FORWARD AIR CORP
Form S-3
October 28, 2003

As filed with the Securities and Exchange Commission on October 28, 2003

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

FORWARD AIR CORPORATION

(Exact name of registrant as specified in its charter)

Tennessee	**62-1120025**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. employer identification number)*

430 Airport Road

Greeneville, Tennessee 37745
(423) 636-7000
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Matthew J. Jewell

Senior Vice President, General Counsel and Secretary
Forward Air Corporation
430 Airport Road
Greeneville, Tennessee 37745
(423) 636-7000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies of communications to:

Leigh Walton	**Richard C. Tilghman, Jr.**
Todd J. Rolapp	**Jason Harmon**
Bass, Berry & Sims PLC	**Piper Rudnick LLP**
315 Deaderick Street, Suite 2700	**6225 Smith Avenue**
Nashville, Tennessee 37238	**Baltimore, Maryland 21209**
(615) 742-6200	**(410) 580-3000**

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o ____________

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o ____________

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price per Unit(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common Stock, par value $.01 per share	2,530,000 Shares	$30.23	$76,481,900	$6,187

(1) Includes 330,000 shares of common stock that the underwriters have the option to purchase from a selling shareholder to cover over-allotments, if any.

(2) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(c) on the basis of the average of the high and low sales prices of Forward Air Corporation common stock on October 24, 2003, as reported by The Nasdaq Stock Market s National Market.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION, DATED OCTOBER 27, 2003

PROSPECTUS

2,200,000 Shares

Common Stock

The shares of common stock are being sold by Scott M. Niswonger, our chairman and major shareholder. We will not receive any of the proceeds from the shares of common stock sold by the selling shareholder. The underwriters are purchasing the shares on a firm commitment basis. The underwriters have an option to purchase up to 330,000 additional shares from the East Tennessee Foundation to cover over-allotments of shares, if any.

Our common stock is listed on The Nasdaq Stock Market s National Market under the symbol FWRD. The last reported sale price on October 27, 2003 was $30.78 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page 6.

	Price to Public	Underwriting Discounts and Commissions	Net Proceeds to Selling Shareholder
Per Share	$	$	$
Total	$	$	$

Delivery of the shares of common stock will be made on or about , 2003.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Joint Book-Running Managers

Bear, Stearns & Co. Inc. **Deutsche Bank Securities**

BB&T Capital Markets

The date of this prospectus is , 2003.

PROSPECTUS SUMMARY

The following summary highlights some of the information from this prospectus and may not contain all the information that is important to you. Before deciding to invest in our common stock, you should read the entire prospectus, including the section entitled Risk Factors and our consolidated financial statements and the related notes, and the documents incorporated by reference in this prospectus. Unless this prospectus indicates otherwise or the context otherwise requires, the terms we, our, our company, the company, Forward Air or us as used in this prospectus refer to Forward Air Corporation and its subsidiaries.

The Company

Our Business

We are a leading provider of time definite surface transportation and related logistics services to the North American deferred air freight market. Our scheduled surface transportation services provide our customers a cost effective and reliable alternative to air transportation. We transport cargo that must be delivered at a specific time, but is less time-sensitive than traditional air freight. This type of cargo is frequently referred to in the transportation industry as deferred air freight. We operate a network of 80 terminals located on or near airports in the United States and Canada, including a central sorting facility in Columbus, Ohio and eight regional hubs serving key markets. Our typical shipment consists of a pallet load of freight, such as electronics, telecommunications equipment, machine parts, trade show exhibit materials or medical equipment. During 2002, our average shipment weighed over 700 pounds. We utilize a flexible source of capacity that results in a largely variable cost model, with low capital requirements. We purchase our transportation requirements from owner-operators and, to a lesser extent, from other surface transportation providers.

We also offer customers a growing array of logistics services including: exclusive use vehicles (commonly referred to as truck brokerage); dedicated fleet; warehousing; customs brokerage; and shipment consolidation and handling. These services are critical to our air freight forwarder customers that do not provide logistics services themselves or that prefer to use one provider for all of their transportation needs. For two major international airlines, we manage all of their surface transportation and related logistics needs from the time the freight arrives in the United States until it is delivered to its final destination.

We market our services primarily to air freight forwarders, which are businesses that arrange transportation of cargo for third parties; integrated air cargo carriers; and passenger and cargo airlines. To serve this market, we offer customers a very high level of service with a focus on on-time, damage-free deliveries. We serve our customers by locating terminals on or near airports and maintaining regularly scheduled transportation service between major cities. We receive shipments at our terminals and transport them by truck to our central sorting facility or one of our regional hubs, where they are unloaded, sorted and reloaded. After reloading the shipments, we deliver them to the terminals nearest their destinations. We ship freight directly between terminals when justified by the volume of shipments. During 2002, approximately 33% of the shipments we handled were for overnight delivery, approximately 50% for delivery within two to three days and the balance for delivery in four to five days. We typically do not provide local pickup and delivery services and do not market our services directly to shippers. Because we do not place significant size or weight restrictions on shipments, we do not generally compete directly with integrated air cargo carriers such as United Parcel Service, Federal Express and DHL Worldwide in the overnight delivery of small parcels. In 2002, our five largest customers accounted for approximately 20% of our operating revenue, and no single customer accounted for more than 7% of our operating revenue.

For the nine month period ended September 30, 2003, we generated operating revenue of $176.3 million, an increase of 5.8% from $166.7 million for the same period in 2002. Our operating income for the nine month period ended September 30, 2003 was $28.6 million, an increase of 21.7% from $23.5 million for the same period in 2002. In 2002, we realized a pre-tax return on assets of 24.2% and a return on equity of 19.2%.

Our Industry

As businesses minimize inventory levels, perform manufacturing and assembly operations in multiple locations and distribute their products through multiple channels, they more frequently require expedited delivery services. Expedited shipments are those shipments where the customer requires delivery the next day or within two to three days, usually at a specified time or within a specified time window. The Colography Group, Inc., an independent industry market research and consulting firm, expects the total U.S. expedited cargo market, including air and surface, to generate $81.4 billion in revenue in 2003. The U.S. domestic air freight market is estimated to be approximately $30.7 billion, or 37.7% of this market. Approximately $3.7 billion or 11.9% of that market is made up of heavyweight overnight and deferred air freight, representing the portion of the market within which Forward Air primarily competes.

Shippers with expedited delivery requirements have four principal alternatives to transport freight: freight forwarders; integrated air cargo carriers; less-than-truckload carriers; and passenger and cargo airlines. Shippers are outsourcing more of their transportation logistics needs to air freight forwarders because of their flexibility and cost effectiveness. In order to remain competitive, freight forwarders increasingly demand expedited logistics services from their transportation providers.

Competitive Advantages

We believe that the following competitive advantages are critical to our success as a leading provider of time definite surface transportation services and related logistics services to the deferred air freight market in North America:

We focus on providing time definite surface transportation and related logistics services to the deferred air cargo industry. We believe this enables us to provide a higher level of service in a more cost effective manner than our competitors.

Our expansive network of terminals and sorting facilities located on or near airport terminals throughout the United States and Canada would be difficult for our competitors to replicate.

To avoid competing with our customers, we concentrate our marketing on air freight forwarders, integrated air cargo carriers, and passenger and cargo airlines, and do not market our services directly to shippers.

We adhere to a published schedule for transit times with specific cut-off and arrival times to provide our customers with the predictability necessary to deliver the highest level of service.

Our flexible business model enables us to respond quickly to changing demands and opportunities in our industry and generate higher returns on assets due to our low capital requirements.

We provide comprehensive logistics service offerings that are an essential part of some customers transportation needs and are not offered by many of our competitors.

Our technology platform enables us to increase the volume of freight we handle in our network, improve the visibility of shipment information and reduce our operating costs and those of our customers.

Growth Strategy

Our growth strategy is to take advantage of our competitive strengths in the deferred air freight market to increase our profits and returns to shareholders. Principal components of our growth strategy are to:

Increase the volume of freight transported through our network for our existing customers.

Develop new customers.

Improve the efficiency of our transportation network.

Expand our logistics services offerings.

Enhance our information systems.

Pursue selected strategic acquisitions that can increase our penetration of a geographic area, add new customers, increase freight density or allow us to offer additional logistics services.

Company Information

We are incorporated in Tennessee. Our principal executive offices are located at 430 Airport Road, Greeneville, Tennessee 37745. Our telephone number at that address is (423) 636-7000. Our Internet address is www.forwardair.com. The information contained on our web site is not part of this prospectus.

Recent Developments

On October 27, 2003, we announced that Bruce A. Campbell, our President and Chief Operating Officer, has been appointed to serve as our Chief Executive Officer. Mr. Campbell has served as our Chief Operating Officer since April 1990 and our President since August 1998. In these capacities, Mr. Campbell has been instrumental in directing our company s operations and growth. Scott M. Niswonger, the selling shareholder, will continue to serve as the non-executive Chairman of our Board of Directors.

The Offering

Mr. Niswonger is offering for sale 2,200,000 shares of our common stock owned by him. We will not receive any proceeds from this offering.

Common stock offered	2,200,000 shares
Common stock outstanding before and after this offering(1)	21,439,190 shares
Use of proceeds	We will not receive any proceeds from the sale of our common stock in this offering.
Nasdaq National Market symbol	FWRD

(1) The number of shares of our common stock to be outstanding before and after this offering:

- is based on shares of our common stock outstanding as of October 22, 2003;
- excludes 857,126 shares of common stock issuable upon the exercise of options outstanding as of October 27, 2003, at a weighted average exercise price of $15.68 per share; and
- excludes 208,214 shares of common stock reserved for future grants under our 1999 Stock Option and Incentive Plan.

Except as otherwise indicated, information in this prospectus assumes that the underwriters do not exercise their option to purchase 330,000 shares of our common stock from the East Tennessee Foundation to cover over-allotments, if any. In the event that the over-allotment option is exercised, any references to the selling shareholder in this prospectus includes a reference to the East Tennessee Foundation. All information in this prospectus has been adjusted to reflect a three-for-two stock split in January 2000 and a two-for-one stock split in March 1999.

Summary Historical Consolidated Financial and Other Data

We have derived the following summary consolidated income statement and income per share data for each of the years in the five year period ended December 31, 2002 from our audited consolidated financial statements. We have derived the summary consolidated income statement, income per share, and balance sheet data as of September 30, 2003 and for the nine months ended September 30, 2002 and 2003 from our unaudited condensed consolidated financial statements, which, in our opinion, include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the information. You should read the following summary consolidated financial and other data in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes incorporated by reference in this prospectus. The information below is not necessarily indicative of our results for future periods.

	Years Ended December 31,					Nine Months Ended September 30,	
	1998(1)	**1999**	**2000**	**2001**	**2002**	**2002**	**2003**
	(in thousands, except per share and certain operating data)						
Income Statement Data:							
Operating revenue	$130,438	$170,843	$214,907	$227,500	$226,072	$166,699	$176,333
Total operating expenses	114,427	144,399	177,606	195,842	193,335	143,203	147,726
Income from operations	16,011	26,444	37,301	31,658	32,737	23,496	28,607
Other income (expense), net	(1,169)	(454)	666	546	1,421	384	375
Income from continuing operations before income taxes	14,842	25,990	37,967	32,204	34,158	23,880	28,982
Income taxes	5,653	9,950	14,522	12,322	12,542	9,074	10,869
Income from continuing operations	$ 9,189	$ 16,040	$ 23,445	$ 19,882	$ 21,616	$ 14,806	$ 18,113
Income Per Share Data:							
Income from continuing operations per share:							
Basic	$ 0.49	$ 0.80	$ 1.11	$ 0.92	$ 1.00	$ 0.69	$ 0.85
Diluted	$ 0.48	$ 0.76	$ 1.05	$ 0.89	$ 0.98	$ 0.67	$ 0.84
Operating Data:							
Operating margin(2)	12.3%	15.5%	17.4%	13.9%	14.5%	14.1%	16.2%
Return on equity(3)(4)	26.4%	43.3%	33.9%	20.9%	19.2%	NM	NM
Capital expenditures	$ 11,764	$ 7,412	$ 16,547	$ 4,844	$ 3,913	$ 3,618	$ 2,515
Depreciation and amortization	$ 4,346	$ 4,996	$ 5,783	$ 8,410	$ 7,461	$ 5,615	$ 5,440
Average weekly volume (millions lbs)	15.4	19.2	23.9	24.2	24.5	24.0	24.6

	As of September 30, 2003
	(in thousands)
Balance Sheet Data:	
Cash, cash equivalents and short-term investments	$ 76,660
Working capital	95,039
Total assets	166,637

Total debt, including capital lease obligations	1,025
Shareholders equity	138,374

(1) In September 1998, we spun off our truckload carrier business, operated as Landair Transport, Inc., to our shareholders. The financial results of this business were accounted for as a discontinued operation in our 1998 results of operations.

(2) Represents income from operations as a percentage of operating revenue.

(3) Represents income from continuing operations divided by the average of the current and previous years shareholders equity.

(4) Data for 1998 includes the effect of assets and liabilities from Landair Transport, Inc., a discontinued operation.

RISK FACTORS

You should carefully consider the risks described below before buying any shares of our common stock. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also significantly impair our business, financial condition and results of operations. If any of the following risks actually occur, our business, financial condition and results of operations could be materially harmed, the trading price of our common stock could decline and you may lose all or part of your investment.

In order to continue growth in our business, we will need to increase the volume and revenue per pound of the freight shipped through our system.

Our continued growth depends in significant part on our ability to increase the amount and revenue per pound of the freight shipped through our network. The amount of freight shipped through our network and our revenue per pound depend on numerous factors, many of which are beyond our control, such as economic conditions and our competitors pricing. Therefore, we cannot assure you that the amount of freight shipped or the revenue per pound we realize on that freight will increase or even remain at current levels. If we fail to increase the volume of the freight shipped through our network or the revenue per pound of the freight shipped, we may be unable to increase our profitability.

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

Our business is dependent upon a number of factors that may have a materially adverse effect on the results of our operations, many of which are beyond our control. These factors include increases or rapid fluctuations in fuel prices, capacity in the trucking industry, insurance premiums, self-insured retention levels and difficulty in attracting and retaining qualified owner-operators and freight handlers. Our profitability would decline if we were unable to anticipate and react to increases in our operating costs, including purchased transportation and labor, or decreases in the amount or revenue per pound of freight shipped through our system. Due to competitive factors, we may be unable to raise our prices to meet increases in our operating costs, which would result in a materially adverse effect on our business, results of operations and financial condition.

Economic conditions may adversely affect our customers and the amount of freight available for transport. This may require us to lower our rates and result in lower volumes of freight flowing through our network. Customers encountering adverse economic conditions represent a greater potential for loss, and we may be required to increase our reserve for bad-debt losses. Our results of operations may be affected by seasonal factors. Volumes of freight tend to be lower in the first quarter after the winter holiday season. In addition, it is not possible to predict the medium or long-term effects of the September 11, 2001, terrorist attacks and subsequent events on the economy or on customer confidence in the United States, or their impact, if any, on our future results of operations.

Because a portion of our network costs are fixed, we will be adversely affected by any decrease in the volume or revenue per pound of freight shipped through our network.

Our operations, particularly our network of hubs and terminals, represent substantial fixed costs. As a result, any decline in the volume or revenue per pound of freight we handle may have an adverse effect on our operating margin and our results of operations. Typically, we do not have contracts with our customers and we cannot assure you that our current customers will continue to utilize our services or that they will continue at the same levels. The actual shippers of the freight moved through our network include various manufacturers and distributors of electronics, telecommunications equipment, machine parts, trade show exhibit materials and medical equipment. Adverse business conditions affecting these shippers or adverse general economic conditions are likely to cause a decline in the volume of freight shipped through our network.

We operate in a highly competitive and fragmented industry, and our business will suffer if we are unable to adequately address downward pricing pressures and other factors that may adversely affect our operations and profitability.

The freight transportation industry is highly competitive, very fragmented and historically has had few barriers to entry. Our principal competitors include regional trucking companies that specialize in handling deferred air freight and national and regional less-than-truckload carriers. To a lesser extent, we compete with integrated air cargo carriers and passenger airlines. Our competition ranges from small operators that compete within a limited geographic area to companies with substantially greater financial and other resources, including greater freight capacity. We also face competition from air freight forwarders who decide to establish their own networks to transport deferred air freight. We believe competition is based on service, primarily on-time delivery, flexibility and reliability, as well as rates. Many of our competitors periodically reduce their rates to gain business, especially during times of economic decline. In the past several years, several of our competitors have reduced their rates to unusually low levels that we believe are unsustainable in the long-term, but that may materially adversely affect our business in the short-term. These competitors may cause a decrease in our volume of freight, require us to lower the prices we charge for our services and adversely affect both our growth prospects and profitability.

Claims for property damage, personal injuries or workers compensation and related expenses could significantly reduce our earnings.

Under United States Department of Transportation regulations, we are liable for property damage or personal injuries caused by owner-operators while they are operating on our behalf. We currently maintain liability insurance that we believe is adequate to cover third-party claims and we have a self-insured retention of $500,000 per occurrence for each such claim. We may also be subject to claims for workers compensation and we maintain a $250,000 self-insured retention for each such claim. We could incur claims in excess of our policy limits or incur claims not covered by our insurance. Any claims beyond the limits or scope of our insurance coverage may have a material adverse effect on us. Because we do not carry stop loss insurance, a significant increase in the number of claims that we must cover under our self-insurance retainage could adversely affect our profitability. In addition, we may be unable to maintain insurance coverage at a reasonable cost or in sufficient amounts or scope to protect us against losses.

We have grown and plan to grow, in part, through acquisitions, which involve various risks, and we may not be able to identify or acquire companies consistent with our growth strategy or successfully integrate acquired business into our operations.

We have grown through acquisitions and we intend to pursue opportunities to expand our business by acquiring other companies in the future. Acquisitions involve risks, including those relating to:

- identification of appropriate acquisition candidates;
- negotiation of acquisitions on favorable terms and valuations;
- integration of acquired businesses and personnel;
- implementation of proper business and accounting controls;
- ability to obtain financing, on favorable terms or at all;
- diversion of management attention;
- retention of employees and customers; and
- unexpected liabilities.

Acquisitions also may affect our short-term cash flow and net income as we expend funds, increase indebtedness and incur additional expenses. If we are not able to identify or acquire companies consistent with our growth strategy or if we fail to successfully integrate any acquired companies into our operations, we may not achieve anticipated increases in revenue, cost savings and economies of scale, and our operating results may actually decline.

We may have difficulty effectively managing our growth, which could adversely affect our results of operations.

Our growth plans will place significant demands on our management and operating personnel. Our ability to manage our future growth effectively will require us to regularly enhance our operating and management information systems and to continue to attract, retain, train, motivate and manage key employees. If we are unable to manage our growth effectively, our business, results of operations and financial condition will be adversely affected.

If we fail to maintain and enhance our information technology systems, we may lose orders and customers or incur costs beyond expectations.

We must maintain and enhance our information technology systems to remain competitive and effectively handle higher volumes of freight through our network. We expect customers to continue to demand more sophisticated, fully integrated information systems from their transportation providers. If we are unable to maintain and enhance our information systems to handle our freight volumes and meet the demands of our customers, our business and results of operations will be adversely affected. If our information systems are unable to handle higher freight volumes and increased logistics services, our service levels and operating efficiency may decline. This may lead to a loss of customers and a decline in the volume of freight we receive from customers.

Our information technology systems are subject to risks that we cannot control.

Our information technology systems are dependent upon global communications providers, web browsers, telephone systems and other aspects of the Internet infrastructure that have experienced significant system failures and electrical outages in the past. Our systems are susceptible to outages from fire, floods, power loss, telecommunications failures, break-ins and similar events. Despite our implementation of network security measures, our servers are vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems. The occurrence of any of these events could disrupt or damage our information technology systems and inhibit our internal operations, our ability to provide services to our customers and the ability of our customers to access our information technology systems. This may result in the loss of customers or a reduction in demand for our services.

If we have difficulty attracting and retaining owner-operators or freight handlers, our results of operations could be adversely affected.

We depend on owner-operators for most of our transportation needs. In 2002, owner-operators provided 66.2% of our purchased transportation requirements. Competition for owner-operators is intense, and sometimes there are shortages of available owner-operators. In addition, we need a large number of freight handlers to operate our business efficiently. During periods of low unemployment in the areas where our terminals are located, we may have difficulty hiring and retaining a sufficient number of freight handlers. If we have difficulty attracting and retaining enough qualified owner-operators or freight handlers, we may be forced to increase wages and benefits, which would increase our operating costs. This difficulty may also impede our ability to maintain our delivery schedules, which could make our service less competitive and force us to curtail our planned growth. If our labor costs increase, we may be unable to offset the increased cost by increasing rates without adversely affecting our business. As a result, our profitability may be reduced.

A determination by regulators that our independent owner-operators are employees could expose us to various liabilities and additional costs.

At times, the Internal Revenue Service, the Department of Labor and state authorities have asserted that owner-operators are employees, rather than independent contractors. One or more governmental authorities may challenge our position that the owner-operators we use are not our employees. There also may be changes in applicable federal or state tax or other laws or interpretations of those laws. If this happens, we are likely to incur additional taxes, as well as higher workers compensation and employee benefit costs, and possibly penalties and interest for prior periods. This could have an adverse effect on our results of operations.

We operate in a regulated industry, and increased costs of compliance with, or liability for violation of, existing or future regulations could have a materially adverse effect on our business.

The U.S. Department of Transportation and various state agencies have been granted broad powers over our business. These entities generally regulate such activities as authorization to engage in property brokerage and motor carrier operations, safety and financial reporting. We are licensed by the Department of Transportation as a broker and motor carrier to arrange for the transportation of freight by truck. Our domestic customs brokerage operations are licensed by the United States Customs Service, and the Federal Maritime Commission regulates our ocean freight forwarding operations. If we fail to comply with any applicable regulations, our licenses may be revoked or we could be subject to substantial fines or penalties and to civil and criminal liability.

We are also subject to various environmental laws and regulations dealing with the handling of hazardous materials. Our operations involve the risks of fuel spillage or seepage. If we are involved in a spill or other accident involving hazardous substances, our business and operating results may be adversely affected. Changes to current environmental laws or regulations may increase our operating costs and adversely affect our results of operations.

The transportation industry is subject to legislative and regulatory changes that can affect the economics of our business by requiring changes in operating practices or influencing the demand for, and the cost of providing, transportation services. Heightened security concerns in the aftermath of the September 11, 2001 terrorist attacks may also result in increased regulations, including the implementation of various security measures, checkpoints or travel restrictions on trucks.

We are dependent on our senior management team, and the loss of any such personnel could materially and adversely affect our business.

Our future performance depends, in significant part, upon the continued service of our senior management team. We cannot assure you that we can retain these employees. The loss of the services of one or more of these or other key personnel could have a materially adverse effect on our business, operating results and financial condition. We must continue to develop and retain a core group of management personnel and address issues of succession planning if we are to realize our goal of growing our business. We cannot assure you that we will be able to do so.

If our employees were to unionize, our operating costs are likely to increase.

None of our employees are currently represented by a collective bargaining agreement. However, we have no assurance that our employees will not unionize in the future, which could increase our operating costs and force us to alter our operating methods. This could have a materially adverse effect on our operating results.

The public market for our shares may be volatile and you may not be able to resell your shares at or above the price you paid, or at any price.

The market price of our common stock may be highly volatile and could be subject to wide fluctuations in response to factors such as:

- changes in earnings estimates, recommendations, comments or coverage by securities analysts with respect to our securities or business or the securities or business of our competitors;
- announcements of mergers, acquisitions or investments by us or our competitors;
- announcements of new business and services by us or our competitors and customer acceptance of such businesses and services;
- fluctuations in the market price of our competitors publicly-traded stocks;
- adoption of new accounting standards affecting our industry; and
- general market and economic conditions and other factors over which we have no control.

Over the past several years, the stock markets have experienced extreme price and volume fluctuations that have affected the market prices of equity securities of many companies and that have been unrelated or disproportionate to the operating performance of those companies. These market factors may adversely affect the market price of our common stock and your ability to resell your shares at or above the price you paid, or at any price.

Our shareholder rights plan, charter and bylaws and provisions of Tennessee law could discourage or prevent a takeover that you may consider favorable.

We have a shareholder rights plan that may have the effect of discouraging unsolicited takeover proposals. The rights issued under the shareholder rights plan would cause substantial dilution to a person or group that attempts to acquire us on terms not approved in advance by our board of directors. In addition, our shareholder rights plan, charter and bylaws and provisions of Tennessee law may discourage, delay or prevent a merger, acquisition or change in control that you may consider favorable. These provisions could also discourage proxy contests and make it more difficult for shareholders to elect directors and take other corporate actions. Among other things, these provisions:

- authorize us to issue preferred stock, the terms of which may be determined at the sole discretion of our board of directors and may adversely affect the voting or economic rights of our shareholders;
- provide that directors may be removed only for cause;
- provide that any amendment or repeal of the provisions of our charter concerning the removal of directors must be approved by the affirmative vote of the holders of two-thirds of our outstanding shares; and
- establish advance notice requirements for nominations for election to the board of directors and for proposing matters that can be acted on by shareholders at a meeting.

Our shareholder rights plan, charter and bylaws and provisions of Tennessee law may discourage transactions that otherwise could provide for the payment of a premium over prevailing market prices for our common stock and also could limit the price that investors are willing to pay in the future for shares of our common stock.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated or deemed to be incorporated by reference in this prospectus contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements, which are based on assumptions and estimates and describe our future plans, strategies and expectations, are generally identifiable by the use of the words anticipate, will, believe, estimate, expect, plan, project, intend, see
expressions. These forward-looking statements are subject to risks, uncertainties and assumptions. Some important factors that could cause actual results to differ materially from the forward-looking statements we make or incorporate by reference in this prospectus are described under the caption Risk Factors in this prospectus and in the documents incorporated or deemed to be incorporated by reference in this prospectus.

If one or more of these risks or uncertainties materialize, or if any underlying assumptions prove incorrect, our actual results, performance or achievements may vary materially from future results, performance or achievements expressed or implied by these forward-looking statements. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements in this section. We undertake no obligation to publicly update or revise any forward-looking statements to reflect future events or developments.

USE OF PROCEEDS

All of the shares covered by this prospectus are being offered by the selling shareholder. We will not receive any of the proceeds from the sale of the shares.

DIVIDEND POLICY

We have not paid any cash dividends on our common stock and do not anticipate paying cash dividends in the foreseeable future. It is our intention to retain earnings to finance the growth of our business. Future payment of dividends will depend upon our financial condition, results of operations, contractual restrictions and capital requirements, as well as other factors deemed relevant by our board of directors.

BUSINESS

We are a leading provider of time definite surface transportation and related logistics services to the North American deferred air freight market. We offer our customers scheduled surface transportation of cargo as a cost effective, reliable alternative to air transportation. We transport cargo that must be delivered at a specific time, but is less time-sensitive than traditional air freight. This type of cargo is frequently referred to in the transportation industry as deferred air freight. We operate through a network of 80 terminals located on or near airports in the United States and Canada, including a central sorting facility in Columbus, Ohio and eight regional hubs serving key markets. Our typical shipment consists of a pallet load of freight, often electronics, telecommunications equipment, machine parts, trade show exhibit materials or medical equipment. During 2002, our average shipment weighed over 700 pounds. We utilize a flexible source of capacity that results in a largely variable cost model, with low capital requirements. We purchase our transportation requirements from owner-operators and, to a lesser extent, from other surface transportation providers.

We also offer our customers a growing array of logistics services including: exclusive use vehicles (commonly referred to as truck brokerage); dedicated fleet; warehousing; customs brokerage; and shipment consolidation and handling. These services are critical to our air freight forwarder customers that do not provide logistics services themselves or that prefer to use one provider for all of their surface transportation needs. For two major international airlines, we manage all of their surface transportation and related logistics needs from the time the freight arrives in the United States until it is delivered to its final destination.

We market our services primarily to air freight forwarders, which are businesses that arrange transportation of cargo for third parties; integrated air cargo carriers; and passenger and cargo airlines. To serve this market, we offer customers a very high level of service with a focus on on-time, damage-free deliveries. We serve our customers by locating terminals on or near airports and maintaining regularly scheduled transportation service between major cities. We receive shipments at our terminals and transport them by truck to our central sorting facility or to one of our eight regional hubs, where they are unloaded, sorted and reloaded. After reloading the shipments, we deliver them to the terminals nearest their destinations. We ship freight directly between terminals when justified by the volume of shipments. During 2002, approximately 33% of the shipments we handled were for overnight delivery, approximately 50% for delivery within two to three days and the balance for delivery in four to five days. We typically do not provide local pickup and delivery services and do not market our services directly to shippers. Because we do not place significant size or weight restrictions on shipments, we generally do not compete directly with integrated air cargo carriers such as United Parcel Service, Federal Express and DHL Worldwide in the overnight delivery of small parcels. In 2002, our five largest customers accounted for approximately 20% of our operating revenue and no single customer accounted for more than 7% of our operating revenue.

For the nine month period ended September 30, 2003, we generated operating revenue of $176.3 million, an increase of 5.8% from $166.7 million for the same period in 2002. Our operating income for the nine month period ended September 30, 2003 was $28.6 million, an increase of 21.7% from $23.5 million for the same period in 2002. In 2002, we realized a pre-tax return on assets of 24.2% and return on equity of 19.2%.

Our Industry

As businesses minimize inventory levels, perform manufacturing and assembly operations in multiple locations and distribute their products through multiple channels, they more frequently require expedited delivery services. Expedited shipments are those shipments where the customer requires delivery the next day or within two to three days, usually at a specified time or within a specified time window. The Colography Group, Inc., an independent industry market research and consulting firm, expects the total U.S. expedited cargo market, including air and surface, to generate $81.4 billion in revenue in 2003. The U.S. domestic air freight market is estimated to be approximately $30.7 billion, or 37.7% of this market. Approximately $3.7 billion or 11.9% of that market is made up of heavyweight overnight and deferred air freight, representing the portion of the market within which we primarily compete.

Shippers with expedited delivery requirements have four principal alternatives to transport freight: freight forwarders; integrated air cargo carriers; less-than-truckload carriers; and passenger and cargo airlines.

Freight forwarders obtain requests for shipments from customers, make arrangements for transportation of the cargo by a third party carrier and usually arrange for both delivery from the shipper to the carrier and from the carrier to the recipient by a third party.

Integrated air cargo carriers provide pick-up and delivery services primarily using their own fleet of trucks and provide transportation services generally using their own fleet of aircraft.

Less-than-truckload carriers also provide pick-up and delivery services through their own fleet of trucks. These carriers operate terminals where freight is unloaded, sorted and reloaded multiple times in a single shipment. This additional handling increases transit time, handling costs and the likelihood of cargo damage.

Passenger or cargo airlines provide airport to airport service, but have limited cargo space and generally accept only shipments weighing less than 150 pounds.

Although expedited air freight is usually transported by aircraft, freight forwarders often elect to transport cargo by truck, especially for shipments requiring deferred delivery. Generally, the cost of shipping freight, especially heavy freight, by truck is substantially less than shipping by aircraft. We believe there are several trends that are increasing demand for lower-cost truck transportation of expedited air freight. These trends include:

Increased Outsourcing of Logistics Management to Third Party Logistics Providers. Air freight forwarders are playing an increasingly important role in logistics management. As the growing emphasis on just-in-time processes has added to the complexity of logistics management, companies are finding it more advantageous to outsource their logistics management functions to third parties. According to Armstrong and Associates, the United States third party logistics market has grown at a compound annual rate of approximately 14% between 1997 and 2002. In contrast to integrated air cargo carriers and less-than-truckload carriers that are focused on utilizing their own fixed-cost assets, air freight forwarders can select from various transportation modes and suppliers to meet their customers shipping requirements, thereby serving their customers less expensively. In addition, air freight forwarders generally handle shipments of any size and offer customized shipping options, unlike integrated air cargo carriers and less-than-truckload carriers.

Integrated Air Cargo Carriers Focus on Overnight Freight. Integrated air cargo carriers that transport heavy freight are targeting their marketing efforts at higher yielding overnight freight to better utilize their high fixed-cost infrastructures. As a result, these carriers are outsourcing deferred freight to surface transportation providers like us.

Reduced Airline Cargo Capacity. Since the 1980 s, when the domestic airlines eliminated many of their all-cargo aircraft, growth in demand for air cargo services has generally outpaced the growth of aircraft cargo capacity. Airlines have decreased fleet sizes and are utilizing smaller aircraft, including more regional jets, in many markets. The short supply of air cargo space has resulted in increased demand for surface transportation of cargo.

Competitive Advantages

We believe that the following competitive advantages are critical to our success as a leading provider of time definite surface transportation services and related logistics services to the deferred air freight market in North America:

Focus on the Deferred Air Freight Market. We focus on providing time definite surface transportation and related logistics services to the deferred air cargo industry. We believe that our focused approach has enabled us to provide a higher level of service in a more cost effective manner than our competitors.

Expansive Network of Terminals and Sorting Facilities. We have built a network of terminals and sorting facilities throughout the United States and Canada located on or near airports. We believe it would be difficult for a competitor to duplicate our network without the expertise and strategic facility locations we have acquired and without expending significant capital and management resources. Our network enables us to provide regularly scheduled service between most markets with low levels of freight damage or loss, all at rates generally significantly below air freight rates.

Concentrated Marketing Strategy. We provide our services mainly to air freight forwarders, integrated air cargo carriers, and passenger and cargo airlines rather than directly serving shippers. We do not place significant size or weight restrictions on shipments and, therefore, do not compete with overnight parcel delivery services such as United Parcel Service, Federal Express and DHL Worldwide. We believe that our customers prefer to purchase their transportation services from us because we generally do not market our services to their shipper customers and, therefore, do not compete directly with them for customers.

Superior Service Offerings. Our published schedule for transit times with specific cut-off and arrival times generally provides our customers with the predictability they need. In addition, our network of terminals allows us to offer our customers later cut-off times, a higher percentage of direct shipments (which reduces damage and lost time caused by additional sorting and reloading) and shorter delivery times than most of our competitors.

Flexible Business Model. We purchase most of our transportation requirements from owner-operators or truckload carriers, rather than operating our own trucks. This allows us to respond quickly to changing demands and opportunities in our industry and generate higher returns on assets due to our low capital requirements.

Comprehensive Logistics Service Offerings. We offer an array of logistics services including: exclusive use vehicles (commonly referred to as truck brokerage), dedicated fleet, warehousing, customs brokerage and shipment consolidation and handling. These logistics services are an essential part of some customers   transportation needs and are not offered by many of our competitors.

Leading Technology Platform. We are committed to using information technology to increase the volume of freight we can handle in our network, improve visibility of shipment information and reduce our operating costs. Our technology allows us to provide our customers with electronic bookings and real-time tracki