be settled in cash. Subject to Sections 7 and 12 of this Award Notice, upon the vesting of any Restricted Units pursuant to this Award Notice, the Company shall issue a certificate or book-entry for shares of Common Stock representing such vested Restricted Units on a one-for-one basis, as promptly as practicable following the date of vesting (or the Company shall issue cash, in the Committee's sole discretion). Upon settlement, the number of settled Restricted Units shall be extinguished and such number of Restricted Units will no longer be considered to be held by you for any purpose. The Restricted Units and any shares of Common Stock earned upon vesting of the Restricted Units (or cash, in the Committee's sole discretion) may be issued during your lifetime only to you, or after your death to your designated beneficiary, or, in the absence of such beneficiary, to your duly qualified personal representative.

7. Withholding. You shall pay to the Company or a Subsidiary, or make other arrangements satisfactory to the Company regarding the payment of, any federal, state, or local taxes of any kind required by applicable law to be withheld with respect to the Restricted Units awarded under this Award Notice and any shares of Common Stock to be issued with respect to the vesting of the Restricted Units (or cash, in the Committee's sole discretion). Your right to receive the Restricted Units under this Award Notice and any

shares of Common Stock to be issued with respect to the vesting of the Restricted Units (or cash, in the Committee's sole discretion) is subject to, and conditioned on, your payment of such withholding amounts.

8. Nonassignability. The Restricted Units may not, except as otherwise provided in the Plan, be sold, assigned, transferred, pledged, or encumbered in any way prior to the vesting of such shares, whether by operation of law or otherwise, except by will or the laws of descent and distribution or a qualified domestic relations order. After vesting, the sale or other transfer of the shares of Common Stock shall be subject to applicable laws and regulations under the Exchange Act.

9. Rights as a Stockholder; Limitation on Rights. You do not have any of the rights of a stockholder with respect to the Restricted Units awarded under this Award Notice. Without limiting the generality of the foregoing, no dividends or dividend equivalents shall be paid or accrue on the Restricted Units granted before such Restricted Units vest and you shall have no right to vote any shares of Common Stock underlying any Restricted Units unless and until such Restricted Units vest and you receive shares of Common Stock in accordance with Section 6 of this Award Notice. Neither the Plan, the granting of the Award, nor this Award Notice gives you any right to remain in the employment of the Company or a Subsidiary.

10. Company Policies. Your ability to dispose of the shares of Common Stock you receive after vesting of the Restricted Units in accordance with Section 6 may be limited by stock ownership guidelines adopted by the Company for certain officers and key employees, and the Company is authorized to place a restrictive legend on such shares, issue stop-transfer instructions to the transfer agent, or take such other actions as may be advisable, in the Committee's sole discretion, to enforce such ownership guidelines. Your rights with respect to Restricted Units and any shares of Common Stock (or cash, in the Committee's sole discretion) issued with respect to the vesting of the Restricted Units may be subject to the Company's clawback policy. Please determine whether you are subject to the guidelines and how many shares of Common Stock may be disposed of prior to attempting to dispose of any shares or other restrictions that may be applicable to you.

11. Rights of the Company and Subsidiaries. This Award Notice does not affect the right of the Company or a Subsidiary to take any corporate action whatsoever, including, without limitation, its right to recapitalize, reorganize, or make other changes in its capital structure or business, merge or consolidate, issue bonds, notes, shares of Common Stock, or other securities, including preferred stock, or options therefor, dissolve or liquidate, or sell or transfer any part of its assets or business. Nothing in this Award Notice shall create any rights to employment by the Company or any Subsidiary or alter the at-will nature of your employment.

12. Restrictions on Issuance of Shares. If at any time the Company determines that the listing, registration, or qualification of the Restricted Units or shares of Common Stock upon any securities exchange or quotation system, or under any state or federal law, or the approval of any governmental agency, is necessary or advisable as a condition to the issuance of a certificate or book-entry for shares of Common Stock representing any vested Restricted Units, such issuance may not be made in whole or in part unless and until such listing, registration, qualification, or approval shall have been effected or obtained free of any conditions not acceptable to the Company.

13. Plan Controls; Definitions. The Award is subject to all of the provisions of the Plan, which is hereby incorporated by reference, and is further subject to all the interpretations, amendments, rules, and regulations that may from time to time be promulgated and adopted by the Committee pursuant to the Plan. Except as set forth in the last sentence of this Section 13, in the event of any conflict among the provisions of the Plan and this Award Notice, the provisions of the Plan will be controlling and determinative. The capitalized terms used in this Award Notice and not otherwise defined herein are defined in the Plan; provided, however, that when the defined term "Company" is used in the Plan in Sections 1.2, 2.1(c), 2.1(e), 2.1(f), 2.1(i), 2.1(w), 2.1(aa), 2.1(ee), 4.2(h) (second usage), 4.3, 6.1, 6.2, 11.3, 13.2 (second usage), 16.2, and 16.4, the term "Company" shall be interpreted to mean only Covenant Logistics Group, Inc., a Nevada corporation (and not also its Subsidiaries).

14. Amendment. Except as otherwise provided by the Plan, the Company may only alter, amend, or terminate this Award with your consent.

15. Governing Law. This Award Notice shall be governed by and construed in accordance with the laws of the State of Nevada, except as superseded by applicable federal law, without giving effect to its conflicts of law provisions.

16. Notices. All notices and other communications to the Company required or permitted under this Award Notice shall be written, and shall be either delivered personally or sent by registered or certified first-class mail, postage prepaid and return receipt requested addressed to the Company's office at 400 Birmingham Highway, Chattanooga, Tennessee 37419, Attention: President. Each such notice and other communication delivered personally shall be deemed to have been given when delivered. Each such notice and other communication delivered by mail shall be deemed to have been given when it is deposited in the United States mail in the manner specified herein.

ACKNOWLEDGEMENT

The undersigned acknowledges receipt of, and understands and agrees to be bound by, this Award Notice and the Plan. The undersigned further acknowledges that this Award Notice and the Plan set forth the entire understanding between him or her and the Company regarding the restricted stock units granted by this Award Notice and that this Award Notice and the Plan supersede all prior oral and written agreements on that subject.

Dated: ____________________

Grantee:

____

Covenant Logistics Group, Inc.

By:

Exhibit 31.1

I, David R. Parker, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Covenant Logistics Group, 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: August 2, November 1, 2024

/s/ David R. Parker

David R. Parker

Principal Executive Officer

Exhibit 31.2

I, James S. Grant, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Covenant Logistics Group, 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: August [ ],November 1, 2024

/s/ James S. Grant

James S. Grant
Principal Financial Officer

FTR">

Exhibit 32.1

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 Covenant Logistics Group, Inc. (the "Company") on Form 10-Q for the period ending June September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David R. Parker, Chief Executive Officer of the Company, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify, 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.

Date: August 2, November 1, 2024

/s/ David R. Parker

David R. Parker
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Covenant Logistics Group, Inc. and will be retained by Covenant Logistics Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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Exhibit 32.2

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 Covenant Logistics Group, Inc. (the "Company") on Form 10-Q for the period ending June September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James S. Grant, Chief Financial Officer and Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify, 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.

Date: August 2, November 1, 2024

/s/ James S. Grant
James S. Grant
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Covenant Logistics Group, Inc. and will be retained by Covenant Logistics Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

DISCLAIMER