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

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended June 30, 2007
Commission File No. 000-22490**

FORWARD AIR CORPORATION

(Exact name of registrant as specified in its charter)

Tennessee	**62-1120025**
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)
430 Airport Road Greeneville, Tennessee	**37745**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(423) 636-7000**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

The number of shares outstanding of the registrant's common stock, $0.01 par value, as of July 27, 2007 was 29,450,681.

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Part I. **Financial Information**

Item 1. **Financial Statements (Unaudited)**

Forward Air Corporation

Condensed Consolidated Balance Sheets

	June 30, 2007	December 31, 2006
	(Unaudited)	(Note 1)
	(In thousands, except share data)	
Assets		
Current assets:		
Cash	$ 10,336	$ 8,231
Short-term investments	10,575	61,650
Accounts receivable, less allowance of $882 in 2007 and $860 in 2006	51,876	48,486
Other current assets	7,568	9,196
Total current assets	80,355	127,563
Property and equipment	143,368	101,190
Less accumulated depreciation and amortization	51,086	47,875
Total property and equipment, net	92,282	53,315
Goodwill and other acquired intangibles:		
Goodwill	15,588	15,588
Other acquired intangibles, net of accumulated amortization of $2,698 in 2007 and $2,019 in 2006	10,552	10,731
Total goodwill and other acquired intangibles	26,140	26,319
Other assets	1,199	5,817
Total assets	$ 199,976	$ 213,014
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 6,439	$ 7,949
Accrued expenses	9,889	11,144
Current portion of capital lease obligations	42	40
Total current liabilities	16,370	19,133
Capital lease obligations, less current portion	775	796
Other long-term liabilities	3,193	1,271
Deferred income taxes	7,392	6,587
Shareholders' equity:		
Preferred stock	--	--
Common stock, $0.01 par value:		
Authorized shares - 50,000,000		
Issued and outstanding shares – 29,445,634 in 2007 and 30,372,082 in 2006	294	304
Retained earnings	171,952	184,923
Total shareholders' equity	172,246	185,227
Total liabilities and shareholders' equity	$ 199,976	$ 213,014

The accompanying notes are an integral part of the financial statements.

Forward Air Corporation

Condensed Consolidated Statements of Income
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
	(In thousands, except per share data)			
Operating revenue:				
Airport-to-airport	$ 77,237	$ 74,014	$ 151,458	$ 145,898
Logistics	10,680	7,903	18,865	13,728
Other	5,230	4,862	10,178	9,483
Total operating revenue	93,147	86,779	180,501	169,109
Operating expenses:				
Purchased Transportation:				
Airport-to-airport	29,739	28,340	60,271	55,420
Logistics	8,150	5,587	14,296	9,778
Other	1,477	1,207	2,773	2,372
Total purchased transportation	39,366	35,134	77,340	67,570
Salaries, wages and employee benefits	19,964	18,330	38,977	37,123
Operating leases	3,882	3,422	7,617	6,868
Depreciation and amortization	2,494	2,052	4,874	4,451
Insurance and claims	1,900	1,710	3,602	3,191
Other operating expenses	7,228	6,364	13,938	13,183
Total operating expenses	74,834	67,012	146,348	132,386
Income from operations	18,313	19,767	34,153	36,723
Other income (expense):				
Interest expense	(41)	(16)	(81)	(41)
Other, net	469	887	1,221	1,521
Total other income	428	871	1,140	1,480
Income before income taxes	18,741	20,638	35,293	38,203
Income taxes	7,266	7,617	13,525	14,174
Net income	$ 11,475	$ 13,021	$ 21,768	$ 24,029
Net income per share:				
Basic	$ 0.38	$ 0.41	$ 0.72	$ 0.77
Diluted	$ 0.38	$ 0.41	$ 0.72	$ 0.75
Dividends declared per share	$ 0.07	$ 0.07	$ 0.14	$ 0.14

The accompanying notes are an integral part of the financial statements.

Forward Air Corporation

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six months ended	
	June 30, 2007	June 30, 2006
	(In thousands)	
Operating activities:		
Net income	$ 21,768	$ 24,029
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,874	4,451
Share-based compensation	1,483	580
Gain on sale of property and equipment	(235)	(165)
Provision for (recovery) loss on receivables	(114)	39
Provision for revenue adjustments	1,165	1,083
Deferred income taxes	1,514	1,569
Tax benefit of stock options exercised	(8)	(1,423)
Changes in operating assets and liabilities:		
Accounts receivable	(4,312)	(3,508)
Prepaid expenses and other current assets	1,347	2,174
Accounts payable and accrued expenses	(2,240)	(6,860)
Net cash provided by operating activities	25,242	21,969
Investing activities:		
Proceeds from disposal of property and equipment	273	3,200
Purchases of property and equipment	(38,535)	(5,190)
Proceeds from sales or maturities of available-for-sale securities	126,635	114,404
Purchases of available-for-sale securities	(75,560)	(115,699)
Other	(676)	(13)
Net cash provided by (used in) investing activities	12,137	(3,298)
Financing activities:		
Payments of capital lease obligations	(19)	(19)
Payments on line of credit	--	(1,504)
Proceeds from exercise of stock options	275	4,183
Common stock issued under employee stock purchase plan	138	115
Payments of cash dividends	(4,222)	(4,407)
Repurchase of common stock	(31,220)	(5,772)
Cash settlement of share-based awards for minimum tax withholdings	(234)	--
Tax benefit of stock options exercised	8	1,423
Net cash used in financing activities	(35,274)	(5,981)
Net increase in cash	2,105	12,690
Cash at beginning of period	8,231	332
Cash at end of period	$ 10,336	$ 13,022

The accompanying notes are an integral part of the financial statements.

1. Organization and Basis of Presentation

The Company is a leading provider of time-definite transportation and related logistic services to the North American deferred air freight market and its activities can be broadly classified into three categories of services. The Company's airport-to-airport service operates a comprehensive national network for the time-definite surface transportation of deferred air freight. The airport-to-airport service offers customers local pick-up and delivery and scheduled surface transportation of cargo as a cost effective, reliable alternative to air transportation. The Company's logistics service provides expedited truckload brokerage and dedicated fleet services. The Company's other services include shipment consolidation and deconsolidation, warehousing, customs brokerage, and other handling. The Company primarily provides its transportation services through a network of terminals located at or near airports in the United States and Canada. Revenues and associated purchased transportation by service line have been disclosed on the face of the Condensed Consolidated Statements of Income and reclassifications have been made to prior year revenue and purchased transportation to conform with the 2007 presentation. These activities constitute a single business segment as defined by the Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 131, *Disclosure about Segments of an Enterprise and Related Information.*

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by United States generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007. For further information, refer to the consolidated financial statements and footnotes thereto included in the Forward Air Corporation Annual Report on Form 10-K for the year ended December 31, 2006.

The balance sheet at December 31, 2006 has been derived from the audited financial statements at that date, but does not include all of the financial information and footnotes required by United States generally accepted accounting principles for complete financial statements.

2. Recent Accounting Pronouncements

During June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes (an interpretation of FASB Statement No. 109)* ("FIN 48"), which is effective for fiscal years beginning after December 15, 2006. This interpretation was issued to clarify the accounting for uncertainty in income taxes recognized in the financial statements by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The guidance prescribed in FIN 48 establishes a recognition threshold of more likely than not that a tax position will be sustained upon examination. The measurement attribute of FIN 48 requires that a tax position be measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Company adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, the Company recognized a $1,397 increase in the liability for income tax contingencies, including related interest and penalties, which net of federal benefit of $420 was accounted for as a reduction to the January 1, 2007 balance of retained earnings. The liability for income tax contingencies at January 1, 2007, net of federal benefit, is $977 which represents tax positions where the realization of the ultimate benefit is uncertain and the disallowance of which would affect the Company's annual effective income tax rate.

During September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"), which is effective for fiscal years beginning after November 15, 2007 with earlier adoption encouraged. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, SFAS 157 does not require any new fair value measurements. However, the application of SFAS 157 could change current practice. The Company plans to adopt SFAS 157 on January 1, 2008, but the implementation of SFAS 157 is not expected to have a significant impact on the Company's financial position or results of operations.

2. Recent Accounting Pronouncements (continued)

During February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115* ("SFAS 159"), which permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of SFAS 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The implementation of SFAS 159 is not expected to have a significant impact on the Company's financial position or results of operations.

3. Comprehensive Income

Comprehensive income includes any changes in the equity of the Company from transactions and other events and circumstances from non-owner sources. Comprehensive income for the three and six months ended June 30, 2007 was $11,475 and $21,768, respectively. Comprehensive income for the three and six months ended June 30, 2006 was $13,021 and $24,029, respectively. In each case, comprehensive income approximated net income.

4. Share-Based Payments

The Company accounts for share-based payments using SFAS No. 123 (Revised 2004), *Share-Based Payment* ("SFAS 123R"), and elected the modified prospective transition method on January 1, 2006. SFAS 123R requires share-based payments to employees, including grants of stock options, non-vested shares of common stock and purchases under employee stock purchase plans, to be recognized in the Company's statements of income based on their fair values. On December 31, 2005, the Company's Board of Directors accelerated the vesting of all outstanding and unvested stock options awarded to employees, officers and non-employee directors under the Company's stock option award plans. The primary purpose of the accelerated vesting of these options was to eliminate future compensation expense that the Company would otherwise have recognized in its statement of operations with respect to these unvested options upon the adoption of SFAS 123R. As a result of the acceleration of the vesting of the Company's outstanding and unvested options in 2005, there was no additional compensation expense recognized during the three and six months ended June 30, 2007 and 2006 related to options granted prior to January 1, 2006.

Employee Activity

The Company's general practice has been to make a single annual grant to key employees and to generally make other grants only in connection with new employment or promotions. During 2006, the Company issued non-vested shares of common stock ("non-vested shares") to key employees as the form of share-based awards. However, in 2007 the Company elected to issue stock options to key employees, as the Company believes stock options more closely link long-term compensation with the long-term goals of the Company. Stock options issued during the three and six months ended June 30, 2007 expire seven years from the grant date and vest ratably over a three-year period. The share-based compensation for these stock options will be recognized, net of estimated forfeitures, ratably over the requisite service period, or vesting period. Based on the Company's historical experience, forfeitures have been estimated. The Company used the Black-Scholes option-pricing model to estimate the grant-date fair value of options granted during the three and six months ended June 30, 2007. The weighted-average fair values of options granted during the three and six months ended June 30, 2007 were $11.01 and $11.19, respectively, and were estimated using the following weighted-average assumptions:

	June 30, 2007	
	Three Months Ended	Six Months Ended
Expected dividend yield	0.8%	0.8%
Expected stock price volatility	37.0%	37.0%
Weighted average risk-free interest rate	4.6%	4.7%
Expected life of options (years)	4.5	4.5

4. Share-Based Payments (continued):

Share-based compensation expense for options granted during the three and six months ended June 30, 2007 was $437 and $722, respectively, and was recognized in salaries, wages and employee benefits. The total tax benefit related to the share-based expense for these options was $170 and $277, respectively, for the three and six months ended June 30, 2007. Total compensation cost, net of estimated forfeitures, related to the options not yet recognized in earnings was $4,554 at June 30, 2007. Total unrecognized compensation cost will be adjusted for future changes in estimated forfeitures. The following tables summarize the Company's employee stock option activity and related information for the three and six months ended June 30, 2007:

	Three Months Ended June 30, 2007			
	Options (000)	Weighted-Average Exercise Price	Aggregate Intrinsic Value (000)	Weighted-Average Remaining Contractual Term
Outstanding at March 31, 2007	2,010	$ 26		
Granted	5	33		
Exercised	(6)	14		
Forfeited	(10)	32		
Outstanding at June 30, 2007	1,999	$ 26	$ 13,489	6.5
Exercisable at June 30, 2007	1,458	$ 23	$ 13,179	6.4

	Six Months Ended June 30, 2007			
	Options (000)	Weighted-Average Exercise Price	Aggregate Intrinsic Value (000)	Weighted-Average Remaining Contractual Term
Outstanding at December 31, 2006	1,475	$ 23		
Granted	550	32		
Exercised	(15)	19		
Forfeited	(11)	30		
Outstanding at June 30, 2007	1,999	$ 26	$ 13,489	6.5
Exercisable at June 30, 2007	1,458	$ 23	$ 13,179	6.4

Share-based compensation expense of $325 and $597 for non-vested shares granted to employees during 2006 was recognized in salaries, wages and employee benefits during the three and six months ended June 30, 2007, respectively. The total tax benefit related to this share-based expense was $126 and $229 for the three and six months ended June 30, 2007, respectively. Share-based compensation expense of $313 and $537 for non-vested shares granted to employees during 2006 was recognized in salaries, wages and employee benefits during the three and six months ended June 30, 2006, respectively. The total tax benefit related to this share-based expense was $116 and $199 for the three and six months ended June 30, 2006, respectively. Total compensation cost, net of estimated forfeitures, related to the non-vested shares not yet recognized in earnings was $2,083 at June 30, 2007. Total unrecognized compensation cost will be adjusted for future changes in estimated forfeitures.

4. Share-Based Payments (continued):

Under the 2005 Employee Stock Purchase Plan (the "ESPP"), which has been approved by shareholders, the Company is authorized to issue up to a remaining 474,030 shares of common stock to employees of the Company. These shares may be issued at a price equal to 90% of the lesser of the market value on the first day or the last day of each six-month purchase period. Common stock purchases are paid for through periodic payroll deductions and/or up to two large lump sum contributions. For the three and six months ended June 30, 2007, participants under the plan purchased 5,049 shares at an average price of $27.32 per share. For the three and six months ended June 30, 2006, participants under the plan purchased 3,529 shares at an average price of $32.58 per share. The weighted-average fair value of each purchase right under the ESPP granted for the three and six months ended June 30, 2007, which is equal to the discount from the market value of the common stock at the end of each six month purchase period, was $6.78 per share. The weighted-average fair value of each purchase right under the ESPP granted for the three and six months ended June 30, 2006, was $8.15 per share. Share-based compensation expense of $34 and $29 was recognized in salaries, wages and employee benefits, during the three and six months ended June 30, 2007 and 2006, respectively. The total tax benefit related to the share-based expense was $13 and $11 for the three and six months ended June 30, 2007 and 2006, respectively.

Non-Employee Director Activity

On May 22, 2007, the Company's shareholders approved the Company's Amended and Restated Non-Employee Director Stock Plan (the "Amended Plan"). The Amended Plan is designed to better enable the Company to attract and retain well-qualified persons for service as directors of the Company. Under the Amended Plan, on the first business day after each Annual Meeting of Shareholders, each non-employee director will automatically be granted an award (the "Annual Grant"), in such form and size as the Board determines from year to year. Unless otherwise determined by the Board, Annual Grants will become vested and nonforfeitable one year after the date of grant so long as the non-employee director's service with the Company does not earlier terminate. Each director may elect to defer receipt of the shares under a non-vested share award until the director terminates service on the Board of Directors. If a director elects to defer receipt, the Company will issue deferred stock units to the director which do not represent actual ownership in shares and the director will not have voting rights or other incidents of ownership until the shares are issued. However, the Company will credit the director with dividend equivalent payments in the form of additional deferred stock units for each cash dividend payment made by the Company. After approval of the Amended Plan, 14,268 non-vested shares and 4,756 deferred stock units were issued to the Company's non-employee directors with a weighted-average fair value of $33.64. The share-based compensation for these awards will be recognized, net of estimated forfeitures, ratably over the requisite service period, or vesting period, of one year. Share-based compensation expense related to the Amended Plan of $46 was recognized in salaries, wages and employee benefits during the three and six months ended June 30, 2007. The total tax benefit related to the share-based expense was $18 for the three and six months ended June 30, 2007. Total compensation cost, net of estimated forfeitures, related to the non-vested shares and deferred stock units not yet recognized in earnings was $503 at June 30, 2007. Total unrecognized compensation cost will be adjusted for future changes in estimated forfeitures.

During the three and six months ended June 30, 2007 share-based compensation expense of $47 and $82, respectively, was recognized in salaries, wages and employee benefits for non-vested shares granted to non-employees directors since May 2006 under the Company's 2006 Non-Employee Director Stock Plan (the "2006 Plan"). The total tax benefit related to this share-based expense was $19 and $32 for the three and six months ended June 30, 2007, respectively. During the three and six months ended June 30, 2006 share-based compensation expense of $12 was recognized in salaries, wages and employee benefits for non-vested shares granted to non-employee directors under the 2006 Plan. The total tax benefit related to this share-based expense was $4 for the three and six months ended June 30, 2006. Total compensation cost, net of estimated forfeitures, related to these non-vested shares granted to non-employee directors not yet recognized in earnings was $299 at June 30, 2007. Total unrecognized compensation cost will be adjusted for future changes in estimated forfeitures.

In addition to the above activity, each May from 1995 to 2005 options were granted to the non-employee directors of the Company. The options have terms of ten years and are fully exercisable. At June 30, 2007, 111,875 options were outstanding and will expire between July 2010 and May 2015 unless a non-employee director resigns, is not re-elected and does not meet one of the exceptions under the Company's Non-Employee Director Stock Option Plan, in which event the options would expire 90 days after the option holder is no longer a non-employee director. At June 30, 2007, the total aggregate intrinsic value of these options was $1,135 and the weighted-average exercise price and remaining contractual term were $22 and 6.2 years, respectively.

4. Share-Based Payments (continued)

Dividends

Dividends paid on non-vested shares that are subsequently forfeited prior to vesting are required by SFAS 123R to be recorded to expense instead of as a direct reduction to retained earnings. SFAS 123R requires dividend forfeitures to be estimated. Estimated dividend forfeitures recorded to share-based compensation during the three and six months ended June 30, 2007 were $1 and $2, respectively. Estimated dividend forfeitures recorded to share-based compensation during the three and six months ended June 30, 2006 were $2.

5. Net Income Per Share

The following table sets forth the computation of basic and diluted net income per share (in thousands, except per share data):

	Three months ended		Six months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Numerator:				
Numerator for basic and diluted net income per share - net income	$ 11,475	$ 13,021	$ 21,768	$ 24,029
Denominator:				
Denominator for basic net income per share - weighted- average shares	29,805	31,431	30,070	31,354
Effect of dilutive stock options and non-vested shares	357	497	342	498
Denominator for diluted net income per share - adjusted weighted-average shares	30,162	31,928	30,412	31,852
Basic net income per share	$ 0.38	$ 0.41	$ 0.72	$ 0.77
Diluted net income per share	$ 0.38	$ 0.41	$ 0.72	$ 0.75

For the three months ended June 30, 2007 and 2006 the number of options and non-vested shares that could potentially dilute net income per share in the future, but that were not included in the computation of net income per diluted share because to do so would have been anti-dilutive for the periods presented, were approximately 144,725 and 1,434, respectively. For the six months ended June 30, 2007 and 2006 the number of options and non-vested shares that could potentially dilute net income per share in the future, but that were not included in the computation of net income per diluted share because to do so would have been anti-dilutive for the periods presented, were approximately 141,624 and 721, respectively.

6. Income Taxes

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, various states and Canada. With a few exceptions, the Company is no longer subject to U.S. federal, state and local, or Canadian examinations by tax authorities for years before 2003.

The Company adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, the Company recognized a $1,397 increase in the liability for income tax contingencies, including related interest and penalties, which net of federal benefit of $420 was accounted for as a reduction to the January 1, 2007 balance of retained earnings. The liability for income tax contingencies at January 1, 2007, net of federal benefit is $977, which represents tax positions where the realization of the ultimate benefit is uncertain and the disallowance of which would affect the Company's annual effective income tax rate.

6. Income Taxes (continued)

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. At January 1, 2007, the Company had accrued $181 and $196 for the potential payment of interest and penalties, respectively. There were no significant changes to any of these amounts during the three and six months ended June 30, 2007.

For the three and six months ended June 30, 2007 and 2006, the effective income tax rates varied from the statutory federal income tax rate of 35.0%, primarily as a result of the effect of state income taxes, net of the federal benefit and permanent differences between book and tax net income.

7. Shareholders' Equity

During the six months ended June 30, 2007, two regular quarterly dividend payments of $0.07 per share were declared on common stock outstanding on May 25, 2007 and March 15, 2007. The quarterly dividends were paid on June 8, 2007 and March 30, 2007. During the six months ended June 30, 2006, two regular quarterly dividend payments of $0.07 per share were declared on common stock outstanding on May 26, 2006 and March 17, 2006. The quarterly dividends were paid on June 9, 2006 and March 31, 2006. The Company expects to continue to pay regular quarterly cash dividends, though each subsequent quarterly dividend is subject to review and approval by the Board of Directors.

On November 17, 2005, the Company announced that its Board of Directors approved a stock repurchase program for up to three million shares of common stock (the "2005 Repurchase Plan"). For the three and six months ended June 30, 2007, the Company repurchased 737,300 and 979,500 shares of common stock, respectively, under the 2005 Repurchase Plan for $23,682, or $32.12 per share and $31,220, or $31.87 per share, respectively. For the three and six months ended June 30, 2006, the Company repurchased 37,046 and 161,046 shares of common stock, respectively, under the 2005 Repurchase Plan for $1,371, or $37.01 per share and $5,772, or $35.84 per share, respectively. As of June 30, 2007, 633,827 shares were the remaining number of shares that may be repurchased under the 2005 Repurchase Plan.

8. Commitments and Contingencies

The primary claims in the Company's business are workers' compensation, property damage, vehicle liability and medical benefits. Most of the Company's insurance coverage provides for self-insurance levels with primary and excess coverage which management believes is sufficient to adequately protect the Company from catastrophic claims. In the opinion of management, adequate provision has been made for all incurred claims up to the self-insured limits, including provision for estimated claims incurred but not reported.

The Company estimates its self-insurance loss exposure by evaluating the merits and circumstances surrounding individual known claims, by performing hindsight analysis to determine an estimate of probable losses on claims incurred but not reported, and through the use of actuarial calculations. Such losses could be realized immediately as the events underlying the claims have already occurred as of the balance sheet dates.

Because of the uncertainty of the ultimate resolution of outstanding claims, as well as uncertainty regarding claims incurred but not reported, it is possible that management's provision for these losses could change materially in the near term. However, no estimate can currently be made of the range of additional loss that is at least reasonably possible.

9. Property

In June 2007 the Company completed the purchase of a new regional hub near Atlanta, Georgia for $14,870. The deposit of $1,478 paid in September 2006, previously included in noncurrent other assets, was applied to this purchase price.

In March 2007 the Company completed the purchase of a new terminal near Chicago, Illinois for $22,312. The deposit of $3,316 paid in July 2006, previously included in noncurrent other assets, was applied to this purchase price.

In addition, in February 2007, the Company acquired land near Dallas/Fort Worth, Texas for $3,043 on which the Company plans to build a new regional hub facility. The Company anticipates completion of this facility during 2008.

10. Subsequent Event

Acquisition

On July 30, 2007 the Company acquired certain assets of USA Carriers, Inc (USAC), a privately held provider of pool distribution transportation headquartered in Fort Wayne, Indiana in a transaction valued at $12,500. The assets of USAC and the corresponding results of operations are expected to be included in the Company's consolidated financial statements as of July 30, 2007.

Founded in 1962, USAC is a well-established transportation service provider with 11 facilities throughout the Southeast, Midwest and Southwest. USAC generated approximately $32,000 in revenue for the year ended December 31, 2006. The acquisition provides the opportunity for the Company to introduce new services to our customers and drive efficiencies in our existing business lines.

Common Stock Repurchase Program

On July 31, 2007 the Company's Board of Directors approved an additional stock repurchase program for up to two million shares of the Company's common stock.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview and Executive Summary

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 local pick-up and delivery (Forward Air Complete™) and 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 81 terminals located on or near airports in the United States and Canada, including a central sorting facility in Columbus, Ohio and nine regional hubs serving key markets.

We also offer our customers an array of logistic and other services including: expedited truckload brokerage (TLX); dedicated fleets; warehousing; customs brokerage; and shipment consolidation, deconsolidation and handling. These services are critical to our air freight forwarder customers, which are businesses that arrange transportation of cargo for third parties, that do not provide these logistics services themselves or that prefer to use one provider for all of their surface transportation needs.

We believe the demand for lower-cost truck transportation will continue to increase due to several trends. These trends include:

- Increased outsourcing of logistics management to third party logistics providers;
- Integrated air cargo carriers' focus on overnight freight; and
- Reduced airline cargo capacity.

These trends combined with our expansive network of 81 terminals, focus on the deferred air freight market and superior service offerings are key to our continued success.

Our operations, particularly our network of hubs and terminals, represent substantial fixed costs. Consequently, 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 and to grow complimentary lines o f businesses that will allow us to maintain revenue growth in challenging shipping environments. In addition, a key factor to success is our ability to efficiently manage our purchased transportation costs through efficient use of our owner-operator fleet and more costly third-party transportation providers.

Our gross revenues and the associated costs of purchased transportation are the primary indicator of our ability to efficiently provide services to our customers.

Trends and Developments

During the three months ended June 30, 2007 our logistics business continued to experience significant growth while the growth rate for our airport-to-airport business was limited due to challenging market conditions. We are continuing our efforts to grow our business through additional products so as to ensure revenue growth in any market conditions. Through our strategic initiative "Completing the Model" we continue to develop and implement complementary services to the airport-to-airport network, such as pick-up and delivery, truckload brokerage, value-added handling and airline road feeder services. Also, during the three months ended June 30, 2007, we experienced a decrease in our operating income in total dollars and as a percentage of operating revenue mainly driven by increased purchased transportation costs. The increased purchased transportation costs were primarily the product of changes in our business mix due to the implementation of the "Completing the Model" strategic initiatives.

On July 30, 2007, our wholly-owned subsidiary, Forward Air Solutions, Inc., acquired certain assets of USA Carriers, Inc. (USAC), a privately held provider of pool distribution services headquartered in Fort Wayne, Indiana in a transaction valued at $12.5 million.

Founded in 1962, USAC is a highly respected, well established transportation service provider with 11 facilities located throughout the Southeast, Midwest and Southwest. USAC generated approximately $32.0 million in revenue for the year ended December 31, 2006. In addition to diversification into pool distribution services, the acquisition provides an important operating platform that will enable further expansion of the Forward Air Complete™ pick-up and delivery product, TLX truckload brokerage and value-added handling components of the "Completing the Model" strategic initiative.

In February 2007, we purchased land in Dallas/Fort Worth, Texas for the construction of a new regional hub. We also completed our purchases of a new terminal near Chicago, Illinois and a new regional hub in Atlanta, Georgia during March and June 2007, respectively. With these facilities we believe we will have room to grow our business in key gateway cities and to offer additional services such as value-added handling.

Reclassifications

Effective January 1, 2007 we reclassified certain 2006 revenue components between our three service lines to be consistent with current year classifications. Primarily, we reclassified Forward Air Complete revenue from other revenue to airport-to-airport revenue as management views Forward Air Complete as an extension of our airport-to-airport network. Also, portions of the 2006 fuel surcharge were reclassified between airport-to-airport and logistics revenue to be consistent with current year presentation.

Results of Operations

The following table sets forth our historical financial data for the three months ended June 30, 2007 and 2006 (in millions):

	2007	2006	Change	% Change
Operating revenue:				
Airport-to-airport	$ 77.2	$ 74.0	$ 3.2	4.3%
Logistics	10.7	7.9	2.8	35.4
Other	5.2	4.9	0.3	6.1
Total operating revenue	93.1	86.8	6.3	7.3
Operating expenses:				
Purchased Transportation:				
Airport-to-airport	29.7	28.3	1.4	4.9
Logistics	8.2	5.6	2.6	46.4
Other	1.5	1.2	0.3	25.0
Total purchased transportation	39.4	35.1	4.3	12.3
Salaries, wages and employee benefits	19.9	18.3	1.6	8.7
Operating leases	3.9	3.4	0.5	14.7
Depreciation and amortization	2.5	2.1	0.4	19.0
Insurance and claims	1.9	1.7	0.2	11.8
Other operating expenses	7.2	6.4	0.8	12.5
Total operating expenses	74.8	67.0	7.8	11.6
Income from operations	18.3	19.8	(1.5)	(7.6)
Total other income	0.4	0.8	(0.4)	(50.0)
Income before income taxes	18.7	20.6	(1.9)	(9.2)
Income taxes	7.2	7.6	(0.4)	(5.3)
Net income	$ 11.5	$ 13.0	$ (1.5)	(11.5)%

The following table shows the percentage relationship of expense items to operating revenue for the three months ended June 30, 2007 and 2006:

	2007	2006
Operating revenue:		
Airport-to-airport	82.9%	85.3%
Logistics	11.5	9.1
Other	5.6	5.6
Total operating revenue	100.0	100.0
Operating expenses:		
Purchased transportation:		
Airport-to-airport	38.5	38.2
Logistics	76.6	70.9
Other	28.8	24.5
Total purchased transportation	42.3	40.4
Salaries, wages and employee benefits	21.4	21.1
Operating leases	4.2	3.9
Depreciation and amortization	2.7	2.4
Insurance and claims	2.0	2.0
Other operating expenses	7.7	7.4
Total operating expenses	80.3	77.2
Income from operations	19.7	22.8
Total other income	0.4	0.9
Income before income taxes	20.1	23.7
Income taxes	7.7	8.7
Net income	12.4%	15.0%

Three Months Ended June 30, 2007 compared to Three Months Ended June 30, 2006

Operating revenue for the three months ended June 30, 2007 was $93.1 million, an increase of $6.3 million, or 7.3%, over $86.8 million in 2006. Airport-to-airport revenue, which is the largest component of our operating revenue, increased $3.2 million, or 4.3%, to $77.2 million from $74.0 million in the same period of 2006, accounting for 82.9% of our total operating revenue during the three months ended June 30, 2007 compared to 85.3% for the three months ended June 30, 2006. The increase in airport-to-airport revenue was driven by an increase in tonnage and an increase in our rate per pound. Our airport-to-airport business is priced on a per pound basis and the average revenue per pound, including the impact of fuel surcharges, increased 2.3% for the three months ended June 30, 2007 versus the three months ended June 30, 2006. Tonnage that transited our network increased by approximately 2.0% in the three months ended June 30, 2007 compared with the three months ended June 30, 2006. The tonnage increase was driven by new airport-to-airport business generated by Forward Air Complete, our new pick-up and delivery product introduced during the second half of 2006 offset by a weaker shipping environment. The weak environment is evidenced by our 3.1% decline in average weight per shipment, despite a 5.2% increase in total shipments. Approximately, 91.3% of the increase in revenue per pound resulted from increased customer utilization of Forward Air Complete. The remaining increase in average revenue per pound is attributable to rate increases implemented in March 2007.

Our logistics revenue, which is primarily truckload brokerage and priced on a per mile basis, increased $2.8 million, or 35.4%, to $10.7 million in the second quarter of 2007 from $7.9 million in the same period of 2006. The increase in logistics revenue is mainly the result of our increased efforts as part of our “Completing the Model” strategic initiative to grow this service. We are placing emphasis on capturing a larger percentage of truckload opportunities and correspondingly increasing our access to sufficient truckload capacity through the use of third-party transportation providers. During the three months ended June 30, 2007, we increased the number of miles driven to support our logistics revenue by 68.6%. The average revenue per mile of our logistics business, including the impact of fuel surcharges, decreased 19.8% for the three months ended June 30, 2007 versus the three months ended June 30, 2006. The decrease in our revenue per mile is largely due to the weak shipping environment and the change in our business mix resulting from our efforts to capture additional truckload opportunities as well as utilizing truckload opportunities to cost effectively position our owner-operators within our airport-to-airport network.

Other revenue, which includes warehousing services and terminal handling and accounts for our final component of operating revenue, increased $0.3 million to $5.2 million, a 6.1% increase from $4.9 million for the same period in 2006. The increase was primarily due to increased handling and storage revenue due to new services offered through our newly expanded hub facility in Columbus, Ohio.

Purchased transportation increased by $4.3 million, or 12.3%, to $39.4 million for the three months ended June 30, 2007 from $35.1 million for the three months ended June 30, 2006. As a percentage of total operating revenue, purchased transportation was 42.3% during the three months ended June 30, 2007 compared to 40.4% for the same period in 2006. The increase in purchased transportation is caused by changes in the shipping patterns within our airport-to-airport network, our focus on truckload brokerage and Forward Air Complete the latter two of which have higher purchased transportation costs than our core airport-to airport business.

Purchased transportation costs for our airport-to-airport network increased $1.4 million, or 4.9%, to $29.7 million for the three months ended June 30, 2007 from $28.3 million for the three months ended June 30, 2006. For the three months ended June 30, 2007 airport-to-airport purchased transportation costs increased to 38.5% of airport-to-airport revenue from 38.2% of airport-to-airport revenue for the same period in 2006. A 5.4% increase in miles driven for the airport-to-airport network accounted for $1.5 million of this increase in purchased transportation. The increase in airport-to-airport miles was due to changes in our shipping patterns as a result of changes in our business mix, such as increased shipments from our west coast terminals. In addition, the increasing number of customer shipments and decreasing average weight per customer shipment, discussed above, increases the number of required trips, which ultimately increases the number of miles driven. The increase due to miles was offset by a $0.1 million decrease attributable to a 0.5% decrease in the cost per mile for the three months ended June 30, 2007 compared to the same period in 2006. The decrease in cost per mile was the result of a decrease in the percentage of airport-to-airport miles driven by more costly third party transportation providers, offset by costs associated with the increased customer utilization of Forward Air Complete, which was introduced during the second half of 2006.

Purchased transportation costs related to our logistics revenue increased $2.6 million, or 46.4%, to $8.2 million for the three months ended June 30, 2007 from $5.6 million for the three months ended June 30, 2006. For the three months ended June 30, 2007, logistics purchased transportation costs represented 76.6% of logistics revenue versus 70.9% for the three months ended June 30, 2006. The increase in logistics purchased transportation costs as a percentage of revenue resulted from lower revenue per mile as discussed above partially offset by a decrease in our cost per mile. Logistics cost per mile decreased due to increased capacity resulting in improved purchasing power from third party transportation providers.

Purchased transportation costs related to our other revenue increased $0.3 million, or 25.0%, to $1.5 million for the three months ended June 30, 2007 from $1.2 million for the three months ended June 30, 2006. Other purchased transportation costs as a percentage of revenue increased to 28.8% of other revenue for the three months ended June 30, 2007 from 24.5% for the same period in 2006. The increase in other purchased transportation is attributable to increased third party transportation services associated with new value added handling services.

Salaries, wages and employee benefits were 21.4% of operating revenue during the three months ended June 30, 2007 compared to 21.1% same period of 2006. Salaries, wages and employee benefits increased as a percentage of revenue as a result o f increased workers' compensation and share based compensation expense offset by lower employee incentives and group health insurance costs. Workers' compensation expense increased $0.5 million, or 0.6% as a percentage of revenue, due to a $0.7 million adjustment recorded during the three months ended June 30, 2007 resulting from an actuarial analysis of our reserves for workers' compensation claims. This increase was offset by a decrease in current claims experience during the second quarter of 2007. Share-based compensation increased $0.5 million, or 0.6% as percentage of revenue, due to the issuance of stock options and other stock instruments to key members of management and non-employee directors during 2007. Further, salaries, wages and benefits increased $0.1 million, or 0.1% as a percentage of revenue, due to decreased capitalization of salaries, wages and benefits associated with our Terminal Automation Program (TAP), which was placed in service during the second half of 2006. These increases were offset by a decrease of $0.6 million, or 0.7% as a percentage of revenue, in employee incentives due to shortfalls from our quarterly performance goals reducing bonuses earned from the same period in 2006. Additionally, group health costs for the three months ended June 30, 2007 decreased $0.1 million, or 0.3% as a percentage of revenue, due to modifications to our group health insurance plan reducing health care costs over the same period in 2006.

Operating leases, the largest component of which is facility rent, were 4.2% of operating revenue for the three months ended June 30, 2007 compared with 3.9% in the same period of 2006. The increase in operating leases in total dollars and as a percentage of operating revenue between periods was attributable to higher rent costs attributable to the expansion of certain facilities and relocation of certain terminals to larger facilities.

Depreciation and amortization expense as a percentage of operating revenue was 2.7% in the second quarter of 2007 compared to 2.4% in the same period of 2006. The increase in depreciation and amortization expense as a percentage of revenue is due to increased depreciation related to our expanded national hub in Columbus, Ohio, our new company-owned terminal in Chicago Illinois, the implementation of TAP during the second half of 2006, and new company-owned tractors purchased during the latter portion of 2006.

Insurance and claims were 2.0% of operating revenue in the second quarter of 2007 and 2006. The $0.2 million, or 11.8% increase in insurance and claims is attributable to a $0.3 million adjustment recorded during the three months ended June 30, 2007 resulting from an actuarial analysis of our reserves for vehicle claims. This increase was offset by a decrease in current claims experience during the second quarter of 2007.

Other operating expenses were 7.7% of operating revenue in the second quarter of 2007 compared to 7.4% in the same period of 2006. The increase in other operating expenses as a percentage of operating revenue was primarily attributable to 0.7% increase as a percentage of revenue in moving expenses associated with the relocation or expansion of certain terminals, taxes and permits associated with new or expanded facilities, specialized training for key employees, and additional sales and marketing efforts due to the weak freight environment. These increases were partially offset by a 0.2% increase as a percentage of revenue in gains on the sale of operating assets due to the sale of older forklifts. Increases were further offset by 0.2% decrease as a percentage of revenue in administrative costs such as professional fees.

Income from operations decreased by $1.5 million or 7.6%, to $18.3 million for the second quarter of 2007 compared with $19.8 million for the same period in 2006. Income from operations decreased as a percentage of revenue to 19.7% for the three months ended June 30, 2007 from 22.8% for the same period in 2006. The decrease in income from operations was primarily a result of the increase in revenue being outpaced by the increase in operating expenses, primarily purchased transportation.

Other income, net was $0.4 million, or 0.4% of operating revenue, in the second quarter of 2007 compared with $0.8 million, or 0.9%, for the same period in 2006. The decrease in other income was attributable to lower interest income due to decreased average investment balances as a result of cash used for stock repurchases and the purchase of real property for regional hubs and terminals.

The combined federal and state effective tax rate for the second quarter of 2007 was 38.8% compared to a rate of 36.9% for the same period in 2006. Our effective federal and state tax rate increased to provide for uncertain tax positions under Financial Accounting Standards Board ("FASB") Interpretation No. 48, Accounting for Uncertainty in Income Taxes, (an interpretation of FASB Statement No. 109) ("FIN 48"), and for the decrease in tax-exempt interest income during 2007 due to increased capital expenditures and stock repurchases.

As a result of the foregoing factors, net income decreased by $1.5 million, or 11.5%, to $11.5 million for the second quarter of 2007 compared to $13.0 million for the same period in 2006.

The following table sets forth our historical financial data for the six months ended June 30, 2007 and 2006 (in millions):

	2007	2006	Change	% Change
Operating revenue:				
Airport-to-airport	$ 151.4	$ 145.9	$ 5.5	3.8%
Logistics	18.9	13.7	5.2	38.0
Other	10.2	9.5	0.7	7.4
Total operating revenue	180.5	169.1	11.4	6.7
Operating expenses:				
Purchased transportation:				
Airport-to-airport	60.3	55.4	4.9	8.8
Logistics	14.3	9.8	4.5	45.9
Other	2.8	2.4	0.4	16.7
Total purchased transportation	77.4	67.6	9.8	14.5
Salaries, wages and employee benefits	38.9	37.1	1.8	4.9
Operating leases	7.6	6.9	0.7	10.1
Depreciation and amortization	4.9	4.4	0.5	11.4
Insurance and claims	3.6	3.2	0.4	12.5
Other operating expenses	13.9	13.2	0.7	5.3
Total operating expenses	146.3	132.4	13.9	10.5
Income from operations	34.2	36.7	(2.5)	(6.8)
Total other income	1.1	1.5	(0.4)	(26.7)
Income before income taxes	35.3	38.2	(2.9)	(7.6)
Income taxes	13.5	14.2	(0.7)	(4.9)
Net income	$ 21.8	$ 24.0	$ (2.2)	(9.2)%

The following table shows the percentage relationship of expense items to operating revenue for the six months ended June 30, 2007 and 2006:

	2007	2006
Operating revenue:		
Airport-to-airport	83.9%	86.3%
Logistics	10.5	8.1
Other	5.6	5.6
Total operating revenue	100.0	100.0
Operating expenses:		
Purchased transportation:		
Airport-to-airport	39.8	38.0
Logistics	75.7	71.5
Other	27.5	25.3
Total purchased transportation	42.9	40.0
Salaries, wages and employee benefits	21.6	21.9
Operating leases	4.2	4.1
Depreciation and amortization	2.7	2.6
Insurance and claims	2.0	1.9
Other operating expenses	7.7	7.8
Total operating expenses	81.1	78.3
Income from operations	18.9	21.7
Total other income	0.6	0.9
Income before income taxes	19.5	22.6
Income taxes	7.4	8.4
Net income	12.1%	14.2%

Six Months Ended June 30, 2007 compared to Six Months Ended June 30, 2006

Operating revenue increased by $11.4 million, or 6.7%, to $180.5 million for the six months ended June 30, 2007 from $169.1 million in the same period of 2006. Airport-to-airport revenue, which is the largest component of our operating revenue, increased $5.5 million, or 3.8%, to $151.4 million, accounting for 83.9% of our total operating revenue during the six months ended June 30, 2007 compared to 86.3% for the six months ended June 30, 2006. The increase in airport-to-airport revenue was driven by an increase in tonnage and an increase in our rate per pound. Our airport-to-airport business is priced on a per pound basis and the average revenue per pound, including the impact of fuel surcharges, increased 2.4% for the six months ended June 30, 2007 versus the six months ended June 30, 2006. Tonnage that transited our network increased by approximately 1.4% in the six months ended June 30, 2007 compared with the six months ended June 30, 2006. The tonnage increase was driven by new airport-to-airport business generated by Forward Air Complete, our new pick-up and delivery product introduced during the second half of 2006 offset by a weak shipping environment. The weak environment is evidenced by our 3.6% decline i n average weight per shipment, despite a 5.1% increase in total shipments. Approximately, 70.8% of the increase in average revenue per pound resulted from increased customer utilization of Forward Air Complete. The remaining increase in average revenue per pound is attributable to rate increases implemented in March 2007.

Our logistics revenue, which is primarily truckload brokerage and priced on a per mile basis, increased $5.2 million, or 38.0%, to $18.9 million for the six months ended June 30, 2007 from $13.7 million in the same period of 2006. The increase in logistics revenue is mainly the result of our increased efforts as part of our “Completing the Model” strategic initiative to grow this product. We are placing emphasis on capturing a larger percentage of truckload opportunities and correspondingly increasing our access to sufficient truckload capacity through the use of third-party transportation providers. During the six months ended June 30, 2007, we increased the number of miles driven to support our logistics revenue by 64.5%. The average revenue per mile of our logistics business, including the impact of fuel surcharges, decreased 16.5% for the six months ended June 30, 2007 versus the six months ended June 30, 2006. The decrease in our revenue per mile is largely due to the weak shipping environment and the change in our business mix resulting from our efforts to capture additional truckload opportunities as well as utilizing truckload opportunities to cost effectively position our owner-operators within our airport-to-airport network.

Other revenue, which includes warehousing services and terminal handling and accounts for our final component of operating revenue, increased $0.7 million to $10.2 million, a 7.4% increase from $9.5 million for the same period in 2006. The increase was primarily due to increased handling and storage revenue due to new services offered through our newly expanded hub facility in Columbus, Ohio.

Purchased transportation increased by $9.8 million, or 14.5%, to $77.4 million for the six months ended June 30, 2007 from $67.6 million for the six months ended June 30, 2006. As a percentage of total operating revenue, purchased transportation was 42.9% during the six months ended June 30, 2007 compared to 40.0% for the same period in 2006. The increase in purchased transportation is caused by changes in the shipping patterns within our airport-to-airport network, our focus on truckload brokerage and Forward Air Complete, the latter two of which have higher purchased transportation costs than our core airport-to airport business. Further, during the first quarter of 2007 we failed to take full advantage of excess capacity present in the truckload market, which could have driven our cost per mile down.

Purchased transportation costs for our airport-to-airport network increased $4.9 million, or 8.8%, to $60.3 million for the six months ended June 30, 2007 from $55.4 million for the six months ended June 30, 2006. For the six months ended June 30, 2007 airport-to-airport purchased transportation costs increased to 39.8% of airport-to-airport revenue from 38.0% of airport-to-airport revenue for the same period in 2006. A 6.9% increase in miles driven for the airport-to-airport network accounted for $3.9 million of this increase in purchased transportation. The increase in airport-to-airport miles was due to changes in our shipping patterns as a result of changes in our business mix, such as increased shipments from our west coast terminals. In addition, the increasing number of shipments and decreasing average weight per shipment, discussed above, resulted in airport-to-airport inefficiencies, which ultimately increased the number of miles driven. Also, airport-to-airport purchased transportation was further increased by a $1.0 million increase attributable to a 1.7% increase in the cost per mile for the six months ended June 30, 2007 compared to the same period in 2006. The primary reason for the increase in cost per mile was the increased customer utilization of Forward Air Complete, which was introduced during the second half of 2006, offset slightly by a decrease in the percentage of airport-to-airport miles driven by more costly third party transportation providers.

Purchased transportation costs related to our logistics revenue increased $4.5 million, or 45.9%, to $14.3 million for the six months ended June 30, 2007 from $9.8 million for the six months ended June 30, 2006. For the six months ended June 30, 2007, logistics purchased transportation costs represented 75.7% o f logistics revenue versus 71.5% for the six months ended June 30, 2006. The increase in logistics purchased transportation costs as a percentage of revenue resulted from lower revenue per mile as discussed above partially offset by a decrease in our cost per mile. Logistics cost per mile decreased due to increased capacity resulting in improved purchasing power from third party transportation providers.

Purchased transportation costs related to our other revenue increased $0.4 million, or 16.7%, to $2.8 million for the six months ended June 30, 2007 from $2.4 million for the six months ended June 30, 2006. Other purchased transportation costs as a percentage of revenue increased to 27.5% of other revenue for the six months ended June 30, 2007 from 25.3% for the same period in 2006. The increase in other purchased transportation is attributable to increased third party transportation services associated with new value added handling services.

Salaries, wages and employee benefits were 21.6% of operating revenue during the six months ended June 30, 2007 compared to 21.9% for the same period of 2006. Salaries, wages and employee benefits decreased as a percentage of revenue due to decreases in employee incentives, group health costs and overall improvement in operating efficiencies. Employee incentives for the six months ended June 30, 2007 decreased 0.7% as a percentage of operating revenue, due to shortfalls from our quarterly performance goals reducing bonuses earned from the same period in 2006. Group health costs for the six months ended June 30, 2007 decreased 0.3% as a percentage of operating revenue, due to modifications to our group health insurance plan reducing health care costs. The remaining 0.1% decrease as a percentage of operating revenue is due to improved operating efficiencies resulting from initiatives such as our terminal automation process (TAP). These decreases were partially offset by a 0.5% increase in share-based compensation as a percentage of operating revenue due to the issuance of stock options and stock instruments to key members of management and non-employee directors during the six months ended June 30, 2007. The decrease was further offset by a $0.5 million, or 0.3% as a percentage of operating revenue, increase in workers' compensation expense which was driven by a $0.7 million adjustment recorded during the six months ended June 30, 2007 that resulted from an actuarial analysis of our reserves for workers' compensation claims.

Operating leases, the largest component of which is facility rent, were 4.2% of operating revenue for the six months ended June 30, 2007 compared with 4.1% in the same period of 2006. The increase in operating leases in total dollars and as a percentage of operating revenue between periods was attributable to higher rent costs attributable to the expansion or relocation of certain facilities.

Depreciation and amortization expense as a percentage of operating revenue was 2.7% for the six months ended June 30, 2007 compared to 2.6% in the same period of 2006. The increase in depreciation and amortization expense as a percentage of revenue is due to increased depreciation related to our expanded national hub in Columbus, Ohio, our new company-owned terminal in Chicago Illinois, the implementation of TAP during the second half of 2006, and new company-owned tractors purchased during the latter portion of 2006.

Insurance and claims were 2.0% of operating revenue for the six months ended June 30, 2007 compared to 1.9% in the same period of 2006. The $0.4 million, or 12.5% increase, in insurance and claims is primarily attributable to a $0.3 million adjustment recorded during the six months ended June 30, 2007 resulting from an actuarial analysis of our reserves for vehicle claims. The remaining increase was attributable to increased professional and legal fees associated with vehicle claims.

Other operating expenses were 7.7% of operating revenue for the six months ended June 30, 2007 compared to 7.8% in the same period of 2006. The decrease in other operating expenses as a percentage of operating revenue was primarily attributable to a 0.2% decrease in equipment maintenance costs due to improved cost control efforts and a 0.3% decrease in administrative costs such as professional fees. These decreases were partially offset by increases in moving expenses associated with the relocation or expansion of certain terminals, taxes and permits associated with new or expanded facilities, specialized training for key employees, and additional sales and marketing expenses due to the weak freight environment.

Income from operations decreased by $2.5 million or 6.8%, to $34.2 million for the six months ended June 30, 2007 compared with $36.7 million for the same period in 2006. Income from operations decreased as a percentage of revenue to 18.9% for the six months ended June 30, 2007 from 21.7% for the same period in 2006. The decrease in income from operations was primarily a result of the increase in revenue being outpaced by the increase in operating expenses, primarily purchased transportation.

Other income, net was $1.1 million, or 0.6% of operating revenue, during the six months ended June 30, 2007 compared with $1.5 million, or 0.9% of operating revenue, for the same period in 2006. The decrease in other income was attributable to lower interest income as a result of lower average investment balances as cash has been used for stock repurchases and the purchase of real property for regional hubs and terminals.

The combined federal and state effective tax rate for the six months ended June 30, 2007 was 38.3% compared to a rate of 37.1% for the same period in 2006. The increase in the effective tax rate was primarily attributable to the implementation of FIN 48. Our effective federal and state tax rate increased to provide for uncertain tax positions under FIN 48 and for the decrease in tax-exempt interest income during 2007 due to increased capital expenditures and stock repurchases.

As a result of the foregoing factors, net income decreased by $2.2 million, or 9.2%, to $21.8 million for the six months ended June 30, 2007 compared to $24.0 million for the same period in 2006.

Liquidity and Capital Resources

We have historically financed our working capital needs, including capital expenditures, with cash flows from operations and borrowings under our bank lines of credit. Net cash provided by operating activities totaled approximately $25.2 million for the six months ended June 30, 2007 compared to approximately $22.0 million in the same period of 2006. The increase in cash provided by operating activities was primarily the result of $3.8 million less in payments to third parties for services and settlements net of a $0.8 million reduction in collections on trade accounts receivables.

Net cash provided by investing activities was approximately $12.1 million for the six months ended June 30, 2007 compared with approximately $3.3 million used in investing activities in the same period of 2006. Investing activities during the six months ended June 30, 2007 consisted primarily of the purchases of our new Chicago, Illinois and Atlanta, Georgia facilities and the purchase of land near Dallas/Fort Worth, Texas. Offsetting the investing cash used for these real property purchases were sales or maturities of our available-for-sale securities. Proceeds from the sales or maturities of our available-for-sale securities during the six months ended June 30, 2007 were also used to fund stock repurchases as further outlined below in our discussion of cash used for financing activities.

Net cash used in financing activities totaled approximately $35.3 million for the six months ended June 30, 2007 compared with approximately $6.0 million used in financing activities for the same period of 2006. The increase in cash used in financing activities was primarily attributable to a $25.4 million increase in cash used for the repurchase of our common stock and $3.9 million decrease in proceeds from the exercise of stock options. The increase in the repurchases of our common stock and the decrease in proceeds from the exercise of stock options is primarily the result of lower average market prices for our common stock during the six months ended June 30, 2007 as compared to the same period in 2006.

For the remainder of 2007, we expect net capital expenditures for operating equipment and management information systems to be approximately $7.8 million. Separate from these capital expenditures, we continue to execute our plan to purchase or build new terminals and regional hubs in key gateway cities. During the six months ended June 30, 2007, we completed our purchase of new facilities near Chicago, Illinois and Atlanta, Georgia for $22.3 million and $14.9 million, respectively. Deposits of $3.3 million and $1.5 million paid during 2006 were applied to the purchase price of the Chicago and Atlanta facilities, respectively. In addition, during February 2007, we paid approximately $3.0 million for land near Dallas/Fort Worth, Texas on which we are planning to build a new regional hub, which we estimate will be completed in 2008. We intend to fund the expenditures for the Dallas/Fort Worth regional hub through cash and short-term investments currently on our balance sheet, cash provided by operating activities, the sale of existing equipment and/or borrowings under our credit facility, if necessary.

Our credit facility consists of a working capital line of credit. As long as we comply with the financial covenants and ratios, the credit facility permits us to borrow up to $20.0 million less the amount of any outstanding letters of credit. Interest rates for advances under the facility vary based on how our performance measures against covenants related to total indebtedness, cash flows, results of operations and other ratios. The facility bears interest at LIBOR plus 1.0% to 1.9% and is unsecured. The facility's expiration is April 2008. At June 30, 2007, we had no balance outstanding under the line of credit facility and had utilized approximately $5.3 million of availability for outstanding letters of credit. We were in compliance with the financial covenants and ratios under the credit facility at June 30, 2007.

On November 17, 2005, we announced that our Board of Directors approved a stock repurchase program for up to three million shares of common stock (the "2005 Repurchase Plan"). During the three months ended June 30, 2007, we repurchased 737,300 shares of common stock under the 2005 Repurchase Plan for $23.7 million, or $32.12 per share. During the six months ended June 30, 2007, we repurchased 979,500 shares of common stock under the 2005 Repurchase Plan for $31.2 million, or $31.87 per share. During the three months ended June 30, 2006, we repurchased 37,046 shares of common stock under the 2005 Repurchase Plan for $1.4 million, or $37.01 per share. During the six months ended June 30, 2006, we repurchased 161,046 shares of common stock under the 2005 Repurchase Plan for $5.8 million, or $35.84 per share. On July 31, 2007 our Board of Directors approved an additional stock repurchase program for up to two million shares of our common stock.

During each of the six months ended June 30, 2007 and June 30, 2006, dividends of $0.14 per share were declared on common stock outstanding. The Company expects to continue to pay regular quarterly cash dividends, though each subsequent quarterly dividend is subject to review and approval by the Board of Directors.

Management believes that our available cash, investments, expected cash generated from future operations and borrowings under available credit facilities will be sufficient to satisfy our anticipated cash needs for at least the next twelve months.

Critical Accounting Policies

Our unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP"). The preparation of financial statements in accordance with GAAP requires our management to make estimates and assumptions that affect the amounts reported in the unaudited condensed consolidated financial statements and accompanying footnotes. Our estimates and assumptions are based on historical experience and changes in the business environment. However, actual results may differ from estimates under different conditions, sometimes materially. Critical accounting policies and estimates are defined as those that are both most important to the portrayal of our financial condition and results and require management's most subjective judgments. A summary of significant accounting policies is disclosed in Note 1 to the Consolidated Financial Statements included in our 2006 Annual Report on Form 10-K. Our critical accounting policies are further described under the caption "Discussion of Critical Accounting Policies" in Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2006 Annual Report on Form 10-K. In addition, following the adoption of FIN 48, the Company considers its policies related to income tax contingencies to be a critical accounting policy (see discussion of income tax contingency policies in the *Impact of Recent Accounting Pronouncements* section).

Impact of Recent Accounting Pronouncements

During June 2006, the FASB issued FIN 48, which is effective for fiscal years beginning after December 15, 2006. This interpretation was issued to clarify the accounting for uncertainty in income taxes recognized in the financial statements by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The guidance prescribed in FIN 48 establishes a recognition threshold of more likely than not that a tax position will be sustained upon examination. The measurement attribute of FIN 48 requires that a tax position be measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. We adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, we recognized a $1.4 million increase in the liability for income tax contingencies, including related interest and penalties, which net of federal benefit of $0.4 million was accounted for as a reduction to the January 1, 2007 balance of retained earnings. The liability for income tax contingencies at January 1, 2007 net of federal benefit is $1.0 million, which represents tax positions where the realization of the ultimate benefit is uncertain and the disallowance of which would affect the Company's annual effective income tax rate.

We file income tax returns in the U.S. federal jurisdiction, various states, and Canada. With a few exceptions, we are no longer subject to U.S. federal, state and local, or Canadian examinations by tax authorities for years before 2003. The total liability balance at June 30, 2007 consists of state tax positions for which the realization of the ultimate benefit is uncertain and the disallowance of which would affect our annual effective income tax rate. These positions mainly consist of deductions taken on state tax returns for which the ultimate deductibility is highly uncertain and the position that certain subsidiaries are not subject to income taxes by certain states.

As permitted by FIN 48, we recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.

During September 2006, the FASB issued Statement of Financial Accounting Standard ("SFAS") No. 157, *Fair Value Measurements* ("SFAS 157"), which is effective for fiscal years beginning after November 15, 2007 with earlier adoption encouraged. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, SFAS 157 does not require any new fair value measurements. However, the application of SFAS 157 could change current practice. We currently plan to adopt SFAS 157 on January 1, 2008, but the implementation of SFAS 157 is not expected to have a significant impact on our financial position or results of operations.

During February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities— Including an amendment of FASB Statement No. 115* ("SFAS 159"), which permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of SFAS 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. We currently plan to adopt SFAS No. 159 on January 1, 2008, but the implementation of SFAS 159 is not expected to have a significant impact on our financial position or results of operations.

Forward-Looking Statements

This report contains "forward-looking statements," as defined in 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 are statements other than historical information or statements of current condition and relate to future events or our future financial performance. Some forward-looking statements may be identified by use of such terms as "believes," "anticipates," "intends," "plans," "estimates," "projects" or "expects." Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The following is a list of factors, among others, that could cause actual results to differ materially from those contemplated by the forward-looking statements: economic factors such as recessions, inflation, higher interest rates and downturns in customer business cycles, our inability to maintain our historical growth rate because of a decreased volume of freight moving through our network or decreased average revenue per pound of freight moving through our network, increasing competition and pricing pressure, surplus inventories, loss of a major customer, the creditworthiness of our customers and their ability to pay for services rendered, our ability to secure terminal facilities in desirable locations at reasonable rates, the inability of our information systems to handle an increased volume of freight moving through our network, changes in fuel prices, claims for property damage, personal injuries or workers' compensation, employment matters including rising health care costs, enforcement of and changes in governmental regulations, environmental and tax matters, the handling of hazardous materials, the availability and compensation of qualified independent owner-operators and freight handlers needed to serve our transportation needs and our inability to successfully integrate acquisitions. As a result of the foregoing, no assurance can be given as to future financial condition, cash flows or results of operations. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk related to our remaining outstanding debt and available-for-sale securities is not significant and has not changed materially since December 31, 2006.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain controls and procedures designed to ensure that we are able to collect the information required to be disclosed in the reports we file with the Securities and Exchange Commission ("SEC"), and to process, summarize and disclose this information within the time periods specified in the rules of the SEC. Based on an evaluation of our disclosure controls and procedures as of the end of the period covered by this report conducted by management, with the participation of the Chief Executive Officer and Chief Financial Officer, the Chief Executive Officer and Chief Financial Officer believe that these controls and procedures are effective to ensure that we are able to collect, process and disclose the information we are required to disclose in the reports we file with the SEC within the required time periods.

Changes in Internal Control

There were no changes in our internal control over financial reporting during the three and six months ended June 30, 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

From time to time, we are a party to ordinary, routine litigation incidental to and arising in the normal course of our business, most of which involve claims for personal injury, property damage related to the transportation and handling of freight, or workers' compensation. We do not believe that any of these pending actions, individually or in the aggregate, will have a material adverse effect on our business, financial condition or results of operations.

Item 1A. Risk Factors

A summary of factors which could affect results and cause results to differ materially from those expressed in any forward-looking statements made by us, or on our behalf, are further described under the caption "Risk Factors" in the Business portion of our 2006 Annual Report on Form 10-K. There have been no changes in the nature of these factors since December 31, 2006.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information with respect to purchases we made of shares of our common stock during each month in the quarter ended June 30, 2007:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased Under the Program (1)
April 1-30, 2007	221,400	$ 30.90	1,850,273	1,149,727
May 1-31, 2007	332,200	31.88	2,182,473	817,527
June 1-30, 2007	183,700	34.02	2,366,173	633,827
Total	737,300	$ 32.12	2,366,173	633,827

(1) On November 17, 2005, we announced that our Board of Directors approved a stock repurchase program for up to three million shares of our common stock. On July 31, 2007 our Board of Directors approved an additional stock repurchase program for up to two million shares of our common stock.

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Submission of Matters to a Vote of Security Holders

The Company's Annual Meeting of Shareholders was held on May 22, 2007 for the purposes of (i) electing eight members of the Board of Directors; (ii) ratifying appointment of the independent registered public accounting firm for 2007; and (iii) approving the Amended and Restated Non-employee Director Stock Plan.

(i) Shareholders elected each director nominee for a one-year term expiring at the 2008 annual meeting of shareholders. The vote for each director was as follows:

Name	For	Withheld
Bruce A. Campbell	24,777,982	248,183
C. Robert Campbell	24,673,700	352,465
Richard W. Hanselman	24,780,250	245,915
C. John Langley, Jr.	24,675,850	350,315
Tracy A. Leinbach	24,831,524	194,641
G. Michael Lynch	24,781,119	245,046
Ray A. Mundy	24,772,059	254,106
B. Clyde Preslar	24,683,135	343,030

(ii) The proposal to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2007 was approved as follows:

For	Against	Abstain
24,741,222	260,562	24,382

(iii) Shareholders approved the Company's Amended and Restated Non-employee Director Stock Plan as follows:

For	Against	Abstain	Broker Non-Votes
16,380,904	4,446,975	330,106	3,868,181

Item 5. Other Information

Not Applicable.

Item 6. Exhibits

In accordance with SEC Release No. 33-8212, Exhibits 32.1 and 32.2 are to be treated as “accompanying” this report rather than “filed” as part of the report.

No.	Exhibit
3.1	Restated Charter of the registrant (incorporated herein by reference to Exhibit 3 to the registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 28, 1999)
3.2	Amended and Restated Bylaws of the registrant
4.1	Form of Landair Services, Inc. Common Stock Certificate (incorporated herein by reference to Exhibit 4.1 to the registrant’s Registration Statement on Form S-1, filed with the Securities and Exchange Commission on September 27, 1993)
4.2	Form of Forward Air Corporation Common Stock Certificate (incorporated herein by reference to Exhibit 4.1 to the registrant’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1998, filed with the Securities and Exchange Commission on November 16, 1998)
4.3	Rights Agreement, dated May 18, 1999, between the registrant and SunTrust Bank, Atlanta, N.A., including the Form of Rights Certificate (Exhibit A) and the Form of Summary of Rights (Exhibit B) (incorporated herein by reference to Exhibit 4 to the registrant’s Current Report on Form 8-K filed with the Commission on May 28, 1999)
10.1	Amended and Restated Non-Employee Director Stock Plan (incorporated herein by reference to Appendix B of the registrant’s Proxy Statement, filed with the Securities and Exchange Commission on April 19, 2007 (File No. 22490))
31.1	Certification of Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a) (17 CFR 240.13a-14(a))
31.2	Certification of Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a) (17 CFR 240.13a-14(a))
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Signatures

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

Forward Air Corporation

Date: August 1, 2007	By:	/s/ Rodney L. Bell
		Rodney L. Bell Chief Financial Officer, Senior Vice President and Treasurer (Principal Financial and Accounting Officer)

EXHIBIT INDEX

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AMENDED AND RESTATED BYLAWS

OF

FORWARD AIR CORPORATION

ARTICLE I

SHAREHOLDERS

Section 1.1 Annual Meeting. The annual meeting of the shareholders of Forward Air Corporation (the "Corporation") shall be held at the principal office of the Corporation in the State of Tennessee or at such other place within or without the State of Tennessee as may be determined by the board of directors of the Corporation (the "Board of Directors" or the "Board") and as shall be designated in the notice of said meeting, on such date and at such time as may be determined by the Board of Directors. The purpose of said annual meeting shall be to elect directors and transact such other business as may properly be brought before the meeting.

Section 1.2 Special Meetings. Special meetings of the shareholders shall be held at the principal office of the Corporation in the State of Tennessee or at such other place within or without the State of Tennessee as may be designated from time to time by the Board of Directors. Whenever the Board of Directors shall fail to fix such place, or, whenever shareholders entitled to call a special meeting shall call the same, the meeting shall be held at the principal office of the Corporation in the State of Tennessee. Special meetings of the shareholders shall be held upon call of a majority of the Board of Directors, or, unless the Charter of the Corporation (the "Charter") otherwise provides, upon written demand(s), signed, dated and delivered to the Secretary of the Corporation describing the purpose or purposes for which it is to be held, by shareholders holding at least ten percent (10%) of the shares of capital stock of the Corporation issued and outstanding and entitled to vote on any issue proposed to be considered at such special meeting, at such time as may be fixed by the Secretary, and as shall be stated in the call and notice of said meeting, except when the Tennessee Business Corporation Act, as amended (the "Business Corporation Act"), confers upon the shareholders the right to demand the call of such meeting and fix the date thereof. Business transacted at any special meeting shall be confined to the purposes stated in the notice of meeting and matters germane thereto.

Section 1.3 Notice of Meetings. The notice of all meetings of shareholders shall be in writing, shall state the date, time and place of the meeting, and, unless it is the annual meeting, shall indicate that it is being issued by or at the direction of the person or persons calling the meeting. The notice of an annual meeting should state that the meeting is called for the election of directors and for the transaction of such other business as may properly come before the meeting and shall state the purpose or purposes of the meeting if any other action is to be taken at such annual meeting which could be taken at a special meeting. The notice of a special meeting shall, in all instances, indicate that it is being issued by or at the direction of the person or persons calling the meeting and state the purpose or purposes for which the meeting is called. If the Board of Directors shall adopt, amend or repeal a bylaw regulating an impending election of directors, the notice of the next meeting for the election of directors shall contain the bylaw so adopted, amended or repealed, together with a concise statement of the changes made. A copy of the notice of any meeting shall be served either personally or by mail, not less than ten (10) days nor more than two (2) months before the date of the meeting, to each shareholder at such shareholder's record address or at such other address which such shareholder may have furnished in writing to the Secretary of the Corporation. If a meeting is adjourned to another time or place and if any announcement of the adjourned time or place is made at the meeting, it shall not be necessary to give notice of the adjourned meeting unless the Board of Directors, after adjournment, fixes a new record date for the adjourned meeting, which it must do if the meeting is adjourned to a date more than four (4) months after the date fixed for the original meeting. At the adjourned meeting any business may be transacted that might have been transacted on the original date of the meeting. Notice of a meeting need not be given to any shareholder who submits to the Corporation for inclusion in the minutes or filing with the corporate records a signed waiver of notice, in person or by proxy, before or after the meeting. The attendance of a shareholder at a meeting without objection at the beginning of the meeting (or promptly upon his arrival) to the lack of notice or defective notice of such meeting shall constitute a waiver of notice by such shareholder.

Section 1.4 Quorum. The holders of record of a majority of the outstanding shares of the Corporation entitled to vote at the meeting, present in person or by proxy, shall, except as otherwise provided by law or the Charter, constitute a quorum at a meeting of shareholders, provided that when a specified item of business is required to be voted on by a class or series, voting as a class, the holders of a majority of the shares of such class or series shall constitute a quorum for the transaction of such specified item of business. When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any shareholder or for adjournment of the meeting unless a new record date is or must be set for the meeting.

Section 1.5 Conduct of Meetings. Meetings of the shareholders shall be presided over by the Chairman of the Board, if any, or, if the Chairman of the Board is not present, by the Lead Independent Director, if any, or if the Lead Independent Director is not present, by the President, or, if the President is not present, by a Vice President, or, if neither the Chairman of the Board, the Lead Independent Director, the President nor a Vice President is present, by a chairman to be chosen at the meeting. The Secretary of the Corporation, or in the Secretary's absence, an Assistant Secretary, shall act as secretary of every meeting, but if neither the Secretary nor an Assistant Secretary is present, the meeting shall choose any person present to act as secretary of the meeting.

Section 1.6 Voting. For each share of the capital stock of the Corporation registered in his name on the books of the Corporation the holder thereof shall have the number of votes per share specified in the Charter. Whenever under the provisions of the Charter any shareholder is entitled to more or less than one (1) vote for any share of capital stock of the Corporation held by such shareholder, every reference in these Bylaws to a plurality or other proportion of stock shall refer to such plurality or other proportion of the votes of such stock. At each meeting of the shareholders, each shareholder having the right to vote shall be entitled to vote in person or by proxy appointed by an instrument in writing subscribed by such shareholder, or by his duly authorized attorney, and bearing a date not more than eleven (11) months prior to said meeting, unless said instrument provides for a longer period. Every shareholder entitled to vote at any meeting may so vote by proxy and shall be entitled to one (1) vote for each share entitled to vote and held by such shareholder. At all elections of directors the voting may, but need not, be by ballot and a plurality of the votes cast thereat shall elect, except as otherwise required by law or the Charter. Except as otherwise required by law, or the Charter, any other action shall be authorized by a majority of the votes cast.

Section 1.7 Record Date. For the purpose of determining the shareholders entitled to notice of, to demand a special meeting, to vote or take any other action at any meeting of shareholders or any adjournment thereof, or to express consent to or dissent from any proposal without a meeting, or for the purpose of determining the shareholders entitled to receive payment of any dividend or the allotment of any rights, or for the purpose of any other action, the Board of Directors may fix, in advance, a date as the record date for any such determination of shareholders. Such date shall not be more than seventy (70) days nor less than ten (10) days before the date of such meeting, nor more than seventy (70) days prior to any other action. If no record date is fixed, the record date for the determination of shareholders entitled to notice of, to demand a special meeting, to vote or take any other action at a meeting of shareholders shall be at the close of business on the day next preceding the day on which notice is given or, if no notice is given, the day on which the meeting is held.

The record date for determining shareholders for any purpose other than that specified in the preceding clause shall be at the close of business on the day on which the resolution of the Board of Directors relating thereto is adopted. When a determination of shareholders of record entitled to notice of, to demand a special meeting, to vote or take any other action at any meeting of shareholders has been made as provided in this Section 1.7, such determination shall apply to any adjournment thereof, unless the Board of Directors fixes a new record date under this Section 1.7 for the adjourned meeting; provided, however, if the meeting is adjourned to a date more than four (4) months after the date fixed for the original meeting, the Board of Directors shall fix a new record date.

Section 1.8 Shareholder Lists. An alphabetical list by voting group, and within each voting group by class or series of shares, of each shareholder's name, address and share ownership entitled to notice of a shareholders' meeting as of the record date, certified by the Secretary or other officer responsible for its preparation, or by the transfer agent, if any, shall be available for inspection by any shareholder, beginning two (2) business days after notice of the meeting is given for which the list was prepared and continuing through the meeting upon the request thereat or prior thereto of any shareholder. If the right to vote at any meeting is challenged, the inspectors of election, if any, or the person presiding thereat, shall require such list of shareholders to be produced as evidence of the right of the persons challenged to vote at such meeting, and all persons who appear from such list to be shareholders entitled to vote thereat may vote at such meeting.

Section 1.9 Proxy Representation. Every shareholder may authorize another person or persons to act for such shareholder by proxy in all matters in which a shareholder is entitled to participate, whether by waiving notice of any meeting, voting or participating at a meeting, or expressing consent or dissent without a meeting. Every proxy must be signed by the shareholder or such shareholder's attorney-in-fact. No proxy shall be valid after the expiration of eleven (11) months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the shareholder executing it, except as otherwise provided by the Business Corporation Act.

Section 1.10 Inspectors. At all meetings of shareholders, the proxies and ballots shall be received, taken in charge and examined, and all questions concerning the qualification of voters, the validity of proxies and the acceptance or rejection of proxies and of votes shall be decided by two (2) inspectors of election. Such inspectors of election together with one alternate to serve in the event of death, inability or refusal by any of said inspectors of election to serve at the meeting, shall be appointed by the Board of Directors, or, if no such appointment or appointments shall have been made, then by the presiding officer at the meeting. If for any reason the inspectors of election so appointed shall fail to attend, or refuse or be unable to serve, a substitute or substitutes shall be appointed to serve as inspector or inspectors of election, in their place or stead, by the presiding officer at the meeting. No director or candidate for the office of director shall be appointed as an inspector. Each inspector shall take and subscribe an oath or affirmation faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability. The inspectors, if any, shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all shareholders. On request of the person presiding at the meeting or any shareholder, the inspectors shall make a report in writing of any challenge, question or matter determined by them and execute a certificate as to any fact found by them. Each inspector shall be entitled to reasonable compensation for such inspector's services, to be paid by the Corporation.

Section 1.11 Actions Without Meetings. Whenever shareholders are required or permitted to take any action by vote, such action may be taken without a meeting on written consent, setting forth the action so taken, signed by the holders of all outstanding shares entitled to vote thereon; unless some number less than all of the holders of all of the outstanding shares is required by applicable law or the Charter. This section shall not be construed to alter or modify any provision of law or of the Charter under which the written consent of the holders of less than all outstanding shares is sufficient for corporate action.

Section 1.12 Meaning of Certain Terms. As used herein in respect of the right to notice of a meeting of shareholders or a waiver thereof or to participate or vote thereat or to consent or dissent in writing in lieu of a meeting, as the case may be, the term "share" or "shareholder" or "shareholders" refers to an outstanding share or shares and to a holder or holders of record of outstanding shares, when the Corporation is authorized to issue only one (1) class of shares, and said reference is also intended to include any outstanding share or shares and any holder or holders of record of outstanding shares of any class upon which or upon whom the Charter confers such rights, where there are two (2) or more classes or series of shares, or upon which or upon whom the Business Corporation Act confers such rights, notwithstanding that the Charter may provide for more than one (1) class or series of shares, one (1) or more of which are limited or denied such rights thereunder.

ARTICLE II

DIRECTORS

Section 2.1 Functions and Definition. The business of the Corporation shall be managed under the direction of its Board of Directors. The use of the phrase "entire Board of Directors" herein refers to the total number of directors which the Corporation would have if there were no vacancies.

Section 2.2 Qualification and Number. Each director shall be at least eighteen (18) years of age. A director need not be a shareholder, a citizen of the United States, nor a resident of the State of Tennessee. The number of directors constituting the entire Board of Directors shall be not less than the number required by law; such number may be fixed from time to time by action of the Board of Directors or of the shareholders. The number of directors may be increased or decreased by action of the Board of Directors or shareholders, provided that any action of the Board of Directors to effect such increase or decrease shall require the vote of a majority of the entire Board of Directors. No decrease in the number of directors shall shorten the term of any incumbent director.

Section 2.3 Election and Term. Directors who are elected at an annual meeting of shareholders, and directors who are elected in the interim to fill vacancies and newly created directorships, shall hold office until the next annual meeting of shareholders or until their respective successors have been elected and qualified. In the interim between annual meetings of shareholders or special meetings of shareholders called for the election of directors, the creation of newly created directorships and to fill any vacancies in the Board of Directors, including vacancies resulting from the removal of directors for cause or without cause, may be filled by the vote of a majority of the directors then in office, although less than a quorum exists.

Section 2.4 Chairman of the Board. The Board of Directors, after the election thereof held in each year, may elect a Chairman of the Board. The Chairman of the Board shall preside at all meetings of the shareholders and the Board of Directors at which he shall be present and shall furnish advice and counsel to the Board of Directors. The Chairman of the Board shall exercise the powers and perform the duties usual to a chairman of the board of a corporation, and shall have such other powers and duties as may be assigned to him by the Board of Directors. The Chairman of the Board shall be a member of the Board of Directors.

Section 2.5 Lead Independent Director. In the event that the Board of Directors elects a Chairman of the Board who is an employee of the Company, the Board will elect a Lead Independent Director to furnish advice and counsel to the Board of Directors and to perform such duties as assigned to him by the Board of Directors.

Section 2.6 Quorum. A majority of the entire Board of Directors shall constitute a quorum for the transaction of business. A majority of the directors present, whether or not a quorum is present, may adjourn a meeting to another time and place. Except as herein otherwise provided, the vote of a majority of the directors present at the time of the vote, at a meeting duly assembled, a quorum being present at such time, shall be the act of the Board of Directors.

Section 2.7 Meetings; Notice. Meetings of the Board of Directors shall be held at such place within or without the State of Tennessee as may from time to time be fixed by resolution of the Board of Directors, or as may be specified in the notice of the meeting. Regular meetings of the Board of Directors shall be held at such times as may from time to time be fixed by resolution of the Board of Directors. Special meetings of the Board may be held at any time upon the call of the Chairman of the Board, if any, the Lead Independent Director, if any, the President, the Secretary or any two (2) directors by oral, telegraphic or written notice duly served upon, sent or mailed to each director not less than two (2) days before such meeting. A meeting of the Board of Directors may be held without notice immediately after the annual meeting of shareholders at the same place at which such meeting is held. Notice need not be given of regular meetings of the Board of Directors held at times fixed by resolution of the Board of Directors. Any requirement of furnishing a notice shall be waived by any director who signs and delivers to the Corporation a waiver of notice before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to him. The notice of any meeting need not specify the purpose of the meeting, and any and all business may be transacted at such meeting.

Section 2.8 Conduct of Meetings. The Chairman of the Board of Directors, if any, shall preside at all meetings of the Board of Directors, and in the Chairman's absence or inability to act, the Lead Independent Director, if any, shall preside, and in the Lead Independent Director’s absence or inability to act, the President shall preside, and in the President's absence or inability to act, such person as may be chosen by a majority of the directors present shall preside.

Section 2.9 Committees. By resolution adopted by a majority of the entire Board of Directors, the directors may designate from their number two (2) or more directors to constitute an Executive Committee and other committees, each of which, to the extent provided in the resolution designating it, shall have the authority of the Board of Directors with the exception of any authority the delegation of which is prohibited by law. A majority of any such committee may determine its action and fix the time and place of its meetings, unless the Board of Directors shall otherwise provide. The Board of Directors shall have power at any time to fill vacancies in, to change the membership of, to designate alternate members of, or to discharge any such committee. All actions of the Executive Committee shall be recorded in the minutes of the Committee and reported to the Board of Directors at its meeting next succeeding such action. All actions of other committees shall be recorded in the minutes of each such committee and reported to the Board of Directors (or in the case of committees appointed by the Executive Committee, to the Executive Committee) at its meeting next succeeding such action. The Board of Directors may allow members of the Executive Committee or any other committee designated by the Board of Directors or the Executive Committee a fixed fee and expenses of attendance for attendance at meetings of such committee. Members of such committees may also receive stated fees for their services as committee members as determined by the Board of Directors. Nothing herein contained shall be construed to preclude any committee member from serving the Corporation in any other capacity as officer, agent or otherwise, and receiving compensation therefor.

Section 2.10 Compensation of Directors. The Board of Directors may, by resolution, provide for payment to directors of a fixed fee for their services as directors, without regard for attendance at meetings of the Board, and for payment of expenses for attendance at such meetings. Nothing herein contained shall be construed as precluding any director from serving the Corporation in any other capacity as member of a committee, officer, agent or otherwise and receiving compensation therefor.

Section 2.11 Honorary Directors. The Board of Directors may from time to time name, in its discretion, any director who shall have resigned or shall have declined nomination for a further term, an Honorary Director for such term as the Board of Directors by resolution shall establish. An Honorary Director may, at the invitation of the Chairman of the Board, attend meetings of the Board of Directors. Honorary Directors shall not be entitled to vote on any business coming before the Board of Directors nor shall any Honorary Director be counted for the purpose of determining the number necessary to constitute a quorum, for the purpose of determining whether a quorum is present or for any other purpose whatsoever. The termination of any person's relationship with the Corporation as Honorary Director shall not be deemed to create a vacancy in the position of Honorary Director. By resolution of the Board of Directors a fixed annual fee may be allowed to an Honorary Director. Honorary Directors shall not be directors of the Corporation and shall not have rights, privileges or powers other than those specifically provided in this Section 2.11 or as may be specifically given or assigned by the Board of Directors.

Section 2.12 Dividends. Subject always to the provisions of law and the Charter, the Board of Directors shall have full power to determine whether any, and if any, what part of any, funds legally available for the payment of dividends shall be declared as dividends and paid to shareholders; the division of the whole or any part of such funds of the Corporation shall rest wholly within the lawful discretion of the Board of Directors, and it shall not be required at any time, against such discretion, to divide or pay any part of such funds among or to the shareholders as dividends or otherwise; and before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the Board of Directors shall deem conducive to the interest of the Corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

Section 2.13 Resignation; Removal of Directors. A director may resign at any time upon delivery of written notice to the Board of Directors, Chairman of the Board, Lead Independent Director, President or the Corporation. Such resignation shall be effective upon delivery unless the notice specifies a later effective date. At any special meeting of the shareholders, duly called as provided in these Bylaws, any director or directors may be removed from office by the shareholders, with or without cause, and such director's successor or directors' successors may be elected at such meeting. One (1) or more directors may be removed for cause by a majority of the entire Board of Directors.

Section 2.14 Actions Without Meetings. Any action required or permitted to be taken by the Board of Directors or by any committee thereof may be taken without a meeting if a majority of all members of the Board of Directors or of any such committee consent in writing to the adoption of a resolution authorizing the action. The resolution and the written consents thereto by the members of the Board of Directors or of any such committee shall be filed with the minutes of the proceedings of the Board of Directors or of any such committee.

Section 2.15 Electronic Communication. Any one or more members of the Board of Directors or any committee thereof may participate in a meeting of the Board of Directors or any such committee by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.

ARTICLE III

OFFICERS

Section 3.1 Election. The Board of Directors promptly after the election thereof held in each year, shall elect the officers of the Corporation, which shall include a President and a Secretary, and which may include a Chief Executive Officer, one (1) or more Vice Presidents, a Treasurer, and a Controller, and may also include Assistant Secretaries, Assistant Treasurers, Assistant Controllers and such other officers, agents and employees as the Board may from time to time deem proper, who shall hold their offices for such term and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors. The Board of Directors shall fix the salaries of the President, the Chief Executive Officer, the Vice Presidents, the Treasurer, the Controller and the Secretary. Unless fixed by the Board of Directors or a committee thereof, the salaries of all other officers, agents and employees shall be fixed by the Chief Executive Officer. Any two (2) or more offices may be held by the same person except the offices of President and Secretary.

Section 3.2 Term. The term of office of all officers shall be until their respective successors have been elected and qualified, but any officer may be removed from office, either with or without cause, at any time by the affirmative vote of a majority of the whole Board of Directors. Any vacancy in any office arising from any cause may be filled for the unexpired portion of the term by the Board of Directors.

Section 3.3 Duties. The officers of the Corporation shall each have such powers and duties as are set forth in these Bylaws and such additional powers and duties as from time to time may be conferred upon them by the Board of Directors, and, subject thereto, such powers and duties as generally pertain to their respective offices, and the Board of Directors may from time to time impose and confer any or all of the powers and duties hereinafter specifically prescribed for any officer upon any other officer or officers.

Section 3.4 Resignation; Removal of Officers. An officer may resign at any time upon delivery of notice to the Corporation. Such resignation shall be effective upon delivery unless the notice specifies a later effective date. In the event that an officer specifies in his notice a later effective date, and the Corporation accepts the future effective date, the Board may fill the pending vacancy prior to the effective date; provided, however, that the Board designates that the successor officer does not take office until such effective date. Any officer may be removed from office, either with or without cause, at any time by the affirmative vote of a majority of the whole Board of Directors. Further, any officer or assistant officer, if appointed by another officer, may likewise be removed by such officer.

Section 3.5 Chief Executive Officer. The Chief Executive Officer shall be the chief executive officer of the Corporation and direct the business, affairs and property of the Corporation. The Chief Executive Officer shall exercise the powers and perform the duties usual to a chief executive officer and shall have such other powers and duties as may be assigned to him from time to time by the Board of Directors. In the absence of a Chairman of the Board or a Lead Independent Director, the Chief Executive Officer shall preside at all meetings of the shareholders and the Board of Directors.

Section 3.6 President. The President, in the absence of a Chairman of the Board, a Lead Independent Director or a Chief Executive Officer, shall preside at all meetings of the shareholders and the Board of Directors at which he shall be present. The President shall be the Chief Operating Officer and shall direct the operations of the business of the Corporation, and report to the Chief Executive Officer. In the absence of a Chief Executive Officer, a Chairman of the Board or a Lead Independent Director, the President shall report directly to the Board of Directors. In the absence of a Chief Executive Officer, and in the event the Board of Directors has not vested such powers in a Chairman of the Board or a Lead Independent Director, the President shall be the Chief Executive Officer. He shall have such other powers and duties as may be assigned to him from time to time by the Board of Directors.

Section 3.7 Vice Presidents. The Vice Presidents shall be of such number and shall have such titles of designation as may be determined from time to time by the Board of Directors. They shall perform such duties as may be assigned to them, respectively, from time to time by the Board of Directors.

Section 3.8 Secretary. The Secretary shall give, or cause to be given, notice of all meetings of shareholders and directors, and all other notices required by law or by these Bylaws, and in the case of his absence or refusal or neglect so to do, any such notice may be given by any person thereunto directed by the Chairman of the Board, or by the directors or shareholders upon whose request the meeting is called as provided in these Bylaws. He shall record all the proceedings of the meetings of shareholders, the Board of Directors and Executive Committee in a book to be kept for that purpose, and shall perform such other duties as may be assigned to him by the Board of Directors or the Chief Executive Officer. The Secretary shall have the custody of the records and the seal, if any, of the Corporation. He shall affix the seal, if any, to any instrument requiring it, when signed by a duly authorized officer or when specifically authorized by the Board of Directors or the Chairman of the Board, and attest the same. In the absence or incapacity of the Secretary, any Assistant Secretary may affix the seal, if any, to any such instrument and attest the same.

Section 3.9 Assistant Secretaries. The Assistant Secretaries shall have such powers and shall perform such duties as may be assigned to them from time to time by the Board of Directors, the Chief Executive Officer or the Secretary.

Section 3.10 Treasurer. The Treasurer shall be responsible for establishing and executing programs providing for long and short term financing needs of the Corporation. He shall establish policies for the receipt, custody and disbursement of the Corporation's monies and securities, and for investment of the Corporation's funds. He shall perform such other duties as may be assigned to him from time to time by the Board of Directors or the Chief Executive Officer.

Section 3.11 Assistant Treasurers. The Assistant Treasurers shall have such powers and shall perform such duties as may be assigned to them from time to time by the Board of Directors, the Chief Executive Officer or the Treasurer.

Section 3.12 Controller. The Controller shall be responsible for the development and maintenance of accounting policies and systems properly to record, report and interpret the financial position and the results of operations of the Corporation. He shall be responsible for development and maintenance of adequate plans for the financial control of operations and the protection of the assets of the Corporation. He shall perform such other duties as may be assigned to him from time to time by the Board of Directors or the Chief Executive Officer.

Section 3.13 Assistant Controllers. The Assistant Controllers shall have such powers and shall perform such duties as may be assigned to them from time to time by the Board of Directors, the Chief Executive Officer or the Controller.

Section 3.14 Presiding Officer at Meetings of the Shareholders and Board of Directors. The presiding officer at any meeting of the shareholders or the Board of Directors at which the Chairman of the Board, the Lead Independent Director and the Chief Executive Officer are absent shall be the President, or such other officer designated to so preside by the Chairman of the Board or Lead Independent Director, if any. If the Chairman of the Board or Lead Independent Director, for any reason, shall not have designated any officer to preside at any such meeting, then the Chief Executive Officer or President shall preside. In the event that both the Chief Executive Officer and President shall be absent, then the Executive Vice President-Finance, if there be such an officer, and he is a member of the Board, shall preside. If the Executive Vice President-Finance shall also be absent or if there be no such officer, then the most senior (in terms of time served in the office of Executive Vice President) of the other Executive Vice Presidents, if there be such an officer, and he is a member of the Board, shall preside.

Section 3.15 Corporation as Security Holder. Unless otherwise ordered by the Board of Directors, the President, or, in the event of the President's inability to act, the Vice President designated by the Board of Directors to act in the absence of the President or, in the absence of such designation, in the order of such Vice President's seniority, shall have full power and authority on behalf of the Corporation to attend and to act and to vote at any meetings of security holders of corporations in which the Corporation may hold securities, and at such meetings shall possess and may exercise any and all rights and powers incident to the ownership of such securities, and which as the owner thereof the Corporation might have possessed and exercised, if present. The Board of Directors by resolution from time to time may confer like powers upon any other person or persons.

ARTICLE IV

CERTIFICATED AND UNCERTIFICATED SHARES

Section 4.1 Share Certificates and Uncertificated Shares. The interest of each shareholder of the Corporation may be evidenced by certificates representing shares in such form not inconsistent with the Charter as the Board of Directors may from time to time prescribe. Shares of the Corporation may also be uncertificated. The Board of Directors shall have the power and authority to make all such rules and regulations as it may deem expedient concerning the issue, transfer and registration of uncertificated shares or certificates for shares of stock of the Corporation.

Certificates representing shares shall have set forth thereon the statements prescribed by law and shall be signed by the Chairman, President or a Vice President and by the Secretary or an Assistant Secretary or Treasurer or an Assistant Treasurer and may be sealed with the corporate seal or a facsimile thereof. The signatures of the officers upon a certificate may be facsimiles if the certificate is countersigned by a transfer agent or registered by a registrar other than the Corporation itself or its employee. In case any officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the Corporation with the same effect as if such officer were an officer at the date of its issue.

Section 4.2 Transfer of Shares. Upon compliance with provisions restricting the transferability of shares, if any, transfers of shares of the Corporation shall be made only on the share record of the Corporation by the registered holder thereof, or by such holder's attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the Corporation or with a transfer agent or a registrar, if any, and upon the surrender of the certificate or certificates for such shares properly endorsed and the payment of all taxes due thereon. A certificate representing shares shall not be issued until the full amount of consideration therefor has been paid, except as the Business Corporation Act may otherwise permit.

Section 4.3 Fractional Shares. The Corporation may issue certificates for fractions of a share where necessary to effect transactions authorized by the Business Corporation Act which shall entitle the holder, in proportion to such holder's fractional holdings, to exercise voting rights, receive dividends and participate in liquidating distributions; or the Corporation may pay in cash the value of fractions of a share as of the time when those entitled to receive such fractions is determined; or it may issue scrip in registered or bearer form over the manual or facsimile signature of an officer of the Corporation or of its agent, exchangeable as therein provided for full shares, but such scrip shall not entitle the holder to any rights of a shareholder except as therein provided. The Board of Directors shall have power and authority to make all such rules and regulations as it may deem expedient concerning the issue, transfer and registration of certificates representing shares of the Corporation.

Section 4.4 Replacement Certificates. No certificates representing shares shall be issued in place of any certificate alleged to have been lost, destroyed or stolen, except on production of such evidence of such loss, destruction or theft as the Board of Directors may require, and on delivery to the Corporation, if the Board of Directors shall so require, of a bond of indemnity in such amount, upon such terms and secured by such surety as the Board of Directors may in its discretion require.

Section 4.5 Registered Shareholders. The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to, or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Tennessee.

ARTICLE V

FISCAL YEAR

The fiscal year of the Corporation shall be fixed from time to time by resolution of the Board of Directors.

ARTICLE VI

CORPORATE SEAL

The Corporation may, but shall not be required to, adopt a corporate seal. The corporate seal shall have inscribed thereon the name of the Corporation and the year of its incorporation, and shall be in such form and contain such other words and/or figures as the Board of Directors shall determine. The corporate seal may be used by printing, engraving, lithographing, stamping or otherwise making, placing or affixing, or causing to be printed, engraved, lithographed, stamped or otherwise made, placed or affixed upon any paper or document, by any process whatsoever, an impression, facsimile or other reproduction of said corporate seal.

ARTICLE VII

INDEMNIFICATION

The Corporation shall indemnify to the full extent permitted by law any person made or threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person or such person's testator or intestate is or was a director, officer or employee of the Corporation or serves or served at the request of the Corporation any other enterprise as a director, officer or employee. Expenses incurred by any such person in defending any such action, suit or proceeding shall be paid or reimbursed by the Corporation promptly upon receipt by it of an undertaking of such person to repay such expenses if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation. The rights provided to any person by this bylaw shall be enforceable against the Corporation by such person who shall be presumed to have relied upon it in serving or continuing to serve as a director, officer or employee as provided above. No amendment of this bylaw shall impair the rights of any person arising at any time with respect to events occurring prior to such amendment. For purposes of this article, the term "Corporation" shall include any predecessor of the Corporation and any constituent corporation (including any constituent of a constituent) absorbed by the Corporation in a consolidation or merger; the term "other enterprise" shall include any corporation, partnership, joint venture, trust, employee benefit plan or other enterprise; service "at the request of the Corporation" shall include service as a director, officer or employee of the Corporation which imposes duties on, or involves services by, such director, officer or employee with respect to an employee benefit plan, its participants or beneficiaries; any excise taxes assessed on a person with respect to an employee benefit plan shall be deemed to be indemnifiable expenses; and action taken or omitted by a person with respect to an employee benefit plan which such person reasonably believes to be in the interest of the participants and beneficiaries of such plan shall be deemed to be action not opposed to the best interests of the Corporation.

ARTICLE VIII

GENERAL

Section 8.1 Financial Reports. The directors may appoint the Treasurer or other fiscal officer and/or the Secretary or any other officer to cause to be prepared and furnished to shareholders entitled thereto any special financial notice and/or financial statement, as the case may be, which may be required by any provision of law.

Section 8.2 Books and Records. The Corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of the shareholders, of the Board of Directors, and/or any committee which the directors may appoint, and shall keep at the office of the Corporation in the State of Tennessee or at the office of the transfer agent or registrar, if any, in said state, a record containing the names and addresses of all shareholders, the number and class of shares held by each, and the dates when such shareholders respectively became the owners of record thereof. Any of the foregoing books, minutes or records may be in written form or in any other form capable of being converted into written form within a reasonable time.

ARTICLE IX

AMENDMENTS

An affirmative vote of a majority of the shareholders entitled to vote in the election of directors may make, alter, amend or repeal the Bylaws and may adopt new Bylaws. Except as otherwise required by law, the Charter or by the provisions of these Bylaws, the Board of Directors may also make, alter, amend or repeal the Bylaws and adopt new Bylaws, but Bylaws adopted by the Board of Directors may be altered, amended or repealed by the said shareholders.

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULE 13a-14(a) (17 CFR 240.13a-14(a))

I, Bruce A. Campbell, certify that:

1. I have reviewed this report on Form 10-Q of Forward Air Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2007

/s/ Bruce A. Campbell
Bruce A. Campbell
Chairman, President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT RULE 13a-14(a) (17 CFR 240.13a-14(a))

I, Rodney L. Bell, certify that:

1. I have reviewed this report on Form 10-Q of Forward Air Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2007

/s/ Rodney L. Bell
Rodney L. Bell
Chief Financial Officer, Senior Vice President and Treasurer

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

In connection with the Quarterly Report of Forward Air Corporation (the “Company”) on Form 10-Q for the period ended June 30, 2007 as filed with the Securities and Exchange Commission on August 1, 2007 (the “Report”), I, Bruce A. Campbell, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 1, 2007

/s/ Bruce A. Campbell
Bruce A. Campbell
Chairman, President and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Forward Air Corporation and will be retained by Forward Air Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

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

In connection with the Quarterly Report of Forward Air Corporation (the "Company") on Form 10-Q for the period ended June 30, 2007 as filed with the Securities and Exchange Commission on August 1, 2007 (the "Report"), I, Rodney L. Bell, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 1, 2007

/s/ Rodney L. Bell
Rodney L. Bell
Chief Financial Officer, Senior Vice President and Treasurer

A signed original of this written statement required by Section 906 has been provided to Forward Air Corporation and will be retained by Forward Air Corporation and furnished to the Securities and Exchange Commission or its staff upon request.