

Edgar Filing: LANDAIR CORP - Form 10-Q

LANDAIR CORP  
Form 10-Q  
August 02, 2001

1

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, 2001  
Commission File No. 000-24615

LANDAIR CORPORATION  
(Exact name of registrant as specified in its charter)

TENNESSEE  
(State or other jurisdiction of  
incorporation or organization)

62-1743549  
(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

The number of shares outstanding of the registrant's common stock, \$.01 par value, as of July 27, 2001 was 4,830,005.

2

TABLE OF CONTENTS

LANDAIR CORPORATION

Page  
Number

PART I. FINANCIAL INFORMATION

## Edgar Filing: LANDAIR CORP - Form 10-Q

ITEM 1.	Financial Statements (Unaudited)	
	Condensed Consolidated Balance Sheets - June 30, 2001 and December 31, 2000	3
	Condensed Consolidated Statements of Income - Three and six months ended June 30, 2001 and 2000, respectively	4
	Condensed Consolidated Statements of Cash Flows - Six months ended June 30, 2001 and 2000	5
	Notes to Condensed Consolidated Financial Statements - June 30, 2001	6
ITEM 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	10
ITEM 3.	Quantitative and Qualitative Disclosure of Market Risk	15
PART II.	OTHER INFORMATION	
ITEM 1.	Legal Proceedings	17
ITEM 2.	Changes in Securities and Use of Proceeds	17
ITEM 3.	Defaults Upon Senior Securities	17
ITEM 4.	Submission of Matters to a Vote of Security Holders	17
ITEM 5.	Other Information	18
ITEM 6.	Exhibits and Reports on Form 8-K	18
SIGNATURES		19

2

3

### PART I. FINANCIAL INFORMATION

#### ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

Landair Corporation

Condensed Consolidated Balance Sheets

June 30, 2001	December 31, 2000
-----	
(Unaudited)	(Note 1)
In thousands, except share data)	

Edgar Filing: LANDAIR CORP - Form 10-Q

ASSETS

Current assets:

Cash and cash equivalents	\$ 7	\$ 9
Accounts receivable, less allowance of \$858 in 2001 and \$1,267 in 2000	9,527	12,923
Other current assets	3,978	5,687
	-----	-----
Total current assets	13,512	18,619
Property and equipment	89,023	88,555
Less accumulated depreciation and amortization	32,566	29,783
	-----	-----
	56,457	58,772
Other assets	605	3,936
	-----	-----
Total assets	\$ 70,574	\$ 81,327
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$ 2,668	\$ 3,072
Accrued expenses	7,483	8,957
Current portion of long-term debt	4,339	8,495
	-----	-----
Total current liabilities	14,490	20,524
Long-term debt, less current portion	11,957	20,223
Deferred income taxes	11,797	10,254
Shareholders' equity:		
Preferred stock	--	--
Common stock, \$.01 par value:		
Authorized shares - 45,000,000		
Issued and outstanding shares - 4,830,605 in 2001 and 4,886,136 in 2000	48	49
Additional paid-in capital	37,755	38,078
Retained deficit	(5,473)	(7,801)
	-----	-----
Total shareholders' equity	32,330	30,326
	-----	-----
Total liabilities and shareholders' equity	\$ 70,574	\$ 81,327
	=====	=====

See notes to condensed consolidated financial statements.

Edgar Filing: LANDAIR CORP - Form 10-Q

	Three months ended		Six months ended	
	June 30, 2001	June 30, 2000	June 30, 2001	June 30, 2000
	(In thousands, except per share data)			
Operating revenue	\$ 27,102	\$ 32,974	\$ 56,058	\$ 66,104
Operating expenses:				
Salaries, wages and employee benefits	8,993	10,559	18,811	21,676
Purchased transportation	6,710	9,503	14,388	18,597
Fuel and fuel taxes	2,919	3,053	5,900	6,680
Depreciation and amortization	2,362	3,679	4,786	7,495
Insurance and claims	681	1,239	1,541	2,834
Operating leases	444	497	852	1,115
Other operating expenses	2,598	2,850	5,267	5,784
	24,707	31,380	51,545	64,181
Income from operations	2,395	1,594	4,513	1,923
Other income (expense):				
Interest expense	(342)	(645)	(802)	(1,421)
Other, net	89	65	160	305
	(253)	(580)	(642)	(1,116)
Income before income taxes	2,142	1,014	3,871	807
Income taxes	853	379	1,543	311
Net income	\$ 1,289	\$ 635	\$ 2,328	\$ 496
Income per share:				
Basic	\$ .27	\$ .11	\$ .48	\$ .08
Diluted	\$ .26	\$ .11	\$ .47	\$ .08

See notes to condensed consolidated financial statements.

Landair Corporation

Condensed Consolidated Statements of Cash Flows  
(Unaudited)

Six months ended	
June 30, 2001	June 30, 2000
(In thousands)	

Edgar Filing: LANDAIR CORP - Form 10-Q

Cash provided by operations:		
Net income	\$ 2,328	\$ 496
Loss (gain) on disposal	17	(280)
Depreciation and amortization	4,786	6,403
Other, net	3,729	6,307
	-----	-----
Net cash provided by operations	10,860	12,926
Investing activities:		
Proceeds from disposal of property and equipment	1,937	890
Purchases of property and equipment	(53)	(420)
	-----	-----
Net cash provided by investing activities	1,884	470
Financing activities:		
Payments of long-term debt	(12,422)	(8,506)
Repurchase of common stock	(494)	(4,922)
Proceeds from exercise of stock options	142	--
Common stock issued under employee stock purchase plan	28	31
	-----	-----
Cash used in financing activities	(12,746)	(13,397)
	-----	-----
Decrease in cash and cash equivalents	\$ (2)	\$ (1)
	=====	=====

See notes to condensed consolidated financial statements.

5

6

Landair Corporation

Notes to Condensed Consolidated Financial Statements  
(Unaudited)  
June 30, 2001

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with 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 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 six-month period ended June 30, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. For further information, refer to the consolidated financial statements and footnotes thereto included in the Landair Corporation Annual Report on Form 10-K for the year ended December 31, 2000.

The balance sheet at December 31, 2000 has been derived from the audited financial statements at that date, but does not include all of the financial information and footnotes required by generally accepted accounting principles for complete financial statements.

## Edgar Filing: LANDAIR CORP - Form 10-Q

Certain reclassifications have been made to the prior year financial statements to conform to the 2001 presentation. These reclassifications had no effect on net income as previously reported.

### 2. COMPREHENSIVE INCOME

The Company had no items of other comprehensive income in 2001 or 2000 and, accordingly, comprehensive income is equivalent to net income.

### 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of, the Company performs a periodic review of its long-lived assets, including goodwill and other intangibles, for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. During the fourth quarter of 2000, as part of its periodic review of long-lived assets, the Company evaluated its fleet of tractors and trailers and determined that much of the equipment was underutilized. As a result, the Company committed to a plan in December 2000 to dispose of excess revenue equipment. Based on the Company's impairment analysis, it was determined that the carrying value of certain tractors and trailers exceeded fair value, less estimated costs of disposal.

6

7

Landair Corporation

Notes to Condensed Consolidated Financial Statements (continued)

### 3. IMPAIRMENT OF LONG-LIVED ASSETS (CONTINUED)

In the fourth quarter of 2000, the Company recorded an impairment charge of \$6.6 million as a result of its impairment review. The impairment charge included approximately \$3.0 million for tractors and trailers held for sale, \$2.0 million for tractors and trailers held for use and expected to be sold within one year, \$1.1 million for lost trailers and \$480,000 for other operating assets.

Included in current assets held for sale at June 30, 2001, are tractors and trailers with impaired carrying values of approximately \$552,000. These tractors and trailers are held for disposal. The Company believes that the sale of the tractors and trailers included in current assets will occur and proceeds will be collected within one year of the balance sheet date. Included in noncurrent assets held for sale are trailers with impaired carrying values of approximately \$444,000. The Company has negotiated with a trailer manufacturer to trade in two to three used trailers in exchange for each new trailer in 2001. Under the provisions of SFAS No. 121, depreciation is not recorded during the period in which assets are being held for sale.

The remaining tractors and trailers identified for disposal by the Company during the fourth quarter of 2000 will be used in operations until replacement assets can be obtained. Such assets are impaired and have been written down to fair value less costs to sell (inclusive of the intervening depreciation). Assets held for use expected to be sold within one year will continue to be depreciated until their disposal date and are included in revenue equipment in the consolidated balance sheet at June 30, 2001.

Edgar Filing: LANDAIR CORP - Form 10-Q

4. RESTRUCTURING COSTS

In December 2000, the Company committed to various exit and restructuring activities. These activities included plans to exit operations at four leased terminals (Dallas, Memphis, Camden and Chicago). In accordance with Emerging Issues Task Force (EITF) Consensus No. 94-3, the Company accrued \$56,000 in December 2000 for future rent payments and termination penalties under non-cancelable leases at the facilities. The Company exited the leases and paid the remaining lease payments and termination penalties in January 2001.

Certain employees were terminated related to the restructuring activities. The Company accrued termination benefits of \$56,000 as of December 31, 2000 related to severance benefits that had been communicated to the respective employees as of December 31, 2000. The Company incurred an additional \$225,000 of restructuring costs related to termination benefits during the six month period ended June 30, 2001. The Company paid \$281,000 of restructuring costs related to termination benefits during the six month period ended June 30, 2001.

7

8

Landair Corporation

Notes to Condensed Consolidated Financial Statements (continued)

5. INCOME PER SHARE

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

	Three months ended		Six months ended	
	June 30, 2001	June 30, 2000	June 30, 2001	June 30, 2000
Numerator:				
Numerator for basic and diluted earnings per share - net income	\$1,289	\$ 635	\$2,328	\$ 496
Denominator:				
Denominator for basic earnings per share - weighted-average shares	4,832	5,833	4,843	5,925
Effect of dilutive stock options	86	34	61	50
Denominator for diluted earnings per share - adjusted weighted-average shares	4,918	5,867	4,904	5,975
Basic earnings per share	\$ .27	\$ .11	\$ .48	\$ .08
Diluted earnings per share	\$ .26	\$ .11	\$ .47	\$ .08

## Edgar Filing: LANDAIR CORP - Form 10-Q

### 6. INCOME TAXES

For the three and six months ended June 30, 2001 and 2000, the effective income tax rate varied from the statutory federal income tax rate of 34% primarily as a result of the effect of state income taxes, net of the federal benefit, and permanent differences.

### 7. 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.

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

8

9

Landair Corporation

Notes to Condensed Consolidated Financial Statements (continued)

### 7. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

### 8. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARD

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities, effective January 1, 2001. The effect of the adoption of SFAS No. 133 was not material to the Company's earnings, financial position or cash flows.

9

10



## Edgar Filing: LANDAIR CORP - Form 10-Q

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

#### Results of Operations

The following table sets forth the percentage relationship of expense items to operating revenue for the periods indicated.

	Three months ended		Six months ended	
	June 30, 2001	June 30, 2000	June 30, 2001	June 30, 2000
Operating revenue	100.0%	100.0%	100.0%	100.0%
Operating expenses:				
Salaries, wages and employee benefits	33.2	32.0	33.6	32.8
Purchased transportation	24.8	28.8	25.7	28.1
Fuel and fuel taxes	10.8	9.2	10.5	10.1
Depreciation and amortization	8.7	11.2	8.5	11.3
Insurance and claims	2.5	3.8	2.7	4.3
Operating leases	1.6	1.5	1.5	1.7
Other operating expenses	9.6	8.7	9.4	8.8
	91.2	95.2	91.9	97.1
Income from operations	8.8	4.8	8.1	2.9
Other income (expense):				
Interest expense	(1.2)	(1.9)	(1.4)	(2.1)
Other, net	0.3	0.1	0.3	0.5
	(0.9)	(1.8)	(1.1)	(1.6)
Income before income taxes	7.9	3.0	7.0	1.3
Income taxes	3.1	1.1	2.8	0.5
Net income	4.8%	1.9%	4.2%	0.8%

#### Three Months Ended June 30, 2001 Compared to Three Months Ended June 30, 2000

Operating revenue decreased by \$5.9 million, or 17.8%, to \$27.1 million in the second quarter of 2001 from \$33.0 million in 2000. This decrease was the result of a 22.9% decrease in the average tractors in service, including owner-operators, during the second quarter of 2001 compared to the same period in 2000, partially offset by higher equipment utilization. During the second quarters of 2001 and 2000, the average tractors in service were 767 and 995, respectively. The average revenue per tractor per week increased from \$2,437 per tractor per week in the second quarter of 2000 to \$2,531 per tractor per week in the second quarter of 2001.

## Edgar Filing: LANDAIR CORP - Form 10-Q

11

The operating ratio (operating expenses as a percentage of operating revenue) was 91.2% for the second quarter of 2001 compared to 95.2% for 2000. The decrease in the operating ratio in 2001 was due primarily to lower depreciation and amortization, insurance and claims, and other factors as discussed below.

Salaries, wages and employee benefits were 33.2% of operating revenue in the second quarter of 2001 compared to 32.0% in 2000. The increase in salaries, wages and employee benefits as a percentage of operating revenue was due to an increase in the percentage of Company-operated tractors in service. During the second quarter of 2001, Company-operated tractors in service represented approximately 71.6% of the total average tractors in service including owner-operators. In the second quarter of 2000, Company-operated tractors in service represented approximately 65.2% of the total average tractors in service.

Purchased transportation was 24.8% of operating revenue in the second quarter of 2001 compared to 28.8% in 2000. The decrease in purchased transportation as a percentage of operating revenue in the second quarter of 2001 was primarily attributable to a decrease in the percentage of owner-operated tractors as a percent of the Company's overall fleet. In the second quarter of 2001, owner-operated tractors averaged approximately 28.4% of the Company's fleet. In the second quarter of 2000, owner-operated tractors averaged approximately 34.8% of the Company's fleet.

Fuel and fuel taxes were 10.8% of operating revenue in the second quarter of 2001 compared to 9.2% in 2000. The increase in fuel and fuel taxes as a percentage of operating revenue during the second quarter of 2001 is primarily attributable to the increase in the percentage of Company-operated tractors compared to owner-operated tractors during the period as previously discussed. Owner-operators are responsible for purchasing their own fuel.

Depreciation and amortization expense as a percentage of operating revenue was 8.7% in the second quarter of 2001 compared to 11.2% in 2000. The decrease in depreciation and amortization as a percentage of operating revenue is attributable to a decrease in the average number of tractors and trailers in service in the second quarter of 2001 compared to the same period in 2000. The average number of Company tractors in service decreased from 649 in the second quarter of 2000 to 549 in the second quarter of 2001. The average number of trailers in service decreased from 3,100 in 2000 to 1,955 in 2001. Additionally, depreciation and amortization expense in the second quarter of 2000 included approximately \$107,000 of goodwill amortization expense associated with the acquisition of Laker Express, Inc. ("Laker") in 1999. In the fourth quarter of 2000, the Company determined that the goodwill associated with the acquisition of Laker was fully impaired. As a result, the Company recorded an impairment charge in the fourth quarter of 2000 for the unamortized portion of the goodwill. Accordingly, the operating results for the three month period ended June 30, 2001 do not include goodwill amortization expense associated with the purchase of Laker.

Insurance and claims were 2.5% of operating revenue in the second quarter of 2001 compared to 3.8% in 2000. The decrease in insurance and claims expense is due primarily to a decrease

11

12

in the frequency and severity of accidents during the second quarter of 2001

## Edgar Filing: LANDAIR CORP - Form 10-Q

compared with 2000.

Operating leases were 1.6% of operating revenue in the second quarter of 2001 compared to 1.5% in 2000.

Other operating expenses, a large component of which relates to equipment maintenance, were 9.6% of operating revenue in the second quarter of 2001 compared to 8.2% in 2000. The increase in other operating expenses as a percentage of operating revenue is primarily attributed to an increase in Company-operated equipment as a percentage of the Company's fleet including owner-operators.

Interest expense was \$342,000, or 1.2% of operating revenue, in the second quarter of 2001 compared to \$645,000 or 2.1% in 2000. The decrease was due to lower average net borrowings during 2001 resulting from the Company's strategy to repay long-term debt coupled with lower effective interest rates in the second quarter of 2001 compared to the second quarter of 2000.

The combined federal and state effective tax rate for the second quarter of 2001 was 39.8% compared to 37.4% for 2000.

As a result of the foregoing factors, net income increased by \$654,000 from \$635,000 in the second quarter of 2000 to \$1.3 million in the second quarter of 2001.

Six Months Ended June 30, 2001 Compared to Six Months Ended June 30, 2000

Operating revenue decreased by \$10.0 million, or 15.1%, to \$56.1 million during the first six months of 2001 from \$66.1 million in 2000. This decrease was a result of a 20.0% decrease in the average tractors in service, including owner-operators, during the first six months of 2001 compared to the same period in 2000, partially offset by higher equipment utilization. During the first six months of 2001 and 2000, the average tractors in service were 816 and 1,020, respectively. The average revenue per tractor per week increased from \$2,369 per tractor per week in the first six months of 2000 to \$2,480 per tractor per week in the first six months of 2001.

The operating ratio (operating expenses as a percentage of operating revenue) was 91.9% for the first six months of 2001 compared to 97.1% for 2000. The decrease in the operating ratio in 2001 resulted primarily from the factors discussed below.

Salaries, wages and employee benefits were 33.6% of operating revenue in the first six months of 2001 compared to 32.8% in 2000. The increase in salaries, wages and employee benefits as a percentage of operating revenue resulted primarily from restructuring costs related to termination benefits of \$215,000 incurred during the first six months of 2001 and an increase in the percentage of Company-operated tractors in service. During the first six months of 2001, Company-operated tractors in service represented approximately 68.4% of the total average

tractors in service including owner-operators. During the first six months of 2000, Company-operated tractors in service represented approximately 66.3% of the total average tractors in service including owner-operators.

Purchased transportation was 25.7% of operating revenue in the first six months

## Edgar Filing: LANDAIR CORP - Form 10-Q

of 2001 compared to 28.1% in 2000. The decrease in purchased transportation as a percentage of operating revenue in the first six months of 2001 was primarily attributable to a decrease in the ratio of owner-operated tractors to Company-operated tractors. Owner-operators represented 31.6% of the Company's average tractors in service during the six months ended June 30, 2001 compared to 33.7% for the same prior year period.

Fuel and fuel taxes were 10.5% of operating revenue in the first six months of 2001 compared to 10.1% in 2000. The increase in fuel and fuel taxes as a percentage of operating revenue during the second quarter of 2001 resulted primarily from an increase in the ratio of Company-operated tractors to owner-operated tractors during the period. Owner-operators are responsible for purchasing their own fuel.

Depreciation and amortization expense as a percentage of operating revenue was 8.5% in the first six months of 2001 compared to 11.3% in 2000. The decrease in depreciation and amortization as a percentage of operating revenue is attributable to a decrease in the average number of tractors and trailers in service in the first six months of 2001 compared to the same period in 2000. The average number of Company tractors in service decreased from 676 in the first six months of 2000 to 558 in the first six months of 2001. The average number of trailers in service decreased from 3,120 in 2000 to 2,102 in 2001. Additionally, depreciation and amortization expense during the first six months of 2000 included approximately \$215,000 of goodwill amortization expense associated with the acquisition of Laker in 1999. In the fourth quarter of 2000, the Company determined that the goodwill associated with the acquisition of Laker was fully impaired. As a result, the Company recorded an impairment charge in the fourth quarter of 2000 for the unamortized portion of the goodwill. Accordingly, the operating results for the six month period ended June 30, 2001 do not include goodwill amortization expense associated with the purchase of Laker.

Insurance and claims were 2.7% of operating revenue in the first six months of 2001 compared to 4.3% in 2000. The decrease in insurance and claims expense as a percentage of operating revenue was a result of decreased frequency and severity of accidents which was partially offset by higher insurance premiums during the first six months of 2001 compared with 2000.

Operating leases were 1.5% of operating revenue in the first six months of 2001 compared to 1.7% in 2000.

Other operating expenses, a large component of which relates to equipment maintenance, were 9.4% of operating revenue in the first six months of 2001 compared to 8.8% in 2000. The increase in other operating expenses as a percentage of operating revenue is primarily attributed

to the increase in Company-operated equipment as a percentage of the Company's overall fleet, including owner-operators.

Interest expense was \$802,000, or 1.4% of operating revenue in the first six months of 2001 compared to \$1.4 million or 2.1% in 2000. The decrease was due to lower average net borrowings during 2001 resulting from the Company's strategy to repay long-term debt and lower effective interest rates in 2001 compared to 2000.

The combined federal and state effective tax rate for the first six months of 2001 was 39.9% compared to 38.5% for 2000.

## Edgar Filing: LANDAIR CORP - Form 10-Q

As a result of the foregoing factors, net income increased by approximately \$1.8 million from net income of \$496,000 in the first six months of 2000 to net income of \$2.3 million in the first six months of 2001.

### Liquidity and Sources of Capital

Working capital needs have generally been met with cash flows from operations and borrowings under credit agreements. Net cash provided by operating activities of the Company was \$10.9 million for the first six months of 2001 compared with \$12.9 million in the same period of 2000.

Net cash provided by investing activities was approximately \$1.9 million in the first six months of 2001 compared with net cash provided by investing activities of \$470,000 in the same period of 2000. Investing activities consisted primarily of the proceeds from disposal of property and equipment during the first six months of 2001 and 2000.

Net cash used in financing activities was \$12.7 million in the first six months of 2001 compared with net cash used in financing activities of \$13.4 million in the same period of 2000. Financing activities consisted primarily of the repayment of long-term debt and the repurchase of the Company's common stock during the first six months of 2001 and 2000.

The Company's credit facilities include a working capital line of credit and an equipment financing facility. Subject to maintenance of financial covenants and ratios, these credit facilities permit the Company to borrow up to \$15.0 million under the working capital line of credit and \$15.0 million under an equipment financing facility. Interest rates for advances under the facilities vary based on covenants related to total indebtedness, cash flows, results of operations and other ratios. The facilities bear interest at LIBOR plus 0.75% to 1.75% and are secured by accounts receivable and certain revenue equipment. The Company's working capital line of credit expires in November 2002. Availability under the line of credit is reduced by the amount of outstanding letters of credit. Among other restrictions, the terms of the line of credit require maintenance of certain levels of net worth and other financial ratios. As of June 30, 2001, the Company had \$1.9 million of borrowings and \$3.2 million of letters of credit outstanding under the working capital line of credit facility and \$2.9 million of borrowings outstanding under the equipment financing facilities. As of June 30, 2001, the Company had \$9.9 million and \$12.1

14

15

million of available additional borrowing capacity under the working capital line of credit and the equipment financing facilities, respectively.

The Company maintains a \$20 million equipment financing facility with a retail finance company. At June 30, 2001, \$7.8 million was outstanding under this credit facility. Additionally, the Company had a total of \$3.7 million in installment notes payable at June 30, 2001.

The Company expects to finance its normal operating requirements and planned revenue equipment purchases through available borrowing capacity under existing lines of credit, future borrowings under installment notes for revenue equipment, operating lease financing and cash generated by operations. The availability of debt financing or equity capital will depend upon the Company's financial condition and results of operations as well as prevailing market conditions and other factors over which the Company has little or no control.

## Edgar Filing: LANDAIR CORP - Form 10-Q

### Forward-Looking Statements

The Company, or its executive officers and directors on behalf of the Company, may from time to time make written or oral "forward-looking statements." Written forward-looking statements may appear in documents filed with the Securities and Exchange Commission, in press releases and in reports to shareholders. Oral forward-looking statements may be made by the Company's executive officers and directors on behalf of the Company to the press, potential investors, securities analysts and others. The Private Securities Litigation Reform Act of 1995 contains a safe harbor for forward-looking statements. The Company relies on this safe harbor in making such disclosures. In connection with this safe harbor provision, the Company is hereby identifying important factors that could cause actual results to differ materially from those contained in any forward-looking statement made by or on behalf of the Company. Without limitation, factors that might cause such a difference include economic factors such as recessions, inflation, higher interest rates, downturns in customer business cycles, competition, surplus inventories, loss of a major customer, fuel price increases, the Company's lack of prior operating history as an independent entity, the inability of the Company's information systems to handle increased volume of freight, and the lack of availability and/or insufficient compensation of qualified drivers and independent owner-operators needed to serve the Company's transportation needs. The Company disclaims any intent or obligation to update these forward-looking statements.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISK

The Company is exposed to market risk from changes in interest rates and commodity prices. To reduce such risks, the Company selectively uses forward purchase contracts for fuel. All such forward purchase transactions are authorized.

15

16

### Interest Rates

At June 30, 2001 and 2000, the fair value of the Company's total variable rate debt was estimated to be approximately \$8.5 million and \$24.0 million, respectively, which approximated carrying value based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. At these borrowing levels, a hypothetical 10% adverse change in interest rates on the debt would increase interest expense and decrease income before income taxes by approximately \$45,000 and \$99,000 in the first six months of 2001 and 2000, respectively. These amounts were determined by considering the impact of the hypothetical interest rate increase on the Company's borrowing cost at the June 30, 2001 and 2000 borrowing levels.

### Commodities

The availability and price of fuel are subject to fluctuations due to factors such as seasonality, weather, government programs and policies, and changes in global production. To reduce price sensitivity caused by market fluctuations, the Company from time to time will enter into forward purchase contracts. At June 30, 2001 and 2000, the Company had no outstanding commitments to purchase fuel.

The above market risk discussion and the estimated amounts presented are forward-looking statements of market risk based on the assumed occurrence of

## Edgar Filing: LANDAIR CORP - Form 10-Q

certain adverse market conditions. Actual results in the future may differ materially from those projected due to actual developments in the market.

16

17

### PART II. OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

The Company is, from time to time, a party to litigation arising in the normal course of its 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 the financial condition or results of operations of the Company.

#### ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Not Applicable

#### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

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

The annual meeting of shareholders of the Company was held on May 21, 2001, for the purpose of (a) electing seven directors; (b) approving and adopting a First Amendment to the Company's Amended and Restated Non-Employee Director Stock Option Plan; and (c) approving the appointment of independent auditors for 2001.

- (a) Shareholders elected each director nominee for a one-year term expiring at the 2002 annual meeting. The vote for each director was as follows:

	For ---	Withheld -----
Jerry T. Armstrong	4,042,783	18,756
C. John Langley, Jr.	4,042,183	19,356
Andrew J. Mantey	4,044,183	17,356
Courtney J. Munson	4,042,783	18,756
Scott M. Niswonger	4,042,183	19,356
Richard H. Roberts	4,042,183	17,356
John A. Tweed	4,042,183	19,356

17

18

- (b) The First Amendment to the Company's Amended and Restated Non-Employee

## Edgar Filing: LANDAIR CORP - Form 10-Q

Director Stock Option Plan was approved and adopted by the shareholders by the following vote:

For ---	Against -----	Abstain -----
4,024,706	35,267	1,556

- (c) The appointment of Ernst & Young LLP as independent auditors for 2001 was ratified and approved as follows:

For ---	Against -----	Abstain -----
4,045,139	15,900	500

### ITEM 5. OTHER INFORMATION

Not Applicable

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

The following exhibits are included herein:

- (a) Exhibits - Not applicable
- (b) Reports on Form 8-K - The Company did not file any reports on Form 8-K during the three months ended June 30, 2001.

18

19

### 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.

Landair Corporation

Date: August 1, 2001

By: /s/ Andrew J. Mantey

-----  
Andrew J. Mantey  
Chief Financial Officer  
and Senior Vice President



