FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-07-28** | Period of Report: **1995-06-30**
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FILER

AMERICAN FREIGHTWAYS CORP
CIK:**846729**| IRS No.: **742391754** | State of Incorp.:**AR** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-17570** | Film No.: **95557092**
SIC: **4213** Trucking (no local)

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HARRISON AR 72601

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
AMERICAN FREIGHTWAYS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(000's omitted, except per share data)

<TABLE>
<CAPTION>

	June 30, 1995	December 31, 1994
<S>	<C> (Unaudited)	<C> (Note)
Assets		
Current assets		
Cash and cash equivalents	$ 3,950	$ 3,999
Trade receivables, less allowance for doubtful accounts (1995-$663; 1994-$639)	52,016	39,818
Operating supplies and inventories	1,983	1,519
Prepaid expenses	8,690	4,247
Deferred income taxes	5,276	4,664
Income taxes receivable	1,248	--
Total current assets	73,163	54,247
Property and equipment	468,729	396,594
Allowances for depreciation and amortization (deduction)	(113,688)	(98,701)
	355,041	297,893
Other assets	3,411	3,208
	$431,615	$ 355,348
Liabilities and Shareholders' Equity		
Current liabilities		
Trade accounts payable	$ 10,932	$ 13,358
Accrued expenses	29,021	24,449
Federal and state income taxes	--	233
Current portion of long-term debt	8,067	6,338
Total current liabilities	48,020	44,378
Long-term debt, less current portion (Note B)	152,897	104,843

Deferred income taxes	35,628	28,947
Shareholders' equity:		
Common stock, par value $.01 per share-- authorized 250,000 shares; issued and outstanding 30,773 in 1995 and 30,496 in 1994	308	305
Additional paid-in capital	96,808	93,347
Retained earnings	97,954	83,528
	195,070	177,180
	$431,615	$ 355,348

Note: The condensed consolidated balance sheet at December 31, 1994, has been derived from the audited consolidated financial statements at that date.

See notes to condensed consolidated financial statements.
</TABLE>

AMERICAN FREIGHTWAYS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(000's omitted, except per share data)

<TABLE>
<CAPTION>

	Three Months Ended June 30		Six Months Ended June 30	
	1995	1994	1995	1994
<S>	<C>	<C>	<C>	<C>
Operating revenue	$141,969	$123,656	$274,502	$222,928
Operating expenses and costs:				
Salaries, wages and benefits	77,859	63,127	151,266	117,067
Operating supplies and expenses	9,186	8,034	17,889	15,076
Operating taxes and licenses	5,817	4,697	11,554	9,054
Insurance	4,525	3,897	9,325	6,438
Communications and utilities	2,709	2,325	5,258	4,505
Depreciation and amortization	9,106	7,044	17,542	13,217
Rents and purchased transportation	11,013	12,023	21,709	23,075
Other	6,230	5,429	12,179	9,822
	126,445	106,576	246,722	198,254

Operating income	15,524	17,080	27,780	24,674
Other income (expense):				
Interest expense	(2,491)	(1,908)	(4,689)	(3,243)
Interest income	32	91	75	124
Gain (loss) on disposal of assets	39	(20)	44	(19)
Other, net	91	57	152	111
	(2,329)	(1,780)	(4,418)	(3,027)
Income before income taxes	13,195	15,300	23,362	21,647
Federal and state income taxes:				
Current	1,080	5,350	2,868	6,800
Deferred	3,967	464	6,068	1,428
	5,047	5,814	8,936	8,228
Net income	$ 8,148	$ 9,486	$ 14,426	$ 13,419
Net income per share	$ 0.26	$ 0.32	$ 0.46	$ 0.46
Average shares outstanding	31,426	29,906	31,401	29,393

See notes to condensed consolidated financial statements.
</TABLE>

AMERICAN FREIGHTWAYS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>
<CAPTION>

	Six Months Ended June 30 1995	1994
	(000's omitted)	
<S>	<C>	<C>
Net cash provided by operating activities	$ 22,684	$ 17,432
Investing activities		
Proceeds from sales of equipment	458	16
Capital expenditures	(75,118)	(45,435)

Net cash used by investing activities	(74,660)	(45,419)
Financing activities		
Principal payments on long-term debt	(20,652)	(46,859)
Proceeds from notes payable and long-term borrowings	70,435	39,000
Proceeds from issuance of common stock	2,144	38,841
Net cash provided by financing activities	51,927	30,982
Net increase (decrease) in cash and cash equivalent	$ (49)	$ 2,995

See notes to condensed consolidated financial statements.
</TABLE>

AMERICAN FREIGHTWAYS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

June 30, 1995

NOTE A - BASIS OF PRESENTATION
The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of Management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results of the six month period ended June 30, 1995, are not necessarily indicative of the results that may be expected for the year ending December 31, 1995. For further information, refer to the Company's consolidated financial statements and footnotes thereto included in Form 10-K for the year ended December 31, 1994.

NOTE B - LONG-TERM DEBT
As of June 30, 1995, the Company has outstanding borrowings of $50,500,000 under its existing $125,000,000 unsecured revolving line of credit. The proceeds of these borrowings were used for the purchase of revenue equipment and for the purchase and construction of terminal facilities. At June 30, 1995, the amount available for borrowing under the line of credit was $74,500,000. In addition to

this credit facility, the Company has obtained letters of credit totaling $7,000,000 to provide collateral on its self-insurance plan. The line of credit bears interest at a variable interest rate based upon the London Interbank rate or the lender's prime rate in effect at the time of the borrowing.

As of June 30, 1995, the Company has outstanding borrowings of $65,000,000 under an uncommitted Master Shelf Agreement which provides for the issuance of up to $90,000,000 of senior promissory notes with an average life not to exceed eight years.

NOTE C - COMMON STOCK OFFERING

On May 11, 1994, the Company sold 1,750,000 shares of its common stock in a public offering at $18.25 per share. Proceeds to the Company, net of underwriting discounts, commissions and other costs were $30,145,000. On June 10, 1994, the underwriters exercised an overallotment provision in the underwriting agreement for an additional 375,000 shares of common stock. Net proceeds from the exercise of the overallotment provision were $6,506,000.

NOTE D - COMMITMENTS

Commitments for the purchase of revenue equipment and the purchase or construction of terminals aggregated approximately $40,982,000 at June 30, 1995.

NOTE E - EARNINGS PER SHARE

<TABLE>
<CAPTION>

	Quarter Ended June 30 1995	1994
	(Thousands omitted except per share amounts)	
<S>	<C>	<C>
Weighted average shares outstanding	30,721	29,049
Net effect of dilutive stock options based on treasury stock method	705	857
Total weighted average shares outstanding	31,426	29,906
Net income	$ 8,148	$ 9,486
Earnings per common share and	$ 0.26	$ 0.32

common share equivalents ============ ============

Earnings per common share and common share equivalents are computed by dividing net income by the weighted average number of shares of common stock and common stock equivalents outstanding during the period.
</TABLE>

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

The following table sets forth, for the periods indicated, the percentages of operating expenses and other items to operating revenues:
<TABLE>
<CAPTION>

	Three Months Ended June 30		Six Months Ended June 30	
	1995	1994	1995	1994
<S>	<C>	<C>	<C>	<C>
Operating revenue	100.0%	100.0%	100.0%	100.0%
Operating expenses and costs:				
Salaries, wages and benefits	54.8%	51.0%	55.1%	52.5%
Operating supplies and expenses	6.5%	6.5%	6.5%	6.8%
Operating taxes and licenses	4.1%	3.8%	4.2%	4.1%
Insurance	3.2%	3.2%	3.4%	2.9%
Communications and utilities	1.9%	1.9%	1.9%	2.0%
Depreciation and amortization	6.4%	5.7%	6.4%	5.9%
Rents and purchased transportation	7.8%	9.7%	7.9%	10.3%
Other	4.4%	4.4%	4.5%	4.4%
Total operating expenses and costs	89.1%	86.2%	89.9%	88.9%

Operating income	10.9%	13.8%	10.1%	11.1%
Interest expense	1.7%	1.5%	1.7%	1.5%
Other income, net	0.1%	0.1%	0.1%	0.1%
Income before income taxes	9.3%	12.4%	8.5%	9.7%
Income taxes	3.6%	4.7%	3.2%	3.7%
Net income	5.7%	7.7%	5.3%	6.0%

</TABLE>

Results of Operations

Results of operations for the three and six months ended June 30, 1994 were materially impacted by a 24-day strike during April 1994 called by the International Brotherhood of Teamsters against several competing companies in the less-than-truckload industry. As a result, comparisons of operations for the three and six months ended June 30, 1995 to the strike-impacted periods from the previous year were materially impacted.

Operating Revenue
- -----------------

Operating revenue for the six months ended June 30, 1995 was $274,502,000, up 23.1%, compared to $222,928,000 for the six months ended June 30, 1994. Operating revenue for the three months ended June 30, 1995 was $141,969,000, up 14.8%, compared to $123,656,000 in the strike-impacted three months ended June 30, 1994. The growth in operating revenue in the six months ended June 30, 1995 compared to the six months ended June 30, 1994 was primarily attributable to a 21.2% increase in tonnage handled by the Company from new and existing customers. The major reasons for this increase in tonnage were:

- - On January 1, 1995, the Company expanded its all-points coverage to the states of North Carolina and South Carolina with the opening of thirteen new terminals.
- - The Company continued to increase its market penetration into existing service territories.
- - The deregulation of intra-state commerce as of January 1, 1995 by the Federal Aviation Administration Authorization Act of 1994.
- - On April 17, 1995, the Company expanded its service territory with the addition of terminal locations in: Colorado Springs,

Denver, Fort Collins and Pueblo, CO; Des Moines, IA; Minneapolis/St. Paul, MN; Omaha, NE; Madison and Milwaukee, WI.

In addition to the increase in tonnage, operating revenue for the six months ended June 30, 1995 was affected by a 1.1% increase in revenue per hundred weight as compared to the six months ended June 30, 1994. The major factors contributing to this increase in revenue per hundred weight were:

- -   A general rate increase of approximately 3.5% effective January 1, 1995. General rate increases initially affect approximately 50% of the Company's customers. The remaining customers' rates are determined by contracts and guarantees and are negotiated throughout the year.
- -   The Company's average length of haul increased 5.1%, to 581 miles, in the six months ended June 30, 1995 as compared to the six months ended June 30, 1994. The increase in average length of haul was primarily a result of the Company's expanded service territory.

Management expects that growth in operating revenue is sustainable in the near future. Any growth in operating revenue will primarily be the result of increased tonnage handled by the Company, as any future rate increases can be expected to be closely tied to the overall rate of inflation and general economic conditions.

Operating Expenses
- ------------------

Operating expenses as a percentage of operating revenue increased to 89.9% in the six months ended June 30, 1995 from 88.9% in the six months ended June 30, 1994. Operating expenses as a percentage of operating revenue increased to 89.1% in the three months ended June 30, 1995 from 86.2% in the three months ended June 30, 1994. This overall increase was primarily attributable to:

- -   Salaries, wages and benefits as a percentage of operating revenue increased to 55.1% in the six months ended June 30, 1995 from 52.5% in the six months ended June 30, 1994. The utilization of Company-operated terminals in expansions of service territory and the conversion of four contractor-operated terminals to Company-operated terminals contributed to this increase. In addition, the continuation of the Company's philosophy of sharing its success with its associates through increased wages and enhanced benefit packages contributed to this increase. On March 6, 1995, the Company increased the wages of its drivers, dockmen and clerical workers by approximately 5.5%.
- -   Insurance as a percentage of operating revenue increased to 3.4% in the six months ended June 30, 1995 from 2.9% in the six months ended June 30, 1994. This increase was primarily a result of increased experience of accident and cargo claims. During the twelve months prior to June 30, 1995, accidents and cargo claims returned to historical levels after being somewhat lower in the

prior two years. Management does not expect a continuation of the

upward trend in insurance expenses as they relate to operating revenue but expects a stabilization of these expenses near historical levels.

- - Depreciation and amortization as a percentage of operating revenue increased to 6.4% in the six months ended June 30, 1995 from 5.9% in the six months ended June 30, 1994. This increase was primarily a result of decreased usage of rented equipment in favor of Company-owned equipment. Management expects this increased utilization of Company-owned equipment, rather than rented equipment, to continue in the near term.

These increases in operating expenses as a percentage of operating revenue were partially offset by improvements in the following areas:

- - Rents and purchased transportation as a percentage of operating revenue decreased to 7.9% in the six months ended June 30, 1995 from 10.3% in the six months ended June 30, 1994. This decrease was due to two primary reasons. The first was the Company's philosophy of utilizing Company-operated terminals rather than contractor-operated terminals in expansions of service territory, along with the conversion of four contractor-operated terminals to Company-operated terminals during 1994. Management does not expect significant additional conversions of contractor-operated terminals to Company-operated terminals. The second primary reason for the decrease in rents and purchased transportation as a percentage of operating revenue was the decreased usage of rented equipment in favor of Company-owned equipment.
- - Operating supplies and expenses as a percentage of operating revenue decreased to 6.5% in the six months ended June 30, 1995 from 6.8% in the six months ended June 30, 1994. This decrease was primarily due to a 3.1% improvement in the Company's linehaul load factor (the average tonnage transported in a typical movement of freight between terminals).

Other
- -----
Interest expense as a percentage of operating revenue increased to 1.7% in the six months ended June 30, 1995 from 1.5% in the six months ended June 30, 1994. This increase was primarily attributable to increased costs of borrowing funds under the Company's variable-rate, revolving line of credit facility. The increased costs of borrowing funds were a reflection of increased interest rates in the general economy.

The effective tax rate of the Company was 38.3% for the first six months of 1995, up from 38.0% for the first six months of 1994. Net income for the six months ended June 30, 1995, was $14,426,000, up 7.5%, from $13,419,000 for the six months ended June 30, 1994.

Liquidity and Capital Resources

The continued growth in operating revenue and the expansion of service territory initiated during 1995 required significant capital resources in the six months ended June 30, 1995.

Capital requirements during the six months ended June 30, 1995 consisted primarily of $74,660,000 in investing activities. The Company invested $75,118,000 in capital expenditures during the six months ended June 30, 1995 comprised of $44,533,000 in additional revenue equipment, $17,480,000 in new terminal facilities or the expansion of existing terminal facilities and $13,105,000 in other equipment. Management expects capital expenditures for the full year of 1995 will be approximately $130,000,000. However, the amount of capital expenditures required in 1995 will be dependent on the growth rate of the Company and the timing and size of any future expansions of service territory. At June 30, 1995, the Company had commitments for land, terminals, revenue and other equipment of approximately $40,982,000. These commitments were for the completion of projects in process at June 30, 1995, and for the purchase of additional revenue equipment in anticipation of increased revenue levels during the remainder of 1995.

The Company provided for its capital resource requirements in the six months ended June 30, 1995 with cash from operations and financing activities. Cash from operations totaled $22,684,000 in the six months ended June 30, 1995 compared to $17,432,000 in the six months ended June 30, 1994. Financing activities augmented cash flow by $51,927,000 in the six months ended June 30, 1995 by utilizing two primary sources of financing: the revolving line of credit and the Master Shelf facility.

- - The Company experiences periodic cash flow fluctuations common to the industry. Cash outflows are heaviest during the first part of any given year while cash inflows are normally weighted towards the last two quarters of the year. To smooth these fluctuations and to provide flexibility to fund future growth, the Company utilizes a variable-rate, unsecured revolving line of credit provided by NationsBank of Texas, N.A., Texas Commerce Bank, N.A. and Wachovia Bank of Georgia, N.A. Effective May 31, 1995, the limit of this line of credit facility was increased to $125,000,000 from $75,000,000. During the six months ended June 30, 1995, the Company utilized this facility to provide $16,500,000 of net financing, bringing outstanding borrowings under the facility to $50,500,000 and leaving $74,500,000 available for borrowing. The Company also maintains a short-term, unsecured revolving line of credit with NationsBank of Texas, N.A. Effective May 9, 1995, the limit of this short-term facility was increased to $7,500,000 from $5,000,000. At June 30, 1995, $5,500,000 was available for borrowing. In addition, the Company maintains a $10,000,000 line of credit with NationsBank, N.A. to obtain letters of credit to provide collateral for its self-insurance program. At June 30, 1995, the Company had obtained letters of credit totaling $7,000,000 for this purpose.

- - To assist in financing longer-lived assets, the Company has an uncommitted Master Shelf Agreement with the Prudential Insurance Company of America which provides for the issuance of up to $90,000,000 in medium to long-term unsecured notes at an interest rate calculated at issuance. During the six months ended June 30, 1995, the Company utilized this agreement to issue a $15,000,000 note at 8.55% with a ten year maturity and a $20,000,000 note at 6.92% with a ten year maturity. The proceeds of these notes were used primarily to repay borrowings from the revolving line of credit or to fund capital expenditures. At June 30, 1995, $25,000,000 was available under this facility for borrowing.

Management expects that the Company's existing working capital and its available lines of credit are sufficient to meet the Company's commitments as of June 30, 1995, and to fund current operating and capital needs. However, if additional financing is required, management believes it will be available.

The Company uses off-balance sheet financing in the form of operating leases primarily in two areas; terminal facilities and computer equipment. At June 30, 1995, future rental commitments on operating leases were $42,347,000. The Company prefers to utilize operating leases for these two areas and plans to use them in the future when such financing is available and suitable.

Environmental
At June 30, 1995, the Company had no outstanding inquiries with any state or federal environmental agency.

Recent Events
Effective July 10, 1995, the Company expanded its all-points coverage to the states of Colorado, Iowa, Nebraska and Wisconsin with the opening of twelve new terminal locations.

Effective August 14, 1995, the Company will open seven terminal locations in the state of Florida and provide all-points coverage to that state. With the addition of Florida, the Company will provide all-points coverage to 21 states.

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AMERICAN FREIGHTWAYS CORPORATION AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

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Item 1.   Financial Statements (unaudited)
- -------

Condensed consolidated balance sheets--June 30, 1995 and December 31, 1994

Condensed consolidated statements of income--Three months ended June 30, 1995 and 1994; Six months ended June 30, 1995 and 1994

Condensed consolidated statements of cash flows--Six months ended June 30, 1995 and 1994

Notes to condensed consolidated financial statements--June 30, 1995

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

PART II. OTHER INFORMATION
- ----------------------------

Item 1. Legal Proceedings.
- -------

As was disclosed on Form 10-Q for the quarterly period ended March 31, 1995, a complaint was filed against the Company on March 15, 1995 by American Freight System, Inc. of Kansas City, Kansas alleging among other things, federal trade name and trademark infringement by the Company. On July 19, 1995, both parties agreed upon a release and settlement of all claims arising from the complaint. Under the settlement agreement, American Freightways acquired all rights to the disputed trademark. The settlement will not have a material impact upon American Freightways.

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

(a) Exhibits:
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(10) First Amendment to Amended and Restated Credit Agreement among NationsBank of Texas, N.A., as agent, the Registrant and its subsidiary dated May 31, 1995

$20,000,000 note dated June 15, 1995, issued under the $90,000,000 Master Shelf Agreement with the Prudential Insurance Company of America dated September 3, 1993

(27) Financial Data Schedule

(b) Reports on Form 8-K

The Company did not file any reports on Form 8-K during the three month period ended June 30, 1995.

SIGNATURES

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

AMERICAN FREIGHTWAYS CORPORATION

(Registrant)

Date: July 28, 1995

/s/James R. Dodd
James R. Dodd
Executive Vice President
Accounting & Finance
and Chief Financial Officer

FIRST AMENDMENT TO
AMENDED AND RESTATED CREDIT AGREEMENT

THIS FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (this "First Amendment"), dated as of May 31, 1995, is entered into among AMERICAN FREIGHTWAYS CORPORATION, an Arkansas corporation ("AFC"), AMERICAN FREIGHTWAYS, INC., an Arkansas corporation ("AFI"; AFC and AFI are referred to collectively as the "Companies" and individually as a "Company"), the banks listed on the signature pages hereof (the "Lenders"), NATIONSBANK OF TEXAS, N.A., in its capacity as agent (in said capacity, the "Agent").

BACKGROUND

A. Companies, Lenders and Agent heretofore entered into that certain Amended and Restated Credit Agreement, dated as of October 20, 1994 (the "Credit Agreement"; the terms defined in the Credit Agreement and not otherwise defined herein shall be used herein as defined in the Credit Agreement).

B. Companies, Lenders and Agent desire to make certain amendments to the Credit Agreement to provide for an increase in the amount of the Commitment.

NOW, THEREFORE, in consideration of the covenants, conditions and agreements hereafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are all hereby acknowledged, Companies, Lenders and Agent covenant and agree as follows:

1. AMENDMENTS.

(a) The amount of "$75,000,000" set forth in the introductory paragraph of the Credit Agreement is hereby amended to be "$125,000,000."

(b) The definition of "Commitment" set forth in Article I of the Credit Agreement is hereby amended to read as follows:

"Commitment means $125,000,000, as reduced from time to time pursuant to Section 2.04 hereof."

2. REPRESENTATIONS AND WARRANTIES TRUE: NO EVENT OF DEFAULT. By its execution and delivery hereof, each Company represents and warrants that, as of the date hereof and after giving effect to the amendments contemplated by the foregoing

Section 1:

(a) the representations and warranties contained in the Credit Agreement are true and correct on and as of the date hereof as made on and as of such date;

(b) no event has occurred and is continuing which constitutes a Default or an Event of Default;

(c) each Company has full power and authority to execute and deliver this First Amendment, the $57,500,000 replacement Note payable to the order of NationsBank of Texas, N.A. (the "NationsBank Note"), the $42,500,000 replacement Note payable to the order of Texas Commerce Bank National Association (the "Texas Commerce Note"), and the $25,000,000 replacement Note payable to the order of Wachovia Bank of Georgia, N.A. (the "Wachovia Note"), and this First Amendment and the Credit Agreement, as amended hereby, the NationsBank Note, the Texas Commerce Note and the Wachovia Note constitute the legal, valid and binding obligations of such Company, enforceable in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law) and except as rights to indemnity may be limited by federal or state securities laws; and

(d) no authorization, approval consent, or other action by, notice to, or filing with, any governmental authority or other Person (including, but not limited to, with respect to the Prudential Debt), is required for the execution, delivery or performance by each Company of this First Amendment, the NationsBank Note, the Texas Commerce Note or the Wachovia Note.

3. CONDITIONS OF EFFECTIVENESS. This First Amendment shall be effective as of May 31, 1995 subject to the following:

(i) Agent shall have received counterparts of this First Amendment executed by each Lender;

(ii) Agent shall have received counterparts of this First Amendment executed by each Company;

(iii) NationsBank of Texas, N.A. shall have received the executed NationsBank Note;

(iv) Texas Commerce Bank National Association shall have received the executed Texas Commerce Note;

(v) Wachovia Bank of Georgia, N.A. shall have received the executed Wachovia Note;

(vi) Agent shall have received certified copies of resolutions of each Company authorizing execution, delivery and performance of this First Amendment, the NationsBank Note, the Texas Commerce Note and the Wachovia Note; and

(vii) Agent shall have received, in form and substance satisfactory to Agent and its counsel, such other documents, certificates and instruments as Agent shall require.

4. REFERENCE TO THE CREDIT AGREEMENT.

(a) Upon the effectiveness of this First Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", or words of like import shall mean and be a reference to the Credit Agreement, as affected and amended hereby.

(b) The Credit Agreement, as amended by the amendments referred to above, shall remain in full force and effect and is hereby ratified and confirmed.

5. COSTS, EXPENSES AND TAXES. The Companies, jointly and severally, agree to pay on demand all costs and expenses of Agent in connection with the preparation, reproduction, execution and delivery of this First Amendment and the other instruments and documents to be delivered hereunder (including the reasonable fees and out-of-pocket expenses of counsel for Agent with respect thereto and with respect to advising Agent as to its rights and responsibilities under the Credit Agreement, as hereby amended).

6. EXECUTION IN COUNTERPARTS. This First Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which when taken together shall constitute but one and the same instrument.

7. GOVERNING LAW: BINDING EFFECT. This First Amendment shall be governed by and construed in accordance with the laws of the State of Texas and shall be binding upon each Company and each Lender and their respective successors and assigns.

8. HEADINGS. Section headings in this First Amendment are included herein for convenience of reference only and shall not constitute a part of this First Amendment for any other purpose.

9. ENTIRE AGREEMENT. THE CREDIT AGREEMENT, AS AMENDED BY THIS FIRST AMENDMENT, AND THE OTHER LOAN PAPERS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY

EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment as the date first above written.

AMERICAN FREIGHTWAYS CORPORATION

By: /s/James R. Dodd
Title: Executive Vice President - Accounting & Finance

AMERICAN FREIGHTWAYS, INC.

By: /s/James R. Dodd
Title: Executive Vice President - Accounting & Finance

NATIONSBANK OF TEXAS, N.A.
as Administrative Lender and as a Lender

By: /s/Steve Deily
Title: Senior Vice President

TEXAS COMMERCE BANK NATIONAL ASSOCIATION

By: /s/Scott Brunke
Title: Vice President

WACHOVIA BANK OF GEORGIA, N.A.

By: /s/F. Alan Smith
Title: Vice President

SENIOR NOTE

No. V-001
ORIGINAL PRINCIPAL AMOUNT: $20,000,000
ORIGINAL ISSUE DATE: June 15, 1995
INTEREST RATE: 6.92%
INTEREST PAYMENT DATES: March 15, June 15, September 15 and December 15
FINAL MATURITY DATE: June 15, 2005
PRINCIPAL INSTALLMENT DATES AND AMOUNTS:
June 15, 2001, $4,000,000; June 15, 2002, $4,000,000;
June 15, 2003, $4,000,000; and June 15, 2004, $4,000,000.

FOR VALUE RECEIVED, the undersigned, American Freightways Corporation, a corporation organized and existing under the laws of the State of Arkansas ("AFC"), and American Freightways, Inc., a corporation organized and existing under the laws of the State of Arkansas ("AFI", AFC and AFI are collectively referred to herein as the "Companies"), hereby promise to pay to The Prudential Insurance Company of America, or registered assigns, the principal sum of TWENTY MILLION DOLLARS ($20,000,000), payable in installments on the Principal Installment Dates and in the amounts specified above, and on the Final Maturity Date specified above in an amount equal to the unpaid balance of the principal hereof, with interest (computed on the basis of a 360-day year--30-day month) (a) on the unpaid balance thereof at the Interest Rate per annum specified above, payable on each Interest Payment Date specified above and on the Final Maturity Date specified above, commencing with the Interest Payment Date next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest, and any overdue payment of any Yield-Maintenance Amount (as defined in the Note Agreement referred to below), payable on each Interest Payment Date as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the greater of (i) 8.92% or (ii) 2% over the rate of interest publicly announced by Morgan Guaranty Trust Company of New York from time to time in New York City as its Prime Rate.

Payments of principal of, and interest on, and any Yield-Maintenance Amount payable with respect to, this Note are to be made at the main office of Morgan Guaranty Trust Company of New York in New York City or at such other place as the holder hereof shall designate to the Companies in writing, in lawful money of the United States of America.

This Note is one of a series of Senior Notes (herein called the "Notes") issued pursuant to a Master Shelf Agreement, dated as of September 3, 1993, as amended (herein called the

"Agreement"), between the Companies and The Prudential Insurance Company of America and is entitled to the benefits thereof. As provided in the Agreement, this Note is subject to prepayment, in whole or from time to time in part on the terms specified in the Agreement.

This Note is a registered Note and, as provided in the Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Companies may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Companies shall not be affected by any notice to the contrary.

In case an Event of Default, as defined in the Agreement, shall occur and be continuing, the principal of this Note may be declared or otherwise become due and payable in the manner and with the effect provided in the Agreement.

This Note shall be construed and enforced in accordance with the laws of the State of Texas.

American Freightways Corporation

By: /s/James R. Dodd
Executive Vice President
and Chief Financial Officer

American Freightways, Inc.

By: /s/James R. Dodd
Executive Vice President
and Chief Financial Officer

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This schedule contains summary financial information extracted from the June 30, 1995 year to date consolidated financial statements and is qualified in its entirety by reference to such financial statements.
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<F1>Provision for doubtful accounts included in costs and expenses applicable

to revenues.
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