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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Quarterly Period Ended September 30, 2004  
Commission File No. 000-22490

**FORWARD AIR CORPORATION**

(Exact name of registrant as specified in its charter)

**Tennessee**

(State or other jurisdiction of  
incorporation or organization)

**62-1120025**

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

**430 Airport Road  
Greeneville, Tennessee**

(Address of principal executive offices)

**37745**

(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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YES  NO

The number of shares outstanding of the registrant's common stock, \$.01 par value, as of October 28, 2004 was 21,488,012.

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## Part I. Financial Information

### Item 1. Financial Statements (Unaudited)

Forward Air Corporation  
Condensed Consolidated Balance Sheets

	September 30, 2004	December 31, 2003
	(Unaudited) (In thousands, except share data)	(Note 1)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 100,336	\$ 83,539
Short-term investments	4,000	3,000
Accounts receivable, less allowance of \$990 in 2004 and \$1,263 in 2003	37,761	31,457
Other current assets	8,503	5,170
Total current assets	150,600	123,166
Property and equipment	75,114	70,231
Less accumulated depreciation and amortization	42,304	37,319
Total property and equipment, net	32,810	32,912
Other assets	17,846	19,009
Total assets	\$ 201,256	\$ 175,087
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 9,350	\$ 7,379
Accrued expenses	13,207	12,882
Current portion of capital lease obligations	30	29
Total current liabilities	22,587	20,290
Capital lease obligations, less current portion	884	907
Deferred income taxes	8,878	6,182
Shareholders' equity:		
Preferred stock	—	—
Common stock, \$.01 par value:		
Authorized shares - 50,000,000		
Issued and outstanding shares – 21,486,387 in 2004 and 21,496,885 in 2003	215	215
Additional paid-in capital	34,389	37,517
Accumulated other comprehensive income	1	1
Retained earnings	134,302	109,975
Total shareholders' equity	168,907	147,708
Total liabilities and shareholders' equity	\$ 201,256	\$ 175,087

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

Forward Air Corporation

Condensed Consolidated Statements of Income  
(Unaudited)

	Three months ended		Nine months ended	
	September 30, 2004	September 30, 2003	September 30, 2004	September 30, 2003
(In thousands, except per share data)				
Operating revenue	\$ 71,905	\$ 60,513	\$ 204,618	\$ 176,333
Operating expenses:				
Purchased transportation	30,568	25,519	85,487	74,174
Salaries, wages and employee benefits	15,609	13,464	45,392	39,886
Operating leases	3,279	3,250	9,731	9,625
Depreciation and amortization	1,692	1,888	5,088	5,440
Insurance and claims	1,297	1,508	4,546	4,140
Other operating expenses	5,653	4,865	16,428	14,461
Total operating expenses	58,098	50,494	166,672	147,726
Income from operations	13,807	10,019	37,946	28,607
Other income (expense):				
Interest expense	(14)	(17)	(42)	(56)
Other, net	305	124	703	431
Total other income	291	107	661	375
Income before income taxes	14,098	10,126	38,607	28,982
Income taxes	5,086	3,797	14,280	10,869
Net income	\$ 9,012	\$ 6,329	\$ 24,327	\$ 18,113
Income per share:				
Basic	\$ 0.42	\$ 0.30	\$ 1.13	\$ 0.85
Diluted	\$ 0.41	\$ 0.29	\$ 1.11	\$ 0.84

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

Forward Air Corporation

Condensed Consolidated Statements of Cash Flows  
(Unaudited)

	Nine months ended	
	September 30, 2004	September 30, 2003
	(In thousands)	
<b>Operating activities:</b>		
Net income	\$ 24,327	\$ 18,113
Adjustments to reconcile net income to net cash provided		
by operating activities:		
Depreciation and amortization	5,088	5,440
Loss on sale of property and equipment	33	166
Deferred income taxes	2,696	1,636
Changes in operating assets and liabilities:		
Accounts receivable	(6,304)	(1,113)
Inventories	64	(13)
Prepaid expenses and other current assets	(930)	(992)
Accounts payable and accrued expenses	3,012	(158)
Income taxes	(3,183)	424
Tax benefit of stock options exercised	1,874	441
Net cash provided by operating activities	26,677	23,944
<b>Investing activities:</b>		
Proceeds from disposal of property and equipment	10	138
Purchases of property and equipment	(5,029)	(2,515)
Proceeds from sales or maturities of available-for-sale securities	2,000	20,283
Purchases of available-for-sale securities	(3,000)	(2,999)
Other	1,163	83
Net cash provided by (used in) investing activities	(4,856)	14,990
<b>Financing activities:</b>		
Payments of long-term debt	—	(360)
Payments of capital lease obligations	(22)	(20)
Proceeds from exercise of stock options	2,955	1,365
Common stock issued under employee stock purchase plan	130	99
Repurchase of common stock	(8,087)	—
Net cash provided by (used in) financing activities	(5,024)	1,084
Net increase in cash and cash equivalents	16,797	40,018
Cash and cash equivalents at beginning of period	83,539	33,642
Cash and cash equivalents at end of period	\$ 100,336	\$ 73,660

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

Forward Air Corporation

Notes to Condensed Consolidated Financial Statements  
(Unaudited)  
September 30, 2004

**1. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States 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 accounting principles generally accepted in the United States 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 nine-month periods ended September 30, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004. 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, 2003.

The balance sheet at December 31, 2003 has been derived from the audited financial statements at that date, but does not include all of the financial information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

**2. Employee Stock Options**

The Company grants options for a fixed number of shares to employees with an exercise price equal to the fair value of the shares at the grant date. The Company accounts for employee stock option grants using the intrinsic value method in accordance with Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*, and, accordingly, recognizes no compensation expense for the stock option grants. The Company follows the disclosure option of Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock Based Compensation*, as amended by SFAS No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure*, which requires that the information be disclosed as if the Company accounted for its stock options granted subsequent to December 31, 1994 under the fair value method.

## Notes to Condensed Consolidated Financial Statements

**2. Employee Stock Options (continued)**

For purposes of pro forma disclosures, the estimated fair value of the stock options is amortized to expense over the options' vesting period. The Company's pro forma information follows (in thousands, except per share data):

	Three months ended		Nine months ended	
	September 30, 2004	September 30, 2003	September 30, 2004	September 30, 2003
Net income, as reported	\$ 9,012	\$ 6,329	\$ 24,327	\$ 18,113
Pro forma compensation expense, net of tax	694	604	2,006	2,359
<b>Pro forma net income</b>	<b>\$ 8,318</b>	<b>\$ 5,725</b>	<b>\$ 22,321</b>	<b>\$ 15,754</b>

As reported net income per share:

Basic	\$ 0.42	\$ 0.30	\$ 1.13	\$ 0.85
Diluted	\$ 0.41	\$ 0.29	\$ 1.11	\$ 0.84

Pro forma net income per share:

Basic	\$ 0.39	\$ 0.27	\$ 1.04	\$ 0.74
Diluted	\$ 0.38	\$ 0.26	\$ 1.02	\$ 0.73

**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 quarter and nine months ended September 30, 2004 was \$9.0 million and \$24.3 million, respectively, which includes \$1,000 in unrealized losses and \$-0- in unrealized gains/losses, respectively, on available-for-sale securities. Comprehensive income for the quarter and nine months ended September 30, 2003 was \$6.3 million and \$18.1 million, respectively, which includes \$37,000 in unrealized losses and \$10,000 in unrealized gains, respectively, on available-for-sale securities.

## Notes to Condensed Consolidated Financial Statements

**4. Net Income Per Share**

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

	Three months ended		Nine months ended	
	September 30, 2004	September 30, 2003	September 30, 2004	September 30, 2003
<b>Numerator:</b>				
Numerator for basic and diluted income per share - net income	\$ 9,012	\$ 6,329	\$ 24,327	\$ 18,113
<b>Denominator:</b>				
Denominator for basic income per share - weighted-average shares	21,564	21,341	21,523	21,279
Effect of dilutive stock options	428	441	402	392
Denominator for diluted income per share - adjusted weighted-average shares	21,992	21,782	21,925	21,671
Basic income per share	\$ 0.42	\$ 0.30	\$ 1.13	\$ 0.85
Diluted income per share	\$ 0.41	\$ 0.29	\$ 1.11	\$ 0.84

**5. Income Taxes**

For the three and nine months ended September 30, 2004 and 2003, the effective income tax rate varied from the statutory federal income tax rate of 35% primarily as a result of the effect of state income taxes, net of the federal benefit, and permanent differences. Additionally, the effective tax rate was favorably impacted during the three and nine months ended September 30, 2004 as a result of previously accrued income taxes, resulting from the favorable resolution of certain tax issues upon the closing of open tax years.

**6. Commitments and Contingencies**

The primary claims in the Company's business are workers' compensation, property damage, auto 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.



**6. Commitments and Contingencies (continued)**

The Company estimates its self-insurance loss exposure by evaluating the merits and circumstances surrounding individual known claims, and by performing hindsight analysis to determine an estimate of probable losses on claims incurred but not reported.

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.

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

### *Introduction*

We provide scheduled ground transportation of cargo on a time-definite basis. As a result of our established transportation schedule and network of terminals, our operating cost structure includes significant fixed costs. Our ability to improve our operating margins will depend on, among other things, our ability to increase the volume of freight moving through our network. Additional information regarding our business is described in our 2003 Annual Report on Form 10-K.

### *Critical Accounting Policies*

A summary of significant accounting policies is disclosed in Note 1 to the Consolidated Financial Statements included in our 2003 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 2003 Annual Report on Form 10-K. There have been no changes in the nature of our critical accounting policies or the application of those policies since December 31, 2003.

### *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 2003 Annual Report on Form 10-K. There have been no changes in the nature of these factors since December 31, 2003.

## Results of Operations

The following table shows the percentage relationship of expense items to operating revenue for the periods indicated. In the accompanying discussion, all percentage figures are percent of operating revenue with the exception of revenue growth rates.

	Three months ended		Nine months ended	
	September 30, 2004	September 30, 2003	September 30, 2004	September 30, 2003
Operating revenue	100.0%	100.0%	100.0%	100.0%
Operating expenses:				
Purchased transportation	42.5	42.2	41.8	42.1
Salaries, wages and employee benefits	21.7	22.2	22.2	22.6
Operating leases	4.6	5.4	4.8	5.5
Depreciation and amortization	2.4	3.1	2.5	3.1
Insurance and claims	1.8	2.5	2.2	2.3
Other operating expenses	7.8	8.0	8.0	8.2
Total operating expenses	80.8	83.4	81.5	83.8
Income from operations	19.2	16.6	18.5	16.2
Other income (expense):				
Other, net	0.4	0.2	0.4	0.2
Total other income	0.4	0.2	0.4	0.2
Income before income taxes	19.6	16.8	18.9	16.4
Income taxes	7.1	6.3	7.0	6.1
Net income	12.5%	10.5%	11.9%	10.3%

### Three Months Ended September 30, 2004 compared to Three Months Ended September 30, 2003

Operating revenue increased by \$11.4 million, or 18.8%, to \$71.9 million in the third quarter of 2004 from \$60.5 million in the same period of 2003. This increase resulted from an increase in traditional linehaul revenue of \$9.5 million to \$60.8 million, an increase in logistics revenue of \$1.3 million to \$6.1 million and an increase in other accessorial revenue, including warehousing services and terminal handling revenue, of \$0.6 million to \$5.0 million. Traditional linehaul revenue was impacted by an increase in average weekly tonnage of 17.4% and a 0.9% increase in average revenue per pound including the effect of fuel surcharge versus the third quarter of 2003.

Purchased transportation represented 42.5% of operating revenue in the third quarter of 2004 compared to 42.2% in the same period of 2003. For the third quarter of 2004, traditional linehaul purchased transportation costs represented 40.7% of linehaul revenue versus 41.2% during the same period in 2003. During this period, we were able to increase both the volume and revenue per pound of freight transported which enabled us to more efficiently operate the airport-to-airport network. These increases were offset, in part, by an increase in the number of miles needed to operate our system as well as an increase in the average rate per mile paid. For the third quarter 2004, logistics purchased transportation costs represented 73.5% of logistics revenue versus 69.5% last year. During the period, our average revenue per mile for this service decreased due to an increase in the average length of haul. Our average cost per mile, while down versus last year, did not fall as quickly as the average revenue per mile.

Salaries, wages and employee benefits were 21.7% of operating revenue in the third quarter of 2004 compared to 22.2% for the same period of 2003. The decrease in salaries, wages and employee benefits as a percentage of operating revenue was primarily attributed to a year over year improvement in tonnage and revenue per pound which allowed us to operate our network more efficiently in this quarter versus 2003. Driving these results was a 0.1% decrease in salaries and wages and a 0.4% decrease in worker's compensation insurance and expenses.

Operating leases, the largest component of which is facility rent, were 4.6% of operating revenue in the third quarter of 2004 compared to 5.4% in the same period of 2003. The decrease in operating leases as a percentage of operating revenue between periods was primarily attributable to an increase in operating revenue as the dollar amount in this category remained flat between the two periods.

Depreciation and amortization expense as a percentage of operating revenue was 2.4% in the third quarter of 2004, compared to 3.1% in the same period of 2003. The decrease in depreciation and amortization expense as a percentage of operating revenue was primarily attributable to an increase in operating revenue and a decrease in depreciation expense from certain assets becoming fully depreciated. These decreases were offset, in part, by new depreciation from capital expenditures during 2004.

Insurance and claims were 1.8% of operating revenue in the third quarter of 2004, compared to 2.5% in the same period of 2003. The decrease in insurance and claims as a percentage of operating revenue resulted from an increase in operating revenue in addition to better claims experience during the period. For the quarter, insurance expenses and claims expenses as a percentage of operating revenue decreased 0.4% and 0.3%, respectively.

Other operating expenses were 7.8% of operating revenue in the third quarter of 2004 compared to 8.0% in the same period of 2003. The decrease in other operating expenses as a percentage of operating revenue was attributable to a 0.2% decrease in loss on sale of operating assets versus the prior period.

Income from operations increased by \$3.8 million, or 38.0%, to \$13.8 million for the third quarter of 2004 compared with \$10.0 million for the same period in 2003. The increase in income from operations was primarily a result of the increase in operating revenue, including fuel surcharge, which was offset by increases in variable costs associated with operating the network.

Interest expense was \$14,000, or less than 0.1% of operating revenue, in the third quarter of 2004, compared with \$17,000, or less than 0.1%, for the same period in 2003. The decrease in interest expense was attributed to lower average net borrowings during the period.

Other income, net was \$305,000, or 0.4% of operating revenue, in the third quarter of 2004, compared to \$124,000, or 0.2%, for the same period in 2003. The increase in other income, net resulted from higher interest income attributed to higher yields on higher balances in both cash and cash equivalents and available-for-sale securities during the third quarter of 2003.

The combined federal and state effective tax rate for the third quarter of 2004 was 36.1% of pre-tax income compared to a rate of 37.5% for the same period in 2003. The decrease in the combined tax rate for the third quarter of 2004 was the result of a \$201,000 reduction of previously accrued income taxes as a result of the favorable resolution of certain tax issues upon the closing of open tax years.

As a result of the foregoing factors, net income increased by \$2.7 million, or 42.9%, to \$9.0 million for the third quarter of 2004, compared to \$6.3 million for the same period in 2003.

*Nine Months Ended September 30, 2004 compared to Nine Months Ended September 30, 2003*

Operating revenue increased by \$28.3 million, or 16.1%, to \$204.6 million in the first nine months of 2004 from \$176.3 million in the same period of 2003. This increase resulted from an increase in traditional linehaul revenue of \$22.6 million to \$172.7 million, an increase in logistics revenue of \$3.3 million to \$17.3 million and an increase in other accessorial revenue, including warehousing services and terminal handling revenue, of \$2.4 million to \$14.6 million. Traditional linehaul revenue was impacted by an increase in average weekly tonnage of 13.4% and a 0.9% increase in average revenue per pound including the effect of fuel surcharge versus the first nine months of 2003.

Purchased transportation represented 41.8% of operating revenue in the first nine months of 2004 compared to 42.1% in the same period of 2003. For the first nine months of 2004, traditional linehaul purchased transportation costs represented 40.5% of operating revenue versus 40.7% during the same period in 2003. During the first nine months of this year, we were able to increase both the volume and revenue per pound of freight transported through our airport-to-airport network. These increases were offset, in part, by an increase in the number of miles needed to operate our network as well as the average rate per mile paid. For the first nine months of 2004, logistics purchased transportation costs represented 68.9% of logistics revenue versus 70.6% in 2003.

Salaries, wages and employee benefits were 22.2% of operating revenue in the first nine months of 2004 compared to 22.6% for the same period of 2003. The decrease in salaries, wages and employee benefits as a percentage of operating revenue was attributed to an increase in operating revenue and increased efficiencies. These results led to a 0.2% decrease in salaries and wages and a 0.2% decrease in worker's compensation insurance and expenses.

Operating leases, the largest component of which is facility rent, were 4.8% of operating revenue in the first nine months of 2004 compared to 5.5% in the same period of 2003. Operating leases as a percentage of operating revenue decreased as a result of an increase in operating revenue as the dollar amount remained flat between the two periods.

Depreciation and amortization expense as a percentage of operating revenue was 2.5% in the first nine months of 2004, compared to 3.1% in the same period of 2003. The decrease in depreciation and amortization expense as a percentage of operating revenue was primarily attributable to an increase in operating revenue and a decrease in depreciation expense from certain assets becoming fully depreciated. These decreases were offset, in part, by new depreciation of capital expenditures during 2004.

Insurance and claims were 2.2% of operating revenue in the first nine months of 2004, compared to 2.3% in the same period of 2003. The decrease in insurance and claims as a percentage of operating revenue resulted, in part, from an increase in operating revenue during the period which was offset by a slight increase in insurance claims during the first nine months. Insurance expense decreased by 0.3% during the period while claims expense increased by 0.2%.

Other operating expenses were 8.0% of operating revenue in the first nine months of 2004 compared to 8.2% in the same period of 2003. The decrease in other operating expenses as a percentage of operating revenue was attributable to an increase in operating revenue. The increase in operating revenue led to a 0.1% decrease in general supplies and expenses, and a 0.2% decrease in taxes and license fees which was offset by a 0.1% increase in miscellaneous corporate expenses.

Income from operations increased by \$9.3 million, or 32.5%, to \$37.9 million for the first nine months of 2004 compared with \$28.6 million for the same period in 2003. The increase in income from operations was primarily a result of the increase in operating revenue, including fuel surcharge, which was offset by an increase in variable operating costs associated with operating the network.

Interest expense was \$42,000, or less than 0.1% of operating revenue, in the first nine months of 2004, compared with \$56,000, or less than 0.1%, for the same period in 2003. The decrease in interest expense was attributed to lower average net borrowings during the period.

Other income, net was \$703,000, or 0.4% of operating revenue, in the first nine months of 2004, compared to \$431,000, or 0.2%, for the same period in 2003. The increase in other income, net resulted from higher interest income attributed to higher yields on higher balances in both cash and cash equivalents and available-for-sale securities during the first nine months of 2003.

The combined federal and state effective tax rate for the first nine months of 2004 was 37.0% of pre-tax income compared to a rate of 37.5% for the same period in 2003. The decrease in the combined tax rate for the first nine months of 2004 was the result of a \$201,000 reduction of previously accrued income taxes as a result of the favorable resolution of certain tax issues upon the closing of open tax years.

As a result of the foregoing factors, net income increased by \$6.2 million, or 34.3%, to \$24.3 million for the first nine months of 2004, compared to \$18.1 million for the same period in 2003.

## *Liquidity and Capital Resources*

We have historically financed our working capital needs, including capital purchases, with cash flows from operations and borrowings under our bank lines of credit. Net cash provided by operating activities totaled approximately \$26.7 million for the nine months ended September 30, 2004, compared with \$23.9 million in the same period of 2003.

Net cash used in investing activities was approximately \$4.9 million for the nine months ended September 30, 2004 compared with \$15.0 million provided by investing activities in the same period of 2003. Investing activities consisted primarily of the purchase and sale or maturities of available-for-sale securities and the purchase of operating equipment and management information systems during the nine months ended September 30, 2004.

Net cash used in financing activities totaled approximately \$5.0 million for the nine months ended September 30, 2004 compared with approximately \$1.1 million provided by financing activities for the same period of 2003. Financing activities included the repurchase of our common stock, the repayment of capital leases, proceeds received from the exercise of stock options and common stock issued under the employee stock purchase plan. In 2004, we used \$8.1 million to repurchase our common stock while we received \$3.0 million from the exercise of stock options.

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%, expires in April 2005 and is unsecured. At September 30, 2004, we had \$0- outstanding under the line of credit facility and had utilized \$4.3 million of availability for outstanding letters of credit. We were in compliance with the financial covenants and ratios under the credit facility at September 30, 2004.

On July 25, 2002, we announced that our Board of Directors approved a stock repurchase program for up to 2,000,000 shares of our common stock. We expect to fund the repurchases of our common stock from cash and cash equivalents and available-for-sale securities and cash generated from operating activities. We repurchased 167,700 of our shares during the third quarter of 2004 and a total of 227,400 for the nine months ended September 30, 2004. Since inception, the Company has repurchased 856,400 shares of our common stock for \$20.2 million for an average purchase price of \$23.55 per share.

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.

## *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 (the “Exchange Act”). 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, 2003.

### **Item 4. Controls and Procedures**

#### *Evaluation of Disclosure Controls and Procedures*

As of September 30, 2004, the principal executive officer and principal financial officer, under the supervision and with the participation of management, have evaluated the disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) have determined that such controls and procedures are effective.



*Changes in Internal Controls*

The evaluation referred to above did not identify any change in our internal control over financial reporting that occurred in the period covered by this report that has materially affected or is reasonably likely to materially affect our internal controls over financial reporting.

## Part II. Other Information

### Item 1. Legal Proceedings

We are, from time to time, a party to litigation arising in the normal course of our business, most of which involve claims for personal injury and property damage incurred in connection with the transportation of freight. Management believes that none of these actions, individually or in the aggregate, will have a material adverse effect on our financial condition or results of operations.

### 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 September 30, 2004:

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)
July 1-31, 2004	—	—	688,700	1,311,300
August 1-31, 2004	155,700	\$ 37.44	844,400	1,155,600
September 1-30, 2004	12,000	\$ 37.17	856,400	1,143,600
Total	167,700	\$ 37.42	856,400	1,143,600

- (1) On July 25, 2002, we announced that our Board of Directors approved a stock repurchase program for up to 2,000,000 shares of our common stock.

### Item 3. Defaults Upon Senior Securities

Not Applicable

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

Not Applicable

### Item 5. Other Information

Not Applicable

## Item 6. Exhibits and Reports on Form 8-K

### (a) 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.

- 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)
- 31.1 Certification Pursuant to 15 U.S.C. Section 10A, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by Bruce A. Campbell, President and Chief Executive Officer of Forward Air Corporation
- 31.2 Certification Pursuant to 15 U.S.C. Section 10A, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by Andrew C. Clarke, Chief Financial Officer, Senior Vice President and Treasurer of Forward Air Corporation
- 32.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by Bruce A. Campbell, President and Chief Executive Officer of Forward Air Corporation

32.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by Andrew C. Clarke, Chief Financial Officer, Senior Vice President and Treasurer of Forward Air Corporation

## 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: November 2, 2004

By: /s/ Andrew C. Clarke

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Andrew C. Clarke  
Chief Financial Officer  
and Senior Vice President

## 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.

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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.

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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 President, or, if the President is not present, by a Vice President, or, if neither the Chairman of the Board, 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.

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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.

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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.

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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 *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 2.6 *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 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 2.7 *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 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 2.8 *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 2.9 *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 2.10 *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 2.10* or as may be specifically given or assigned by the Board of Directors.

Section 2.11 *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 2.12 *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, 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.

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Section 2.13 *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 2.14 *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.

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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, 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 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 or a Chairman of the Board, 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, 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.

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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.

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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 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. If the Chairman of the Board, 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

##### CERTIFICATES REPRESENTING SHARES

Section 4.1 *Certificates; Signatures.* The interest of each shareholder of the Corporation shall 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. 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.

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#### *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.

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*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.



**CERTIFICATION PURSUANT  
TO 15 U.S.C. SECTION 10A,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

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
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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 registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2004

By: /s/ Bruce A. Campbell

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Bruce A. Campbell  
President and Chief Executive Officer

A signed original of this written statement required by Section 302 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.



**CERTIFICATION PURSUANT  
TO 15 U.S.C. SECTION 10A,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Andrew C. Clarke, 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
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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 registrant's board of directors (or persons performing the equivalent functions):

- a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2004

By: /s/ Andrew C. Clarke

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Andrew C. Clarke  
Chief Financial Officer,  
Senior Vice President and  
Treasurer

A signed original of this written statement required by Section 302 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.

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**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 September 30, 2004 as filed with the Securities and Exchange Commission on November 2, 2004 (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.

/s/ Bruce A. Campbell

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Bruce A. Campbell  
President and Chief Executive Officer  
November 2, 2004

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**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 September 30, 2004 as filed with the Securities and Exchange Commission on November 2, 2004 (the "Report"), I, Andrew C. Clarke, 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.

/s/ Andrew C. Clarke

Andrew C. Clarke  
Chief Financial Officer and  
Senior Vice President  
November 2, 2004

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