CELADON GROUP INC
Form 10-K
September 04, 2009

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

FORM 10-K

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

For the fiscal year ended June 30, 2009

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________________ to ______________

Commission file number: 0-23192

CELADON GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of Incorporation or organization)	13-3361050 (I.R.S. Employer Identification Number)
9503 East 33rd Street Indianapolis, IN (Address of principal executive offices)	46235 (Zip Code)

Registrant's telephone number, including area code: (317) 972-7000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock ($0.033 par value)	The NASDAQ Stock Market LLC (Global Select Market)
Series A Junior Participating Preferred Stock Purchase Rights	The NASDAQ Stock Market LLC (Global Select Market)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.	oYes	xNo
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 of Section 15(d) of the Act.	oYes	xNo

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. xYes oNo

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). oYes oNo

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

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

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

On December 31, 2008, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock ($0.033 par value) held by non-affiliates (20,076,814 shares) was approximately $171 million based upon the last reported sale price of the common stock on that date. The exclusion from such amount of the market value of shares of common stock owned by any person shall not be deemed an admission by the registrant that such person is an affiliate of the registrant.

The number of outstanding shares of the registrant's common stock as of the close of business on September 4, 2009 was 22,096,432.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of Form 10-K - Portions of Definitive Proxy Statement for the 2009 Annual Meeting of Stockholders

CELADON GROUP, INC.
FORM 10-K

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PART I

Disclosure Regarding Forward Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Certain statements contained in this Form 10-K and those portions of the 2009 Proxy Statement incorporated by reference may be considered forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and, as such, involve known and unknown risks, uncertainties and other factors which may cause the actual results, events, performance, or achievements of the Company to be materially different from any future results, events, performance, or achievements expressed or implied by such forward-looking statements. Words such as "anticipates," "estimates," "expects," "projects," "intends," "plans," "believes," and words or terms of similar substance used in connection with any discussion of future operating results, financial performance, or business plans identify forward-looking statements. All forward-looking statements reflect our management's present expectation of future events and are subject to a number of important factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. While it is impossible to identify all factors that may cause actual results to differ, the risks and uncertainties that may affect the Company's business, performance, and results of operations include the factors discussed in Item 1A of this report. Subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements in this paragraph and elsewhere in this Form 10-K.

All such forward-looking statements speak only as of the date of this Form 10-K. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

For these statements, we claim the protection of the safe harbor for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934 ("Exchange Act"), as amended.

References to the "Company", "Celadon", "we", "us", "our" and words of similar import refer to Celadon Group, Inc. and its consolidated subsidiaries.

Item 1. Business

Introduction

We are one of North America's fifteen largest truckload carriers as measured by revenue. We generated $490.3 million in operating revenue during our fiscal year ended June 30, 2009. We have grown significantly since our incorporation in 1986 through internal growth and a series of acquisitions since 1995. As a dry van truckload carrier, we generally transport full trailer loads of freight from origin to destination without intermediate stops or handling. Our customer base includes Fortune 500 shippers such as Alcoa, Carrier Corporation, General Electric, International Truck & Engine, John Deere, Kohler Company, Philip Morris, Phillips Lighting, Proctor & Gamble, and Wal-Mart.

In our international operations, we offer time-sensitive transportation in and between the United States and its two largest trading partners, Mexico and Canada. We generated approximately one-half of our revenue in fiscal 2009 from international movements, and we believe our annual border crossings make us the largest provider of international truckload movements in North America. We believe that our strategically located terminals and experience with the language, culture, and border crossing requirements of each North American country provide a competitive advantage in the international trucking marketplace.

We believe our international operations, particularly those involving Mexico, offer an attractive business niche for several reasons. The additional complexity and the need to establish cross-border business partners and to develop a strong organization and an adequate infrastructure in Mexico afford some barriers to competition that are not present in traditional U.S. truckload service. Information regarding our revenue derived from foreign customers and long-lived assets located in foreign countries is set forth in Note 12 to the consolidated financial statements filed as part of this report.

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Our success is partially dependent upon the success of our operations in Mexico and Canada, and we are subject to risks of doing business internationally, including fluctuations in foreign currencies, changes in the economic strength of the countries in which we do business, difficulties in enforcing contractual obligations and intellectual property rights, burdens of complying with a wide variety of international and United States export and import laws, and social, political, and economic instability. Additional risks associated with our foreign operations, including restrictive trade policies and imposition of duties, taxes, or government royalties by foreign governments, are present but largely mitigated by the terms of NAFTA. Information regarding our revenue derived from foreign external customers and long-lived assets located in foreign countries is set forth in Note 12 to the consolidated financial statements filed as part of this report.

In addition to our international business, we offer a broad range of truckload transportation services within the United States, including long-haul, regional, dedicated, less-than-truckload, intermodal, and logistics. With the acquisitions of certain assets of Highway Express, Inc. ("Highway") in August 2003, CX Roberson, Inc. ("Roberson") in January 2005, Erin Truckways Ltd., d/b/a Digby Truck Line, Inc. ("Digby") in October 2006, Warrior Services Inc. d/b/a Warrior Xpress ("Warrior") in February 2007, Air Road Express Inc. ("Air Road") in June 2007, and Continental Express ("Continental") in December 2008, we expanded our operations and service offerings within the United States and significantly improved our lane density, freight mix, and customer diversity.

We also operate TruckersB2B, Inc. ("Truckers B2B"), a profitable marketing business that affords volume purchasing power for items such as fuel, tires, and equipment to approximately 21,000 member trucking fleets representing approximately 488,000 tractors. TruckersB2B represents a separate operating segment under generally accepted accounting principles. Information regarding revenue, profits and losses, and total assets of our transportation and e-commerce (TruckersB2B) operating segments is set forth in Note 12 to the consolidated financial statements filed as part of this report.

Operating and Sales Strategy

We approach our trucking operations as an integrated effort of marketing, customer service, and fleet management. We have identified as priorities: increasing our freight rates; raising our service standards; rebalancing lane flows to enhance asset utilization; and identifying and acquiring suitable acquisition candidates and successfully integrating acquired operations. To accomplish these objectives, we have sought to instill high levels of discipline, cooperation, and trust between our operations and sales departments. As a part of this integrated effort, our operations and sales departments have developed the following strategies, goals, and objectives:

Seeking high yielding freight from targeted industries, customers, regions, and lanes that improves our overall network density and diversifies our customer and freight mix. We believe that by focusing our sales resources on targeted regions and lanes with emphasis on cross-border or international moves and a north - south direction, we can improve our lane density and equipment utilization, increase our average revenue per mile, and control our average cost per mile. Each piece of business has rate and productivity goals that are designed to improve our yield management. We believe that by increasing the business we do with less cyclical shippers and reducing our dependency on the automotive industry, our ability to improve rate per mile increases.

Focusing on asset productivity. Our primary productivity measure is revenue per tractor per week. Within revenue per tractor we examine rates, non-revenue miles, and loaded miles per tractor. We actively analyze customers and freight movements in an effort to enhance the revenue production of our tractors. We also attempt to concentrate our equipment in defined operating lanes to create more predictable movements, reduce non-revenue miles, and shorten turn times between loads.

Operating a modern fleet to reduce maintenance costs and improve safety and driver retention. We believe that updating our tractor fleet has produced several benefits, including lower maintenance expenses, and enhanced safety, driver recruitment, and retention. We have taken an important step towards modernizing our fleet. We shortened the replacement cycle for our tractors from four years to three years. This trade policy has allowed us to recognize significant benefits over the past few years because maintenance and tire expenses increase significantly for tractors beyond the third year of operation, as wear and tear increases and some warranties expire.

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Continuing our emphasis on service, safety, and technology. We offer just-in-time, time-definite, and other premium transportation services to meet the expectations of our service-oriented customers. We believe that targeting premium service freight permits us to obtain higher rates, build long-term, service-based customer relationships, and avoid competition from railroad, intermodal, and trucking companies that compete primarily on the basis of price. We believe our recent safety record has been among the best in our industry. In March 2006, 2005, and 2003, at the Truckload Carriers Association Annual Conference, we were awarded first place in fleet safety among all truckload fleets that log more than 100 million miles per year. In addition, in May 2009 we were awarded the Indiana Motor Truck Associations Local Fleet Safety Award for the fourth time in five years. We have made significant investments in technologies that are intended to reduce costs, afford a competitive advantage with service-sensitive customers, be environmentally friendly, and promote economies of scale. Examples of these technologies are Qualcomm satellite-based tracking and communications systems, our proprietary CelaTrac system that enables customers to track shipments and access other information via the Internet, and document imaging.

Maintaining our leading position in cross-border truckload shipments while offering diversified, nationwide transportation services in the U.S. We believe our strategically located terminals and experience with the languages, cultures, and border crossing requirements of all three North American countries provide us with competitive advantages in the international trucking marketplace. As a result of these advantages, we believe we are the industry leader in cross-border movements between North American countries. These cross-border shipments, which comprised over 45% of our revenue in fiscal 2009, are balanced by a strong and growing business with domestic freight from service-sensitive customers.

Seeking strategic acquisitions to broaden our existing domestic operations. We have made twelve trucking company acquisitions since 1995 and continue to evaluate acquisition candidates. Our current acquisition strategy, as evidenced by our purchases of certain assets of Highway Express in 2003, CX Roberson in 2005, Digby in October 2006, Warrior in February 2007, Air Road in June 2007, and Continental in December 2008, is focused on broadening our domestic operations through the addition of carriers that improve our lane density, customer diversity, and service offerings.

Other Services

TruckersB2B. Our TruckersB2B subsidiary is a profitable marketing business that affords volume purchasing power for items such as fuel, tires, insurance, and other products and services to small and medium-sized trucking companies through its website, www.truckersb2b.com. TruckersB2B provides small and medium-sized trucking company members with the ability to cut costs and thereby compete more effectively and profitably with the larger fleets. TruckersB2B has approximately 21,000 member trucking fleets representing approximately 488,000 tractors. TruckersB2B had $8.5 million in revenue and an operating profit of $1.3 million in fiscal 2009. TruckersB2B continues to introduce complementary products and services to drive its growth and attract new fleets.

Celadon Dedicated Services. Through Celadon Dedicated Services, we provide warehousing and trucking services to three Fortune 500 companies. Our warehouse facilities are located near our customers' manufacturing plants. We also transport the manufacturing component parts to our warehouses and sequence those parts for our customers. We then transport completed units from our customers' plants. In fiscal 2008, we began to offer less-than-truckload services to our customers.

Industry and Competition

The full truckload market is defined by the quantity of goods, generally over 10,000 pounds, shipped by a single customer point-to-point and is divided into several segments by the type of trailer used to transport the goods. These segments include van, temperature-controlled, flatbed, and tank carriers. We participate in the North American van truckload market. The markets within the United States, Canada, and Mexico are fragmented, with thousands of competitors, none of whom dominate the market. We believe that the current economic pressures will continue to force many smaller and private fleets to exit the industry.

Transportation of goods by truck between the United States, Canada, and Mexico is subject to the provisions of NAFTA. Transportation of goods between the United States or Canada and Mexico consists of three components: (i) transportation from the point of origin to the Mexican border, (ii) transportation across the border, and (iii) transportation from the border to the final destination. United States and Canadian based carriers may operate within both countries. United States and Canadian carriers are not allowed to operate within Mexico, and Mexican carriers are not allowed to operate within the United States and Canada, in each case except for a 26-kilometer, or approximately 16 miles, band along either side of the Mexican border. Trailers may cross all borders. We are one of a limited number of trucking companies that participates in all three segments of this cross border market, providing or arranging for door-to-door transport service between points in the United States, Canada, and Mexico.

The truckload industry is highly competitive and fragmented. Although both service and price drive competition in the premium long haul, time sensitive portion of the market, we rely primarily on our high level of service to attract customers. This strategy requires us to focus on market segments that employ just-in-time inventory systems and other premium services. Our competitors for freight include other long-haul truckload carriers and, to a lesser extent, medium-haul truckload carriers and railroads. We also compete with other trucking companies for the services of drivers. Some of the truckload carriers with which we compete have greater financial resources, operate more revenue equipment, and carry a larger total volume of freight than we do.

TruckersB2B is a business-to-business savings program for small and mid-sized fleets. Competitors include other large trucking companies and other business-to-business buying programs.

Customers

We target large service-sensitive customers with time-definite delivery requirements throughout the United States, Canada, and Mexico. Our customers frequently ship in the north-south lanes (i.e., to and from locations in Mexico and locations in the United States and Eastern Canada). The sales personnel in our offices work to source northbound and southbound transport, in addition to other transportation solutions. We currently service approximately 2,300 customers. Our premium service to these customers is enhanced by the ability to provide significant trailer capacity where needed, state-of-the-art technology, well-maintained tractors and trailers, and 24/7 dispatch and reporting services. The principal types of freight transported include tobacco, consumer goods, automotive parts, various home products and fixtures, lawn tractors and assorted equipment, light bulbs, and various parts for engines.

No customer accounted for more than 5% of our total revenue during any of our three most recent fiscal years.

Drivers and Personnel

At June 30, 2009, we employed 3,777 persons, of whom 2,829 were drivers, 209 were truck maintenance personnel, 537 were administrative personnel, and 202 were dedicated services personnel. None of our U.S. or Canadian employees is represented by a union or a collective bargaining unit.

Driver recruitment, retention, and satisfaction are essential components of our success. Historically, competition to recruit and retain drivers has been intense in the trucking industry. In the past, there has been a shortage of qualified drivers in the industry. Although the recessionary economy has eased this competition and minimized the shortage, when the economy rebounds and volumes and pricing return to historical levels, we expect the competition for qualified drivers will intensify. Drivers are selected in accordance with specific guidelines, relating primarily to safety records, driving experience, and personal evaluations, including a physical examination and mandatory drug testing. Our drivers attend an orientation program and ongoing driver efficiency and safety programs. An increase in driver turnover can have a negative impact on our results of operations.

Independent contractors are utilized through a contract with us to supply one or more tractors and drivers for our use. Independent contractors must pay their own tractor expenses, fuel, maintenance, and driver costs and must meet our specified guidelines with respect to safety. A lease-purchase program offered through third party financing sources and an internal lease purchase program provide independent contractors the opportunity to lease-to-own a tractor. As of June 30, 2009, there were 280 independent contractors providing a combined 8.8% of our tractor capacity.

Revenue Equipment

Our equipment strategy is to utilize late-model tractors and high-capacity trailers, actively manage equipment throughout its life cycle, and employ a comprehensive service and maintenance program.

We have determined that the average annual cost of maintenance and tires for tractors in our fleet rises substantially after the first three years due to a combination of greater wear and tear and the expiration of some warranty coverages. We believe these costs rise late in the trade cycle for our trailers as well. We anticipate that we will achieve ongoing savings in maintenance and tire expense by replacing tractors and trailers more often. In addition, we believe operating newer equipment will enhance our driver recruiting and retention efforts. Accordingly, we seek to manage our tractor trade cycle at approximately three years and our trailer trade cycle at approximately seven years.

The average age of our owned and leased tractors and trailers was approximately 1.5 and 5.0 years, respectively, at June 30, 2009. We utilize a comprehensive maintenance program to minimize downtime and control maintenance costs. Centralized purchasing of spare parts and tires, and centralized control of over-the-road repairs are also used to control costs.

Fuel

We purchase the majority of our fuel through a network of over 700 fuel stops throughout the United States and Canada. We have negotiated discounted pricing based on certain volume commitments with these fuel stops. We maintain bulk-fueling facilities in Indianapolis, Laredo, and Kitchener, Ontario to further reduce fuel costs.

Shortages of fuel, increases in prices, or rationing of petroleum products can have a materially adverse effect on our operations and profitability. Fuel is subject to economic, political, climatic, and market factors that are outside of our control. We have historically been able to recover a majority of high fuel prices from customers in the form of fuel surcharges. However, a portion of the fuel expense increase is not recovered due to several factors, including the base fuel price levels, which determine when surcharges are collected, truck idling, empty miles between freight shipments, and out-of-route miles. We cannot predict whether high fuel price levels will occur in the future or the extent to which fuel surcharges will be collected to offset such increases.

Regulation

Our operations are regulated and licensed by various United States federal and state, Canadian provincial, and Mexican federal agencies. Interstate motor carrier operations are subject to safety requirements prescribed by the United States Department of Transportation ("DOT"). Such matters as weight and equipment dimensions are also subject to United States federal and state regulation and Canadian provincial regulations. We operate in the United States throughout the 48 contiguous states pursuant to operating authority granted by the Federal Highway Administration, in various Canadian provinces pursuant to operating authority granted by the Ministries of Transportation and Communications in such provinces, and within Mexico pursuant to operating authority granted by Secretaria de Communiciones y Transportes. To the extent that we conduct operations outside the United States, we are subject to the Foreign Corrupt Practices Act, which generally prohibits United States companies and their intermediaries from bribing foreign officials for the purpose of obtaining or retaining favorable treatment.

New rules that limit driver hours-of-service were adopted by the DOT, through the Federal Motor Carrier Safety Administration ("FMCSA"), effective January 4, 2004, and then modified effective October 1, 2005 (the "2005 Rules"). On July 24, 2007, a federal appeals court vacated portions of the 2005 Rules. Two of the key portions vacated by the court include the expansion of the driving day from 10 hours to 11 hours, and the "34 hour restart" requirement that drivers must have a break of at least 34 consecutive hours during each week. The court indicated that, in addition to other reasons, it vacated these two portions of the 2005 Rules because FMCSA failed to provide adequate data supporting its decision to increase the driving day and provide for the 34-hour restart. In November 2008, following the submission of additional data by FMCSA and several appeals and court rulings, FMSCA published its final rule, retaining the 11 hour driving day and the 34-hour restart. However, certain advocacy groups continue to challenge the final rule, and we are unable to predict how a court might rule on these challenges. If the court did strike down this rule, it could cause significant cost increases, due to loss of efficiency, driver reeducation, computer programming changes, and additional driver and equipment needs.

Our operations are subject to various federal, state, and local environmental laws and regulations, implemented principally by the Environmental Protection Agency ("EPA") and similar state regulatory agencies, governing the management of hazardous wastes, other discharge of pollutants into the air and surface and underground waters, and the disposal of certain substances. We do not believe that compliance with these regulations has a material effect on our capital expenditures, earnings, and competitive position.

In addition, the engines used in our newer tractors are subject to emissions control regulations issued by the EPA. The regulations require progressive reductions in exhaust emissions from diesel engines for 2007 through 2010. Compliance with such regulations has increased the cost of our new tractors and could impair equipment productivity, lower fuel mileage, and increase our operating expenses. These adverse effects combined with the uncertainty as to the reliability of the vehicles equipped with the newly designed diesel engines and the residual values realized from the disposition of these vehicles could increase our costs or otherwise adversely affect our business or operations. Some manufacturers have significantly increased new equipment prices, in part to meet new engine design requirements.

Cargo Liability, Insurance, and Legal Proceedings

We are a party to routine litigation incidental to our business, primarily involving claims for bodily injury or property damage incurred in the transportation of freight. We are responsible for the safe delivery of cargo. We have increased the self-insured retention portion of our insurance coverage for most claims significantly over the past several years. Effective July 1, 2008, we renewed our auto liability policy for two years, self-insuring for personal injury and property damage claims for amounts up to $1.5 million per occurrence. Management believes our uninsured exposure is reasonable for the transportation industry, based on previous history.

We are also responsible for administrative expenses, for each occurrence involving personal injury or property damage. We are also self-insured for the full amount of all our physical damage losses, for workers' compensation losses up to $1.5 million per claim, and for cargo claims up to $100,000 per shipment, except for a few transportation contracts in which a higher retention may apply. Subject to these self-insured retention amounts, our current workers' compensation policy provides coverage up to a maximum per claim amount of $10.0 million, and our current cargo loss and damage coverage provides coverage up to $1.0 million per shipment. We maintain separate insurance in Mexico consisting of bodily injury and property damage coverage with acceptable deductibles. Management believes our uninsured exposure is reasonable for the transportation industry, based on previous history.

There are various claims, lawsuits, and pending actions against us and our subsidiaries that arise in the normal course of business. We believe many of these proceedings are covered in whole or in part by insurance and that none of these matters will have a materially adverse effect on our consolidated financial position or results of operations in any given period.

Seasonality

In the trucking industry, revenue generally decreases as customers reduce shipments during the winter holiday season and as inclement weather impedes operations. At the same time, operating expenses generally increase, with fuel efficiency declining because of engine idling and weather, creating more equipment repairs. For the reasons stated, third quarter net income historically has been lower than net income in each of the other three quarters of the year excluding charges. Our equipment utilization typically improves substantially between May and October of each year because of seasonal increased shipping and better weather. Also, during September and October, business generally increases as a result of increased retail merchandise shipped in anticipation of the holidays.

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Internet Website

We maintain an Internet website where additional information concerning our business can be found. The address of that website is www.celadontrucking.com. All of our reports filed with or furnished to the Securities and Exchange Commission ("SEC") pursuant to Section 13(a) or 15(d) of the Exchange Act, including our annual report on Form 10-K, quarterly reports on Form 10-Q, or current reports on Form 8-K, and amendments thereto are made available free of charge on or through our Internet website as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC. Information contained on our website is not incorporated into this Annual Report on Form 10-K, and you should not consider information contained on our website to be part of this report.

Item 1A. Risk Factors

Our future results may be affected by a number of factors over which we have little or no control. The following issues, uncertainties, and risks, among others, should be considered in evaluating our business and growth outlook.

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

Our business is dependent on a number of factors that may have a materially adverse effect on our results of operations, many of which are beyond our control. Some of the most significant of these factors include excess tractor and trailer capacity in the trucking industry, declines in the resale value of used equipment, strikes or work stoppages, or work slow downs at our facilities or at customer, port, border crossing, or other shipping related facilities, increases in interest rates, fuel taxes, tolls, and license and registration fees, rising costs of healthcare, and fluctuations in foreign exchange rates.

We are also affected by recessionary economic cycles, changes in customers' inventory levels, and downturns in customers' business cycles, particularly in market segments and industries, such as retail and manufacturing, where we have a significant concentration of customers, and regions of the country, such as Texas and the Midwest, where we have a significant amount of business. Economic conditions may adversely affect our customers and their ability to pay for our services. Customers encountering adverse economic conditions represent a greater potential for loss and we may be required to increase our allowance for doubtful accounts. These economic conditions may adversely affect our ability to execute our strategic plan.

In addition, we cannot predict the effects on the economy or consumer confidence of actual or threatened armed conflicts or terrorist attacks, efforts to combat terrorism, military action against a foreign state or group located in a foreign state, or heightened security requirements. Enhanced security measures could impair our operating efficiency and productivity and result in higher operating costs.

Ongoing insurance and claims expenses could significantly affect our earnings.

We self-insure for a significant portion of our claims exposure, which could significantly increase the volatility of, and decrease the amount of, our earnings. Our future insurance and claims expenses may exceed historical levels, which could reduce our earnings. We currently accrue amounts for liabilities based on our assessment of claims that arise and our insurance coverage for the periods in which the claims arise and we evaluate and revise these accruals from time-to-time based on additional information. We do not currently maintain directors and officers' insurance coverage, although we are obligated to indemnify them against certain liabilities they may incur while serving in such capacities. Because of our significant self-insured amounts, we have significant exposure to fluctuations in the number and severity of claims and the risk of being required to accrue or pay additional amounts if our estimates are revised or the claims ultimately prove to be more severe than originally assessed.

We maintain insurance above the amounts for which we self-insure with licensed insurance carriers. If any claim were to exceed our coverage, we would bear the excess, in addition to our other self-insured amounts. Our insurance and claims expense could increase when our current coverage expires or we could raise our self-insured retention. Although we believe our aggregate insurance limits are sufficient to cover reasonably expected claims, it is possible that one or more claims could exceed those limits. If insurance carriers raise our premiums, our insurance and claims expense could increase, or we could find it necessary to again raise our self-insured retention or decrease our aggregate coverage limits when our policies are renewed or replaced. Our operating results and financial condition could be materially and adversely affected if these expenses increase, if we experience a claim in excess of our coverage limits, or if we experience a claim for which we do not have coverage.

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Ongoing insurance requirements could constrain our borrowing capacity. At June 30, 2009, our revolving line of credit was amended to provide a maximum borrowing limit of $40.0 million, outstanding borrowings of $5.5 million, and outstanding letters of credit of $4.2 million. Our borrowings may increase if we do acquisitions or finance more of our equipment under our revolving line of credit. Outstanding letters of credit with certain financial institutions reduce the available borrowings under our revolving line of credit, which could negatively affect our liquidity should we need to increase our borrowings in the future. In addition, ongoing insurance requirements could constrain our borrowing capacity.

We operate in a highly competitive and fragmented industry and our business may suffer if we are unable to adequately address downward pricing pressures and other results of competition.

Numerous competitive factors could impair our ability to maintain or improve our current profitability. These factors include the following:

We compete with many other truckload carriers of varying sizes and, to a lesser extent, with less-than-truckload carriers, railroads, and other transportation companies, many of which have more equipment and greater capital resources than we do.

Many of our competitors periodically reduce their freight rates to gain business, especially during times of reduced growth rates in the economy, which may limit our ability to maintain or increase freight rates or maintain significant growth in our business.

Many customers reduce the number of carriers they use by selecting so-called "core carriers" as approved service providers, and in some instances we may not be selected.

Many customers periodically accept bids from multiple carriers for their shipping needs, and this process may depress freight rates or result in the loss of some business to competitors.

The trend toward consolidation in the trucking industry may create other large carriers with greater financial resources and other competitive advantages relating to their size.

Advances in technology require increased investments to remain competitive, and our customers may not be willing to accept higher freight rates to cover the cost of these investments.

Competition from non-asset-based logistics and freight brokerage companies may adversely affect our customer relationships and freight rates.

Economies of scale that may be passed on to smaller carriers by procurement aggregation providers may improve their ability to compete with us.

We derive a significant portion of our revenue from our major customers, the loss of one or more of which could have a materially adverse effect on our business.

A significant portion of our revenue is generated from our major customers. For 2009, our top 25 customers, based on revenue, accounted for approximately 37% of our revenue, and our top 10 customers, approximately 23% of our revenue. We do not expect these percentages to change materially for 2010. Generally, we do not have long term contractual relationships with our major customers, and we cannot assure you that our customers will continue to use our services or that they will continue at the same levels. A reduction in or termination of our services by one or more of our major customers could have a materially adverse effect on our business and operating results.

Increases in driver compensation or difficulty in attracting and retaining drivers could affect our profitability and ability to grow.

The trucking industry experiences substantial difficulty in attracting and retaining qualified drivers, including independent contractors. In the past, because of the shortage of qualified drivers, the availability of alternative jobs, and intense competition for drivers from other trucking companies, we have faced difficulty increasing the number of our drivers, including independent contractor drivers, and may continue to in the future. The compensation we offer our drivers and independent contractors is subject to market conditions, and we may find it necessary to increase driver and independent contractor compensation in future periods. In addition, the Company suffers from a high turnover rate of drivers; although our turnover rate is lower than the industry average. A high turnover rate requires us to continually recruit a substantial number of drivers in order to operate existing revenue equipment. If we are unable to continue to attract and retain a sufficient number of drivers and independent contractors, we could be required to adjust our compensation packages, let trucks sit idle, or operate with fewer trucks and face difficulty meeting shipper demands, all of which would adversely affect our growth and profitability.

Our revenue growth may not continue at historical rates, which could adversely affect our stock price.

We experienced significant growth in revenue between 2002 and 2008. In light of the weakened economy and freight environment, our revenue for 2009 was less than the previous year. We have taken strategic steps to offset portions of these revenue reductions by reducing costs through downsizing our administrative personnel staff and concentrating on increased fuel efficiency. We can provide no assurance that our operating margins will not be further adversely affected by these changes in economic conditions. Slower or less profitable growth could adversely affect our stock price.

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

Our operations are regulated and licensed by various U.S., Canadian, and Mexican agencies. Our company drivers and independent contractors also must comply with the safety and fitness regulations of the United States DOT, including those relating to drug and alcohol testing and hours-of-service. Such matters as weight and equipment dimensions are also subject to U.S. and Canadian regulations. We also may become subject to new or more restrictive regulations relating to fuel emissions, drivers' hours-of-service, ergonomics, or other matters affecting safety or operating methods. Other agencies, such as the EPA and the Department of Homeland Security also regulate our equipment, operations, and drivers. Future laws and regulations may be more stringent and require changes in our operating practices, influence the demand for transportation services, or require us to incur significant additional costs. Higher costs incurred by us or by our suppliers who pass the costs onto us through higher prices could adversely affect our results of operations.

The DOT, through the FMCSA, imposes safety and fitness regulations on us and our drivers. On July 24, 2007, a federal appeals court vacated portions of the existing rules relating to drivers' hours of service. Two of the key portions that were vacated include the expansion of the driving day from 10 hours to 11 hours, and the "34 hour restart" requirement that drivers must have a break of at least 34 consecutive hours during each week. In November 2008, following the submission of additional data by FMCSA and several appeals and court rulings, FMSCA published its final rule, retaining the 11 hour driving day and the 34-hour restart. However, certain advocacy groups continue to challenge the final rule, and we are unable to predict how a court might rule on these challenges. If the court did strike down this rule, it could cause significant cost increases, due to loss of efficiency, driver reeducation, computer programming changes, and additional driver and equipment needs.

The Transportation Security Administration ("TSA") has adopted regulations that require the TSA to determine that each driver who renews his or her Hazmat license or applies for a new Hazmat license is not a security threat. This could reduce our available pool of Hazmat drivers, and cause us to incur more costs related to driver compensation. We may experience difficulty in matching available drivers and equipment with Hazmat shipments, which could cause delivery failures or increased non-revenue miles to re-position drivers for these loads.

Federal, state, and municipal authorities have implemented and continue to implement various security measures, including checkpoints and travel restrictions on large trucks. These regulations also could complicate the matching of available equipment with hazardous material shipments, thereby increasing our response time on customer orders and our non-revenue miles. As a result, it is possible we may fail to meet the needs of our customers or may incur increased expenses to do so. These security measures could negatively impact our operating results.

Some states and municipalities have begun to restrict the locations and amount of time where diesel-powered tractors, such as ours, may idle, in order to reduce exhaust emissions. These restrictions could force us to alter our drivers' behavior, purchase on-board power units that do not require the engine to idle, or face a decrease in productivity.

We have significant ongoing capital requirements that could affect our profitability if we are unable to generate sufficient cash from operations and obtain financing on favorable terms.

The truckload industry is capital intensive, and our policy of operating newer equipment requires us to expend significant amounts annually. If we elect to expand our fleet in future periods, our capital needs would increase. We expect to pay for projected capital expenditures with operating leases of revenue equipment, cash flows from operations, and borrowings under our line of credit. If we are unable to generate sufficient cash from operations and obtain financing on favorable terms in the future, we may have to limit our growth, enter into less favorable financing arrangements, or operate our revenue equipment for longer periods, any of which could have a materially adverse effect on our profitability.

We currently have significant lease residual value guarantees, substantially all of which are not covered by trade-in or fixed residual agreements with the equipment suppliers. We are exposed to decreases in the resale value of our used equipment and we have increased exposure to issues on the significant percentage of our fleet not covered by manufacturer commitments which could have a materially adverse effect on our results of operations.

Fluctuations in the price or availability of fuel, as well as hedging activities, surcharge collection, and the volume and terms of diesel fuel purchase commitments may increase our cost of operation, which could materially and adversely affect our profitability.

Fuel is one of our largest operating expenses. Diesel fuel prices fluctuate greatly due to economic, political, climatic, and other factors beyond our control. Fuel is also subject to regional pricing differences and often costs more on the West Coast, where we have significant operations. From time-to-time we have used fuel surcharges, hedging contracts, and volume purchase arrangements to attempt to limit the effect of price fluctuations. Although we seek to recover a portion of the short-term increases in fuel prices from customers through fuel surcharges, these arrangements do not fully offset the increase in the cost of diesel fuel and also may result in us not receiving the full benefit of any fuel price decreases. We currently do not have any fuel hedging contracts in place. If we do hedge, we may be forced to make cash payments under the hedging arrangements. Based on current market conditions we have decided to limit our hedging and purchase commitments, but we continue to evaluate such measures. The absence of meaningful fuel price protection through these measures, fluctuations in fuel prices, or a shortage of diesel fuel, could materially and adversely affect our results of operations.

We may not make acquisitions in the future, or if we do, we may not be successful in our acquisition strategy.

We have made twelve acquisitions since 1995. Accordingly, acquisitions have provided a substantial portion of our growth. There is no assurance that we will be successful in identifying, negotiating, or consummating any future acquisitions. If we fail to make any future acquisitions, our growth rate could be materially and adversely affected.

Any acquisitions we undertake could involve the dilutive issuance of equity securities and/or incurring indebtedness. In addition, acquisitions involve numerous risks, including difficulties in assimilating the acquired company's operations, the diversion of our management's attention from other business concerns, risks of entering into markets in which we have had no or only limited direct experience, and the potential loss of customers, key employees, and drivers of the acquired company, any of which could have a materially adverse effect on our business and operating results. If we make acquisitions in the future, we cannot assure you that we will be able to successfully integrate the acquired companies or assets into our business.

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If we cannot effectively manage the challenges associated with doing business internationally, our revenues and profitability may suffer.

Our success is dependent upon the success of our operations in Mexico and Canada, and we are subject to risks of doing business internationally, including fluctuations in foreign currencies, changes in the economic strength of the countries in which we do business, difficulties in enforcing contractual obligations and intellectual property rights, burdens of complying with a wide variety of international and United States export and import laws, and social, political, and economic instability. Additional risks associated with our foreign operations, including restrictive trade policies and imposition of duties, taxes, or government royalties by foreign governments, are present but largely mitigated by the terms of NAFTA.

Increased prices, reduced productivity, and restricted availability of new revenue equipment may adversely affect our earnings and cash flows.

We have experienced higher prices for new tractors over the past few years, partially as a result of government regulations applicable to newly manufactured tractors and diesel engines, in addition to higher commodity prices and better pricing power among equipment manufacturers. More restrictive EPA emissions standards that went into effect in 2007 and emission standards that will take effect in 2010 are more stringent than prior standards and will require vendors to introduce new engines. Our business could be harmed if we are unable to continue to obtain an adequate supply of new tractors and trailers for these or other reasons. As a result, we expect to continue to pay increased prices for equipment and incur additional expenses and related financing costs for the foreseeable future. Furthermore, the new engines are expected to reduce equipment efficiency and lower fuel mileage and, therefore, increase our operating expenses.

Our operations are subject to various environmental laws and regulations, the violation of which could result in substantial fines or penalties.

In addition to direct regulation by the DOT and other agencies, we are subject to various environmental laws and regulations dealing with the hauling and handling of hazardous materials, fuel storage tanks, air emissions from our vehicles and facilities, and discharge and retention of storm water. We operate in industrial areas, where truck terminals and other industrial activities are located, and where groundwater or other forms of environmental contamination have occurred. Our operations involve the risks of fuel spillage or seepage, environmental damage, and hazardous waste disposal, among others. We also maintain underground bulk fuel storage tanks and fueling islands at two of our facilities. A small percentage of our freight consists of low-grade hazardous substances, which subjects us to a wide array of regulations. If we are involved in a spill or other accident involving hazardous substances, if there are releases of hazardous substances we transport, or if we are found to be in violation of applicable laws or regulations, we could be subject to liabilities that could have a materially adverse effect on our business and operating results. If we should fail to comply with applicable environmental regulations, we could be subject to substantial fines or penalties and to civil and criminal liability.

If we are unable to retain our key employees, our business, financial condition, and results of operations could be adversely affected.

We are highly dependent upon the services of certain key employees, including, but not limited to: Stephen Russell, our Chairman of the Board and Chief Executive Officer; Chris Hines, our President and Chief Operating Officer; Jonathan Russell, Executive Vice President Logistics and President of Truckers B2B; and Paul Will, our Vice Chairman of the Board, Executive Vice President, and Chief Financial Officer. Although we have an employment agreement with Mr. Stephen Russell and a separation agreement with Mr. Will, the loss of either of their services or the services of Messrs. Hines or Jonathan Russell could negatively impact our operations and future profitability.

Seasonality and the impact of weather affect our operations and profitability.

Our tractor productivity decreases during the winter season because inclement weather impedes operations, and some shippers reduce their shipments after the winter holiday season. Revenue can also be affected by bad weather and holidays, since revenue is directly related to available working days of shippers. At the same time, operating expenses increase, with fuel efficiency declining because of engine idling and harsh weather creating higher accident frequency, increased claims, and more equipment repairs. We could also suffer short-term impacts from weather-related events such as hurricanes, blizzards, ice storms, and floods that could harm our results or make our results more volatile. Weather and other seasonal events could adversely affect our operating results.

Our Board of Directors authorized the repurchase of shares of our common stock under a stock repurchase program. The number of shares repurchased and the effects of repurchasing the shares may have an adverse effect on debt, equity, and liquidity of the Company.

On October 24, 2007, the Company's Board of Directors authorized a stock repurchase program pursuant to which the Company purchased 2,000,000 shares of the Company's common stock. On December 5, 2007, the Company announced that it had purchased all of the shares of the Company's common stock previously authorized and that the Company's Board of Directors authorized an additional stock repurchase program pursuant to which the Company may purchase up to 2,000,000 additional shares of the Company's common stock through December 3, 2008. None of these additional shares were purchased and no additional repurchase programs have been authorized.

Our business is subject to certain credit factors affecting the trucking industry that are largely out of our control and that could have a material adverse effect on our operating results.

Recently, there has been widespread concern over the instability of the credit markets and the current credit market effects on the economy. If the economy and credit markets continue to weaken, our business, financial results, and results of operations could be materially and adversely affected, especially if consumer confidence declines and domestic spending decreases. Additionally, the stresses in the credit market have caused uncertainty in the equity markets, which may result in volatility of the market price for our securities.

If the credit markets continue to erode, we also may not be able to access our current sources of credit and our lenders may not have the capital to fund those sources. We may need to incur additional indebtedness or issue debt or equity securities in the future to refinance existing debt, fund working capital requirements, make investments, or for general corporate purposes. As a result of contractions in the credit market, as well as other economic trends in the credit market industry, we may not be able to secure financing for future activities on satisfactory terms, or at all. If we are not successful in obtaining sufficient financing because we are unable to access the capital markets on financially economical or feasible terms, it could impact our ability to provide services to our customers and may materially and adversely affect our business, financial results, results of operations, and potential investments.

Our primary credit agreement contains certain covenants, restrictions, and requirements, and we may be unable to comply with the covenants, restrictions, and requirements. A default could result in the acceleration of all or part of our outstanding indebtedness, which could have an adverse effect on our financial condition, liquidity, results of operations, and the price of our common stock.

We have financing arrangements that contain certain restrictions and covenants relating to, among other things, dividends, liens, acquisitions and dispositions outside of the ordinary course of business, affiliate transactions, and financial covenants. If we fail to comply with any of our financing arrangement covenants, restrictions, and requirements, we will be in default under the relevant agreement, which could cause acceleration. The current credit market crisis may make it difficult or expensive to refinance accelerated debt or we may have to issue equity securities, which would dilute stock ownership. Even if new financing is made available to us, the current lack of available credit and consequent more stringent borrowing terms may mean that credit is not available to us on acceptable terms. A default under our financing arrangements could cause a materially adverse effect on our liquidity, financial condition, and results of operations. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Primary Credit Agreement" for additional information on our primary credit agreement.

Restrictions on travel to and from Mexico due to health epidemics could significantly disrupt our operations and may materially and adversely affect our ability to provide services to our customers and results.

A significant amount of our business involves freight moving to or from Mexico. Our business could be materially and adversely affected by restrictions on travel to and from Mexico due to a health epidemic or outbreak such as the swine flu. Any restrictions on travel to and from Mexico due to the swine flu or another epidemic or outbreak in Mexico may significantly disrupt our operations and decrease our ability to provide services to our customers. Additionally, any such epidemic or outbreak may have a materially adverse effect on demand for freight into and out of Mexico, which could severely disrupt our business operations and adversely affect our financial condition and results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We operate a network of 17 terminal locations, including facilities in Laredo and El Paso, Texas, which are the two largest inland freight gateway cities between the U.S. and Mexico. Our operating terminals currently are located in the following cities:

United States	Mexico	Canada
Baltimore, MD (Leased)	Guadalajara (Leased)	Kitchener, ON (Leased)
Dallas, TX (Owned)	Mexico City (Leased)	
El Paso, TX (Owned)	Monterrey (Leased)	
Greensboro, NC (Leased)	Nuevo Laredo (Owned)	
Hampton, VA (Leased)	Puebla (Leased)	
Indianapolis, IN (Leased)	Silao (Leased)	
Laredo, TX (Owned and Leased)		
Richmond, VA (Leased)		
Nashville, TN (Leased)		
Little Rock, AR (Leased)		

Our executive and administrative offices occupy four buildings located on 40 acres of property in Indianapolis, Indiana. The Indianapolis, Laredo, and Kitchener terminals include administrative functions, lounge facilities for drivers, parking, fuel, maintenance, and truck washing facilities. A portion of the Indianapolis facility is used for the operations of Truckers B2B. All of our other owned and leased facilities are utilized exclusively by our transportation segment.

Item 3. Legal Proceedings

See discussion under "Cargo Liability, Insurance, and Legal Proceedings" in Item 1, and Note 9 to the consolidated financial statements, "Commitments and Contingencies."

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

No matters were submitted for a vote of security holders, through the solicitation of proxies or otherwise, during the quarter ended June 30, 2009.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Price Range of Common Stock

Our common stock is listed on the NASDAQ Global Select Market under the symbol "CLDN." The following table sets forth, for the periods indicated, the high and low sales price per share of our common stock as reported by NASDAQ.

Fiscal 2008	High	Low
Quarter ended September 30, 2007	$ 18.22	$ 11.77
Quarter ended December 31, 2007	$ 11.45	$ 6.50
Quarter ended March 31, 2008	$ 11.61	$ 7.13
Quarter ended June 30, 2008	$ 11.68	$ 9.15
Fiscal 2009		
Quarter ended September 30, 2008	$ 15.25	$ 9.25
Quarter ended December 31, 2008	$ 11.77	$ 4.85
Quarter ended March 31, 2009	$ 9.58	$ 4.40
Quarter ended June 30, 2009	$ 9.64	$ 5.14

On August 13, 2009, there were 369 holders of our common stock based upon the number of record holders on that date. However, we estimate our actual number of stockholders is much higher because a substantial number of our shares are held of record by brokers or dealers for their customers in street names.

Dividend Policy

We have never paid a cash dividend on our common stock, and we do not expect to make or declare any cash dividends in the foreseeable future. We currently intend to continue to retain earnings to finance the growth of our business and reduce our indebtedness. Our ability to pay cash dividends is currently prohibited by restrictions contained in our revolving credit facility. Future payments of cash dividends will depend on our financial condition, results of operations, capital commitments, restrictions under our then-existing debt agreements, and other factors our Board of Directors may consider relevant.

Stock Repurchase Programs

On October 24, 2007, the Company's Board of Directors authorized a stock repurchase program pursuant to which the Company purchased 2,000,000 shares of the Company's common stock. On December 5, 2007, the Company announced that it had purchased all of the shares of the Company's common stock previously authorized.

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Item 6. Selected Financial Data

The statements of operations data and balance sheet data presented below have been derived from our consolidated financial statements and related notes thereto. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes thereto.

	2009	2008	2007	2006	2005
	(in thousands, except per share data and operating data)				
Statements of Operations Data:					
Freight revenue(1)	$ 408,156	$ 457,482	$ 433,012	$ 414,465	$ 399,656
Fuel surcharge revenue	82,182	108,413	69,680	65,729	37,107
Total revenue	490,338	565,895	502,692	480,194	436,763
Operating expense	479,448	547,097	462,592	445,966	413,355
Operating income	10,890	18,798	40,100	34,228	23,408
Interest expense, net	3,554	4,922	3,511	780	1,418
Other expense (income)	(227)	193	109	34	13
Income before income taxes	7,563	13,683	36,480	33,414	21,977
Provision for income taxes	5,007	7,147	14,228	12,866	9,397
Net income (loss)	$ 2,556	$ 6,536	$ 22,252	$ 20,548	$ 12,580
Diluted earnings (loss) per share(2)	$ 0.12	$ 0.29	$ 0.94	$ 0.88	$ 0.55
Weighted average diluted shares outstanding(2)	22,134	22,617	23,698	23,386	23,013
Balance Sheet Data (at end of period):					
Net property and equipment	$ 167,142	$ 206,199	$ 207,499	$ 91,267	$ 57,545
Total assets	270,999	329,335	306,913	190,066	160,508
Long-term debt, revolving lines of credit, and capital lease obligations, including current maturities	48,983	102,506	94,642	12,023	7,344
Stockholders' equity	143,667	143,852	147,320	121,427	98,491
Operating Data:					
For period(3):					
Average revenue per loaded mile(4)	$ 1.464	$ 1.503	$ 1.534	$ 1.491	$ 1.424
Average revenue per total mile(4)	$ 1.307	$ 1.348	$ 1.380	$ 1.367	$ 1.316
Average revenue per tractor per week(4)	$ 2,360	$ 2,717	$ 2,790	$ 2,948	$ 2,841
Average length of haul	907	935	960	1,004	995
At end of period:					
Total tractors(5)	3,168	2,929	3,016	2,732	2,570
Average age of company tractors (in years)	1.5	1.8	1.6	2.0	1.9
Total trailers(5)	10,015	9,052	7,843	7,630	7,468

Average age of company trailers (in years)	5.0	4.1	3.8	3.5	3.6

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(1) Freight revenue is total revenue less fuel surcharges.
(2) Earnings per share amounts and weighted average number of shares outstanding have been adjusted to give retroactive effect to two three-for-two stock splits effected in the form of a 50% stock dividend paid on February 15, 2006 and June 15, 2006.
(3) Unless otherwise indicated, operating data and statistics presented in this table and elsewhere in this report are for our truckload revenue and operations and exclude revenue and operations of TruckersB2B, our Mexican subsidiary, Servicio de Transportation Jaguar, S.A. de C.V. ("Jaguar"), and our less-than-truckload, local trucking or "shuttle", brokerage, and logistics.
(4) Excludes fuel surcharges.
(5) Total fleet, including equipment operated by Jaguar.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Recent Results and Fiscal Year-End Financial Condition

For the fiscal year ended June 30, 2009, total revenue decreased 13.4%, to $490.3 million from $565.9 million during fiscal 2008. Freight revenue, which excludes revenue from fuel surcharges, decreased 10.8%, to $408.2 million in fiscal 2009 from $457.5 million in 2008. We generated net income of $2.6 million, or $0.12 per diluted share, for fiscal 2009 compared with net income of $6.5 million, or $0.29 per diluted share, for 2008.

We believe that a weakened freight market and increased industry-wide trucking capacity in fiscal 2009 compared to fiscal 2008 were the major factors that contributed to our decrease in net income. Decreased freight demand due to a slower economy caused a decrease in truck utilization measured by miles per tractor. In addition, shippers used the less robust freight market to reduce freight rates. As a result, average freight revenue per loaded mile excluding fuel surcharge for 2009 decreased $0.039 per mile to $1.464, a 2.6% decrease compared with $1.503 per mile for 2008. Average freight revenue per tractor per week, our main measure of asset productivity, decreased by 13.1% to $2,360 in 2009 compared with $2,717 for 2008. This decrease was due to lower general freight demand and an increase in non-revenue miles, partially offset by an increase in fleet size to 3,168 tractors at June 30, 2009 from 2,929 tractors at June 30, 2008, which was primarily driven by the Continental acquisition. As the freight market weakened and we ran more empty miles to get to our next load and position equipment for sale, our non-revenue miles increased. Our operating ratio, excluding the effect of fuel surcharge, increased to 97.3% for 2009 compared with 95.9% for 2008.

At June 30, 2009, our total balance sheet debt was $49.0 million and our total stockholders' equity was $143.7 million, for a total debt to capitalization ratio of 25.4%. At June 30, 2009, we had $30.3 million of available borrowing capacity under our revolving credit facility and $0.9 million of cash on hand.

Revenue

We generate substantially all of our revenue by transporting freight for our customers. Generally, we are paid by the mile or by the load for our services. We also derive revenue from fuel surcharges, loading and unloading activities, equipment detention, other trucking related services, and from TruckersB2B. The main factors that affect our revenue are the revenue per mile we receive from our customers, the percentage of miles for which we are compensated, the number of tractors operating, and the number of miles we generate with our equipment. These factors relate to, among other things, the U.S. economy, inventory levels, the level of truck capacity in our markets, specific customer demand, the percentage of team-driven tractors in our fleet, driver availability, and our average length of haul.

We eliminate fuel surcharges from revenue, when calculating operating ratios and some of our operating data. We believe that eliminating the impact of this sometimes volatile source of revenue affords a more consistent basis for comparing our results of operations from period to period.

Expenses and Profitability

The main factors that impact our profitability on the expense side are the variable costs of transporting freight for our customers. These costs include fuel expense, driver-related expenses, such as wages, benefits, training, and recruitment, and independent contractor costs, which we record as purchased transportation. Expenses that have both fixed and variable components include maintenance and tire expense and our total cost of insurance and claims. These expenses generally vary with the miles we travel, but also have a controllable component based on safety, fleet age, efficiency, and other factors. Our main fixed cost is the acquisition and financing of long-term assets, primarily revenue equipment. We have other mostly fixed costs, such as our non-driver personnel and facilities expenses. In discussing our expenses as a percentage of revenue, we sometimes discuss changes as a percentage of revenue before fuel surcharges, in addition to absolute dollar changes, because we believe the high variable cost nature of our business makes a comparison of changes in expenses as a percentage of revenue more meaningful at times than absolute dollar changes.

The trucking industry has experienced significant increases in expenses over the past three years, in particular those relating to equipment costs, driver compensation, insurance, and fuel. As the United States economy has slowed down, many trucking companies have been forced to lower freight rates to keep their trucks moving. Over the long term, we expect a limited pool of qualified drivers and intense competition to recruit and retain those drivers to constrain overall industry capacity. Assuming a return to economic growth in U.S. manufacturing, retail, and other high volume shipping industries, we expect to be able to raise freight rates in line with or faster than costs. Over the near term this may prove challenging in the current freight environment.

Revenue Equipment

We operate 3,168 tractors and 10,015 trailers. Of our tractors at June 30, 2009, 1,145 were owned, 1,743 were acquired under operating leases, and 280 were provided by independent contractors, who own and drive their own tractors. Of our trailers at June 30, 2009, 2,962 were owned and 7,053 were acquired under operating and capital leases.

We use a combination of cash and operating leases to acquire our new tractors. Most of our new trailers are acquired with operating leases. These leases generally run for a period of seven years for trailers. When we finance revenue equipment acquisitions with operating leases, rather than borrowings or capital leases, the interest component of our financing activities is recorded as an "above-the-line" operating expense on our statements of operations.

Independent contractors (owner operators) provide a tractor and a driver and are responsible for all operating expenses in exchange for a fixed payment per mile. We do not have the capital outlay of purchasing the tractors. The payments to independent contractors are recorded in purchased transportation and the payments for equipment under operating leases are recorded in revenue equipment rentals. Expenses associated with owned equipment, such as interest and depreciation, are not incurred, and for independent contractor tractors, driver compensation, fuel, and other expenses are not incurred. Because obtaining equipment from independent contractors and through operating leases effectively shifts these expenses from interest to "above the line" operating expenses, we evaluate our efficiency using our operating ratio as well as income before income taxes.

Outlook

Looking forward, our profitability goal is to return our operating ratio to the mid 90s in the near term and subsequently achieve an operating ratio of less than 90%. We expect this to require improvements in rate per mile and miles per tractor and decreased non-revenue miles. Because a large percentage of our costs are variable, changes in revenue per mile affect our profitability to a greater extent than changes in miles per tractor. For fiscal 2010, the key factors that we expect to have the greatest effect on our profitability are our freight revenue per tractor per week (which will be affected by the general freight environment, including the balance of freight demand and industry-wide trucking capacity), our compensation of drivers, our cost of revenue equipment (particularly in light of the 2010 EPA engine requirements), our fuel costs, and our insurance and claims. To overcome cost increases and improve our margins, we will need to achieve increases in freight revenue per tractor. Operationally, we will seek improvements in safety, driver recruiting, and retention. Our success in these areas primarily will affect revenue, driver-related expenses, and insurance and claims expense. Given the difficult freight market confronting our industry and the difficult economy, we believe achieving our near term profitability goal will be difficult.

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Results of Operations

The following tables set forth the percentage relationship of revenue and expense items to operating and freight revenue for the periods indicated.

	Fiscal year ended June 30,					
	2009		2008		2007	
Operating revenue	100.0	%	100.0	%	100.0	%
Operating expenses:						
Salaries, wages, and employee benefits	31.7		28.2		28.8	
Fuel	25.7		28.8		23.1	
Operations and maintenance	7.2		6.6		6.4	
Insurance and claims	2.8		2.7		2.6	
Depreciation and amortization	7.2		5.9		4.4	
Revenue equipment rentals	5.9		4.5		6.3	
Purchased transportation	11.4		14.5		14.7	
Cost of products and services sold	1.2		1.1		1.4	
Communication and utilities	1.0		0.9		1.0	
Operating taxes and licenses	2.0		1.6		1.7	
General and other operating	1.7		1.9		1.6	
Total operating expenses	97.8		96.7		92.0	
Operating income	2.2		3.3		8.0	
Other expense:						
Interest expense, net	0.7		0.9		0.7	
Income before income taxes	1.5		2.4		7.3	
Provision for income taxes	1.0		1.2		2.9	
Net income	0.5	%	1.2	%	4.4	%

Freight revenue(1)	100.0	%	100.0	%	100.0	%
Operating expenses:						
Salaries, wages, and employee benefits	38.1		34.9		33.5	
Fuel	10.7		12.0		10.8	
Operations and maintenance	8.7		8.1		7.5	
Insurance and claims	3.4		3.4		3.0	
Depreciation and amortization	8.6		7.3		5.1	
Revenue equipment rentals	7.1		5.6		7.4	
Purchased transportation	13.7		18.0		17.0	
Cost of products and services sold	1.4		1.4		1.6	
Communication and utilities	1.2		1.1		1.1	
Operating taxes and licenses	2.4		2.0		2.0	
General and other operating	2.0		2.1		1.7	
Total operating expenses	97.3		95.9		90.7	

Operating income	2.7		4.1		9.3	
Other expense:						
Interest expense, net	0.9		1.1		0.9	
Income before income taxes	1.8		3.0		8.4	
Provision for income taxes	1.2		1.6		3.3	
Net income	0.6	%	1.4	%	5.1	%

(1) Freight revenue is total operating revenue less fuel surcharges. In this table, fuel surcharges are eliminated from revenue and subtracted from fuel expense. The amounts were $82.2 million, $108.4 million, and $69.7 million in 2009, 2008, and 2007, respectively.

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Fiscal year ended June 30, 2009, compared with fiscal year ended June 30, 2008

Total revenue decreased by $75.6 million, or 13.4%, to $490.3 million for fiscal 2009, from $565.9 million for fiscal 2008. Freight revenue excludes $82.2 million and $108.4 million of fuel surcharge revenue for fiscal 2009 and 2008, respectively.

Freight revenue decreased by $49.3 million, or 10.8%, to $408.2 million for fiscal 2009, from $457.5 million for fiscal 2008. This decrease was primarily attributable to a decrease in freight demand and rates, due to a weakened economy and the difficult freight market and aggressive rate environment confronting our industry. This decrease was also attributable to a decrease in billed miles to 233.7 million in fiscal 2009, compared to 253.3 million in fiscal 2008, and a 3.0% decrease in average freight revenue per total mile, excluding fuel surcharge, to $1.307 from $1.348. Average freight revenue per tractor per week, excluding fuel surcharge, which is our primary measure of asset productivity, decreased 13.1% to $2,360 in fiscal 2009, from $2,717 for fiscal 2008, as a result of lower general freight demand, a decrease in miles and rates, partially offset by an increase in fleet size. The decrease in miles per tractor and an increase in non-revenue miles were also attributable to less freight demand.

Revenue for TruckersB2B was $8.5 million in fiscal 2009, compared to $9.3 million in fiscal 2008. The decrease was related to decreases in fuel and tire rebate revenue due to small and mid size carriers being adversely affected by the lagging freight demand. To the extent small and mid size carriers continue to be affected adversely by the weakened economy, lagging freight demand, limited financing availability, and licensing, insurance, and other costs, we anticipate the revenue for TruckersB2B to be negatively impacted as well.

Salaries, wages, and employee benefits were $155.6 million, or 38.1% of freight revenue, for fiscal 2009, compared to $159.9 million, or 34.9% of freight revenue, for fiscal 2008. The dollar decrease in salaries, wages, and benefits is largely due to decreased driver payroll related to decreased miles. Additionally, decreases in administrative payroll resulting from ongoing efforts to consolidate and/or eliminate several functions into Indianapolis from various terminals, which plan reduced our non-driver administrative workforce by approximately 5%, also decreased our salaries, wages, and benefits. However, these factors were more than offset by reduced freight revenue resulting in an increase in salaries, wages, and employee benefits as a percentage of freight revenue.

Fuel expenses, net of fuel surcharge revenue of $82.2 million and $108.4 million for fiscal 2009 and fiscal 2008, respectively, decreased to $43.7 million, or 10.7% of freight revenue, for fiscal 2009, compared to $54.7 million, or 12.0% of freight revenue, for fiscal 2008. These decreases were attributable to a 21.2% decrease in average fuel prices to $2.64 per gallon for fiscal 2009, from $3.35 per gallon for fiscal 2008, and a decrease in the gallons purchased due to fewer miles driven and increased miles per gallon related to reduced idling and operating more fuel efficient tractors. We expect that our continued efforts to reduce idling and operate more fuel efficient tractors will continue to have a positive impact on our miles per gallon; however, we expect this will be partially offset by lower fuel economy on EPA-mandated new engines and use of ultra-low sulfur diesel fuel.

Operations and maintenance consist of direct operating expense, maintenance, physical damage, and tire expense. This category decreased to $35.5 million, or 8.7% of freight revenue, for fiscal 2009, from $37.2 million, or 8.1% of freight revenue, for fiscal 2008. The dollar decrease in fiscal 2009 is primarily related to a decrease in costs associated with tractor maintenance, other maintenance expenses, and physical damage expenses. However, these factors were more than offset by an increase in tire expense and miscellaneous direct operating expenses.

Insurance and claims expense was $13.8 million for fiscal 2009, compared to $15.5 million for fiscal 2008. As a percentage of freight revenue, insurance and claims remained constant at 3.4% for fiscal 2009 and 2008. Insurance consists of premiums for liability, physical damage, cargo damage, and workers' compensation insurance. The decrease in the overall dollar amount is attributable to a decrease in workers' compensation claims and cargo claims expense, due to a reduction in the number and severity of claims reported. Our insurance program involves self-insurance at various risk retention levels. Claims in excess of these risk levels are covered by insurance in amounts we consider to be adequate. We accrue for the uninsured portion of claims based on known claims and historical experience. We continually revise and change our insurance program to maintain a balance between premium expense and the risk retention we are willing to assume.

Depreciation and amortization, consisting primarily of depreciation of revenue equipment, increased to $35.2 million, or 8.6% of freight revenue, in fiscal 2009 from $33.3 million, or 7.3% of freight revenue, for fiscal 2008. These increases are related to an increase year-over-year in the number of owned tractors and trailers. These increases are partially offset by gains on sales of equipment in fiscal 2009 compared to losses on sales of equipment in fiscal 2008. Despite the gains in fiscal 2009, the used equipment market remains weak. To the extent the used equipment market remains weak going forward, we expect to face difficulty selling equipment in quantities and at prices that are satisfactory to us. Revenue equipment held under operating leases is not reflected on our balance sheet and the expenses related to such equipment are reflected on our statements of operations in revenue equipment rentals, rather than in depreciation and amortization and interest expense, as is the case for revenue equipment that is financed with borrowings or capital leases.

Revenue equipment rentals were $29.1 million, or 7.1% of freight revenue, in fiscal 2009, compared to $25.6 million, or 5.6% of freight revenue, for fiscal 2008. The majority of these increases are related to the net addition of approximately 720 tractors and 330 trailers under operating lease, which has increased our tractor and trailer rents.

Purchased transportation decreased to $55.8 million, or 13.7% of freight revenue, for fiscal 2009, from $82.2 million, or 18.0% of freight revenue, for fiscal 2008. The majority of these decreases are related to fewer miles by our independent contractor fleet, which averaged 206 independent contractors in fiscal 2009, compared to an average of 337 independent contractors in fiscal 2008, and a reduction of the fuel surcharge component of their pay resulting from decreased fuel costs. These factors were partially offset by more independent contractors in fiscal 2009. Independent contractors are drivers who cover all their operating expenses (fuel, driver salaries, maintenance, and equipment costs) for a fixed payment per mile.

All of our other expenses are relatively minor in amount, and there were no significant changes in these expenses. Accordingly, we have not provided a detailed discussion of such expenses.

Our pretax margin, which we believe is a useful measure of our operating performance because it is neutral with regard to the method of revenue equipment financing that a company uses, decreased 120 basis points to 1.8% of freight revenue for fiscal 2009 from 3.0% for fiscal 2008.

In addition to other factors described above, Canadian exchange rate fluctuations principally impact salaries, wages, and benefits and purchased transportation and, therefore, impact our pretax margin and results of operations. The lower Canadian dollar, which decreased to a .86 relationship with the U.S. dollar for fiscal 2009, from a ..99 relationship with the U.S. dollar for fiscal 2008, positively impacted earnings per share by approximately $.07.

Income taxes decreased to $5.0 million for fiscal 2009, from $7.1 million for fiscal 2008, due to lower pre-tax income. Due to the non-deductible effects of our driver per diem pay structure, our tax rate will fluctuate from the 35% standard federal rate, in future periods as net income fluctuates. Income tax expense for fiscal 2009 included an adjustment of approximately $300,000 related to per diem calculations for prior years.

As a result of the factors described above, net income decreased to $2.6 million for fiscal 2009, from $6.5 million for fiscal 2008.

Fiscal year ended June 30, 2008, compared with fiscal year ended June 30, 2007

Total revenue increased by $63.2 million, or 12.6%, to $565.9 million for fiscal 2008, from $502.7 million for fiscal 2007. Freight revenue excludes $108.4 million and $69.7 million of fuel surcharge revenue for fiscal 2008 and 2007, respectively.

Freight revenue increased by $24.5 million, or 5.7%, to $457.5 million for fiscal 2008, from $433.0 million for fiscal 2007. This increase resulted from the continuation of our efforts to eliminate the least favorable freight from our system and the growth of customer relationships from our prior year acquisitions, which more than offset softer freight demand generally. The increase was attributable to an increase in billed miles to 253.3 million in fiscal 2008, compared to 237.8 million in fiscal 2007, partially offset by a 2.3% decrease in average freight revenue per total mile, excluding fuel surcharge, to $1.348 from $1.380. The reduction in average freight revenue per total mile resulted primarily from an increase in non-revenue miles. Average freight revenue per tractor per week, excluding fuel surcharge, which is our primary measure of asset productivity, decreased 2.6% to $2,717 in fiscal 2008, from $2,790 for fiscal 2007, as a result of lower general freight demand and an increase in non-revenue miles. The decrease in miles per tractor and an increase in non-revenue mile percentage were attributable to less freight demand.

Revenue for TruckersB2B was $9.3 million in fiscal 2008, compared to $10.0 million in fiscal 2007. The decrease was related to a decrease in tractor and trailer rebate revenue, partially due to the discontinuance of the trailer incentive program, and decreases in the fuel rebates due to small and mid size carriers being adversely affected by weak freight demand.

Salaries, wages, and employee benefits were $159.9 million, or 34.9% of freight revenue, for fiscal 2008, compared to $144.8 million, or 33.5% of freight revenue, for fiscal 2007. These increases were primarily due to increased driver payroll, resulting from a 10.2% increase in company miles.

Fuel expenses, net of fuel surcharge revenue of $108.4 million and $69.7 million for fiscal 2008 and fiscal 2007, respectively, increased to $54.7 million, or 12.0% of freight revenue, for fiscal 2008, compared to $46.6 million, or 10.8% of freight revenue, for fiscal 2007. These increases were due to an increase of 10.2% in company miles, an increase in non-revenue miles, and an increase in average fuel prices of approximately $0.82 per gallon. In addition, we began to experience lower fuel economy and higher costs of fuel from the installation of EPA-mandated new engines and use of ultra-low-sulfur diesel fuel. Higher fuel prices and lower fuel economy will increase our operating expenses to the extent we cannot offset them with surcharges.

Operations and maintenance consist of direct operating expense, maintenance, and tire expense. This category increased to $37.2 million, or 8.1% of freight revenue, for fiscal 2008, from $32.3 million, or 7.5% of freight revenue, for fiscal 2007. These increases are primarily related to an increase in costs associated with various direct expenses such as toll expense, border drayage expense, and scales expense and an increase in physical damage expense, due to increased accidents.

Insurance and claims expense was $15.5 million, or 3.4% of freight revenue, for fiscal 2008, compared to $13.1 million, or 3.0% of freight revenue, for fiscal 2007. Insurance and claims increased as a percentage of freight revenue due to increased number of claims, increased claim dollars, increased number of workers' compensation claims, and increased dollar of workers' compensation claims. Our insurance expense consists of premiums and deductible amounts for liability, physical damage, and cargo damage insurance. Our insurance program involves self-insurance at various risk retention levels. Claims in excess of these risk levels are covered by insurance in amounts we consider to be adequate. We accrue for the uninsured portion of claims based on known claims and historical experience. Insurance and claims expense will vary based primarily on the frequency and severity of claims, the level of self-retention, and the premium expense.

Depreciation and amortization, consisting primarily of depreciation of revenue equipment, increased to $33.3 million, or 7.3% of freight revenue, in fiscal 2008 from $21.9 million, or 5.1% of freight revenue, for fiscal 2007. These increases are related to the conversion of operating leases to capital leases related to approximately 3,700 trailers, in the third and fourth quarters of fiscal 2007, resulting from the Company declaring its intent to purchase certain trailers previously financed with operating leases. The conversion of the trailer leases resulted in a simultaneous decrease in our revenue equipment rentals. Revenue equipment held under operating leases is not reflected on our balance sheet and the expenses related to such equipment are reflected on our statements of operations in revenue equipment rentals, rather than in depreciation and amortization and interest expense, as is the case for revenue equipment that is financed with borrowings or capital leases. In addition, we have continued to purchase tractors with cash and borrowings, which has increased our tractor depreciation. In the near term we expect to purchase new tractors primarily with cash or finance new trailers with operating leases.

Revenue equipment rentals were $25.6 million, or 5.6% of freight revenue, in fiscal 2008, compared to $31.9 million, or 7.4% of freight revenue, for fiscal 2007. These decreases were attributable to a decrease in our tractor fleet financed under operating leases as discussed under depreciation and amortization. At June 30, 2008, 1,026 tractors, or 37.8% of our company tractors, were held under operating leases, compared to 1,433 tractors, or 54.8% of our company tractors, at June 30, 2007.

Purchased transportation increased to $82.2 million, or 18.0% of freight revenue, for fiscal 2008, from $73.7 million, or 17.0% of freight revenue, for fiscal 2007. These increases are primarily related to increases in our third-party carrier expense and warehousing expenses, related to an effort to grow these portions of our business. Our independent contractor expense was largely unchanged as a percentage of freight revenue between fiscal 2007 and fiscal 2008, as a 45.9% decrease in independent contractors to 216 at June 30, 2008, from 399 at June 30, 2007, was offset by increased fuel surcharge reimbursement. The challenging freight environment has had a negative impact on independent contractors, who are drivers who cover all their operating expenses (fuel, driver salaries, maintenance, and equipment costs) for a fixed payment per mile.

All of our other expenses are relatively minor in amount, and there were no significant changes in these expenses. Accordingly, we have not provided a detailed discussion of such expenses.

Our pretax margin, which we believe is a useful measure of our operating performance because it is neutral with regard to the method of revenue equipment financing that a company uses, decreased to 3.0% of freight revenue for fiscal 2008 from 8.4% for fiscal 2007.

In addition to other factors described above, Canadian exchange rate fluctuations principally impact salaries, wages, and benefits and purchased transportation and, therefore, impact our pretax margin and results of operations. The higher Canadian dollar, which increased to a .990 relationship with the U.S. dollar for fiscal 2008, from a .884 relationship with the U.S. dollar for fiscal 2007, negatively impacted earnings per share by approximately $.11.

Income taxes decreased to $7.1 million for fiscal 2008, from $14.2 million for fiscal 2007, due to lower pre-tax income. Due to the non-deductible effects of our driver per diem pay structure, our tax rate will fluctuate from the 35% standard federal rate, in future periods as net income fluctuates.

As a result of the factors described above, net income decreased to $6.5 million for fiscal 2008, from $22.3 million for fiscal 2007.

Liquidity and Capital Resources

Trucking is a capital-intensive business. We require cash to fund our operating expenses (other than depreciation and amortization), to make capital expenditures and acquisitions, and to repay debt, including principal and interest payments. Other than ordinary operating expenses, we anticipate that capital expenditures for the acquisition of revenue equipment will constitute our primary cash requirement over the next twelve months. We frequently consider potential acquisitions, and if we were to consummate an acquisition, our cash requirements would increase and we may have to modify our expected financing sources for the purchase of tractors. Subject to any required lender approval, we may make acquisitions, although we do not have any specific acquisition plans at this time. Our principal sources of liquidity are cash generated from operations, bank borrowings, capital and operating lease financing of revenue equipment, and proceeds from the sale of used revenue equipment.

As of June 30, 2009, we had on order 610 tractors for delivery through fiscal 2010. These revenue equipment orders represent a capital commitment of approximately $57.6 million, before considering the proceeds of equipment dispositions. In fiscal 2009, we purchased our new tractors with a mixture of cash or borrowings and off-balance sheet operating leases, and we acquired the new trailers with cash through the Continental acquisition, which was our last acquisition of trailers in fiscal 2009. In the third and fourth quarters of fiscal 2007, we also declared our intent to purchase approximately 3,700 trailers at the end of the respective lease term, resulting in a change from operating lease to capital lease classification. At June 30, 2009, our total balance sheet debt, including capital lease obligations and current maturities, was $49.0 million, compared to $102.5 million at June 30, 2008, and $94.6 million at June 30, 2007. Our debt-to-capitalization ratio (total balance sheet debt as a percentage of total balance sheet debt plus total stockholders' equity) was 25.4% at June 30, 2009, 41.6% at June 30, 2008, and 39.1% at June 30, 2007.

We believe we will be able to fund our operating expenses, as well as our current commitments for the acquisition of revenue equipment, over the next twelve months with a combination of cash generated from operations, borrowings available under secured equipment financing or our primary credit facility, equipment sales, and lease financing arrangements. We will continue to have significant capital requirements over the long term, and the availability of the needed capital will depend upon our financial condition and operating results and numerous other factors over which we have limited or no control, including prevailing market conditions and the market price of our common stock. However, based on our operating results, anticipated future cash flows, current availability under our credit facility, and sources of equipment lease financing that we expect will be available to us, we do not expect to experience significant liquidity constraints in the foreseeable future.

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Cash Flows

We generated net cash from operating activities of $52.7 million in fiscal 2009, $37.5 million in fiscal 2008, and $53.6 million in fiscal 2007. The increase in net cash provided by operations in fiscal 2009 from fiscal 2008 is due primarily to a decrease of trade receivables, income tax recoverable, and accounts payable and accrued expenses, offset by an increase in depreciation and amortization.

Net cash used in investing activities was $0.1million for fiscal 2009, compared to $31.4 million for fiscal 2008, and $61.2 million for fiscal 2007. The decrease in cash used for investing activities from 2008 to 2009 was primarily due to decreased capital expenditures on equipment and increased proceeds from sale of equipment, offset by the purchase of Continental for $24.1 million. Capital expenditures primarily for tractors and trailers (including lease buyouts and new equipment purchases) totaled $24.7 million in fiscal 2009, excluding the assets purchased from Continental, $69.0 million in fiscal 2008, and $66.8 million in fiscal 2007, excluding the assets purchased from Digby, Warrior, and Air Road. We generated proceeds from the sale of property and equipment of $51.1million in fiscal 2009, $37.6 million in fiscal 2008, and $37.9 million in fiscal 2007.

Net cash used in financing activities was $53.5 million in fiscal 2009 and $4.9 million in fiscal 2008, compared to net cash provided by financing activities of $7.2 million in fiscal 2007. The increase in cash used for financing activities was primarily due to the increased payments on our borrowings and long term debt. During fiscal 2009 our mortgaged equipment debt was paid down, and the outstanding borrowings on our line of credit decreased to $5.5 million at the end of fiscal 2009, from $43.1 million at the end of fiscal 2008. Financing activity represents bank borrowings (new borrowings, net of repayments) and payment of the principal component of capital lease obligations.

Off-Balance Sheet Arrangements

Operating leases have been an important source of financing for our revenue equipment. Our operating leases include some under which we do not guarantee the value of the asset at the end of the lease term ("walk-away leases") and some under which we do guarantee the value of the asset at the end of the lease term ("residual value"). Therefore, we are subject to the risk that equipment value may decline in which case we would suffer a loss upon disposition and be required to make cash payments because of the residual value guarantees. We were obligated for residual value guarantees related to operating leases of $75.4 million at June 30, 2009 compared to $67.1 million at June 30, 2008. A small portion of these amounts is covered by repurchase and/or trade agreements we have with the equipment manufacturer. We believe that any residual payment obligations that are not covered by the manufacturer will be satisfied, in the aggregate, by the value of the related equipment at the end of the lease. To the extent the expected value at the lease termination date is lower than the residual value guarantee, we would accrue for the difference over the remaining lease term. We anticipate that going forward we will use a combination of operating leases and cash generated from operations to finance tractor purchases and operating leases to finance trailer purchases.

The use of operating leases also affects our statement of cash flows. For assets subject to these operating leases, we do not record depreciation as an increase to net cash provided by operations, nor do we record any entry with respect to investing activities or financing activities.

Primary Credit Agreement

On September 26, 2005, Celadon Group, Inc., Celadon Trucking Services, Inc., and TruckersB2B entered into an unsecured Credit Agreement (the "Credit Agreement") with LaSalle Bank National Association, as administrative agent, and LaSalle Bank National Association, Fifth Third Bank (Central Indiana), and JPMorgan Chase Bank, N.A., as lenders. The Credit Agreement was amended on December 23, 2005, by the First Amendment to Credit Agreement, pursuant to which Celadon Logistics Services, Inc. was added as a borrower to the Credit Agreement. The Credit Agreement was also amended on June 30, 2007 and January 22, 2008 by the Second Amendment to Credit Agreement and Third Amendment to Credit Agreement, respectively. On August 11, 2009, the Credit Agreement was amended and restated (the "Restatement"). Pursuant to the Restatement, (i) the maximum available borrowing limit under the Credit Agreement was reduced from a $70 million unsecured line to a $40 million secured line and (ii) certain financial covenants were adjusted as follows: Minimum Fixed Charge ratio to a minimum of .90, Maximum Lease-Adjusted Total Debt to EBITDAR ratio up to 3.25 to 1, Minimum Tangible Net Worth to $100 million, and the Minimum Asset Coverage ratio to be no less than 1.25 to 1. The Restatement and the financial covenants included therein were in effect starting June 30, 2009, at which time we were in compliance with the restated covenants. The Credit Agreement, as amended by the Restatement, matures on January 23, 2013. The Credit Agreement is intended to provide for ongoing working capital needs and general corporate purposes. Borrowings under the Credit Agreement are based, at the option of the Company, on a base rate equal to the greater of the federal funds rate plus an applicable margin between 0.75% and 1.50% and the administrative agent's prime rate or LIBOR plus an applicable margin between 2.25% and 3.00% that is adjusted quarterly based on cash flow coverage. The Credit Agreement is guaranteed by Celadon E-Commerce, Inc., Celadon Canada, Inc., and Jaguar, each of which is a subsidiary of the Company.

The Credit Agreement, as amended by the Restatement, has a maximum revolving borrowing limit of $40.0 million. Letters of credit are limited to an aggregate commitment of $15.0 million and a swing line facility has a limit of $3.0 million. A commitment fee that is adjusted quarterly between 0.375% and 0.500% per annum based on cash flow coverage is due on the daily unused portion of the Credit Agreement. The Credit Agreement contains certain restrictions and covenants relating to, among other things, dividends, tangible net worth, cash flow, mergers, consolidations, acquisitions and dispositions, and total indebtedness. At June 30, 2009, $5.5 million of our credit facility was utilized as outstanding borrowings and $4.2 million was utilized for standby letters of credit.

Contractual Obligations and Commitments

As of June 30, 2009, our bank loans, capitalized leases, operating leases, other debts, and future commitments have stated maturities or minimum annual payments as follows:

	Cash Requirements as of June 30, 2009 (in thousands) Payments Due by Period				
Contractual Obligations	Total	Less than One Year	One to Three Years	Three to Five Years	More Than Five Years
Operating leases	$ 114,146	$ 37,015	$ 53,419	$ 7,458	$ 16,254
Lease residual value guarantees	75,361	5,995	46,862	21,204	1,300
Capital lease obligations(1)	45,807	8,487	35,516	1,804	---
Long-term debt (1)	7,247	1,361	352	5,534	---
Sub-total	242,561	52,858	136,149	36,000	17,554
Future purchase of revenue equipment	57,553	35,612	21,941	---	---
Employment and consulting agreements(2)	700	700	---	---	---
Standby letters of credit	4,231	4,231	---	---	---
Total contractual and cash obligations	$ 305,045	$ 93,401	$ 158,090	$ 36,000	$ 17,554

(1) Includes interest.

(2) The amounts reflected in the table do not include amounts that could become payable to our Chief Executive Officer and Chief Financial Officer, under certain circumstances if their employment by the Company is terminated.

Inflation, New Emissions Control Regulations, and Fuel Costs

Most of our operating expenses are inflation-sensitive, with inflation generally producing increased costs of operations. During the past three years, the most significant effects of inflation have been on revenue equipment prices and fuel prices. New emissions control regulations and increases in commodity prices, wages of manufacturing workers, and other items have resulted in higher tractor prices. The cost of fuel also has risen substantially over the past three years, though prices have eased over the last 6 months. We attempt to limit the effects of inflation through increases in freight rates, certain cost control efforts, and limiting the effects of fuel prices through fuel surcharges.

The engines used in our tractors are subject to emissions control regulations, which have substantially increased our operating expenses since additional and more stringent regulation began in 2002. As of June 30, 2009, the majority of our tractor fleet has engines compliant with stricter regulations regarding emissions that became effective in 2007. Compliance with such regulations is expected to increase the cost of new tractors and could impair equipment productivity, lower fuel mileage, and increase our operating expenses. These adverse effects combined with the uncertainty as to the reliability of the vehicles equipped with the newly designed diesel engines and the residual values that will be realized from the disposition of these vehicles could increase our costs or otherwise adversely affect our business or operations as the regulations impact our business through new tractor purchases.

Fluctuations in the price or availability of fuel, as well as hedging activities, surcharge collection, the percentage of freight we obtain through brokers, and the volume and terms of diesel fuel purchase commitments may increase our costs of operation, which could materially and adversely affect our profitability. We impose fuel surcharges on substantially all accounts. These arrangements may not fully protect us from fuel price increases and also may result in us not receiving the full benefit of any fuel price decreases. We currently do not have any fuel hedging contracts in place. If we do hedge, we may be forced to make cash payments under the hedging arrangements. Based on current market conditions, we have decided to limit our hedging and purchase commitments, but we continue to evaluate such measures. The absence of meaningful fuel price protection through these measures could adversely affect our profitability.

Critical Accounting Policies

The preparation of our financial statements in conformity with U.S. generally accepted accounting principles requires us to make estimates and assumptions that impact the amounts reported in our consolidated financial statements and accompanying notes. Therefore, the reported amounts of assets, liabilities, revenues, expenses, and associated disclosures of contingent assets and liabilities are affected by these estimates and assumptions. We evaluate these estimates and assumptions on an ongoing basis, utilizing historical experience, consultation with experts, and other methods considered reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from our estimates and assumptions, and it is possible that materially different amounts would be reported using differing estimates or assumptions. We consider our critical accounting policies to be those that require us to make more significant judgments and estimates when we prepare our financial statements. Our critical accounting policies include the following:

Depreciation of Property and Equipment. We depreciate our property and equipment using the straight-line method over the estimated useful life of the asset. We generally use estimated useful lives of 2 to 7 years for new tractors and trailers, and estimated salvage values for new tractors and trailers generally range from 35% to 50% of the capitalized cost. Gains and losses on the disposal of revenue equipment are included in depreciation expense in our statements of operations.

We review the reasonableness of our estimates regarding useful lives and salvage values of our revenue equipment and other long-lived assets based upon, among other things, our experience with similar assets, conditions in the used equipment market, and prevailing industry practice. Changes in our useful life or salvage value estimates or fluctuations in market values that are not reflected in our estimates, could have a material effect on our results of operations.

Revenue equipment and other long-lived assets are tested for impairment whenever an event occurs that indicates an impairment may exist. Expected future cash flows are used to analyze whether an impairment has occurred. If the sum of expected undiscounted cash flows is less than the carrying value of the long-lived asset, then an impairment loss is recognized. We measure the impairment loss by comparing the fair value of the asset to its carrying value. Fair value is determined based on a discounted cash flow analysis or the appraised or estimated market value of the asset, as appropriate.

Operating leases. We have financed a substantial percentage of our tractors and trailers with operating leases. These leases generally contain residual value guarantees, which provide that the value of equipment returned to the lessor at the end of the lease term will be no lower than a negotiated amount. To the extent that the value of the equipment is below the negotiated amount, we are liable to the lessor for the shortage at the expiration of the lease. For all equipment, we are required to recognize additional rental expense to the extent we believe the fair market value at the lease termination will be less than our obligation to the lessor.

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 13, "Accounting for Leases," property and equipment held under operating leases, and liabilities related thereto, are not reflected on our balance sheet. All expenses related to revenue equipment operating leases are reflected on our statements of operations in the line item entitled "Revenue equipment rentals." As such, financing revenue equipment with operating leases instead of bank borrowings or capital leases effectively moves the interest component of the financing arrangement into operating expenses on our statements of operations.

Claims Reserves and Estimates. The primary claims arising for us consist of cargo liability, personal injury, property damage, collision and comprehensive, workers' compensation, and employee medical expenses. We maintain self-insurance levels for these various areas of risk and have established reserves to cover these self-insured liabilities. We also maintain insurance to cover liabilities in excess of these self-insurance amounts. Claims reserves represent accruals for the estimated uninsured portion of reported claims, including adverse development of reported claims, as well as estimates of incurred but not reported claims. Reported claims and related loss reserves are estimated by third party administrators, and we refer to these estimates in establishing our reserves. Claims incurred but not reported are estimated based on our historical experience and industry trends, which are continually monitored, and accruals are adjusted when warranted by changes in facts and circumstances. In establishing our reserves we must take into account and estimate various factors, including, but not limited to, assumptions concerning the nature and severity of the claim, the effect of the jurisdiction on any award or settlement, the length of time until ultimate resolution, inflation rates in health care, and in general interest rates, legal expenses, and other factors. Our actual experience may be different than our estimates, sometimes significantly. Changes in assumptions as well as changes in actual experience could cause these estimates to change in the near term. Insurance and claims expense will vary from period to period based on the severity and frequency of claims incurred in a given period.

Goodwill. The consolidated balance sheets at June 30, 2009 and 2008 included goodwill of acquired businesses of approximately $19.1 million for both years. These amounts have been recorded as a result of business acquisitions accounted for under the purchase method of accounting. Under Statement of Financial Accounting Standards ("SFAS") No. 142, Goodwill and Other Intangible Assets, goodwill is not amortized but is tested for impairment annually (or more often, if an event or circumstance indicates that an impairment loss has been incurred). The Company performed its annual goodwill impairment assessment under SFAS 142, as of April 1, 2009 and the Company's market capitalization was less than its book value at such date, indicating a potential devaluation of the Company's assets. The Company determined that no impairment had occurred as of the measurement date based upon a set of assumptions which represent the Company's best estimate of future performance at this time. The Company reconciled the aggregate estimated fair value of reporting units to the market capitalization of the consolidated Company. In addition to traditional control premiums, the Company noted that the overall market conditions have depressed the stock value. Based on these factors, the Company concluded that the market capitalization with the control premium represents the fair value of the Company.

Tests for impairment include estimating the fair value of our reporting units. As required by SFAS No. 142, we compare the estimated fair value of our reporting units with their respective carrying amounts, including goodwill. We define a reporting unit as an operating segment. Under SFAS No. 142, fair value refers to the amount for which the entire reporting unit could be bought or sold. Our methods for estimating reporting unit values include market quotations and other valuation techniques, such as discounted cash flows and multiples of earnings, revenue, or other financial measures. With the exception of market quotations, all of these methods involve significant estimates and assumptions, including estimates of future financial performance and the selection of appropriate discount rates and valuation multiples.

Derivative Instruments and Hedging Activity. We use derivative financial instruments to manage the economic impact of fluctuations in currency exchange rates. Derivative financial instruments related to currency exchange rates include forward purchase and sale agreements which generally have terms no greater than 12 months.

To account for our derivative financial instruments, we follow the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137, SFAS No. 138, and SFAS No. 161. Derivative financial instruments are recognized on the Consolidated Balance Sheets as either assets or liabilities and are measured at fair value. Changes in the fair value of derivatives are recorded each period in earnings or accumulated other comprehensive income, depending on whether a derivative is designated and effective as part of a hedge transaction, and if it is, the type of hedge transaction. Gains and losses on derivative instruments reported in accumulated other comprehensive income are subsequently included in earnings in the periods in which earnings are affected by the hedged item. These activities have not had a material impact on our financial position or results of operations for the periods presented herein.

Accounting for Income Taxes. Deferred income taxes represent a substantial liability on our consolidated balance sheet. Deferred income taxes are determined in accordance with SFAS No. 109, "Accounting for Income Taxes." Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carry-forwards. We evaluate our tax assets and liabilities on a periodic basis and adjust these balances as appropriate. We believe that we have adequately provided for our future tax consequences based upon current facts and circumstances and current tax law. However, should our tax positions be challenged and not prevail, different outcomes could result and have a significant impact on the amounts reported in our consolidated financial statements.

The carrying value of our deferred tax assets (tax benefits expected to be realized in the future) assumes that we will be able to generate, based on certain estimates and assumptions, sufficient future taxable income in certain tax jurisdictions to utilize these deferred tax benefits. If these estimates and related assumptions change in the future, we may be required to reduce the value of the deferred tax assets resulting in additional income tax expense. We believe that it is more likely than not that the deferred tax assets, net of valuation allowance, will be realized, based on forecasted income. However, there can be no assurance that we will meet our forecasts of future income. We evaluate the deferred tax assets on a periodic basis and assess the need for additional valuation allowances.

Federal income taxes are provided on that portion of the income of foreign subsidiaries that is expected to be remitted to the United States.

Recent Accounting Pronouncements

In September 2006, FASB issued SFAS No. 157, Fair Value Measurements ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements required under other accounting pronouncements, but does not change existing guidance as to whether or not an instrument is carried at fair value. It also establishes a fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, the FASB issued Staff Position No. 157-2, which provides a one-year delayed application of SFAS 157 for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Company's adoption of the provisions of SFAS 157 with respect to the financial assets and liabilities measured at fair value did not have a material impact on the fair value measurements or the consolidated financial statements. In accordance with SFAS 157-2 the Company is currently evaluating the potential impact of applying the provisions of SFAS 157 to nonfinancial assets and nonfinancial liabilities beginning in fiscal 2010, including, but not limited to, the valuation of the Company's reporting units for the purpose of assessing goodwill impairment, the valuation of property and equipment when assessing long-lived asset impairment, and the valuation of assets acquired and liabilities assumed in business combinations. In October 2008, the FASB issued SFAS 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active, which became effective upon issuance, including periods for which financial statements have not been issued. SFAS 157-3 clarifies the application of SFAS 157. The Company's adoption of SFAS 157-3 in determination of fair values did not have a material impact on the consolidated financial statements.

In December 2007, FASB issued SFAS No. 141R (revised 2007), Business Combinations ("SFAS 141R"), which replaces SFAS No. 141. The statement retains the purchase method of accounting for acquisitions, but requires a number of changes, including changes in the way assets and liabilities are recognized in the purchase accounting. It also changes the recognition of assets acquired and liabilities assumed arising from contingencies, requires the capitalization of in-process research and development at fair value, and requires the expensing of acquisition-related costs as incurred. SFAS 141R is effective for us beginning July 1, 2009 and will apply prospectively to business combinations completed on or after that date.

In December 2007, FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB 51 ("SFAS 160"), which changes the accounting and reporting for minority interests. Minority interests will be recharacterized as noncontrolling interests and will be reported as a component of equity separate from the parent's equity, and purchases or sales of equity interests that do not result in a change in control will be accounted for as equity transactions. In addition, net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement and, upon a loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in earnings. SFAS 160 is effective for us beginning July 1, 2009 and will apply prospectively, except for the presentation and disclosure requirements, which will apply retrospectively. We are currently assessing the potential impact that adoption of SFAS 160 would have on our financial statements.

In March 2008, FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133, ("SFAS 161"). SFAS 161 requires enhanced disclosures about an entity's derivative and hedging activities, including (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under SFAS No. 133, and (iii) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This statement is effective for financial statements issued for fiscal years beginning after Nov. 15, 2008. Accordingly, the Company will adopt SFAS 161 in fiscal year 2010.

In May 2009, the FASB issued SFAS No. 165, Subsequent Events. This standard is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, this standard sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. SFAS No. 165 is effective for fiscal years and interim periods ended after June 15, 2009. We are currently assessing the potential impact that adoption of SFAS 165 would have on our financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We experience various market risks, including changes in interest rates, foreign currency exchange rates, and fuel prices. We do not enter into derivatives or other financial instruments for trading or speculative purposes, nor when there are no underlying related exposures.

Interest Rate Risk. We are exposed to interest rate risk principally from our primary credit facility. The credit facility carries a maximum variable interest rate of either the bank's base rate or LIBOR plus 3.00%. At June 30, 2009, the interest rate for revolving borrowings under our credit facility was LIBOR plus 1.125%. At June 30, 2009, we had $5.5 million variable rate term loan borrowings outstanding under the credit facility. A hypothetical 10% increase in the bank's base rate and LIBOR would be immaterial to our net income.

Foreign Currency Exchange Rate Risk. We are subject to foreign currency exchange rate risk, specifically in connection with our Canadian operations. While virtually all of the expenses associated with our Canadian operations, such as independent contractor costs, company driver compensation, and administrative costs, are paid in Canadian dollars, a significant portion of our revenue generated from those operations is billed in U.S. dollars because many of our customers are U.S. shippers transporting goods to or from Canada. As a result, increases in the Canadian dollar exchange rate adversely affect the profitability of our Canadian operations. Assuming revenue and expenses for our Canadian operations identical to the year ended June 30, 2009 (both in terms of amount and currency mix), we estimate that a $0.01 increase in the Canadian dollar exchange rate would reduce our annual net income by approximately $108,000. As of June 30, 2009, we had none of our Canadian currency exposure hedged.

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We generally do not face the same magnitude of foreign currency exchange rate risk in connection with our intra-Mexico operations conducted through our Mexican subsidiary, Jaguar, because our foreign currency revenues are generally proportionate to our foreign currency expenses for those operations. For purposes of consolidation, however, the operating results earned by our subsidiaries, including Jaguar, in foreign currencies are converted into United States dollars. As a result, a decrease in the value of the Mexican peso could adversely affect our consolidated results of operations. Assuming revenue and expenses for our Mexican operations identical to the year ended June 30, 2009 (both in terms of amount and currency mix), we estimate that a $0.01 decrease in the Mexican peso exchange rate would reduce our annual net income by approximately $61,000. We currently have contracts for 1.5 million Mexican pesos per month over the next 6 months, representing approximately 16% of our Mexican currency exposure. Derivative gains/(losses), initially reported as a component of other comprehensive income, are reclassified to earnings in the period when the forecasted transaction affects earnings.

Commodity Price Risk. Shortages of fuel, increases in prices, or rationing of petroleum products can have a materially adverse effect on our operations and profitability. Fuel is subject to economic, political, and market factors that are outside of our control. Historically, we have sought to recover a portion of short-term increases in fuel prices from customers through the collection of fuel surcharges. However, fuel surcharges do not always fully offset increases in fuel prices. In addition, from time-to-time we may enter into derivative financial instruments to reduce our exposure to fuel price fluctuations. As of June 30, 2009, we had none of our estimated fuel purchases hedged.

Item 8. Financial Statements and Supplementary Data

The following statements are filed with this report:

Report of Independent Registered Public Accounting Firm - KPMG LLP;
Consolidated Balance Sheets;
Consolidated Statements of Operations;
Consolidated Statements of Cash Flows;
Consolidated Statements of Stockholders' Equity; and
Notes to Consolidated Financial Statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Celadon Group, Inc.:

We have audited the accompanying consolidated balance sheets of Celadon Group, Inc. and subsidiaries (the "Company") as of June 30, 2009 and 2008, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended June 30, 2009. In connection with our audits of the consolidated financial statements, we have also audited the financial statement Schedule II. We also have audited the Company's internal control over financial reporting as of June 30, 2009, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying management's report on internal control. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Celadon Group, Inc. and subsidiaries as of June 30, 2009 and 2008, and the results of their operations and their cash flows for each of the years in the three-year period ended June 30, 2009, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement Schedule II, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also in our opinion, Celadon Group, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of June 30, 2009, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/KPMG LLP
Indianapolis, Indiana
September 4, 2009

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CELADON GROUP, INC.
CONSOLIDATED BALANCE SHEETS
June 30, 2009 and 2008
(Dollars in thousands)

ASSETS	2009	2008
Current assets:		
Cash and cash equivalents	$ 863	$ 2,325
Trade receivables, net of allowance for doubtful accounts of $1,059 and $1,194 in 2009 and 2008, respectively	55,291	69,513
Prepaid expenses and other current assets	10,044	16,697
Tires in service	4,336	3,765
Equipment held for resale	8,012	---
Income tax receivable	232	5,846
Deferred income taxes	2,780	3,035
Total current assets	81,558	101,181
Property and equipment	237,167	270,832
Less accumulated depreciation and amortization	70,025	64,633
Net property and equipment	167,142	206,199
Tires in service	1,581	1,483
Goodwill	19,137	19,137
Other assets	1,581	1,335
Total assets	$ 270,999	$ 329,335
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 5,461	$ 6,910
Accrued salaries and benefits	10,084	11,358
Accrued insurance and claims	8,508	9,086
Accrued fuel expense	8,592	12,170
Other accrued expenses	11,547	11,916
Current maturities of long-term debt	1,109	8,290
Current maturities of capital lease obligations	6,693	6,454
Total current liabilities	51,994	66,184
Long-term debt, net of current maturities	5,870	45,645
Capital lease obligations, net of current maturities	35,311	42,117
Deferred income taxes	34,132	31,512
Minority interest	25	25
Stockholders' equity:		
Common stock, $0.033 par value, authorized 40,000,000 shares; issued and outstanding 23,840,677 and 23,704,046 shares at June 30, 2009 and 2008, respectively	787	782
Treasury stock at cost; 1,744,245 and 1,832,386 shares at June 30, 2009 and 2008, respectively	(12,025)	(12,633)
Additional paid-in capital	97,030	95,173
Retained earnings	63,437	60,881
Accumulated other comprehensive loss	(5,562)	(351)

Total stockholders' equity		143,667		143,852
Total liabilities and stockholders' equity	$	270,999	$	329,335

See accompanying notes to consolidated financial statements.

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CELADON GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended June 30, 2009, 2008, and 2007
(Dollars and shares in thousands, except per share amounts)

	2009	2008	2007
Revenue:			
Freight revenue	$ 408,156	$ 457,482	$ 433,012
Fuel surcharges	82,182	108,413	69,680
Total revenue	490,338	565,895	502,692
Operating expenses:			
Salaries, wages, and employee benefits	155,554	159,859	144,845
Fuel	125,922	163,111	116,251
Operations and maintenance	35,483	37,213	32,299
Insurance and claims	13,828	15,527	13,054
Depreciation and amortization	35,221	33,264	21,880
Revenue equipment rentals	29,138	25,596	31,900
Purchased transportation	55,789	82,205	73,699
Cost of products and services sold	5,818	6,406	6,961
Communications and utilities	4,929	5,117	4,838
Operating taxes and licenses	9,700	9,112	8,629
General and other operating	8,066	9,687	8,236
Total operating expenses	479,448	547,097	462,592
Operating income	10,890	18,798	40,100
Other (income) expense:			
Interest income	(35)	(106)	(21)
Interest expense	3,589	5,028	3,532
Other	(227)	193	109
Income before income taxes	7,563	13,683	36,480
Provision for income taxes	5,007	7,147	14,228
Net income	$ 2,556	$ 6,536	$ 22,252
Earnings per common share:			
Diluted earnings per share	$ 0.12	$ 0.29	$ 0.94
Basic earnings per share	$ 0.12	$ 0.29	$ 0.96
Weighted average shares outstanding:			
Diluted	22,134	22,617	23,698
Basic	21,727	22,378	23,252

See accompanying notes to consolidated financial statements.

CELADON GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2009, 2008, and 2007
(Dollars in thousands)

	2009	2008	2007
Cash flows from operating activities:			
Net income	$ 2,556	$ 6,536	$ 22,252
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	35,242	32,432	21,625
Loss on sale of equipment	38	833	255
Provision for deferred income taxes	2,923	10,166	10,311
Provision for doubtful accounts	94	911	366
Stock based compensation expense	2,293	1,905	1,827
Changes in assets and liabilities:			
Trade receivables	13,323	(11,037)	(4,291)
Income tax receivable	5,351	(4,320)	3,690
Tires in service	(702)	(786)	(154)
Prepaid expenses and other current assets	(1,767)	(6,081)	(484)
Other assets	(380)	243	381
Accounts payable and accrued expenses	(6,238)	6,693	(2,185)
Net cash provided by operating activities	52,733	37,495	53,593
Cash flows from investing activities:			
Purchase of property and equipment	(28,636)	(69,021)	(66,783)
Proceeds on sale of property and equipment	52,657	37,586	37,933
Purchase of businesses	(24,100)	---	(32,383)
Net cash used in investing activities	(79)	(31,435)	(61,233)
Cash flows from financing activities:			
Proceeds from issuance of common stock	(28)	1,059	985
Repurchase of stock	---	(13,848)	---
Tax benefit from issuance of common stock	---	--	12
Proceeds of long-term debt	---	25,110	13,250
Payments on long-term debt	(46,920)	(10,797)	(4,180)
Principal payments on capital lease obligations	(6,567)	(6,449)	(2,911)
Net cash provided by (used in) financing activities	(53,515)	(4,925)	7,156
Effect of exchange rates on cash and cash equivalents	(601)	---	---
Increase (decrease) in cash and cash equivalents	(1,462)	1,135	(484)
Cash and cash equivalents at beginning of year	2,325	1,190	1,674
Cash and cash equivalents at end of year	$ 863	$ 2,325	$ 1,190
Supplemental disclosure of cash flow information:			
Interest paid	$ 3,689	$ 5,188	$ 3,475
Income taxes paid	$ 349	$ 3,132	$ 6,701
Supplemental disclosure of non-cash investing activities:			
Lease obligation/debt incurred in the purchase of equipment	$ ---	$ ---	$ 76,461

See accompanying notes to consolidated financial statements.

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CELADON GROUP, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years ended June 30, 2009, 2008, and 2007
(Dollars in thousands, except share amounts)

	Common Stock No. of Shares Outstanding	Amount	Additional Paid-In Capital	Treasury Stock	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income/(Loss)	Total Stockholders' Equity
Balance at June 30, 2006	23,111,367	$ 763	$ 90,828	---	$ 32,092	$ (2,256)	$ 121,427
Net income	---	---	---	---	22,253	---	22,253
Equity adjustments for foreign currency translation, net of tax	---	---	---	---	---	871	871
Comprehensive income	---	---	---	---	22,253	871	23,124
Tax benefits from stock options	---	---	12	---	---	---	12
Restricted stock and options expense	68,160	2	1,770	---	---	---	1,772
Exercise of incentive stock options	401,718	13	972	---	---	---	985
Balance at June 30, 2007	23,581,245	$ 778	$ 93,582	$ ---	$ 54,345	$ (1,385)	$ 147,320
Net income	---	---	---	---	6,536	---	6,536
Equity adjustments for foreign currency translation, net of tax	---	---	---	---	---	1,034	1,034
Comprehensive income	---	---	---	---	6,536	1,034	7,570
Treasury stock purchases	(2,000,000)	---	---	(13,848)	---	---	(13,848)
Treasury stock issued	---	(5)	(1,180)	1,185	---	---	---
Restricted stock and options expense	28,974	1	1,750	---	---	---	1,750
Exercise of incentive stock options	261,441	8	1,021	30	---	---	1,059
Balance at June 30, 2008	21,871,660	$ 782	$ 95,173	$ (12,633)	$ 60,881	$ (351)	$ 143,852

Net income	---	---	---	---	2,556	---	2,556
Equity adjustments for foreign currency translation, net of tax	---	---	---	---	---	(5,211)	(5,186)
Comprehensive income (loss)	---	---	---	---	2,556	(5,211)	(2,655)
Treasury stock issued	---	---	(551)	553	---	---	2
Restricted stock and options expense	216,897	5	2,434	---	---	---	2,439
Exercise of incentive stock options	7,875	---	(26)	55	---	---	29
Balance at June 30, 2009	22,096,432	$ 787	$ 97,030	$ (12,025)	$ 63,437	$ (5,562)	$ 143,667

See accompanying notes to consolidated financial statements.

CELADON GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Celadon Group, Inc. (the "Company"), through its subsidiaries, provides transportation services between the United States, Canada, and Mexico. The Company's primary trucking subsidiaries are: Celadon Trucking Services, Inc. ("CTSI"), a U.S. based company; Celadon Logistics Services, Inc. ("CLSI"), a U.S. based company; Servicio de Transportation Jaguar, S.A. de C.V. ("Jaguar"), a Mexican based company; and Celadon Canada, Inc. ("CelCan"), a Canadian based company.

TruckersB2B, Inc. ("TruckersB2B") is an Internet based "business-to-business" membership program, owned by Celadon E-Commerce, Inc., a wholly owned subsidiary of Celadon Group, Inc.

Summary of Significant Accounting Policies

Principles of Consolidation and Presentation

The consolidated financial statements include the accounts of Celadon Group, Inc. and its wholly and majority owned subsidiaries, all of which are wholly owned except for Jaguar in which the Company has a 75% interest. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, all references to annual periods refer to the respective fiscal years ended June 30.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosures at the date of the financial statements and during the reporting period. Such estimates include provisions for liability claims and uncollectible accounts receivable. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with maturity of three months or less when purchased to be cash equivalents.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of trade receivables. The Company performs ongoing credit evaluations of its customers and does not require collateral for its accounts receivable. The Company maintains reserves which management believes are adequate to provide for potential credit losses. Uncollectible accounts receivable are written off against the reserves. Concentrations of credit risk with respect to trade receivables are generally limited due to the Company's large number of customers and the diverse range of industries which they represent. Accounts receivable balances due from any single customer did not total more than 5% of the Company's gross trade receivables at June 30, 2009.

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CELADON GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009

Property and Equipment

Property and equipment are stated at cost. Property and equipment under capital leases are stated at fair value at the inception of the lease.

Depreciation of property and equipment and amortization of assets under capital leases is generally computed using the straight-line method and is based on the estimated useful lives of the related assets (net of salvage value) as follows:

Revenue and service equipment	2-7 years
Furniture and office equipment	4-5 years
Buildings	20 years
Leasehold improvements	Lesser of life of lease (including expected renewals) or useful life of improvement

Initial delivery costs relating to placing tractors in service are expensed as incurred. The cost of maintenance and repairs is charged to expense as incurred.

Long-lived assets are depreciated over estimated useful lives based on historical experience and prevailing industry practice. Estimated useful lives are periodically reviewed to ensure they remain appropriate. Long-lived assets are tested for impairment whenever an event occurs that indicates an impairment may exist. Future cash flows and operating performance are used for analyzing impairment losses. If the sum of expected undiscounted cash flows is less than the carrying value an impairment loss is recognized. The Company measures the impairment loss by comparing the fair value of the asset to its carrying value. Fair value is determined based on a discounted cash flow analysis or appraised or estimated market values as appropriate. Long-lived assets that are held for sale are recorded at the lower of carrying value or the fair value less costs to sell.

Operating leases

We have financed a substantial percentage of our tractors and trailers with operating leases. These leases generally contain residual value guarantees, which provide that the value of equipment returned to the lessor at the end of the lease term will be no lower than a negotiated amount. To the extent that the value of the equipment is below the negotiated amount, we are liable to the lessor for the shortage at the expiration of the lease. For all equipment, we are required to recognize additional rental expense to the extent we believe the fair market value at the lease termination will be less than our obligation to the lessor.

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 13, "Accounting for Leases," property and equipment held under operating leases, and liabilities related thereto, are not reflected on our balance sheet. All expenses related to revenue equipment operating leases are reflected on our statements of operations in the line item entitled "Revenue equipment rentals." As such, financing revenue equipment with operating leases instead of bank borrowings or capital leases effectively moves the interest component of the financing arrangement into operating expenses on our statements of operations.

Equipment held for sale

Equipment held for sale represents the proceeds to be received for tractors that have been parked and to be sold at a predetermined sales price. The sale is expected to be completed within the next 60-90 days. Loss on these units has been recognized as part of depreciation and amortization.

Tires in Service

Original and replacement tires on tractors and trailers are included in tires in service and are amortized over 18 to 36 months.

CELADON GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009

Goodwill

The consolidated balance sheets at June 30, 2009 and 2008 included goodwill of acquired businesses of approximately $19.1 million for both years. These amounts have been recorded as a result of business acquisitions accounted for under the purchase method of accounting. Under Statement of Financial Accounting Standards ("SFAS") No. 142, Goodwill and Other Intangible Assets, goodwill is not amortized but is tested for impairment annually (or more often, if an event or circumstance indicates that an impairment loss has been incurred). The Company performed its annual goodwill impairment assessment under SFAS 142, as of April 1, 2009 and the Company's market capitalization was less than its book value at such date, indicating a potential devaluation of the Company's assets. The Company determined that no impairment had occurred as of the measurement date based upon a set of assumptions which represent the Company's best estimate of future performance at this time. The Company has reconciled the aggregate estimated fair value of reporting units to the market capitalization of the consolidated Company. In addition to traditional control premiums, the Company noted that the overall market conditions have depressed the stock value. Based on these factors, the Company concluded that the market capitalization with the control premium represents the fair value of the Company.

Tests for impairment include estimating the fair value of our reporting units. As required by SFAS No. 142, we compare the estimated fair value of our reporting units with their respective carrying amounts including goodwill. We define a reporting unit as an operating segment. Under SFAS No. 142, fair value refers to the amount for which the entire reporting unit could be bought or sold. Our methods for estimating reporting unit values include market quotations and other valuation techniques, such as discounted cash flows and multiples of earnings, revenue, or other financial measures. With the exception of market quotations, all of these methods involve significant estimates and assumptions, including estimates of future financial performance and the selection of appropriate discount rates and valuation multiples.

Insurance Reserves

The primary claims arising for us consist of cargo liability, personal injury, property damage, collision and comprehensive, workers' compensation, and employee medical expenses. We maintain self-insurance levels for these various areas of risk and have established reserves to cover these self-insured liabilities. We also maintain insurance to cover liabilities in excess of these self-insurance amounts. Claims reserves represent accruals for the estimated uninsured portion of reported claims, including adverse development of reported claims, as well as estimates of incurred but not reported claims. Reported claims and related loss reserves are estimated by third party administrators, and we refer to these estimates in establishing our reserves. Claims incurred but not reported are estimated based on our historical experience and industry trends, which are continually monitored, and accruals are adjusted when warranted by changes in facts and circumstances. In establishing our reserves we must take into account and estimate various factors, including, but not limited to, assumptions concerning the nature and severity of the claim, the effect of the jurisdiction on any award or settlement, the length of time until ultimate resolution, inflation rates in health care, and in general interest rates, legal expenses, and other factors. Our actual experience may be different than our estimates, sometimes significantly. Changes in assumptions as well as changes in actual experience could cause these estimates to change. Insurance and claims expense will vary from period to period based on the severity and frequency of claims incurred in a given period. The administrative expenses associated with these reserves are expensed when paid.

Litigation

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources, are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

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Revenue Recognition

Trucking revenue and related direct cost are recognized on the date freight is delivered by the Company to the customer and collectibility is reasonably assured. Prior to commencement of shipment, the Company will negotiate an agreed upon price for services to be rendered.

TruckersB2B revenue is recognized at different times depending on the product or service purchased by the TruckersB2B member ("member"). Revenue for fuel rebates is recognized in the month the fuel was purchased by a member. The tire rebate revenue is recognized when proof-of-purchase documents are received from members. In most other programs, TruckersB2B receives commissions, royalties, or transaction fees based upon percentages of member purchases. TruckersB2B records revenue under these programs when earned and it receives the necessary information to calculate the revenue.

Costs of Products and Services

Cost of products and services represents the cost of the product or service purchased or used by the TruckersB2B member. Cost of products and services is recognized in the period that TruckersB2B recognizes revenue for the respective product or service.

Advertising

Advertising costs are expensed as incurred by the Company. Advertising expense primarily consists of recruiting for new drivers. Advertising expenses for fiscal 2009, 2008, and 2007 were $1.2 million, $1.3 million, and $1.4 million, respectively, and are included in salaries, wages, and employee benefits and other operating expenses in the Consolidated Statements of Operations.

Income Taxes

Deferred taxes are recognized for the future tax effects of temporary differences between the carrying amounts of assets and liabilities for financial and income tax reporting, based on enacted tax laws and rates. Federal income taxes are provided on the portion of the income of foreign subsidiaries that is expected to be remitted to the United States.

Effective July 1, 2007, we adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

Accounting for Derivatives

The Company had no derivative financial instruments in place in fiscal 2009, 2008, or 2007 to reduce exposure to fuel price fluctuations. We currently have contracts for 1.5 million Mexican pesos per month over the next six months, representing approximately 16% of our Mexican currency exposure. Derivative gains/(losses), initially reported as a component of other comprehensive income, are reclassified to earnings in the period when the forecasted transaction affects earnings. SFAS No. 133, Accounting for Certain Derivatives and Hedging Activities, requires that all derivative instruments be recorded on the balance sheet at their respective fair values.

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Earnings per Share ("EPS")

The Company applies the provisions of SFAS No. 128, Earnings per Share, which requires companies to present basic EPS and diluted EPS. Basic EPS excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. Dilutive common stock options are included in the diluted EPS calculation using the treasury stock method.

Stock-based Employee Compensation Plans

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123(R), Share-Based Payments ("SFAS 123(R)"), revising SFAS No. 123, Accounting for Stock Based Compensation; superseding Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees and its related implementation guidance; and amending SFAS No. 95, Statement of Cash Flows. SFAS 123(R) requires companies to recognize the grant date fair value of stock options and other equity-based compensation issued to employees in its income statement. See Note 6 for the impact to the Company.

Foreign Currency Translation

Foreign financial statements are translated into U.S. dollars in accordance with SFAS No. 52, Foreign Currency Translation. Assets and liabilities of the Company's foreign operations are translated into U.S. dollars at year-end exchange rates. Income statement accounts are translated at the average exchange rate prevailing during the year. Resulting translation adjustments are included in other comprehensive income.

Recent Accounting Pronouncements

In September 2006, FASB issued SFAS No. 157, Fair Value Measurements ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements required under other accounting pronouncements, but does not change existing guidance as to whether or not an instrument is carried at fair value. It also establishes a fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, FASB issued Staff Position No. 157-2, which provides a one-year delayed application of SFAS 157 for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Company's adoption of the provisions of SFAS 157 with respect to the financial assets and liabilities measured at fair value did not have a material impact on the fair value measurements or the consolidated financial statements. In accordance with SFAS 157-2 the Company is currently evaluating the potential impact of applying the provisions of SFAS 157 to nonfinancial assets and nonfinancial liabilities beginning in fiscal 2010, including, but not limited to, the valuation of the Company's reporting units for the purpose of assessing goodwill impairment, the valuation of property and equipment when assessing long-lived asset impairment, and the valuation of assets acquired and liabilities assumed in business combinations. In October 2008, the FASB issued SFAS 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active, which became effective upon issuance, including periods for which financial statements have not been issued. SFAS 157-3 clarifies the application of SFAS 157. The Company's adoption of SFAS 157-3 in determination of fair values did not have a material impact on the consolidated financial statements.

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In December 2007, FASB issued SFAS No. 141R (revised 2007), Business Combinations ("SFAS 141R"), which replaces SFAS No. 141. The statement retains the purchase method of accounting for acquisitions, but requires a number of changes, including changes in the way assets and liabilities are recognized in the purchase accounting. It also changes the recognition of assets acquired and liabilities assumed arising from contingencies, requires the capitalization of in-process research and development at fair value, and requires the expensing of acquisition-related costs as incurred. SFAS 141R is effective for us beginning July 1, 2009 and will apply prospectively to business combinations completed on or after that date.

In December 2007, FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB 51 ("SFAS 160"), which changes the accounting and reporting for minority interests. Minority interests will be recharacterized as noncontrolling interests and will be reported as a component of equity separate from the parent's equity, and purchases or sales of equity interests that do not result in a change in control will be accounted for as equity transactions. In addition, net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement and, upon a loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in earnings. SFAS 160 is effective for us beginning July 1, 2009 and will apply prospectively, except for the presentation and disclosure requirements, which will apply retrospectively. We are currently assessing the potential impact that adoption of SFAS 160 would have on our financial statements.

In March 2008, FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133, ("SFAS 161"). SFAS 161 requires enhanced disclosures about an entity's derivative and hedging activities, including (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under SFAS No. 133, and (iii) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2008. Accordingly, the Company will adopt SFAS 161 in fiscal year 2010.

In May 2009, the FASB issued SFAS No. 165, Subsequent Events. This standard is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, this standard sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. SFAS No. 165 is effective for fiscal years and interim periods ended after June 15, 2009. We are currently assessing the potential impact that adoption of SFAS 165 would have on our financial statements.

(2) ACQUISITIONS

On December 4, 2008, the Company acquired certain assets of Continental Express, Inc. ("Continental"). Pursuant to the asset purchase agreement, our wholly-owned subsidiary, CTSI, acquired assets of Continental's truckload, intermodal, and brokerage business, including 400 tractors and 1,100 trailers for approximately $24.1 million of cash consideration, with the purchase accounting allocating $10.3 million to trailers and the remaining balance allocated to tractors. In connection with the acquisition, we offered employment to approximately 250 qualified, former Continental drivers, of which approximately 200 became Celadon drivers. Approximately 30 non-driver personnel were hired.

On June 5, 2007, the Company acquired certain assets of Air Road Express Inc. ("Air Road"). Pursuant to the asset purchase agreement, our wholly-owned subsidiary, CTSI, acquired Air Road's truckload business, including 53 tractors and 102 trailers for approximately $2.9 million, all of which was allocated to fixed assets. In connection with the acquisition, we offered employment to approximately 80 qualified, former Air Road drivers.

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On February 28, 2007, the Company acquired certain assets of Warrior Services Inc. d/b/a Warrior Xpress ("Warrior"). Pursuant to the asset purchase agreement, our wholly-owned subsidiary, CTSI, acquired Warrior's truckload business, including 82 tractors and 287 trailers for approximately $8.3 million, all of which was allocated to fixed assets. In connection with the acquisition, we offered employment to approximately 110 qualified, former Warrior drivers.

On October 6, 2006, the Company acquired certain assets of Erin Truckways Ltd., d/b/a Digby Truck Line, Inc. ("Digby"). Pursuant to the asset purchase agreement, our wholly-owned subsidiary, CTSI, acquired Digby's truckload business, including approximately 270 tractors and 590 trailers for approximately $21.2 million, all of which was allocated to fixed assets. In connection with the acquisition, we offered employment to approximately 150 qualified, former Digby drivers.

(3) PROPERTY, EQUIPMENT, AND LEASES

Property and equipment consists of the following (in thousands):

	2009	2008
Revenue equipment owned	$ 154,416	$ 187,416
Revenue equipment under capital leases	57,076	57,239
Furniture and office equipment	5,037	4,970
Land and buildings	16,685	17,007
Service equipment	806	1,203
Leasehold improvements	3,147	2,997
	$ 237,167	$ 270,832

Included in accumulated depreciation was $10.3 million and $6.2 million in 2009 and 2008, respectively, related to revenue equipment under capital leases. Depreciation and amortization expense relating to property and equipment owned and revenue equipment under capital leases, including gains (losses) on disposition of equipment, was $35.2 million in 2009, $33.3 million in 2008, and $21.9 million in 2007.

(4) LEASE OBLIGATIONS AND LONG-TERM DEBT

Lease Obligations

The Company leases certain revenue and service equipment under long-term lease agreements, payable in monthly installments.

Equipment obtained under capital leases is reflected on the Company's balance sheet as owned and the related leases bear interest at rates ranging from 3.7% to 5.2% per annum, maturing at various dates through 2013.

Assets held under operating leases are not recorded on the Company's balance sheet. The Company leases revenue and service equipment under noncancellable operating leases expiring at various dates through June 2016.

The Company leases warehouse and office space under noncancellable operating leases expiring at various dates through September 2021. Certain real estate leases contain renewal options.

Total rental expense under operating leases was as follows for 2009, 2008, and 2007 (in thousands):

	2009	2008	2007
Revenue and service equipment	$29,138	$25,596	$31,900
Office facilities and terminals	3,025	2,912	3,094
	$32,163	$28,508	$34,994

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Future minimum lease payments relating to capital leases and to operating leases with initial or remaining terms in excess of one year are as follows (in thousands):

Year ended June 30,	Capital Leases	Operating Leases
2010	$ 8,487	$ 43,010
2011	16,747	41,281
2012	18,770	59,000
2013	1,804	15,591
2014	----	13,070
Thereafter	----	17,555
Total minimum lease payments	$ 45,808	$ 189,507
Less amounts representing interest	3,804	
Present value of minimum lease payments	$ 42,004	
Less current maturities	6,693	
Non-current portion	$ 35,311	

The Company is obligated for lease residual value guarantees of $75.4 million, with $6.0 million due in fiscal 2010. The guarantees are included in the future minimum lease payments above. To the extent the expected value at lease termination date is lower than the residual value guarantee, we would accrue for the difference over the remaining lease term.

Long-Term Debt

The Company's outstanding borrowings excluding capital leases set forth above consist of the following at June 30 (in thousands):

	2009	2008
Outstanding amounts under Credit Agreement	$ 5,490	$ 43,110
Other borrowings	1,489	10,825
	6,979	53,935
Less current maturities	1,109	8,290
Non-current portion	$ 5,870	$ 45,645

Lines of Credit

On September 26, 2005, Celadon Group, Inc., Celadon Trucking Services, Inc., and TruckersB2B entered into an unsecured Credit Agreement (the "Credit Agreement") with LaSalle Bank National Association, as administrative agent, and LaSalle Bank National Association, Fifth Third Bank (Central Indiana), and JPMorgan Chase Bank, N.A., as lenders. The Credit Agreement was amended on December 23, 2005, by the First Amendment to Credit Agreement, pursuant to which Celadon Logistics Services, Inc. was added as a borrower to the Credit Agreement. The Credit Agreement was also amended on June 30, 2007 and January 22, 2008 by the Second Amendment to Credit Agreement and Third Amendment to Credit Agreement, respectively. On August 11, 2009, the Credit Agreement was amended and restated (the "Restatement"). Pursuant to the Restatement, (i) the maximum available borrowing limit under the

Credit Agreement was reduced from a $70 million unsecured line to a $40 million secured line and (ii) certain financial covenants were adjusted as follows: Minimum Fixed Charge ratio to a minimum of .90, Maximum Lease-Adjusted Total Debt to EBITDAR ratio up to 3.25 to 1, Minimum Tangible Net Worth to $100 million, and the Minimum Asset Coverage ratio to be no less than 1.25 to 1. The Restatement and the financial covenants included therein were in effect starting June 30, 2009, at which time we were in compliance with the restated covenants. The Credit Agreement, as amended by the Restatement, matures on January 23, 2013. The Credit Agreement is intended to provide for ongoing working capital needs and general corporate purposes. Borrowings under the Credit Agreement are based, at the option of the Company, on a base rate equal to the greater of the federal funds rate plus an applicable margin between 0.75% and 1.50% and the administrative agent's prime rate or LIBOR plus an applicable margin between 2.25% and 3.00% that is adjusted quarterly based on cash flow coverage. The Credit Agreement is guaranteed by Celadon E-Commerce, Inc., Celadon Canada, Inc., and Jaguar, each of which is a subsidiary of the Company.

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The Credit Agreement, as amended by the Restatement, has a maximum revolving borrowing limit of $40.0 million. Letters of credit are limited to an aggregate commitment of $15.0 million and a swing line facility has a limit of $3.0 million. A commitment fee that is adjusted quarterly between 0.375% and 0.500% per annum based on cash flow coverage is due on the daily unused portion of the Credit Agreement. The Credit Agreement contains certain restrictions and covenants relating to, among other things, dividends, tangible net worth, cash flow, mergers, consolidations, acquisitions and dispositions, and total indebtedness. At June 30, 2009, $5.5 million of our credit facility was utilized as outstanding borrowings and $4.2 million was utilized for standby letters of credit. Our effective interest rate at June 30, 2009 was 3.25%.

Other Borrowings

Other borrowings consist primarily of mortgage debt financing and notes payable for equipment purchase, which are collateralized by the equipment. At June 30, 2009, the interest rate charged on outstanding borrowings ranged from 3.25% to 19.2%.

Maturities of long-term debt for the years ending June 30 are as follows (in thousands):

2010	$1,109
2011	336
2012	44
2013	5,490
	$6,979

(5) EMPLOYEE BENEFIT PLANS

401(k) Profit Sharing Plan

The Company has a 401(k) profit sharing plan, which permits U.S. employees of the Company to contribute up to 50% of their annual compensation, up to certain Internal Revenue Service limits, on a pretax basis. The contributions made by each employee are fully vested immediately and are not subject to forfeiture. The Company makes a discretionary matching contribution of up to 50% of the employee's contribution up to 5% of their annual compensation. Effective April 1, 2009, the Company suspended the discretionary matching contribution. The aggregate Company contribution may not exceed 5% of the employee's compensation. Employees vest in the Company's contribution to the plan at the rate of 20% per year from the date of employee anniversary. Contributions made by the Company during 2009, 2008, and 2007 amounted to $205,000, $268,000, and $331,000, respectively.

(6) STOCK PLANS

All share-based payments to employees, including grants of employee stock options, are recognized in the financial statements based upon a grant-date fair value of an award.

In January 2006, stockholders approved the 2006 Omnibus Incentive Plan ("2006 Plan") that provides various vehicles to compensate the Company's key employees. The 2006 Plan utilizes such vehicles as stock options, restricted stock grants, and stock appreciation rights ("SARs"). The 2006 Plan authorized the Company to grant 1,687,500 shares. In November 2008, an additional 1,000,000 shares were authorized under an amendment to the 2006 Plan. In fiscal

2009, the Company granted 12,500 stock options and 248,866 restricted stock grants. In fiscal 2008, the Company granted 730,990 stock options and 59,426 restricted stock grants. The Company is authorized to grant an additional 1,050,451 shares.

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The total compensation cost that has been recorded for such stock-based awards was an expense of $2.3 million in fiscal 2009, $1.9 million in fiscal 2008, and $1.8 million in fiscal 2007. The total income tax benefit recognized in the income statement for share-based compensation arrangements was $0.4 million in fiscal 2009, $0.7 million in fiscal 2008, and $0.8 million in fiscal 2007.

The Company has granted a number of stock options under various plans. Options granted to employees have been granted with an exercise price equal to the market price on the grant date and expire on the tenth anniversary of the grant date. The majority of options granted to employees vest 25 percent per year, commencing with the first anniversary of the grant date. Options granted to non-employee directors have been granted with an exercise price equal to the market price on the grant date, vest over three years with regard to the 2006 Plan grants and four years with respect to all other grants, commencing with the first anniversary of the grant date, and expire on the tenth anniversary of the grant date.

A summary of the activity of the Company's stock option plans as of June 30, 2009 and changes during the period then ended is presented below:

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at June 30, 2007	1,064,992	$ 9.54	7.06	$ 6,879,503
Granted	730,990	$ 9.95	---	---
Forfeited or expired	(214,643)	$ 15.42		
Exercised	(261,441)	$ 4.03	---	---
Outstanding at June 30, 2008	1,319,898	$ 9.90	7.98	$ 1,742,049
Granted	12,500	$ 9.36	---	---
Forfeited or expired	(34,681)	$ 12.24		
Exercised	(7,875)	$ 3.33	---	---
Outstanding at June 30, 2009	1,289,842	$ 9.87	7.04	$ 677,650
Exercisable at June 30, 2009	680,714	$ 10.08	6.20	$ 667,570

The total intrinsic value of options exercised during fiscal 2009, 2008, and 2007 was $0.1 million, $0.9 million, and $5.3 million, respectively.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants:

	2009	2008	2007
Weighted-average grant date fair value	$ 3.91	$ 4.47	$ 9.97
Dividend yield	0	0	0
Expected volatility	53.4 %	41.9 %	64.2 %
Risk-free interest rate	1.53 %	3.93 %	4.92 %
Expected lives	3 years	4 years	4 years

Expected volatility is based upon the historical volatility of the Company's stock. The risk-free rate is based upon the U.S. Treasury yield curve in effect at the time of grant. Expected lives are based upon the historical experience of the Company.

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Restricted Shares

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested at June 30, 2007	203,182	$ 12.73
Granted	59,426	$ 8.82
Forfeited	(30,452)	$ 10.83
Vested	(75,956)	$ 11.48
Unvested at June 30, 2008	156,200	$ 12.22
Granted	248,866	$ 11.40
Forfeited	(31,969)	$ 14.78
Vested	(63,391)	$ 9.72
Unvested at June 30, 2009	309,706	$ 11.81

Restricted shares granted to employees have been granted subject to achievement of certain time-based or performance targets and vest 25% or 33% each year, commencing with the first anniversary of the grant date. The weighted average grant date share prices were $11.40, $8.82, and $16.79 in fiscal 2009, 2008, and 2007, respectively.

As of June 30, 2009, we had $1.7 million and $2.8 million of total unrecognized compensation expense related to stock options and restricted stock, respectively, that is expected to be recognized over the remaining weighted average period of approximately 2.6 years for stock options and 1.8 years for restricted stock.

Stock Appreciation Rights

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested at June 30, 2007	254,390	$ 8.59
Paid	(50,064)	$ 8.32
Forfeited	(37,124)	$ 8.59
Unvested at June 30, 2008	167,202	$ 8.68
Paid	(19,322)	$ 8.92
Forfeited	(3,036)	$ 8.64
Vested at June 30, 2009	144,844	$ 8.64

Stock appreciation rights were granted to employees vesting on a 3 or 4 year vesting schedule. The weighted average grant date share price was $8.64 and $8.68 for fiscal 2009 and 2008, respectively. The Company recognized a benefit of $0.3 million and $1.0 million in fiscal 2009 and 2008, respectively, for vested stock appreciation rights.

During the first quarter of fiscal 2007, the Company gave SARs grantees the opportunity to enter into an alternative fixed compensation arrangement whereby the grantee would forfeit all rights to SARs compensation in exchange for a guaranteed quarterly payment for the remainder of the underlying SARs term. This alternative arrangement is subject to continued service to the Company or one of its subsidiaries. These fixed payments were accrued quarterly from July 1, 2006 to March 31, 2009, and have now all been paid in full. The Company offered this alternative arrangement to mitigate the volatility to earnings from stock price variance on the SARs.

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Stockholder Rights Plan

On June 28, 2000, the Company's Board of Directors approved a Stockholder Rights Plan whereby, on July 31, 2000, common stock purchase rights ("Rights") were distributed as a dividend at the rate of one Right for each share of the Company's common stock held as of the close of business on July 20, 2000. The Rights will expire on July 18, 2010. Under the plan, the Rights will be exercisable only if triggered by a person or group's acquisition of 15% or more of the Company's common stock. Each right, other than Rights held by the acquiring person or group, would entitle its holder to purchase a specified number of the Company's common shares for 50% of their market value at that time.

Following the acquisition of 15% or more of the Company's common stock by a person or group, the Board of Directors may authorize the exchange of the Rights, in whole or in part, for shares of the Company's common stock at an exchange ratio of one share for each Right, provided that at the time of such proposed exchange no person or group is then the beneficial owner of 50% or more of the Company's common stock.

Unless a 15% acquisition has occurred, the Rights may be redeemed by the Company at any time prior to the termination date of the plan.

(7) STOCK REPURCHASE PROGRAMS

On October 24, 2007, the Company's Board of Directors authorized a stock repurchase program pursuant to which the Company purchased 2,000,000 shares of the Company's common stock in open market transactions at an aggregate cost of approximately $13.8 million. We intend to hold repurchased shares in treasury for general corporate purposes, including issuances under stock option plans. We account for treasury stock using the cost method.

(8) EARNINGS PER SHARE

The following is a reconciliation of the numerators and denominators used in computing earnings per share (in thousands):

	2009	2008	2007
Net income	$ 2,556	$ 6,536	$ 22,252
Basic earnings per share:			
Weighted - average number of common shares outstanding	21,727	22,378	23,252
Basic earnings per share	$ 0.12	$ 0.29	$ 0.96
Diluted earnings per share:			
Weighted - average number of common shares outstanding	21,727	22,378	23,252
Effect of stock options and other incremental shares	407	239	446
Weighted - average number of common shares outstanding - diluted	22,134	22,617	23,698
Diluted earnings per share	$ 0.12	$ 0.29	$ 0.94

The Company has 1,158,030 options in fiscal 2009, 1,182,903 options in fiscal 2008, and 692,570 options in fiscal 2007 that could potentially dilute basic earnings per share that were excluded from the EPS calculation as they are antidilutive in the current year.

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(9) COMMITMENTS AND CONTINGENCIES

The Company has outstanding commitments to purchase approximately $57.6 million of revenue equipment at June 30, 2009.

Standby letters of credit, not reflected in the accompanying consolidated financial statements, aggregated approximately $4.2 million at June 30, 2009.

The Company has an employment agreement with the Chief Executive Officer providing for minimum combined annual compensation of $700,000 in fiscal 2010.

There are various claims, lawsuits, and pending actions against the Company and its subsidiaries in the normal course of the operation of their businesses with respect to cargo, auto liability, or income taxes.

On August 8, 2007, the 384th District Court of the State of Texas situated in El Paso, Texas, rendered a judgment against CTSI, for approximately $3.4 million in the case of Martinez v. Celadon Trucking Services, Inc., which was originally filed on September 4, 2002. The case involves a workers' compensation claim of a former employee of CTSI who suffered a back injury as a result of a traffic accident. CTSI and the Company believe all actions taken were proper and legal and contend that the proper and exclusive place for resolution of this dispute was before the Indiana Workers Compensation Board. While there can be no certainty as to the outcome, the Company believes that the ultimate resolution of this dispute will not have a materially adverse effect on its consolidated financial position or results of operations. CTSI filed an appeal of the decision to the Texas Court of Appeals in October 2007. Appellate briefs have been filed by Celadon and the plaintiff and the ATA Litigation Center has filed an amicus curiae brief in support of Celadon's position. We are waiting to hear if the Court of Appeals will entertain oral argument on the briefs or simply render a decision on the briefs alone.

(10) RELATED PARTY TRANSACTIONS

From August 2007 to June 2008, the Company used rent-free, an approximately nine acre parcel of land located on Interstate 37 near Indianapolis, Indiana, to evaluate the prospects for operating a used-equipment business to dispose of a portion of its own tractors and trailers in the ordinary course of business. The Company intends to continue the equipment sales business and found the location to be favorable. The land was owned by Will LLC, an Indiana Limited Liability Company owned and managed by Mrs. Will, the wife of Paul Will, the Company's Vice Chairman of the Board, Executive Vice President, Chief Financial Officer, Treasurer, and Assistant Secretary ("Will LLC"). On June 20, 2008, the Company purchased the parcel from Will LLC at a cost of $97,500 per acre, or a total of $821,222. Prior to entry into the purchase agreement with the Company, Will LLC had received written offers to purchase the parcel from independent third parties at prices of $95,000 and $100,000 per acre, respectively. Mrs. Will, as the sole member of Will LLC, had a financial interest in the transaction equal to the total purchase price. The transaction was reviewed and approved in advance by the Company's Audit and Corporate Governance Committee of the Board of Directors.

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(11) INCOME TAXES

The income tax provision for operations in 2009, 2008, and 2007 consisted of the following (in thousands):

	2009	2008	2007
Current:			
Federal	$ 753	$ (2,246)	$ 3,509
State and local	328	(462)	1,181
Foreign	(25)	(311)	(773)
Total Current	1,056	(3,019)	3,917
Deferred:			
Federal	3,445	9,440	9,593
State and local	396	1,788	524
Foreign	110	(1,062)	194
Total Deferred	3,951	10,166	10,311
Total	$ 5,007	$ 7,147	$ 14,228

No benefit has been recognized for U.S. federal income taxes on undistributed losses of foreign subsidiaries of approximately $0.6 million at June 30, 2009. Included in the consolidated income before income taxes is a loss of approximately $0.5 million from foreign operations in fiscal 2009.

The Company's income tax expense varies from the statutory federal tax rate of 35% applied to income before income taxes as follows (in thousands):

	2009	2008	2007
Computed "expected" income tax expense	$ 2,647	$ 4,792	$ 12,768
State taxes, net of federal benefit	472	862	1,108
Non-deductible expenses	1,535	1,398	1,368
Other, net	353	95	(1,016)
Actual income tax expense	$ 5,007	$ 7,147	$ 14,228

Income tax expense for fiscal 2009 included an adjustment of approximately $300,000 related to per diem calculations for prior years.

CELADON GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at June 30, 2009 and 2008 consisted of the following (in thousands):

	2009	2008
Deferred tax assets:		
Deferred equity compensation	$ 1,564	$ 1,157
Insurance reserves	3,014	3,857
Other	3,488	3,362
Total deferred tax assets	$ 8,066	$ 8,376
Deferred tax liabilities:		
Property and equipment	$ (32,078)	$ (29,680)
Goodwill	(3,736)	(3,258)
Capital leases	(1,866)	(2,322)
Other	(1,738)	(1,593)
Total deferred tax liabilities	$ (39,418)	$ (36,853)
Net current deferred tax assets	$ 2,780	$ 3,035
Net non-current deferred tax liabilities	(34,132)	(31,512)
Total net deferred tax liabilities	$ (31,352)	$ (28,477)

As of June 30, 2009, the Company had operating loss carry-forwards for income tax purposes of $3.8 million, which have expiration dates of 2014 and after.

Effective July 1, 2007, we adopted FIN 48, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. As of June 30, 2009 the Company recorded a $0.7 million liability for unrecognized tax benefits, a portion of which represents penalties and interest.

CELADON GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009

(12) SEGMENT INFORMATION AND SIGNIFICANT CUSTOMERS

The Company operates in two segments, transportation and e-commerce. The Company generates revenue in the transportation segment primarily by providing truckload hauling services through its subsidiaries, CTSI, CLSI, Jaguar, and CelCan. The Company provides certain services over the Internet through its e-commerce subsidiary, TruckersB2B. The e-commerce segment generates revenue by providing discounted fuel, tires, and other products and services to small and medium-sized trucking companies. The Company evaluates the performance of its operating segments based on operating income.

	Fiscal year ended June 30, (Dollars in thousands)		
	2009	2008	2007
Total revenues			
Transportation	$ 481,810	$ 556,571	$ 492,692
E-Commerce	8,528	9,324	10,000
	490,338	565,895	502,692
Operating income			
Transportation	9,611	17,363	38,539
E-Commerce	1,279	1,435	1,561
	10,890	18,798	40,100
Depreciation and amortization			
Transportation	35,205	33,247	21,862
E-Commerce	16	17	18
	35,221	33,264	21,880
Interest income			
Transportation	(35)	(106)	(21)
Interest expense			
Transportation	3,589	5,028	3,532
E-Commerce	---	---	---
	3,589	5,028	3,532
Income before taxes			
Transportation	5,978	12,059	34,882
E-Commerce	1,585	1,624	1,599
	7,563	13,683	36,481
Goodwill			
Transportation	16,702	16,702	16,702
E-Commerce	2,435	2,435	2,435
	19,137	19,137	19,137
Total assets			
Transportation	262,369	322,080	301,286
E-Commerce	8,630	7,255	5,627
	270,999	329,335	306,913

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CELADON GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009

Information as to the Company's operations by geographic area is summarized below (in thousands). The Company allocates total revenue based on the country of origin of the tractor hauling the freight.

	2009	2008	2007
Total revenue:			
United States	$ 429,418	$ 477,830	$ 414,360
Canada	35,414	56,320	58,790
Mexico	25,506	31,745	29,542
Total	$ 490,338	$ 565,895	$ 502,692
Long lived assets:			
United States	$ 169,394	$ 203,728	$ 198,886
Canada	9,997	11,753	9,211
Mexico	10,051	12,673	9,910
Total	$ 189,442	$ 228,154	$ 218,007

No customer accounted for more than 5% of the Company's total revenue during any of its three most recent fiscal years.

(13) SELECTED QUARTERLY DATA (Unaudited)

Summarized quarterly data for fiscal 2009 and 2008 follows (in thousands except per share amounts):

	Fiscal Year 2009			
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
Total revenues	$ 146,868	$ 119,646	$ 106,877	$ 116,947
Operating expenses	139,917	115,292	108,747	115,492
Operating income (loss)	6,951	4,354	(1,870)	1,455
Other expense, net	1,097	1,004	821	405
Income (loss) before taxes	5,854	3,350	(2,691)	1,050
Income (loss) tax expense	3,085	1,652	(613)	883
Net income (loss)	$ 2,769	$ 1,698	$ (2,078)	$ 167
Basic income (loss) per share	$ 0.13	$ 0.08	$ (0.10)	$ 0.01
Diluted income (loss) per share	$ 0.13	$ 0.08	$ (0.10)	$ 0.01

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CELADON GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009

	Fiscal Year 2008			
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
Total revenues	$ 133,779	$ 138,609	$ 138,890	$ 154,618
Operating expenses	127,828	133,760	136,564	148,947
Operating income	5,951	4,849	2,326	5,671
Other expense, net	1,339	1,256	1,231	1,288
Income before taxes	4,612	3,593	1,095	4,383
Income tax expense	2,111	1,870	946	2,220
Net income	$ 2,501	$ 1,723	$ 149	$ 2,163
Basic income per share	$ 0.11	$ 0.08	$ 0.01	$ 0.10
Diluted income per share	$ 0.11	$ 0.08	$ 0.01	$ 0.10

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SCHEDULE II

CELADON GROUP, INC.
VALUATION AND QUALIFYING ACCOUNTS

Years ended June 30, 2009, 2008, and 2007

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions		Balance at End of Period
Year ended June 30, 2007:					
Allowance for doubtful accounts	$ 1,268,925	$ 366,099	$ 458,693	(a)	$ 1,176,331
Reserves for claims payable as self insurer	$ 7,732,545	$ 9,097,620	$ 9,708,932	(b)	$ 7,121,233
Year ended June 30, 2008:					
Allowance for doubtful accounts	$ 1,176,331	$ 910,719	$ 892,965	(a)	$ 1,194,085
Reserves for claims payable as self insurer	$ 7,121,233	$ 13,198,369	$ 10,196,906	(b)	$ 10,122,696
Year ended June 30, 2009:					
Allowance for doubtful accounts	$ 1,194,085	$ 94,435	$ 229,981	(a)	$ 1,058,539
Reserves for claims payable as self insurer	$ 10,122,696	$ 12,527,582	$ 13,161,103	(b)	$ 9,489,175

(a) Represents accounts receivable write-offs.
(b) Represents claims paid.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in or disagreements with accountants on accounting or financial disclosure within the last two fiscal years.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures to ensure that material information relating to us and our consolidated subsidiaries is made known to the officers who certify our financial reports and to other members of senior management and the Board of Directors.

Based on their evaluation as of June 30, 2009, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are effective to ensure that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the principal executive and principal financial officers, and effected by the board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail, accurately, and fairly reflect the transactions and dispositions of our assets;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of June 30, 2009. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework.

Based on its assessment, management believes that, as of June 30, 2009, our internal control over financial reporting is effective based on those criteria.

Design and Changes in Internal Control over Financial Reporting

The design, monitoring, and revision of the system of internal accounting controls involves, among other things, management's judgments with respect to the relative cost and expected benefits of specific control measures.

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There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2009, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

The effectiveness of our internal control over financial reporting as of June 30, 2009 has been audited by KPMG, LLP, an independent registered public accounting firm, as stated in their attestation report. See "Financial Statements and Supplementary Data" under Item 8 of this Annual Report for KPMG, LLP's attestation report.

Item 9B. Other Information

Not applicable.

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PART III

Certain information required to be set forth in Part III of this report is incorporated by reference to our definitive Proxy Statement which will be filed with the SEC not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K. Only those sections of the definitive Proxy Statement which specifically address the items set forth herein are incorporated by reference. Such incorporation does not include the Compensation Committee Report included in the definitive Proxy Statement.

Item 10. Directors, Executive Officers, and Corporate Governance

The information required by this Item, with the exception of the Code of Ethics disclosure below, is incorporated herein by reference to our definitive Proxy Statement to be filed in connection with the 2009 Annual Meeting of Stockholders.

Code of Ethics

We have adopted a Code of Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of the Code of Ethics was filed as Exhibit 14 to our Annual Report on Form 10-K for the year ended June 30, 2003, filed with the SEC on September 19, 2003.

Item 11. Executive Compensation

The information required by this Item is incorporated herein by reference to our definitive Proxy Statement to be filed in connection with the 2009 Annual Meeting of Stockholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item, is incorporated herein by reference to our definitive Proxy Statement to be filed in connection with the 2009 Annual Meeting of Stockholders. The following table provides certain information as of June 30, 2009, with respect to our compensation plans and other arrangements under which shares of our common stock are authorized for issuance.

Equity Compensation Plan Information

The following table summarizes our equity compensation plans as of June 30, 2009:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance
Equity compensation plans	1,470,736	$9.87	1,050,541

approved by security holders			
Equity compensation plans not approved by security holders	Not applicable	Not applicable	Not applicable

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Item 13. Certain Relationships and Related Transactions

The information required by this Item is incorporated herein by reference to our definitive Proxy Statement to be filed in connection with the 2009 Annual Meeting of Stockholders.

Item 14. Principal Accounting Fees and Services

The information required by this Item is incorporated herein by reference to our definitive Proxy Statement to be filed in connection with the 2009 Annual Meeting of Stockholders.

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PART IV

Item 15. Exhibits, Financial Statement Schedules

	Page Number of Annual Report on Form 10-K
(a) List of Documents filed as part of this Report	
(1) Financial Statements	

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(b) Exhibits (Numbered in accordance with Item 601 of Regulation S-K).

3.1	Amended and Restated Certificate of Incorporation of the Company. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ending December 31, 2005, filed with the SEC on January 30, 2006.)
3.2	Certificate of Designation for Series A Junior Participating Preferred Stock. (Incorporated by reference to Exhibit 3.3 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2000, filed with the SEC on September 28, 2000.)
3.3	Amended and Restated By-laws of the Company. (Incorporated by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q filed with the SEC on January 31, 2008.)
4.1	Amended and Restated Certificate of Incorporation of the Company. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ending December 31, 2005, filed with the SEC on January 30, 2006.)
4.2	Certificate of Designation for Series A Junior Participating Preferred Stock. (Incorporated by reference to Exhibit 3.3 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2000, filed with the SEC on September 28, 2000.)
4.3	Rights Agreement, dated as of July 20, 2000, between Celadon Group, Inc. and Fleet National Bank, as Rights Agent. (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form 8-A, filed with the SEC on July 20, 2000.)
4.4	Amended and Restated By-laws of the Company. (Incorporated by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q filed with the SEC on January 31, 2008.)
10.1	Celadon Group, Inc. 1994 Stock Option Plan. (Incorporated by reference to Exhibit B to the Company's Proxy Statement on Schedule 14A, filed with the SEC October 17, 1997.) *
10.2	Employment Contract dated January 21, 1994 between the Company and Stephen Russell. (Incorporated by reference to Exhibit 10.43 to the Company's Registration Statement on Form S-1, Registration No. 33-72128, filed with the SEC on November 24, 1993.) *
10.3	Amendment dated February 12, 1997 to Employment Contract dated January 21, 1994 between the Company and Stephen Russell. (Incorporated by reference to Exhibit 10.50 to the Company's Annual Report on Form 10-K filed with the SEC on September 12, 1997.) *
10.4	Celadon Group, Inc. Non-Employee Director Stock Option Plan. (Incorporated by reference to Exhibit A to the Company's Proxy Statement on Schedule 14A, filed with the SEC on October 14, 1997.) *
10.5	Amendment No. 2 dated August 1, 1997 to Employment Contract dated January 21, 1994 between the Company and Stephen Russell. (Incorporated by reference to Exhibit 10.54 to the Company's Quarterly Report on Form 10-Q filed with the SEC on February 11, 1998.) *
10.6	Rights Agreement, dated as of July 20, 2000, between Celadon Group, Inc. and Fleet National Bank, as Rights Agent. (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form 8-A, filed with the SEC on July 20, 2000.)
10.7	Amendment No. 3 dated July 26, 2000 to Employment Contract dated January 21, 1994 between the Company and Stephen Russell. (Incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K filed with the SEC on September 30, 2002.) *
10.8	Amendment No. 4 dated April 4, 2002 to Employment Contract dated January 21, 1994 between the Company and Stephen Russell. (Incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K filed with the SEC on September 30, 2002.) *
10.9	Separation Agreement dated March 3, 2000 between the Company and Paul A. Will. (Incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K filed with the SEC on September 30, 2002.) *
10.10	Amendment dated September 30, 2001 to Separation Agreement between the Company and Paul A. Will dated March 3, 2000. (Incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K filed with the SEC on September 30, 2002.) *

10.11	Amendment No. 5 dated November 20, 2002 to Employment Contract dated January 21, 1994 between the Company and Stephen Russell. (Incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K filed with the SEC on September 19, 2003.) *
10.12	Credit Agreement dated as of September 26, 2005 among the Company, certain of its subsidiaries, LaSalle Bank National Association, and certain other lenders. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 30, 2005.)
10.13	Stock Appreciation Rights Plan effective April 4, 2002. (Incorporated by reference to Exhibit 10.23 to the Company's Quarterly Report on Form 10-K/A filed with the SEC on October 28, 2005.) *
10.14	Celadon Group, Inc., 2006 Omnibus Incentive Plan. (Incorporated by reference to Appendix B to the Company's definitive proxy statement, filed with the SEC on December 19, 2005.) *

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10.15	First Amendment to Credit Agreement dated December 23, 2005, among the Company, certain of it subsidiaries, LaSalle Bank National Association, and certain other lenders. (Incorporated by reference to Exhibit 10.21 to the Company's Quarterly Report on Form 10-Q filed with the SEC on January 30, 2006.)
10.16	Celadon Group, Inc. Form of Award Notice for Employees for Restricted Stock Awards. (Incorporated by reference to Exhibit 10.23 to the Company's Quarterly Report on Form 10-Q filed with the SEC on May 4, 2006.) *
10.17	Celadon Group, Inc. Form of Award Notice for Stephen Russell for Restricted Stock Award. (Incorporated by reference to Exhibit 10.24 to the Company's Quarterly Report on Form 10-Q filed with the SEC on May 4, 2006.) *
10.18	Celadon Group, Inc. Form of Award Notice for Employees for Incentive Stock Option Grants. (Incorporated by reference to Exhibit 10.25 to the Company's Quarterly Report on Form 10-Q filed with the SEC on May 4, 2006.) *
10.19	Celadon Group, Inc. Form of Award Notice for Non-Employee Directors for Non-Qualified Stock Option Grants. (Incorporated by reference to Exhibit 10.26 to the Company's Quarterly Report on Form 10-Q filed with the SEC on May 4, 2006.) *
10.20	Asset Purchase Agreement dated October 6, 2006 by and among Erin Truckways, Ltd. d/b/a Digby Truckline, Inc., Cynthia J. Bedore, and Celadon Trucking Services, Inc. (Incorporated by reference to Exhibit 10.21 to the Company's Quarterly Report on Form 10-Q filed with the SEC on February 5, 2007.)
10.21	Employment Letter dated August 8, 2007 by and between Celadon Group, Inc. and Chris Hines. (Incorporated by reference to Exhibit 10.22 to the Company's Quarterly Report on Form 10-Q filed with the SEC on October 31, 2007.) *
10.22	Second Amendment to Credit Agreement dated June 30, 2007 by and among Celadon Group, Inc., Celadon Trucking Services, Inc., Truckers B2B, Inc., and Celadon Logistics Services, Inc., the financial institutions party thereto, and LaSalle Bank National Association. (Incorporated by reference to Exhibit 10.23 to the Company's Quarterly Report on Form 10-Q filed with the SEC on January 31, 2008.)
10.23	Third Amendment to Credit Agreement dated January 22, 2008 by and among Celadon Group, Inc., Celadon Trucking Services, Inc., Truckers B2B, Inc., and Celadon Logistics Services, Inc., the financial institutions party thereto, and LaSalle Bank National Association. (Incorporated by reference to Exhibit 10.23 to the Company's Quarterly Report on Form 10-Q filed with the SEC on May 1, 2008.)
14	Celadon Group, Inc. Code of Business Conduct and Ethics adopted by the Company on April 30, 2003. (Incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K filed with the SEC on September 19, 2003.)
21	Subsidiaries. #
23	Consent of Independent Registered Public Accounting Firm - KPMG LLP. #
31.1	Certification pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, by Stephen Russell, the Company's Chief Executive Officer. #
31.2	Certification pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, by Paul A. Will, the Company's Chief Financial Officer. #
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Stephen Russell, the Company's Chief Executive Officer. #
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Paul A. Will, the Company's Chief Financial Officer. #

* Management contract or compensatory plan or arrangement.

Filed herewith.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, this September 4, 2009.

Celadon Group, Inc.

By: /s/Stephen Russell
Stephen Russell
Chairman of the Board and Chief Executive Officer

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

Signature	Title	Date
/s/Stephen Russell Stephen Russell	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	September 4, 2009
/s/Paul Will Paul A. Will	Vice Chairman of the Board, Chief Financial Officer, Treasurer, and Assistant Secretary (Principal Financial and Accounting Officer)	September 4, 2009
/s/Michael Miller Michael Miller	Director	September 4, 2009
/s/Anthony Heyworth Anthony Heyworth	Director	September 4, 2009
/s/Catherine Langham Catherine Langham	Director	September 4, 2009

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EXHIBIT INDEX

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4.3	Rights Agreement, dated as of July 20, 2000, between Celadon Group, Inc. and Fleet National Bank, as Rights Agent. (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form 8-A, filed with the SEC on July 20, 2000.)
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10.6	Rights Agreement, dated as of July 20, 2000, between Celadon Group, Inc. and Fleet National Bank, as Rights Agent. (Incorporated by reference to

	Exhibit 4.1 to the Company's Registration Statement on Form 8-A, filed with the SEC on July 20, 2000.)
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10.10	Amendment dated September 30, 2001 to Separation Agreement between the Company and Paul A. Will dated March 3, 2000. (Incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K filed with the SEC on September 30, 2002.) *
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10.17	Celadon Group, Inc. Form of Award Notice for Stephen Russell for Restricted Stock Award. (Incorporated by reference to Exhibit 10.24 to the Company's Quarterly Report on Form 10-Q filed with the SEC on May 4, 2006.) *
10.18	Celadon Group, Inc. Form of Award Notice for Employees for Incentive Stock Option Grants. (Incorporated by reference to Exhibit 10.25 to the Company's Quarterly Report on Form 10-Q filed with the SEC on May 4, 2006.) *
10.19	Celadon Group, Inc. Form of Award Notice for Non-Employee Directors for Non-Qualified Stock Option Grants. (Incorporated by reference to Exhibit 10.26 to the Company's Quarterly Report on Form 10-Q filed with the SEC on May 4, 2006.) *
10.20	Asset Purchase Agreement dated October 6, 2006 by and among Erin Truckways, Ltd. d/b/a Digby Truckline, Inc., Cynthia J. Bedore, and Celadon Trucking Services, Inc. (Incorporated by reference to Exhibit 10.21 to the Company's Quarterly Report on Form 10-Q filed with the SEC on February 5, 2007.)
10.21	Employment Letter dated August 8, 2007 by and between Celadon Group, Inc. and Chris Hines. (Incorporated by reference to Exhibit 10.22 to the Company's Quarterly Report on Form 10-Q filed with the SEC on October 31, 2007.) *
10.22	Second Amendment to Credit Agreement dated June 30, 2007 by and among Celadon Group, Inc., Celadon Trucking Services, Inc., Truckers B2B, Inc., and Celadon Logistics Services, Inc., the financial institutions party thereto, and LaSalle Bank National Association. (Incorporated by reference to Exhibit 10.23 to the Company's Quarterly Report on Form 10-Q filed with the SEC on January 31, 2008.)
10.23	Third Amendment to Credit Agreement dated January 22, 2008 by and among Celadon Group, Inc., Celadon Trucking Services, Inc., Truckers B2B, Inc., and Celadon Logistics Services, Inc., the financial institutions party thereto, and LaSalle Bank National Association. (Incorporated by reference to Exhibit 10.23 to the Company's Quarterly Report on Form 10-Q filed with the SEC on May 1, 2008.)
14	Celadon Group, Inc. Code of Business Conduct and Ethics adopted by the Company on April 30, 2003. (Incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K filed with the SEC on September 19, 2003.)
21	Subsidiaries. #
23	Consent of Independent Registered Public Accounting Firm - KPMG LLP. #
31.1	Certification pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, by Stephen Russell, the Company's Chief Executive Officer. #
31.2	Certification pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, by Paul A. Will, the Company's Chief Financial Officer. #
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Stephen Russell, the Company's Chief Executive Officer. #
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Paul A. Will, the Company's Chief Financial Officer. #

* Management contract or compensatory plan or arrangement.
# Filed herewith.