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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For fiscal year ended December 31, 1996

Commission File No. 000-22490

LANDAIR SERVICES, INC.
(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) 636-7000

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

COMMON STOCK, $.01 PAR VALUE
(Title of class)

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 / /

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 17, 1997 was approximately $29,907,639 based on the closing price of such stock on such date of $11.375.

The number of shares outstanding of the registrant's common stock as of March 17, 1997 was 5,952,880.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement for the 1997 annual meeting of shareholders are incorporated by reference into Part III of this report. Such definitive proxy statement will be filed with the Securities and Exchange Commission not later than 120 days subsequent to December 31, 1996.

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PART I

ITEM 1. BUSINESS

GENERAL

Landair Services, Inc. (the "Company") is a high-service level truckload carrier and contractor to the air cargo industry providing time-definite service in the United States and Canada. The Company was incorporated in Tennessee in 1981.

The Company provides scheduled trucking services to air freight forwarders, fully integrated air cargo carriers and domestic and international airlines through its Forward Air operations. The Company services its air freight forwarder, air cargo and airline customers primarily through a hub and spoke network of 62 terminals, located at or near major airports in the United States and Canada, and linked through a central sorting facility in Columbus, Ohio.

Through its Truckload operations, the Company provides short- to medium-haul delivery to the high-service segment of the general commodities truckload market. The Truckload operations include a common carrier operation that serves customers on an "on demand" basis and a dedicated fleet operation in which trucks and drivers are dedicated to shippers with specific, high-service requirements.

FORWARD AIR OPERATIONS

The Company's Forward Air operations serve the unique and growing deferred air freight market. Unlike typical overnight letters and packages, deferred air freight is comprised of freight and packages that will have time-definite delivery in two to four days. Forward Air receives air freight from air freight forwarders, air cargo and airline customers at 62 terminal facilities and provides airport-to-airport transportation of the freight to the terminal nearest to the freight's destination. The transportation requirements of Forward Air are met through direct shuttles, some of which offer overnight service, and through the Columbus central sorting facility.

The Company's freight forwarder customers vary in size from small independent, single facility air freight forwarders to large, international logistics companies. Since operations were commenced in November 1990, the average weekly volume of freight carried through the Forward Air network has grown from approximately 1.2 million pounds to approximately 10.5 million pounds in 1996. Forward Air operations accounted for approximately 50% of the Company's 1996 operating revenue. The Company's strategy in its Forward Air operations is to capitalize on the growing market for deferred air freight from both domestic and international air cargo customers through its unique hub-and-spoke network.

TRUCKLOAD OPERATIONS

Common Carrier Services. The Company's common carrier operations primarily consist of short-to-medium haul shipments, typically between 250 and 700 miles. Although serving the contiguous 48 states, the Company's Truckload operations are primarily concentrated in the eastern half of the United States, allowing the Company to focus on selected operating lanes. The Company's ability to stay within these lanes allows it to maximize service for its customers while minimizing such operating costs as empty miles and driver layovers. The common carrier operations concentrate on providing high levels of consistent service for customers whose shipping requirements fall into the service-sensitive segment of the truckload market rather than that segment which uses price as its primary consideration. For example, these operations provide common carrier services to certain of the integrated air carriers and for just-in-time manufacturers with narrow delivery windows. The customers of the common carrier operations normally demand scheduled pick-up and delivery and often give short notice for equipment needs. The common carrier operations have been successful in meeting customer needs with on-time performance in excess of 98% in its primary service area. The trend of shippers over the past several years has been toward the use of a relatively small number of financially stable "core carriers". The Company's strategy in its common carrier operations is to take advantage of growth opportunities that exist as a result of this trend. In addition, an important element in the Company's strategy for expanding its core carrier operations lies in the cross-utilization of its revenue equipment to satisfy peak demands in its Forward Air operations.

Dedicated Contract Carriage Services. The Company's dedicated contract carriage services involve management for all or a significant part of a customer's transportation operations. Under a dedicated carriage service agreement, the Company typically provides drivers, equipment and maintenance, and, in some instances, transportation management that replaces the customer's in-house transportation department. This service allows a customer to reduce overall transportation costs by minimizing both capital expenditures and personnel costs. At current operating levels, the annual revenue from dedicated contract carriage service agreements aggregates approximately $15.0 million.

Management believes the dedicated contract carriage services operations are well positioned to capitalize on the increasing trend of many shippers to outsource virtually all of their transportation requirements. The Company's strategy in its dedicated contract carriage operations will be to continue to focus on expansion of services in this area, including business with existing common carrier customers, so that the Company's dedicated operations can ultimately manage most or all of a customer's transportation needs on a dedicated fleet basis.

Logistics Services. The Company also offers logistics services for some of its customers by acting as an agent to arrange transportation of all loads tendered, regardless of destination, available power or the type of trailing equipment required.

Truckload operations accounted for approximately 50% of the Company's 1996 operating revenue.

REVENUE EQUIPMENT

The Company purchases high quality tractors to help attract and retain drivers, promote safe operations and minimize maintenance and repair costs. When purchasing new revenue equipment, the Company typically acquires standardized tractors and trailers manufactured to the Company's specifications. Standardization enables the Company to simplify driver training, control the cost of spare parts inventory and enhance its preventive maintenance program.

The Company has purchased most of its tractors from Freightliner Corporation and its trailers from Great Dane Corporation. The majority of the tractors purchased are equipped with Series 60 Detroit Diesel electronic engines which have contributed significantly to increased fuel efficiency for the Company. It is the Company's current practice to trade in its tractors after three or four years and its trailers after seven years. The Company's purchase and lease agreements for tractors generally provide for a repurchase option by the manufacturer at predetermined prices.

As of December 31, 1996, the Company operated 518 Company-owned tractors and leased 376 tractors from owner-operators. The average age of the Company-operated tractor fleet was approximately 2.5 years at December 31, 1996. As of December 31, 1996, the Company owned 1,922 van trailers, of which 1,758 are 53' long, 164 are 48' long, and 216 include specialized roller bed equipment required to serve air cargo industry customers. By having a majority of the Company's trailer fleet equipped with 53' trailers, the Company is able to provide its customers with more economy and convenience and increased driver productivity. The average age of the trailer fleet was approximately 2.8 years at December 31, 1996.

The Company has installed Qualcomm two-way satellite communication systems in the majority of its tractors. The Qualcomm system provides the Company with continuous communications capability in the event a driver experiences a service delay or disruption. The Qualcomm system also allows the Company to track the exact location and route of any particular shipment and communicate instantly with drivers to improve operating efficiencies.

EMPLOYEES AND OWNER-OPERATOR DRIVERS

As of December 31, 1996, the Company employed approximately 1,500 persons. None of the Company's employees are covered by a collective bargaining agreement. The Company considers its employee relations to be good.

The Company recognizes that its professional driver workforce is one of its most valuable assets. Drivers are selected by the Company in accordance with guidelines relating to safety records, driving experience and personal evaluations. Over the past several years, the Company has introduced several driver retention programs including the creation of a pay package that more fairly compensates drivers for the work associated with their job. The pay package includes extra pay items in addition to the drivers' mileage-based pay. The expense and cost of driver retention

and recruitment has increased in recent years. Recruitment is difficult due to Company standards and an industry shortage of qualified drivers. See "Safety".

The Company also recognizes that the selection process for owner-operators is equally as important as for Company drivers. The use of owner-operators provides the Company with marketing, operating, safety, driver recruiting, retention and financial advantages. The Company focuses on the special needs of owner-operators through programs designed to reduce their operating costs. The Company plans to continue its emphasis on recruiting owner-operators.

SAFETY

The Company has an active safety and loss prevention program and has established a driver qualification policy. Drivers who exceed the maximum acceptable number of accidents or traffic citations within a specified time period are reviewed and monitored by the safety department. The driving and employment records of drivers are verified.

During the past two years, the Company enhanced its safety program with a series of safe driving campaigns, safety contests, quarterly driver terminal safety meetings, and communication of safety data to drivers and management personnel. The program is designed to heighten awareness of and focus attention on safety related issues.

INSURANCE

Claims exposure in the trucking industry consists primarily of cargo loss and damage, vehicle liability, property damage and workers' compensation. The Company maintains a significant deductible for auto liability claims, for physical damage claims and for cargo claims. The Company also is responsible for workers' compensation claims in certain of the states in which it operates, and is subject to state programs in certain states where employer participation in state sponsored programs is mandated. The Company maintains insurance with independent insurance carriers that provide certain coverage for claims in excess of deductible amounts. Management believes that the Company's insurance coverage is reasonable.

REGULATION

Prior to December 29, 1995, the Company's operations in interstate commerce were regulated by the Interstate Commerce Commission ("ICC"). Effective December 29, 1995, President Clinton signed into law the Interstate Commerce Commission Termination Act of 1995 which closed the ICC and transferred its remaining responsibilities to a new Surface Transportation Board and the Federal Highway Administration. In addition, interstate motor carrier operations are subject to safety requirements prescribed by the Department of Transportation. Such matters as weight and dimension of equipment are also subject to federal and state regulations. The Company's Canadian operations are subject to similar requirements imposed by the laws and regulations of the Dominion of Canada and various provincial laws and

regulations. The Company is subject to various federal, state and local environmental laws and regulations. Management believes that the Company is in substantial compliance with applicable regulatory requirements relating to its operations. Failure of the Company to comply with the applicable regulations could result in substantial fines or revocation of the Company's operating permits.

The Company has aboveground fuel storage tanks at its Indianapolis, Indiana facility and underground fuel storage tanks at its Columbus, Ohio facility. Such storage tanks are subject to various federal and state environmental laws and regulations. Management believes that the Company is in substantial compliance with applicable environmental laws and regulations. No material increase for expenditures for compliance with federal, state and local environmental laws and regulations is anticipated in 1997.

COMPETITION AND INDUSTRY TRENDS

The Company competes with regional, inter-regional and national truckload carriers and, to a lesser extent, with less-than-truckload carriers, railroads and overnight delivery companies. Many of the Company's competitors have greater financial resources, more equipment or larger freight capacity than the Company. Service and price are the principal means of competition in the transportation industry.

Management believes the market for its Forward Air operations will be less affected by competition than will most other segments of the transportation industry because of its unique network. The transportation of air freight requires significant capital assets, including a fleet of dependable equipment, a large centrally located sorting facility, an extensive communication system, a skilled workforce and a large sales operation. In order to effectively compete, any new entrant would have to be able to immediately develop a comparable network which would require it to dedicate a full complement of equipment and establish multiple terminals in order to demonstrate the ability to handle a large number of shipments destined for many geographically diverse locations and to meet critical delivery deadlines. Management also believes that in addition to its established market presence, the Company's ability to access additional revenue equipment, other support services and management from the Company's Truckload operations gives it greater flexibility to meet peak demands within its Forward Air operations without the attendant increase in capital expenditures.

The Company's principal competitive strength is its ability to consistently provide reliable service at a competitive price. Many of the Company's customers are high volume shippers which require a flexible and dependable motor carrier service tailored to their specific needs, including pick-up within specified delivery times.

ITEM 2. PROPERTIES

The Company's headquarters are located in Greeneville, Tennessee and are leased from the Greeneville-Greene County Airport Authority under a lease expiring in 2006. The headquarters lease is at a rate management believes is favorable. The Company leases, under a capital lease agreement, a 100-door cross dock hub facility constructed in 1994 in Columbus, Ohio from the Director of Development of the State of Ohio. A substantial portion of the cost of constructing the Columbus facility was funded by the State of Ohio through the sale of $6.3 million of revenue bonds. The Company is responsible for all taxes, assessments and other costs of ownership under the lease agreement. Certain terms of the lease include restrictions on the payment of dividends and the maintenance of certain levels of net worth and other financial ratios. Amounts due under the lease agreement are guaranteed by Scott M. Niswonger, the Company's Chairman, President and Chief Executive Officer. After the bonds are paid in full, the Company will have an option to purchase the terminal for a nominal payment.

In July 1996, the Company acquired a 68-door cross dock terminal facility in Atlanta, Georgia. The facility houses both the Atlanta Truckload and Forward Air operations. The Company leases a facility in Greeneville, Tennessee from Greeneville Properties, Inc., a corporation previously owned by Mr. Niswonger.

The following table provides information regarding the Company's principal terminal facilities:

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TERMINAL LOCATION	APPROXIMATE GROSS SQUARE FEET (1)
<S>	<C>
Atlanta, Georgia (2)	46,000
Columbus, Ohio (2)	83,800
Greeneville, Tennessee (3)	42,000
Indianapolis, Indiana (2)	15,200
Memphis, Tennessee (3)	19,875

</TABLE>

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(1) Includes both office and dock space.
(2) Shared facility by Forward Air and Truckload operations.
(3) The Company operates two separate locations in this city.

The Company leases 43 additional terminal facilities for its Forward Air operations, which are typically leased on a short-term (three to five year) basis. Management believes that replacement space comparable to these terminal facilities is readily obtainable, if necessary. Management believes that its facilities are adequate to support its current operations. The balance of the Forward Air terminals are agent stations leased and operated by independent agents who generally handle the Company's freight on a commission basis.

ITEM 3. LEGAL PROCEEDINGS

LITIGATION

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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the fourth quarter of the fiscal year ended December 31, 1996, no matters were submitted to a vote of security holders through the solicitation of proxies or otherwise.

EXECUTIVE OFFICERS OF THE REGISTRANT

Pursuant to Instruction 3 to Item 401(b) of Regulation S-K and General Instruction G(3) to Form 10-K, the following information is included in Part I of this Form 10-K.

The following table sets forth certain information concerning the executive officers of the Company as of December 31, 1996:

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Name	Age	Position
Scott M. Niswonger	49	Chairman, President and Chief Executive Officer
Bruce A. Campbell	45	Executive Vice President and Chief Operating Officer
Edward W. Cook	38	Chief Financial Officer, Senior Vice President and Treasurer
Richard H. Roberts	42	Senior Vice President, General Counsel and Secretary
Michael A. Roberts	52	Senior Vice President, FAF Sales and Marketing

</TABLE>

There are no family relationships between any of the executive officers of the Company. All officers hold office at the pleasure of the Board of Directors.

The following background material is provided for each executive officer employed by the registrant, including employment history for at least the last five years:

Scott M. Niswonger is a co-founder of the Company and has served as a director and as President of the Company since its founding in 1981, and as Chairman of the Board and Chief Executive Officer since February 1988. Mr. Niswonger also serves as a director of the Regional Advisory Board of First

Tennessee Bank National Association.

Bruce A. Campbell has been Executive Vice President and Chief Operating Officer of the Company since April 1990 and a director of the Company since April 1993. Prior to joining the Company in 1990, Mr. Campbell served as Vice President of Ryder-Temperature Controlled Carriage in Nashville, Tennessee from September 1985 until December 1989.

Edward W. Cook joined the Company as Chief Financial Officer, Senior Vice President and director in September 1994. Since May 1995, he has also served as Treasurer. Prior to joining the Company, Mr. Cook was employed by Ernst & Young LLP for eleven years, most recently as a senior manager in the Nashville, Tennessee office. During the period March 1986 through February 1988, Mr. Cook served as Controller and Assistant Secretary of Ryder-Temperature Controlled Carriage in Nashville, Tennessee.

Richard H. Roberts has served as Senior Vice President and General Counsel of the Company since July 1994, and as Secretary and director since May 1995. Prior to joining the Company, Mr. Roberts was a partner with the Baker, Worthington, Crossley & Stansberry law firm from January 1991, and an associate of the firm from June 1985. Mr. Roberts has also served as a director of Miller Industries, Inc. since April 1994.

Michael A. Roberts has been Senior Vice President, FAF Sales and Marketing of the Company since April 1990 and was Vice President of Marketing of the Company from November 1987. Mr. Roberts served as a consultant to the Company from 1982 to 1987.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED SHAREHOLDER MATTERS

The Company's common stock is publicly traded on the Nasdaq National Market tier of The Nasdaq Stock Market under the symbol LAND. The following table sets forth the high and low sales prices for the Company's common stock as reported by The Nasdaq Stock Market for each full quarterly period of fiscal 1995 and 1996.

<TABLE>
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1996	High	Low
First Quarter	$16.50	$12.50
Second Quarter	$16.25	$13.25
Third Quarter	$16.50	$10.00
Fourth Quarter	$11.75	$ 6.50

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1995	High	Low
First Quarter	$17.00	$11.75
Second Quarter	$16.00	$11.625
Third Quarter	$17.50	$11.75
Fourth Quarter	$15.00	$11.25

</TABLE>

There were approximately 1,200 shareholders of record (including brokerage firms and other nominees) of the Company's common stock as of March 17, 1997.

The Company has not paid cash dividends on its common stock in the two preceding fiscal years, and it is the current intention of management to retain earnings to finance the growth of the Company's business. Future payment of dividends will depend upon the financial condition, results of operations, contractual restrictions and capital requirements of the Company as well as other factors deemed relevant by the Board of Directors.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data of the Company. The selected financial data should be read in conjunction with the Company's financial statements and notes thereto, included elsewhere in this report.

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	FISCAL YEAR ENDED				
	DECEMBER 31, 1996	DECEMBER 31, 1995	DECEMBER 31, 1994	DECEMBER 25, 1993	DECEMBER 26, 1992
	(In thousands, except per share data)				
<S>	<C>	<C>	<C>	<C>	<C>
STATEMENTS OF INCOME DATA: (1) (2)					
Operating revenue	$157,098	$148,083	$135,032	$95,281	$66,264
Income from operations	9,341	10,501	8,164	4,309	2,543
Operating ratio (3)	94.1%	92.9%	94.0%	95.5%	96.2%
Net income	3,979	4,517	4,017	1,963	1,234
Net income per share - primary	0.66	0.75	0.66	0.46	0.30
Net income per share - fully diluted	0.66	0.75	0.66	0.45	0.30
Cash dividends declared per common share	--	--	--	--	--
BALANCE SHEET DATA (AT END OF PERIOD):					
Total assets	$ 99,074	$ 98,279	$ 78,044	$49,027	$19,275
Long-term obligations, net of current portion	27,094	35,855	28,305	12,024	7,489
Shareholders' equity	41,264	36,644	31,778	27,295	3,518

</TABLE>

(1) Results for 1994, 1993, and 1992 lack comparability to other periods because (i) 1993 and 1992 included special management bonuses of $1.7 million and $610,000, respectively, and (ii) 1994 included a charge relating to the sale and winding down of its refrigerated trucking operations of $805,000. In addition, 1994 results consist of 53 weeks of operations while 1996, 1995, 1993 and 1992 results consist of approximately 52 weeks of operations.

(2) Net income and net income per share for 1993 and 1992 reflect pro forma income tax provisions as if the Company, previously an S Corporation prior to its initial public offering of common stock in November 1993, had been subject to income taxes for all of 1993 and 1992. Historical net income for 1993 and 1992 was $2.2 million and $2.0 million, respectively.

(3) Operating expenses as a percentage of operating revenue.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

	FISCAL YEAR ENDED DECEMBER 31, 1996	DECEMBER 31, 1995	DECEMBER 31, 1994
Operating revenue	100.0%	100.0%	100.0%
Operating expenses:			
Purchased transportation	32.8	36.1	38.1
Salaries, wages and employee benefits	27.6	25.4	24.2
Fuel and fuel taxes	6.9	6.0	6.0
Operating leases	3.8	4.0	4.8
Depreciation and amortization	6.7	5.9	4.7
Insurance and claims	5.3	4.8	4.2
Loss on sale and winding down of refrigerated operations	--	--	0.6
Other operating expenses	11.0	10.7	11.4
Total operating expenses	94.1	92.9	94.0
Income from operations	5.9	7.1	6.0
Interest expense	(1.8)	(2.0)	(1.1)
Other income, net	--	0.2	0.3
Income before income taxes	4.1	5.3	5.2
Income taxes	1.6	2.2	2.2
Net income	2.5%	3.1%	3.0%

RESULTS OF OPERATIONS

The Company continued its growth in 1996 as operating revenues increased to a record $157.1 million compared to $148.1 million in 1995 and $135.0 million in 1994. The percentage increases in operating revenue for 1996, 1995 and 1994 were 6.1%, 9.7% and 41.7%, respectively. Excluding the Company's refrigerated operations, which were sold effective January 11, 1995 (see Note 6 of the Notes to Consolidated Financial Statements), the Company's operating revenue increased 16.8% during 1995.

Operating revenue in the Company's Forward Air operations increased by $17.2 million (27%), $5.7 million (9%) and $27.1 million (74%) in 1996, 1995 and 1994, respectively, and represented approximately 50%, 43% and 43% of the Company's total operating revenue for these periods. Operating revenue increases in the Forward Air operations resulted from increasing the number of operating terminals, enhancements to the Forward Air network and greater volume from domestic and international air cargo customers. Operating revenue in the Company's Truckload operations, including intercompany revenue and excluding the sale of the Company's refrigerated operations, increased (decreased) by $(6.0) million, $14.8 million and $17.0 million in 1996, 1995 and 1994, respectively. Operating revenue increases (decreases) in the Truckload operations resulted primarily from the addition/reduction of revenue equipment levels utilized in

both the Company's common carrier and dedicated fleet operations coupled with fluctuations in equipment utilization.

Purchased transportation was 32.8% of operating revenue in 1996 compared to 36.1% in 1995 and 38.1% in 1994. The decrease in purchased transportation between these years was primarily attributable to more efficient utilization of owner-operators in the Forward Air operations during 1996 and 1995 and a decrease in the ratio of owner-operators to Company drivers during 1996.

Salaries, wages and benefits were 27.6% of operating revenue compared to 25.4% in 1995 and 24.2% in 1994. The increases in 1996 and 1995 were due primarily to increased cargo handling wages and terminal managers' salaries required to operate additional terminals and increased operating volumes in the Company's Forward Air operations in 1996 and 1995 coupled with an increase in the ratio of Company drivers to owner-operators during 1996.

Fuel and fuel taxes were 6.9% of operating revenue in 1996 compared to 6.0% in 1995 and 6.0% in 1994. The increase in fuel and fuel taxes during 1996 was primarily attributed to an increase in fuel prices during 1996 which increased approximately 13%, increasing fuel and fuel taxes by approximately $1.3 million. Approximately 60% of the increase in fuel prices was passed on to customers in the form of a fuel surcharge during 1996.

Operating leases were 3.8%, 4.0% and 4.8% of operating revenue during 1996, 1995 and 1994, respectively, while depreciation and amortization were 6.7%, 5.9% and 4.7% during the same periods. These changes resulted from increased ownership, rather than leasing, of revenue equipment. The increase in depreciation and amortization during 1996 is also attributable to an increase in the ratio of Company drivers to owner-operators during 1996. In addition, see the Property and Equipment section of Note 1 of the Notes to Consolidated Financial Statements.

Insurance and claims were 5.3% of operating revenue in 1996 compared to 4.8% in 1995 and 4.2% in 1994. The increase in costs during 1996 and 1995 is due primarily to an increase in the frequency and severity of accidents coupled with adjustments to reflect increased liability related to claims incurred in prior periods.

Other operating expenses were 11.0% in 1996 compared to 10.7% in 1995 and 11.4% in 1994. Gains on the sale of revenue equipment (which are netted against other operating expenses) were $413,000, $503,000 and $88,000 during 1996, 1995 and 1994, respectively.

For information concerning the loss on sale and winding down of refrigerated operations in 1994 see Note 6 of the Notes to Consolidated Financial Statements.

Interest expense was $3.0 million in 1996 and 1995 compared to $1.5 million in 1994. The increase in interest expense during 1995 is due to higher average net borrowing in 1995 primarily for revenue equipment purchases which were required to finance the continued growth of the Company.

The combined federal and state effective tax rates for 1996, 1995 and 1994 were 38.2%, 42.0% and 43.1%, respectively. For information concerning the provision for income taxes, as well as information regarding differences between effective tax rates and statutory rates, see Note 5 of the Notes to Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

The continued growth of the Company's business, and the nature of its operations, have required significant investment in new equipment. The Company has historically financed revenue equipment purchases with cash flows from operations, through borrowing under credit agreements with financial institutions and from proceeds of the initial public offering in November 1993. Working capital needs have generally been met with cash flows from operations and borrowing under the Company's line of credit. Net cash provided by operating activities totaled approximately $12.5, $15.8 and $9.2 in 1996, 1995 and 1994, respectively.

Net cash used in investment activities was approximately $6.0, $21.5 and $31.8 million in 1996, 1995 and 1994, respectively. Investing activities consisted primarily of the acquisition of additional revenue equipment during 1996, 1995 and 1994, the acquisition of a terminal facility in 1996, enhanced management information systems in 1996 and 1995, and the construction of a new sorting hub facility in Columbus, Ohio during 1994.

Net cash provided by (used in) financing activities was approximately $(10.3), $8.6 and $19.3 million in 1996, 1995 and 1994, respectively. These financing activities included the Company's continued financing of additional revenue equipment, based upon capital expenditure requirements, coupled with repayment of long-term debt and capital leases with cash generated from operations. In addition, 1994 included the financing of $6.3 million for a new hub facility in Columbus, Ohio.

The Company expects net capital expenditures in 1997 for revenue equipment and management information systems, excluding acquisitions, to be less than $10 million. The Company expects to fund these expenditures through cash provided by operating activities. See Note 2 of the Notes to the Consolidated Financial Statements for more information concerning credit arrangements. At December 31, 1996, the Company had a line of credit with a bank in the amount of $15.0 million, which expires in May 1998. At December 31, 1996, approximately $9.0 million was available for borrowing under the credit line. At December 31, 1996, the Company also had equipment loan agreements which permit the Company to borrow up to $31.5 million for the purchase of revenue equipment. At December 31, 1996, approximately $20.0 million was available for borrowing under the equipment loan agreements. Management believes that available borrowings under the line of credit agreement, equipment loan agreements, future borrowings under installment notes for revenue equipment, and cash generated by operations will be sufficient to fund its cash needs and anticipated capital expenditures through at least 1997.

IMPACT OF SEASONALITY

In the trucking industry, revenue and operating results generally reflect a seasonal pattern as customers reduce shipments during and after the winter holiday season and during the summer months due to temporary plant closings for vacations. Additionally, the volume of shipments is often affected by weather variations. The Company's operating expenses also have historically been higher in the winter months, due primarily to decreased fuel efficiency and increased maintenance costs of revenue equipment in colder weather.

IMPACT OF INFLATION

Inflation can be expected to have an impact on the Company's operating costs. With the exception of fuel price increases in 1996, inflation has had a minimal effect upon the Company's profitability over the past three years.

CAUTIONARY STATEMENT REGULATING 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. Factors that might cause such a difference include, but are not limited to, economic recessions or downturns in customers' business cycles, competition, rapid fluctuations in fuel prices or availability, fluctuations in the frequency and severity of accidents, increases in interest rates, and the availability of qualified drivers.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The response to this item is submitted in a separate section of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item with respect to directors of the Company is incorporated herein by reference to the Company's definitive proxy statement for its 1997 Annual Meeting of Shareholders (the "1997 Proxy Statement"). The 1997 Proxy Statement will be filed with the Securities and Exchange Commission (the "Commission") not later than 120 days subsequent to December 31, 1996.

Pursuant to Item 401(b) of Regulation S-K, the information required by this item with respect to executive officers of the Company is set forth in Part I of this report.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated herein by reference to the 1997 Proxy Statement, which will be filed with the Commission not later than 120 days subsequent to December 31, 1996.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is incorporated herein by reference to the 1997 Proxy Statement, which will be filed with the Commission not later than 120 days subsequent to December 31, 1996.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated herein by reference to the 1997 Proxy Statement, which will be filed with the Commission not later than 120 days subsequent to December 31, 1996.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)(1) and (2) List of Financial Statements and Financial Statement Schedules.

The response to this portion of Item 14 is submitted as a separate section of this report.

(a)(3) List of Exhibits.

The response to this portion of Item 14 is submitted as a separate section of this report.

(b) Reports on Form 8-K.

There were no reports filed on Form 8-K during the fourth quarter of the fiscal year ended December 31, 1996.

(c) Exhibits.

The response to this portion of Item 14 is submitted as a separate section of this report.

(d) Financial Statement Schedules.

The response to this portion of Item 14 is submitted as a separate section of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Landair Services, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LANDAIR SERVICES, INC.

By: /s/ Scott M. Niswonger

Scott M. Niswonger, Chairman, President
and Chief Executive Officer

Date: March 26, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

NAME	CAPACITY	DATE
/s/ Scott M. Niswonger - ------------------------------------- Scott M. Niswonger	Chairman, President and Chief Executive Officer (Principal Executive Officer)	March 26, 1997
/s/ Edward W. Cook - ------------------------------------- Edward W. Cook	Chief Financial Officer, Senior Vice President, Treasurer and Director (Principal Financial and Accounting Officer)	March 26, 1997
/s/ Bruce A. Campbell - ------------------------------------- Bruce A. Campbell	Executive Vice President, Chief Operating Officer and Director	March 26, 1997
/s/ Richard H. Roberts - ------------------------------------- Richard H. Roberts	Senior Vice President, General Counsel, Secretary and Director	March 26, 1997
/s/ James A. Cronin, III - ------------------------------------- James A. Cronin, III	Director	March 26, 1997
/s/ Robert K. Gray - ------------------------------------- Hon. Robert K. Gray	Director	March 26, 1997

</TABLE>

Annual Report on Form 10-K

Item 8, Item 14(a)(1) and (2), (c) and (d)

List of Financial Statements and Financial Statement Schedule

Financial Statements and Supplementary Data

Certain Exhibits

Financial Statement Schedule

Year Ended December 31, 1996

Landair Services, Inc.

Greeneville, Tennessee

Landair Services, Inc.

Form 10-K -- Item 8 and Item 14(a)(1) and (2)

Index to Financial Statements and Financial Statement Schedule

The following consolidated financial statements of Landair Services, Inc. are included as a separate section of this report:

The following financial statement schedule of Landair Services, Inc. is included as a separate section of this report.

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

Report of Independent Auditors

The Board of Directors and Shareholders
Landair Services, Inc.

We have audited the accompanying consolidated balance sheets of Landair Services, Inc. as of December 31, 1996 and 1995, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three fiscal years in the period ended December 31, 1996. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Landair Services, Inc. at December 31, 1996 and 1995, and the consolidated results of its operations and its cash flows for each of the three fiscal years in the period ended December 31, 1996, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

ERNST & YOUNG LLP

Nashville, Tennessee
January 28, 1997

Landair Services, Inc.

Consolidated Balance Sheets

<TABLE>
<CAPTION>

	DECEMBER 31, 1996	DECEMBER 31, 1995
	(In thousands)	
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 28	$ 3,834
Accounts receivable, less allowance of $415 in 1996 and $292 in 1995	23,671	17,788
Inventories	552	360
Prepaid expenses	2,868	2,717
Income taxes receivable	--	707
Deferred income taxes	1,085	352
Total current assets	28,204	25,758

Property and equipment:		
Land	3,199	2,611
Buildings	6,298	4,817
Revenue equipment	75,578	72,742
Other equipment	11,480	8,907
Leasehold improvements	890	622
	97,445	89,699
Accumulated depreciation and amortization	27,166	17,577
	70,279	72,122
Other assets	591	399
Total assets	$ 99,074	$ 98,279

</TABLE>

<TABLE>
<CAPTION>

<S>	DECEMBER 31, 1996 <C>	DECEMBER 31, 1995 <C>
	(In thousands)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 5,525	$ 5,074
Accrued payroll and related items	1,677	1,313
Insurance and claims accruals	4,435	3,445
Income taxes payable	168	--
Other accrued expenses	1,111	879
Current portion of long-term debt	7,701	8,158
Current portion of capital lease obligations	1,797	1,089
Total current liabilities	22,414	19,958
Long-term debt, less current portion	18,346	27,030
Capital lease obligations, less current portion	8,748	8,825
Deferred income taxes	8,302	5,822
Commitments and contingencies	--	--
Shareholders' equity:		
Preferred stock, $.01 par value:		
Authorized shares - 5,000,000		
No shares issued	--	--
Common stock, $.01 par value:		
Authorized shares - 20,000,000		
Issued and outstanding shares - 5,952,880 in 1996 and 5,864,200 in 1995	60	59
Additional paid-in capital	26,202	25,562
Retained earnings	15,002	11,023
Total shareholders' equity	41,264	36,644
Total liabilities and shareholders' equity	$ 99,074	$ 98,279

</TABLE>

See accompanying notes.

Landair Services, Inc.

Consolidated Statements of Income

<TABLE>
<CAPTION>

	FISCAL YEAR ENDED		
	DECEMBER 31, 1996	DECEMBER 31, 1995	DECEMBER 31, 1994
	(In thousands, except per share data)		
<S>	<C>	<C>	<C>
Operating revenue	$157,098	$148,083	$135,032
Operating expenses:			
Purchased transportation	51,393	53,488	51,448
Salaries, wages and employee benefits	43,355	37,774	32,724
Fuel and fuel taxes	10,837	8,941	8,065
Operating leases	5,950	5,859	6,537
Depreciation and amortization	10,523	8,687	6,384
Insurance and claims	8,381	7,040	5,709
Loss on sale and winding down of refrigerated operations	--	--	805
Other operating expenses	17,318	15,793	15,196
	147,757	137,582	126,868
Income from operations	9,341	10,501	8,164
Other income (expense):			
Interest expense	(2,964)	(3,020)	(1,481)
Other, net	61	309	378
	(2,903)	(2,711)	(1,103)
Income before income taxes	6,438	7,790	7,061
Income taxes	2,459	3,273	3,044
Net income	$ 3,979	$ 4,517	$ 4,017
Net income per share:			
Primary	$ 0.66	$ 0.75	$ 0.66
Fully diluted	$ 0.66	$ 0.75	$ 0.66
Weighted average shares outstanding:			
Primary	6,052	6,031	6,115
Fully diluted	6,057	6,032	6,123

</TABLE>

See accompanying notes.

Landair Services, Inc.

Consolidated Statements of Shareholders' Equity

<TABLE>
<CAPTION>

<S>	COMMON STOCK SHARES <C>	COMMON STOCK AMOUNT <C>	ADDITIONAL PAID-IN CAPITAL <C>	RETAINED EARNINGS <C>	TOTAL SHAREHOLDERS' EQUITY
	(In thousands)				
Balance at December 25, 1993	5,730	$ 57	$ 24,749	$ 2,489	$ 27,295
Net income for fiscal 1994	--	--	--	4,017	4,017
Exercise of stock options	81	1	465	--	466
Balance at December 31, 1994	5,811	58	25,214	6,506	31,778
Net income for fiscal 1995	--	--	--	4,517	4,517
Exercise of stock options	53	1	348	--	349
Balance at December 31, 1995	5,864	59	25,562	11,023	36,644
Net income for fiscal 1996	--	--	--	3,979	3,979
Exercise of stock options	83	1	580	--	581
Common stock issued under stock purchase plan	6	--	60	--	60
Balance at December 31, 1996	5,953	$ 60	$ 26,202	$ 15,002	$ 41,264

</TABLE>

See accompanying notes.

Landair Services, Inc.

Consolidated Statements of Cash Flows

<TABLE>
<CAPTION>

<S>	FISCAL YEAR ENDED DECEMBER 31, 1996 <C>	DECEMBER 31, 1995 <C>	DECEMBER 31, 1994 <C>
	(In thousands)		
OPERATING ACTIVITIES			
Net income	$ 3,979	$ 4,517	$ 4,017
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	10,523	8,687	6,384
Gain on sale of property and equipment	(413)	(503)	(88)
Provision for losses on receivables	540	445	290
Deferred income taxes	1,747	2,800	1,835
Changes in operating assets and liabilities:			
Accounts receivable	(6,423)	(86)	(5,813)
Inventories	(192)	(29)	(96)
Prepaid expenses	(151)	(1,483)	(280)
Accounts payable and accrued expenses	2,037	1,843	3,571
Income taxes	875	(425)	(624)
Net cash provided by operating activities	12,522	15,766	9,196
INVESTING ACTIVITIES			

Purchases of property and equipment	(8,763)	(24,670)	(36,508)
Proceeds from disposal of property and equipment	2,913	3,062	470
Other	(192)	75	4,255
Net cash used in investing activities	(6,042)	(21,533)	(31,783)
FINANCING ACTIVITIES			
Proceeds from long-term debt	2,734	16,940	24,402
Payments of long-term debt	(11,875)	(7,546)	(2,300)
Net decrease in short-term borrowings	--	--	(1,822)
Payments of capital lease obligations	(1,786)	(1,109)	(1,403)
Proceeds from exercise of stock options	581	349	466
Proceeds from common stock issued under stock purchase plan	60	--	--
Net cash provided by (used in) financing activities	(10,286)	8,634	19,343
Net increase (decrease) in cash and cash equivalents	(3,806)	2,867	(3,244)
Cash and cash equivalents at beginning of year	3,834	967	4,211
Cash and cash equivalents at end of year	$ 28	$ 3,834	$ 967

</TABLE>

See accompanying notes.

Landair Services, Inc.

Notes to Consolidated Financial Statements

December 31, 1996

1. ACCOUNTING POLICIES

ORGANIZATION

Landair Services, Inc. (the "Company") is a high-service level truckload carrier and contractor to the air cargo industry providing time-definite service in the United States and Canada. Approximately 50% of revenue is derived from both the Company's Truckload operations (common carrier and contract carrier) and Forward Air operations (deferred air freight).

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. Significant intercompany accounts and transactions have been eliminated in consolidation.

USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

OWNERSHIP

The Company was wholly owned by Scott M. Niswonger until November 16, 1993, at which time the initial public offering of the Company's common stock was completed. As of December 31, 1996, Mr. Niswonger continues to be the majority owner of the Company's common stock.

FISCAL YEAR

During fiscal 1994, the Company changed from a 52-53 week year for accounting purposes, with each fiscal year ending on the last Saturday in December, to a fiscal year ending as of the last day of the calendar year. The 1994 fiscal year consisted of 53 weeks.

1. ACCOUNTING POLICIES (CONTINUED)

OPERATING REVENUE

Operating revenue and related costs are recognized as of the date shipments are completed. No single customer accounted for more than 10% of operating revenue in 1996, 1995 or 1994.

CASH EQUIVALENTS

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

INVENTORIES

Inventories of tires, replacement parts, supplies, and fuel for revenue equipment are stated at the lower of cost or market utilizing the FIFO (first-in, first-out) method of determining cost.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation of property and equipment is calculated based upon the cost of the asset, reduced by its estimated salvage value, using the straight-line method over the estimated useful lives as follows:

Buildings	30-40 years
Revenue equipment	3-7 years
Other equipment	3-10 years
Leasehold improvements	1-15 years

During 1996 and 1995, the Company changed the estimated salvage value and the estimated tire life of certain of its revenue equipment. The changes resulted in a net decrease in depreciation and other operating expenses of $405,000 and $664,000, an increase in net earnings of $251,000 and $385,000 and an increase in earnings per share of $0.04 and $0.06 during fiscal 1996 and 1995, respectively.

The Company capitalized net interest costs of $-0- in 1996, $-0- in 1995 and $328,000 in 1994. Interest payments during 1996, 1995 and 1994 were $3,011,000, $2,981,000 and $1,730,000, respectively. During 1996, 1995 and 1994, the Company added to revenue and other equipment $2,417,000, $2,682,000 and $-0- of capital leases, respectively.

1. ACCOUNTING POLICIES (CONTINUED)

INSURANCE AND CLAIMS ACCRUALS

The primary claims in the Company's business are workers' compensation, property damage and 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. The Company self-insures the per occurrence deductible for workers' compensation, property damage and auto liability, and medical benefits. In the opinion of management, adequate provision has been made for all incurred claims up to the self-insured limits.

INCOME TAXES

Income taxes have been provided using the liability method in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes.

NET INCOME PER SHARE

Net income per share is based on the weighted average number of shares of common stock and common stock equivalents outstanding during the period. Common stock equivalents consist of outstanding stock options and have been included in the calculation of net income per share using the treasury stock method.

STOCK OPTIONS

The Company grants options for a fixed number of shares to employees and outside directors with an exercise price equal to the fair value of the shares at the grant date. The Company accounts for stock option grants in accordance with APB Opinion No. 25, Accounting for Stock Issued to Employees, and, accordingly, recognizes no compensation expense for the stock option grants.

2. CREDIT ARRANGEMENTS

The Company has a $15 million line of credit agreement with a Tennessee bank which expires in May 1998. Advances outstanding under the line bear interest at the bank's base rate less 1.0% (7.25% and 7.5% at December 31, 1996 and 1995, respectively) and are collateralized primarily by accounts receivable. The agreement contains, among other things, restrictions that do not allow the payment of dividends, and requires the maintenance of certain levels of net worth and other financial ratios. At December 31, 1996, the Company had $1,508,000 outstanding under the line and had utilized $4,485,000 of availability for outstanding letters of credit.

2. CREDIT ARRANGEMENTS (CONTINUED)

The Company has equipment loan agreements (the "Equipment Loan Agreements") with two Tennessee banks which permit the Company to borrow up to $31.5 million for the purchase of revenue equipment. Advances outstanding under the Equipment Loan Agreements bear interest at the 30-day LIBOR rate plus 1.45% to 1.6% (6.80% to 6.95% and 7.10% to 7.30% at December 31, 1996 and 1995, respectively). The advances are collateralized by revenue equipment purchased with the proceeds from the Equipment Loan Agreements, and contain restrictions and covenants similar to the line of credit agreement described above. At December 31, 1996, the Company had additional borrowing capacity available of $20,028,000 under the Equipment Loan Agreements (see Note 3).

3. LONG-TERM DEBT

Long-term debt consists of the following:
<TABLE>
<CAPTION>

	DECEMBER 31, 1996	DECEMBER 31, 1995
	(In thousands)	
<S>	<C>	<C>
Line of credit -- Note 2	$ 1,508	$ 611
Installment Equipment Loan Agreements -- Note 2	11,387	12,856
Installment notes payable with a finance company through 1999, including interest at the 30-day commercial paper rate plus 1.80% (7.75% and 7.7% at December 31, 1996 and 1995, respectively) and interest ranging from 6.7% to 7.3%, collateralized by revenue equipment	12,025	15,136
Installment notes payable with a bank through 1999, including interest at the bank's base rate less 1.00% (7.25% and 7.5% at December 31, 1996 and 1995, respectively), collateralized by revenue equipment	459	5,892
Other notes payable, including interest ranging from 5.4% to 6.9%	668	693
	26,047	35,188
Less current portion	7,701	8,158
	$ 18,346	$ 27,030

</TABLE>

3. LONG-TERM DEBT (CONTINUED)

Revenue equipment collateralizing these agreements has a carrying value of approximately $27,221,000 and $35,370,000 at December 31, 1996 and December 31, 1995, respectively.

Maturities of long-term debt are as follows (in thousands):

<TABLE>

<S>	<C>
1997	$ 7,701
1998	10,664
1999	5,333
2000	1,621
2001	728
Thereafter	--
	$26,047

</TABLE>

4. SHAREHOLDERS' EQUITY AND STOCK OPTIONS

Preferred Stock -- The Board of Directors is authorized to issue, at its discretion, up to 5,000,000 shares of preferred stock, par value $.01. The terms and conditions of the preferred shares are to be determined by the Board of Directors. No shares have been issued to date.

Employee Stock Option and Incentive Plan -- The Company has elected to follow

Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations in accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under FASB Statement No. 123, Accounting for Stock-Based Compensation, requires use of option valuation models that were not developed for use in valuing employee stock options. Under Opinion No. 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

At December 31, 1996, 1995 and 1994, the Company had reserved 1,000,000, 1,000,000 and 600,000 shares of common stock under a Stock Option and Incentive Plan. Options issued under the Plan have eight to ten year terms and vest over a four to five year period.

Pro forma information regarding net income and earnings per share is required by Statement No. 123, which also requires that the information be determined as if the Company has accounted for its employee and non-employee director stock options granted subsequent to December 31, 1994 under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average

4. SHAREHOLDERS' EQUITY AND STOCK OPTIONS (CONTINUED)

assumptions for 1996 and 1995, respectively: risk-free interest rates of 6.4% and 5.5%; dividend ratio of zero; volatility factors of the expected market price of the Company's common stock of .4; and a weighted-average expected life of the option of seven years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's employee and non-employee director stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee and non-employee director stock options.

For purposes of pro forma disclosures, the estimated fair value of the employee and non-employee director options is amortized to expense over the options' vesting period. The Company's pro forma information follows (in thousands, except for earnings per share information):

<TABLE>
<CAPTION>

<S>	1996 <C>	1995 <C>
Pro forma net income	$3,506	$4,464
Pro forma earnings per share:		
Primary	$ 0.59	$ 0.74
Fully diluted	$ 0.59	$ 0.74

</TABLE>

Because Statement No. 123 is applicable only to options granted subsequent to December 31, 1994, its pro forma effect will not be fully reflected until 1997.

A summary of the Company's employee stock option activity and related information for the years ended December 31 follows:

<TABLE>

<CAPTION>

	1996		1995		1994	
	OPTIONS (000)	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS (000)	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS (000)	WEIGHTED-AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding - beginning of year	421	$ 9	507	$ 9	550	$ 7
Granted	285	14	--	--	60	18
Exercised	(83)	7	(53)	7	(81)	6
Forfeited	(48)	11	(33)	10	(22)	8
Outstanding - end of year	575	$12	421	$ 9	507	$ 9
Exercisable at end of year	199	$10	185	$ 9	84	$ 9
Options available for grant	209		445		12	
Weighted-average fair value of options granted during the year	$ 6		$ --			

</TABLE>

Exercise prices for options outstanding, as of December 31, 1996, ranged from $5.00 to $18.50.

4. SHAREHOLDERS' EQUITY AND STOCK OPTIONS (CONTINUED)

Non-Employee Director Options -- In May 1996, May 1995 and September 1993, options to purchase 22,500, 30,000 and 60,000 shares of common stock, respectively, were granted to the non-employee directors of the Company at option prices of $15.00, $13.625 and $14.00 per share, respectively. The options are exercisable in installments which vest over two-year periods from the date of grant. At December 31, 1996, 60,000 options are outstanding and will expire on September 1, 1998 through May 1, 2006, unless a non-employee director resigns or is not reelected, in which event the options expire 90 days after the option holder is no longer a non-employee director.

Employee Stock Purchase Plan -- The Company implemented an employee stock purchase plan effective January 1, 1996 at which time participating employees became entitled to purchase common stock through payroll deduction of up to 10% of the employee's annual compensation. The issue price of the common stock is equal to the lesser of (1) 85% of market price on the first trading day of the semi-annual enrollment period or (2) 85% of market price on the last trading day of the semi-annual enrollment period. The Company has reserved 300,000 shares of common stock for issuance pursuant to the plan. At December 31, 1996, 6,127 shares had been issued under the Plan.

5. INCOME TAXES

The provision for income taxes consists of the following:

<TABLE>
<CAPTION>

	1996	1995	1994
	(In thousands)		
<S>	<C>	<C>	<C>

Current:			
Federal	$ 536	$ 275	$ 1,078
State	176	198	131
	712	473	1,209
Deferred:			
Federal	1,538	2,451	1,418
State	209	349	417
	1,747	2,800	1,835
	$ 2,459	$ 3,273	$ 3,044

</TABLE>

5. INCOME TAXES (CONTINUED)

The historical income tax expense differs from the amounts computed by applying the federal statutory rate of 34% to income before income taxes as follows:

<TABLE>
<CAPTION>

	1996	1995	1994
	(In thousands)		
<S>	<C>	<C>	<C>
Tax expense at the statutory rate	$ 2,189	$ 2,649	$ 2,401
State income taxes, net of federal benefit	177	230	326
Meals and entertainment	93	316	309
Other	--	78	8
	$ 2,459	$ 3,273	$ 3,044

</TABLE>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets as of December 31 are as follows:

<TABLE>
<CAPTION>

	1996	1995
	(In thousands)	
<S>	<C>	<C>
Deferred tax liabilities:		
Tax over book depreciation	$ 10,820	$ 8,242
Prepaid expenses deductible when paid	1,048	994
Other	349	236
Total deferred tax liabilities	12,217	9,472
Deferred tax assets:		
Accrued expenses	1,981	1,423
Alternative minimum tax	1,708	1,109
Net operating loss carryforward	1,134	1,388
Allowance for doubtful accounts	152	82
Other	25	--
Total deferred tax assets	5,000	4,002

Net deferred tax liabilities	$ 7,217	$ 5,470

</TABLE>

Management believes that the deferred tax assets will ultimately be realized. Management's conclusion is based on future taxable income that will result from the reversal of the existing temporary differences. Additionally, management expects future taxable income from operations, exclusive of the reversal of temporary differences.

5. INCOME TAXES (CONTINUED)

The balance sheet classification of deferred income taxes is as follows:

<TABLE>
<CAPTION>

<S>	DECEMBER 31, 1996 <C>	DECEMBER 31, 1995 <C>
	(In thousands)	
Current assets	$ (1,085)	$ (352)
Noncurrent liabilities	8,302	5,822
	$ 7,217	$ 5,470

</TABLE>

Total income tax payments, net of refunds, during fiscal 1996, 1995 and 1994 were $(162,000), $898,000 and $1,833,000, respectively. At December 31, 1996, the Company had net operating loss carryforwards of $3,094,000 for income tax purposes that expire in 2011.

6. LOSS ON SALE AND WINDING DOWN OF REFRIGERATED OPERATIONS

On October 11, 1994, the Company committed itself to a plan to dispose of its refrigerated trucking operations. On January 11, 1995, the Company completed the disposal to US 1 Industries, Inc. ("US 1 Industries") for consideration of $250,000. The Company has accounted for the disposal of the refrigerated trucking operations in accordance with AICPA Interpretation 1 of APB Opinion No. 30, Illustration of the Application of APB Opinion No. 30. (Interpretation 1 was subsequently superseded on a prospective basis on November 17, 1994 by consensus of the Emerging Issues Task Force.) The pre-tax operating losses of the refrigerated operations subsequent to October 11, 1994, plus related costs to dispose of the operations, less the net proceeds from the sale, totaled $805,000 and have been presented in the accompanying statement of income as loss on sale and winding down of refrigerated operations. The operating revenue of the refrigerated operations totaled $8,203,000 for the period from December 26, 1993 through October 11, 1994.

7. LEASES

During October 1993, the Company entered into a capital lease agreement (with a bargain purchase option) with the Director of Development of the State of Ohio for the construction of a terminal facility located in Columbus, Ohio. To fund the construction of the new facility, the State of Ohio sold revenue bonds in the amount of $6,280,000. The amounts due under the lease have been included in capital lease obligations. The Company is responsible for all taxes, assessments, and other costs of ownership under the lease agreement. The lease also requires, among other things, restrictions on the payment of dividends and the maintenance of certain levels

7. LEASES (CONTINUED)

of net worth and other financial ratios. Amounts due under the lease agreement are guaranteed by the Company's majority shareholder.

The Company leases certain revenue and other equipment under capital leases. These leases expire in various years through 1999. Certain of the revenue equipment leases contain guarantees of residual values which have been included in minimum lease payments.

Property and equipment include the following amounts for leases that have been capitalized:

<TABLE>
<CAPTION>

	DECEMBER 31, 1996	DECEMBER 31, 1995
	(In thousands)	
<S>	<C>	<C>
Land	$ 2,605	$ 2,605
Building	3,675	3,675
Revenue equipment	5,465	5,459
Other equipment	2,417	--
	14,162	11,739
Less accumulated amortization	2,561	1,598
	$ 11,601	$ 10,141

</TABLE>

Amortization of leased assets is included in depreciation and amortization expense.

The Company also leases certain facilities and revenue equipment under noncancelable operating leases that expire in various years through 2006. Certain of these leases may be renewed for periods varying from one to ten years.

Included in operating leases is one terminal facility leased from a company wholly-owned by the Company's majority shareholder which expires in January 1998, and two terminal facilities leased from the Company's majority shareholder under operating leases which expired in August 1994 and January 1995, respectively. Also included in operating leases is an aircraft leased, under a dry lease agreement, from the Company's majority shareholder which expires in July 1997 and may be renewed for an additional one year period. The total net amount of rent expense for these leases was $180,000, $84,000 and $267,000 in 1996, 1995 and 1994, respectively.

7. LEASES (CONTINUED)

Future minimum rental payments under capital leases and noncancelable operating leases with initial terms of one year or more consisted of the following at December 31:

<TABLE>
<CAPTION>

FISCAL YEAR	CAPITAL LEASES	OPERATING LEASES
	(In thousands)	
<S>	<C>	<C>
1997	$ 2,480	$ 5,519
1998	4,481	3,864
1999	845	2,365
2000	699	935
2001	700	429
Thereafter	4,608	311
Total minimum lease payments	13,813	$13,423
Amounts representing interest	(3,268)	
Present value of net minimum lease payments (including current portion of $1,797)	$ 10,545	

</TABLE>

8. COMMITMENTS AND CONTINGENCIES

The Company is, from time to time, a party to litigation arising in the normal course of its business, most of which involves 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.

9. EMPLOYEE BENEFIT PLAN

Effective July 1, 1994, the Company adopted a retirement savings plan (the "401(k) Plan"). The 401(k) Plan is a defined contribution plan whereby employees who have completed one year of service, a minimum of 1,000 hours of service, and are age 21 or older are eligible to participate. The 401(k) Plan allows eligible employees to make contributions of 2% to 10% of their annual compensation. Employer contributions are made at 25% of the employee's contribution up to a maximum of 4% of total annual compensation. Employer contributions vest 20% after two years of service and continue vesting 20% per year until fully vested. The Company's matching contribution for fiscal 1996, 1995 and 1994 was approximately $131,000, $119,000 and $65,000, respectively.

10. FINANCIAL INSTRUMENTS

Off Balance Sheet Risk

At December 31, 1996, the Company had letters of credit outstanding totaling $4,485,000, all of which guarantee obligations carried on the balance sheet.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash investments and trade accounts receivable. The Company does not generally require collateral from its customers. Concentrations of credit risk with respect to trade accounts receivable are limited due to the large number of entities comprising the Company's customer base and their dispersion across many different industries.

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Accounts receivable and accounts payable: The carrying amounts reported in the balance sheet for accounts receivable and accounts payable approximate their fair value.

Long-and short-term debt: The carrying amounts of the Company's borrowings under its revolving credit arrangement approximates fair value. The fair value of the Company's long-term debt and capital lease obligations is estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

10. FINANCIAL INSTRUMENTS (CONTINUED)

The carrying amounts and fair values of the Company's financial instruments are as follows:

<TABLE>
<CAPTION>

	1996 CARRYING AMOUNT	1996 FAIR VALUE	1995 CARRYING AMOUNT	1995 FAIR VALUE
	(In thousands)			
<S>	<C>	<C>	<C>	<C>
Cash and cash equivalents	$ 28	$ 28	$ 3,834	$ 3,834
Accounts receivable	23,671	23,671	17,788	17,788
Accounts payable	5,525	5,525	5,074	5,074
Long-term debt and capital lease obligations	36,592	36,592	45,102	45,102

</TABLE>

11. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of the quarterly results of operations for the years ended December 31, 1996 and December 31, 1995:

<TABLE>
<CAPTION>

1996			
MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
(In thousands, except per share data)			

<S> <C> <C> <C>

Operating revenue	$36,979	$38,893	$39,295	$41,931
Income from operations	1,666	2,703	2,126	2,846
Net income	531	1,199	887	1,362
Net income per common share:				
Primary	.09	.20	.15	.23
Fully diluted	.09	.20	.15	.23

</TABLE>

<TABLE>
<CAPTION>

	1995			
	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
<S>	<C>	<C>	<C>	<C>
Operating revenue	$35,744	$36,445	$37,451	$38,443
Income from operations	1,841	2,771	2,813	3,076
Net income	676	1,264	1,180	1,397
Net income per common share:				
Primary	.11	.21	.20	.23
Fully diluted	.11	.21	.20	.23

</TABLE>

Landair Services, Inc.

Schedule II -- Valuation and Qualifying Accounts

<TABLE>
<CAPTION>

COL. A	COL. B	COL. C		COL. D	COL. E
		ADDITIONS			
		(1)	(2)		
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNT- DESCRIBE	DEDUCTIONS- DESCRIBE	BALANCE AT END OF PERIOD
		(In thousands)			
<S>	<C>	<C>	<C>	<C>	<C>
Fiscal year ended December 31, 1996:					
Allowance for doubtful accounts	$ 292	$ 540	$ --	$ 417(1)	$ 415
Fiscal year ended December 31, 1995:					
Allowance for doubtful accounts	394	445	--	547(1)	292
Fiscal year ended December 31, 1994:					
Allowance for doubtful accounts	144	290	--	40(1)	394

</TABLE>

(1) Uncollectible accounts written off, net of recoveries.

EXHIBIT INDEX

<TABLE>
<CAPTION>

Exhibit No. Under | Exhibit No. in Document Where

Item 601 of Regulation S-K			Incorporated by Reference
<S>	<C>	<C>	<C>
a 3.1	-	Restated Charter of the registrant	3.1
a 3.2	-	Bylaws of the registrant, as amended	3.2
a 4	-	Specimen of Stock Certificate	4.1
e 10.1	-	Registrant's Restated Employee Stock Purchase Plan	10
d 10.2	-	Registrant's Amended and Restated Stock Option and Incentive Plan	10.1
a,g 10.3	-	Form of registrant's Director Stock Option Agreement	10.3
a 10.4	-	Lease Agreement, dated July 27, 1981, between the Greeneville-Greene County Airport Authority and General Aviation of Tennessee, Inc., as assumed by the registrant by agreement, dated May 10, 1988	10.18
a 10.5	-	Assignment, Assumption and Release Agreement, dated May 10, 1988, between Greeneville-Greene County Airport, General Aviation, Inc., and the registrant	10.19
a 10.6	-	Air Carrier Certificate, effective September 9, 1993	10.21
b 10.7	-	Lease between the Director of Development of the State of Ohio and the registrant dated as of October 1, 1993	10.24

</TABLE>

<TABLE>

<S>	<C>	<C>	<C>
c 10.8	-	$5,062,250 Term Loan and Security Agreement, dated as of July 13, 1994, among Third National Bank in Nashville, the registrant and Landair Transport, Inc.	10.25
c 10.9	-	$5,062,250 Term Promissory Note, dated July 13, 1994, among Third National Bank in Nashville, the registrant and Landair Transport, Inc.	10.26
c 10.10	-	$5,500,000 Line of Credit Loan Agreement, dated as of October 17, 1994, among First Tennessee Bank National Association, the registrant, and each of its subsidiaries	10.27
c 10.11	-	$11,152,000 Equipment Loan Agreement, dated as of October 17, 1994, among First Tennessee Bank National Association, the registrant, Landair Transport, Inc. and Landair International Airlines, Inc.	10.30

c 10.12	-	First Amendment to Loan and Security Agreements, dated as of October 20, 1994, among First Tennessee Bank National Association, the registrant, Landair Transport, Inc. and Landair International Airlines, Inc.	10.33
c 10.13	-	Second Amendment to Loan and Security Agreements, dated as of December 23, 1994, among First Tennessee Bank National Association, the registrant, Landair Transport, Inc. and Landair International Airlines, Inc.	10.35
d,g 10.14	-	Registrant's Non-Employee Director Stock Option Plan	10.2

</TABLE>

<TABLE>

<S>	<C>	<C>	<C>
d 10.15	-	Third Amendment to Loan and Security Agreements, dated as of May 24, 1995, among First Tennessee Bank National Association, the registrant, Landair Transport, Inc. and Landair International Airlines, Inc.	10.3
d 10.16	-	First Amendment to Line of Credit Loan Agreement and to Amended and Restated Security Agreement, dated as of May 31, 1995, among First Tennessee Bank National Association, the registrant, and each of its Tennessee subsidiaries	10.4
d 10.17	-	$15,000,000 Restated, Amended and Replacement Promissory Note (Line of Credit), dated as of May 31, 1995, between the registrant and First Tennessee Bank National Association	10.5
d 10.18	-	$15,000,000 Restated, Amended and Replacement Promissory Note, (Equipment Loan) dated as of May 31, 1995, between the registrant and First Tennessee Bank National Association	10.6
d 10.19	-	Fourth Amendment to Loan and Security Agreements, dated as of May 31, 1995, among First Tennessee Bank National Association, the registrant, Landair Transport, Inc. and Landair International Airlines, Inc.	10.7
d 10.20	-	Term Loan and Security Agreement, dated as of June 16, 1995, between Third National Bank in Nashville, the registrant and Landair Transport, Inc.	10.8

</TABLE>

<TABLE>

<S>	<C>	<C>	<C>
d 10.21	-	$4,118,700 Promissory Note, dated July 3, 1995, between the registrant, Landair Transport, Inc. and Third National Bank in Nashville	10.9
d 10.22	-	First Amendment to Term Loan and Security Agreement, dated as of June 16, 1995, among Third National Bank in Nashville, the registrant and Landair Transport, Inc.	10.10
f 11	-	Computation of per share earnings	
f 21	-	Subsidiaries of the registrant	
f 23	-	Consent of Ernst & Young LLP	
f 27	-	Financial Data Schedule (Electronic Filing Only)	

</TABLE>

aFiled as an exhibit to the registrant's Registration Statement of Form S-1, filed with the Commission on September 27, 1993.

bFiled as an exhibit to the registrant's Annual Report on Form 10-K for the fiscal year ended December 25, 1993, filed with the Commission on March 25, 1994.

cFiled as an exhibit to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, filed with the Commission on March 31, 1995.

dFiled as an exhibit to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1995, filed with the Commission on August 14, 1995.

eFiled as an exhibit to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1995, filed with the Commission on November 14, 1995.

fFiled herewith.

gManagement contract or compensatory plan.

Exhibit 11

Landair Services, Inc.

Computation of Per Share Earnings

<TABLE>
<CAPTION>

	FISCAL YEAR ENDED		
	DECEMBER 31, 1996	DECEMBER 31, 1995	DECEMBER 31, 1994
	(In thousands, except per share data)		
<S>	<C>	<C>	<C>
PRIMARY			
Average shares outstanding	5,928	5,850	5,767
Net effect of dilutive stock options - based on the treasury stock method using average market price	124	181	348
Totals	6,052	6,031	6,115
Net income	$ 3,979	$ 4,517	$ 4,017
Net income per share	$ 0.66	$ 0.75	$ 0.66
FULLY DILUTED			
Average shares outstanding	5,928	5,850	5,767
Net effect of dilutive stock options - based on the treasury stock method using the year-end market price if higher than the average market price	129	182	356
Totals	6,057	6,032	6,123
Net income	$ 3,979	$ 4,517	$ 4,017
Net income per share	$ 0.66	$ 0.75	$ 0.66

</TABLE>

Exhibit 21

LANDAIR SERVICES, INC. SUBSIDIARIES

Landair Transport, Inc.

Forward Air, Inc.

Landair International Airlines, Inc.

Transportation Properties, Inc.

Transportation Properties (Texas), Inc.

Landair Royalty Company

Landair Licensing Company

Volunteer Adjustment, Inc.

Exhibit 23

Consent of Independent Auditors

We consent to the incorporation by reference in: (1) the Registration Statement on Form S-8 (No. 33-77944) pertaining to the Landair Services, Inc. Stock Option and Incentive Plan and the Employee Stock Purchase Plan, (2) the Registration Statement on Form S-8 (No. 333-03891) pertaining to the Landair Services, Inc. Amended and Restated Stock Option and Incentive Plan, and (3) the Registration Statement on Form S-8 (No. 333-03893) pertaining to the Landair Services, Inc. Non-Employee Director Stock Option Award and Non-Employee Director Stock Option Plan, of our report dated January 28, 1997, with respect to the consolidated financial statements and schedule of Landair Services, Inc. included in its Annual Report (Form 10-K) for the year ended December 31, 1996.

ERNST & YOUNG LLP

Nashville, Tennessee
March 21, 1997

<TABLE> <S> <C>

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF LANDAIR SERVICES, INC. FOR THE YEAR ENDED DECEMBER 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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