

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

COVENANT TRANSPORT INC

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SIC: **4213** Trucking (no local)

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the Fiscal Year Ended December 31, 1997

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED).

For the transition period from to

Commission file number 0-24960

COVENANT TRANSPORT, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or Other Jurisdiction of
Incorporation or Organization)

88-0320154

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

400 Birmingham Highway
Chattanooga, Tennessee

(Address of Principal Executive Offices)

37419

(Zip Code)

Registrant's telephone number, including area code: 423/821-1212

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

Securities Registered Pursuant to Section 12(g) of the Act: \$0.01 Par Value
Class A Common Stock

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

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately \$95.0 million as of March 16, 1998 (based upon the \$21.75 per share closing price on that date as reported by Nasdaq). In making this calculation the registrant has assumed, without admitting for any purpose, that all executive officers, directors, and their family members, and no other persons, are affiliates.

As of March 16, 1998, the registrant had 11,011,250 shares of Class A Common Stock and 2,350,000 shares of Class B Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: The information set forth under Part III, Items 10, 11, 12, and 13 of this Report is incorporated by reference from the registrant's definitive proxy statement for the 1998 annual meeting of stockholders that will be filed no later than April 30, 1998.

Cross Reference Index

The following cross reference index indicates the document and location of the information contained herein and incorporated by reference into the Form 10-K.

	Document and Location
Part I	
Item 1 Business	Page 3 herein
Item 2 Properties	Page 5 herein
Item 3 Legal Proceedings	Page 6 herein
Item 4 Submission of Matters to a Vote of Security Holders	Page 6 herein
Part II	
Item 5 Market for the Registrant's Common Equity and Related Stockholder Matters	Page 6 herein
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Part III	
Item 10 Directors and Executive Officers of the Registrant	Page 2 of Proxy Statement
Item 11 Executive Compensation	Pages 5-7 of Proxy Statement
Item 12 Security Ownership of Certain Beneficial Owners and Management	Page 8 of Proxy Statement
Item 13 Certain Relationships and Related Transactions	Page 10 of Proxy Statement
Part IV	
Item 14 Exhibits, Financial Statement Schedules, and Reports on Form 8-K	Page 16 herein

This report contains "forward-looking statements" in paragraphs that are marked with an asterisk. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Cautionary Statement Regarding Forward-Looking

Statements" for additional information and factors to be considered concerning forward-looking statements.

PART I

ITEM 1. BUSINESS

General

Covenant Transport, Inc. ("Covenant," or the "Company") is a truckload carrier that offers just-in-time and other premium transportation service for customers throughout the United States. Covenant was founded by David and Jacqueline Parker in 1985 with 25 tractors and 50 trailers. In twelve years of operating, the Company's fleet has grown to 2,136 tractors and 3,948 trailers, and in 1997 revenue grew to \$297.9 million. In recent years, the Company has grown both internally and through acquisitions, although prior to 1997 most growth was internal. In 1995, Covenant acquired the assets of two small Dalton, Georgia-based truckload carriers that specialized in transporting carpet to the Pacific Northwest. In August 1997, the Company accelerated its acquisition strategy. Covenant first acquired the customer relationships of \$13 million annual revenue Trans-Roads, Inc., a dry van team-driver operation based near Atlanta, Georgia. In October 1997, Covenant acquired the stock of Bud Meyer Truck Lines, Inc., a \$45 million annual revenue truckload carrier that focuses on providing temperature-controlled transportation service for shippers primarily in the frozen food and consumer products industries.

The Company's corporate structure includes Covenant Transport, Inc., a Nevada holding company organized in May 1994 and its wholly owned subsidiaries: Covenant Transport, Inc., a Tennessee corporation organized in November 1985; Covenant Leasing, Inc., a Nevada corporation; Intellectual Property Co., a Nevada corporation, Covenant Acquisition Co., a Nevada shell corporation; and Bud Meyer Truck Lines, Inc., a Minnesota corporation. Covenant Leasing, Inc. was formed in March 1997 with the purpose of leasing equipment to the operating subsidiary. Intellectual Property Co. was formed in March 1997 with the purpose of holding of the intellectual property of the Company.

Operations

Covenant approaches its operations as an integrated effort of marketing, customer service, and fleet management. The Company's customer service and marketing personnel emphasize both new account development and expanded service for current customers. Customer service representatives provide day-to-day contact with customers, while the sales force targets driver-friendly freight that will increase lane density.

The Company's primary customers include retailers and manufacturers of goods such as garments, consumer electronics, appliances, carpet, textiles, tires, and frozen food. Covenant also transports freight of all kinds after it has been consolidated into truckload quantities by consolidators, such as less-than-truckload and air freight carriers, third-party freight consolidators, and freight forwarders. No single customer accounted for 4% or more of the

Company's revenue during any of the last three fiscal years.

Covenant conducts its dry van dispatch from its headquarters in Chattanooga, Tennessee, and its temperature-controlled dispatch from the Bud Meyer Truck Lines headquarters in Lake City, Minnesota. Fleet managers plan load coverage according to customer information requirements and relay pick-up, delivery, routing, and fueling instructions to the Company's drivers. The fleet managers attempt to route most of the Company's trucks over selected operating lanes. The resulting lane density assists the Company in balancing traffic between eastbound and westbound movements, reducing empty miles, and improving the reliability of delivery schedules.

Covenant utilizes proven technology, including the Qualcomm OmnitracTM and SensortracTM systems, to increase operating efficiency and improve customer service and fleet management. The Omnitrac system is a satellite based tracking and communications system that permits direct communication between drivers and fleet managers. The Omnitrac system also updates the tractor's position every 30 minutes to permit shippers and the Company to locate freight and accurately estimate pick-up and delivery times. The Company uses the Sensortrac system to monitor engine idling time, speed, and performance, and other factors that affect operating efficiency. All of the Company's tractors have been equipped with the Qualcomm systems since 1995, and the Company has added Qualcomm systems to the Bud Meyer tractors.

As an additional service to customers, the Company offers electronic data interchange ("EDI"), which allows customers and the Company to communicate electronically, permitting real-time information flow, reductions or eliminations in paperwork, and fewer clerical personnel. With EDI customers can receive updates as to cargo position, delivery times, and other information. It also allows customers to communicate electronically delivery, local distribution, and account payment instructions.

In 1997, the Company installed a document imaging system to reduce paperwork and enhance employee access to important information. Management believes the imaging system has streamlined workflow and reduced the number of employees required to perform certain record-intensive functions.

Drivers and Other Personnel

Driver recruitment, retention, and satisfaction are essential to Covenant's success, and the Company has made each of these factors a primary element of its strategy. Driver-friendly operations are emphasized throughout the Company. The Company has implemented automatic programs to signal when a driver is scheduled to be routed toward home, and fleet managers are assigned specific tractor units, regardless of geographic region, to foster positive relationships between the drivers and their principal contact with the Company. In addition, Covenant has offered per-mile wage increases to drivers in 1996 and 1997 and continues to aggressively seek rate increases from customers in part to fund higher driver pay.

Covenant differentiates its primary dry van business from many shorter-haul truckload carriers by its use of driver teams. Driver teams permit the Company

to provide expedited service over its long average length of haul, because driver teams are able to handle longer routes and drive more miles while remaining within Department of Transportation safety rules. Management believes that these teams contribute to greater equipment utilization than most carriers with predominately single drivers. The use of teams, however, increases personnel costs as a percentage of revenue and the number of drivers the Company must recruit. In 1997, teams operated over 61% of the Company's tractors.

Covenant is not a party to a collective bargaining agreement and its employees are not represented by a union. In August 1996, the Company ceased leasing its personnel from a third party leasing company and employed them directly. At December 31, 1997, the Company employed 3,426 drivers and 539 nondriver personnel. Management believes that the Company has a good relationship with its personnel.

Revenue Equipment

Management believes that operating high-quality, efficient equipment is an important part of providing excellent service to customers. The Company's policy is to operate its tractors while under warranty to minimize repair and maintenance cost and reduce service interruptions caused by breakdowns. The Company also orders most of its equipment with uniform specifications to reduce its parts inventory and facilitate maintenance.

The Company's fleet of 2,136 tractors had an average age of 21 months at December 31, 1997, and all tractors remained covered by manufacturer's warranties. Management believes that a late model tractor fleet is important to driver recruitment and retention and contributes to operating efficiency. The Company utilizes conventional tractors equipped with large sleeper compartments.

At December 31, 1997, the Company owned 3,948 trailers. Most of the Company's trailers were 53-feet long by 102-inch wide, dry vans. The Company also operated 326 53-foot and 183 48-foot temperature-controlled trailers. At year end the trailers had a fleetwide average age of 32.5 months.

Competition

The United States trucking industry is highly competitive and includes thousands of for-hire motor carriers, none of which dominates the market. Service and price are the principal means of competition in the trucking industry. The Company targets primarily the market segment that demands just-in-time and other premium services. Management

believes that this segment generally offers higher freight rates than the segment that is less dependent upon timely service and that the Company's size and use of driver teams are important in competing in this segment. The Company competes to some extent with railroads and rail-truck intermodal service but differentiates itself from rail and rail-truck intermodal carriers on the basis of service because rail and rail-truck intermodal movements are subject to delays and disruptions arising from rail yard congestion, which reduces the effectiveness of such service on traffic with time-definite pick-up and delivery schedules.

Regulation

The Company is a common and contract motor carrier of general commodities. Historically, the Interstate Commerce Commission (the "ICC") and various state agencies regulated motor carriers' operating rights, accounting systems, mergers and acquisitions, periodic financial reporting, and other matters. In 1995, federal legislation preempted state regulation of prices, routes, and services of motor carriers and eliminated the ICC. Several ICC functions were transferred to the Department of Transportation (the "DOT"). Management does not believe that regulation by the DOT or by the states in their remaining areas of authority has had a material effect on the Company's operations. The Company's employee and independent contractor drivers also must comply with the safety and fitness regulations promulgated by the DOT, including those relating to drug and alcohol testing and hours of service. The DOT has rated the Company "satisfactory," which is the highest safety and fitness rating.

The Company's operations are subject to various federal, state, and local environmental laws and regulations, implemented principally by the EPA and similar state regulatory agencies, governing the management of hazardous wastes, other discharge of pollutants into the air and surface and underground waters, and the disposal of certain substances. If the Company should be involved in a spill or other accident involving hazardous substances, if any such substances were found on the Company's property, or if the Company were found to be in violation of applicable laws and regulations, the Company could be responsible for clean-up costs, property damage, and fines or other penalties, any one of which could have a materially adverse effect on the Company. The Company does not have on-site underground fuel storage tanks at any of its locations. Management believes that its operations are in material compliance with current laws and regulations.

Fuel Availability and Cost

The Company actively manages its fuel costs by routing the Company's drivers through fuel centers with which the Company has negotiated volume discounts. Average fuel prices were lower in 1997 than 1996, and by the end of the year the cost of fuel was below the level at which the Company received fuel surcharges. The Company historically has been able to pass through most increases in fuel prices and taxes to customers in the form of higher rates and surcharges, although short-term fluctuations are not fully recovered. At December 31, 1997, approximately 20% of the total annual purchases of fuel by the Company was subject to hedging contracts.

ITEM 2. PROPERTIES

Covenant maintains ten terminals located on its major traffic lanes in Chattanooga, Tennessee; Lake City, Minnesota; Oklahoma City, Oklahoma; Fremont, California; Dalton, Georgia; Pomona, California; Dallas, Texas; El Paso, Texas; Delanco, New Jersey; and Indianapolis, Indiana. The terminals provide driver recruiting centers, a base for drivers in proximity to their homes, transfer locations for trailer relays on transcontinental routes, and parking space for equipment dispatch and maintenance. In addition the Chattanooga, Oklahoma City, Dalton, and Lake City locations offer maintenance service as an alternative to commercial shops.

In 1996, the Company's headquarters and main terminal was relocated to approximately 75 acres of property near Chattanooga, Tennessee. The facilities include an office building of approximately 82,000 square feet, which houses all of the Company's administrative and operations personnel, the Company's 45,000 square-foot principal maintenance facility, and a truck wash. The Company's other maintenance facility is at Oklahoma City. The Company leased property in Chattanooga, Tennessee and in Greer, South Carolina from related parties during 1997.

ITEM 3. LEGAL PROCEEDINGS

The Company from time to time is a party to litigation arising in the ordinary course of its business, substantially all of which involves claims for personal injury and property damage incurred in the transportation of freight. The Company maintains insurance covering losses in excess of a \$2,500 deductible from cargo loss and physical damage claims, and losses in excess of a \$5,000 deductible from personal injury and property damage. The Company maintains a fully insured workers' compensation plan for its employees. Each of the primary insurance policies has a limit of \$1.0 million per occurrence, and the Company carries excess liability coverage, which management believes is adequate to cover exposure to claims at any level reasonably anticipated. The Company is not aware of any claims or threatened claims that might materially adversely affect its operations or financial position.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the fourth quarter of the year ended December 31, 1997, no matters were submitted to a vote of security holders.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Price Range of Common Stock

The Company's Class A Common Stock has been traded on the National Market under the symbol "CVTI." The following table sets forth for the calendar periods indicated the range of high and low bid quotations for the Company's Class A Common Stock as reported by Nasdaq from January 1, 1996 to December 31, 1997.

Period	High	Low
Calendar Year 1996		
1st Quarter	\$17.75	\$11.25
2nd Quarter	18.00	15.00
3rd Quarter	21.00	15.00

4th Quarter	19.25	13.00
Calendar Year 1997		
1st Quarter	16.25	11.25
2nd Quarter	19.125	13.75
3rd Quarter	20.25	18.00
4th Quarter	20.125	15.25

The prices reported reflect interdealer quotations without retail mark-ups, mark-downs or commissions, and may not represent actual transactions. As of March 16, 1998, the Company had approximately 150 stockholders of record of its Class A Common Stock. However, the Company estimates that it has approximately 2,000 stockholders because a substantial number of the Company's shares are held of record by brokers or dealers for their customers in street names.

Dividend Policy

The Company has never declared and paid a cash dividend on its common stock. It is the current intention of the Company's Board of Directors to continue to retain earnings to finance the growth of the Company's business rather than to pay dividends. The payment of cash dividends is currently limited by agreements relating to the Company's \$100 million line of credit, \$25 million in senior notes due October 2005, and the operating lease covering the Company's headquarters and terminal facility. Future payments of cash dividends will depend upon the financial condition, results of operations, and capital commitments of the Company, restrictions under then-existing agreements, and other factors deemed relevant by the Board of Directors.

ITEM 6. SELECTED FINANCIAL AND OPERATING DATA

Selected Financial Data

Year Ended December 31,	1993	1994	1995	1996	1997
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(In thousands except per share and operating data amounts)

Statement of Operations Data:

Revenue	\$81,911	\$131,926	\$180,346	\$236,267	\$297,861
Operating expenses:					
Salaries, wages, and related expenses	34,629	57,675	83,747	108,818	131,522
Fuel, oil and road expenses	17,573	27,282	37,802	55,340	64,910
Revenue equipment rentals and purchased transportation	1,703	2,785	1,230	605	8,492

Repairs	1,363	2,285	3,569	4,293	5,885
Operating taxes and licenses	2,125	3,479	4,679	6,065	7,514
Insurance(1)	3,374	4,510	4,907	6,115	8,655
General supplies and expenses	5,921	8,650	9,648	12,825	16,277
Depreciation and amortization	5,850	9,310	16,045	22,139	26,482
Total operating expenses	72,538	115,976	161,627	216,200	269,737
Operating income	9,373	15,950	18,719	20,067	28,124
Interest expense	3,765	4,736	4,162	5,987	6,274
Income before income taxes	5,608	11,214	14,557	14,080	21,850
Income tax expense	1,722	3,951	5,274	5,102	8,148
Net income(2)	\$ 3,886	\$ 7,263	\$ 9,283	\$ 8,978	\$ 13,702
Basic and diluted earnings per share	\$ 0.39	\$ 0.69	\$ 0.70	\$ 0.67	\$ 1.03
Weighted average common shares outstanding	10,000	10,496	13,350	13,350	13,360
Balance Sheet Data:					
Net property and equipment	\$46,975	\$ 87,882	\$127,408	\$144,384	\$161,621
Total assets	61,628	112,552	169,381	187,148	215,256
Long-term debt, less current maturities	37,225	27,734	80,150	83,110	80,812
Stockholders' equity	\$ 5,703	\$ 63,469	\$ 72,752	\$ 81,730	\$ 95,597
Selected Operating Data:					
Operating ratio(3)	88.6%	87.9%	89.6%	91.5%	90.6%
Pretax Margin(3)	6.8%	8.5%	8.1%	6.0%	7.3%
Average revenue per loaded mile(4)	\$ 1.05	\$ 1.09	\$ 1.09	\$ 1.10	\$ 1.13
Deadhead miles percentage	6.0%	5.4%	5.6%	5.2%	5.5%
Average length of haul in miles	1,821	1,840	1,811	1,780	1,653
Average miles per tractor per year	157,756	159,921	148,669	150,778	149,117
Average revenue per tractor per week	\$ 3,008	\$ 3,165	\$ 2,942	\$ 2,994	\$ 3,059
Weighted average tractors for year(5)	518	796	1,179	1,509	1,866
Total tractors at end of period(5)	621	1,001	1,343	1,629	2,136
Total trailers at end of period(5)	966	1,651	2,554	3,048	3,948

(1) Includes uninsured losses for 1993 of \$300,000.

(2) Since its inception in 1991, Tenn-Ga Leasing, Inc. (Tenn-Ga), a revenue equipment leasing company formed by a related party to serve as a financing alternative for a portion of the Company's revenue equipment, has operated as an S corporation and was not subject to federal and state corporate income taxes. If Tenn-Ga had been subject to corporate income taxes for the periods presented, the Company's consolidated pro forma net income would have been \$3,637,000 in 1993 and \$7,038,000 in 1994. As a result of the Company's acquisition of substantially all of Tenn-Ga's assets effective May 31, 1994, the results of the Company and Tenn-Ga are not combined in future periods. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(3) Operating expenses expressed as a percentage of revenue. Because obtaining equipment from owner-operators and under operating leases effectively shifts financing expenses from interest to "above the line" operating expenses, the Company intends to evaluate its efficiency using pretax margin and net margin rather than operating ratio. (4) Includes fuel surcharge in 1997. Excluding the fuel surcharge, the Company estimates that average revenue per loaded mile was \$1.12. (5) Includes monthly rental tractors and excludes monthly rental trailers.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

During the three year period ended December 31, 1997, the Company increased its revenue at a compounded annual growth rate of 31.2%, as revenue increased to \$297.9 million in 1997 from \$131.9 million in 1994. A significant increase in fleet size to meet customer demand as well as an increase in the freight rates contributed to revenue growth over this period.

In addition to internal growth, the Company completed four acquisitions during the three years ended in 1997. In 1995, the Company purchased certain assets of two small truckload carriers based in Dalton, Georgia. The two carriers together generated less than \$8 million in revenue, but each provided the Company with significant customer relationships. In August 1997, the Company acquired the customer relationships of Trans-Roads, Inc., a \$13 million annual revenue dry van carrier based near Atlanta, Georgia. In October 1997, the Company purchased all the outstanding capital stock of Bud Meyer Truck Lines, Inc., a \$45 million annual revenue temperature-controlled carrier based in Lake City, Minnesota. The Company intends to continue to grow both internally and through acquisitions, with the main constraint on internal growth being the ability to recruit and retain sufficient numbers of qualified drivers.

The Company's improved net income approximately 53%, to \$13.7 million in 1997 from \$9.0 million in 1996. Several factors contributed to the improvement, including declining fuel prices and negotiating higher freight rates from substantially all customers. Although higher driver compensation partially offset the increased freight rates, management believes the Company benefitted

from attracting and retaining more drivers.

Changes in several operating statistics and expense categories are expected to result from actions taken in 1997. Bud Meyer Truck Lines operates predominantly single-driver tractors, as opposed to the primarily team-driver tractor fleet operated by Covenant's long-haul, dry van operation. The single driver fleet operates fewer miles per tractor and experiences more empty miles. In addition, Bud Meyer's operations must bear additional expenses of fuel for refrigeration units, pallets, and depreciation and interest expense of more expensive trailers associated with temperature-controlled service. The additional expenses and lower productive miles are offset by generally higher revenue per loaded mile and the reduced employee expense of compensating only one driver. The Company's operating statistics and expenses are expected to shift in future periods with the mix of single, team, and temperature-controlled operations. (*)

The Company also initiated the use of owner-operators of tractors in 1997 and contracted with approximately 100 owner-operators at December 31, 1997. Owner operators provide a tractor and driver and bear all operating expenses in exchange for a fixed lease payment per mile. The Company does not have the capital outlay of purchasing the tractor. In 1997, the Company also financed approximately 240 tractors under operating leases. The lease payments to owner-operators and the financing of tractors under operating leases appear as operating expenses under revenue equipment rentals and purchased transportation. Expenses associated with owned equipment, such as interest and depreciation, are not incurred, and for owner-operator tractors, driver compensation, fuel, communications, and other expenses are not incurred. Because obtaining equipment from owner-operators and under operating leases effectively shifts financing expenses from interest to "above the line" operating expenses, the Company intends to evaluate its efficiency using pretax margin and net margin rather than operating ratio. (*)

(*) May contain "forward-looking" statements.

<TABLE>

The following table sets forth the percentage relationship of certain items to revenue for the years ended December 31, 1995, 1996, and 1997:

<CAPTION>

	1995	1996	1997
	-----	-----	-----
<S>	<C>	<C>	<C>
Revenue	100.0%	100.0%	100.0%
Operating expenses:			
Salaries, wages, and related expenses	46.4	46.1	44.2
Fuel, oil, and road expenses	21.0	23.4	21.8
Revenue equipment rentals and purchased transportation	0.7	0.2	2.9
Repairs	2.0	1.8	2.0
Operating taxes and licenses	2.6	2.6	2.5
Insurance	2.7	2.6	2.9
General supplies and expenses	5.3	5.4	5.5

Depreciation and amortization	8.9	9.4	8.9

Total operating expenses	89.6	91.5	90.6

Operating income	10.4	8.5	9.4
Interest expense	2.3	2.5	2.1

Income before income taxes	8.1	6.0	7.3
Income tax expense	2.9	2.2	2.7

Net income	5.2%	3.8%	4.6%
=====			

</TABLE>

Comparison of Year Ended December 31, 1997 to Year Ended December 31, 1996

Revenue increased \$61.6 million (26.1%) to \$297.9 million in 1997 from \$236.3 million in 1996. The revenue increase was attributable to three primary factors. First, the Company added tractors to meet demand from new and existing customers. Second, the Company negotiated rate increases with customers of approximately \$.04 per loaded mile, net of fuel surcharges. Third, the Company acquired the customer relationships of Trans-Roads, Inc., a \$13 million annual revenue dry van carrier in August 1997 and all the capital stock of Bud Meyer Truck Lines, Inc., a \$45 million annual revenue temperature-controlled carrier in October 1997. Covenant operated 1,866 weighted average tractors during 1997 as compared with 1,509 during 1996, a 23.7% increase.

Salaries, wages and related expenses increased \$22.7 million (20.9%), to \$131.5 in 1997 from \$108.8 million in 1996. As a percentage of revenue, salaries, wages, and related expenses decreased to 44.2% in 1997 from 46.1% in 1996. Driver wages as a percentage of revenue increased to 35.0% in 1997 from 33.5% in 1996 primarily as a result of the pay increase that went into effect in May 1997. Non-driving employee payroll expense decreased to 5.3% of revenue in 1997 from 5.4% in 1996. Health insurance, employer paid taxes, and workers' compensation decreased to 6.1% of revenue in 1997 from 6.8% in 1996. This was primarily attributed to reduced worker's compensation premiums negotiated in August 1997 with a fixed rate for a three-year period.

Fuel, oil, and road expenses increased \$9.5 million (17.3%), to \$64.9 million in 1997 from \$55.3 million in 1996. As a percentage of revenue, fuel, oil, and road expenses decreased to 21.8% of revenue in 1997 from 23.4% in 1996. The increase reflects the greater number of tractors in service during 1997. The decrease as a percentage of revenue was primarily a result of improving fuel prices during 1997. In addition to decreased fuel prices, the fuel expense was further offset by fuel surcharges charged to customers totaling \$2.4 million.

Revenue equipment rentals and purchased transportation increased \$7.9 million (1336.8%), to \$8.5 million in 1997 from \$0.6 million in 1996. As a percentage of revenue, revenue equipment rentals and purchased transportation increased to 2.9% of revenue in 1997 from 0.2% in 1996. Revenue equipment rentals and purchased transportation historically had represented payments under operating leases or short-term rentals of tractors and trailers. During 1997, the Company began using owner-operators of revenue equipment, who provide a tractor and

driver and cover all of their operating expenses in exchange for a fixed payment per mile. Accordingly, expenses such as driver salaries, fuel, repairs, depreciation, and interest normally associated with Company-owned equipment are consolidated in revenue equipment rentals and purchased transportation when owner-operators are utilized. The Company had contracted with

approximately 100 owner-operators at December 31, 1997. In the fourth quarter of 1997, the Company also entered into a sale and leaseback of 227 tractors, which will increase this expense in the future, while reducing depreciation and interest. (*)

Repairs increased \$1.6 million (37.1%), to \$5.9 million in 1997 from \$4.3 million in 1996. As a percentage of revenue, repairs increased to 2.0% of revenue in 1997 from 1.8% in 1996. The increase was attributable to an increase in fleet size, a slight increase in fleet age, and to repairs made to improve the condition of equipment prior to sales and trades of older equipment acquired in the Bud Meyer Truck Lines transaction.

Insurance, consisting primarily of premiums for liability, physical damage, and cargo damage insurance, and claims, increased \$2.5 million (41.5%), to \$8.7 million in 1997 from \$6.1 million in 1996. As a percentage of revenue, insurance increased to 2.9% of revenue in 1997 from 2.6% in 1996. An increase in accident claims more than offset a reduction in insurance premiums per million dollars of revenue.

General supplies and expenses, consisting primarily of headquarters and other terminal lease expense, driver recruiting expenses, communications, and agent commissions, increased \$3.5 million (26.9%), to \$16.3 million in 1997 from \$12.8 million in 1996. As a percentage of revenue, general supplies and expenses remained essentially constant at 5.5% of revenue in 1997 compared with 5.4% in 1996.

Depreciation and amortization, consisting primarily of depreciation of revenue equipment, increased \$4.3 million (19.6%), to \$26.5 million in 1997 from \$22.1 million in 1996. As a percentage of revenue, depreciation and amortization decreased to 8.9% in 1997 from 9.4% in 1996 as the Company utilized more owner operators, leased more revenue equipment, and realized an increase in revenue per tractor per week, which more efficiently spread this fixed cost over a larger revenue base. Amortization expense relates to deferred debt costs incurred and covenants not to compete from two 1995 asset acquisitions, as well as goodwill from two 1997 acquisitions.

Interest expense increased \$0.3 million (0.5%), to \$6.3 million in 1997 from \$6.0 million in 1996. As a percentage of revenue, interest expense decreased to 2.1% of revenue in 1997 from 2.5% in 1996. Lower average debt balances more than offset slightly higher average interest rates (7.2 % in 1997 compared with 7.0% in 1996) contributed to improving this expense item.

As a result of the foregoing, the Company's pretax margin improved to 7.3% in 1997 from 6.0% in 1996.

The Company's effective tax rate was 37.2% in 1997 and 36.2% in 1996.

As a result of the factors described above, net income increased \$4.7 million (52.6%), to \$13.7 million in 1997 (4.6% of revenue) from \$9.0 million in 1996 (3.8% of revenue).

Comparison of Year Ended December 31, 1996 to Year Ended December 31, 1995

Revenue increased \$56.0 million (31.0%), to \$236.3 million in 1996 from \$180.3 million in 1995. The revenue increase was primarily generated by business from new customers and higher volume from existing customers. Average revenue per loaded mile was \$1.10 in 1996 (\$1.09 net of fuel surcharge of \$1.6 million) and \$1.09 in 1995. Average miles per tractor increased to 150,778 in 1996 from 148,669 in 1995, as the trucking economy improved. Deadhead decreased to 5.2% of total miles from 5.6%. Covenant operated 1,509 weighted average tractors during 1996 as compared with 1,179 during 1995, a 28.0% increase.

Salaries, wages and related expenses increased \$25.1 million (29.9%), to \$108.8 million in 1996 from \$83.7 million in 1995. As a percentage of revenue, salaries, wages, and related expenses decreased to 46.1% of revenue in 1996 from 46.4% in 1995. Driver wages as a percentage of revenue increased to 33.5% in 1996 from 32.8% in 1995 primarily as a result of the tenure of our driving employees and a small pay increase in August 1996. Non-driving employee payroll expense increased to 5.4% of revenue in 1996 from 5.1% in 1995. Health insurance, employer paid taxes, and workers' compensation decreased to 6.8% of revenue in 1996 from 8.2% in 1995.

(*) May contain "forward-looking statements."

Fuel, oil, and road expenses increased \$17.5 million (46.4%), to \$55.3 million in 1996 from \$37.8 in 1995. As a percentage of revenue, fuel, oil, and road expenses increased to 23.4% of revenue in 1996 from 21.0% in 1995. The increase was primarily a result of increased fuel prices during all of 1996. The fuel expense was partially offset by fuel surcharges charged to customers totaling \$1.6 million. Additionally, motel cost increased in 1996 as compared to 1995 as the result of an increase in per motel allowance given to the drivers.

Revenue equipment rentals and purchased transportation decreased \$625,000 (50.8%), to \$605,000 in 1996 from \$1.2 million in 1995. As a percentage of revenue, revenue equipment rentals and purchased transportation decreased to 0.2% of revenue in 1996 from 0.7% in 1995. The Company had more revenue equipment under operating leases during 1995.

Repairs increased \$724,000 (20.3%), to \$4.3 million in 1996 from \$3.6 million in 1995. As a percentage of revenue, repairs decreased to 1.8% of revenue in 1996 from 2.0% in 1995. The decreases were primarily due to a change in oil change intervals in 1996.

Insurance, consisting primarily of premiums for liability, physical damage and cargo damage insurance, increased \$1.2 million (24.6%), to \$6.1 million in 1996 from \$4.9 million in 1995. As a percentage of revenue, insurance decreased to

2.6% of revenue in 1996 from 2.7% in 1995, as the Company continued to reduce premiums.

General supplies and expenses, consisting primarily of driver recruiting expenses, communications and agent commissions, increased \$3.2 million (32.9%), to \$12.8 million in 1996 from \$9.6 million in 1995. As a percentage of revenue, general supplies and expenses increased to 5.4% of revenue in 1996 from 5.3% in 1995.

Depreciation and amortization, consisting primarily of depreciation of revenue equipment, increased \$6.1 million (38.0%), to \$22.1 million in 1996 from \$16.0 million in 1995. As a percentage of revenue, depreciation and amortization increased to 9.4% in 1996 from 8.9% in 1995, as the Company's average cost of revenue equipment increased in 1996, all tractors were equipped with satellite communication units for all of 1996, and the Company reduced its reliance of revenue equipment rentals. Amortization expense relates to deferred debt costs incurred and covenants not to compete from two 1995 asset acquisitions .

Interest expense increased \$1.8 million (43.9%), to \$6.0 million in 1996 from \$4.2 million in 1995. As a percentage of revenue, interest expense increased to 2.5% of revenue in 1996 from 2.3% in 1995, as higher average debt balances (\$85.6 million in 1996 compared with \$58.4 million in 1995) were not fully offset by lower average interest rates (7.0% in 1996 compared with 7.3% in 1995) and a larger revenue base.

As a result of the foregoing, the Company's pretax margin decreased to 6.0% in 1996 from 8.1% in 1995.

The Company's effective tax rate was 36.2% in 1996 and 1995.

Primarily as a result of the factors described above, net income decreased to \$9.0 million in 1996 (3.8% of revenue) from \$9.3 million in 1995 (5.2% of revenue).

Liquidity and Capital Resources

The growth of the Company's business has required significant investments in new revenue equipment. The Company historically has financed its revenue equipment requirements with borrowings under installment notes payable to commercial lending institutions and equipment manufacturers, borrowings under a line of credit, cash flows from operations, and long-term operating leases. The Company's primary sources of liquidity at December 31, 1997 were funds provided by operations and borrowings under its primary credit agreement, which had maximum available borrowing of \$100 million at December 31, 1997 (the "Credit Agreement"). The Company believes its sources of liquidity are adequate to meet its current and projected needs. (*)

The Company's primary source of cash flow from operations is net income increased by depreciation and deferred income taxes. The Company's principal use of cash in operations is to finance receivables and advances associated with growth in the business. The Company's number of days sales in accounts receivable decreased from 46 days in 1996 to 43 days in 1997.

(*) May contain "forward-looking" statements.

Net cash provided by operating activities was \$45.2 million in 1997, \$39.1 million in 1996, and \$9.1 million in 1995.

The primary source of funds in 1997 was net income of \$13.7 million increased by non-cash adjustments including depreciation of \$27.4 million, deferred income taxes of \$5.1 million, and accounts payable of \$2.1 million. The primary use of funds was an increase in accounts receivable of \$1.7 million.

Net cash used in investing activities was \$27.6 million in 1997, \$38.9 million in 1996, and \$55.7 million in 1995. Such amounts were used primarily to acquire additional revenue equipment as the Company expanded its operations. In addition, in 1997, the Company used \$5.6 million of such amount to consummate the acquisition of Trans-Road, Inc. and Bud Meyer Truck Lines, Inc. The Company expects capital expenditures (primarily for revenue equipment), net of trade-ins, to be approximately \$55.0 million in 1998.(*)

Net cash used in financing activities was \$18.5 million in 1997. Net cash provided by financing activities were \$2.8 million in 1996 and \$42.1 million in 1995. The cash provided by financing activities in 1997, 1996, and 1995 related primarily to borrowings under the Credit Agreement. At December 31, 1997, the Company had outstanding debt of \$82.4 million, primarily consisting of \$52 million drawn under the Credit Agreement and the \$25 million in 10-year senior notes. Interest rates on this debt range from 6.25% to 12.5%.

The Credit Agreement is with a group of banks and has a maximum borrowing limit of \$100 million. Borrowings related to revenue equipment are limited to the lesser of 90% of the net book value of revenue equipment or \$55 million. Working capital borrowings are limited to 85% of eligible accounts receivable. Letters of credit are limited to an aggregate commitment of \$10 million. The Credit Agreement includes a "security agreement" such that the Credit Agreement may be collateralized by virtually all assets of the Company if a covenant violation occurs. A commitment fee of 0.225% per annum is due on the daily unused portion of the Credit Agreement. The Credit Agreement is guaranteed by Covenant Transport, Inc. a Nevada corporation, Intellectual Property Co., a Nevada corporation, Bud Meyer Truck Lines, Inc., a Minnesota corporation, and Covenant Acquisition Co., a Nevada corporation.

The Credit Agreement revolves for two years and then has a four-year term out if not renewed. Payments for interest are due quarterly in arrears with principal payments due in 12 equal quarterly installments beginning on the second anniversary of the date of the Credit Agreement (or any renewal). The Company renewed the loan in December 1997 and anticipates renewing the Credit Agreement on an annual basis. Borrowings under the Credit Agreement may be based on the banks' base rate or LIBOR and accrue interest based on one, two, or three month LIBOR rates plus an applicable margin that is adjusted quarterly between 0.375% and 1% based on cash flow coverage and a defined debt to capitalization ratio. At December 31, 1997, the margin was 0.5%.

In October 1995, the Company placed \$25 million in 10-year senior notes with an insurance company. The notes bear interest at 7.39%, payable semi-annually, and

mature on October 1, 2005. Principal payments are due in equal annual installments beginning in the seventh year of the notes. Proceeds of the notes were used to reduce borrowings under the Credit Agreement.

In December 1997, the Company engaged in a sale-and-leaseback transaction involving 199 of the Company's tractors that had been newly acquired or were awaiting delivery. The proceeds of the sale were used to reduce debt under the Credit Agreement. The Company entered into a three-year lease of the equipment, with a 5.15% implied interest rate and a residual value guaranteed by the Company at a level equal to the Company's salvage value on owned tractors.

The Company's headquarters facility was completed in December 1996. The cost of the approximately 75 acres and construction of the headquarters and shop buildings was approximately \$15 million. The Company financed the land and improvements under a "build to suit" operating lease.

The Credit Agreement, senior notes, and headquarters and terminal lease agreement contain certain restrictions and covenants relating to, among other things, dividends, tangible net worth, cash flow, acquisitions and dispositions, and total indebtedness. All of these instruments are cross-defaulted. The Company was in compliance with the agreements at December 31, 1997.

Inflation and Fuel Costs

Most of the Company's operating expenses are inflation-sensitive, with inflation generally producing increased costs of operation. During the past three years, the most significant effects of inflation have been on revenue equipment prices and the compensation paid to drivers. Innovations in equipment technology and comfort have resulted in higher tractor prices, and there has been an industry-wide increase in wages paid to attract and retain qualified drivers. The Company historically has limited the effects of inflation through increases in freight rates and certain cost control efforts. The failure to obtain rate increases in the future could have an adverse effect on profitability. In addition to inflation, fluctuations in fuel prices can affect profitability. Fuel expense comprises a larger percentage of revenue for Covenant than many other carriers because of Covenant's long average length of haul. Most of the Company's contracts with customers contain fuel surcharge provisions. Although the Company historically has been able to pass through most long-term increases in fuel prices and taxes to customers in the form of surcharges and higher rates, shorter-term increases are not fully recovered. At December 31, 1997, approximately 20% of the total annual purchases of fuel by the Company was subject to hedging contracts. (*)

Seasonality

In the trucking industry, revenue generally decreases as customers reduce shipments during the winter holiday season and as inclement weather impedes operations. At the same time, operating expenses generally increase, with fuel efficiency declining because of engine idling and weather creating more equipment repairs. First quarter net income historically has been lower than net income in each of the other three quarters of the year because of the weather.

The Company's equipment utilization typically improves substantially between May and October of each year because of the trucking industry's seasonal shortage of equipment on traffic originating in California and the Company's ability to satisfy some of that requirement. The seasonal shortage typically occurs between May and August because California produce carriers' equipment is fully utilized for produce during those months and does not compete for shipments hauled by the Company's dry van operation. During September and October, business increases as a result of increased retail merchandise shipped in anticipation of the holidays. (*)

The table below sets forth quarterly information reflecting the Company's equipment utilization (miles per tractor per period) during 1995, 1996, and 1997. The Company believes that equipment utilization more accurately demonstrates the seasonality of its business than changes in revenue, which are affected by the timing of deliveries of new revenue equipment. Results of any one or more quarters are not necessarily indicative of annual results or continuing trends.

<TABLE>

<CAPTION>

<S>	First Quarter <C>	Second Quarter <C>	Third Quarter <C>	Fourth Quarter <C>
1995	35,467	38,029	38,186	36,941
1996	35,067	38,462	38,989	38,036
1997	34,389	37,325	38,850	38,314

</TABLE>

Year 2000

The Company is aware of the current concerns throughout the business community of reliance upon computer systems that do not properly recognize the year 2000 in date formats, often referred to as the "Year 2000 Problem." Computer operations are a significant function within the Company and daily operations of the Company depend on the successful operation of its computer systems. As a result the Company is currently assessing Year 2000 preparedness and developing a plan to help ensure continuity of operations.

The Company relies upon software purchased from third party vendors rather than internally generated software. In its analysis of the software, and based upon its ongoing discussions with vendors, the Company has determined that most of its software already reflects changes necessary to avoid the Year 2000 Problem. The Company intends to continue to work and complete testing to ensure existing systems are Year 2000 compliant and does not expect a materially adverse impact on its financial condition or operations. (*)

(*) May contain "forward-looking" statements.

Earnings Per Share. Effective December 31, 1997, the Company adopted Statement

of Financial Accounting Standards No. 128, Earnings Per Share. The standard replaces the presentation of primary EPS with a presentation of basic EPS and replaces the presentation of fully diluted EPS with diluted EPS. Basic income per share is computed by dividing net income available for common shareholders by the weighted average number of shares of common stock outstanding. Diluted income per share is computed by dividing adjusted net income by the weighted average number of shares of common stock and assumed conversions of dilutive securities outstanding during the respective periods. Dilutive securities represented by options have been included in the computation. The Company uses the treasury stock method for calculating the dilutive effect of options.

Recent Accounting Pronouncements - Effective December 31, 1997, the Company implemented Statement of Financial Accounting Standards No. 129, Disclosure of Information about Capital Structure. The Statement consolidates disclosures required by several existing pronouncements regarding an entity's capital structure. The Company's disclosures are already in compliance with such pronouncements and, accordingly, SFAS No. 129 does not require any change to existing disclosures.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income. The Statement establishes standards for reporting comprehensive income and its components in a full set of financial statements. The Statement is effective for fiscal years beginning after December 15, 1997.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, Disclosures About Segments of an Enterprise and Related Information. This Statement establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. The Statement is effective for fiscal years beginning after December 31, 1997. In the initial year of application, comparative information for earlier years is to be restated. The Company is evaluating SFAS No. 131 to determine the impact, if any, on its reporting and disclosure requirements.

Cautionary Statement Regulating Forward-Looking Statements

The Company may from time-to-time make written or oral forward-looking statements. Written forward-looking statements may appear in documents filed with the Securities and Exchange Commission, in press releases, and in reports to stockholders. The Private Securities Litigation Reform Act of 1995 contains a safe harbor for forward-looking statements. The Company relies on this safe harbor in making such disclosures. In connection with this "safe harbor" provision, the Company is hereby identifying important factors that could cause actual results to differ materially from those contained in any forward-looking statement made by or on behalf of the Company. Factors that might cause such a difference include, but are not limited to, the following:

Economic Factors; Fuel Prices. Negative economic factors such as recessions, downturns in customers' business cycles, surplus inventories, inflation, and higher interest rates could impair the Company's operating results by decreasing equipment utilization or increasing costs of operations. High fuel prices can

have a negative impact on the Company's profitability.

Resale of Used Revenue Equipment. The Company historically has recognized a gain on the sale of its revenue equipment, however if the resale value of the Company's revenue equipment were to decline, the Company could find it necessary to dispose of its equipment at lower prices or retain some of its equipment longer, with a resulting increase in operating expenses.

Recruitment, Retention, and Compensation of Qualified Drivers. Competition for drivers is intense in the trucking industry. There was in 1997, and historically has been, an industry-wide shortage of qualified drivers. This shortage could force the Company to significantly increase the compensation it pays to driver employees or curtail the Company's growth.

Competition. The trucking industry is highly competitive and fragmented. The Company competes with other truckload carriers, private fleets operated by existing and potential customers, railroads, rail-intermodal service, and to some extent with air-freight service. Competition is based primarily on service, efficiency, and freight rates. Many competitors

offer transportation service at lower rates than the Company. The Company's results could suffer if it cannot obtain higher rates than competitors that offer a lower level of service.

Acquisitions. A significant portion of the Company's growth since June 1995 has occurred through acquisitions, and acquisitions are an important component of the Company's growth strategy. Management must continue to identify desirable target companies and negotiate, finance, and close acceptable transactions or the Company's growth could suffer.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

<TABLE>

The Company's audited consolidated balance sheets, statements of income, cash flows, and stockholders' equity, and notes related thereto, are contained at Pages 19 to 31 of this report. The supplementary quarterly financial data follows:

Quarterly Financial Data:

<CAPTION>

	Fourth Quarter 1997	Third Quarter 1997	Second Quarter 1997	First Quarter 1997
<S>	<C>	<C>	<C>	<C>
Revenue	\$ 89,905	\$ 75,308	\$ 70,060	\$ 62,588
Operating income	8,837	7,888	7,118	4,282
Income before taxes	6,791	6,504	5,641	2,914
Income taxes	2,578	2,406	2,088	1,076
Net income	4,213	4,098	3,553	1,838
Basic and diluted earnings				

per share	\$	0.32	\$	0.31	\$	0.27	\$	0.14
		Fourth Quarter 1996		Third Quarter 1996		Second Quarter 1996		First Quarter 1996
		-----		-----		-----		-----
Revenue	\$	64,161	\$	63,022	\$	59,626	\$	49,458
Operating income		5,084		6,768		6,092		2,122
Income before taxes		3,540		5,186		4,600		754
Income taxes		1,286		1,868		1,676		272
Net income		2,254		3,318		2,924		482
Basic and diluted earnings per share	\$	0.17	\$	0.25	\$	0.22	\$	0.04

</TABLE>

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

No reports on Form 8-K have been filed within the twenty-four months prior to December 31, 1997, involving a change of accountants or disagreements on accounting and financial disclosure.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information respecting executive officers and directors set forth under the captions "Election of Directors Information Concerning Directors and Executive Officers" and "Compliance with Section 16(a) of the Securities Exchange Act of 1934" on Page 2 and Page 10 of the Registrant's Proxy Statement for the 1998 annual meeting of stockholders, which will be filed with the Securities and Exchange Commission in accordance with Rule 14a-b promulgated under the Securities Exchange Act of 1934, as amended (the "Proxy Statement") is incorporated by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information respecting executive compensation set forth under the caption "Executive Compensation" on Pages 5 to 7 of the Proxy Statement is incorporated herein by reference; provided, that the "Compensation Committee Report on Executive Compensation" contained in the Proxy Statement is not incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information respecting security ownership of certain beneficial owners and management set forth under the caption "Security Ownership of Principal Stockholders and Management" on Page 8 of the Proxy Statement is incorporated

herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information respecting certain relationships and transactions of management set forth under the captions "Compensation Committee Interlocks and Insider Participation" on Page 4 and "Certain Relationships and Related Transactions" on Page 10 of the Proxy Statement is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Financial Statements.

The Company's audited financial statements are set forth at the following pages of this report:

Page	
Report of Independent Accountants.....	19
Consolidated Balance Sheets.....	20
Consolidated Statements of Operations.....	21
Consolidated Statements of Stockholders' Equity.....	22
Consolidated Statements of Cash Flows.....	23
Notes to Consolidated Financial Statements.....	24

2. Financial Statement Schedules.

Financial statement schedules are not required because all required information is included in the financial statements.

(b) Reports on Form 8-K

There were no reports on Form 8-K filed during the fourth quarter ended December 31, 1997.

(c) Exhibits

<TABLE>

<CAPTION>

Exhibit

Number	Description
<S> <C> <C>	
3.1 <F1>	Restated Articles of Incorporation.
3.2 <F1>	Amended By-Laws dated September 27, 1994.
4.1 <F1>	Restated Articles of Incorporation.
4.2 <F1>	Amended By-Laws dated September 27, 1994.
10.3 <F2>	Credit Agreement dated January 17, 1995, among Covenant Transport, Inc., a Tennessee corporation, ABN-AMRO Bank N.V., as agent, and certain other banks filed as Exhibit 10.
10.4 <F1>	Lease dated January 1, 1990, between David R. and Jacqueline F.

Parker and Covenant Transport, Inc., a Tennessee corporation, with respect to the Chattanooga, Tennessee headquarters filed as Exhibit 10.5.

- 10.5 <F1> Lease dated June 1, 1994, between David R. and Jacqueline F. Parker and Covenant Transport, Inc., a Tennessee corporation, with respect to terminal facility in Greer, South Carolina filed as Exhibit 10.6.
- 10.8 <F1> Incentive Stock Plan filed as Exhibit 10.9.
- 10.9 <F1> 401(k) Plan filed as Exhibit 10.10.
- 10.12 <F3> Note Purchase Agreement dated October 15, 1995, among Covenant Transport, Inc., a Tennessee corporation and CIG & Co.
- 10.13 <F3> First Amendment to Credit Agreement and Waiver dated October 15, 1995.
- 10.14 <F4> Participation Agreement dated March 29, 1996, among Covenant Transport, Inc., a Tennessee corporation, Lease Plan USA, Inc., and ABN-AMBO Bank, N.V., Atlanta Agency.
- 10.15 <F4> Second Amendment to Credit Agreement and Waiver dated April 12, 1996.
- 10.16 <F4> First Amendment to Note Purchase Agreement and Waiver dated April 1, 1996.
- 10.17 <F5> Third Amendment to Credit Agreement and Waiver dated March 31, 1997, filed as Exhibit 10.11.
- 10.18 <F5> Waiver to Note Purchase Agreement dated March 31, 1997, filed as Exhibit 10.12.
- 10.19 Second Amendment to Note Purchase Agreement dated December 30, 1997.
- 10.20 Fourth Amendment to Credit Agreement dated December 31, 1997.
- 10.21 Stock Purchase Agreement made and entered into as of October 10, 1997, by and among Covenant Transport, Inc., a Nevada corporation; Russell Meyer; and Bud Meyer Truck Lines, Inc., a Minnesota corporation.
- 21 List of subsidiaries.
- 23.1 Consent of Coopers & Lybrand L.L.P., independent accountants.
- 27 Financial Data Schedule.

<FN>

<F1> Filed as an exhibit to the registrant's Registration Statement on Form S-1, Registration No. 33-82978, effective October 28, 1994, and incorporated herein by reference.

<F2> Filed as an exhibit to the registrant's Form 10-Q for the quarter ended March 31, 1995, and incorporated herein by reference.

<F3> Filed as an exhibit to the registrant's Form 10-K for the year ended December 31, 1995, and incorporated herein by reference.

<F4> Filed as an exhibit to the registrant's Form 10-Q for the quarter ended March 31, 1996, and incorporated herein by reference.

<F5> Filed as an exhibit to the registrant's Form 10-Q for the quarter ended March 31, 1997, and incorporated herein by reference.

</FN>

</TABLE>

SIGNATURES

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

COVENANT TRANSPORT, INC.

Date: March 26, 1998

By: /s/ Joey B. Hogan

Joey B. Hogan
Treasurer and Chief
Financial Officer

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

Signature	Position	Date
/s/ David R. Parker David R. Parker	Chairman of the Board, President, and Chief Executive Officer (principal executive officer)	March 26, 1998
/s/ Joey B. Hogan Joey B. Hogan	Treasurer and Chief Financial Officer (principal financial and accounting officer)	March 26, 1998
/s/ R. H. Lovin, Jr. R. H. Lovin, Jr.	Director	March 26, 1998
/s/ Michael W. Miller Michael W. Miller	Director	March 26, 1998
/s/ William T. Alt William T. Alt	Director	March 26, 1998
/s/ Hugh O. Maclellan, Jr. Hugh O. Maclellan, Jr.	Director	March 26, 1998
/s/ Mark A. Scudder Mark A. Scudder	Director	March 26, 1998

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
Covenant Transport, Inc.

We have audited the accompanying consolidated balance sheets of Covenant Transport, Inc. and its subsidiaries (the Company) as of December 31, 1996 and 1997 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Covenant Transport, Inc. and subsidiaries as of December 31, 1996 and 1997, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

Knoxville, Tennessee
January 31, 1998

<TABLE>

COVENANT TRANSPORT, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<CAPTION>

DECEMBER 31, 1996 AND 1997

	1996	1997
	-----	-----
<S>	<C>	<C>

ASSETS

Current assets:		
Cash and cash equivalents	\$ 3,491,543	\$ 2,609,520
Accounts receivable, net of allowance of \$500,000 in 1996 and \$810,000 in 1997	29,955,577	37,792,308
Drivers advances and other receivables	3,230,857	964,575
Tire and parts inventory	880,086	1,120,684
Prepaid expenses	3,781,003	3,773,556
Deferred income taxes	248,000	1,111,000
	-----	-----
Total current assets	41,587,066	47,371,643
Property and equipment, at cost	183,136,067	228,931,936
Less accumulated depreciation and amortization	38,752,116	67,310,934
	-----	-----
Net property and equipment	144,383,951	161,621,002
Other	1,177,158	6,263,491
	-----	-----
Total assets	\$187,148,175	\$215,256,136
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Current maturities of long-term debt	50,000	1,565,639
Accounts payable	3,892,208	5,328,346
Accrued expenses	4,480,151	9,073,554
Accrued income tax	--	724,815
	-----	-----
Total current liabilities	8,422,359	16,692,354
Long-term debt, less current maturities	83,110,000	80,811,783
Deferred income taxes	13,886,000	22,155,000
	-----	-----
Total liabilities	105,418,359	119,659,137
Stockholders' equity:		
Class A Common Stock, \$.01 par value; 20,000,000 shares authorized; 11,000,000 and 11,010,250 shares issued and outstanding as of 1996 and 1997, respectively	110,000	110,103
Class B common stock, \$.01 par value; 5,000,000 shares authorized; 2,350,000 shares issued and outstanding as of 1996 and 1997, respectively	23,500	23,500
Additional paid-in-capital	50,469,596	50,634,369
Retained earnings	31,126,720	44,829,027
	-----	-----
Total stockholders' equity	81,729,816	95,596,999
	=====	=====
Total liabilities and stockholders' equity	\$187,148,175	\$215,256,136
	=====	=====

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

</TABLE>

<TABLE>

COVENANT TRANSPORT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 1995, 1996, AND 1997

<CAPTION>

	1995	1996	1997
	-----	-----	-----
<S>	<C>	<C>	<C>
Revenue	\$180,345,922	\$236,266,945	\$297,861,080
Operating expenses:			
Salaries, wages, and related expenses	83,746,833	108,817,623	131,521,804
Fuel, oil, and road expenses	37,801,823	55,340,234	64,910,201
Revenue equipment rentals and purchased transportation	1,230,163	604,924	8,492,445
Repairs	3,568,778	4,293,141	5,884,881
Operating taxes and licenses	4,679,137	6,064,652	7,514,241
Insurance	4,907,330	6,114,526	8,655,465
General supplies and expenses	9,647,976	12,825,287	16,276,834
Depreciation and amortization, including gain on disposition equipment	16,045,415	22,139,456	26,481,578
	-----	-----	-----
Total operating expenses	161,627,455	216,199,843	269,737,449
	-----	-----	-----
Operating income	18,718,467	20,067,102	28,123,631
Interest expense	4,161,668	5,987,148	6,273,324
	-----	-----	-----
Income before income taxes	14,556,799	14,079,954	21,850,307
Income tax expense	5,274,000	5,102,000	8,148,000
	=====	=====	=====
Net income	\$ 9,282,799	\$ 8,977,954	\$ 13,702,307
	=====	=====	=====
Basic and diluted earnings per share:			
Net income	\$ 0.70	\$ 0.67	\$ 1.03
	=====	=====	=====

</TABLE>

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

<TABLE>

COVENANT TRANSPORT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1995, 1996, and 1997

<CAPTION>

	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Retained Earnings	Total Stockholders' Equity
<S>	<C>	<C>	<C>	<C>	<C>
Balances at January 1, 1995	\$110,000	\$23,500	\$ 50,469,596	\$12,865,967	\$63,469,063
Net income	--	--	--	9,282,799	9,282,799
Balances at December 31, 1995	110,000	23,500	50,469,596	22,148,766	72,751,862
Net income	--	--	--	8,977,954	8,977,954
Balances at December 31, 1996	110,000	23,500	50,469,596	31,126,720	81,729,816
Exercise of employee stock options	103	--	164,773	--	164,876
Net income	--	--	--	13,702,307	13,702,307
Balances at December 31, 1997	\$110,103	\$23,500	\$ 50,634,369	\$44,829,027	\$95,596,999

</TABLE>

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

<TABLE>

COVENANT TRANSPORT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1995, 1996, AND 1997

<CAPTION>

	1995	1996	1997
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	\$ 9,282,799	\$ 8,977,954	\$ 13,702,307
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for losses on receivables	150,000	407,655	457,665
Depreciation and amortization	16,787,219	22,781,481	27,363,501
Deferred income tax expense	4,673,000	4,050,000	4,354,000
Gain on disposition of property and equipment	(741,804)	(642,025)	(881,922)
Changes in operating assets and liabilities:			
Receivables and advances	(19,610,235)	3,010,662	(2,580,948)
Prepaid expenses	(1,298,535)	(1,088,845)	200,113
Tire and parts inventory	(301,696)	(78,626)	(155,794)
Accounts payable, accrued expenses, and accrued income taxes	185,885	1,707,242	2,785,653
Net cash flows provided by operating activities	9,126,633	39,125,498	45,245,575
Cash flows from investing activities:			
Acquisition of property and equipment	(72,431,927)	(49,142,303)	(54,027,486)
Proceeds from disposition of property and equipment	16,942,319	10,219,276	32,023,244
Acquisition of intangibles	--	--	(1,250,000)
Acquisition of business- Bud Meyer<F1>	--	--	(4,350,442)
Covenant not to compete	(200,000)	--	--
Net cash flows from investing activities	(55,689,608)	(38,923,027)	(27,604,684)

Cash flows from financing activities:			
Exercise of stock options	--	--	164,876
Proceeds from issuance of long-term debt	84,000,000	3,000,000	--
Repayments of long-term debt	(41,494,926)	(40,000)	(18,563,513)
Deferred debt issuance cost	(358,172)	(132,216)	(124,277)

Net cash flows provided/(used) by financing activities	42,146,902	2,827,784	(18,522,914)

Net change in cash and cash equivalents	(4,416,073)	3,030,255	(882,023)
Cash and cash equivalents at beginning of period	4,877,361	461,288	3,491,543

Cash and cash equivalents at end of period	\$ 461,288	\$ 3,491,543	\$ 2,609,520
=====			
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	\$ 3,607,927	\$ 5,905,000	\$ 6,147,050
=====			
Income taxes	\$ 601,000	\$ 795,000	\$ 2,927,376
=====			

<FN>
 <F1> Acquisition of business presented net of acquired cash of \$347,688 and receivable from officer of acquired company of \$501,870.
 </FN>
 </TABLE>

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

COVENANT TRANSPORT, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business - Covenant Transport, Inc. (the Company) is a long-haul truckload carrier that transports time-sensitive freight on express delivery schedules.

Principles of Consolidation - The consolidated financial statements include the accounts of the Company, a holding company incorporated in the state of Nevada

in 1994, and its wholly-owned subsidiaries, Covenant Transport, Inc., a Tennessee corporation, Bud Meyer Truck Lines, Inc., a Minnesota corporation, Covenant Leasing, Inc., a Nevada corporation, Covenant Acquisition Co., a Nevada corporation, and Intellectual Property Co., a Nevada corporation. All significant intercompany balances and transactions have been eliminated in consolidation.

Revenue Recognition - Revenue, drivers' wages and other direct operating expenses are recognized on the date shipments are completed to the customer.

Cash and Cash Equivalents - The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Tires and Parts Inventory - Tires on new revenue equipment are capitalized as a component of the related equipment cost when the vehicle is placed in service and recovered through depreciation over the life of the vehicle. Replacement tires and parts on hand at year end are recorded at the lower of cost or market with cost determined using the first-in, first-out method.

Property and Equipment - Depreciation and amortization of property and equipment is calculated on the straight-line method over the estimated useful lives of the assets. Salvage values of 25% to 33 1/3% and lives of five to seven years are used in the calculation of depreciation for revenue equipment.

In accordance with industry practices, the gains or losses on disposal of revenue equipment are included in depreciation and amortization in the statements of operations.

Capital Structure - The shares of Class A and B Common Stock are substantially identical except that the Class B shares are entitled to two votes per share. The terms of future issuances of preferred shares will be set by the Board of Directors.

Insurance and Other Claims - Losses resulting from claims for personal injury, property damage, cargo loss and damage, and other sources are covered by insurance, subject to deductibles. Losses resulting from uninsured claims are recognized when such losses are known and estimable.

Concentrations of Credit Risk - The Company performs ongoing credit evaluations of its customers and does not require collateral for its accounts receivable. The Company maintains reserves which management believes are adequate to provide for potential credit losses. The Company's customer base spans the continental United States.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Earnings Per Share. Effective December 31, 1997, the Company adopted Statement of Financial Accounting Standards No. 128, Earnings Per Share. The standard replaces the presentation of primary EPS with a presentation of basic EPS and

replaces the presentation of fully diluted EPS with diluted EPS. Basic income per share is computed by dividing net income available for common shareholders by the weighted average number of shares of common stock outstanding. Diluted income per share is computed by dividing adjusted net income by the weighted average number of shares of common stock and assumed conversions of dilutive securities outstanding during the respective periods. Dilutive

securities represented by options have been included in the computation. The Company uses the treasury stock method for calculating the dilutive effect of options.

Recent Accounting Pronouncements - Effective December 31, 1997, the Company implemented Statement of Financial Accounting Standards No. 129, Disclosure of Information about Capital Structure. The Statement consolidates disclosures required by several existing pronouncements regarding an entity's capital structure. The Company's disclosures are already in compliance with such pronouncements and, accordingly, SFAS No. 129 does not require any change to existing disclosures.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income. The Statement establishes standards for reporting comprehensive income and its components in a full set of financial statements. The Statement is effective for fiscal years beginning after December 15, 1997.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, Disclosures About Segments of an Enterprise and Related Information. This Statement establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. The Statement is effective for fiscal years beginning after December 31, 1997. In the initial year of application, comparative information for earlier years is to be restated. The Company is evaluating SFAS No. 131 to determine the impact, if any, on its reporting and disclosure requirements.

2. OTHER ASSETS

<TABLE>

<CAPTION>

A summary of other assets as of December 31, 1996 and 1997 is as follows:

	1996	1997
	-----	-----
<S>	<C>	<C>
Covenants not to compete, net	\$ 252,500	\$ 1,232,083
Deferred debt costs, net	262,486	398,961
Goodwill, net	--	2,459,058
Split dollar life insurance	425,279	556,877
Cash surrender value of life insurance	106,078	106,078

Insurance deposit	--	873,477
Other	130,815	636,957
	=====	=====
	\$ 1,177,158	\$ 6,263,491
	=====	=====

</TABLE>

3. PROPERTY AND EQUIPMENT

<TABLE>

<CAPTION>

A summary of property and equipment, at cost, as of December 31, 1996 and 1997 is as follows:

	1996	1997
	-----	-----
<S>	<C>	<C>
Revenue equipment	\$168,059,349	\$ 207,990,788
Land and improvements	3,687,215	4,425,629
Buildings and leasehold improvements	1,706,048	3,135,866
Communications equipment	6,428,634	8,466,052
Other	3,123,425	4,911,801
Construction in process	131,396	1,800
	-----	-----
	\$183,136,067	\$ 228,931,936
	=====	=====

</TABLE>

4. LONG-TERM DEBT

<TABLE>

<CAPTION>

Long term debt consists of the following at December 31, 1996 and 1997:

	1996	1997
	-----	-----
<S>	<C>	<C>
Borrowings under \$100 million credit agreement	\$ 58,000,000	\$ 52,000,000
10-year senior notes	25,000,000	25,000,000
Notes to unrelated individuals non-compete agreements	160,000	1,060,000
Equipment and vehicle obligations with commercial lending institutions, with fixed interest rates ranging from 5.875% to 12.50% at 1997	--	4,317,422
	-----	-----
	\$ 83,160,000	\$ 82,377,422
Less current maturities	50,000	1,565,639

\$ 83,110,000 80,811,783
=====

</TABLE>

The Company is party to a credit agreement with a group of banks with maximum borrowings of \$100 million. Borrowings related to revenue equipment are limited to the lesser of 90% of the net book value of revenue equipment or \$55 million. Working capital borrowings are limited to 85% of eligible accounts receivable. Letters of credit are limited to an aggregate commitment of \$10 million. The credit agreement includes a "security agreement" such that the credit agreement may be collateralized by virtually all assets of the Company if a covenant violation occurs. A commitment fee of 0.225% per annum is due on the daily unused portion of the credit agreement. The credit agreement is guaranteed by Covenant Transport, Inc. a Nevada corporation, Intellectual Property Co., a Nevada corporation, Bud Meyer Truck Lines, Inc., a Minnesota corporation, and Covenant Acquisition Co., a Nevada corporation.

The credit agreement revolves for 1998 and 1999 and then has a term out in 2000. Payments for interest are due quarterly in arrears with principal payments due in 12 equal quarterly installments beginning on the second anniversary of the date of the credit agreement. The Company renewed the loan in December 1997 and anticipates renewing the line of credit on an annual basis. Borrowings under the credit agreement may be based on the banks' base rate or LIBOR and accrue interest based on one, two, or three month LIBOR rates plus an applicable margin that is adjusted quarterly between 0.375% and 1% based on cash flow coverage and a defined debt to capitalization ratio. At December 31, 1997, the margin was 0.5%.

During February and May 1995, the Company entered into interest rate swap agreements that fixed interest rates on \$28 million and \$10 million of the borrowings under the credit agreement at 6.9% and 5.8%, respectively, plus the applicable margin under the credit agreement for two years. A \$25 million interest rate swap agreement was completed in 1996 that expires in February 1999 at 5.9% plus the applicable margin. During October 1997 the Company entered into an interest rate swap agreement with a fixed interest rate on \$10 million of the borrowing under the credit agreement at 5.95% plus the applicable margin for two years. All remaining borrowings under the credit agreement are at one, two, or three month LIBOR.

During August 1995, the Company placed \$25 million in senior notes due October 2005 with an insurance company. The term agreement requires payments for interest semi-annually in arrears with principal payments due in four equal annual installments beginning October 1, 2002. Interest accrues at 7.39% per annum.

The credit agreement and senior note agreement subject the Company to certain restrictions and covenants related to, among others, dividends, tangible net worth, cash flow, acquisitions and dispositions, and total indebtedness.

The notes for non-compete agreements resulted from purchases of certain assets of two companies completed in 1995 and the purchase of certain assets of a company completed in 1997. Revenue equipment, customer lists, and covenants not

to compete were purchased for amounts totaling \$1,919,532 for the 1995 purchases. Customer list and covenants not to compete were purchased for \$2,033,000 for the 1997 purchase.

The maturities of long term debt at December 31, 1997 are as follows:

1998	\$	1,565,639
1999	\$	1,521,875
2000	\$	53,207,847
2001	\$	904,354
2002	\$	177,707

5. RELATED PARTY TRANSACTIONS

Transactions involving related parties not otherwise disclosed herein are as follows:

During 1996 and 1997, the Company sold certain of its used tractors and trailers to corporations owned by related parties for an aggregate of approximately \$103,000 in 1996 and \$1,161,000 in 1997. In all cases, the Company received amounts equal to, or in excess of, the trade-in amounts guaranteed by the tractor manufacturer or fair values listed in industry trailer publications.

In June 1997 the Company obtained a promissory note in the amount of \$480,000 from a related party. Principal and related interest at the rate of 7% shall be due on or before June 2001.

6. LEASES

The Company has operating lease commitments for office and terminal properties and revenue equipment, exclusive of owner/operator rentals, trip lease agreements, and month-to-month equipment rentals, in the following amounts at December 31, 1997:

Year ending December 31:

1998	\$	6,643,899
1999	\$	6,375,157
2000	\$	5,173,901
2001	\$	1,626,579
2002	\$	1,141,460

Total rental expense is summarized as follows for the years ended December 31, 1995, 1996, and 1997:

	1995	1996	1997
Revenue equipment rentals	\$ 914,034	\$ 338,283	\$ 1,618,973
Owner/operator rentals	70,926	--	6,860,853
Terminal rentals	531,948	606,424	1,503,523
Other equipment rentals	451,092	505,062	1,181,589

During April 1996, the Company entered into an agreement to lease its headquarters and terminal in Chattanooga under an operating lease. The lease provides for rental payments to be variable based upon LIBOR interest rates for five years. The Company entered into an agreement with the lessee to fix the rental payments from January 1997 until July 2000 at approximately \$87,000 per month.

Covenant leases property in Chattanooga, Tennessee from the principal stockholder of the Company. Effective July 1, 1997, the monthly rental was approximately \$15,000 per month. The Company also leases a property at Greer, South Carolina for annual rent of \$12,000 from the principal stockholder.

Included in terminal rentals are payments of \$239,344, \$237,664, and \$224,172 for the years ended December 31, 1995, 1996, and 1997, respectively, to the principal stockholder of the Company for the rental of terminal facilities.

7. INCOME TAX EXPENSE

Income tax expense for the years ended December 31, 1995, 1996, and 1997 is comprised of:

	1995	1996	1997
Federal, current	\$ 601,000	\$ 795,000	\$3,530,000
Federal, deferred	4,380,000	3,984,000	3,941,000
State, current	--	257,000	263,000
State, deferred	293,000	66,000	414,000
	=====	=====	=====
	\$5,274,000	\$5,102,000	\$8,148,000
	=====	=====	=====

Income tax expense varies from the amount computed by applying the federal corporate income tax rate of 35% to income before income taxes for the years ended December 31, 1995, 1996 and 1997 as follows:

	1995	1996	1997
Computed "expected" income tax expense	\$ 5,095,000	4,928,000	7,648,000
Adjustments in income taxes resulting from:			
State income taxes, net of federal income tax effect	189,000	183,000	440,000
Permanent differences and other, net	(10,000)	(9,000)	60,000
	=====	=====	=====
Actual income tax expense	\$ 5,274,000	5,102,000	8,148,000
	=====	=====	=====

The temporary differences and the approximate tax effects that give rise to the Company's net deferred tax liability at December 31, 1996 and 1997 are as follows:

	1996	1997
	-----	-----
Deferred tax assets:		
Allowance for doubtful accounts	\$ 180,000	\$ 292,000
Accrued expenses	68,000	1,111,000
Loss carryforwards	9,186,000	3,595,000
Alternative minimum tax credits	2,969,000	5,473,000
Contributions	309,000	--
Investment tax credits carryforward	82,000	82,000
Intangible Assets	29,000	126,000
	-----	-----
	12,823,000	10,679,000
Deferred tax liability:		
Depreciation	26,461,000	31,723,000
	-----	-----
Net deferred tax liability	13,638,000	21,044,000
Portion reflected as current asset	248,000	1,111,000
	=====	=====
Net deferred tax liability	\$ 13,886,000	\$ 22,155,000
	=====	=====

The Company has available for federal income tax purposes net operating loss and investment tax credit carryforwards, respectively, which expire as follows:

	Net Operating Loss	Investment Tax Credit
	-----	-----
2001	\$ --	\$ 82,000
2003	--	--
2005	--	--
2007	--	--
2009	--	--
2010	1,922,000	--
2011	8,065,000	--
	=====	=====
	\$ 9,987,000	\$ 82,000
	=====	=====

8. CONTINGENCIES

The Company, in the normal course of business, is involved in certain legal matters for which it carries liability insurance. It is management's belief that the losses, if any, from these lawsuits will not have a materially adverse impact on the financial condition, operations, or cash flows of the Company.

Financial risks which potentially subject the Company to concentrations of

credit risk consist of deposits in banks in excess of the Federal Deposit Insurance Corporation limits. The Company's sales are generally made on account without collateral. Repayment terms vary based on certain conditions. The Company maintains reserves which management believes are adequate to provide for potential credit losses. The majority of the Company's customer base spans the United States. The Company monitors this risk and historically has not experienced any losses on these financial instruments.

9. EARNINGS PER SHARE

The following table sets forth for the periods indicated the calculation of net earnings per share included in the Company's Consolidated Statement of Operations:

	1995	1996	1997
	-----	-----	-----
Numerator:			
Net Income	\$ 9,282,799	\$ 8,977,954	\$ 13,702,307
Denominator:			
Denominator for basic earnings per share -- weighted-average shares	13,350,000	13,350,000	13,360,000
Effect of dilutive securities:			
Employee stock options	--	2,528	--
	-----	-----	-----
Denominator for diluted earnings per share -- adjusted weighted-average shares and assumed conversions	13,350,000	13,352,528	13,360,000
	=====	=====	=====
Basic earnings per share:	\$ 0.70	\$ 0.67	\$ 1.03
	=====	=====	=====
Diluted earnings per share:	\$ 0.70	\$ 0.67	\$ 1.03
	=====	=====	=====

10. DEFERRED PROFIT SHARING EMPLOYEE BENEFIT PLAN

The Company has a deferred profit sharing and savings plan that covers substantially all employees of the Company with at least six months of service. Employees may contribute up to 17% of their annual compensation subject to Internal Revenue Code maximum limitations. The Company may make discretionary contributions as determined by a committee of the Board of Directors. The Company contributed approximately \$326,000, \$464,000, and \$538,000 in 1995, 1996, and 1997, respectively, to the profit sharing and savings plan.

11. INCENTIVE STOCK PLAN

The Company has adopted an incentive stock plan. Awards may be in the form of incentive stock awards or other forms. The Company has reserved 659,750 shares of Class A Common Stock for distribution at the discretion of the Board of Directors. During October 1994, the Company granted options to purchase 122,500

shares which are exercisable at the fair market value on the date of grant (\$16.50) and vest at varying dates through October 1999. During June 1996, the Company granted options to purchase 267,500 shares which are exercisable at the fair market value on the date of grant (\$15.50) and vest at varying dates through June 2001. During 1997 the Company granted options to purchase 149,000 shares which are exercisable at the fair market value on the date of the grant (weighted

average of \$16.43) and vest at varying dates through December 2002. The options expire 10 years from the date of grant. The following table details the activity of the incentive stock option plan:

	1995	1996	1997
	----	----	----
Balance January 1	119,000	117,000	383,250
Granted	--	267,500	149,000
Exercised	--	--	(10,250)
Canceled	(2,000)	(1,250)	(20,500)
	-----	-----	-----
Balance December 31	117,000	383,250	501,500
	=====	=====	=====
Exercisable			
December 31	48,000	82,500	151,000

For the year ended December 31, 1997, 10,250 options were exercised at an average price of \$16.09. As of December 31, 1997, the Company has 501,500 options outstanding with exercise prices which range from \$15.25 to \$18.81 with an average price of \$15.99 and average remaining life of 8 years.

The Company accounts for its stock-based compensation plans under APB No. 25, under which no compensation expense has been recognized because all employee stock options have been granted with the exercise price equal to the fair value of the Company's Class A Common Stock on the date of grant. The Company adopted SFAS 123 for disclosure purposes only in 1996. Under SFAS No. 123, fair value of options granted are estimated as of the date of grant using the Black-Scholes option pricing model and the following weighted average assumptions for 1997: risk-free interest rate of 5.50%, expected life of 5 years, dividend rate of zero percent, and expected volatility of 18.53%. Using these assumptions, the fair value of the employee stock options granted in 1996 and 1997 is \$700,000 and \$600,000 respectively, which would be amortized as compensation expense over the vesting period of the options. Had compensation cost been determined in accordance with SFAS No. 123, utilizing the assumptions detailed above, the Company's net income and net income per share would have been reduced to the following pro forma amounts for the years ended December 31, 1996, and 1997:

	1996	1997
Net income:		
As reported	\$ 8,977,954	\$ 13,702,307
Pro forma	8,837,954	13,402,696
Net income per share:		

As reported	\$	0.67	\$	1.03
Pro forma		0.66		1.00

12. BUSINESS COMBINATIONS

In October 1997 the Company purchased all of the outstanding stock of Bud Meyer Truck Lines, Inc. The acquisition of Bud Meyer Truck Lines has been accounted for under the purchase method of accounting. Accordingly, the operating results of Bud Meyer have been included in the consolidated operating results since the date of acquisition. The purchase price of \$5,200,000, net of cash received of \$347,688 and a receivable from an officer of Bud Meyer to the acquired company of \$501,870 has been allocated to the net assets acquired based on appraised fair values at the date of acquisition as follows:

Property and equipment	\$	21,300,395
Current assets		4,430,017
Goodwill		1,513,832
Other assets		906,836
Accounts payable and accrued expenses		(3,968,703)
Deferred taxes		(3,051,000)
Notes payable		(16,780,935)

	\$	4,350,422
		=====

The unaudited consolidated pro forma operating data for the Company, assuming the acquisition of Bud Meyer occurred January 1, 1996.

	1996	1997
	(unaudited)	(unaudited)
Revenues	\$ 281,269,621	\$ 332,007,120
Net income	9,531,607	13,166,040
Net earnings per share		
Basic and diluted	\$ 0.71	\$ 0.99

The unaudited pro forma information is presented for informational purposes only and is not necessarily indicative of the operating results that would have occurred had the acquisitions been consummated as of the above date, nor are they indicative of future operating results.

In August 1997, the Company purchased certain intangible assets of Trans-Road, Inc. for \$2,250,000, of which \$1,000,000 will be paid out over the next five years.

SECOND AMENDMENT TO NOTE PURCHASE AGREEMENT

This Second Amendment is Note Purchase Agreement (the "Second Amendment") is made of December 30, 1997, among Covenant Transport, Inc., a Tennessee corporation ("Issuer"), Covenant Transport, Inc., a Nevada corporation ("Guarantor"), and Connecticut General Life Insurance Company, on behalf of one or separate accounts, Connecticut General Life Insurance Company, and Life Insurance Company of North America (collectively, the "Noteholders").

RECITALS

A. The issuer and the Guarantor have entered into that certain Note Purchase Agreement dates as of October 15, 1995 with the Noteholders, as amended pursuant to that certain First Amendment to Note Purchase Agreement and Waiver dated as of April 1, 1996 (the "Note Purchase Agreement"), pursuant to which the Issuer has heretofore issued \$25,000,000 of its 7.39% Guaranteed Senior Notes due October 1, 2005 (the "Notes"), and the Guarantor has heretofore guaranteed such Notes.

B. The Issuer, the Guarantor, and the Noteholders now desire to amend certain provisions of the Note Purchase Agreement as hereinafter set forth.

NOW, THEREFORE, the Issuer, the Guarantor, and the Noteholders, in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, do hereby agree as follows:

1. The definition of "Debt" in Schedule B of the Note Purchase Agreement is hereby amended by adding the following new subparagraph (f) thereto, to read as follows:

"and, (f) its liabilities under the Permitted Sale-and-Leaseback Transaction."

2. The definition of "Lease Rentals" in schedule B of the Note Purchase Agreement is hereby amended by deleting such definition in its entirety, and substituting therefore the following new definition:

"Lease Rentals" means, with respect to any period, the sum of the rental and other obligations required to be paid during such period by the Company or any Subsidiary as lessee under all leases of real or personal property (other than Capital Leases, but including under the Permitted Sale-and-Leaseback Transaction), excluding any amount required to be paid by the lessee (whether or not therein designated as rental or additional rental) on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges, provided that, if at the date of determination, any such rental or other obligations are contingent or not

otherwise definitely determinable by the terms of the related lease, the

amount of such obligations (i) shall be assumed to be equal to the prorated amount of such obligations for period of 12 consecutive calendar months immediately preceding the date of determination or (ii) if the related lease was not in effect during such preceding 12-month period, shall be the amount estimated by a Senior Financial Officer of the Company on a reasonable basis and in good faith.

3. The following new definition is hereby added to Schedule B of the Note Purchase Agreement immediately following the definition of "PBGC":

"Permitted Sale-and-Leaseback Transaction" means that certain Sale-and-Leaseback Transaction between Banc One Leasing Corporation as Lessor and the Company as Lessee covering up to \$15,000,000 of equipment consisting of new 1998 Freightliner Over the Road Tractors as described in that certain letter of the Company dated December 19, 1997, a copy of which letter is attached hereto as Exhibit A.

4. Section 10.5 (Sale-and-Leaseback Transactions) of the Note Purchase Agreement is hereby amended by deleting such Section in its entirety and substituting therefor the following new Section 10.5:

"10.5. Sale-and-Leaseback Transactions. The Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale-and-Leaseback Transactions other than the Permitted Sale-and-Leaseback Transaction."

5. Except as specifically modified by this Second Amendment, all other terms and conditions of the Note Purchase Agreement shall remain in full force and effect.

6. All covenants and other agreements contained in this Second Amendment by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent Noteholder of a note) whether so expressed or note. This Second Amendment may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies thereof, each signed by less than all, but together signed by all, of the parties hereto.

In Witness, whereof, the parties hereto have caused this Second Amendment to be executed by their duly authorized representatives as of the date first above written.

Company:

COVENANT TRANSPORT, INC.,
A Tennessee corporation

By: /s/ Joey B. Hogan
Joey B. Hogan
Treasurer and Chief Financial Officer

CONNECTICUT GENERAL LIFE
COMPANY

By: CIGNA Investments, Inc.

By: /s/ Lawrence A Drake
Name: Lawrence A. Drake
Title: Managing Director

CONNECTICUT GENERAL LIFE *
INSURANCE COMPANY, on behalf
of one or more separate accounts

By: CIGNA Investments, Inc.

By: /s/ Lawrence A. Drake
Name: Lawrence A. Drake
Title: Managing Director

Guarantor:

COVENANT TRANSPORT, INC.,
A Nevada corporation

By: /s/ Joey B. Hogan
Joey B. Hogan
Treasurer and Chief Financial Officer

LIFE INSURANCE COMPANY OF
NORTH AMERICA

B: CIGNA Investments, Inc.

By: /s/ Lawrence A. Drake
Name: Lawrence A. Drake
Title: Managing Director

*THIS ENTITY IS EITHER THE REGISTERED OWNER OF ONE OR MORE OF THE SECURITIES PERTAINING HERETO OR IS A BENEFICIAL OWNER OF ONE OR MORE SUCH SECURITIES OWNED BY AND REGISTERED IN THE NAME OF A NOMINEE FOR THAT ENTITY

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FOURTH AMENDMENT TO CREDIT AGREEMENT

THIS FOURTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment") made and entered into effective as of December 31, 1997 (the "Effective Date"), by and among COVENANT TRANSPORT, INC., a Tennessee corporation ("CTI"), COVENANT LEASING, INC., a Nevada corporation ("Leasing"; CTI and Leasing are sometimes referred to herein individually as a "Borrower" and collectively as the "Borrowers"), ABN AMRO BANK N.V., acting through its Atlanta Agency, THE FIRST NATIONAL BANK OF CHICAGO (as assignee of NBD Bank), NATIONSBANK, N.A. (formerly known as NationsBank, N.A. (South)) and FIRST AMERICAN NATIONAL BANK (collectively, the "Banks"), and ABN AMRO BANK N.V., acting through its Atlanta Agency, as Agent (the "Agent").

W I T N E S S E T H:

WHEREAS, CTI, the Agent and the Banks entered into a certain Credit Agreement, dated as of January 17, 1995, as amended by that certain First Amendment to Credit Agreement and Waiver, dated as of October 15, 1995, among CTI, the Agent and the Banks, as further amended by that certain Second Amendment to Credit Agreement and Waiver, dated as of April 12, 1996, among CTI, the Agent and the Banks, and as further amended by that certain Third Amendment to Credit Agreement and Consent, dated as of March 31, 1997, among the Borrowers, the Agent and the Banks (the "Credit Agreement"; capitalized terms used herein and not otherwise defined herein shall have the meanings given such terms in the Credit Agreement, as amended by this Amendment), whereby the Banks agreed to make certain loans and grant other financial accommodations to or for the benefit of the Borrowers, subject to the terms, covenants and conditions contained in the Credit Agreement; and

WHEREAS, the Borrowers have requested that the Agent and the Banks amend the Credit Agreement to increase the Revolving Credit Commitments of the Banks to \$100,000,000, and to modify certain other terms of the Credit Agreement as set forth in this Amendment, and the Agent and the Banks are willing to agree to such modifications subject to the terms and conditions of this Amendment.

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendments to Section 1.1.

(a) Subject to the terms and conditions of this Amendment, Section 1.1(a)(i) of the Credit Agreement is hereby amended (i) by deleting the reference to the amount "\$70,000,000" contained in the ninth line thereof and substituting in lieu thereof the amount "\$85,000,000", and (ii) by deleting the reference to the amount "\$85,000,000" contained in the last line thereof and substituting in lieu thereof the amount "\$100,000,000".

(b) Subject to the terms and conditions of this Amendment, Section 1.1(e)(v) of the Credit Agreement is hereby amended (i) by deleting the reference to the amount "\$100,000,000" contained in the third line thereof and substituting in lieu thereof the amount "\$125,000,000" and (ii) by adding at the end thereof the following "and (z) no such increase in Commitments shall be effective until any and all consents or approvals of the holders of the Senior Notes required under the Intercreditor Agreement shall have been obtained or waived".

1. Amendment to Section 1.5(b). Subject to the terms and conditions of this Amendment, Section 1.5(b) of the Credit Agreement is hereby amended by deleting the words ".225% per annum" from the third line thereof and substituting in lieu thereof the words "the Applicable Commitment Fee Percentage".

3. Amendment to Section 5.6. Subject to the terms and conditions of this Amendment, Section 5.6 of the Credit Agreement is hereby amended (i) by deleting the reference to "10%" contained in the sixth line thereof and substituting in lieu thereof "20%" and (ii) by deleting the reference to the amount "\$1,000,000" contained in the last line thereof and substituting in lieu thereof the amount "\$10,000,000".

4. Amendment to Section 5.11. Subject to the terms and conditions of this Amendment, Section 5.11 is hereby amended (i) by deleting the reference to the amount "\$10,000,000" in subsection (f) thereof and substituting in lieu thereof the amount "\$25,000,000" and (ii) by inserting at the end of such section the following new subsection (g):

(g) Other Debt consented to in writing in advance by the Agent and the Required Banks.

5. Amendment to Section 5.12. Subject to the terms and conditions of this Amendment, Section 5.12 of the Credit Agreement is hereby amended (i) by deleting the reference to the amount "\$60,000,000" contained in the second line thereof and substituting in lieu thereof the amount "\$75,000,000" and (ii) by deleting the reference to the date "September 30, 1994" contained in the third line thereof and substituting in lieu thereof the date "September 30, 1997".

6. Amendment to Section 5.13. Subject to the terms and conditions of this Amendment, Section 5.13 of the Credit Agreement is hereby amended to read as follows:

Section 5.13 Consolidated Adjusted Debt to Consolidated EBITDAR. Permit the ratio of Consolidated Adjusted Debt to Consolidated EBITDAR, as determined at the end of each fiscal quarter or year and based on the consecutive four-quarter period ending therewith, to exceed 3.0 to 1.0.

7. Amendment to Section 6.1(c)(iii). Subject to the terms and conditions of this Amendment, Section 6.1(c)(iii) of the Credit Agreement is hereby amended by deleting the words "a quarterly basis" contained in line three thereof and substituting in lieu thereof the words "an annual basis".

8. Amendment to Section 7.1(d). Subject to the terms and conditions of this Amendment, Section 7.01(d) of the Credit Agreement is hereby amended by deleting the reference to the amount "\$150,000" contained in the third line thereof and substituting in lieu thereof the amount "\$2,000,000".

9. Amendments to Section 10.1. Subject to the terms and conditions of this Amendment, Section 10.1 of the Credit Agreement is hereby amended as follows:

(a) by modifying the definitions of the terms "Applicable Margin", "Applicable Percentage", "Fixed Charge Coverage Ratio", "Revolving Credit Commitment", "Revolving Credit Commitment Termination Date" and "Term Loan Commitment" to read, respectively, as follows:

"Applicable Margin" means for any Eurodollar Loan or any Alternate Base Rate Loan (as the case may be), from and after the effective date of the Fourth Amendment until the date upon which Borrower shall deliver to the Agent and the Banks the Parent's consolidated financial statements for the fiscal year ended December 31, 1997, together with a duly completed compliance certificate pursuant to Section 6.1(b), .50% per annum, and on any date thereafter, the percentage determined from the grid set forth below for the ratio of Consolidated Adjusted Debt to Consolidated EBITDAR as of the most recently ended fiscal quarter of the Parent, as determined from the financial statements most recently delivered pursuant to Section 6.1(a) or (b). The ratio shall be calculated at the end of such quarter and for the four fiscal quarters ended on the last day of such fiscal quarter:

Adjusted Debt/EBITDAR	LIBOR and Alternate Base Rate Applicable Margin
Greater than or equal to 2.5:1	.75%

Greater than or equal to 2.0:1 but less than 2.5:1	.525%
Greater than or equal to 1.5:1 but less than 2.0:1	.425%
Greater than or equal to 1.0:1 but less than 1.5:1	.375%
Less than 1.0:1	.325%

Each adjustment in the Applicable Margin shall take effect immediately upon receipt by the Agent of the financial statements referred to above and shall be effective prospectively. Notwithstanding the foregoing, so long as a Default shall have occurred and be continuing, the Applicable Margin shall be the highest rate specified above, plus 1% per annum.

"Applicable Percentage" means, from and after the effective date of the Fourth Amendment until the date upon which Borrower shall deliver to the Agent and the Lenders the Parent's consolidated financial statements for the fiscal year ended December 31, 1997, together with a duly completed compliance certificate pursuant to Section 6.1(b), .50% per annum, and on any date thereafter, the per annum percentage determined from the grid set forth below for the ratio of Consolidated Adjusted Debt to Consolidated EBITDAR as of the most recently ended fiscal quarter of the Parent, as determined from the financial statements most recently delivered pursuant to Section 6.1(a) or (b). The ratio shall be calculated at the end of such quarter and for the four fiscal quarters ended on the last day of such fiscal quarter:

Adjusted Debt/EBITDAR	Applicable Percentage
Greater than or equal to 2.5:1	.75%
Greater than or equal to 2.0:1 but less than 2.5:1	.525%
Greater than or equal to 1.5:1 but less than 2.0:1	.425%

Greater than or equal to 1.0:1 but less than 1.5:1	.375%

Less than 1.0:1	.325%

Each adjustment in the Applicable Percentage shall take effect immediately upon receipt by the Agent of the financial statements referred to above, and shall be effective prospectively. Notwithstanding the foregoing, so long as a Default shall have occurred and be continuing, the Applicable Percentage shall be the highest rate specified above, plus 1% per annum.

"Fixed Charge Coverage Ratio" means the ratio of (i) Consolidated EBITDAR to (ii) the sum of (A) Consolidated Interest Charges, plus (B) Consolidated Lease Payments, plus (C) Consolidated Debt Amortization, plus (D) prior to the Term Loan Conversion Date, 25% of then outstanding Revolving Loans and Letter of Credit Obligations, plus (E) the amount of then outstanding Guaranty obligations (to the extent not included in (C) or (D) above), in each case ((i) and (ii)) calculated for the four fiscal quarters ending on the last day of any fiscal quarter; provided, that, for purposes of calculating the Fixed Charge Coverage Ratio, there shall be included in Consolidated Interest Charges, Consolidated Lease Payments and Consolidated Debt Amortization for the applicable period the interest charges (as calculated on a pro forma basis using the effective rate of interest paid by the Borrower on the Obligations), lease payments (other than Capital Leases) and debt amortization, respectively, of any entity the capital stock, assets, business or other ownership interests of which were acquired by the Parent or any Consolidated Subsidiary during such period.

"Revolving Credit Commitment" means the commitment of each Bank to make Revolving Loans pursuant to Section 1.1(a)(i) in the amount set forth opposite such Bank's name on the signature pages of the Fourth Amendment, as such amount may be increased from time to time pursuant to Section 1.1(e) or reduced from time to time pursuant to Section 1.7 or 7.2. Revolving Credit Commitments means the sum of the Revolving Credit Commitments of all the Banks.

"Revolving Credit Commitment Termination Date" means the earlier of (i) the date upon which the Revolving Credit Commitments reduce to zero pursuant to Section 1.7 or Section 7.2 and (ii) November 30, 1999, or such later date as shall be designated by the Banks pursuant to Section 1.1(d).

"Term Loan Commitment" means, for any Bank, its Proportionate Share of the lesser of \$100,000,000 (as such amount may be increased pursuant to Section 1.1(e)) and the aggregate amount of Revolving Loans outstanding on the Term Loan Conversion Date, as such amount

may be reduced from time to time pursuant to Section 1.7 or Section 7.2.

(b) by modifying clause (vi) of the definition of the term "Consolidated Net Income" to read as follows:

"(vi) any portion of the net earnings of any Subsidiary of any other business entity in which the Parent or any Subsidiary has an ownership interest, that for any reason (other than the provisions of this Agreement, the other Loan Documents, or any other instrument or agreement evidencing other Permitted Debt) is unable to be dividended to the Parent or any other Subsidiary;"

(c) by adding thereto the following new definitions:

"Applicable Commitment Fee Percentage" means, from and after the effective date of the Fourth Amendment until the date upon which Borrower shall deliver to the Agent and the Lenders the Parent's consolidated financial statements for the fiscal year ended December 31, 1997, together with a duly completed compliance certificate pursuant to Section 6.1(b), .225% per annum, and on any date thereafter, the per annum percentage determined from the grid set forth below for the ratio of Consolidated Adjusted Debt to Consolidated EBITDAR as of the most recently ended fiscal quarter of the Parent as determined from the financial statements most recently delivered pursuant to Section 6.1(a) or (b). The ratio shall be calculated at the end of such quarter and for the four fiscal quarters ended on the last day of such fiscal quarter:

Adjusted Debt/EBITDAR	Commitment Fee
Greater than or equal to 2.5:1.0	.25%
Greater than or equal to 2.0:1.0 but less than 2.5:1.0	.15%
Greater than or equal to 1.0:1.0 but less than 2.0:1.0	.125%
Less than 1.0:1.0	.10%

Each adjustment in the Applicable Commitment Fee Percentage shall take effect immediately upon receipt by the Agent of the financial statements referred to above, and shall be effective prospectively.

"Consolidated Adjusted Debt" means, at any time, the sum of (i) Consolidated Debt at such time (excluding the present value of the lease payments to be made under the Synthetic Lease to the extent included therein) and (ii) the Asset Termination Value under (and as defined in) the Synthetic Lease.

"Consolidated Depreciation" means, for any period, the aggregate amount of all depreciation expense of the Parent and its Consolidated Subsidiaries as shown on the consolidated financial statements of the Parent.

"Consolidated EBITDAR" means, for any period, Consolidated Net Income of the Parent and its Consolidated Subsidiaries for such period, plus all amounts deducted therefrom for such period in respect of (i) Consolidated Interest Charges (ii) Consolidated Depreciation, (iii) Consolidated Amortization, (iv) Consolidated Lease Payments and (v) Consolidated Taxes. In addition, Consolidated EBITDAR for the applicable period shall include the net income plus interest charges, depreciation, amortization, lease payments (other than Capital Leases) and tax payments of any entity the capital stock, assets, business or other ownership interests of which were acquired by the Parent or any Consolidated Subsidiary during such period.

"Fourth Amendment" means the Fourth Amendment to Credit Agreement, dated as of December 31, 1997, among the Borrower, the Agent and the Banks.

"Synthetic Lease" means the Participation Agreement, dated March 29, 1996, among CTI, the Parent, Lease Plan North America, Inc. and ABN AMRO Bank N.V., Atlanta Agency, as Participant and Agent.

10. Amendments to Section 11.1. Subject to the terms and conditions of this Amendment, Section 11.1(b) of the Credit Agreement is hereby amended to provide that (i) notices to the Borrower shall be addressed as follows:

Covenant Transport, Inc.
400 Birmingham Highway
Chattanooga, Tennessee 37404
Attention: Joey Hogan
Chief Financial Officer

Telecopier No.: (423) 821-5442
Telephone No.: (423) 821-1212

with a copy to: Scudder Law Firm, P.C.
411 South 13th Street, Suite 200
Lincoln, Nebraska 68508
Attention: Mark A. Scudder, Esq.

Telecopier No.: (402) 435-4329
Telephone No.: (402) 435-3223

(ii) notices to the Agent shall be addressed as follows:

ABN AMRO Bank N.V.
135 South LaSalle Street
Chicago, Illinois 60603
Attention: Dave Thomas

Telecopier No.: (312) 904-2849
Telephone No.: (312) 904-2506

with a copy to: ABN AMRO Bank N.V.
Syndications Department
1325 Avenue of the Americas
9th Floor
New York, New York 10019
Attention: Linda Boardman

Telecopier No.: (212) 314-1709 or 1710
Telephone No.: (212) 314-1724

11. Representations and Warranties. Each of the Borrowers hereby represents and warrants to the Agent and the Banks that (a) this Amendment has been duly authorized, executed and delivered by each of the Borrowers, (b) no Default or Event of Default has occurred and is continuing as of this date, and (c) all of the representations and warranties made by the Borrower in the Credit Agreement are true and correct in all material respects on and as of the date of this Amendment (except to the extent that any such representations or warranties expressly referred to a specific prior date). Any breach by the Borrowers of the representations and warranties contained in this Section 11 shall be an Event of Default for all purposes of the Credit Agreement.

12. Ratification. Each of the Borrowers hereby ratifies and reaffirms each and every term, covenant and condition set forth in the Credit Agreement and all other documents delivered by such Borrower in connection therewith (including without limitation the other Loan Documents to which such Borrower is a party), effective as of the date hereof.

13. Estoppel. To induce the Agent and the Banks to enter into this Amendment, each of the Borrowers hereby acknowledges and agrees that, as of the date hereof, there exists no right of offset, defense or counterclaim in favor of such Borrowers as against the Agent, any Bank or any Letter of Credit Bank with respect to the obligations of the Borrowers to any of such parties under the Credit Agreement or the other Loan Documents, either with or without giving effect to this Amendment.

14. Acquisition of New Subsidiary. Subject to the terms and conditions of this Amendment, the Agent and the Banks hereby consent to the acquisition of Bud

Meyer Truck Lines, Inc. as a new Subsidiary, and hereby confirm that such acquisition did not constitute an Event of Default and further confirm that the delivery of the agreements in connection with Amendment satisfy the obligations of such new Subsidiary to deliver the additional Security Documents required under Section 5.18 and 5.21. The foregoing shall apply only to the matter stated and shall not constitute a waiver by the Agent or the Banks of any other or future Default or Event of Default. Schedule 4.1 of the Credit Agreement is hereby amended by adding thereto the name of Bud Meyer Truck Lines, Inc.

15. Conditions to Effectiveness. This Amendment shall become effective, upon the Effective Date, subject to the satisfaction of the following conditions on or prior to such date:

(a) the receipt by the Agent of this Amendment, duly executed, completed and delivered by the Agent, the Banks and the Borrowers, and consented to by the Parent, Intellectual Property Co. and Covenant Acquisition Co.;

(b) the receipt by the Agent and the Banks of replacement Revolving Notes evidencing Base Rate Loans, Alternate Base Rate Loans and Eurodollar Loans, duly executed by the Borrowers and payable to the order of each Bank;

(c) the receipt by the Agent of such additional Security Documents or modifications of the existing Security Documents as may be requested by the Agent, duly executed by the Parent and/or each Borrower and/or any other Subsidiary which is a party thereto, and the Collateral Agent, in each case in form and substance satisfactory to the Agent;

(d) the receipt by the Agent of such modifications of the Intercreditor Agreement as may be requested by the Agent, duly executed by the Collateral Agent and the Senior Noteholders, and acknowledged by the Borrowers, the Parent and each other Subsidiary, in form and substance satisfactory to the Agent;

(e) the receipt by the Agent of a Joinder Agreement joining Bud Meyer Truck Lines, Inc. as a party to and guarantor under the Guaranty Agreement, dated as of March 31, 1997, previously executed by Intellectual Property Co. and Covenant Acquisition Co. (formerly C&F Acquisition Co.) in favor of the Agent and the Banks, and such Security Documents as may be requested by the Agent, duly executed by Bud Meyer Truck Lines, Inc. and in form and substance satisfactory to the Agent;

(f) the receipt by the Agent of a certificate of the Secretary or an Assistant Secretary of the Parent, each Borrower, Intellectual Property Co., Covenant Acquisition Co. and Bud Meyer Truck Lines, Inc. in form and substance satisfactory to the Agent, with respect to the officers of such Persons authorized to deliver this Amendment, the replacement Revolving Notes and the other supplemental Loan Documents contemplated hereby, to which shall be attached copies of the resolutions and bylaws referred to

in such certificate;

(g) the receipt by the Agent of a certificate of good standing with respect to the Parent, each Borrower, Intellectual Property Co., Covenant Acquisition Co. and Bud Meyer Truck Lines, Inc., issued as of a recent date by the Secretary of State of its jurisdiction of incorporation;

(h) the receipt by the Agent of a certificate as to the solvency of the Parent and its Subsidiaries, duly executed by the chief financial officer of the Parent and in form and substance satisfactory to the Agent;

(i) the receipt by the Agent of an opinion of counsel to the Parent, the Borrowers, Intellectual Property Co., Covenant Acquisition Co. and Bud Meyer Truck Lines, Inc. as to such matters as may be requested by the Agent or the Required Banks, in form and substance satisfactory to the Agent and the Required Banks;

(j) the receipt by the Agent of such other documents, certificates, instruments and opinions as the Agent may reasonably request; and

(k) the receipt by the Agent of all fees and expenses payable to the Agent and the Banks in connection with the Credit Agreement and this Amendment including without limitation, the reasonable legal fees and other reasonable out of pocket expenses of the Agent and each Bank incurred in connection with this Amendment.

16. Reimbursement of Expenses. Each of the Borrowers hereby jointly and severally agrees that it shall reimburse the Agent on demand for all costs and expenses (including without limitation attorney's fees) incurred by such parties in connection with the negotiation, documentation and consummation of this Amendment and the other documents executed in connection herewith and therewith and the transactions contemplated hereby and thereby.

17. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF GEORGIA FOR CONTRACTS TO BE PERFORMED ENTIRELY WITHIN SAID STATE.

18. Severability of Provisions. Any provision of this Amendment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction. To the extent permitted by Applicable Law, each of the Borrowers hereby waives any provision of law that renders any provision hereof prohibited or unenforceable in any respect.

19. Counterparts. This Amendment may be executed in any number of counterparts, all of which shall be deemed to constitute but one original and shall be binding upon all parties, their successors and permitted assigns.

20. Entire Agreement. The Credit Agreement as amended by this Agreement embodies the entire agreement between the parties hereto relating to the subject matter hereof and supersedes all prior agreements, representations and understandings, if any, relating to the subject matter hereof.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed by their respective officers thereunto duly authorized, as of the date first above written.

COVENANT TRANSPORT, INC., a Tennessee corporation, as a Borrower

By: /s/ Joey B. Hogan
Name: Joey B. Hogan
Title: CFO/Treasurer

COVENANT LEASING, INC., a Nevada corporation, as a Borrower

By: /s/ Joey B. Hogan
Name: Joey B. Hogan
Title: CFO/Treasurer

ABN AMRO BANK N.V., acting through its Atlanta Agency, as Agent

By: /s/ Nick T. Weaver
Name: Nick T. Weaver
Title: Vice President

By: /s/ Linda K. Davis
Name: Linda K. Davis

Title: Vice President

ABN AMRO BANK N.V., acting through
its Atlanta Agency, as a Bank

By: /s/ Nick T. Weaver
Name: Nick T. Weaver
Title: Vice President

By: /s/ Linda K. Davis
Name: Linda K. Davis
Title: Vice President

Commitments:	Amount:	Percentage:
Revolving	\$30,000,000	.30000000
Term	\$30,000,000	.30000000

Base Rate Lending Office: ABN AMRO Bank N.V., Atlanta Agency
1325 Avenue of the Americas
9th Floor
New York, New York 10019
Attention: Linda Boardman

Eurodollar Lending Office: ABN AMRO Bank N.V. Atlanta Agency
1325 Avenue of the Americas
9th Floor
New York, New York 10019
Attention: Linda Boardman

Address for purposes of
Section 11.1:

ABN AMRO Bank N.V.
135 South LaSalle
Chicago, Illinois 60603
Attention: Dave Thomas
Telecopier No.: (312) 904-2849
Telephone No.: (312) 904-2506

THE FIRST NATIONAL BANK
OF CHICAGO

By: /s/ Gregory J. Sjullie
Name: Gregory J. Sjullie
Title: Vice President

Commitments:	Amount:	Percentage:
Revolving	\$26,000,000	.26000000
Term	\$26,000,000	.26000000

Base Rate Lending Office: The First National Bank of Chicago
One First National Plaza
Chicago, Illinois 60670
Attention: Greg Sjullie

Eurodollar Lending Office: The First National Bank of Chicago
One First National Plaza
Chicago, Illinois 60670
Attention: Greg Sjullie

Address for purposes of Section
11.1: The First National Bank of Chicago
One First National Plaza
Building 1, 10th Floor, Suite #0374
Chicago, Illinois 60670
Attention: Greg Sjullie
Telecopier No.: (312) 732-3055
Telephone No.: (312) 732-8872

NATIONSBANK, N.A.

By: /s/ Greg McCrery
Name: Greg McCrery

Title: Vice President

Commitments:	Amount:	Percentage:
Revolving	\$26,000,000	.26000000
Term	\$26,000,000	.26000000

Base Rate Lending Office: NationsBank, N.A.
600 Peachtree Street, N.E., 21st Floor
Atlanta, Georgia 30308-2213
Attention: Greg McCrery

Eurodollar Lending Office: NationsBank, N.A.
600 Peachtree Street, N.E., 21st Floor
Atlanta, Georgia 30308-2213
Attention: Greg McCrery

Address for purposes of Section
11.1: NationsBank, N.A.
600 Peachtree Street, N.E., 21st Floor
Atlanta, Georgia 30308-2213
Attention: Greg McCrery
Telecopier No.: (404) 607-6466
Telephone No.: (404) 607-5540

FIRST AMERICAN NATIONAL BANK

By: /s/ Mary E. Buckner
Name: Mary E. Buckner
Title: Vice President

Commitments:	Amount:	Percentage:
Revolving	\$18,000,000	.18000000
Term	\$18,000,000	.18000000

Base Rate Lending Office: First American National Bank
1 Union Square, Suite 100
Chattanooga, Tennessee 37402

Attention: Mary E. Buckner

Eurodollar Lending Office:

First American National Bank
1 Union Square, Suite 100
Chattanooga, Tennessee 37402
Attention: Mary E. Buckner

Address for purposes of Section
11.1:

First American National Bank
1 Union Square, Suite 100
Chattanooga, Tennessee 37402
Attention: Mary E. Buckner
Telecopier No.: (423) 755-6014
Telephone No.: (423) 755-6022

CONSENT OF GUARANTOR

The undersigned COVENANT TRANSPORT, INC., a Nevada corporation, as guarantor (the "Guarantor") under that certain Guaranty Agreement (hereinafter called the "Guaranty"), dated as of January 17, 1995, executed by the Guarantor pursuant to the Credit Agreement (as amended, the "Credit Agreement"), dated as of January 17, 1995, among Covenant Transport, Inc., a Tennessee corporation, and Covenant Leasing, Inc., a Nevada corporation (collectively, the "Borrowers"), the Banks signatories thereto (the "Banks"), the Banks serving as Letter of Credit Banks thereunder, and ABN AMRO Bank N.V., acting through its Atlanta Agency, as Agent (all of the foregoing parties being herein referred to collectively as the "Guaranteed Parties"), with respect to the indebtedness and obligations of the Borrowers arising under the Credit Agreement, hereby consents to and approves of the execution and delivery by the Borrowers of that certain Fourth Amendment to Credit Agreement (the "Amendment"), dated as of the date hereof, executed by and among the Borrowers and the Guaranteed Parties, and the transactions contemplated thereby, and further consents to and approves of the execution and delivery by the Borrowers of all other documents and instruments executed or to be executed by the Borrowers in connection therewith, including, without limitation, the replacement Notes.

The Guarantor acknowledges and agrees that the execution and delivery of the Amendment and the replacement Notes shall not diminish, impair, alter, discharge or otherwise affect in any manner whatsoever the duties, obligations and liabilities of the Guarantor under the Guaranty including, without limitation, the obligation of the Guarantor for the payment of the "Obligations" (as that term is defined in the Guaranty and the Credit Agreement).

The Guarantor hereby ratifies, confirms and approves the Guaranty and all of the terms and provisions thereof, and agrees that the Guaranty constitutes the valid and binding obligation of the Guarantor, enforceable by the Guaranteed Parties in accordance with its terms.

IN WITNESS WHEREOF, the Guarantor has executed this consent, as of the 31st day of December, 1997.

GUARANTOR:

COVENANT TRANSPORT, INC., a Nevada corporation

By: /s/ Joey B. Hogan
Name: Joey B. Hogan
Title: CFO/Treasurer

CONSENT OF GUARANTOR

The undersigned INTELLECTUAL PROPERTY CO., a Nevada corporation, as guarantor (the "Guarantor") under that certain Guaranty Agreement (hereinafter called the "Guaranty"), dated as of March 31, 1997, executed by the Guarantor and C&F Acquisition Co. pursuant to the Credit Agreement (as amended, the "Credit Agreement"), dated as of January 17, 1995, among Covenant Transport, Inc., a Tennessee corporation, and Covenant Leasing, Inc., a Nevada corporation (collectively, the "Borrowers"), the Banks signatories thereto (the "Banks"), the Banks serving as Letter of Credit Banks thereunder, and ABN AMRO Bank N.V., acting through its Atlanta Agency, as Agent (all of the foregoing parties being herein referred to collectively as the "Guaranteed Parties"), with respect to the indebtedness and obligations of the Borrowers arising under the Credit Agreement, hereby consents to and approves of the execution and delivery by the Borrowers of that certain Fourth Amendment to Credit Agreement (the "Amendment"), dated as of the date hereof, executed by and among the Borrowers and the Guaranteed Parties, and the transactions contemplated thereby, and further consents to and approves of the execution and delivery by the Borrowers of all other documents and instruments executed or to be executed by the Borrowers in connection therewith, including, without limitation, the replacement Notes.

The Guarantor acknowledges and agrees that the execution and delivery of the Amendment and the replacement Notes shall not diminish, impair, alter, discharge or otherwise affect in any manner whatsoever the duties, obligations and liabilities of the Guarantor under the Guaranty including, without

limitation, the obligation of the Guarantor for the payment of the "Obligations" (as that term is defined in the Guaranty and the Credit Agreement).

The Guarantor hereby ratifies, confirms and approves the Guaranty and all of the terms and provisions thereof, and agrees that the Guaranty constitutes the valid and binding obligation of the Guarantor, enforceable by the Guaranteed Parties in accordance with its terms.

IN WITNESS WHEREOF, the Guarantor has executed this consent, as of the 31st day of December, 1997.

GUARANTOR:

INTELLECTUAL PROPERTY CO., a Nevada corporation

By: /s/ Joey B. Hogan
Name: Joey B. Hogan
Title: CFO/Treasurer

CONSENT OF GUARANTOR

The undersigned COVENANT ACQUISITION CO., a Nevada corporation formerly known as C&F Acquisition Co., as guarantor (the "Guarantor") under that certain Guaranty Agreement (hereinafter called the "Guaranty"), dated as of March 31, 1997, executed by the Guarantor and Intellectual Property Co. pursuant to the Credit Agreement (as amended, the "Credit Agreement"), dated as of January 17, 1995, among Covenant Transport, Inc., a Tennessee corporation, and Covenant Leasing, Inc., a Nevada corporation (collectively, the "Borrowers"), the Banks signatories thereto (the "Banks"), the Banks serving as Letter of Credit Banks thereunder, and ABN AMRO Bank N.V., acting through its Atlanta Agency, as Agent (all of the foregoing parties being herein referred to collectively as the "Guaranteed Parties"), with respect to the indebtedness and obligations of the Borrowers arising under the Credit Agreement, hereby consents to and approves of the execution and delivery by the Borrowers of that certain Fourth Amendment to Credit Agreement (the "Amendment"), dated as of the date hereof, executed by and among the Borrowers and the Guaranteed Parties, and the transactions contemplated thereby, and further consents to and approves of the execution and delivery by the Borrowers of all other documents and instruments executed or to be executed by the Borrowers in connection therewith, including, without limitation, the replacement Notes.

The Guarantor acknowledges and agrees that the execution and delivery of

the Amendment and the replacement Notes shall not diminish, impair, alter, discharge or otherwise affect in any manner whatsoever the duties, obligations and liabilities of the Guarantor under the Guaranty including, without limitation, the obligation of the Guarantor for the payment of the "Obligations" (as that term is defined in the Guaranty and the Credit Agreement).

The Guarantor hereby ratifies, confirms and approves the Guaranty and all of the terms and provisions thereof, and agrees that the Guaranty constitutes the valid and binding obligation of the Guarantor, enforceable by the Guaranteed Parties in accordance with its terms.

IN WITNESS WHEREOF, the Guarantor has executed this consent, as of the 31st day of December, 1997.

GUARANTOR:

COVENANT ACQUISITION CO., a Nevada
corporation formerly known as C&F
Acquisition Co.

By: /s/ Joey B. Hogan
Name: Joey B. Hogan
Title: CFO/Treasurer

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the "Agreement") is made and entered into as of October , 1997, by and among COVENANT TRANSPORT, INC., a Nevada corporation ("Buyer"); Russell Meyer a resident of Minnesota (the "Selling Stockholder"); and Bud Meyer Truck Lines, Inc., a Minnesota corporation (the "Company").

RECITALS

1. The Selling Stockholder owns all of the issued and outstanding capital stock of the Company, consisting of 177 shares of Common Stock, no par value per share ("Common Stock").

2. The Selling Stockholder proposes to sell and Buyer proposes to purchase 100% of the issued and outstanding Common Stock.

3. The parties desire that the transaction be accomplished as stated herein, in accordance with their respective representations, warranties, and agreements, subject to the conditions contained herein.

AGREEMENTS

NOW, THEREFORE, in consideration of the covenants, representations, warranties, and agreements herein contained, and for other good and valuable consideration, the parties agree as follows:

ARTICLE I Definitions

For the purposes of this Agreement, unless otherwise provided, the following terms, when capitalized, shall have the meanings ascribed to them below:

1.1 "Affiliate" means any person or entity controlling, controlled by, or under common control with another person or entity, as well as the following: all officers, directors, and persons owning 10% or more of the equity interests of an entity.

1.2 "August 31 Balance Sheet" means a balance sheet of the Company prepared according to GAAP as of August 31, 1997. Such balance sheet shall reflect all adjustments and accruals as are normally made at year-end on a pro-rata basis, including specifically those adjustments necessary to reflect the addition to retained earnings of period 13 "green fee" adjustments from the operating statement for eight months ended August 31, 1997.

1.3 "Authority" means each and every federal, state, local, and foreign

judicial, governmental, quasi-governmental, or regulatory agency, official or department; every arbitrator, mediator, and other similar official; and every other entity to whose jurisdiction or decision making authority a party has submitted.

1.4 "Benefit Plans" means all contracts, plans, arrangements, policies, and understandings providing for any compensation or benefit other than base wages or salaries that are maintained by the Company or affect its employees or independent contractors, regardless of whether defined as an "employee benefit plan" under ERISA or subject to any provision of ERISA, including, without limitation: all pension, profit-sharing, retirement, thrift, 401(K), ESOP, and other similar plans and arrangements (defined benefit and defined contribution); all health, welfare, and disability insurance (including self-insurance), workers' compensation, supplemental unemployment, severance, vacation, and similar plans and arrangements; and all bonus, stock option, incentive compensation, stock appreciation rights, phantom stock, overtime guaranty, employment contract, employee handbook, and other similar plans or arrangements.

1.5 "Closing" and "Closing Date" have the meanings set forth in Section 3.1 hereof.

1.6 "Code" means the Internal Revenue Code of 1986, as amended, or any successor federal tax law.

1.7 "Contract" means any mortgage, indenture, agreement, contract, commitment, lease, plan, license, permit, insurance policy or binder, authorization, or other instrument, document, or understanding, oral or written.

1.8 "Environmental Laws" has the meaning ascribed in Section 4.3(u).

1.9 "GAAP" means generally accepted accounting principles, consistently applied throughout all periods, provided, that interim, unaudited financial statements lack footnotes and other presentation items.

1.10 "Historical Financial Statements" has the meaning ascribed to it in Section 4.3(f).

1.11 "Judgment" means any judgment, order, writ, injunction, decree, or award by any Authority, as well as all settlements of actions or claims.

1.12 "Law" means any constitution, statute, Judgment, law, ordinance, rule, regulation, or other pronouncement by any Authority (including, without limitation, the following types: environmental, energy, safety, health, zoning,

antidiscrimination, antitrust, employment, Tax, and employee benefit (including ERISA)).

1.13 "Lien" means any mortgage, lien, pledge, security interest, mechanics' or materialmen's or similar lien, conditional sale agreement, charge, claim, right, condition, restriction, or other encumbrance or defect of title of any nature whatsoever (including, without limitation, any assessment, charge, or other type of notice which is levied or given by any Authority and for which a lien could be filed).

1.14 "Noncompetition Agreement" means the agreement between Buyer and the Selling Stockholder and Buyer and Darlene Meyer in substantially the form attached hereto as Exhibit A that provides Russell Meyer and Darlene Meyer will refrain from competition with Buyer directly or indirectly, for a period of five years following the later of the Closing Date or termination of their employment with Buyer or any Affiliate of Buyer.

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1.15 "Permits" has the meaning ascribed in Section 4.3(t).

1.16 "Proceeding" means any action, suit, litigation, arbitration, investigation, hearing, notice of violation, order, claim, citation, charge, demand, complaint, review, or penalty assessment, in each case whether formal or informal, administrative, civil or criminal, at law or in equity, and whether or not in front of any Authority.

1.17 "Real Estate" means the real estate and improvements thereof, and all rights and appurtenances thereto, currently owned by the Company, all as legally described on Exhibit B.

1.18 "Rights" means all patents, trademarks, copyrights, franchises, licenses, permits, easements, computer software programs, rights (including, without limitation, rights to trade secrets and proprietary information and know-how), certificates, approvals, and other authorizations including those issued by or filed with any Authority, and any applications for any of the foregoing.

1.19 "Taxes" shall mean all taxes, charges, fees, levies, or other assessments of whatever kind or nature, including, without limitation, all net income, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, license, withholding, payroll, employment, excise, estimated, severance, stamp, occupancy, or property taxes, customs duties, fees, assessments, or charges of any kind whatsoever (together with any interest and any penalties, additions to tax, or additional amounts) imposed by any Authority.

ARTICLE II
Stock Purchase and Sale

2.1 Transfer of Common Stock. Subject to the terms and conditions of this Agreement, at the Closing, the Selling Stockholder shall sell, convey, transfer, assign, and deliver to Buyer, and Buyer shall acquire, 100% of the issued and outstanding Common Stock, free and clear of Liens. As provided in Section 4.3(i) hereof, certain assets will be excluded from the sale and transfer contemplated hereunder.

2.2 Purchase Price. As consideration for the purchase of the Common Stock, Buyer agrees to pay the Selling Stockholder Five Million Two Hundred Thousand Dollars (\$5,200,000) (the "Purchase Price").

2.3. The Selling Stockholder represents and warrants as follows: The entire authorized capital stock of the Company consists of 177 shares of Common Stock, all of which shares are issued and outstanding and owned by the Selling Stockholder. The Company does not have any stockholders or issued and outstanding stock, whether voting or non-voting, common or preferred, other than the Selling Stockholder and the aforesaid shares owned by the Selling Stockholder. The Selling Stockholder is the record and beneficial owner of the Common Stock, free and clear of all Liens. All of such shares have been duly authorized and validly issued, are fully paid and non-assessable, and are free of all adverse claims. There are no outstanding or authorized (i) options, warrants, purchase rights, subscription rights, conversion rights, exchange rights, or other Contracts or commitments that could require the Company (or any successor, parent, or acquiror of the Company) to issue, sell, or otherwise cause to become outstanding any capital stock or other

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securities or obligations; (ii) stock appreciation, phantom stock, profit participation, or similar rights; or (iii) voting trusts, proxies, rights of first refusal, registration rights, transfer restrictions, or other Contracts relating to the capital stock or other securities or obligations of the Company.

2.4 Release of Selling Stockholder. From and after the Closing the Buyer shall either promptly repay the indebtedness of the Company to third-parties that is reflected on the August 31 Balance Sheet or indebtedness arising since such date that the Selling Stockholder, Darlene Meyer, or Bud Meyer has personally guaranteed or, vigorously seek to obtain a release of such guarantors, including by offering Buyer as a guarantor on such indebtedness. Buyer shall indemnify such guarantors against any liability under such guaranties, including any attorney fees and expenses incurred by Selling Stockholder in responding to or defending claims made under such guaranties.

2.5 Financial Reporting Effective Date. Anything to the contrary

notwithstanding, for all financial reporting purposes the effective date of the transaction shall be deemed to be October 1, 1997.

ARTICLE III Closing

3.1 Date. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the headquarters of Buyer located at 400 Birmingham Highway, Chattanooga, Tennessee 37404, on the date hereof (the "Closing" or "Closing Date").

3.2 Delivery of Certificates Other Agreements. The Selling Stockholder shall have delivered certificates representing 100% of the Company's outstanding Common Stock, duly endorsed for transfer to Buyer or accompanied by stock powers duly executed in blank. The Noncompetition Agreement, Consent, Stock Option Agreement, and each other document required to be executed in connection with this Agreement been duly executed and delivered by each party thereto.

3.3 Delivery of Purchase Price. At the Closing, the Buyer shall deliver the Purchase Price to the Selling Stockholder by cashier's check or wire transfer of immediately available funds.

3.4 Opinion of Counsel for the Company and the Selling Stockholder. Counsel for the Company and the Selling Stockholder shall deliver to Buyer its written opinion, dated as of the Closing Date, covering matters such as the organization and existence of the Company, the authorization, execution, binding nature, and enforceability of this Agreement, the validity of the shares to be transferred to Buyer, and such other matters customarily addressed in transactions of this nature in form and substance reasonably satisfactory to the parties and their counsel.

3.5 Opinion of Counsel for Buyer. Counsel for Buyer shall deliver to the Company and the Selling Stockholder its written opinion, dated as of the Closing Date, covering matters such as the organization and existence of Buyer, the authorization, execution, binding nature, and enforceability of this Agreement, and such other matters customarily addressed in transactions of this nature in form and substance reasonably satisfactory to the parties and their counsel.

ARTICLE IV Representations and Warranties

4.1 General Statement. The parties hereto represent and warrant to each other that the statements contained in this Article IV are correct and complete as of the Closing Date. The survival of all such representations and warranties

shall be in accordance with Section 6.2 hereof. All representations and warranties of the parties are made subject to the exceptions which are noted in the schedules attached hereto (the "Schedules"). Copies of all documents referenced in the Schedules shall be attached thereto or delivered separately.

4.2 Representations and Warranties of Buyer. Buyer represents and warrants to the Selling Stockholder, that:

(a) Corporate Status. Buyer is a corporation, duly organized, validly existing, and in good standing under the laws of the State of Nevada, with all requisite power and authority to carry on its business.

(b) Authority. Buyer has full right, power, and authority to execute and deliver this Agreement and to consummate and perform the transactions contemplated hereby. The execution and delivery of this Agreement and every other Contract contemplated hereunder by Buyer and the consummation and performance of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate and other proceedings. This Agreement has been duly executed and delivered by Buyer and constitutes the legal, valid, and binding obligation of Buyer, enforceable against Buyer in accordance with its terms.

(c) Validity of Contemplated Transaction. The execution and delivery of this Agreement by Buyer does not, and the performance of this Agreement by Buyer will not (i) violate or conflict with any existing Law or any Judgment which is applicable to Buyer; or (ii) conflict with, result in a breach of, or constitute a default under the articles of incorporation or other charter documents, or bylaws of Buyer. No authorization, approval, or consent of, and no registration, filing, or notice to any Authority is required in connection with the execution, delivery, and performance of this Agreement by Buyer except those which have been obtained.

(d) Brokers or Finders. Buyer and its officers and agents have incurred no obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with this Agreement and will indemnify and hold harmless the Company and the Selling Stockholder from any such payment alleged to be due by or through Buyer as a result of the action of Buyer or its officers or agents.

(e) Buyer's Knowledge. Buyer does not have knowledge that any of the Company's or the Selling Stockholder's representations and warranties is incorrect in any material respect.

4.3 Representations and Warranties of the Selling Stockholder. The Selling Stockholder represents and warrants to Buyer that to the actual knowledge of the Selling Stockholder:

(a) Corporate Status. The Company is a corporation, duly organized, validly existing, and in good standing under the laws of the State of Minnesota, with all requisite power, authority, and Permits to carry on its business as it has been and is now being conducted and to own, lease, and operate its properties used in connection therewith. Minnesota is the only state in which the Company employs people or owns or leases property. The Company conducts its business only under its own name. Except for Theilman Transportation Services, Inc. and Meyer Brokerage, Inc., the Selling Stockholder's interest in which will be divested by him prior to January 1, 1998, or will be dissolved prior to such date the Company has no subsidiaries and no entities affiliated through common ownership or otherwise that conduct any business related to that conducted by the Company.

(b) Intentionally omitted.

(c) Officers; Directors; Bank Accounts. Schedule 4.3(c) lists all directors and officers of the Company, all bank accounts, lock boxes, safe deposit boxes, and borrowing authority of the Company, specifying with respect to each, the name and address of the bank or other financial institution and the account number and all persons having signing authority or authority to withdraw therefrom or thereon.

(d) Authority. The Company and the Selling Stockholder, as appropriate, have full right, power, and authority to execute and deliver this Agreement and every other Contract contemplated hereunder and to consummate and perform the transactions contemplated hereby. The execution and delivery of this Agreement and every other Contract contemplated hereunder by the Company and the Selling Stockholder and the consummation and performance of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate and other proceedings. This Agreement has been duly executed and delivered by the Company and the Selling Stockholder and constitutes the legal, valid, and binding obligation of each, enforceable against each, in accordance with its terms.

(e) Validity of Contemplated Transactions. The execution and delivery of this Agreement and every other Contract contemplated hereby by the Company and the Selling Stockholder do not, and the performance of this Agreement and every other Contract contemplated hereby by the Company and the Selling Stockholder will not (i) violate or conflict with any existing Law or any Judgment which is applicable to the Company or the Selling Stockholder; or (ii) conflict with, result in a breach of, constitute a default under, result in acceleration of, create in any person the right to accelerate, terminate, modify, or cancel, or require any notice under the articles of incorporation or other charter documents, bylaws, or any securities of the Company or any Contract, other than those

set forth on Schedule 4.3(e) to which the Company or the Selling Stockholder is a party or by which either is otherwise bound. Except as set forth on Schedule 4.3(e), no authorization, approval, or consent of, and no registration, filing, or notice to any Authority or other

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party to any Contract is required in connection with the execution, delivery, and performance of this Agreement by the Company or the Selling Stockholder.

(f) Financial Statements. The Company and the Selling Stockholder have delivered to Buyer the annual, audited financial statements of the Company as of December 31, 1993, 1994, 1995, and 1996, together with the unaudited financial statements as of and for the periods ended March 31, 1997, June 30, 1997, and August 31, 1997 (collectively, the "Historical Financial Statements"). Except as set forth on Schedule 4.3(f), the Historical Financial Statements, including all balance sheets and statements of income, cash flows, and retained earnings, and all notes thereto, have been prepared in accordance with GAAP, present fairly the financial condition and results of operations of the Company, changes in stockholders' equity and cash flows of and for all periods reflected therein, are correct and complete, and are consistent with the books and records of the Company, which books and records are correct and complete. All accounts receivable of the Company that are reflected on the balance sheets included in the Historical Financial Statements represent, and the accounts receivable reflected on the August 31 Balance Sheet and all accounts receivable incurred since such date shall represent, valid obligations arising from sales actually made or services actually performed in the ordinary course of business. Except as set forth on Schedule 4.3(f), there is no contest, claim, or right of set-off, other than returns or adjustments in the ordinary course of business, under any Contract with any obligor of an accounts receivable relating to the amount or validity of such accounts receivable.

(g) Absence of Undisclosed Liabilities. Except as set forth on Schedule 4.3(g), the Company has no liabilities or obligations, accrued or unaccrued, contingent or absolute, liquidated or unliquidated, and whether due or to become due, except for (i) liabilities disclosed on the face of the August 31 Balance Sheet, and (ii) liabilities arising in the ordinary course of business since such date (none of which arises from or relates to any breach of contract or warranty, tort, infringement, or violation of Law, or would have to be disclosed on any Schedule to this Agreement) that will be fully reserved or accrued as of the Closing Date.

(h) Absence of Changes or Events. Except as disclosed on Schedule 4.3(h), since December 31, 1996, there has not been any materially adverse

change in the business, operations, results of operations, or future prospects of the Company. Without limiting the generality of the foregoing, since that date, the Company has not:

(i) declared, set aside, or paid any dividend or made any other distribution or payment in respect of its capital stock; redeemed, purchased, or otherwise acquired any of its capital stock; issued any capital stock or other securities; granted any stock option or right to purchase shares of capital stock or any other securities of the Company; issued any security convertible into capital stock; or granted any registration rights concerning its securities;

(ii) discharged or satisfied any Lien or paid any material liabilities, other than in the ordinary course of business consistent with past practice, or failed to pay or discharge any liabilities when due;

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(iii) sold, assigned, or transferred or agreed to sell, assign, or transfer any of its assets or any interest therein, other than trades or disposals of assets in the ordinary course of business for which replacement assets of equal or greater value were purchased; provided, however, that in any event the Company has not disposed of any of the tractors or trailers listed on the September 29, 1997 revenue equipment list provided to Buyer and attached as Schedule 4.3(h) (iii);

(iv) created, incurred, assumed, or guaranteed any indebtedness for money borrowed or any other indebtedness or obligation of any nature (absolute or contingent), or mortgaged, pledged, or subjected to any Lien, any of its assets;

(v) acquired any substantial assets, properties, securities, or interests of another person;

(vi) reduced or canceled any amounts owed to it;

(vii) settled any claims against it except for claims the settlement of which are reflected on the August 31 Balance Sheet;

(viii) granted or entered into any agreement or policy with any employee that grants severance or termination pay, increases compensation (other than driver pay increases implemented in August, 1997 and compensation increases arising in the ordinary course of business), increases benefits under any current Benefit Plan (other

than increased benefits arising in the ordinary course of business), or creates any continuing employment relationship, other than under the Noncompetition Agreement;

(ix) experienced any labor unrest or union organizing activity;

(x) suffered any adverse change in its business, other than events affecting the truckload industry generally;

(xi) changed any of the accounting principles which it follows or the methods of applying such principles;

(xii) amended, terminated, or entered into any Contract other than in the ordinary course of business, consistent with past practice (it being understood that for purposes of this Section 4.3(h)(xii) with respect to transportation contracts only, the representation and warranty is made only with respect to the Company's top twenty (20) contracts by revenue);

(xiii) suffered to its assets any material damage, destruction, or loss, whether or not covered by insurance, that has not been fully repaired;

(xiv) amended its articles of incorporation or bylaws or made any changes in its authorized or issued capital stock or other securities;

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(xv) directly or indirectly engaged in any transaction, arrangement, or Contract with any officer, director, partner, shareholder, or other insider or affiliate;

(xvi) entered into any transactions outside the ordinary course of business; or

(xvii) agreed, whether orally or in writing, to do any of the foregoing.

(i) Asset Schedule. Schedule 4.3(i) sets forth all material assets owned by the Company and reflected on the August 31 Balance Sheet or purchased by the Company since such date, together with the cost, depreciated book value, and tax basis thereof. Schedule 4.3(i) lists assets that will be excluded from the transaction, retained by the Selling Stockholder, and not be the property of the Company or the Buyer.

(j) Title and Condition of Assets. All of the Company's owned and leased assets (other than tractors and trailers, which are addressed below) that were listed on the August 31 Balance Sheet or purchased by the Company since such date are in sufficient repair and condition and adequate for the ordinary course of operation of the Company's business as presently conducted, ordinary wear and tear excepted, and all leased assets are in compliance with any applicable lease provisions. Neither the Company nor the Selling Stockholder has received notice from any Authority of a Proceeding in the nature of condemnation or eminent domain relating to any of the property which the Company owns, leases, or utilizes in its operations, including the Real Estate. Except as set forth on Schedule 4.3(j), the Company possesses good and marketable title to all of its owned assets and a valid leasehold interest in all leased assets, free and clear of all Liens, except Liens for current taxes not yet due and payable. The Company does not use any assets in its business other than assets owned by it or assets leased under valid and continuing leases that are identified on Schedule 4.3(o). There are no developments affecting any of the Company's properties or assets, owned or leased, that might materially detract from the value of such property or assets, interfere with any present or intended use of such property or assets, or adversely affect the marketability of such property or assets. All buildings, plants, and structures owned or used by the Company lie wholly within the boundaries of the Real Estate and do not encroach upon the property of, or otherwise conflict with the property rights of, any other third party. The buildings, plants, structures, and equipment owned or used by the Company are structurally sound, are in sufficient operating condition and repair, and are adequate for the uses to which they are being put, and none of such buildings, plants, structures, or equipment is in need of maintenance or repairs except for ordinary, routine maintenance and repairs that are not material in nature or cost. The building, plants, structures, and equipment owned or used by the Company are sufficient for the continued conduct of the Company's businesses after the Closing Date in substantially the same manner as conducted prior to the Closing Date. All parts, tires, and other inventory that are listed on the August 31 Balance Sheet or purchased by the Company since such date is usable in the Company's fleet and not obsolete. All Liens on the Real Estate have been properly recorded on the August 31 Balance Sheet.

(k) Additional Warranties Concerning Tractors and Trailers. All tractors and trailers operated by the Company are in sufficient operating condition for use in the ordinary course of business and meet all Department of Transportation requirements, and have been maintained in material compliance with all applicable manufacturers' specifications and

warranties. Except as set forth on Schedule 4.3(k), all tractors and trailers have been operated at all times in material compliance with applicable leases or other financing documents (it being understood that for the purpose of this sentence, material means an event of default is declared under such leases and financing documents). Except as set forth on Schedule 4.3(k), all leased tractors and trailers satisfy the "turn-in" requirements under applicable leases such that there would not be any penalty, reconditioning fee, or other amount owed if such leased tractors and trailers were returned at the Closing Date. Except as set forth on Schedule 4.3(k), each leased tractor (and if applicable, leased trailers) has been operated within the mileage allowance of the applicable lease, prorated for the portion of the lease period that has expired. Except as set forth on Schedule 4.3(k), there are no late fees, penalties, or other amounts owing under any tractor or trailer lease or other financing document, other than any current month payment that is not yet due.

(l) Tax Matters. With respect to Taxes:

(i) The Company has filed, within the time and in the manner prescribed by law, all returns, declarations, reports, estimates, information returns, and statements (the "Returns") required to be filed under applicable Laws, and all such Returns are true, correct, and complete. Except as set forth on Schedule 4.3(l)(i), the Company has within the time and in the manner prescribed by Law, paid all Taxes that are due and payable with respect to the Company. The Company has established on its books and records, reserves, charges, and accruals that are adequate for the payment of all Taxes not yet due and payable that are attributable to periods prior to the Closing. There are no Liens for Taxes upon the assets of the Company except for Liens for Taxes not yet due and payable.

(ii) None of the Returns of the Company is presently under audit by any Authority nor has a deficiency for any Taxes been proposed, asserted, or assessed against the Company. There are no outstanding waivers or comparable consents regarding the application of the statute of limitations with respect to any Tax or Return that have been given by or on behalf of the Company.

(iii) The Company has complied in all respects with all applicable Laws relating to the payment and withholding of Taxes and has, within the time and in the manner prescribed by applicable Law, withheld, collected, and paid over to the proper governmental authorities all amounts required to be so withheld, collected, and paid over under all applicable Laws.

(m) Litigation. Schedule 4.3(m) contains a list of all Proceedings pending or threatened against the Company. Except as specifically noted on Schedule 4.3(m), there is no Proceeding pending or threatened against the Company in individual or aggregate amounts in excess of applicable insurance limits; or against the Company or the Selling Stockholder that, if adversely determined, could adversely affect the Company or the

consummation of the transactions contemplated by this Agreement. Except as set forth on

Schedule 4.3(m), the Selling Stockholder is not aware of facts that he reasonably believes are substantially likely to result in a Proceeding being brought against the Company or the Selling Stockholder.

(n) Insurance. Schedule 4.3(n) contains a list of, and the Company and the Selling Stockholder has furnished to Buyer true and complete copies of, all insurance policies and fidelity bonds covering the Company's assets, business, properties, operations, employees, officers, and directors, and other matters for which the Company carries insurance and describes any self-insurance arrangement by or affecting the Company, including any reserves established thereunder. Except as set forth in Schedule 4.3(n), there is no claim by any insured pending under any of such policies or bonds as to which coverage has been questioned, denied, or disputed by the underwriters of such policies or bonds. All premiums payable under all such policies and bonds have been paid, and the Company is otherwise in full compliance with the terms and conditions of all such policies and bonds in all material respects (it being understood that any non-compliance that results in coverage being denied or in a dollar impact to Buyer is material). As to all claims that might be covered by such policies or bonds, the Company has promptly and within any prescribed time period notified the insuring or bonding party in the proper manner. Such policies of insurance and bonds (or other policies and bonds providing substantially similar insurance coverage) have been in effect continuously for the past ten years, and remain in full force and effect. Such policies of insurance and bonds are of the type and in amounts customarily carried by persons conducting similar businesses. Except as set forth in Schedule 4.3(n), there is no threatened termination of, or premium increase with respect to, any of such policies or bonds.

(o) Material Contracts. Schedule 4.3(o) contains a list of all material Contracts to which the Company is a party, including but not limited to: any Contract that is not by its terms cancelable on notice of not longer than 30 days without liability or penalties, or which, if performed, would involve the payment by the Company of more than \$25,000; any Contract restricting or limiting the Company from carrying on its business or competing in any line of business; any Contract involving a joint venture, partnership, or other profit or loss sharing arrangement; any Contract with the Selling Stockholder or any affiliated persons or entities; any Contract relating to indebtedness for borrowed money, deferred purchase price of property, or the guaranty of the obligations of any person; any Contract concerning leased assets used by the Company; any Contract respecting Rights; any Contract respecting the Real Estate; any

power of attorney or similar instrument and any other Contract not made in the ordinary course of business. Anything to the contrary notwithstanding, only the Company's top ten (10) transportation contracts by revenue need be included on Schedule 4.3(o). Each Contract disclosed in any Schedule or required to be disclosed pursuant to this Section 4.3(o) is a valid and binding agreement of the parties thereto, is in full force and effect, no party thereto is in default thereunder, and there exists no condition that with notice or lapse of time or both would constitute a default thereunder.

(p) Employee Benefit Plans and Arrangements. Schedule 4.3(p) identifies each of the Company's Benefit Plans, copies of which, amended to date, have been furnished to Buyer. No Benefit Plan is a multi-employer or a defined benefit plan. Neither the Company, any affiliate, nor any predecessor of either has ever been a party to or sponsored

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a multi-employer or defined benefit plan. The Company and all Benefit Plan fiduciaries have fully complied with their obligations with respect to all Benefit Plans. There has been no prohibited transaction with respect to any other Benefit Plan. Each Benefit Plan that is intended to be qualified under Section 401(a) of the Code is so qualified and has been

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since inception. Each trust created under any Benefit Plan is exempt from tax under Section 501(a) of the Code and has been exempt from tax from creation. The Company has received determination letters from the Internal Revenue Service for each such Benefit Plan at inception and after each amendment. Each Benefit Plan has been maintained in compliance with its terms and all applicable Laws. There has not been any event that would threaten the tax-qualified status of any Benefit Plan. All payments and contributions due or accrued under each Benefit Plan, determined in accordance with the terms of such plans and prior funding and accrual practices, have been paid, and are reflected as a liability on the Company's balance sheet. The "plan year" of each Benefit Plan is the calendar year. The Company has no current or projected liability with respect to post-employment or post-retirement welfare benefits for former or retired employees.

(q) Employees; Independent Contractors. The Company is not a party to any collective bargaining agreement relating to its employees, nor does any such agreement determine the terms and conditions of employment of any

employee. There are no agreements, plans, or policies which would give rise to any severance, termination, change-in-control, or other similar payment to the the Company's employees as a result of the consummation of the transactions contemplated hereunder. The Company does not have any employment agreements with employees. The Company maintains files on all employee and independent contractor truck drivers. Each employee and independent contractor driver of the the Company meets all Department of Transportation ("DOT") requirements, and all driver files contain all required materials. All independent contractors providing equipment and/or services to the Company have been retained under valid contracts that comply with DOT leasing rules and qualify for independent contractor status under existing IRS rules and interpretations. A copy of the form of contract used for any owner-operators of rolling stock has been delivered to Buyer. The Company has taken no action in respect of its employees that would require notice or create liability under the Worker Adjustment and Retraining Notification Act, and the Company has no present plan to take such action.

(r) Safety Rating. The Company has received and maintains a "satisfactory" safety rating from the DOT. Except as set forth on Schedule 4.3(r), there is no investigation, audit, or other proceeding pending or threatened by the DOT.

(s) Rights. All Rights owned, licensed, or otherwise used by the Company are listed on Schedule 4.3(s). The Company owns or uses such Rights under valid license in the operation of its business. The Company's interest in each of such Rights, to the extent possible, has been registered under applicable state and federal Laws. The Company has not interfered with, infringed upon, misappropriated, or otherwise come into conflict with any Rights of third parties. The Company has not received any charge, complaint, demand, or notice alleging any such interference, infringement, misappropriation, violation, or conflict (including any claim that the Company must license or refrain from using any Rights of third parties).

(t) Compliance With Laws; Permits. Except as set forth on Schedule 4.3(t), the Company has owned, leased, and used all of its properties and assets, and has conducted its business, in compliance in all material respects with all applicable Laws. Except for a charged violation of law in 1991 and miscellaneous traffic tickets that have been settled, neither the Company nor the Selling Stockholder has been charged with any violation of Law except for any non-compliance which would be immaterial (it being understood that for the purpose of this sentence, immaterial means having no dollar impact). No Proceeding is pending or threatened by any Authority with respect to any violation of Law by the Company or the

Selling Stockholder. No Judgment is unsatisfied against the Company or the Selling Stockholder, and the Company is not subject to any stipulation, order, consent, or decree arising from an action before any Authority. The Company possesses all permits, licenses, franchises, interstate and intrastate operating rights, and other approvals of Authorities (collectively, "Permits") required to operate its business, such Permits are in full force and effect, any applications for renewal have been duly filed on a timely basis, no Proceeding is pending or threatened to revoke or limit any Permit, and the Company is operating in compliance with all Permits.

(u) Environment, Health, and Safety.

(i) Each of the Company, its Affiliates, and any predecessors of either has complied with all Laws concerning pollution or protection of the environment, public health and safety, and employee health and safety, including Laws relating to emissions, discharges, releases, or threatened release of pollutants, contaminants, or chemical, industrial, hazardous, or toxic materials or wastes (including petroleum and any fraction or derivative thereof) into ambient air, surface water, ground water, or lands, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or hauling of such substances (collectively, "Environmental Laws"). No Proceeding has been filed or commenced against the Company, any Affiliate, or any predecessor of either alleging any failure to comply with any Environmental Laws. Without limiting the generality of the preceding sentence, each of the Company, its Affiliates, and any predecessors of either has obtained and been in compliance with all of the terms and conditions of all Permits which are required under, and has complied with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules, and timetables which are contained in, all Environmental Laws.

(ii) The Company does not have any liability (and neither the Company, any Affiliate, nor any predecessor of either has handled or disposed of any substance, arranged for the disposal of any substance, exposed any employee or other individual to any substance or condition, or owned, operated, or used any property or facility in any manner that could form the basis for any present or future Proceeding against the Company giving rise to any liability) for damage to any site, location, or body of water (surface or subsurface), for any illness of or personal injury to any employee or other individual, or for any reason under any Environmental Law.

(iii) All properties and equipment used in the business of the Company, its Affiliates, and any predecessors of either have been free of asbestos, PCB's, methylene chloride, trichloroethylene, 1,2-transdichloroethylene, dioxins, dibenzofurans, and other extremely hazardous substances as defined by any Law.

(iv) Except as set forth on Schedule 4.3(u), any fuel storage tanks located at properties owned or used by the Company in its business comply in all respects with applicable Laws, do not leak, are registered with the appropriate state agency (and all required actions in connection therewith have been taken) in the manner permitting the Company to take advantage of any state liability limitation, insurance, or similar program relating to fuel storage tanks, and such tanks are not scheduled for removal in the next five years.

(v) The Company has delivered to Buyer true and complete copies and results of any reports, studies, analyses, tests, or monitoring concerning the Company or any property owned or used by the Company concerning compliance with Environmental Laws.

(v) Disclosure. The representations and warranties of the Selling Stockholder contained in this Agreement taken together with the contents of every document delivered in connection herewith, and the items disclosed during due diligence, do not contain any untrue statement of a material fact and do not omit to state any fact necessary to make any statement herein or therein not misleading or necessary to a correct presentation of all material aspects of the Company's business and the matters contemplated under this Agreement.

(w) Brokers or Finders. The Company, the Selling Stockholder, and their agents have incurred no obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with this Agreement.

ARTICLE V Covenants and Agreements

5.1 Approvals and Consents. Each party to this Agreement shall use its best efforts to obtain (and assist the other in obtaining), as soon as reasonably practicable, all permits, authorizations, consents, waivers and approvals from third parties or Authorities necessary to consummate this Agreement and the transactions contemplated hereby or thereby.

5.2 Additional Agreements. At or prior to the Closing, (a) the appropriate parties shall execute the Noncompetition Agreement; (b) Darlene Meyer shall consent to the terms of the Agreement and all transactions contemplated hereunder, waive any marital, community property, or other beneficial interest in the shares of Common Stock purchased by the Buyer hereunder, and irrevocably agree to be bound by this Agreement with respect to such interest (the

"Consent"); and (c) the Company and the Selling Stockholder shall execute a stock option agreement with the terms customary to Buyer's option holders granting the Selling Stockholder an option to purchase 25,000 shares of the Buyer's Class A Common Stock (the "Stock Option Agreement") and deliver to the Selling Stockholder the terms of his at-will employment.

5.3 Stockholder Liability. At the Closing, the Selling Stockholder shall retire in full all obligations (including interest) owed to the Company, regardless of whether such amounts are then due under applicable documents evidencing such indebtedness or whether evidenced in writing at all. The Selling Stockholder and Darlene Meyer shall execute a full and final waiver and release of any and all claims against the Company arising on or prior to the date hereof in a form satisfactory to Buyer. In addition, the Selling Stockholder shall use his best efforts to cause his family members to execute a full and final waiver and release of any and all claims arising on or prior to the date hereof against the Company in form satisfactory to Buyer. To the extent any such release is not obtained or is ineffective, the Selling Stockholder shall indemnify the Buyer for the full extent of any Loss.

ARTICLE VI
Miscellaneous

6.1 Costs and Expenses; Fees. Each party shall be solely responsible for and bear all of its own respective expenses incurred at any time in connection with pursuing or consummating the Agreement and the transactions contemplated by the Agreement, including, but not limited to, fees and expenses of business brokers, legal counsel, accountants, and other facilitators and advisors.

6.2 Survival of Representations, Warranties, Covenants, and Agreements. Except for the representations and warranties contained in Section 2.3, which shall continue after the Closing, the representations and warranties of the Selling Stockholder contained in this Agreement shall terminate at the Closing. The foregoing notwithstanding, Buyer shall be entitled to recover the full extent of any loss, including fees and expenses of attorneys and other experts, (a) suffered by Buyer in the event the Selling Stockholder had actual knowledge that such representations and warranties were untrue in a material respect at Closing (it being understood that the Selling Stockholder shall not be attributed with knowledge of the Company and its officers and employees unless the information has been communicated to him, and (b) arising from the assignment of the Lease with Ford Motor Credit relating to a 1997 Ford Taurus, or purchase of the 1997 Dodge Dakota pickup owned by the Company. The obligations of the Selling Stockholder and Darlene Meyer under the Noncompetition Agreements, the obligations of Darlene Meyer under the Consent and the obligations of the Selling Stockholder under Article V shall survive the Closing and continue until any limitation therein.

6.3 Complete Agreement, etc. All Exhibits and Schedules referred to herein, and all documents executed in connection with this Agreement are intended to be and hereby are specifically made a part of this Agreement. This Agreement sets forth the entire understanding of the parties hereto with respect to the transactions contemplated hereby, and any and all previous agreements and understandings between or among the parties regarding the subject matter hereof, whether written or oral, are superseded by this Agreement. It shall not be amended or modified except by a written instrument duly executed by each of the parties hereto.

6.4 Assignment and Binding Effect. This Agreement shall not be assigned prior to the Closing by any party hereto without the prior written consent of the other parties and any assignment without consent shall be void; provided, that Buyer may assign its rights hereunder to any subsidiary but shall remain liable for its obligations hereunder in the event of any such

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assignment. Subject to the foregoing, all of the terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the successors and assigns of any party. Nothing expressed or referred to in this Agreement will be construed to give any person other than the parties to this Agreement any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement. This Agreement and all of its provisions and conditions are for the sole and exclusive benefit of the parties to this Agreement and their successors and assigns.

6.5 Waiver. Any term or provision of this Agreement may be waived at any time by the party entitled to the benefit thereof by a written instrument duly executed by such party.

6.6 Attorneys' Fees. Should any party hereto breach any term of this Agreement, the defaulting party shall pay to the non-defaulting party all attorneys' fees and other costs and fees incurred by the non-defaulting party in enforcing this Agreement, and such amounts shall be included in any judgment obtained in enforcing this Agreement.

6.7 Time. Time is of the essence in connection with this Agreement and each and every provision hereof. Any extension of time granted for the performance of any duty under this Agreement shall not be considered an extension of time for the performance of any other duty under this Agreement.

6.8 Notices. Any notice, request, demand, waiver, consent, approval, or other communication which is required or permitted hereunder shall be in writing and shall be deemed given only if delivered personally or sent by telegram or by certified mail, postage prepaid, and sent by telecopier as follows:

If to Buyer, to:

David R. Parker
400 Birmingham Highway
Chattanooga, TN 37404
Phone: 423/821-1212
Fax: 423/821-5442

With a required copy to:

Mark A. Scudder, Esq.
Scudder Law Firm, P.C.
411 South 13th Street, Suite 200
Lincoln, Nebraska 68508
Phone: (402) 435-3223
Fax: (402) 435-4239

If to the Selling Stockholder, to Russell Meyer

R.R. 1, Box 152N
Theilman, MN 55978
Phone: 612/565-2330

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With a required copy to:

Jeffrey A. Redmon, Esq.
Briggs and Morgan
2200 First National Bank Building
332 Minnesota Street
St. Paul, MN 55101
Phone: 612/223-6483
Fax: 612/223-6450

or to such other address as the addressee shall have specified in a notice duly given to the sender as provided herein. Such notice, request, demand, waiver, consent, approval, or other communication shall be deemed to have been given as of three days following deposit in the mail or the date so personally delivered or telecopied.

6.9 Cooperation. Subject to the terms and conditions herein provided, the parties hereto shall use their best efforts to take, or cause to be taken, such action, to execute and deliver, or cause to be executed and delivered, such additional documents and instruments and to do, or cause to be done, all things necessary, proper, or advisable under the provisions of this Agreement and under applicable law to consummate and make effective the transactions contemplated by this Agreement.

6.10 Governing Law. This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the State of Tennessee.

6.11 Headings, Gender, and Person. All section headings contained in this

Agreement are for convenience and reference only, do not form a part of this Agreement and shall not affect in any way the meaning or interpretation of this Agreement. Words used herein, regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine, or neuter, as the context requires. Any reference to a "person" herein shall include an individual, firm, corporation, partnership, trust, governmental authority, or any other entity.

6.12 Severability. Any provision of this Agreement that is invalid or unenforceable in any jurisdiction shall be ineffective to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

6.13 Counterparts. This Agreement may be executed in any number of counterparts and any party hereto may execute any such counterpart, each of which when executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument. This Agreement shall become binding when one or more counterparts taken together shall have been executed and delivered by the parties. It shall not be necessary in making proof of this Agreement or any counterpart hereof to produce or account for any of the other counterparts.

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IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the date first written.

COVENANT TRANSPORT, INC.,
a Nevada corporation

BUD MEYER TRUCK LINES, INC.,
a Minnesota corporation

By: /s/ David R. Parker
David R. Parker, President

By: /s/ Russell Meyer
Russell Meyer, President

SELLING STOCKHOLDER

Russell Meyer, Individually

The following attachments of the Agreement are omitted herein but the Registrant

agrees to furnish supplementally a copy to the Commission upon request:

Exhibit A Noncompetition Agreement

Exhibit B Owned Real Property

SUBSIDIARIES OF THE REGISTRANT

Bud Meyer Truck Lines, Inc., a Minnesota corporation

Covenant Acquisition Co., a Nevada corporation

Covenant Leasing, Inc., a Nevada corporation

Covenant Transport, Inc., a Tennessee corporation

Intellectual Property Co., a Nevada corporation

CONSENT OF INDEPENDENT ACCOUNTANTS

Board of Directors
Covenant Transport, Inc.

We consent to the incorporation by reference in the registration statement of Covenant Transport, Inc. on Form S-8 (File No. 33-88686) of our report dated January 31, 1998, on our audits of the consolidated financial statements of Covenant Transport, Inc. and subsidiaries as of December 31, 1996 and 1997, and for each of the years in the three-year period ended December 31, 1997, which report is included in this Annual Report on Form 10-K.

COOPERS & LYBRAND L.L.P.

Knoxville, Tennessee
March , 1998

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