

MANAGEMENT DISCUSSION SECTION

Operator: Good day ladies and gentlemen and welcome to the Second Quarter 2006 Frozen Food Express Industries Earnings Conference Call. My name is Kelly and I will be your coordinator for today. At this time all participants are in a listen-only mode. We will be facilitating a question-and-answer session towards the end of this conference. [Operator Instructions]. I would now like to turn the presentation over to your host for today's call Mr. Stoney M. Stubbs, CEO. Please proceed, sir.

Stoney M. (Mit) Stubbs, Jr., Chairman and Chief Executive Officer

Thank you very much. This is Mit Stubbs and I want to thank everybody for being on this call. We have quite a few new guys around this table that I'd like to introduce to you. Not only are they new management but I am hopeful that they're going to take us on a new direction for our company and our shareholders.

First of all, I would like to introduce Russell Stubbs, who is our new Chief Operating Officer. Russell has been with the company since graduating from A&M some 20 years ago. He started out as a management trainee, and has worked his way in every aspect of the company. For the last seven years he has run our subsidiary Lisa Motor Lines in Fort Worth. He was recently named as the Board of Directors of the company and, more recently than that, named as our Chief Operating Officer. Russell is 43 years old and he is also my son, which of course makes him the boss's son, and creates a pretty good spotlight shining on him. I know a little bit about this because I worked for my dad here for many years before I took over and well the spotlight is shining on him, as it should be, to see how he performs.

Next, I'd like to introduce Tom Yetter who is our new Chief Financial Officer, although he is not new with the company, either, he's been here some 20 years. Thing I've always liked about Tom, he's been a bit of a maverick. Yes, he asked a lot of good hard questions. In the past, as the number two in guy in finance, he's only been able to ask these hard questions of the people that worked for him, but now as to the CFO he'll have to – he'll get to ask these questions to everybody here at the company and they'll have to supply the proper answers. Third member of our new team who is not new either is Bill Webb, who is our new Senior VP of Marketing Operations and Stakeholder Value. The reason Bill is not new to our team, he started working here at FFE some 15 years ago and worked here about 5 years doing various jobs; most recent before he left he was in charge of our training and retention area. Some 10 years he left to become the President and CEO of the Texas Trucking Association, which is our states largest association of truckers.

Bill had great success at the TMTA, bringing it up to being one the, if not the most influential state association in the country. During this period Bill developed some nationally known leadership and management programs and we hope he'll implement these programs here in addition to -his other duties.

Bill has only been on the job since Monday of this week, but he already understands the direction we want him to go in. He is going to be our Chief Marketing guy as we go forward. The other part of his title is stakeholder value and when he's wearing this hat, he'll be telling our story to anyone that'll listen. Now, Bill knows truckers all over the country and he is also going to be charged with leading our new acquisition network, as we go forward.

So, these are our new guys and I am going to enjoy watching them run and gun and I'll try to keep them on right path as we go forward, but my hardest chore is probably going to be stay out of their way.

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Now, last year we had a record year. Our results from the first half for this year of course don't compare well, but I'll let Tom Yetter explain that. So, Tom, won't you take it?

Thomas G. Yetter, Senior Vice President and Chief Financial Officer

Thanks Mit. Hello everybody. Just before I get into the first half operating results, I'd like to talk a little bit about acquisitions and our ability to get one done. We got a clean balance sheet at 12 – excuse me, at June 30, 2006 we had no long-term debt and \$9 million in cash. Our cash flow is good and strong, last year's net cash generated by operating activities was right at \$30 million. Also we also got a \$50 million line of credit from our banks, of which \$45 million is available for working capital and other purposes. So, we are in a good position to finance a reasonable sized acquisition or two.

Now about the six months operating results. \$0.21 per share diluted compared to \$0.49 per share, first glance that looks like a problem. If you take the numbers apart, the results from our core business are better than they appear at first glance; 2005 six months pre-tax income was right at \$15 million including a \$3.8 million gain from the sale of a life insurance investment. As we mentioned in yesterday's press release, during the first six months of 2006 we went through an investigation by the audit committee of our Board of Directors. That cost us about \$2.1 million. I would also like to point that the investigation did not reveal any issues regarding the numbers that we had previously reported. Also, it's worth noting that the gains from life insurance deal was non-taxable and that impacted our income tax expense as a percent of pre-tax income.

The first six months of last year, that was about 39% as compared to the about 45% for the first six months of 2006. I want to emphasize that I'm not offering excuses about what appears to be a challenging year in comparison to 2005. We're merely trying to give you some insight into the results from our core business which, by the way, have not been as good as results of 2005. Russell can tell you little bit more about this.

Stoney Russell Stubbs, Senior Vice President and Chief Operating Officer

Thank you, Tom. Good morning everyone. Mit introduced all of us. I really look forward to the challenge and accept the challenge and I feel like we're going to move this thing forward and have some fun and good years in the future. Now that being said, as you all know, capacity is a continuing problem for trucking companies because of the lack of availability of qualified truck drivers. In the first half of this year, we averaged anywhere from 20 to 40 trucks parked because of the lack of drivers. The turnover in our industry, in 2005 the average for the total trucking industry was 130%. We were a little better than that and our goal was to get it down to 80% by April of 2007.

For the first three months of 2006 our driver turnover was 75%, so we have made some improvement. We're not where we want to go, but we have definitely made improvement. That being said, our turnover being better but we still cannot add drivers because the economy is strong and it's just hard to pry a guy away from a job where he can be home at night and make the same amount of money or more money, as opposed to driving up down a road and dealing with all the issues drivers have to deal with. So, how do we increase revenue if we can't grow with trucks? There's a couple of ways of – first there's going to be intermodal. We plan on expanding our intermodal operations. We're doing a little bit of intermodal now. It was about 6% of our truckload revenue last year but we are basically doing it just to fill lanes, and fill needs for certain customers. We have brought in an intermodal specialist from another company that has experience in refrigerator intermodal. As you know, a lot of dry carriers are heavily involved with intermodal but

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very few refrigerator carriers are involved in it. This guy has been successful in previous stops and we hope that he come in and we can give him the support he needs and we can increase our inner model revenue second half of this year.

Another way for us to increase revenue is to put more LTL freight on our trailers. We're the largest perishable LTL trucking company in the nation. We are the one that offers service, pick up and delivery service, in every city in the nation outside of Alaska and Hawaii, and we also do some into Canada and Mexico. We have terminals throughout the country and we operate like a bus line. We pick up the in any city and we will deliver in any city. We are looking at refining some of our schedules and basically filling our trucks up, and increasing our load factors, where there are some opportunities there, where we've got some schedules that are a little light, and we're looking at doing those things in the third quarter.

Another thing that we would like to increase that's a little bit down from last year is our logistics and brokerage. We – these are our moving loads without using assets and that's just another way to increase revenue. But the last thing is dedicated and Bill Webb is going to discuss that here in a moment. Dedicated business is very high revenue, is very driver-friendly and that's something we really want to do more of. We are doing it with several customers now, where basically we are giving a truck and a driver and a trailer to the customer and let him use it as it he pleases, and he pays us a weekly or some other set up salary. And then the other way to increase revenue is going to be acquisitions. Bill is going to talk about that in the future.

I'd like to discuss a little bit more about our truckload operations and my background. I was with a smaller 400-truck fleet subsidiary that we have in Forth Worth, as Mit discussed, Lisa Motor Lines. We implemented low-profit optimizer software two years ago and it's really working well there, at least for now. We started it here and we kind of played with it and had to tinker it around a bunch because we do have LTL trucks, we've got different schedules and different terminals, but I am proud to say we are using to about 47% of capacity as of last week. What this software does, it matches loads and drivers and it helps drivers get home for time off and it helps us reduce dead head and hopefully it would help us to improve our customer service.

And with that, I'd like to turn it over to Bill Webb and let him discuss his role in the future.

Bill Webb, Senior Vice President for Marketing Operations and Stakeholder Value

Thanks, Russell, and good morning everyone. I'm either the cleanup hitter in the lineup or the last hitter in the lineup, whichever way you want to look at it and either way I'll keep my comments brief. Let me just start out by saying I am very excited to be back at FFE. It's not everyday you have the opportunity to work for a company with as much tradition as this company and as great a potential as it has. So I am very excited to be back. I am going to work with a numbers hats within the organization, but first and foremost my job is to grow revenue and grow profitability within the company and we'll look at doing that off the bat in the couple of different ways. We want to grow organically, we want to grow our business, but as Russell mentioned we do have some limitations from driver availability.

So we'll have some challenges there but we also have the opportunity to grow through acquisition and we will be working on both of those simultaneously and right out of the gate. Acquisitions particularly are high on the radar screen. We've been pretty dormant for the last few years. You can expect us, to see us at least pick up on the chase, how many we catch is yet to be determined. But we're really going be looking for companies that are focused on dedicated business, that business that is long-term, that business that is predictable. We think that's what makes our drivers happy, we think that produces the best profit and we know that what makes our shareholders happy. So we're going to be focusing on that dedicated business.

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We are also going to be focused on asset-lack business. Russell mentioned the concept of intermodal and what we are doing there to beef up our staff. Our two biggest expenses are our people and fuel, and by working on both intermodal and brokerage freight, we're able to haul freight without having to have those two expenses. So we will be looking for opportunities there. We are the only nationwide perishable LTL company in operation. Our competition comes from small regional niche players in that business and quite frankly that's probably one of our top targets for acquisitions. We're looking for those companies. Probably, they are going to be healthy because a lot of folks are making money right now, that we can take their network and overlay into our network to increase that density in our current LTL lanes. Again that's a way to increase profitability without having to add trucks and add drivers.

That being said, we're not going to turn our back on any acquisition possibilities. As Mit Stubbs says we are going to be strategic and we'll take every deal on its own merit. But I'm already spending time on that effort and will continue to do so aggressively in the future. One other hat that I'm going to wear, as Mit discussed, I've worked to develop a leadership and management development program and I've taken that into companies all across the country and now I get to live what I preach, so to speak, and I'm looking forward to the opportunity to bring that into this organization and help grow the bench strength that we need to be a world class organization. We already know how to truck, we need to do a better job with our culture and do those things internally that will increase profitability and we believe that the programs that we've helped other companies with can help within FFE and within our company. We want to be able to build the stars that are going to help this organization and this industry move forward. And I look forward to the opportunity to wear that hat as well. So with that I am going to turn it back over to Mit Stubbs and again thanks for being a part of a call.

Stoney M. (Mit) Stubbs, Jr., Chairman and Chief Executive Officer

Okay. I want to thank all three of you guys here. I think you did an admirable job for your first time out of the chute and I believe it's now time to see what questions you folks out there might have. So we'll turn it over to questions from the audience.

QUESTION AND ANSWER SECTION

Operator: [operator instructions]. Your first question comes from the line of Doug Pearl.

<Q>: Good morning, gentlemen. I am just trying to make sure that I am sort of doing my math right. For the first six months, looks like you reported pre-tax income of about 15 million for 2005, and 7.4 million for this year. So if I am trying to back into what your normal operations produced, I'm going to back out the 2005 life insurance [inaudible] expense of your internal investigation, so when I do that I am coming up with 9.8 million for this year's first half, compared to 11.8 million last year. Does that sound a bit right to you?

<A – Thomas Yetter>: Can't agree. I can't disagree with the concept, I have to go back and double check the numbers, but I think that the approach you are taking is just okay. Just fine.

<Q>: Okay. So it appears that at first blush, instead of sort of looking like it's down 50% period on period it's really down about 17%?

<A – Thomas Yetter>: I think that does make sense, yes.

<Q>: Thank you.

Operator: Okay. Your next question comes from the line of Arnold Ursaner of CJS Securities.

<Q – Arnold Ursaner>: Hi, good morning. I wanted to kind of go in the order that you described your conference call. One of the top priorities for you is acquisition. So I want to start with that if I can. Given where your current stock is trading, relative to your valuation, can you comment on whether you are willing to accept dilution on acquisitions, what sort of price levels are out there versus your own stock, I guess your shareholders would almost like you to consider – wouldn't the acquisition of your own stock be as attractive than anything else out there for you. So maybe you could start with that?

<A – Stoney Stubbs, Jr.>: Well. Okay, this is Mit. We have been authorized to buy back shares of our own stock and when we're not in a black out period, which I believe ends tomorrow, we'll be in the market actively buying our stock until we buy the maximum that the Board has authorized us to buy, and if we do that, we'll probably go back to the Board and ask them to authorize us to buy some more.

<Q – Arnold Ursaner>: I think again the question is a little – it's slightly different meaning. Are you willing to accept dilution for quote "a strategic acquisition", or are you pretty focused on finding acquisitions that would be accretive to your either EBITDA or earnings per share?

<A – Stoney Stubbs, Jr.>: We – we are not going to try to dilute the stock, if there is anyway to keep from doing it, unless it is something it looks it has so much potential where you can't stand not to do it. But mainly we are looking for acquisitions that are going to add value to the shareholders.

<Q – Arnold Ursaner>: Second question I have is sort of peripheral or related to acquisitions. In one of the things that I think it's clearly been the corporate focus of the company is improving the logistics and some of that is software driven and you mentioned your son has been influential in improving the software at one of the subsidiary. The question I have is, where are we today in the software upgrades and the reason that it matters so much is if you don't have all of your own internal systems fixed already how would we as investors feel comfortable if you layer on additional business on what may not be a completely fixed system?

<A – Stoney Stubbs, Jr.>: Okay. That's a good question for Russell to answer.

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<A – Russell Stubbs>: You know, our software system works great. I mean, we've got an operating system that nearly all the big carriers use as far as the truckload end of it, and what we're running our LTL systems off of it – and we did have to do some custom changes to the system that make LTL work. This optimizer program I was talking about is an add-on and it's basically an efficiency thing. There are a couple of more aspects to optimizer that there's a network dashboard that gives you financial KPIs, and various numbers like that. It is also a profit analyzer where, when you are looking at bidding on new business or quoting rates to the customers you can put in, feed in, an origin and a destination city and a profit margin and it'll compute the kind of numbers that we need to move forward with.

<A – Bill Webb>: Let me say one other thing, this is Bill Webb; it's not an either/or proposition. We will continue to look at acquisitions, but the work that's going on in the back office to optimize the operations in the business practices that we have right now. We are probably spend more time working on that than much of any thing else and I know Tom Yetter's made some great progress in that area, as Russell has. So it's not an either/or proposition as we focus on the acquisitions we are really strong and making sure those things are happening that you are talking about.

<Q – Arnold Ursaner>: Well again your operating margin is about half of your competitors'. I look at factual information like your full truck load empty-mile ratio and you are still well below others in your industry. It was clearly driven by software, so the facts at the moment just don't support a dramatic improvement in your own underlying business again it may be?

<A – Stoney Stubbs, Jr.>: You are correct there and Russell used a number 47% that means we are not where we want to be, but the software is implemented. It's our ability to use it properly that's causing our efficiency to only be at 47% and that's the part we are working on.

<Q – Arnold Ursaner>: Two more quick questions if I may. Your 75% turnover obviously is dramatically better than the industries. What do you attribute it to and how much of that is weighted?

<A – Russell Stubbs>: Well, first of all let me say that turnover just covers a three months period. If you detect our rolling 12-month period, that's not where we are. What it says is for the first 3 months we did a good job. Now the problem is, the first 3 months freight was a little bit soft. The fact is we did do a good job and we are going to continue to try to do better. But don't read into those numbers that we've got the solution to the driver problem because we surely don't.

<Q – Arnold Ursaner>: My final question I guess is one for Bill and I know you have been on the job relatively for short time, but just in the body of your Press Release you speak to we expect an increase in the intermodal revenue in the second half of the year. Other than just to speaking to it, can you outline some of the most specific steps you intend to take to build revenue in the second half of the year and beyond that?

<A – Bill Webb>: Well the first thing we've done in is bring in staff to begin – to make this a priority as opposed to just a way to reposition equipment. We are in the process, this very week of beginning to build those relationships with the railroads that we need to be successful in the future and really it's more now an issue of focus. What we've done honestly with intermodal in the past has been more of a by-product of what we've done in the truckload business and now it will become much more of a priority. Those relationships we build with railroad and now with the customers and literally having someone on the road working with our major customers to build that business, we think will translate into higher revenue fairly quickly.

<Q – Arnold Ursaner>: I'll jump back in queue; we look forward to seeing the three of you at our upcoming conference.

<A>: Thank you.

Operator: Your next question comes from the line of Hale Hoke.

<Q>: Good morning it's Hail Hoken, Hoken Company. I had the same question Earl did about the share buy back program given where your stock is over the last few weeks, it seems to make a lot of sense versus acquisitions but obviously that would depend on what you are buying. One thing I did not hear and a question that Earl also asked was what are the multiples you are seeing for acquisitions?

<A – Stoney Stubbs, Jr.>: They have multiples, this is Mit, the multiples – I'll give you an example, which is kind of ridiculous. We had a small company we looked at, I can't really, describe because of the privacy issues but that guy wanted us to pay him what amounted to was one year's revenue for his company. And that's what I would like to get for our company.

<Q>: I would too.

<A – Stoney Stubbs, Jr.>: But you know, there's guys that are pretty proud of stuff out there and we're not going to buy something like that. The question earlier that would be just automatically dilutive. I mean we have got to see some potential and we're going to do a pro forma and do things responsibly and hope that doesn't preclude us from buying some. So, you know, we're walking a tightrope here. You can't pay too much for something but you can't ignore something that might be a good deal or has got some good future potential.

<Q>: Absolutely. Can you refresh my memory on the size of the buyback that is currently approved?

<A – Stoney Stubbs, Jr.>: Tom, that's 750,000 and we bought about half of them, is that correct?

<A – Thomas Yetter>: Yeah, I think the 10-K has tables in it that summarize that. It's Tom Yetter speaking, that's 750,000 share authorization and if my memory serves me there's about 240,000 of those 750,000 shares remaining.

<Q>: Okay. Great. Thank you.

Operator: Your next question comes from the line of Adriano Almeida of DGHM. [Dalton, Grenier, Hartman, Maher & Co.].

<Q – Adriano Almeida>: Hi gentlemen.

<A>: Hello.

<Q – Adriano Almeida>: One thing I am wondering about, specific to the software implementation. What is it exactly that is keeping you from taking the use of the software to 100% utilization and actually getting some results out of it?

<A – Russell Stubbs>: I will answer that. This is Russell. We – that's a good question and I thought about throwing that 47% number out, before I spoke here, because I didn't want anybody to take it wrong. What it does is we have dispatchers and operations folks that book freight and then they plan their trucks on freight, and what this does is it gives a suggestion on the best truck to haul the load, which usually is based on dead head. Sometimes it might be based on a driver needing to get home. But some of the things that it doesn't take into account are weather, or pick up and delivery times or the quality of the driver, and this – we've got our dispatchers at terminals and so

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we can get to each terminal and make things work. It's harder to basically sit over their shoulder make them push the right button. But what we are planning on doing is bringing everybody in and consolidating that operation, and just like we've done at our subsidiaries and once that happens, that the usage should shoot right up to 80%, maybe even 90%, by this time next year; hopefully, by the end of the year.

<A>: It will never be 100% because there are some exceptions to the system that it just can't effectively deal with, but somewhere between 80 and 90% that's probably realistic.

<Q – Adriano Almeida>: Okay and now it's, correct me if I'm wrong, but you've been actually working on implementing the software for some time. Can you give me the history of the milestones you've reached and why it's been so slow?

<A – Russell Stubbs>: Yes, I can. When we first bought it, we tried to put it in our systems and all the hooks didn't fit and all the – we had to rewrite some software, then we decided to start out in a subsidiary, which was just a truckload company, and we had some problems when we went to implementation there and we got it in and got it working and we didn't see results for a few months and once we started seeing positive results, we looked up and said, hey this thing really is as good as what we thought it was going to be. So we've put in another sister company, same situation; and now we're pushing hard to put it in this company. So, it's just been a work-in-progress that's why it has taken a while.

<Q – Adriano Almeida>: Okay. I guess that – I mean there is a, back to what Hoke and Arnie also pointed out is regarding your ability to actually improve your own operations and implement software and get better efficiency out of your network and better yields. I mean you haven't really established a very strong track record with your shareholders that you know you can execute on that, so it's kind of surprising to hear you are saying that you are prepared to go out and buy another company. And I assume if you are going to pay some kind of multiple that is not dilutive you are going to buy a broken company. So that does sound scary to outsiders who are looking at this situation.

<A – Stoney Stubbs, Jr.>: This is Mit. Let me tell you this, we are not going to buy anything that scares me and so its going to have to pass by my desk before it gets bought and its not going be a detriment or we are not going to buy it. We are not in the panic mode that we have to grow this revenue to please our shareholders because that doesn't make sense just to grow revenue and not gross profits. We are going to be focused on growing profit if the company – if we see a company that can help us grow those profits, then we are going to take it on. If we don't find one that's going to help us grow our profits, we are going to concentrate on these other areas such as intermodal, dedicated, improving the efficiency of our LTL and improving our overhead costs around here. That's what I've got these new guys in here for and that's what they're going to do.

<Q – Adriano Almeida>: Okay and on the acquisition, the comment about willingness to look at things perhaps outside of what you outline there as you focus, does that mean you would buy into companies that are not involved in refrigerated operations at all?

<A – Thomas Yetter>: That's possible especially if it's an asset-like type operation.

<A – Stoney Stubbs, Jr.>: That would make perfect sense to add something like a third party logistics company that we could see would add shareholder value.

<Q – Adriano Almeida>: Those tend to trade at pretty high multiples. So the ability to do something that's not dilutive, sounds very unlikely?

<A – Stoney Stubbs, Jr.>: You are probably right.

<Q – Adriano Almeida>: Okay. Well, thank you guys.

<A>: Okay.

Operator: Your next question comes from the line of Larry Corsey, private investor.

<Q>: Hello, this is Larry Corsey. I am a private investor, retired. Have prepared, or do you intend to prepare a performance statement for the September and December quarters and if so, can you polish it? That's the only question I've got.

<A – Stoney Stubbs, Jr.>: I'll let Tom Yetter speak to that.

<A – Tom Yetter>: I'm sorry sir, Tom Yetter here. What sort of statement?

<Q>: A pro forma or budget for the September and December quarters of this year?

<A – Tom Yetter>: Right now we are not offering any guidance as to what we think our future financial reporting periods are going to look like.

<Q>: Okay. Thank you.

Operator: Your next question comes from the line of Carl John, private investor.

<Q>: Hi, guys. Couple of questions. First, what got me interested in your company about 12-14 years ago as I read a very small article on it, quoted – that said we need three things, we need freight, we need the trucks to haul the freight and we need the drivers to haul the trucks – to drive the trucks. I read your annual report and in footnote 7 it stated that, the Audit Committee decided to terminate, the related party transactions and that it said that these related party transactions that the – you were paying a premium for these leases, to the officers of the company. And my question, you left one ingredient out of your equation and that was you need officers and you need management to run the company. Can you explain a little bit about why where you paying a premium to the officers on these leases? And the second question is, can you speak a little bit to the in term – the very short period that you hired a CFO, that he was in there for about 4 months and then, created a lot of havoc and was then was ousted?

<A – Stoney Stubbs, Jr.>: Okay, as far as the related party transactions those are – have not been resolved yet and the intent when we started those was not to have a premium except in the area of the tractors which we committed to company that we would be flexible on these leases and if we needed to pull some of the tractors out for any reason, that we would agree to, and there was a premium paid for that. But 20/20 hindsight and looking back, that was one of the not so right approach to take and so that will be corrected as we go forward. As far as the CFO being hired in here, the fact is that he came in and didn't like how we operated here. He had been with a structured LTL Company. Previously he didn't like how we were lined up and didn't agree with how the operations were being run and he left and he told the auditors and the audit committee he didn't like how things were and they ought to look into it. And that's what caused the investigation to begun and as we stated that the investigation did not change our numbers any – as it just cost us a bunch of money. But that's behind us now, we're looking forward and plan to go forward with the things we talked about this morning and get this train back on the track.

<Q >

Okay. One other thing – I'll make a comment, I like the fact that you guys own a lot of stock yourselves, we know you are aligned with us, have the same interests we do. That the last

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question I have real quick is do you have any comment on rather than if you're thinking about on making acquisitions, have you thought it all about reinstating a small dividend?

<A – Stoney Stubbs, Jr.>: Well, we were thinking about it a little bit last year, when it looked like our profits were going to be good but then we had all this additional expense. Until we get a good track record of increasing profits, the Board of Directors probably won't smile too favorably on that although at some point in time it makes sense to me, we just have to see how the board favors this as we go forward.

<Q>: Okay. Thank you, guys.

<A>: Okay.

Operator: Your next question comes from the line of Arnold Ursaner of CJS Securities.

<Q – Arnold Ursaner>: Hi, I know you don't want to give specific guidance but there are some questions related to last year's Q3 and this year's Q3 that you might want to touch base on. Last year in Q3, can you comment on how the hurricane impacted your results? And you also mentioned this year in Q2, you had \$400,000 benefit from it so can you, A, remind us how it impacted you last year? B, give us any sense of it there is lingering impact from it this year?

<A – Stoney Stubbs, Jr.>: There was some, this is Mit, there was some dribble over, we had a few pieces of equipment that were held over into this year on the hurricane. Now the hurricanes hit last year in the third quarter and I don't remember the exact number but it was a substantial number in the third quarter, do you remember?

<A – Thomas Yetter>: I don't have the quarter-over-quarter break out but my recollection that it was the generated more, this is Tom Yetter speaking, and generated more revenue in the fourth quarter than it did in the third quarter. It's the third quarter, I think the hurricane hit a little bit before Labor Day and it took us a while to get the equipment repositioned and so – I think the impact in Q3 was somewhere in the 1.5 million range for revenue and the rest of it was pretty much in Q4.

<Q – Arnold Ursaner>: So as we think about the balance of the year again, the 1.5 million of revenue though was probably given the intensity of trying to hook up trucks was probably a better than average margin and certainly as we think about Q4, this would also be a comparative issue year-over-year. Is that a fair way to think of this?

<A – Stoney Stubbs, Jr.>: Well this is Mit, I mean basically compared to our normal operations, you just, you need, for me to compare it, I'll need to take all the revenue related to the hurricane relief out of the quarters to compare them. I mean that's what I do here because we don't budget hurricanes, we don't plan for hurricanes, we try to help when they come.

<Q – Arnold Ursaner>: So in the same spirit, can you quantify it for your outside investors, what the impact was in Q3 and Q4 if you have it there?

<A – Stoney Stubbs, Jr.>: Well, the total impact for the year was a little over \$9 million in revenue.

<Q – Arnold Ursaner>: Okay.

<A – Stoney Stubbs, Jr.>: And that is, as I've told a lot of people, that is essentially profitable business. From a standpoint that the government has to outbid everyone to get trucks and trucks were just impossible to get last quarter so they paid ridiculous rates and got asked to pull trucks away from some of our regular customers to give to them, which is the part of the problem we had

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in the first part of this year is kind of soothe down those customers we made mad by not carrying their freight last year during the hurricane.

<Q – Arnold Ursaner>: Okay. Two more quick questions, do you have any lingering impact of legal expenses that will occur in Q3?

<A – Stoney Stubbs, Jr.>: Lawyers never really let go of you completely. So I would imagine there would be some dribbles that dribble in from this investigation but I don't think it'll be significant.

<Q – Arnold Ursaner>: Do you have the 2.1 million cost you incurred in Q2? What do you think your costs will be in Q3?

<A – Thomas Yetter>: Let me just – this time we have commented that \$2.1 million was actually year-to-date six months number.

<Q – Arnold Ursaner>: Got it.

<A – Thomas Yetter>: Not all of that is inside Q2, about 1.25 million was inside Q1. And I see the bills when they come in and they still get your attention but compared to what we've been through, they're relatively minor. So I don't think it's going to be very much.

<Q – Arnold Ursaner>: Right. You've added a number of people to build out or expand your organization and you're also going to be targeting selling more into the intermodal market, can you give us a feel for SG&A either in dollars or as a percent of sales, the trend you see in that for the back half of the year?

<A – Thomas Yetter>: Well, we – again it's Tom, you had a word, we continue to address synergies in our back-office functions for things like credit and payroll, I really can't project the savings dollar amount on that, I don't want to give that kind of guidance, but I think we'll be introduce some new tools and some new processes that will enable to us get more work done at a lower cost.

<A – Stoney Stubbs, Jr.>: This is Mit, let me say to that: there is not anything slower than the process of reducing overhead that's taken you 55 years to build. But we're going to be carving it back like you peel an onion. Hopefully we'll get down to where it makes some people's eyes water.

<Q – Arnold Ursaner>: Okay. Our questions would be on the process of attacking your IT issues and technology related issues. Did the board or the company consider bringing in more of a technology expert rather than a trucking expert in an attempt to fix the technology issue that's been lingering for you?

<A – Stoney Stubbs, Jr.>: We've brought in several people over the last few months to help in the technical area, we – in fact we have hired a guy that previously worked for us back because he's got both operational and technical skills which is a rare combination and this guy is going to be very instrumental in helping us get where we need to be, improving our technological ability in operations. We have hired that exact person.

<Q – Arnold Ursaner>: Can you quantify what you spent on capital spending for this so far year-to-date and what you think you will spend in the back half of the year?

<A – Stoney Stubbs, Jr.>: Tom that's right up your alley.

<A – Thomas Yetter>: And unfortunately I don't have that number with me. In Q1, you know – as a matter of fact, I didn't bring those numbers with me at all. So, I can't really answer the question

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although, I would say that balance of – two comments, the balance of our buying versus our leasing, this year we've done more on the purchasing of assets and also the prebuy of the new – of the older engine trucks, up until the latter part of this year is going to tend to increase our CapEx for 2006 and then it'll slow down significantly as we enter 2007. So, I am sorry, I can't throw the specific numbers out there to you, but watch for our 10-Q next week and those numbers will be in there.

<Q – Arnold Ursaner>: Okay. Thank you.

<A>: You're welcome.

Operator: Your next question comes from Richard Bublin, private investor.

<Q>: Hi. Good day, gentlemen. I have a few operational related questions. You were mentioning that you had 20 to 40 parked trucks in the quarter roughly. I also noticed in the press release that your tractors in service were down from 2,270 to 2,147, which then leads to the question: How many drivers do you have? What was your driver count in the second quarter and the first quarter and perhaps to the end of the second quarter last year?

<A – Thomas Yetter>: Well the driver count is down, but mainly because we've lost some owner-operators in the middle of that too. The 20 to 40 trucks that were parked are company trucks and then we're also down some owner-operators, and overall we are down by the 100 power units. The number of drivers is a moving target every day, so I don't have that number with me but the total number of power units is down about a 100 from where it was last year.

<Q>: Got you. As you had earlier alluded to, you are going to be spending less for in 2007 for tractors, what with the new engines and such. Some firms, at least in other trucking firms that I've seen, have been adding to their 2006 fleet to defer use of the 2007 engines with the new EPA rules. But yet I see your tractors – your tractor count is down. What's your strategy in terms of what you are going to be doing for fleet CapEx and what your plans are for building up your fleet?

<A – Stoney Stubbs, Jr.>: Yeah, this is Mit. We plan to add quite a few tractors the rest of this year, more than we would in a normal year in order to not have to buy any 2007 engines until about this time next year. In other words, we are going to go through the first two quarters of next year without buying any 2007 trucks, we are buying them all the rest of this year.

<Q>: Okay. Been doing at what back half apparently?

<A – Stoney Stubbs, Jr.>: As far as our plans for adding equipment, we've got money, the equipment manufacturers got trucks, what we need is drivers. So we can add as many trucks as we find drivers for. And so drivers is the problem, not our ability to buy trucks.

<Q>: Okay. What is your sense of traffic demand? I mean I hear you about driver availability but I am also seeing that at least in your LTL business, there was a quite a substantial falloff in sales. Can you give me a picture as to what's going on, I mean it's really quite unclear?

<A – Stoney Stubbs, Jr.>: Yeah, well we've lost a couple of large LTL accounts early in the year, they shifted their business to truckload. That's been part of the problem in the LTL and the fact is we haven't been hitting the sales good enough and that's why Bill Webb is sitting on my right. And he spoke to what he plans to do about things but if he wants to hone in on the LTL problem, then I'll let him.

<A – Bill Webb>: Our issue on the LTL, as Russell talked about, is the density of the lanes that we're running. And the bottom line is, we need to do a better job of going out and number one,

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securing the business that we have so we don't have happen – what happened earlier this year, and then to go after that new business. It is a top priority because that gives us the ability to increase revenue and profitability without having to add drivers. So it is – if you go look at the stack of papers on my desk, that is the top piece of paper, is how do we increase that LTL revenue, and right now it is a matter of beating those bushes and we are beginning a very formal process to do that.

One of the things specifically we're doing, is we're going back and looking at those top 20 or 30 accounts. The unique thing about our company, because we have the history we do, we've hauled freight for just about everybody out there at some point in time. And one of the things that we are doing is looking at those top 20, 30, 40 customers that we've lost over the last year, two, three years and developing a very specific strategy to go back and get that business, if it's business we want, and that's probably our top priority right now.

<Q>: Is the business there – is the issue one of a slowing economy whether it's less physical business out there or did you guys just lose it?

<A – Bill Webb>: There were two things that happened. Some of it we lost but some of it was lost because of the new hours of service rules where it was very difficult to do the business the way that it was being done. But the bottom line is, the business is there, it almost doesn't matter what happens to the economy, people still have to eat. And that's one of the things that we have going on in our business, but we also have to go back and look at the right issue. We are looking at the rates, we are looking at the density and we are looking at our schedules, no one of those is the magic one, but rates have been an issue in the past; we put in some rate increases, trying to be aggressive and they were rejected. So we are having to go back now and look at everyone of those and that's part of that strategy to recover that business that we lost.

<Q>: Okay. Because you had flat sales versus the first quarter and my remembrance of your business is that it's seasonally strong in the second quarter. Please correct me if I am wrong but, it boggles the mind that you would have the type of sales that you had versus first quarter flat in what should be a strong environment. So you really lost business because you priced too much, you priced too high, it sounds to me?

<A>: At some level that's probably accurate but the truth is that is as the year goes on, our business gets better, we're moving into the prime part of the year and if we were doing it all right, I probably wouldn't be sitting here today. So that's about the best answer I can give you.

<Q>: And I got you. I have one view that I feel strongly about that, you have to clean up what you got going on right now. I mean that you had down sales in less than truck load, quarter-over-quarter going into a strong period is a trouble. That you would have reduction in your truck load business in going into a strong seasonal period is indicative of trouble in your business and in your management; that it is foolish to be considering new acquisitions until you've straightened out your own shop. That's what I have to say.

<A>: Well, thank you.

Operator: Your next question comes from the line of Adriano Almeida of DGHM.

<Q – Adriano Almeida>: My question has been asked and I guess my comments have already been stated. Thank you.

Operator: [Operator Instructions]. And folks you have no further questions at this time.

Stoney M. (Mit) Stubbs, Jr., Chairman and Chief Executive Officer

Okay, thanks everybody very much. And look forward to better results as we go forward.

Operator: Ladies and gentlemen thank you for your participation in today's conference. This concludes the presentation and you may now disconnect. Have a good day.

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