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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended September 30, 2000
Commission File No. 000-22490

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

TENNESSEE	62-1120025
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

430 AIRPORT ROAD GREENEVILLE, TENNESSEE	37745
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (423) 636-7100

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES [X] NO [ ]

The number of shares outstanding of the registrant's common stock, $.01 par value, as of October 27, 2000 was 21,250,399.

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FORWARD AIR CORPORATION

<TABLE>
<CAPTION>

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

Forward Air Corporation
Condensed Consolidated Balance Sheets

<TABLE>
<CAPTION>

	September 30, 2000	December 31, 1999
	(Unaudited)	(Note 1)
	(In thousands, except share data)	
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 15,355	$ 5,989
Accounts receivable, less allowance of $990 in 2000 and $918 in 1999	29,610	27,342
Other current assets	5,572	3,083
Total current assets	50,537	36,414
Property and equipment	60,903	47,197
Less accumulated depreciation and amortization	(17,872)	(14,307)
	43,031	32,890
Other assets	9,685	10,313
Total assets	$ 103,253	$ 79,617
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 8,300	$ 7,436
Accrued expenses	9,762	8,145
Current portion of long-term debt	169	758
Current portion of capital lease obligations	535	513
Total current liabilities	18,766	16,852
Long-term debt, less current portion	--	835
Capital lease obligations, less current portion	3,544	3,919

Deferred income taxes	5,379	3,059
Shareholders' equity:		
Preferred stock	--	--
Common stock, $.01 par value:		
Authorized shares - 50,000,000		
Issued and outstanding shares - 21,200,787 in 2000 and 20,732,963 in 1999	212	207
Additional paid-in capital	39,283	35,528
Retained earnings	36,069	19,217
Total shareholders' equity	75,564	54,952
Total liabilities and shareholders' equity	$ 103,253	$ 79,617

</TABLE>

See notes to condensed consolidated financial statements.

Forward Air Corporation

Condensed Consolidated Statements of Income
(Unaudited)

<TABLE>
<CAPTION>

	Three months ended		Nine months ended	
	September 30, 2000	September 30, 1999	September 30, 2000	September 30, 1999
	(In thousands, except per share data)			
<S>	<C>	<C>	<C>	<C>
Operating revenue	$ 53,703	$ 42,599	$ 157,168	$ 121,108
Operating expenses:				
Purchased transportation:				
Provided by Landair Corporation	461	992	1,818	2,494
Provided by others	22,375	17,642	65,073	50,145
Salaries, wages and employee benefits	11,893	9,690	35,352	27,564
Operating leases	2,365	2,117	7,477	6,340
Depreciation and amortization	1,457	1,266	4,238	3,720
Insurance and claims	878	710	2,521	1,580
Other operating expenses	4,516	3,622	13,794	11,291
	43,945	36,039	130,273	103,134
Income from operations	9,758	6,560	26,895	17,974
Other income (expense):				
Interest expense	--	(141)	(107)	(766)
Other, net	191	94	498	172
	191	(47)	391	(594)
Income before income taxes	9,949	6,513	27,286	17,380
Income taxes	3,804	2,508	10,434	6,725
Net income	$ 6,145	$ 4,005	$ 16,852	$ 10,655

Income per share:				
Basic	$ .29	$ .19	$ .80	$ .54
Diluted	$ .28	$ .18	$ .76	$ .51

</TABLE>

See notes to condensed consolidated financial statements.

Forward Air Corporation

Condensed Consolidated Statements of Cash Flows
(Unaudited)

<TABLE>
<CAPTION>

	Nine months ended	
	September 30, 2000	September 30, 1999
	(In thousands)	
<S>	<C>	<C>
Cash provided by operations	$ 22,712	$ 14,127
Investing activities:		
Proceeds from disposal of property and equipment	78	666
Purchases of property and equipment	(13,836)	(5,901)
Other	12	(123)
	(13,746)	(5,358)
Financing activities:		
Payments of long-term debt	(1,424)	(19,682)
Payments of capital lease obligations	(353)	(856)
Proceeds from exercise of stock options	2,081	1,003
Common stock issued under employee stock purchase plan	96	57
Net proceeds from public offering	--	18,033
	400	(1,445)
Increase in cash and cash equivalents	$ 9,366	$ 7,324

</TABLE>

See notes to condensed consolidated financial statements.

Forward Air Corporation

Notes to Condensed Consolidated Financial Statements
(Unaudited)

September 30, 2000

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three- and nine-month periods ended September 30, 2000 are not necessarily indicative of the results that may be expected for the year ending December 31, 2000. For further information, refer to the consolidated financial statements and footnotes thereto included in the Forward Air Corporation annual report on Form 10-K for the year ended December 31, 1999.

The balance sheet at December 31, 1999 has been derived from the audited financial statements at that date, but does not include all of the financial information and footnotes required by generally accepted accounting principles for complete financial statements.

2. COMPREHENSIVE INCOME

The Company had no items of other comprehensive income in 2000 or 1999 and, accordingly, comprehensive income is equivalent to net income.

3. NET INCOME PER SHARE

On January 10, 2000, the Board of Directors approved a three-for-two split of the common stock which was distributed on January 28, 2000 to shareholders of record as of January 21, 2000. On February 24, 1999, the Board of Directors approved a two-for-one split of the common stock of the Company which was distributed on March 19, 1999 to shareholders of record as of March 12, 1999. Common stock issued and additional paid-in capital have been restated to reflect these splits for all periods presented. All common share and per share data included in the condensed consolidated financial statements and notes thereto have been restated to give effect to the stock splits.

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

<TABLE>
<CAPTION>

	Three months ended		Nine months ended	
	September 30, 2000	September 30, 1999	September 30, 2000	September 30, 1999
<S>	<C>	<C>	<C>	<C>
Numerator:				
Numerator for basic and diluted income per share - net income	$ 6,145	$ 4,005	$16,852	$10,655
Denominator:				
Denominator for basic income per share - weighted-average shares	21,180	20,636	21,004	19,665
Effect of dilutive stock options	1,143	1,179	1,206	1,038

Denominator for diluted income per share - adjusted weighted-average shares	22,323	21,815	22,210	20,703
Basic income per share	$ .29	$ .19	$ .80	$ .54
Diluted income per share	$ .28	$ .18	$ .76	$ .51

</TABLE>

4. INCOME TAXES

For the three and nine months ended September 30, 2000 and 1999, the effective income tax rate varied from the statutory federal income tax rate of 35% primarily as a result of the effect of state income taxes, net of the federal benefit, and permanent differences.

5. CONTINGENCIES

The primary claims in the Company's business are workers' compensation, property damage, auto liability and medical benefits. Most of the Company's insurance coverage provides for self-insurance levels with primary and excess coverage which management believes is sufficient to adequately protect the Company from catastrophic claims. In the opinion of management, adequate provision has been made for all incurred claims up to the self-insured limits, including provision for estimated claims incurred but not reported.

The Company estimates its self-insurance loss exposure by evaluating the merits and circumstances surrounding individual known claims, and by performing hindsight analysis to determine an estimate of probable losses on claims incurred but not reported. Such losses could be realized immediately as the events underlying the claims have already occurred as of the balance sheet dates.

Because of the uncertainty of the ultimate resolution of outstanding claims, as well as uncertainty regarding claims incurred but not reported, it is possible that management's provision for these losses could change materially in the near term. However, no estimate can currently be made of the range of additional loss that is at least reasonably possible.

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

Introduction

The Forward Air operations provide scheduled ground transportation of cargo on a time-definite basis. As a result of Forward Air's established transportation schedule and network of terminals, its operating cost structure includes significant fixed costs. Forward Air's ability to improve its operating margins will depend on its ability to increase the volume of freight moving through its network.

Results of Operations

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

<TABLE>
<CAPTION>

	Three months ended		Nine months ended	
	September 30, 2000	September 30, 1999	September 30, 2000	September 30, 1999
<S>	<C>	<C>	<C>	<C>
Operating revenue	100.0%	100.0%	100.0%	100.0%
Operating expenses:				
Purchased transportation	42.5	43.7	42.6	43.5
Salaries, wages and employee benefits	22.1	22.7	22.5	22.8
Operating leases	4.4	5.0	4.8	5.2
Depreciation and amortization	2.7	3.0	2.7	3.1
Insurance and claims	1.6	1.7	1.6	1.3
Other operating expenses	8.5	8.5	8.7	9.3
	81.8	84.6	82.9	85.2
Income from operations	18.2	15.4	17.1	14.8
Other income (expense):				
Interest expense	0.0	(0.3)	0.0	(0.6)
Other, net	0.3	0.2	0.3	0.1
	0.3	(0.1)	0.3	(0.5)
Income before income taxes	18.5	15.3	17.4	14.3
Income taxes	7.1	5.9	6.7	5.5
Net income	11.4%	9.4%	10.7%	8.8%

</TABLE>

Three Months Ended September 30, 2000 compared to Three Months Ended September 30, 1999

Operating revenue increased by $11.1 million, or 26.1%, to $53.7 million in the third quarter of 2000 from $42.6 million in the same period of 1999. This increase resulted primarily from an increased volume from domestic and international air cargo customers, an increase in the number of operating terminals and direct shuttles and enhanced logistics services.

Purchased transportation represented 42.5% of operating revenue in the third quarter of 2000 compared to 43.7% in the same period of 1999. The decrease in purchased transportation as a

percentage of operating revenue was attributed to operating efficiencies resulting from an increased volume of freight transported through the Forward Air network.

Salaries, wages and employee benefits were 22.1% of operating revenue in the third quarter of 2000 compared to 22.7% for the same period of 1999. The decrease in salaries, wages and employee benefits as a percentage of operating revenue was attributed to operating efficiencies resulting from an increased volume of freight transported through the Forward Air network.

Operating leases, the largest component of which is terminal rent, were 4.4% of operating revenue in the third quarter of 2000 compared to 5.0% in the same period of 1999. The decrease in operating leases as a percentage of operating revenue between periods was attributable to increased leverage resulting from increased operating revenue.

Depreciation and amortization expense as a percentage of operating revenue was 2.7% in the third quarter of 2000, compared to 3.0% in the same period of 1999. The decrease in depreciation and amortization expense as a percentage of revenue was attributable to increased utilization of operating equipment during 2000 as a result of increased operating revenue.

Insurance and claims as a percentage of revenue were 1.6% of operating revenue in the third quarter of 2000, compared to 1.7% in the same period of 1999. The decrease in insurance and claims as a percentage of revenue resulted primarily from a decrease in the frequency and severity of accidents partially offset by higher premium costs during the third quarter of 2000.

Other operating expenses were 8.5% of operating revenue in the third quarter of 2000 and 1999.

Income from operations increased by $3.2 million, or 48.5%, to $9.8 million for the third quarter of 2000 compared to $6.6 million for the same period in 1999. The increase in income from operations was primarily a result of a lower operating cost structure on a percentage of revenue basis resulting from an increase in operating revenue, which allowed the Company to spread the fixed costs of the network over a larger revenue base. The increase in income from operations during the third quarter of 2000 was partially offset by operating losses of approximately $516,000 relating to the Company's new information technology subsidiary, LogTech Corporation.

No interest expense was recorded in the third quarter of 2000, compared to $141,000, or 0.3%, for the same period in 1999. The decrease in interest expense was a result of the capitalization of interest costs totaling $82,000 during the third quarter of 2000 related to the development of Internet-based software at LogTech Corporation coupled with lower average net borrowings during the third quarter of 2000.

Other income, net, was $191,000, or 0.3% of operating revenue, in the third quarter of 2000, compared to $94,000, or 0.2%, for the same period in 1999. The increase in other income resulted from higher interest income attributed to higher average cash and cash equivalent balances during the third quarter of 2000.

The combined federal and state effective tax rate for the third quarter of 2000 was 38.2% compared to a rate of 38.5% for the same period in 1999.

As a result of the foregoing factors, net income increased by $2.1 million, or 52.5%, to $6.1 million for the third quarter of 2000, compared to $4.0 million for the same period in 1999.

Nine Months Ended September 30, 2000 compared to Nine Months Ended September 30, 1999

Operating revenue increased by $36.1 million, or 29.8%, to $157.2 million in the first nine months of 2000 from $121.1 million in the same period of 1999. This increase resulted primarily from an increased volume from domestic and international air cargo customers, an increase in the number of operating terminals and direct shuttles and enhanced logistics services.

Purchased transportation represented 42.6% of operating revenue in the first nine months of 2000 compared to 43.5% in the same period of 1999. The decrease in purchased transportation as a percentage of operating revenue was attributed to operating efficiencies resulting from an increased volume of freight transported through the Forward Air network.

Salaries, wages and employee benefits were 22.5% of operating revenue in the first nine months of 2000 compared to 22.8% in the same period of 1999. The decrease in salaries, wages and employee benefits as a percentage of operating revenue was attributed to operating efficiencies resulting from an increased volume of freight transported through the Forward Air network.

Operating leases, the largest component of which is terminal rent, were 4.8% of operating revenue in the first nine months of 2000 compared to 5.2% in the same period of 1999. The decrease in operating leases as a percentage of operating revenue between periods was attributable to increased leverage resulting from increased operating revenue.

Depreciation and amortization expense as a percentage of operating revenue was 2.7% in the first nine months of 2000, compared to 3.1% in the same period of 1999. The decrease in depreciation and amortization expense as a percentage of revenue was attributable to increased utilization of operating equipment during 2000 as a result of increased operating revenue.

Insurance and claims as a percentage of revenue were 1.6% of operating revenue in the first nine months of 2000, compared with 1.3% in the same period of 1999. The increase in insurance and claims as a percentage of revenue resulted primarily from an increase in the frequency and severity of accidents and higher premium costs during the first nine months of 2000.

Other operating expenses were 8.7% of operating revenue in the first nine months of 2000 compared to 9.3% in the same period of 1999. The decrease in other operating expenses as a percentage of operating revenue was primarily attributable to a lower operating cost structure on a percentage of revenue basis resulting from increased operating revenue.

Income from operations increased by $8.9 million, or 49.4%, to $26.9 million for the first nine months of 2000 compared to $18.0 million for the same period in 1999. The increase in income from operations was primarily a result of lower operating cost structure on a percentage of revenue basis resulting from an increase in operating revenue, which allowed the Company to spread the fixed costs of the network over a larger revenue base. The increase in income from operations during the first nine months of 2000 was partially offset by operating losses of approximately $1,213,000 relating to the Company's new information technology subsidiary, LogTech Corporation.

Interest expense was $107,000, or 0.1% of operating revenue, during the nine months ended September 30, 2000, compared to $766,000, or 0.6%, for the same period in 1999. The decrease in interest expense was a result of the capitalization of interest costs totaling $191,000 during the nine months ended September 30, 2000 related to the development of Internet-based software at LogTech Corporation coupled with lower average net borrowings during the first nine months of 2000.

Other income, net, was $498,000, or 0.3% of operating revenue, in the first nine months of 2000, compared to $172,000, or 0.1%, for the same period in 1999. The increase in other income resulted from higher interest income attributed to higher average cash and cash equivalent balances during the first nine months of 2000.

The combined federal and state effective tax rate for the first nine months of 2000 was 38.2% compared to a rate of 38.7% for the same period in 1999.

As a result of the foregoing factors, net income increased by $6.2 million, or 57.9%, to $16.9 million for the first nine months of 2000, compared to $10.7 million for the same period in 1999.

Liquidity and Capital Resources

The Company has historically financed its working capital needs, including capital purchases, with cash flows from operations and borrowings under the Company's bank lines of credit. Net cash provided by operating activities totaled approximately $22.7 million for the nine months ended September 30, 2000 compared with $14.1 million in the same period of 1999.

Net cash used in investing activities was approximately $13.7 million in the nine months ended September 30, 2000 compared with $5.4 million in the same period of 1999. Investing activities consisted primarily of the purchase of operating equipment and management information systems and the capitalization of computer software costs relating to the LogTech system during these periods.

Net cash provided by financing activities totalled approximately $400,000 in the nine months ended September 30, 2000 compared with net cash used in financing activities of $1.4 million in the same period of 1999. Financing activities for the first nine months of 2000 and 1999 included the repayment of long-term debt and capital leases, proceeds received from the exercise of stock options and proceeds received from the issuance of common stock under the Company's employee

stock purchase plan. In addition, results for the first nine months of 1999 included the proceeds from common stock issued under a public offering.

The Company's credit facilities include a working capital line of credit and an equipment financing facility. As long as the Company complies with the financial covenants and ratios established in the credit facility agreements, these credit facilities permit borrowings of up to $20.0 million under the working capital line of credit and up to $25.0 million under the equipment financing facilities. Interest rates for advances under the facilities vary based on how the Company's performance measures against covenants related to total indebtedness, cash flows, results of operations and other ratios. The facilities bear interest at LIBOR plus .80% to 1.90%, expire in December 2000 and April 2001, and are secured by accounts receivable and the majority of the Company's equipment. The amount the Company can borrow under the line of credit is reduced by the amount of any outstanding letters of credit. At September 30, 2000 and December 31, 1999, the Company had no borrowings outstanding under the line of credit facility or the equipment financing facility.

Management believes that its available cash, expected cash generated from future operations and borrowings under available lines of credit will be sufficient to satisfy the Company's anticipated cash needs for at least the next twelve months.

Forward-Looking Statements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISK

The Company's exposure to market risk related to its remaining outstanding debt is not significant.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Not Applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

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

Not Applicable

ITEM 5. OTHER INFORMATION

Not Applicable

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits - The response to this portion of Item 6 is submitted as a separate section of this report.

(b) Reports on Form 8-K - The Company did not file any reports on Form 8-K during the three months ended September 30, 2000.

SIGNATURES

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

Forward Air Corporation

Date: November 6, 2000 By: /s/ Edward W. Cook

Edward W. Cook
Chief Financial Officer
and Senior Vice President

EXHIBIT INDEX

<TABLE>
<CAPTION>

Exhibit No.	
<S>	<C>
10.1	Non-Qualified Stock Option Agreement dated August 21, 2000 between the registrant and Ray A. Mundy
27.1	Financial Data Schedule - Period Ended September 30, 2000 (Electronic Filing Only)

</TABLE>

EXHIBIT 10.1

August 21, 2000

Non-Qualified Stock Option Agreement

To the Optionee (the "Optionee") executing the signature page (the "Signature Page") to this Non-Qualified Stock Option Agreement (this "Agreement").

Dear Non-Employee Director:

This Agreement sets forth the terms under which Forward Air Corporation, a Tennessee corporation (the "Company"), has awarded you an option to purchase shares of the $0.01 par value common stock of the Company (the "Common Stock"). This Agreement, along with the Company's Insider Trading Policy and such additional documents as are furnished by the Company with this Agreement, constitutes the terms and conditions governing the grant of options hereunder.

This will confirm the Agreement between the Company and the Optionee as follows:

1. Grant of Option. The Company grants to the Optionee the right and option (the "Option") to purchase all or any part of the number of shares of Common Stock set forth on the Signature Page (the "Shares"). The Option granted herein is a non-qualified stock option and does not qualify under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code").

2. Option Price. The option price per Share shall be the "Option Price per Share" as set forth on the Signature Page (the "Option Price"), representing one hundred percent (100%) of the Fair Market Value of a share of Common Stock as determined as of the Grant Date set forth on the Signature Page. "Fair Market Value" as of a given date for purposes of this Agreement means (i) the closing sales price for the shares on the NASDAQ-NMS or any national exchange on which shares of Common Stock are traded on such date (or if such market or exchange was not open for trading on such date, the next preceding date on which it was open); or (ii) if the Common Stock is not listed on the NASDAQ-

NMS or on an established and recognized exchange, such value as the Compensation Committee of the Company (the "Committee"), in good faith, shall determine based on such relevant facts, which may include opinions of independent experts, as may be available to the Committee.

3. Term of Option. The term of the Option shall commence on the Grant Date and all rights to purchase Shares hereunder shall cease at 11:59 p.m. on the Expiration Date set forth on the Signature Page, subject to earlier termination as provided in this Agreement. Except as may otherwise be provided in this Agreement, the Option granted hereunder may be cumulative and exercised as follows:

(a) Subject to the terms and conditions of this Agreement, the Option shall become exercisable on the dates set forth on the Signature Page, provided that the Optionee continually serves as a director and is neither a full-time employee nor officer of the Company throughout such period as determined under Section 5; provided further, that the Option shall expire on the Expiration Date and must be exercised, if at all, on or before the Expiration Date. The Vesting Schedule for the Option is set forth on the Signature Page.

(b) For the purpose of this Agreement, the Optionee shall be deemed to be eligible for participation in accordance with Section 5. A leave of absence (regardless of the reason therefor) shall be deemed to constitute the cessation of eligible status as of the commencement date of the leave. Accordingly, the Option shall be fully exercisable in accordance with this Section 3, provided the Optionee continues to serve as a non-employee director of the Company or a parent or subsidiary thereof throughout such period to such extent that the Shares are vested.

(c) The Option Price of the Shares as to which the Option shall be exercised shall be paid in full at the time of exercise (i) in cash or by certified check or by bank draft; (ii) by the delivery of previously owned unrestricted shares of Common Stock which shall have an aggregate Fair Market Value determined in accordance with this Agreement equal to the Option Price; (iii) with the prior written consent and approval of the Company, by the execution and delivery of the Optionee's promissory note in the principal amount of the Option Price, with such term, interest rate and other terms and provisions, including, without limitation, requiring the Shares acquired upon exercise to be pledged to the Company to secure payment of the note, as the

Committee may specify; (iv) by cancellation of indebtedness of the Company to the Optionee; (v) by waiver of compensation due or accrued to the Optionee for services rendered; (vi) provided that a public market for the Common Stock exists, through a "same day sale" commitment from the Optionee and a broker-dealer that is a member of the National Association of Securities Dealers (a "NASD Dealer") whereby the Optionee irrevocably elects to exercise his Option and to sell a portion of the Shares so purchased to pay for the Option Price and whereby the NASD Dealer irrevocably commits to forward the Option Price directly to the Company in exchange for receipt of such Shares; (vii) provided that a public market for the Common Stock exists, through a "margin" commitment from the Optionee and a NASD Dealer whereby the Optionee irrevocably elects to exercise the Option and pledge the Shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Option Price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Option Price directly to the Company, or (viii) any combination of the preceding. Except as provided in Section 5 hereof, the Option may not be exercised at any time unless the Optionee shall have been continuously, from the Grant Date to the date of the exercise of the Option, serving as a non-employee director of the Company or a parent or subsidiary of the Company. Additionally, notwithstanding anything in this Agreement to the contrary, the Option may be exercised at any given time only as to those Shares covered by the Option which have "vested" at such time, as set forth on the Vesting Schedule. The holder of the Option shall not have any of the rights of a shareholder with respect to Shares covered by the Option until such time, if ever, as such Shares of Common Stock are actually issued and delivered to the Optionee.

(d) If Optionee's service with the Company terminates due to Optionee's death or disability, the Option shall be exercisable for a period of one (1) year thereafter (subject to expiration as provided herein). If Optionee's service with the Company terminates for any other reason, the portion of the Option which is not then exercisable shall be canceled, and the remaining portion shall continue to be exercisable for ninety (90) days thereafter (subject to expiration as provided herein).

(e) To the extent the Shares purchased though the exercise of the Option are not registered under the Securities Act, they may not be sold, assigned, transferred or otherwise disposed of in the absence of an effective registration statement covering the shares, or an available exemption under the Securities Act.

4. Nontransferability. The Option shall not be transferable otherwise than by will or the laws of descent and distribution, and the Option may be exercised, during the lifetime of the Optionee, only by the Optionee. More particularly (but without limiting the generality of the foregoing), the Option may not be assigned, transferred, pledged or hypothecated in any way, shall not be assignable by operation of law and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Option contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the

Option, shall be null and void and without effect.

5. Termination of Option. This Option shall terminate on the ninety-first (91st) day after the Optionee ceases to be a non-employee director of the Company or a parent or subsidiary of the Company (the "Termination Date"). The Optionee shall be considered to be a non-employee director of the Company for all purposes under this Section 5 if the Committee determines that the Optionee is rendering substantial services as a part-time non-employee director of the Company or any parent or subsidiary of the Company.

6. Change in Control.

(a) In the event of a "Change in Control" (as defined below), the portion of the Option not previously exercisable and vested shall become fully exercisable and vested, and, except as otherwise provided in Section 6(d) below, the value of the portion of the Option, to the extent vested, shall be cashed out on the basis of the Change in Control Price (as defined below) as of the date of such Change in Control.

(b) For purposes of this Section 6, a "Change in Control" means the happening of any of the following:

(i) A change in control of a nature that would be required to be reported in response to any form or report to the Securities and Exchange Commission or any stock exchange on which the Company's shares are listed which requires the reporting of a Change in Control of the Company;

(ii) When any "person," as such term is used in Sections 13(d) and 14(d) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), (other than the Company or a subsidiary or any Company or subsidiary employee benefit plan (including any trustee of such plan acting as trustee) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing forty percent (40%) or more of the combined voting power of the Company's then outstanding securities; or

(iii) When, during any period of two (2) consecutive years during the term of this Agreement, the individuals who, at the beginning of such period, constitute the Board of Directors of the Company cease for any reason to constitute at least a majority thereof, provided, however, that a director who was not a director at the beginning of such period shall be deemed to have satisfied the two (2) year requirement if such director was elected by, or on the recommendation of or with the approval of, at least three-quarters of the directors who were directors at the beginning of such period (either actually or by prior operation of this Section 6).

(c) For purposes of this Section 6, "Change in Control Price" means the highest price per share paid for Common Stock in any transaction reported on the NASDAQ-NMS or such other exchange or market as is the principal trading market for the Common Stock, or paid or offered for Common Stock in any bona fide transaction related to a Change in Control of the Company at any time during the sixty (60) day period preceding the date on which a cashout occurs under this Section 6.

(d) In case Optionee is subject to Section 16(b) of the Exchange Act, the value of the Option, in each case to the extent that it is vested and has been held for at least six (6) months, shall be cashed out on the basis of the "Change in Control Price" as defined in Section 6(c) as of the date such Change in Control is determined to have occurred, but only if the Change in Control is outside the control of the grantee for purposes of Rule 16b-3(e)(3) under the Exchange Act, or any successor provision promulgated by the Securities and Exchange Commission.

7. Adjustments. The number and class of Shares subject to the Option, and the Option Price per Share (but not the total purchase price), and the minimum number of Shares as to which the Option may be exercised at any one time, shall all be proportionately adjusted in the event of any change or increase or decrease in the number of issued shares of Common Stock, without receipt of consideration by the Company, which result from a split-up or consolidation of shares, payment of a share dividend (in excess of two percent (2%)), a recapitalization, combination of shares or other like capital adjustment, so that, upon exercise of the Option, the Optionee shall receive the number and class of shares the Optionee would have received had the Optionee been the holder of the number of shares of Common Stock, for which the Option is being exercised, on the date of such change or increase or decrease in the number of issued shares of Common Stock. Subject to reorganization, merger or consolidation, the Option shall be proportionately adjusted so as to apply to the securities to which the holder of the number of Shares of Common Stock subject to the Option would have been entitled. Adjustments under this Section 7 shall be made by the Committee whose determination with respect thereto shall be final and conclusive. No fractional share shall be issued under the Option or upon any such adjustment.

8. Notice. All notices, requests, consents and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered or mailed, by United States certified or registered mail, prepaid, to the parties or their assignees, if to the Company, addressed to Forward Air Corporation, Attention: Legal Department, P.O. Box 1058, Greeneville, Tennessee 37744, and if to the Optionee, at the address set forth on the Signature Page (or such other address as shall be given in writing by either party to the other).

9. Method of Exercising Option. Subject to the terms and conditions of this Agreement, the Option may be exercised by written notice to the Company, at its principal office in the State of Tennessee, which is set forth in Section 8 hereof. Such notice shall state the election to exercise the Option and the number of Shares in respect of which it is being exercised and by payment in full of the Option Price pursuant to Section 3 above, and the Company shall deliver a certificate or certificates representing the Shares subject to such exercise as soon as practicable after the notice shall be received. The certificate or certificates for the Shares as to which the Option shall have been so exercised shall be registered in the name of the person so exercising the Option and shall be delivered as provided above to or upon the written order of the person exercising the Option. In the event the Option shall be exercised by any person other than the Optionee in accordance with the terms hereof, such notice shall be accompanied by appropriate proof of right of such person to exercise the Option. All Shares that shall be purchased upon the exercise of the Option as provided herein shall be fully paid and nonassessable. The holder of the Option shall not be entitled to the privileges or share ownership as to any shares of Common Stock not actually issued and delivered to the Optionee.

10. No Agreement to Employ. Nothing in this Agreement shall be construed to constitute or be evidence of any agreement or understanding, express or implied, on the part of the Company to employ or retain the Optionee for any specific period of time.

11. Market Standoff Agreement. The Optionee agrees in connection with any registration of the Company's securities that, upon the request of the Company or the underwriters managing any public offering of the Company's securities, the Optionee will not sell or otherwise dispose of any Shares without the prior written consent of the Company or such underwriters, as the case may be, for a period of time (not to exceed 120 days) from the effective date of such registration as the Company or the underwriters may specify.

12. Stop-Transfer Notices. The Optionee understands and agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop-transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

13. General. The Company shall at all times during the term of the Option reserve and keep available such number of shares of Common Stock as will be sufficient to satisfy the requirements of this Agreement, shall pay all original issue and transfer taxes with respect to the issue and transfer of shares pursuant hereto and all other fees and expenses necessarily incurred by the Company in connection therewith, and will from time to time use its best efforts to comply with all laws and regulations, which, in the opinion of counsel for the Company, shall be applicable thereto.

If the foregoing correctly sets forth your understanding of the terms and conditions governing the subject matter of this Agreement, please sign this Signature Page to this Agreement in the place indicated and return it to the corporate office.

Very truly yours,

FORWARD AIR CORPORATION

By: /s/ Bruce A. Campbell

Bruce A. Campbell
President and
Chief Operating Officer

OPTIONEE

By: /s/ Ray A. Mundy

Ray A. Mundy

Shares: 7,500
Date of Grant: July 18, 2000
Option Price Per Share: $36.375
Expiration Date: July 18, 2010
Vesting Schedule: The option granted hereby shall vest as to 1/2 of the Shares on the date which is twelve (12) months after the Date of Grant, and shall vest as to the other 1/2 of Shares on the date which is twenty-four (24) months after the Date of Grant.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FORWARD AIR CORPORATION CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED) AS OF SEPTEMBER 30, 2000 AND THE CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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