

REGISTRATION NO. 333-75853

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 2

TO

FORM S-3
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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

<TABLE>

| | | |
|-----|--|---|
| <S> | TENNESSEE | <C> 62-1120025 |
| | (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |

</TABLE>

430 AIRPORT ROAD
GREENEVILLE, TENNESSEE 37745
(423) 636-7100

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

RICHARD H. ROBERTS
430 AIRPORT ROAD
GREENEVILLE, TENNESSEE 37745
(423) 636-7100

(Name and address, including zip code and telephone number, including area code, of agent for service)

<TABLE>

| | | |
|---|--|-----|
| <S> | <C> | <C> |
| COPIES OF COMMUNICATIONS TO: | | |
| LEIGH WALTON BASS, BERRY & SIMS PLC FIRST AMERICAN CENTER NASHVILLE, TENNESSEE 37238 (615) 742-6200 | RICHARD C. TILGHMAN, JR. PIPER & MARBURY L.L.P. 36 SOUTH CHARLES STREET BALTIMORE, MARYLAND 21201 (410) 539-2530 | |

</TABLE>

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, please check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier

effective registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []-----

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. []

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

THE INFORMATION IN THIS PRELIMINARY PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. THESE SECURITIES MAY NOT BE SOLD UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BECOMES EFFECTIVE. THIS PRELIMINARY PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES NOR DOES IT SEEK OFFERS TO BUY THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION

APRIL 23, 1999

3,000,000 Shares
(FORWARD AIR LOGO)

Common Stock

Forward Air Corporation provides scheduled ground transportation of cargo as a cost effective, reliable alternative to air transportation.

Of the 3,000,000 shares of common stock offered, Forward Air Corporation is offering 1,000,000 shares and the selling shareholder is offering 2,000,000 shares. Our common stock is traded on The Nasdaq National Market under the symbol "FWRD." On April 22, 1999, the last reported sale price of our common stock was \$21.625 per share.

INVESTING IN OUR COMMON STOCK INVOLVES RISKS. PLEASE READ THE RISK FACTORS BEGINNING ON PAGE 5 BEFORE MAKING A DECISION TO INVEST IN OUR COMMON STOCK.

<TABLE>
<CAPTION>

| | PER SHARE | TOTAL |
|---|--------------|-------|
| | ----- | ----- |
| <S> | <C> | <C> |
| Public offering price..... | \$ | \$ |
| Underwriting discounts and commissions..... | \$ | \$ |
| Proceeds to Forward Air Corporation, before expenses..... | \$ | \$ |
| Proceeds to selling shareholder..... | \$ | \$ |

</TABLE>
NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Several of our shareholders have granted the underwriters an option to purchase up to 450,000 additional shares to cover any over-allotments the underwriters

may make in this offering. The underwriters may exercise this option until 30 days after the date of this prospectus.

BT Alex. Brown
Morgan Keegan & Company, Inc.
Scott & Stringfellow, Inc.

APRIL , 1999
Omitted Graphic and Image Material

The following graphic and image material is omitted from the form of the prospectus filed electronically:

Inside Front Cover:

A picture of the Company's Columbus, Ohio central sorting facility and the following caption: "The heart of Forward Air's deferred freight operations is the hub in Columbus, a state-of-the-art 100-door cross dock sorting facility."

Inside Front Cover Fold-out:

A map of the United States depicting the location of the Company's regional sorting hubs, Company operated terminals and agent stations, and the Company's overnight, second day direct, and Columbus hub transit routes. The Company's logo and the caption "North America's Most Complete Road Feeder Network" accompany the map.

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PROSPECTUS SUMMARY

This summary highlights selected information in this prospectus and may not contain all of the information that is important to you. You should read the entire prospectus carefully, including "Risk Factors" and our financial statements and the notes thereto, before making an investment decision. Unless otherwise indicated, all information in this prospectus (i) assumes no exercise of the underwriters' over-allotment option and (ii) gives effect to a two-for-one split of our common stock distributed on March 19, 1999.

OUR BUSINESS

We provide scheduled ground transportation of cargo as a cost effective, reliable alternative to air transportation. We transport cargo that must be delivered at a specific time but is less time-sensitive than traditional air freight. This type of cargo is frequently referred to in the transportation industry as "deferred air freight." We operate a network of 68 terminals located on or near airports in the United States and Canada, a central sorting facility in Columbus, Ohio and regional hubs serving key markets. Rather than owning our own trucks, we purchase our transportation requirements from owner-operators and, to a lesser extent, from truckload carriers. Our typical shipment consists of a pallet load of freight, often computers, telecommunications equipment, machine parts, trade show exhibit materials or medical equipment. During 1998, our average shipment weighed over 750 pounds. We have experienced rapid revenue growth from \$31.2 million in 1993 to \$130.4 million in 1998, a 33% compound annual growth rate. Our operating income grew from \$2.8 million to \$16.0 million over the same period, a 42% compound annual growth rate.

We focus our services on: air freight forwarders, which are businesses that arrange transportation of cargo for third parties; integrated air cargo carriers; and airlines. We serve our customers by locating terminals on or near airports and maintaining regularly scheduled transportation service between major cities. We receive shipments at our terminals and transport them by truck to our central sorting facility or one of our regional hubs, where we unload and sort them. After sorting, we reload the shipments and deliver them to the terminals nearest their destinations. We ship freight directly between terminals when justified by the volume of shipments. In 1998, shipments we handled arrived within 30 minutes of their scheduled arrival time over 98% of the time, with only 1.7 incidents of loss or damage per 1,000 shipments. We typically do not provide local pickup and delivery services and, therefore, do not market our services directly to shippers. Since we do not place significant size or weight restrictions on shipments, we do not compete directly with small or overnight package delivery services such as DHL Worldwide, UPS and Airborne. Approximately 20% of the shipments we handle are for overnight delivery, with the rest for delivery within two to four days.

Businesses are increasingly requiring expedited delivery services as they minimize inventory levels, perform manufacturing and assembly operations in multiple locations and distribute their products through many channels. Expedited delivery service means freight must be delivered by an established time and date, usually overnight or within two or three days. The Colography Group, Inc., an independent industry market research and consulting company, estimates the domestic air freight market for 1999 to be approximately \$6.3 billion, nearly 44% of which is for overnight delivery, with the remaining 56% for delivery within two to three days. Shippers with expedited delivery requirements have four principal alternatives to transport freight. They may use a fully integrated air cargo carrier, an airline, a less-than-truckload carrier or an air freight forwarder. Shippers are outsourcing more of their transportation logistics needs to air freight forwarders because of their reliability and cost effectiveness. We believe that we will benefit from the expected growth in demand for logistics management by air freight forwarders as shippers emphasize just-in-time inventory practices and reduce the number of transportation suppliers with whom they contract.

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COMPETITIVE ADVANTAGES

We believe that our principal competitive advantages are:

- We focus exclusively on providing ground transportation to the deferred air freight market. We believe this enables us to provide a higher level of service in a more cost effective manner than our competitors.
- We concentrate our marketing on air freight forwarders, integrated air cargo carriers and airlines, and do not market our services directly to shippers. We generally do not compete with small or overnight package delivery services.
- Our nationwide network of terminals and sorting facilities would be difficult to replicate.
- Our low-capital-intensive business model enables us to respond quickly to changing demands and opportunities in our industry.

- Our enhanced information systems will enable us to increase the volume of freight we handle in our network and reduce our operating costs and those of our customers.
- We have a broad customer base, with no single customer accounting for more than five percent of our operating revenue.

GROWTH STRATEGY

The key elements of our growth strategy are to:

- Increase the volume of freight transported through our network for our existing customers.
- Improve the efficiency of our transportation network.
- Develop new customers.
- Enhance our information systems.
- Expand our logistics services.
- Pursue selected acquisitions that can increase our penetration of a geographic area, add customers or freight density or allow us to offer additional services.

OUR HISTORY

We commenced operating our deferred air freight business in November 1990. Until September 1998, we operated both this business and a national truckload carrier business. In September 1998, we spun off our truckload carrier business, operated as Landair Transport, Inc., to our shareholders. Our historical financial statements show the financial results of the truckload carrier business as a discontinued operation.

Our address is 430 Airport Road, Greeneville, Tennessee 37745, and our telephone number is (423) 636-7100.

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RECENT DEVELOPMENTS

On April 15, 1999, we announced selected financial results for the quarter ended March 31, 1999. Operating revenue for the quarter increased to \$37.7 million compared to \$28.9 million for the same period in 1998. Operating income from continuing operations for the quarter increased 96.4% to \$5.5 million, compared to \$2.8 million for the prior-year first quarter. Income from continuing operations for the quarter increased 93.8% to \$3.1 million, compared to \$1.6 million for the prior-year first quarter. Diluted earnings per share from continuing operations for the first quarter of 1999 was \$0.24, a 100.0% increase over diluted earnings per share of \$0.12 in the prior-year first quarter.

THE OFFERING

Common stock offered by Forward Air Corporation..... 1,000,000 shares

Common stock offered by the selling shareholder..... 2,000,000 shares

Total..... 3,000,000 shares

Common stock to be outstanding after this offering..... 13,678,480 shares(1)

Use of proceeds..... We will use the proceeds of this offering to repay debt and for general corporate purposes.

(1) Excludes options outstanding at April 14, 1999 to acquire 1,387,450 shares of common stock with a weighted average exercise price of \$7.79 per share.

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SUMMARY CONSOLIDATED FINANCIAL AND OPERATING DATA

<TABLE>
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YEAR ENDED DECEMBER 31,

 1994 1995 1996 1997 1998

(IN THOUSANDS, EXCEPT PER SHARE AND OPERATING DATA)

<S>

INCOME STATEMENT DATA:

| | | | | | |
|---|----------|----------|----------|-----------|-----------|
| Operating revenue..... | \$57,914 | \$63,557 | \$80,737 | \$105,140 | \$130,438 |
| Total operating expenses..... | 53,392 | 57,160 | 72,221 | 92,076 | 114,427 |
| Operating income..... | 4,522 | 6,397 | 8,516 | 13,064 | 16,011 |
| Interest expense..... | (365) | (694) | (743) | (796) | (1,206) |
| Other income (expense), net..... | 98 | 83 | 2 | (84) | 37 |
| Income from continuing operations before income taxes..... | 4,255 | 5,786 | 7,775 | 12,184 | 14,842 |
| Income taxes..... | 1,642 | 2,206 | 2,891 | 4,740 | 5,653 |
| Income from continuing operations..... | \$ 2,613 | \$ 3,580 | \$ 4,884 | \$ 7,444 | \$ 9,189 |
| Income from continuing operations per share: | | | | | |
| Basic..... | \$.23 | \$.31 | \$.41 | \$.62 | \$.74 |
| Diluted..... | .22 | .30 | .40 | .60 | .72 |
| Average common shares and equivalents outstanding: | | | | | |
| Basic..... | 11,534 | 11,700 | 11,856 | 11,936 | 12,393 |
| Diluted..... | 12,192 | 12,054 | 12,098 | 12,354 | 12,846 |
| OPERATING DATA: | | | | | |
| Operating margin..... | 7.8% | 10.1% | 10.5% | 12.4% | 12.3% |
| Terminal facilities..... | 55 | 56 | 60 | 62 | 67 |

</TABLE>

<TABLE>
 <CAPTION>

DECEMBER 31, 1998

 ACTUAL AS ADJUSTED(1)

(IN THOUSANDS)

<S>

BALANCE SHEET DATA:

| | | |
|--|----------|----------|
| Working capital..... | \$ 7,035 | \$12,233 |
| Total assets of continuing operations..... | 56,808 | 58,104 |
| Long-term obligations of continuing operations, net of current portion..... | 20,126 | 5,488 |
| Shareholders' equity..... | 19,071 | 38,907 |

</TABLE>

 (1) Adjusted for the sale of the 1,000,000 shares of common stock we are offering, at an assumed offering price of \$21.625 per share, and our use of the net proceeds to repay debt and for general corporate purposes.

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RISK FACTORS

You should carefully consider the risks described below and the other information in this prospectus before deciding to invest in shares of our common stock. If any of the following risks actually occurs, our business, financial condition, and results of operations would likely suffer. This is also likely to cause the trading price of our common stock to decline.

OUR BUSINESS HAS SUBSTANTIAL FIXED OPERATING COSTS

Our operations, particularly our network of terminals, represent substantial fixed costs. Therefore, a decline in the volume of freight we handle would have an adverse effect on our operating margin and our results of operations. The actual shippers of the freight moved through our network include various manufacturers and distributors of computers, telecommunications equipment, machine parts, trade show exhibit materials and medical equipment. Adverse business conditions affecting these shippers or our loss of a significant customer would cause a decline in the volume of freight shipped through our network.

EFFECT OF INCREASES IN OPERATING COSTS

If we are unable to anticipate and react to increases in our operating costs, including labor and purchased transportation, our profitability will decline. Many of the factors affecting our operating costs are beyond our control. We may be unable to anticipate and react to changing operating costs through higher prices without a material adverse effect on our business, results of operations and financial condition.

WE MAY HAVE DIFFICULTY EFFECTIVELY MANAGING OUR GROWTH

Our growth plans will place significant demands on our management and operating personnel. Our ability to manage our future growth effectively will require us to regularly improve our operating and management information systems and to continue to attract, retain, train, motivate and manage key employees. If we are unable to manage our growth effectively, our business, results of operations and financial condition will be adversely affected.

OUR MARKET IS HIGHLY COMPETITIVE

The air freight transportation industry is highly competitive and very fragmented. Our competitors include regional trucking companies that specialize in handling deferred air freight and regional and national less-than-truckload carriers. To a lesser extent, we compete with integrated air cargo carriers and airlines. Our competition ranges from small operators that compete within a limited geographic area to companies with substantially greater financial and other resources and larger freight capacity. We also face competition from our air freight forwarder customers who decide to establish their own networks to transport deferred air freight. We believe competition is based on service, primarily on-time delivery and reliability, as well as rates. This competition may cause a decrease in our volume of freight, require us to lower the prices we charge for our services and adversely affect our growth prospects.

WE MUST CONTINUE TO UPGRADE OUR TECHNOLOGY AND INFORMATION SYSTEMS

We must regularly upgrade our information systems to remain competitive and handle higher volumes of freight through our network. If our information systems are unable to handle additional freight volumes, our service levels, operating efficiency and freight

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volumes will decline. We expect customers to continue to demand more sophisticated, fully integrated information systems from their transportation providers. If we are unable to upgrade our information systems to handle additional freight volumes and meet the demands of our customers, our business and results of operations will be adversely affected.

POTENTIAL LIABILITY FOR PROPERTY DAMAGE AND PERSONAL INJURIES

Under United States Department of Transportation regulations, we are liable for property damage or personal injuries caused by owner-operators while they are operating on our behalf. We currently maintain liability insurance that we

believe is adequate to cover third-party claims and self-insure for property damage to our own equipment. We could incur claims in excess of our policy limits or incur claims not covered by our insurance. Any claims beyond the limits or scope of our insurance coverage could have a material adverse effect on us. In addition, we may not be able to obtain sufficient liability insurance in the future, or if we can, it may become very expensive.

WE RELY ON OWNER-OPERATORS AND FREIGHT HANDLERS IN OUR BUSINESS

We depend on owner-operators for most of our transportation needs. In 1998, owner-operators provided 67.9% of our transportation requirements. Competition for owner-operators is intense, and sometimes there are shortages of available owner-operators. In addition, we need a large number of freight handlers to operate our business efficiently. In periods of low unemployment in the areas where our terminals are located, we may have difficulty employing a sufficient number of freight handlers. If we have difficulty attracting and retaining qualified owner-operators and freight handlers, we may be forced to increase wages and benefits, which would increase our operating costs. We may also be unable to maintain our current delivery schedules, which could make our service less competitive, and we may be forced to curtail our planned growth. If our labor costs increase, we may not be able to offset the increased cost by increasing rates without adversely affecting our business.

At times, the Internal Revenue Service, the Department of Labor and state authorities have asserted that owner-operators are "employees," rather than "independent contractors." Therefore, one or more governmental authorities may challenge our position that the owner-operators we use are not employees. There also may be changes to the applicable federal or state tax or other laws, or interpretations thereof. If this happens, we are likely to incur additional taxes, as well as higher workers' compensation and employee benefit costs, and possibly penalties and interest for prior periods. This could have an adverse effect on our results of operations.

OUR SUCCESS IS DEPENDENT ON OUR KEY PERSONNEL

We are highly dependent on the continued services and efforts of our senior management team, especially Scott M. Niswonger, our Chairman and Chief Executive Officer, and Bruce A. Campbell, our President and Chief Operating Officer. The loss of the services of any member of our senior management could have a material adverse effect on our business. Mr. Niswonger, Edward W. Cook, our Senior Vice President, Chief Financial Officer and Treasurer, and Richard H. Roberts, our Senior Vice President, General Counsel and Secretary, also serve as officers of Landair Corporation. Therefore, they do not devote all of their attention to our business.

RISK OF LOSS OF TAX-FREE TREATMENT OF THE SPIN-OFF

We have received a private letter ruling from the IRS that the spin-off of the truckload carrier business qualifies as a tax-free distribution for federal income tax purposes under Section 355 of the Internal Revenue Code. This ruling is based on the accuracy of a number of assumptions and factual representations we and Landair Corporation made to the IRS. It is possible that some of these assumptions or representations will turn out to have been incorrect. If this happened, the IRS may decide that the spin-off was a taxable event. If the spin-off were determined to be taxable, we would have to pay tax on the difference between the fair market value of the Landair Corporation common stock we distributed in the spin-off and our tax basis in the Landair Corporation common stock at the time of the spin-off. Landair Corporation would be responsible for reimbursing us for this tax only if we could show that the tax resulted from an act, misrepresentation or omission by Landair Corporation.

The IRS ruling is dependent, in part, upon our representation that, within 12 months of the date of the spin-off, we would publicly offer newly issued shares of our common stock representing approximately 15% of the total number of shares of common stock outstanding at the time of the spin-off. To comply with this representation, we would have to publicly issue approximately 900,000 shares of our common stock in addition to the 1,000,000 shares we are offering under this prospectus. We have determined that, as a result of our current capital requirements and operating performance, we do not need to offer these additional shares. Therefore, we have requested a supplemental ruling from the IRS that our failure to offer these additional shares will not affect the

tax-free treatment of the spin-off. If we do not receive this supplemental ruling, we will increase the number of shares of common stock we are selling in this offering or offer the additional shares of common stock to the public at some time after this offering.

OUR QUARTERLY OPERATING RESULTS FLUCTUATE

Revenue and operating results are generally seasonal in the air freight transportation industry because customers usually reduce shipments during the winter after the holiday season. Our operating margins have been lower in the winter months primarily because of lower freight volumes. This seasonal pattern is likely to continue.

GOVERNMENT REGULATION AND LEGAL UNCERTAINTIES RELATING TO OUR BUSINESS

We are licensed by the Department of Transportation as a broker and motor carrier to arrange for the transportation of freight by truck. Our domestic customs brokerage operations are licensed by the United States Customs Service, and the Federal Maritime Commission regulates our ocean freight forwarding operations. We are also subject to federal and state environmental laws and regulations if we transport hazardous materials. If we do not comply with these laws and regulations, we could be required to pay substantial fines or have our licenses revoked. This would limit the services we can provide. The transportation industry is subject to legislative and regulatory changes that can affect the economics of our business by requiring changes in operating practices or influencing the demand for, and the cost of providing, transportation services. In addition, changes to current environmental laws or regulations may increase our operating costs and adversely affect our results of operations.

CONTROL BY MANAGEMENT

After this offering, Scott M. Niswonger, our Chairman and Chief Executive Officer and the selling shareholder, will own or have voting control over 4,001,200 shares of our

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common stock. These shares will represent approximately 29.3% of all outstanding shares of our common stock. Therefore, Mr. Niswonger will continue to be able to significantly influence the outcome of all matters voted on by shareholders, such as the election of directors.

EFFECT OF CERTAIN ANTI-TAKEOVER PROVISIONS

As a Tennessee corporation, we are subject to the Tennessee Business Combination Act and the Tennessee Greenmail Act, each of which may have anti-takeover effects. In addition, our Board of Directors is currently considering adopting a shareholder rights plan that is designed to deter persons from acquiring us or a significant interest in us unless the acquisition has first been approved by our Board of Directors. The Tennessee Business Combination Act, the Tennessee Greenmail Act or, if adopted by the Board of Directors, the shareholder rights plan could delay, deter or prevent a takeover attempt that shareholders might consider to be in their best interest.

OUR SYSTEMS MAY NOT BE YEAR 2000 COMPLIANT

We depend upon a significant number of computer software programs and operating systems to conduct our business. Some of our older software programs are not year 2000 compliant. We are in the process of replacing most of our key financial and operating systems as a part of the normal upgrading of our systems. In addition to our replacement program, we intend to modify some of our software and hardware so that our computer systems will function properly in and after the year 2000. We expect to complete this process by June 30, 1999.

We are in the process of obtaining year 2000 compliance letters and reports from our significant suppliers and customers. We presently do not anticipate any major interruption in our business as a result of year 2000 issues. Therefore, we do not expect that year 2000 issues will have a material adverse effect on our business or operations or that we will incur any material expense associated with year 2000 compliance. We have not established a contingency plan to address potential year 2000 noncompliance in our systems or in those of our major suppliers or customers. We are currently considering whether we need a

contingency plan. Because of our dependence on systems outside our control and because third parties with whom we have relationships may not have adequately addressed year 2000 issues, we could face unexpected problems associated with year 2000 issues. These problems could affect our operations, business or financial condition.

THIS PROSPECTUS CONTAINS FORWARD-LOOKING STATEMENTS THAT MAY NOT PROVE TO BE ACCURATE

This prospectus contains forward-looking statements relating to future events and our future financial performance. These forward-looking statements are within the meaning of that term in Section 27A of the Securities Act and Section 21E of the Exchange Act and are intended to be covered by the safe harbors created thereby. These statements include all statements regarding our intent, belief and expectations such as statements concerning projections of revenue, income or loss, capital expenditures, plans for growth, future operations, financing needs and plans relating to acquisitions by us. Forward-looking statements are inherently subject to risks and uncertainties, many of which we cannot predict or quantify for many reasons, including the factors we have discussed in "Risk Factors." Future events and our actual results may differ materially from what we expect.

USE OF PROCEEDS

We estimate that we will receive approximately \$19.8 million from the sale of the 1,000,000 shares of common stock we are offering, assuming a public offering price of \$21.625 per share. We will not receive any proceeds from the sale of common stock by the selling shareholder.

We will use approximately \$18.5 million of these net proceeds to repay outstanding debt. We borrowed this money to purchase operating equipment, to provide working capital and to make a \$5.0 million capital contribution to Landair Corporation at the time of the spin-off in September 1998. This debt bears interest at LIBOR plus applicable rates (6.25% to 6.56% at March 31, 1999) and is due between September and December 2000. We will use the balance of the net proceeds for general corporate purposes. Until used, we will invest the net proceeds in short-term, investment grade securities.

MARKET PRICE OF OUR COMMON STOCK

Our common stock trades on The Nasdaq National Market under the symbol "FWRD." Before September 1998, our business was combined with the truckload carrier business and traded under the symbol "LAND." Beginning on September 24, 1998, our common stock began to trade separately from the truckload carrier business. The following table shows the range of high and low sale prices for our common stock for the periods indicated, as reported by The Nasdaq National Market.

<TABLE>
<CAPTION>

| | HIGH | LOW |
|--|---------|---------|
| | ----- | ----- |
| <S> | <C> | <C> |
| 1998 | | |
| Third quarter (September 24-30, 1998)..... | \$ 8.31 | \$ 6.25 |
| Fourth quarter..... | 10.44 | 6.56 |
| 1999 | | |
| First quarter..... | \$15.75 | \$ 9.25 |
| Second quarter (through April 22, 1999)..... | 23.00 | 13.00 |

</TABLE>

DIVIDEND POLICY

We have not paid cash dividends on our capital stock since our initial public offering in November 1993. It is our current policy to retain earnings to

finance the growth of our business. Any future payment of cash dividends will depend on our financial condition, results of operations, contractual restrictions and capital requirements and other factors our Board of Directors considers relevant.

CAPITALIZATION

The following table shows our capitalization as of December 31, 1998 (i) on an actual basis and (ii) as adjusted for our sale of the 1,000,000 shares of common stock we are offering hereby, at an assumed offering price of \$21.625 per share, and use of the estimated net proceeds to repay debt.

<TABLE>
<CAPTION>

| | DECEMBER 31, 1998 | |
|---|-------------------|----------------------|
| | ----- ACTUAL | AS ADJUSTED ----- |
| | (IN THOUSANDS) | |
| <S> | <C> | <C> |
| Current portion of long-term debt and capital lease obligations..... | \$ 5,205 | \$ 1,303 |
| | ===== | ===== |
| Long-term debt and capital lease obligations, less current portion..... | \$20,126 | \$ 5,488 |
| | ----- | ----- |
| Shareholders' equity: | | |
| Preferred stock, \$0.01 par value: | | |
| 5,000,000 shares authorized, no shares outstanding.... | -- | -- |
| Common stock, \$0.01 par value: | | |
| 20,000,000 shares authorized; issued and outstanding: | | |
| 12,587,818 shares actual, and 13,587,818 shares as adjusted..... | 126 | 136 |
| Additional paid-in capital..... | 15,768 | 35,594 |
| Retained earnings..... | 3,177 | 3,177 |
| | ----- | ----- |
| Total shareholders' equity..... | 19,071 | 38,907 |
| | ----- | ----- |
| Total capitalization..... | \$39,197 | \$44,395 |
| | ===== | ===== |

</TABLE>

SELECTED FINANCIAL AND OPERATING DATA

We derived the selected financial and operating data shown below from our financial statements, which have been audited by Ernst & Young LLP. The data below excludes the truckload carrier business, which has been accounted for as a discontinued operation, and includes allocations of corporate administrative expenses between the two businesses. We have not included balance sheet data for 1994 through 1997 because that data does not fully reflect the spin-off of the truckload carrier business and, therefore, is not representative of the financial position and capitalization of our deferred air freight business on a stand-alone basis. During 1997, we estimate that we received \$2.3 million of non-recurring revenue as a result of the UPS strike. We estimate this revenue, less our variable costs and income taxes but not allocated fixed costs, gave us additional income from continuing operations of approximately \$1.2 million and an additional \$0.06 of diluted earnings per share. Our shareholders' equity at December 31, 1998 has been reduced for the spin-off of Landair Corporation, which had net assets of \$44.3 million at the date of the spin-off.

<TABLE>
<CAPTION>

| | YEAR ENDED DECEMBER 31, | | | | |
|--|-------------------------|-------|-------|-------|-------|
| | ----- | ----- | ----- | ----- | ----- |
| | 1994 | 1995 | 1996 | 1997 | 1998 |

(IN THOUSANDS, EXCEPT PER SHARE AND OPERATING DATA)

| <S> | <C> | <C> | <C> | <C> | <C> |
|--|----------|----------|----------|-----------|-----------|
| INCOME STATEMENT DATA: | | | | | |
| Operating revenue..... | \$57,914 | \$63,557 | \$80,737 | \$105,140 | \$130,438 |
| Total operating expenses..... | 53,392 | 57,160 | 72,221 | 92,076 | 114,427 |
| Operating income..... | 4,522 | 6,397 | 8,516 | 13,064 | 16,011 |
| Interest expense..... | (365) | (694) | (743) | (796) | (1,206) |
| Other income (expense), net..... | 98 | 83 | 2 | (84) | 37 |
| Income from continuing operations | | | | | |
| before income taxes..... | 4,255 | 5,786 | 7,775 | 12,184 | 14,842 |
| Income taxes..... | 1,642 | 2,206 | 2,891 | 4,740 | 5,653 |
| Income from continuing operations..... | \$ 2,613 | \$ 3,580 | \$ 4,884 | \$ 7,444 | \$ 9,189 |
| Income from continuing operations per share: | | | | | |
| Basic..... | \$.23 | \$.31 | \$.41 | \$.62 | \$.74 |
| Diluted..... | .22 | .30 | .40 | .60 | .72 |
| Average common shares and equivalents outstanding: | | | | | |
| Basic..... | 11,534 | 11,700 | 11,856 | 11,936 | 12,393 |
| Diluted..... | 12,192 | 12,054 | 12,098 | 12,354 | 12,846 |
| OPERATING DATA: | | | | | |
| Operating margin..... | 7.8% | 10.1% | 10.5% | 12.4% | 12.3% |
| Terminal facilities..... | 55 | 56 | 60 | 62 | 67 |

</TABLE>

<TABLE>

<CAPTION>

DECEMBER 31, 1998

BALANCE SHEET DATA:

(IN THOUSANDS)

| <S> | <C> |
|---|----------|
| Working capital..... | \$ 7,035 |
| Total assets of continuing operations..... | 56,808 |
| Long-term obligations of continuing operations, net of current portion..... | 20,126 |
| Shareholders' equity..... | 19,071 |

</TABLE>

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

We provide scheduled ground transportation of cargo on a time-definite basis. As a result of our established transportation schedule and network of terminals, our operating cost structure includes significant fixed costs. Our ability to improve our operating margins will depend on our ability to increase the volume of freight moved through our network. As an example, in the third quarter of 1997, we estimate that we received \$2.3 million of non-recurring revenue as a result of the UPS strike, which gave us additional income from continuing operations of approximately \$1.2 million.

The following does not include a discussion and analysis of the truckload carrier business, which has been accounted for as a discontinued operation as a result of the spin-off.

RESULTS OF OPERATIONS

The following table shows the percentage relationship of expense items to operating revenue for the past three years.

<TABLE>

<CAPTION>

YEAR ENDED DECEMBER 31,

| | 1996 | 1997 | 1998 |
|---|--------|--------|--------|
| | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> |
| Operating revenue..... | 100.0% | 100.0% | 100.0% |
| Operating expenses: | | | |
| Purchased transportation..... | 44.5 | 43.5 | 43.2 |
| Salaries, wages and employee benefits..... | 22.6 | 23.6 | 23.9 |
| Operating leases..... | 6.1 | 5.6 | 5.3 |
| Depreciation and amortization..... | 2.6 | 2.8 | 3.3 |
| Insurance and claims..... | 2.1 | 2.0 | 1.8 |
| Other operating expenses..... | 11.6 | 10.1 | 10.2 |
| | ----- | ----- | ----- |
| Total operating expenses..... | 89.5 | 87.6 | 87.7 |
| | ----- | ----- | ----- |
| Income from operations..... | 10.5 | 12.4 | 12.3 |
| | ----- | ----- | ----- |
| Interest expense..... | 0.9 | 0.7 | 0.9 |
| Other expense, net..... | -- | 0.1 | -- |
| | ----- | ----- | ----- |
| Income from continuing operations before income taxes..... | 9.6 | 11.6 | 11.4 |
| Income taxes..... | 3.6 | 4.5 | 4.4 |
| | ----- | ----- | ----- |
| Income from continuing operations..... | 6.0% | 7.1% | 7.0% |
| | ===== | ===== | ===== |

</TABLE>

YEAR ENDED DECEMBER 31, 1998 COMPARED TO YEAR ENDED DECEMBER 31, 1997

Operating revenue increased by \$25.3 million, or 24.1%, to \$130.4 million for 1998 from \$105.1 million in 1997. This increase resulted primarily from increased volume from domestic and international air cargo customers, increased operating terminals and direct shuttles, and enhanced logistics services, which were offset in part by an increase in the number of shipments during the UPS strike in the third quarter of 1997.

Purchased transportation was 43.2% of operating revenue in 1998 compared to 43.5% in 1997. This decrease was primarily attributable to operating efficiencies resulting from

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increased volumes of freight transported through our network, coupled with an increase in logistics services revenue, which does not involve the transportation of freight.

Salaries, wages and employee benefits were 23.9% of operating revenue in 1998 compared to 23.6% in 1997. This increase was due primarily to additional cargo handling wages and supervisory salaries required to operate company-operated terminals that were added since the preceding period, coupled with an increase in labor costs associated with the expansion of our logistics services.

Operating leases, the largest component of which is terminal rent, were 5.3% of operating revenue in 1998 compared to 5.6% in 1997. This decrease was attributable to increased operating revenue.

Depreciation and amortization expense as a percentage of operating revenue was 3.3% in 1998, compared to 2.8% in 1997. This increase was attributable to the implementation of our integrated freight order entry, tracking and billing information system during 1997 coupled with additional operating equipment required to operate company-operated terminals that were added since the preceding period.

Insurance and claims as a percentage of revenue was 1.8% of operating revenue in 1998, compared with 2.0% in 1997. This decrease was due primarily to a decrease in the frequency and severity of accidents and lower premium costs.

Other operating expenses remained relatively constant at 10.2% of operating revenue in 1998 compared to 10.1% in 1997.

Income from operations increased by \$2.9 million, or 22.1%, to \$16.0 million for 1998 compared to \$13.1 million for 1997. This increase is due

primarily to a lower operating cost structure resulting from an increase in operating revenue, which allowed us to spread the fixed costs of our network over a larger revenue base. Income from operations during 1997 benefited from non-recurring revenue as a result of the UPS strike.

Interest expense was \$1.2 million, or 0.9%, of operating revenue in 1998, compared to \$796,000, or 0.7%, in 1997. This increase was due to higher average net borrowing, primarily as a result of a \$5.0 million capital contribution to Landair Corporation and the settlement of intercompany balances with Landair Corporation prior to the spin-off.

The combined federal and state effective tax rate for 1998 was 38.1%, compared to a rate of 38.9% for 1997. For information concerning income taxes, as well as information regarding differences between effective tax rates and statutory rates, see note 6 of the notes to our financial statements.

As a result of the foregoing factors, income from continuing operations increased by \$1.8 million, or 24.3%, to \$9.2 million for 1998, from \$7.4 million in 1997.

YEAR ENDED DECEMBER 31, 1997 COMPARED TO YEAR ENDED DECEMBER 31, 1996

Operating revenue increased by \$24.4 million, or 30.2%, to \$105.1 million for 1997 from \$80.7 million in 1996. This increase resulted primarily from increased freight volume from domestic and international air cargo customers, which was attributable in part to an increased number of shipments during the UPS strike in the third quarter of 1997, increased operating terminals and direct shuttles and enhanced logistics services.

Purchased transportation was 43.5% of operating revenue in 1997 compared to 44.5% in 1996. This decrease was primarily attributable to operating efficiencies resulting from increased volumes of freight transported through our network, coupled with an increase in logistics services revenue, which does not involve the transportation of freight.

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Salaries, wages and employee benefits were 23.6% of operating revenue in 1997 compared to 22.6% in 1996. This increase resulted primarily from additional cargo handling wages and supervisory salaries required to operate company-operated terminals that were added since the preceding period, coupled with an increase in labor costs associated with the expansion of our logistics services.

Operating leases, the largest component of which is terminal rent, were 5.6% of operating revenue in 1997 compared to 6.1% in 1996. This decrease was attributable to increased operating revenue.

Depreciation and amortization expense as a percentage of operating revenue was 2.8% in 1997 compared to 2.6% in 1996. This increase was attributable to the implementation of our integrated freight order entry, tracking and billing information system during the second half of 1997, coupled with additional operating equipment required to operate company-operated terminals that were added since the preceding period.

Insurance and claims as a percentage of operating revenue was 2.0% of operating revenue in 1997, compared with 2.1% in 1996. This decrease was due primarily to a decrease in the frequency and severity of accidents and lower premium costs.

Other operating expenses were 10.1% of operating revenue in 1997 compared to 11.6% in 1996. This decrease was attributable to a lower operating cost structure as a result of increased operating revenue and a reduction in commissions paid to agent terminals.

Income from operations increased by \$4.6 million, or 54.1%, to \$13.1 million in 1997 compared to \$8.5 million for the same period of 1996. This increase is primarily attributable to a lower operating cost structure resulting from an increase in operating revenue, which allowed us to spread the fixed cost of our network over a larger revenue base. Income from operations during 1997 benefited from non-recurring revenue as a result of the UPS strike.

Interest expense was \$796,000, or 0.7% of operating revenue in 1997

compared to \$743,000, or 0.9%, in 1996. This decrease was the result of lower average net borrowing.

The combined federal and state effective tax rate for 1997 was 38.9%, compared to a rate of 37.2% for 1996. For information concerning income taxes, as well as information regarding differences between effective tax rates and statutory rates, see note 6 of the notes to our financial statements.

As a result of the foregoing factors, income from continuing operations increased by \$2.5 million, or 51.0%, to \$7.4 million for 1997 from \$4.9 million in 1996.

LIQUIDITY AND CAPITAL RESOURCES

Prior to the spin-off in September 1998, we operated our business and the truckload carrier business together. As a result, our statements of cash flows do not reflect the cash flows of our business as a stand-alone company.

We have historically financed our working capital needs, including capital purchases, with cash flows from operations and borrowings under our bank lines of credit. Net cash provided by operating activities totaled approximately \$1.9 million for 1998, \$6.3 million in 1997 and \$3.2 million in 1996.

Net cash used in investing activities was approximately \$17.0 million in 1998, \$4.8 million in 1997 and \$2.6 million in 1996. Our investing activities consisted primarily of the \$5.0 million capital contribution to Landair Corporation in 1998, the acquisition of the air

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cargo operating assets of Adams Air Cargo, Inc. in 1997 and the acquisition of a terminal facility in 1996, along with the purchase of operating equipment and management information systems during all three years.

Net cash provided by financing activities was \$14.6 million in 1998, compared to cash used in financing activities of \$766,000 in 1997 and \$518,000 in 1996. Our financing activities included the continued financing of operating equipment and working capital needs, repayment of long-term debt and capital leases and the amounts received from the exercise of stock options, and common stock we issued under our employee stock purchase plan.

We expect net capital expenditures in 1999 for operating equipment and management information systems to be less than \$8.0 million. We expect to fund these expenditures through cash provided by operating activities and borrowings under our credit facilities.

Our credit facilities include a working capital line of credit and an equipment financing facility. As long as we comply with several financial covenants and ratios, these credit facilities permit us to borrow up to \$20.0 million under the working capital line of credit and up to \$25.0 million under equipment financing facilities. Interest rates for advances under the facilities vary based on 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 September and December 2000 and are secured by accounts receivable and most of our equipment. The amount we can borrow under the line of credit is reduced by the amount of any outstanding letters of credit.

We believe that our available cash, together with the amount we will receive from this offering, expected cash generated from future operations and borrowings under available lines of credit, will be sufficient to satisfy our anticipated cash needs for at least the next 12 months.

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BUSINESS

RECENT SPIN-OFF

We commenced operating our deferred air freight business in November 1990. Until September 1998, we operated our deferred air freight business and a national truckload carrier business. In September 1998, we spun off our truckload carrier business, operated as Landair Transport, Inc., to our shareholders. In connection with the spin-off, we received a private letter

ruling from the IRS that the spin-off qualifies as a tax-free distribution for federal income tax purposes.

INDUSTRY OVERVIEW

As businesses minimize inventory levels, perform manufacturing and assembly operations in multiple locations and distribute their products through many channels, they more frequently require expedited delivery services. Expedited shipments are those shipments that the customer requires to be delivered the next day or within two to three days, usually at a specified time or within a specified time window. The Colography Group, Inc., an independent industry market research and consulting company, estimates the domestic air freight market for 1999 to be approximately \$6.3 billion, nearly 44% of which is for overnight delivery, with the remaining 56% for delivery within two to three days.

Shippers with expedited delivery requirements have four principal alternatives to transport freight: they may use a fully integrated air cargo carrier, an airline, a less-than-truckload carrier or an air freight forwarder. Integrated air cargo carriers provide pick-up and delivery services primarily using their own fleet of trucks and provide transportation services using their own fleet of aircraft. Airlines provide airport to airport service, but have limited cargo space and generally accept only shipments weighing less than 150 pounds. Less-than-truckload carriers provide pick-up and delivery services through their own fleet of trucks. The national less-than-truckload carriers operate terminals where freight is unloaded, sorted and reloaded multiple times in a single shipment. The additional handling increases transit time, handling costs and the likelihood of cargo damage. An air freight forwarder obtains shipments from customers, makes arrangements for transportation of the cargo by a third party carrier and usually arranges for both delivery from the shipper to the carrier and from the carrier to the recipient.

Although expedited freight is primarily transported by aircraft, transportation by truck often is a viable alternative, especially for shipments requiring deferred delivery. Generally, the cost of shipping freight, especially heavy freight, by truck is substantially less than shipping by aircraft. We believe there are several trends that are increasing demand for lower-cost truck transportation of expedited freight. These trends include:

Increased Outsourcing of Logistics Management to Third Parties. Air freight forwarders are playing an increasingly important role in logistics management. As the growing emphasis on just-in-time processes has added to the complexity of logistics management, companies are finding it more advantageous to outsource their logistics management functions to third parties. In contrast to integrated air cargo carriers and less-than-truckload carriers that are focused on utilizing their own, fixed-cost assets, air freight forwarders can select from various transportation modes and suppliers to meet their customers' shipping requirements, thereby serving their customers less expensively. Air freight forwarders generally handle shipments of any size and offer customized shipping options, unlike integrated air cargo carriers and less-than-truckload carriers.

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Integrated Air Cargo Carriers' Increased Focus on Expedited Freight. Integrated air cargo carriers that transport heavy freight, such as Emery Worldwide and BAX Global, are increasingly targeting their marketing efforts at higher yielding expedited or overnight freight to better utilize their high fixed-cost infrastructures. As a result, these carriers are increasingly outsourcing deferred freight to surface transportation providers like us.

Reduced Airline Cargo Capacity. Since the 1980's, when the airlines eliminated many of their all-cargo aircraft, growth in demand for air cargo services has generally outpaced the growth of aircraft cargo capacity. More recently, airlines have been modifying their domestic route systems to provide higher frequency service to more destinations, therefore replacing many of their wide-body aircraft with narrow-body aircraft that have less cargo capacity. Federal Aviation Administration mandates have also reduced air cargo capacity because most all-cargo aircraft are older, and it often is not economically feasible to modify these older aircraft to meet the FAA's noise reduction standards.

COMPETITIVE ADVANTAGES

We believe that our competitive advantages are:

- Exclusive focus on the deferred air freight market. We focus exclusively on providing ground transportation services to the deferred air freight market. We believe that this exclusive focus and our commitment to reliable service has enabled us to provide a higher level of service in a more cost effective manner than our competitors. In 1998, shipments we handled arrived within 30 minutes of their scheduled arrival times over 98% of the time, with only 1.7 incidents of loss or damage per 1,000 shipments.
- Concentrated marketing strategy. We provide our services to air freight forwarders, integrated air cargo carriers and airlines rather than marketing our services directly to shippers. We do not place significant size or weight restrictions on shipments and, therefore, do not compete with small or overnight package delivery services such as DHL Worldwide, UPS and Airborne. We believe that air freight forwarders prefer to purchase their transportation services from us because we do not market our services to their shipper customers and are not competing with them for customers.
- Established nationwide network of terminals and sorting facilities. We have built a network throughout the United States and Canada located on or near airports. We believe it would be difficult for a competitor to duplicate our nationwide network without the expertise we have acquired and without expending significant management resources and capital. Our network enables us to provide regularly scheduled service between most markets, on-time delivery with minimal freight damage or loss, all at rates significantly below air freight rates.
- Low-capital-intensive business model. We purchase virtually all of our transportation requirements from owner-operators or truckload carriers, rather than acquiring and operating our own tractors. This allows us to respond quickly to changing demands and opportunities in our industry and to generate a higher return on assets with lower capital expenditures.
- Enhanced technology. We are committed to using information technology to improve our service and reduce our operating costs. Technology allows us to

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increase the volume of freight that we can handle in our network and provides real-time tracking and tracing of shipments throughout the transportation process. We are currently enhancing our systems to permit all participants in a shipment to obtain real-time information about that shipment via the Internet.

- Broad customer base. We have established close relationships with a large number of air freight forwarders, integrated air cargo carriers and airlines. Our five largest customers only accounted for approximately 17% of our operating revenue in 1998, and no single customer accounted for more than five percent.

GROWTH STRATEGY

The key elements of our growth strategy are to:

- Increase freight volume from existing customers. Many of our customers currently use us for only a portion of their overall transportation needs. In addition, many of our air freight forwarder customers are growing rapidly, and we expect that they will have a greater need for our services as their businesses grow. We will continue to market directly to these customers to capture additional freight volume.
- Improve efficiency of our transportation network. We constantly seek to improve the efficiency of our network without changing our infrastructure or incurring significant capital expenses. As the volume of freight between key markets increases, we intend to continue to add regional hubs and direct shuttles. Additional regional hubs and direct shuttles improve

our efficiency by reducing the number of miles freight must be transported and reducing the number of times freight must be handled and sorted. Increased freight volumes should increase our profits and operating margins because these additional shipments help cover the substantial fixed costs of our operations.

- Develop new customers. We will actively market our services to potential new air freight forwarder customers. We believe air freight forwarders will move away from integrated air cargo carriers because of those carriers' higher costs and away from less-than-truckload carriers because of those carriers' less reliable service. We also believe that there is significant potential for increased freight volume from airlines as well as from the integrated air cargo carriers.
- Enhance information systems. We are committed to continued enhancement of our information systems in ways that can provide us both competitive service advantages and increased productivity. We believe that our customers will increasingly demand more sophisticated information systems to track and trace shipments. We believe our enhanced systems will enable us to retain existing customers and encourage them to increase the volume of freight they send through our network. We also believe these enhanced information systems will attract new customers, particularly air freight forwarders who do not want to develop their own information systems.
- Expand logistics services. We will continue to expand our national and international logistics services to increase revenue and improve utilization of our terminal facilities and labor force. We have added a number of services in the past few years, such as subletting dock, warehouse or office space and insurance, customs brokerage and terminal handling services. These services directly benefit our customers, particularly air freight forwarders who cannot justify providing the

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services for themselves, attract new customers and improve utilization of our network by increasing our revenue without significantly increasing our costs.

- Pursue acquisitions. We intend to pursue acquisitions that can increase our penetration of a geographic area, add customers or freight density or allow us to offer additional services.

OPERATIONS

We receive freight from air freight forwarders, airlines and integrated air cargo carriers at our terminals, which are located on or near airports in the United States and Canada. We consolidate and transport these shipments by truck through our network to the terminals nearest the ultimate destinations of the shipments. We operate regularly scheduled service to and from each of our terminals through our Columbus, Ohio central sorting facility or through one of our regional hubs. We also operate regularly scheduled shuttle service directly between cities where the volume of freight warrants bypassing our Columbus sorting facility or a regional hub. When a shipment arrives at the terminal nearest its destination, the customer arranges for the shipment to be picked up at the terminal and delivered to its final destination.

A typical shipment consists of a pallet load of freight, often computers, telecommunications equipment, machine parts, trade show exhibit materials or medical equipment. Since we commenced operations in November 1990, the weekly volume of freight moving through our network has increased from an average of approximately 1.2 million pounds to over 15.3 million pounds in the year ended December 31, 1998. During 1998, our average shipment weighed over 750 pounds. Shipments range from small boxes weighing only a few pounds to large shipments of several thousand pounds. Although we impose no significant size or weight restrictions, we focus our marketing and price structure on shipments of 200 pounds or more. As a result, we do not directly compete for most of our business with overnight couriers or small package delivery companies.

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TERMINALS

Our terminals are located in the following cities:

<TABLE>
<CAPTION>

| CITY | AIRPORT SERVED |
|---------------------------|-------------------|
| ---- | ----- |
| <S> | <C> |
| Albany, NY..... | ALB |
| Atlanta, GA..... | ATL |
| Austin, TX..... | AUS |
| Baltimore, MD..... | BWI |
| Baton Rouge, LA..... | BTR |
| Birmingham, AL..... | BHM |
| Boston, MA..... | BOS |
| Buffalo, NY..... | BUF |
| Charleston, SC..... | CHS |
| Charlotte, NC..... | CLT |
| Chicago, IL..... | ORD |
| Cincinnati, OH..... | CVG |
| Cleveland, OH..... | CLE |
| Columbia, SC..... | CAE |
| Columbus, OH..... | CMH |
| Dallas/Ft. Worth, TX..... | DFW |
| Dayton, OH..... | DAY |
| Denver, CO..... | DEN |
| Detroit, MI..... | DTW |
| El Paso, TX..... | ELP |
| Greensboro, NC..... | GSO |
| Greenville, SC..... | GSP |
| Hartford, CT..... | BDL |
| Houston, TX..... | IAH |
| Huntsville, AL..... | HSV |
| Indianapolis, IN..... | IND |
| Jacksonville, FL..... | JAX |
| Kansas City, MO..... | MCI |
| Lafayette, LA..... | LFT |
| Las Vegas, NV..... | LAS |
| Los Angeles, CA..... | LAX |
| Louisville, KY..... | SDF |
| Memphis, TN..... | MEM |
| Miami, FL..... | MIA |

<TABLE>
<CAPTION>

| CITY | AIRPORT SERVED |
|-------------------------|-------------------|
| ---- | ----- |
| <S> | <C> |
| Milwaukee, WI..... | MKE |
| Minneapolis, MN..... | MSP |
| Mobile, AL..... | MOB |
| Montreal, Canada..... | YUL |
| Nashville, TN..... | BNA |
| Newark, NJ..... | EWR |
| Newburgh, NY..... | SWF |
| New Orleans, LA..... | MSY |
| New York, NY..... | JFK |
| Norfolk, VA..... | ORF |
| Oklahoma City, OK..... | OKC |
| Omaha, NE..... | OMA |
| Orlando, FL..... | MCO |
| Ottawa, Canada..... | YOW |
| Philadelphia, PA..... | PHL |
| Phoenix, AZ..... | PHX |
| Pittsburgh, PA..... | PIT |
| Portland, OR..... | PDX |
| Raleigh, NC..... | RDU |
| Richmond, VA..... | RIC |
| Rochester, NY..... | ROC |
| Sacramento, CA..... | SMF |
| Salt Lake City, UT..... | SLC |
| San Antonio, TX..... | SAT |

| | |
|------------------------|-----|
| San Diego, CA..... | SAN |
| San Francisco, CA..... | SFO |
| Seattle, WA..... | SEA |
| St. Louis, MO..... | STL |
| Syracuse, NY..... | SYR |
| Tampa, FL..... | TPA |
| Toledo, OH..... | TOL |
| Toronto, Canada..... | YYZ |
| Tulsa, OK..... | TUL |
| Washington, DC..... | IAD |

Independent agents operate 12 of these terminals, which typically handle relatively low volumes of freight.

SHUTTLE SERVICE AND REGIONAL HUBS

We operate direct terminal-to-terminal shuttles and regional overnight service between cities where justified by freight volumes. We currently provide regional overnight service to many of the markets within our network. Direct service allows us to provide quicker scheduled service at a lower cost because we can transport freight over the most direct route and eliminate the added time and cost of handling the freight at our central or a regional hub sorting facility. Direct shipments also reduce the likelihood of damage because of reduced handling and sorting of the freight. As we continue to increase volume

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between various cities, we intend to continue to add direct shuttles. For example, our Northeast Shuttle transports freight between Albany, Baltimore, Boston, Buffalo, Hartford, Newark, Newburgh, New York, Philadelphia, Rochester, Syracuse and Washington. We accomplished this by direct shipment, as from Boston to Newark, or by overnight service routed through our Newburgh regional hub. Where warranted by sufficient volume in a region, we utilize larger terminals as regional sorting hubs, which allows us to bypass the Columbus sorting facility. These regional hubs improve our operating efficiency and enhance our customer service. We currently operate regional hubs in Atlanta, Dallas/Ft. Worth, Kansas City, Los Angeles, New Orleans, Newburgh, Orlando and San Francisco.

CUSTOMERS AND MARKETING

Our customers are air freight forwarders, airlines and integrated air cargo carriers. Our air freight forwarder customers vary in size from small, independent, single facility companies to large, international logistics companies, such as USF Seko Worldwide, Associated Global Systems, Pilot Air Freight, AIT Freight Systems, and Eagle USA Air Freight. Our airline customers include Virgin Atlantic, Lufthansa, Air Nippon, Air France, Korean Airlines, KLM and Japan Airlines. Because of our reputation for dependable service, integrated air cargo carriers such as Emery Worldwide, Airborne and BAX Global utilize our services to provide overflow capacity and other services.

We market our services through a sales and marketing staff located in various regions of the United States. Our senior management also is actively involved in sales and marketing at the national account level and supports local sales activity. We have a strong commitment to marketing and focus on air freight forwarders, airlines and integrated air cargo carriers that have time sensitive shipping requirements requiring customized services. We also participate in air cargo trade shows and advertise our services through direct mail programs and point of sale material.

LOGISTICS SERVICES

Customers increasingly demand more than the movement of freight from their transportation providers. To meet these demands, we continually seek ways to customize our logistics services and add new services. Logistics services increase our profit margins by increasing our revenue without corresponding increases in our costs.

Our logistics services include providing:

- dock, warehouse and office space;
- customs brokerage, such as assistance with customs procedures for both import and export shipments; and

- terminal handling, such as shipment build-up and break-down and reconsolidation of air or ocean pallets or containers.

TECHNOLOGY AND INFORMATION SYSTEMS

The regular enhancement of our information systems is a key component of our growth strategy. We have invested and will continue to invest significant management and financial resources on improving our information systems in an effort to provide accurate, real-time information to our management and customers. We believe the ability to provide accurate, real-time information on the status of shipments will become increasingly important and that our efforts in this area will result in both competitive service advantages and increased productivity throughout our network.

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In 1995, we began development of a comprehensive freight order entry, tracking and billing system. We began to implement Phase I of the system in the second quarter of 1997 and completed installation of Phase I in the first quarter of 1998. As part of Phase I, we implemented a real-time, dedicated communications network to link all of our terminals, customer service and administrative locations. The system permits us to track and trace a shipment from initial entry through the transportation process to the point of delivery. We can access daily financial information covering the entire network, a particular terminal, a particular customer or a given shipment.

We have also begun development of our Air Cargo Services or "ACS" system. ACS is designed to seamlessly integrate all of the participants in a shipment, including shippers, air freight forwarders and other service providers. The system is based on Internet technology. Its functions will include:

- shipment data capture;
- transportation service scheduling;
- on-line status tracking;
- service rating;
- consolidated billing;
- EDI communications;
- report generating; and
- customer access to shipment analysis reporting.

ACS will allow all of these functions to be viewed in real-time. Web hosting services, integrated with ACS functions, will allow air freight forwarders to use our technology and information systems to help them compete more effectively with integrated air cargo carriers. During the second quarter of 1999, we plan to provide the ACS system to a core group of airline customers for in-service testing. Following that testing, we will target air freight forwarders. Full implementation of ACS is scheduled to be completed within the next two years.

The ACS system and our other major information systems are being developed through Logistics Technology, Inc., one of our wholly-owned subsidiaries. Logistics Technology provides Internet services and technology support for us and other companies. John H. Traendly, our Vice President, Information Systems, is the President and Chief Executive Officer of Logistics Technology. He has an option to purchase from us up to 20% of the common stock of Logistics Technology.

Each of our owner-operators has installed a two-way satellite communication system to provide us with continuous communications capability. This allows us to locate a truck at any time and to follow its progress while in transit. The information received through this system has been integrated into and can be accessed through our other information systems.

PURCHASED TRANSPORTATION

We contract for most of our transportation services from owner-operators. These contracts can generally be terminated by either party upon 30 days' notice. The owner-operators own, operate and maintain their own vehicles and employ their own drivers. We also purchase transportation from Landair Corporation and from other truckload carriers to

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handle overflow volume. Of the \$56.3 million of purchased transportation in 1998, we purchased 67.9% from owner-operators, 7.9% from Landair Corporation and 24.2% from other common carriers.

We establish long-term relationships with owner-operators to assure dependable service and availability, and we have experienced turnover of less than 10% per year during the past five years. We have established guidelines relating to safety records, driving experience and personal evaluations that we use to select our owner-operators. To enhance our relationship with the owner-operators, we pay per mile rates above prevailing market rates and offer each driver a consistent work schedule, typically to the same destination.

COMPETITION

The air freight transportation industry is highly competitive and very fragmented. Our competitors include regional trucking companies that specialize in handling deferred air freight and regional and national less-than-truckload carriers. To a lesser extent, we compete with integrated air cargo carriers and airlines. Our competition ranges from small operators that compete within a limited geographic area to companies with substantially greater financial and other resources and larger freight capacity. We also face competition from our air freight forwarder customers who decide to establish their own networks to transport deferred air freight. We believe competition is based on service, primarily on-time delivery and reliability, as well as rates. We believe we offer our services at rates that are substantially below the charge to transport the same shipment to the same destination by air. We believe we have an advantage over less-than-truckload carriers based upon our reputation for faster, more reliable service between many cities.

EMPLOYEES

As of December 31, 1998, we employed 1,279 persons, 750 of whom were freight handlers and customer service personnel. None of our employees is covered by a collective bargaining agreement. We recognize that our workforce, including our freight handlers, is one of our most valuable assets. The recruitment, training and retention of qualified employees are essential to support our continued growth and to meet the service requirements of our customers.

RISK MANAGEMENT AND LITIGATION

Under Department of Transportation regulations, we are liable for property damage or personal injuries caused by owner-operators while they are transporting freight on our behalf. We currently maintain liability insurance that we believe is adequate. We are self-insured for property damage to our own equipment. We believe that our insurance coverage is sufficient to adequately protect us from significant claims.

From time to time, we are a party to litigation arising in the normal course of our business, most of which involves claims for personal injury, property damage related to the transportation and handling of freight or workers' compensation. We do not believe that any pending actions, individually or in the aggregate, will have a material adverse effect on our business, financial condition or results of operations.

REGULATION

We are licensed by the Department of Transportation as a broker and motor carrier to arrange for the transportation of freight by truck. Our air freight business is subject to regulation as an indirect air cargo carrier under the Federal Aviation Act, although freight

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brokers have been exempted from most of the requirements of the Federal Aviation Act by the Economic Aviation Regulations promulgated thereunder. In addition, our domestic customs brokerage operations are subject to the licensing requirements of the United States Department of the Treasury and are regulated by the United States Customs Service. The Federal Maritime Commission regulates our ocean freight forwarding operations.

We are also licensed as an interstate motor carrier by the Federal Highway Administration. Interstate motor carriers are subject to safety requirements prescribed by the FHA and state agencies. Matters such as weight and dimensions of equipment are also subject to federal and state regulations. Our Canadian operations are subject to similar requirements.

We believe that we are in substantial compliance with applicable regulatory requirements relating to our operations. If we do not comply with applicable laws and regulations, we could be required to pay substantial fines and could have our licenses revoked.

We are also subject to federal and state environmental laws and regulations, including those dealing with the transportation of hazardous materials and storage of fuel. We believe that we are in substantial compliance with applicable environmental laws and regulations. We do not expect any material expenditures for compliance with federal, state or local environmental laws and regulations in 1999.

PROPERTIES AND EQUIPMENT

Our headquarters are located in a facility we share with Landair Corporation in Greeneville, Tennessee. We lease this building from the Greeneville-Greene County Airport Authority. We constructed our central sorting facility in Columbus, Ohio in 1994. We own our facility in Atlanta.

We lease 54 additional terminal facilities for terms typically ranging from three to five years. We share four of our terminals with Landair Corporation. We believe that in most of the markets we serve, replacement space comparable to these terminal facilities is readily obtainable. We believe that our facilities are adequate to support our current operations. Our remaining 12 terminals are agent stations operated by independent agents who handle freight for us on a commission basis.

We own or lease the trailers we use to move freight through our network. Substantially all of our trailers are 53' long, and many have specialized roller bed equipment required to serve air cargo industry customers. The average age of our company-owned trailer fleet was approximately 1.2 years at December 31, 1998.

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MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

The following are our executive officers and directors:

<TABLE>

<CAPTION>

| NAME | AGE | POSITION |
|-------------------------|---------|---|
| ---- | --- | ----- |
| <S> | <C> <C> | |
| Scott M. Niswonger..... | 51 | Chairman of the Board and Chief Executive Officer |
| Bruce A. Campbell..... | 47 | President, Chief Operating Officer and Director |
| Edward W. Cook..... | 40 | Senior Vice President, Chief Financial Officer, Treasurer and Director |
| Richard H. Roberts..... | 44 | Senior Vice President, General Counsel, Secretary and Director |
| David E. Queen..... | 52 | Senior Vice President, Operations |

| | | |
|-----------------------------|----|--|
| Michael A. Roberts..... | 54 | Senior Vice President, Sales and Marketing |
| James R. Weiland..... | 54 | Senior Vice President, Sales |
| John H. Traendly..... | 53 | Vice President, Information Systems |
| James A. Cronin, III..... | 44 | Director |
| Hon. Robert Keith Gray..... | 73 | Director |

</TABLE>

There are no family relationships between any of our executive officers or directors. All officers serve at the pleasure of the Board of Directors.

Scott M. Niswonger is a co-founder of Forward Air Corporation, has served as a director since its founding in 1981 and as our Chairman of the Board and Chief Executive Officer since February 1988. Mr. Niswonger also served as our President from 1981 until August 1998. Mr. Niswonger serves as Chairman, Chief Executive Officer and a director of Landair Corporation and on the Regional Advisory Board of First Tennessee Bank National Association.

Bruce A. Campbell has served as our Chief Operating Officer since April 1990, a director since April 1993 and our President since August 1998. Mr. Campbell was our Executive Vice President from April 1990 until August 1998. Prior to joining us, Mr. Campbell served as Vice President of Ryder-Temperature Controlled Carriage in Nashville, Tennessee from September 1985 until December 1989.

Edward W. Cook has served as our Senior Vice President, Chief Financial Officer and a director since September 1994 and as our Treasurer since May 1995. Prior to joining us, Mr. Cook was employed as a certified public accountant by Ernst & Young LLP for 11 years, most recently as a senior manager in the Nashville, Tennessee office. Mr. Cook also serves as Senior Vice President, Chief Financial Officer and Treasurer of Landair Corporation.

Richard H. Roberts has served as our Senior Vice President and General Counsel since July 1994 and as Secretary and a director since May 1995. Prior to joining us, Mr. Roberts was a partner with the Baker, Worthington, Crossley & Stansberry law firm from January 1991 until July 1994. Mr. Roberts also serves as a director of Miller Industries, Inc. and as Senior Vice President, General Counsel, Secretary and a director of Landair Corporation.

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David E. Queen has served as our Senior Vice President, Operations since October 1997. He served as our Vice President of Operations and General Manager from November 1987 until October 1997. From 1984 to November 1987, Mr. Queen was Manager of the Columbus, Ohio hub for The Flying Tiger Line.

Michael A. Roberts has served as our Senior Vice President, Sales and Marketing since April 1990. He served as our Vice President of Marketing from November 1987 until April 1990. Mr. Roberts served as a consultant to our company from 1982 to 1987.

James R. Weiland has served as our Senior Vice President, Sales since October 1997. He served as our Vice President, Sales from November 1990 until October 1997. From May 1984 to October 1990, Mr. Weiland served us in a number of capacities, including Regional Operations Manager and Director of Sales and Marketing.

John H. Traendly has served as our Vice President, Information Systems since March 1998. Since July 1998, Mr. Traendly has also served as President and Chief Executive Officer of Logistics Technology, Inc., our wholly-owned subsidiary that provides Internet services and technology support for us and other companies. From November 1994 to February 1998, Mr. Traendly was Managing Director, Air, Ground, Terminals and Transportation, Surface Movement Systems, for Federal Express Corporation. From May 1994 to November 1994, Mr. Traendly served as a consultant for Federal Express Corporation.

James A. Cronin, III has served as a director since 1993. Since June 1996, Mr. Cronin has served as Chief Operating Officer, Executive Vice President, Finance and a director of Ascent Entertainment Group, Inc., and a director of On

Command Corp., both multimedia entertainment companies. From June 1992 until June 1996, he was a private investor. Mr. Cronin was a partner in Alfred Checchi Associates, a private investment firm in Los Angeles, California, from 1989 to 1992. Mr. Cronin served as President and Chief Executive Officer of Tiger International, Inc. and The Flying Tiger Line from 1987 to 1989.

Robert Keith Gray has served as a director since 1993. Mr. Gray has been Chairman and Chief Executive Officer of Gray and Company II, a public relations company, since November 1992. Since 1981, Mr. Gray has also been Chairman of Gray Investment Companies and Powerhouse Leasing Corp. From 1991 to 1992, Mr. Gray was Chairman of Hill & Knowlton Public Affairs Worldwide/USA and was its Chief Executive Officer from 1986 to 1991. Mr. Gray has served in various government positions, including Special Assistant to the Secretary of the Navy, Secretary of the Cabinet and Special Assistant to President Eisenhower.

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PRINCIPAL AND SELLING SHAREHOLDERS

The following table shows ownership of our common stock by (i) each director, (ii) our chief executive officer and our four other highest paid executive officers, (iii) all directors and executive officers as a group and (iv) each other person known to own more than five percent of our common stock. The rules of the Securities and Exchange Commission require that every person who has or shares the power to vote or dispose of shares of stock be reported as the owner of those shares. As a result, more than one person may be deemed to be the owner of the same shares. The SEC rules also consider shares of stock that a person has the right to acquire within 60 days upon the exercise of stock options to be outstanding for the purpose of calculating that person's ownership, but those shares are not deemed outstanding for the purpose of calculating the ownership of any other person. Except as otherwise indicated, each shareholder listed in the table has sole voting and investment power over the capital stock owned by them.

<TABLE>
<CAPTION>

| NAME | BENEFICIAL OWNERSHIP PRIOR TO THIS OFFERING | | | BENEFICIAL OWNERSHIP AFTER THIS OFFERING | | |
|---|---|---------|---------------------|--|---------------------|---------|
| | NUMBER OF SHARES | PERCENT | NUMBER OF SHARES | NUMBER OF OFFERED(1) | NUMBER OF SHARES | PERCENT |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Scott M. Niswonger(2)..... | 6,001,200 | 47.3% | 2,000,000 | 4,001,200 | 29.3% | |
| Merrill Lynch & Co., Inc.(3).... | 1,288,200 | 10.2 | -- | 1,288,200 | 9.4 | |
| Wellington Management Company, LLP(4)..... | 1,046,800 | 8.3 | -- | 1,046,800 | 7.7 | |
| Bruce A. Campbell(5)..... | 166,068 | 1.3 | -- | 166,068 | 1.2 | |
| Hon. Robert Keith Gray(6)..... | 141,450 | 1.1 | -- | 141,450 | 1.0 | |
| Michael A. Roberts(7)..... | 124,386 | * | -- | 124,386 | * | |
| Richard H. Roberts(8)..... | 110,884 | * | -- | 110,884 | * | |
| Edward W. Cook(9)..... | 94,760 | * | -- | 94,760 | * | |
| James A. Cronin, III(6)..... | 78,050 | * | -- | 78,050 | * | |
| David E. Queen(10)..... | 45,938 | * | -- | 45,938 | * | |
| John Traendly(11)..... | -- | -- | -- | -- | -- | |
| All directors and executive officers as a group (10 persons)(12)..... | 6,816,174 | 53.8% | 2,000,000 | 4,816,174 | 35.2% | |

* Less than one percent.

(1) Several shareholders, including some of our executive officers listed above, have granted the underwriters an option to purchase up to an aggregate of 450,000 shares to cover over-allotments. No officer will sell more than one-third of the aggregate of his shares and the shares that underlie the options granted to him.

(2) Includes 600 shares held by Mr. Niswonger as custodian for his grandson and

600 shares that are held by Mr. Niswonger's spouse as custodian for one of her children. Address: c/o Forward Air Corporation, 430 Airport Road, Greeneville, Tennessee 37745.

(3) Merrill Lynch is a parent holding company. Two of Merrill Lynch's indirectly-owned asset management subsidiaries reported shared voting and dispositive power over all shares. Address: World Financial Center, North Tower, 250 Vesey Street, New York, New York 10381.

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(4) Wellington is an investment adviser registered under the Investment Advisers Act of 1940, as amended. Wellington reported shared voting power over 625,200 shares and shared dispositive power over all shares. Address: 75 State Street, Boston, Massachusetts 02109.

(5) Mr. Campbell holds options to purchase 289,592 shares, 58,340 of which are exercisable and included above.

(6) Messrs. Gray and Cronin each hold options to purchase 75,000 shares, 56,250 of which are exercisable and included above.

(7) Includes 2,370 shares held by Mr. Roberts' spouse. Mr. Roberts holds options to purchase 87,688 shares, 45,188 of which are exercisable and included above.

(8) Mr. Roberts holds options to purchase 142,500 shares, 93,750 of which are exercisable and included above.

(9) Includes 2,000 shares held by Mr. Cook's spouse. Mr. Cook holds options to purchase 108,200 shares, 59,450 of which are exercisable and included above.

(10) Mr. Queen holds options to purchase 87,688, 45,188 of which are exercisable and included above.

(11) Mr. Traendly holds options to purchase 20,000 shares.

(12) Includes 467,854 options that are exercisable and included above.

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UNDERWRITING

We and the selling shareholder have entered into an underwriting agreement with the underwriters named below in which they have severally agreed to purchase from us and the selling shareholder the number of shares of common stock set forth beside their names below. BT Alex. Brown Incorporated, Morgan Keegan & Company, Inc. and Scott & Stringfellow, Inc. are the representatives of the underwriters.

<TABLE>

<CAPTION>

| UNDERWRITERS | NUMBER OF SHARES |
|-----------------------------------|-----------------------------|
| ----- | ----- |
| <S> | <C> |
| BT Alex. Brown Incorporated..... | |
| Morgan Keegan & Company, Inc..... | |
| Scott & Stringfellow, Inc..... | |
| Total..... | ----- 3,000,000 ===== |

</TABLE>

The obligation of the underwriters to purchase the common stock is subject to the terms and conditions set forth in the underwriting agreement. The underwriting agreement requires the underwriters to purchase all of the shares of the common stock offered by this prospectus, if any are purchased. The shares of common stock offered by the underwriters pursuant to this prospectus are subject to prior sale, when, as and if delivered to and accepted by the underwriters, and subject to the underwriters' right to reject any order in

whole or in part.

The underwriters have advised us and the selling shareholder that they propose to offer the shares of common stock to the public at the public offering price of \$ per share. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to \$ per share from the public offering price. Any such securities dealers may resell any shares purchased from the underwriters to certain other brokers or dealers at a discount of up to \$ per share from the public offering price. The underwriters may change the public offering price after the common stock is released for sale to the public.

The underwriters may sell more shares than the total number set forth in the table above. To cover these sales, several of our shareholders have granted the underwriters an option to purchase up to an aggregate of 450,000 additional shares of common stock at the public offering price, less the underwriting discounts and commissions. The underwriters may exercise this option for 30 days after the date of this prospectus only to cover these sales. To the extent the underwriters exercise this option, each of the underwriters will purchase shares in approximately the same proportion as the number of shares of common stock to be purchased by it shown in the above table bears to 3,000,000, and the selling shareholders will be obligated, pursuant to the option, to sell those shares to the underwriters. If purchased, the underwriters will offer the additional shares on the same terms as those on which the 3,000,000 shares are being offered.

We and the selling shareholders have agreed to indemnify the underwriters with respect to certain liabilities, including liabilities under the Securities Act of 1933, as amended.

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To facilitate the offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the market price of the common stock. Specifically, the underwriters may over-allot shares of the common stock in connection with this offering, thereby creating a short position in the underwriters' account. A short position results when an underwriter sells more shares of common stock than such underwriter is committed to purchase. Additionally, to cover over-allotments or to stabilize the market price of the common stock, the underwriters may bid for, and purchase, shares of the common stock at a level above that which might otherwise prevail in the open market. The underwriters are not required to engage in these activities, and, if they do, they may discontinue doing so at any time. The underwriters also may reclaim selling concessions allowed to an underwriter or dealer, if the underwriters repurchase shares distributed by the underwriter or dealer.

We have agreed not to offer, sell or make any other disposition of any shares of our common stock or other securities convertible into or exchangeable or exercisable for shares of our common stock or derivatives of our common stock for a period of 90 days after the date of this prospectus, directly or indirectly, without the prior written consent of BT Alex. Brown Incorporated. We may, however, without this consent, issue options granted under our stock option plan and issue shares (1) upon exercise of options granted under the stock option plan, (2) in connection with acquisitions of businesses and (3) to the extent necessary to comply with the IRS letter ruling related to the spin-off.

Our executive officers and directors have agreed not to offer, sell, contract to sell, transfer, hypothecate, pledge, or otherwise dispose of any shares of common stock or any of our other securities in any manner or request the registration of any of our securities for a period of 90 days from the date of this prospectus without the prior written consent of BT Alex. Brown Incorporated. These restrictions will be applicable to any shares acquired by any of those persons during the applicable restricted period.

LEGAL MATTERS

The validity of the common stock offered by this prospectus will be passed upon for us and the selling shareholders by Richard H. Roberts, our Senior Vice President, General Counsel and Secretary. Various legal matters relating to the offering will be passed upon for us and certain of the selling shareholders by Bass, Berry & Sims PLC, Nashville, Tennessee. Various legal matters relating to

this offering will be passed upon for the underwriters by Piper & Marbury L.L.P., Baltimore, Maryland.

EXPERTS

Ernst & Young LLP, independent auditors, have audited our consolidated financial statements and schedule at December 31, 1997 and 1998, and for each of the three years in the period ended December 31, 1998, as set forth in their reports. We have included and incorporated by reference our financial statements and schedule in the prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP's reports, given on their authority as experts in accounting and auditing.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information we file with the SEC at the SEC's public reference room located at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the following Regional Offices of the SEC: Chicago Regional Office, Citicorp Center, Suite 1400, 500 West Madison Street, Chicago, Illinois 60661; and New York Regional office, Seven World Trade Center, Suite 1300, New York, New York 10048. You may obtain information on the operation of the public reference rooms by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet web site (www.sec.gov) that contains periodic reports, proxy statements and other information regarding registrants, including us.

We have filed a Registration Statement on Form S-3 to register the common stock offered by this prospectus. This prospectus is a part of the registration statement. This prospectus does not contain all of the information you can find in the registration statement or the exhibits and schedules to the registration statement.

The SEC allows us to "incorporate by reference" information into this prospectus, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered part of this prospectus, except for any information superseded by information contained directly in this prospectus or in later filed documents incorporated by reference in this prospectus.

This prospectus incorporates by reference the documents set forth below that we have previously filed with the SEC. These documents contain important information about us.

1. Our Annual Report on Form 10-K for the year ended December 31, 1998;
2. Our Current Report on Form 8-K, dated April 16, 1999; and
3. The description of our common stock contained in our registration statement on Form 8-A, including all amendments and reports filed for the purpose of updating such description prior to the termination of this offering.

We also incorporate by reference additional documents that may be filed with the SEC between the date of this prospectus and the completion of the offering contemplated by this prospectus. These include periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

If you are a shareholder, we may have sent you some of the documents incorporated by reference, but you can obtain any of them from us, the SEC, or the SEC's Internet web site as described above. Documents incorporated by reference are available from us without charge, excluding all exhibits, except that if we have specifically incorporated by reference an exhibit in this prospectus, the exhibit will also be available without charge. You may obtain documents incorporated by reference in this prospectus by requesting them in writing or by telephone from Richard H. Roberts, Senior Vice President, General Counsel, and Secretary, at our principal executive offices located at 430 Airport Road, Greeneville, Tennessee 37745, (423) 636-7100.

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to provide you with information that is different from, or in addition to, what is contained in this prospectus. This prospectus is dated April , 1999. You should not assume that the information contained in this prospectus is accurate as of any date other than that date.

INDEX TO FINANCIAL STATEMENTS

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| Consolidated Statements of Income -- Years Ended December 31, 1996, 1997 and 1998..... | F-4 |
| Consolidated Statements of Shareholders' Equity -- Years Ended December 31, 1996, 1997 and 1998..... | F-5 |
| Consolidated Statements of Cash Flows -- Years Ended December 31, 1996, 1997 and 1998..... | F-6 |
| Notes to Consolidated Financial Statements -- December 31, 1998..... | F-7 |

</TABLE>

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Forward Air Corporation

We have audited the accompanying consolidated balance sheets of Forward Air Corporation (formerly Landair Services, Inc.) as of December 31, 1997 and 1998, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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 Forward Air Corporation at December 31, 1997 and 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

Ernst & Young LLP

Nashville, Tennessee
February 2, 1999, except for
Note 13, as to which the
date is February 24, 1999

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FORWARD AIR CORPORATION
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

| | DECEMBER 31, | |
|---|--------------------------------------|----------|
| | 1997 | 1998 |
| | (IN THOUSANDS, EXCEPT SHARE DATA) | |
| <S> | <C> | <C> |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents..... | \$ 895 | \$ 455 |
| Accounts receivable, less allowance of \$753 in 1997 and \$952 in 1998..... | 17,671 | 19,754 |
| Inventories..... | 300 | 389 |
| Prepaid expenses..... | 1,088 | 2,545 |
| Deferred income taxes..... | 364 | 273 |
| | ----- | ----- |
| Total current assets..... | 20,318 | 23,416 |
| Property and equipment: | | |
| Land..... | 3,477 | 3,368 |
| Buildings..... | 6,497 | 6,883 |
| Equipment..... | 8,998 | 28,818 |
| Leasehold improvements..... | 568 | 1,003 |
| | ----- | ----- |
| | 19,540 | 40,072 |
| Accumulated depreciation and amortization..... | 3,755 | 10,152 |
| | ----- | ----- |
| | 15,785 | 29,920 |
| Other assets..... | 3,290 | 3,472 |
| Deferred income taxes..... | 572 | -- |
| Assets of discontinued operations..... | 97,208 | -- |
| | ----- | ----- |
| Total assets..... | \$137,173 | \$56,808 |
| | ===== | ===== |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | |
|--|--------|----------|
| Current liabilities: | | |
| Accounts payable..... | \$ 72 | \$ 4,120 |
| Accrued payroll and related items..... | -- | 1,769 |
| Insurance and claims accruals..... | 1,329 | 1,568 |
| Income taxes payable..... | 150 | 1,249 |
| Other accrued expenses..... | 212 | 2,470 |
| Current portion of long-term debt..... | 625 | 4,529 |
| Current portion of capital lease obligations..... | 974 | 676 |
| Due to Truckload Business subsidiaries..... | 17,447 | -- |
| | ----- | ----- |
| Total current liabilities..... | 20,809 | 16,381 |
| Long-term debt, less current portion..... | 3,508 | 15,403 |
| Capital lease obligations, less current portion..... | 4,746 | 4,723 |
| Deferred income taxes..... | -- | 1,230 |
| Liabilities of discontinued operations..... | 57,650 | -- |
| 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 -- 12,048,776 in 1997 and | | |
| 12,587,818 in 1998..... | 120 | 126 |
| Additional paid-in capital..... | 26,744 | 15,768 |
| Retained earnings..... | 23,596 | 3,177 |
| | ----- | ----- |
| Total shareholders' equity..... | 50,460 | 19,071 |
| | ----- | ----- |
| Total liabilities and shareholders' equity..... | \$137,173 | \$56,808 |
| | ===== | ===== |

</TABLE>

See accompanying notes.

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FORWARD AIR CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

| | YEAR ENDED DECEMBER 31, | | |
|--|---------------------------------------|-----------|-----------|
| | 1996 | 1997 | 1998 |
| | ----- | ----- | ----- |
| | (IN THOUSANDS, EXCEPT PER SHARE DATA) | | |
| | <C> | <C> | <C> |
| Operating revenue..... | \$80,737 | \$105,140 | \$130,438 |
| Operating expenses: | | | |
| Purchased transportation: | | | |
| Provided by non-affiliated entities..... | 30,041 | 39,647 | 51,914 |
| Provided by Truckload Business..... | 5,881 | 6,137 | 4,431 |
| Salaries, wages and employee benefits..... | 18,211 | 24,808 | 31,191 |
| Operating leases..... | 4,889 | 5,867 | 6,876 |
| Depreciation and amortization..... | 2,085 | 2,902 | 4,346 |
| Insurance and claims..... | 1,710 | 2,089 | 2,402 |
| Other operating expenses..... | 9,404 | 10,626 | 13,267 |
| | ----- | ----- | ----- |
| | 72,221 | 92,076 | 114,427 |
| | ----- | ----- | ----- |
| Income from operations..... | 8,516 | 13,064 | 16,011 |
| Other income (expense): | | | |
| Interest expense..... | (743) | (796) | (1,206) |
| Other, net..... | 2 | (84) | 37 |
| | ----- | ----- | ----- |
| | (741) | (880) | (1,169) |
| | ----- | ----- | ----- |
| Income from continuing operations before income taxes..... | 7,775 | 12,184 | 14,842 |
| Income taxes..... | 2,891 | 4,740 | 5,653 |
| | ----- | ----- | ----- |
| Income from continuing operations..... | 4,884 | 7,444 | 9,189 |
| | ----- | ----- | ----- |
| Discontinued operations: | | | |
| Income (loss) from operations (less income taxes (benefit) of \$(432), \$751 and \$850, respectively)..... | (905) | 1,150 | 1,345 |
| Loss on Spin-off (less income taxes of \$-0-, \$-0- and \$440, respectively)..... | -- | -- | (380) |
| | ----- | ----- | ----- |
| | (905) | 1,150 | 965 |
| | ----- | ----- | ----- |
| Net income..... | \$ 3,979 | \$ 8,594 | \$ 10,154 |
| | ===== | ===== | ===== |
| Income per share: | | | |
| Basic: | | | |
| Income from continuing operations..... | \$.41 | \$.62 | \$.74 |
| Income (loss) from discontinued operations..... | (.07) | .10 | .08 |
| | ----- | ----- | ----- |

| | | | |
|---|--------|--------|--------|
| Net income..... | \$.34 | \$.72 | \$.82 |
| ===== | | | |
| Diluted: | | | |
| Income from continuing operations..... | \$.40 | \$.60 | \$.72 |
| Income (loss) from discontinued operations..... | (.07) | .10 | .07 |
| ----- | | | |
| Net income..... | \$.33 | \$.70 | \$.79 |
| ===== | | | |

</TABLE>

See accompanying notes.

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FORWARD AIR CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

<TABLE>
<CAPTION>

| | COMMON STOCK SHARES | PAID-IN AMOUNT | ADDITIONAL RETAINED CAPITAL | EARNINGS | TOTAL SHAREHOLDERS' EQUITY |
|--|------------------------|-------------------|-----------------------------------|-----------|----------------------------------|
| (IN THOUSANDS) | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Balance at December 31, 1995..... | 5,864 | \$ 59 | \$ 25,562 | \$ 11,023 | \$ 36,644 |
| Stock split effected in the form of a stock dividend..... | 5,864 | 59 | (59) | -- | -- |
| Net income for 1996..... | -- | -- | 3,979 | 3,979 | |
| Exercise of stock options..... | 166 | 1 | 580 | -- | 581 |
| Common Stock issued under employee stock purchase plan..... | 12 | -- | 60 | -- | 60 |
| ----- | | | | | |
| Balance at December 31, 1996..... | 11,906 | 119 | 26,143 | 15,002 | 41,264 |
| Net income for 1997..... | -- | -- | 8,594 | 8,594 | |
| Exercise of stock options..... | 122 | 1 | 489 | -- | 490 |
| Common Stock issued under employee stock purchase plan..... | 21 | -- | 112 | -- | 112 |
| ----- | | | | | |
| Balance at December 31, 1997..... | 12,049 | 120 | 26,744 | 23,596 | 50,460 |
| Net income for 1998..... | -- | -- | 10,154 | 10,154 | |
| Exercise of stock options..... | 532 | 6 | 2,404 | -- | 2,410 |
| Common Stock issued under employee stock purchase plan..... | 7 | -- | 69 | -- | 69 |
| Income tax benefit from stock options exercised..... | -- | -- | 232 | -- | 232 |
| Spin-off of Landair Corporation..... | -- | -- | (13,681) | (30,573) | (44,254) |
| ----- | | | | | |
| Balance at December 31, 1998..... | 12,588 | \$126 | \$ 15,768 | \$ 3,177 | \$ 19,071 |
| ===== | | | | | |

</TABLE>

See accompanying notes.

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FORWARD AIR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

| | YEAR ENDED DECEMBER 31, | | |
|--|-------------------------|----------|-----------|
| | 1996 | 1997 | 1998 |
| (IN THOUSANDS) | | | |
| <S> | <C> | <C> | <C> |
| Operating Activities | | | |
| Net income..... | \$ 3,979 | \$ 8,594 | \$ 10,154 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |

| | | | |
|---|---------|---------|----------|
| (Income) loss from discontinued operations..... | 905 | (1,150) | (2,075) |
| Depreciation and amortization..... | 2,085 | 2,902 | 4,346 |
| Gain on sale of property and equipment..... | (321) | -- | (128) |
| Provision for losses on receivables..... | 495 | 515 | 438 |
| Provision for revenue adjustments..... | 760 | 1,488 | 1,641 |
| Deferred income taxes..... | (251) | 1,747 | 1,893 |
| Changes in operating assets and liabilities, net of effects from acquisition of business: | | | |
| Accounts receivable..... | (6,737) | (5,677) | (4,162) |
| Inventories..... | 2 | (88) | (89) |
| Prepaid expenses..... | (84) | (644) | (1,191) |
| Accounts payable and accrued expenses..... | 77 | 666 | 8,314 |
| Income taxes..... | 204 | (53) | 203 |
| Due to Truckload Business subsidiaries..... | 2,044 | (1,980) | (17,447) |
| | ----- | ----- | ----- |
| Net cash provided by operating activities..... | 3,158 | 6,320 | 1,897 |
| Investing Activities | | | |
| Purchases of property and equipment..... | (4,086) | (3,602) | (11,764) |
| Proceeds from disposal of property and equipment..... | 1,654 | -- | 117 |
| Acquisition of business..... | -- | (1,209) | -- |
| Contribution of capital to discontinued operation..... | -- | -- | (5,000) |
| Other..... | (197) | (6) | (335) |
| | ----- | ----- | ----- |
| Net cash used in investing activities..... | (2,629) | (4,817) | (16,982) |
| Financing Activities | | | |
| Proceeds from long-term debt..... | 897 | 812 | 21,792 |
| Payments of long-term debt..... | (1,054) | (954) | (8,631) |
| Payments of capital lease obligations..... | (1,002) | (1,226) | (995) |
| Proceeds from exercise of stock options..... | 581 | 490 | 2,410 |
| Proceeds from Common Stock issued under employee stock purchase plan..... | 60 | 112 | 69 |
| | ----- | ----- | ----- |
| Net cash provided by (used in) financing activities..... | (518) | (766) | 14,645 |
| | ----- | ----- | ----- |
| Net increase (decrease) in cash and cash equivalents..... | 11 | 737 | (440) |
| Cash and cash equivalents at beginning of year..... | 147 | 158 | 895 |
| | ----- | ----- | ----- |
| Cash and cash equivalents at end of year..... | \$ 158 | \$ 895 | \$ 455 |
| | ===== | ===== | ===== |

</TABLE>

See accompanying notes.

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FORWARD AIR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1998

1. ACCOUNTING POLICIES

BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements of the Company include Forward Air Corporation (formerly Landair Services, Inc. until August 26, 1998) and its subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation.

On July 9, 1998 (the "Measurement Date"), the Board of Directors of the Company authorized the separation of the Company into two publicly-held corporations, one owning and operating the deferred air freight operations and the other owning and operating the truckload operations (the "Spin-off").

The Spin-off was effected on September 23, 1998 through the distribution to shareholders of the Company of all of the outstanding shares of common stock of a new truckload holding company, Landair Corporation. Pursuant to the Spin-off, the common stock of Landair Corporation was distributed on a pro rata basis of one share of Landair Corporation common stock for every one share of the Company's common stock held. Subsequent to the Spin-off, the Company has continued as the legal entity that owns and operates the deferred air freight

operations through its operating subsidiaries and Landair Corporation is the legal entity that owns and operates the truckload operations. Additionally, the name Landair Services, Inc. was changed to Forward Air Corporation on August 26, 1998. As a result of the Spin-off, the results of operations and cash flows of the Truckload Business have been reported as discontinued operations for all periods presented in the accompanying consolidated financial statements (see Note 2).

As used in the accompanying consolidated financial statements, the term "Forward Air Business" refers to the deferred air freight operations; the term "Truckload Business" refers to the truckload operations; and the "Company" refers to the entity which, prior to the Spin-off, operated both the Forward Air Business and the Truckload Business and which, after the Spin-off, continues to operate the Forward Air Business.

The continuing operations of the Company included in these financial statements include the assets and liabilities and results of operations directly related to the Forward Air Business for all periods presented. Significant changes could have occurred in the funding and operations of the Forward Air Business had it been operated as an independent stand-alone entity during those periods, which could have had a significant impact on its financial position and results of operations. As a result, the financial information included in these financial statements is not necessarily indicative of the financial position and results of operations of the Forward Air Business which might have occurred had it been a stand-alone entity.

The Company operates a comprehensive national network for the time-definite surface transportation of deferred freight. The Company provides its transportation services through a network of terminals located on or near airports in the United States and Canada. The Company's customers consist primarily of freight forwarders, domestic and international airlines and integrated air cargo carriers. The Company's operations involve receiving deferred freight shipments at its terminals and transporting them by truck to the terminal nearest their destination.

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FORWARD AIR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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

Scott M. Niswonger (Chairman and Chief Executive Officer) was the majority shareholder of the Company during all periods presented.

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 from continuing operations in 1996, 1997 or 1998.

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:

| <TABLE> | <C> |
|-----------------------------|-------------|
| <S> | <C> |
| Buildings..... | 30-40 years |
| Equipment..... | 3-10 years |
| Leasehold improvements..... | 1-15 years |

Interest payments during 1996, 1997 and 1998 were \$746,000, \$825,000 and \$1,154,000, respectively. No interest was capitalized during the three years ended December 31, 1998. During 1996, 1997 and 1998, the Company added equipment of \$2,417,000, \$-0- and \$-0-, through capital leases, respectively.

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The measurement of possible impairment is based upon determining whether projected undiscounted future cash flows from the use of the asset over the remaining depreciation or amortization period are less than the carrying value of the asset. As of December 31, 1998, in the opinion of management, there has been no such impairment.

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FORWARD AIR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

INSURANCE AND CLAIMS ACCRUALS

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.

INCOME PER SHARE

The Company calculates income per share in accordance with Statement of Financial Accounting Standards (SFAS) No. 128, Earnings Per Share. Under SFAS No. 128, basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings per share includes any dilutive effects of options, warrants and convertible securities, and uses the treasury stock method in calculating dilution. All earnings per share data included in the consolidated financial statements and notes thereto have been restated to give effect to a two-for-one stock split (see Note 13).

EMPLOYEE STOCK OPTIONS

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

COMMON EXPENSES

Prior to 1998, certain administrative expenses, consisting of payroll, legal, accounting, rent and depreciation for shared facilities, and other common expenses which could not be specifically identified to either the deferred air freight operations or the truckload operations have been allocated between the Forward Air Business and the Truckload Business based on their relative percentages of operating revenue. In 1998, certain administrative and back office functions continue to be shared by both the Forward Air Business and the Truckload Business. The expenses related to these services were allocated to the Forward Air Business and the Truckload Business in accordance with the provisions of a Transition Services Agreement as discussed in Note 2. These administrative expenses, which would have been incurred by the Forward Air Business and the Truckload Business if each had been operated as an independent stand-alone entity, totaled \$3,157,000, \$5,039,000 and \$2,794,000 for the Forward Air Business and \$3,225,000, \$4,420,000 and \$3,208,000 for the Truckload Business in 1996, 1997, and for the period January 1, 1998 through September 23,

1998, respectively.

Interest expense of \$743,000, \$796,000 and \$661,000 for the Forward Air Business and \$2,221,000, \$1,826,000 and \$1,382,000 for the Truckload Business in 1996, 1997, and for the period from January 1, 1998 through September 23, 1998, respectively, has been allocated by the Company on an annual basis based upon the pro rata share of average operating assets of the Truckload Business and the Forward Air Business.

Management believes these allocation methods are reasonable.

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FORWARD AIR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

ACCOUNTING PRONOUNCEMENTS

In 1998, the Company adopted a new disclosure pronouncement, SFAS No. 130, Reporting Comprehensive Income. The Company had no items of other comprehensive income and, accordingly, adoption of the Statement had no effect on the consolidated financial statements.

In 1998, the Company also adopted another new disclosure pronouncement, SFAS No. 131, Disclosures About Segments of an Enterprise and Related Information. SFAS No. 131 requires companies to report selected segment information when certain size tests are met. Management has determined that the Company operates in only one segment meeting the applicable tests.

In 1998, the Company early-adopted Statement of Position (SOP) 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. SOP 98-1 requires capitalization of certain costs to purchase or develop internal-use software, and amortization of these costs over their estimated useful life. The adoption of SOP 98-1 did not materially change the accounting for internal-use software development costs from that previously followed by the Company. During 1997 and 1998, the Company capitalized approximately \$402,000 and \$451,000 of internal-use software development costs. In 1998, the Company also capitalized in accordance with SFAS No. 86, Accounting for Costs of Computer Software to be Sold, Leased, or Otherwise Marketed, approximately \$234,000 of costs related to software being developed for both internal and external use. In years prior to 1998, the Company did not incur significant external-use software development costs.

Costs related to software developed for internal use are amortized using the straight-line method over an estimated five year life. Costs related to software developed for both internal and external use will be amortized using either a revenue-based method or the straight-line method, whichever provides the greater amortization amount. No amortization of capitalized external-use software development costs was recorded in 1998 since the projects were under development throughout the period.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 133 is required to be adopted by the Company in 2000. Management does not anticipate that the adoption of the Statement will have a significant effect on the financial position or results of operations of the Company.

RECLASSIFICATIONS

Certain reclassifications have been made to the prior year financial statements to conform to the 1998 presentation. These reclassifications had no effect on net income as previously reported.

2. DISCONTINUED OPERATIONS

As discussed in Note 1, on July 9, 1998, the Board of Directors of the Company authorized the separation of the Company into two publicly-held corporations, one owning and operating the Forward Air Business and the other owning and operating the Truckload Business. The Spin-off was effected on September 23, 1998.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

A summary of the net assets distributed to Landair Corporation on September 23, 1998 is as follows (in thousands):

<TABLE>

| <S> | <C> |
|---|-----------|
| Current assets..... | \$ 22,754 |
| Property and equipment, net..... | 62,244 |
| Other assets..... | 39 |
| | ----- |
| Assets of discontinued operations..... | 85,037 |
| | ----- |
| Current liabilities..... | (21,009) |
| Long-term debt and capital lease obligations..... | (7,972) |
| Deferred income taxes..... | (11,802) |
| | ----- |
| Liabilities of discontinued operations..... | (40,783) |
| | ----- |
| Net assets of discontinued operations..... | \$ 44,254 |
| | ===== |

</TABLE>

Prior to the Spin-off, the Company made a \$5.0 million contribution of capital in the form of cash to Landair Corporation. In addition, Landair Corporation contributed to the Company approximately \$2.4 million of net assets related to the Forward Air Business. The above net assets include these transactions. The distribution of the net assets of Landair Corporation on September 23, 1998, was charged to retained earnings, to the extent that the Company had positive retained earnings, with the remainder to additional paid-in capital.

Summarized income statement information relating to the Truckload Business (as reported in discontinued operations) is as follows (in thousands):

<TABLE>

<CAPTION>

| | 1996 | 1997 | 1998(1) |
|---|----------|----------|----------|
| <S> | <C> | <C> | <C> |
| Operating revenue..... | \$82,242 | \$91,398 | \$51,543 |
| Operating expenses..... | 81,417 | 87,659 | 48,450 |
| | ----- | ----- | ----- |
| Income from operations..... | 825 | 3,739 | 3,093 |
| Interest expense..... | (2,221) | (1,826) | (924) |
| Other income (expense)..... | 59 | (12) | 26 |
| | ----- | ----- | ----- |
| Income (loss) before income taxes..... | (1,337) | 1,901 | 2,195 |
| Income taxes (benefit)..... | (432) | 751 | 850 |
| | ----- | ----- | ----- |
| Income (loss) from discontinued operations..... | \$ (905) | \$ 1,150 | \$ 1,345 |
| | ===== | ===== | ===== |

</TABLE>

(1) The fiscal 1998 summarized income statement information above includes the results of operations only through the July 9, 1998 Measurement Date.

The loss on Spin-off in the amount of \$380,000 recorded in 1998 includes the net of the after-tax income of the discontinued operations from the Measurement Date through the date of the Spin-off of \$730,000 (\$1,170,000 on a pre-tax basis), and costs associated with the Spin-off of \$1,110,000. The costs associated with the Spin-off represent the cost of separating the two businesses which are non-deductible for income tax purposes.

In connection with the Spin-off, the Company and Landair Corporation entered into certain agreements which were effective upon the actual separation of the two companies. The agreements were entered into to facilitate orderly changes from an integrated transportation company to separate deferred air freight and truckload operating companies in a way which is minimally disruptive to each entity. Following are summaries of the principal agreements:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

DISTRIBUTION AGREEMENT

The Distribution Agreement provided for, among other things, the principal corporate transactions required to effect the Spin-off and the allocation of certain assets and liabilities between the Company and Landair Corporation. The Distribution Agreement provides that the Company and Landair Corporation each have sole responsibility for claims arising out of their respective activities after the Spin-off. It also provides that each party will indemnify the other in the event of certain liabilities arising under the federal securities laws, and that, for a period of three years after the Spin-off, neither the Company nor Landair Corporation will directly solicit the employment of any employee of the other company or its affiliates without the prior written consent of such other company.

TRANSITION SERVICES AGREEMENT

The Transition Services Agreement describes the services which the Company and Landair Corporation provide to each other following the Spin-off. Services performed under the Transition Services Agreement are negotiated and paid for on an arm's-length basis. The Transition Services Agreement has an eighteen-month term, except that information technology services to be provided by the Company to Landair Corporation have a thirty-six month term. Notwithstanding the stated term of the Transition Services Agreement, the Company or Landair Corporation, as recipients of the services, may terminate any or all such services at any time on thirty days' irrevocable written notice, and the Company or Landair Corporation, as providers of the services, may at any time after the first anniversary of the Spin-off, terminate any or all of the services, other than the information technology services, on three months' irrevocable notice.

EMPLOYEE BENEFIT MATTERS AGREEMENT

The Employee Benefit Matters Agreement provides for the treatment of employee benefit matters and other compensation arrangements for the employees of the Company and Landair Corporation after the Spin-off. Pursuant to this agreement, the Company is continuing sponsorship of the various employee benefit plans and welfare plans of the Company with respect to employees of the Company after the Spin-off, and Landair Corporation is required to establish such similar plans which will allow Landair Corporation to provide to its employees after the Spin-off substantially the same benefits previously provided to them as employees of the Company. This Employee Benefit Matters Agreement also provided for the adjustment and conversion of the existing non-exercisable stock options of the Company into options of Landair Corporation for those employees that continued employment with Landair Corporation after the Spin-off. (See Note 5).

TAX SHARING AGREEMENT

The Tax Sharing Agreement describes the responsibilities of the Company and Landair Corporation with respect to all tax matters occurring prior to and after the Spin-off. The Tax Sharing Agreement provides for the allocation of tax expense, assessments, refunds and other tax benefits. The Agreement also sets forth the responsibility for filing tax returns and provides for reasonable cooperation in the event of any audit, litigation or other proceeding with respect to any federal, state or local tax.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

3. ACQUISITION OF BUSINESS

On October 27, 1997, the Company acquired the air cargo operating assets of Adams Air Cargo, Inc., a surface transportation contractor to the air cargo industry based in Arbutle, California. The Company paid approximately \$1,209,000 in cash, issued a note payable of \$1,800,000, and assumed debt and capital lease obligations of \$967,000 and \$1,563,000, respectively. The

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

<TABLE>

| <S> | <C> |
|-----------------|----------|
| 1999..... | \$ 4,529 |
| 2000..... | 5,508 |
| 2001..... | 5,414 |
| 2002..... | 2,308 |
| 2003..... | 2,173 |
| Thereafter..... | -- |
| | ----- |
| | \$19,932 |
| | ===== |

</TABLE>

5. 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 follows Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations in accounting for its 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, 1997 and 1998, the Company had reserved 2,000,000 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 SFAS No. 123, Accounting for Stock Based Compensation, which also requires that the information be determined as if the Company has accounted for its 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 assumptions for 1996, 1997 and 1998, respectively: risk-free interest rates of 6.4%, 5.8% and 4.7%; dividend ratio of zero; volatility factors of the expected market price of the common stock of 0.5; 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 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 stock options.

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FORWARD AIR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

For purposes of pro forma disclosures, the estimated fair value of the stock options is amortized to expense over the options' vesting period. The Company's pro forma information follows (in thousands, except per share data):

<TABLE>

<CAPTION>

| | 1996 | 1997 | 1998 |
|---------------------------------|---------|---------|---------|
| <S> | <C> | <C> | <C> |
| Pro forma net income..... | \$3,506 | \$7,980 | \$9,839 |
| Pro forma net income per share: | | | |
| Basic..... | \$.30 | \$.67 | \$.79 |

Diluted..... \$.29 \$.65 \$.77

</TABLE>

Because SFAS No. 123 is applicable only to options granted subsequent to December 31, 1994, its pro forma effect is not fully reflected above.

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

<TABLE>

<CAPTION>

| | 1996 | | 1997 | | 1998 | |
|---|------------------|------------------------------------|------------------|------------------------------------|------------------|------------------------------------|
| | OPTIONS (000) | WEIGHTED-AVERAGE EXERCISE PRICE | OPTIONS (000) | WEIGHTED-AVERAGE EXERCISE PRICE | OPTIONS (000) | WEIGHTED-AVERAGE EXERCISE PRICE |
| Outstanding -- beginning of year..... | 842 | \$5 | 1,150 | \$6 | 1,209 | \$6 |
| Granted/converted..... | 570 | 7 | 222 | 6 | 170 | 7 |
| Exercised..... | (166) | 4 | (122) | 4 | (472) | 4 |
| Forfeited..... | (96) | 5 | (41) | 7 | (142) | 5 |
| Outstanding -- end of year.... | 1,150 | \$6 | 1,209 | \$6 | 765 | \$6 |
| Exercisable at end of year.... | 398 | \$5 | 536 | \$6 | 403 | \$6 |
| Options available for grant... | 418 | | 236 | | 209 | |
| Weighted-average fair value of options granted during the year..... | \$3.00 | | \$3.07 | | \$5.06 | |

</TABLE>

Exercise prices for options outstanding, as of December 31, 1996, 1997 and 1998 ranged from \$2.50 to \$12.813.

Under the provisions of the Company's stock option plan, options to purchase shares of the Company's common stock that were exercisable at the time of the Spin-off, and that were held by those employees who terminated employment with the Company and became employees of Landair Corporation upon the Spin-off, were canceled if not exercised prior to such employees' termination of employment with the Company. Accordingly, employees that were leaving the Company and continuing as employees of Landair Corporation exercised 198,000 vested options during 1998 prior to the Spin-off. Unexercisable options held by employees of the Company who remained or became employees of Landair Corporation upon consummation of the Spin-off which totaled 102,000 were converted into options to purchase Landair Corporation common stock under Landair Corporation's Stock Option and Incentive Plan. Such conversion was on the basis of a formula designed to preserve the fair market value of such converted options on the date of the Spin-off. All options held by employees of the Company who remained or became employees of the Company upon consummation of the Spin-off were adjusted on the basis of a formula designed to preserve the fair market value of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

such options on the date of the Spin-off. The adjustment of these options resulted in the grant of options to purchase 150,000 additional shares during the year ended December 31, 1998.

Non-Employee Director Options -- In May 1996 and 1997 and August 1998, options to purchase 45,000, 30,000 and 30,000 shares of common stock, respectively, were granted to the non-employee directors of the Company at option prices of \$7.50, \$7.00 and \$11.50 per share, respectively. All options held by directors of the Company were adjusted on the basis of a formula designed to preserve the fair market value of such options on the date of the Spin-off. The adjustment of these options resulted in the grant of options to purchase 30,000 additional shares during the year ended December 31, 1998.

The options have terms of ten years and are exercisable in installments which vest over two-year periods from the date of grant. At December 31, 1998, 150,000 options are outstanding and will expire in May 2005 through July 2008, unless a non-employee director resigns or is not re-elected, 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 600,000 shares of common stock for issuance pursuant to the plan. At December 31, 1998, approximately 40,000 shares had been issued under the Plan.

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FORWARD AIR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Earnings Per Share -- The following table sets forth the computation of basic and diluted income per share (in thousands, except per share data):

<TABLE>
<CAPTION>

| | 1996 | 1997 | 1998 |
|--|---------|---------|----------|
| | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> |
| Numerator: | | | |
| Numerator for basic and diluted income per share: | | | |
| Income from continuing operations..... | \$4,884 | \$7,444 | \$ 9,189 |
| Income (loss) from discontinued operations..... | (905) | 1,150 | 965 |
| | ----- | ----- | ----- |
| Net income..... | \$3,979 | \$8,594 | \$10,154 |
| | ===== | ===== | ===== |
| Denominator: | | | |
| Denominator for basic income per share-weighted-average shares..... | 11,856 | 11,936 | 12,393 |
| Effect of dilutive stock options..... | 242 | 418 | 453 |
| | ----- | ----- | ----- |
| Denominator for diluted income per share-adjusted weighted-average shares..... | 12,098 | 12,354 | 12,846 |
| | ===== | ===== | ===== |
| Income per share -- basic: | | | |
| Income from continuing operations..... | \$.41 | \$.62 | \$.74 |
| Income (loss) from discontinued operations..... | (.07) | .10 | .08 |
| | ----- | ----- | ----- |
| Net income..... | \$.34 | \$.72 | \$.82 |
| | ===== | ===== | ===== |
| Income per share -- diluted: | | | |
| Income from continuing operations..... | \$.40 | \$.60 | \$.72 |
| Income (loss) from discontinued operations..... | (.07) | .10 | .07 |
| | ----- | ----- | ----- |
| Net income..... | \$.33 | \$.70 | \$.79 |
| | ===== | ===== | ===== |
| Securities that could potentially dilute basic net income per share in the future that were not included in the computation of diluted net income per share because to do so would have been antidilutive for the periods presented..... | 902 | 38 | -- |
| | ===== | ===== | ===== |

</TABLE>

6. INCOME TAXES

The Company and Landair Corporation entered into a Tax Sharing Agreement in connection with the Spin-off (see Note 2).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The provision for income taxes from continuing operations consists of the following:

<TABLE>
<CAPTION>

| | 1996 | 1997 | 1998 |
|--------------|----------------|---------|---------|
| | ----- | | |
| | (IN THOUSANDS) | | |
| | <C> | <C> | <C> |
| Current: | | | |
| Federal..... | \$2,708 | \$2,368 | \$3,246 |
| State..... | 434 | 625 | 514 |
| | ----- | | |
| | 3,142 | 2,993 | 3,760 |
| Deferred: | | | |
| Federal..... | (221) | 1,510 | 1,807 |
| State..... | (30) | 237 | 86 |
| | ----- | | |
| | (251) | 1,747 | 1,893 |
| | ----- | | |
| | \$2,891 | \$4,740 | \$5,653 |
| | ===== | | |

</TABLE>

The historical income tax expense differs from the amounts computed by applying the federal statutory rate of 35% to income before income taxes as follows:

<TABLE>
<CAPTION>

| | 1996 | 1997 | 1998 |
|---|----------------|---------|---------|
| | ----- | | |
| | (IN THOUSANDS) | | |
| | <C> | <C> | <C> |
| Tax expense at the statutory rate..... | \$2,644 | \$4,142 | \$5,195 |
| State income taxes, net of federal benefit..... | 209 | 547 | 397 |
| Meals and entertainment..... | 38 | 51 | 61 |
| | ----- | | |
| | \$2,891 | \$4,740 | \$5,653 |
| | ===== | | |

</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 are as follows:

<TABLE>
<CAPTION>

| | DECEMBER 31, | |
|--|----------------|----------|
| | ----- | |
| | 1997 | 1998 |
| | ----- | |
| | (IN THOUSANDS) | |
| | <C> | <C> |
| Deferred tax assets: | | |
| Accrued expenses..... | \$ 483 | \$ 713 |
| Alternative minimum tax credits..... | 1,020 | -- |
| Allowance for doubtful accounts..... | 276 | 358 |
| Other..... | -- | 198 |
| | ----- | |
| Total deferred tax assets..... | 1,779 | 1,269 |
| Deferred tax liabilities: | | |
| Tax over book depreciation..... | 263 | 1,346 |
| Prepaid expenses deductible when paid..... | 396 | 586 |
| Other..... | 184 | 294 |
| | ----- | |
| Total deferred tax liabilities..... | 843 | 2,226 |
| | ----- | |
| Net deferred tax assets (liabilities)..... | \$ 936 | \$ (957) |
| | ===== | |

</TABLE>

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FORWARD AIR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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

<TABLE>

<CAPTION>

| | DECEMBER 31, | |
|--------------------------------------|----------------|----------|
| | 1997 | 1998 |
| | ----- | ----- |
| | (IN THOUSANDS) | |
| | <C> | <C> |
| Current assets..... | \$364 | \$ 273 |
| Noncurrent assets (liabilities)..... | 572 | (1,230) |
| | ----- | ----- |
| | \$936 | \$ (957) |
| | ===== | ===== |

</TABLE>

Total income tax payments, net of refunds, during fiscal 1996, 1997 and 1998 were \$2,939,000, \$3,046,000 and \$3,388,000, respectively.

7. LEASES

The Company has a capital lease agreement (with a bargain purchase option) extending to 2008 with the Director of Development of the State of Ohio for a terminal facility located in Columbus, Ohio. 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 of net worth and other financial ratios.

The Company leases certain equipment under capital leases. These equipment leases expire in various years through 2001.

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

<TABLE>

<CAPTION>

| | DECEMBER 31, | |
|------------------------------------|----------------|---------|
| | 1997 | 1998 |
| | ----- | ----- |
| | (IN THOUSANDS) | |
| | <C> | <C> |
| Land..... | \$2,605 | \$2,605 |
| Buildings..... | 3,675 | 3,675 |
| Equipment..... | 2,417 | 3,611 |
| | ----- | ----- |
| | 8,697 | 9,891 |
| Less accumulated amortization..... | 973 | 1,995 |
| | ----- | ----- |
| | \$7,724 | \$7,896 |
| | ===== | ===== |

</TABLE>

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

The Company also leases certain facilities and equipment under noncancellable operating leases that expire in various years through 2006. Certain of these leases may be renewed for periods varying from one to ten years. The Truckload Business shares certain facilities leased by the Company, and has been allocated a portion of the rent expense related thereto (see Note 1 -- Common Expenses). As discussed below, the Company entered into lease or sublease agreements with Landair Corporation related to certain facilities on or

prior to the date of the Spin-off.

Included in operating leases is an aircraft leased under a dry lease arrangement from a limited liability corporation owned by the Company's majority shareholder which expired in July 1998 and was renewed for an additional one year period. Under the terms of the lease agreement, the Company pays the limited liability corporation \$700 per hour of usage subject to a 400 hour per year minimum

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FORWARD AIR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

usage guarantee. The total net amount of rent expense for this lease was \$120,000, \$280,000 and \$423,000 in 1996, 1997 and 1998, respectively.

On or prior to the date of the Spin-off, the Company entered into subleases with Landair Corporation pursuant to which the Company is subleasing to Landair Corporation (i) a portion of its terminal facility in Columbus, Ohio that is leased by the Company from the Director of Development of the State of Ohio; (ii) a portion of its terminal facility in Atlanta, Georgia; (iii) a portion of its facility in Indianapolis, Indiana; (iv) a portion of its terminal facility in Chicago, Illinois; (v) a portion of its terminal facility in Detroit, Michigan; and (vi) a portion of the headquarters of the Company in Greeneville, Tennessee that is leased from the Greeneville-Greene County Airport Authority. The Company subleases the Columbus and Atlanta terminal facilities for consideration based upon the cost of such facilities to the Company and an agreed upon percentage of usage. The Company subleases the Indianapolis, Chicago, Detroit and Greeneville facilities for consideration based upon an agreed upon percentage of usage.

Future minimum rental payments under capital leases and noncancellable operating leases with initial terms of one year or more consisted of the following at December 31, 1998:

<TABLE>
<CAPTION>

| FISCAL YEAR | CAPITAL OPERATING LEASES LEASES | |
|--|------------------------------------|----------|
| ----- | ----- | ----- |
| | (IN THOUSANDS) | |
| <S> | <C> | <C> |
| 1999..... | \$1,059 | \$ 7,085 |
| 2000..... | 1,076 | 4,490 |
| 2001..... | 741 | 2,644 |
| 2002..... | 701 | 1,511 |
| 2003..... | 710 | 560 |
| Thereafter..... | 3,212 | 151 |
| | ----- | ----- |
| Total minimum lease payments..... | 7,499 | \$16,441 |
| | ===== | ===== |
| Amounts representing interest..... | 2,100 | |
| | ----- | |
| Present value of net minimum lease payments (including current portion of \$676)..... | \$5,399 | |
| | ===== | |

</TABLE>

8. TRANSACTIONS WITH THE TRUCKLOAD BUSINESS

The Company and the Truckload Business routinely engage in intercompany transactions as the Truckload Business hauls a portion of the deferred air freight shipments for the Company which are in excess of the Company's scheduled capacity. The cost of the shipments hauled by the Truckload Business is shown separately in the accompanying statements of income as purchased transportation provided by the Truckload Business.

In accordance with the terms included in the Transition Services Agreement, subsequent to the Spin-off in 1998 the Company provided accounts payable, payroll, human resources, employee benefit plan administration, owner-operator settlement, central purchasing, accounting and legal, general administrative, and information technology services to the Truckload Business. The Company

charged the Truckload Business \$797,000 during the period September 24, 1998 through December 31, 1998 for these services. In addition, the Truckload Business provided the Company safety, licensing, permitting and fuel tax, recruiting and retention, and driver training center services subsequent to the

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FORWARD AIR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Spin-off in 1998. The Truckload Business charged the Company \$193,000 during the period September 24, 1998 through December 31, 1998 for these services.

At December 31, 1998, accounts payable included \$687,000 of amounts due to Landair Corporation related to services covered under the Transition Services Agreement and various other transactions between both entities.

As discussed in Note 7, the Company subleases a portion of certain facilities to Landair Corporation.

The Due to Truckload Business subsidiaries in the accompanying December 31, 1997 balance sheet represented the net balance resulting from various intercompany transactions between the Company and the Truckload Business. There were no terms of settlement or interest charges associated with the account balance. The balance was primarily the result of Truckload's participation in the Company's central cash management program, wherein all of the Company's cash receipts were remitted to a Truckload Business subsidiary and all cash disbursements were funded by a Truckload Business subsidiary. Other transactions included intercompany freight transactions as discussed above, the federal income tax liability (benefit) provided by the Truckload Business to the consolidated tax liability, and miscellaneous other common expenses incurred between the Company and the Truckload Business. In connection with the Spin-off, the Company settled all intercompany balances for cash.

An analysis of transactions in the Due to Truckload Business subsidiaries account follows (in thousands):

<TABLE>
<CAPTION>

| | 1996 | 1997 | 1998 | |
|--|------------|------------|------------|--|
| | ----- | ----- | ----- | |
| <S> | <C> | <C> | <C> | |
| Balance at beginning of year..... | \$(17,383) | \$(19,427) | \$(17,447) | |
| Net cash remitted to the Truckload Business..... | 1,492 | 2,065 | 17,366 | |
| Net intercompany freight transactions..... | (5,881) | (6,137) | (4,431) | |
| Current federal income tax benefit provided by the Truckload Business..... | (3,101) | (194) | (78) | |
| Net administrative expenses and interest allocated to the Truckload Business..... | 5,446 | 6,246 | 4,590 | |
| | ----- | ----- | ----- | |
| Balance at end of year..... | \$(19,427) | \$(17,447) | \$ -- | |
| | ===== | ===== | ===== | |

</TABLE>

9. 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 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.

10. EMPLOYEE BENEFIT PLAN

The Company has 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

compensation. Employer contributions vest 20% after two years of service and continue vesting 20% per year until fully vested. The Company's matching contribution included in income from continuing operations for 1996, 1997 and 1998 was approximately \$53,000, \$69,000 and \$71,000, respectively. In connection with the Spin-off, the account balances of Truckload employees will be transferred to a Landair Corporation plan in a trust-to-trust transfer during 1999.

11. FINANCIAL INSTRUMENTS

OFF BALANCE SHEET RISK

At December 31, 1998, the Company had letters of credit outstanding totaling \$3,572,000, 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 approximate 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.

The carrying amounts and fair values of the Company's financial instruments at December 31 are as follows:

<TABLE>
<CAPTION>

| | 1997 | | 1998 | |
|--|--------------------|---------------|--------------------|---------------|
| | CARRYING AMOUNT | FAIR VALUE | CARRYING AMOUNT | FAIR VALUE |
| | (IN THOUSANDS) | | | |
| <S> | <C> | <C> | <C> | <C> |
| Cash and cash equivalents..... | \$ 895 | \$ 895 | \$ 455 | \$ 455 |
| Accounts receivable..... | 17,671 | 17,671 | 19,754 | 19,754 |
| Accounts payable..... | 72 | 72 | 4,120 | 4,120 |
| Long-term debt and capital lease obligations..... | 9,853 | 9,853 | 25,331 | 25,331 |

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

12. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of the quarterly results of operations for the years ended December 31, 1997 and 1998:

<TABLE>
<CAPTION>

| 1997 | | | | |
|---|----------|----------|--------------|-------------|
| | MARCH 31 | JUNE 30 | SEPTEMBER 30 | DECEMBER 31 |
| (IN THOUSANDS, EXCEPT PER SHARE DATA) | | | | |
| <S> | <C> | <C> | <C> | <C> |
| Operating revenue..... | \$21,611 | \$24,845 | \$ 28,901 | \$29,783 |
| Income from operations..... | 1,766 | 3,190 | 4,553 | 3,555 |
| Income from continuing operations..... | 964 | 1,773 | 2,611 | 2,096 |
| Income (loss) from discontinued operations.... | (194) | 171 | 566 | 607 |
| Net income..... | 770 | 1,944 | 3,177 | 2,703 |
| Income per share: | | | | |
| Basic: | | | | |
| Income from continuing operations..... | \$.08 | \$.15 | \$.22 | \$.17 |
| Income (loss) from discontinued operations..... | \$ (.01) | \$.01 | \$.05 | \$.05 |
| Net income..... | \$.07 | \$.16 | \$.27 | \$.22 |
| Diluted: | | | | |
| Income from continuing operations..... | \$.08 | \$.14 | \$.21 | \$.17 |
| Income (loss) from discontinued operations..... | \$ (.01) | \$.02 | \$.05 | \$.04 |
| Net income..... | \$.07 | \$.16 | \$.26 | \$.21 |

</TABLE>

<TABLE>
<CAPTION>

| 1998 | | | | |
|--|----------|----------|--------------|-------------|
| | MARCH 31 | JUNE 30 | SEPTEMBER 30 | DECEMBER 31 |
| (IN THOUSANDS, EXCEPT PER SHARE DATA) | | | | |
| <S> | <C> | <C> | <C> | <C> |
| Operating revenue..... | \$28,850 | \$30,739 | \$ 33,354 | \$37,495 |
| Income from operations..... | 2,785 | 3,709 | 4,212 | 5,305 |
| Income from continuing operations..... | 1,565 | 2,167 | 2,468 | 2,989 |
| Income from discontinued operations..... | 676 | 289 | -- | -- |
| Net income..... | 2,241 | 2,456 | 2,468 | 2,989 |
| Income per share: | | | | |
| Basic: | | | | |
| Income from continuing operations..... | \$.13 | \$.17 | \$.20 | \$.24 |
| Income from discontinued operations..... | \$.06 | \$.03 | \$ -- | \$ -- |
| Net income..... | \$.19 | \$.20 | \$.20 | \$.24 |
| Diluted: | | | | |
| Income from continuing operations..... | \$.12 | \$.17 | \$.20 | \$.23 |
| Income from discontinued operations..... | \$.06 | \$.02 | \$ -- | \$ -- |
| Net income..... | \$.18 | \$.19 | \$.20 | \$.23 |

</TABLE>

During the third quarter of 1997, the Company benefited from non-recurring revenue that resulted from the UPS strike. This additional revenue net of variable costs and income taxes, but not allocated fixed costs, resulted in an estimated additional \$1.2 million of pre-tax income from continuing operations and \$.06 of diluted income from continuing operations per share during the quarter.

13. SUBSEQUENT EVENT

On February 24, 1999, the Board of Directors approved a two-for-one split of the common shares which will be 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 this split for all years presented. All common share and per share data included in the consolidated financial statements and notes thereto have been restated to give effect to the stock split.

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Omitted Graphic and Image Material

The following graphic and image material is omitted from the form of prospectus filed electronically:

Inside Back Cover:

The title "Overnight Shuttles" and maps depicting the routes of the Company's "West Coast Shuttle," "Northeast Shuttle," "Atlanta Shuttle," "Dallas Shuttle," and "Grain Train Shuttle."

3,000,000 Shares
(FORWARD AIR LOGO)

Common Stock

PROSPECTUS

BT Alex. Brown
Morgan Keegan & Company, Inc.
Scott & Stringfellow, Inc.

April , 1999

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following is an itemized statement of the amounts of all expenses expected to be incurred by the Registrant in connection with the issuance and distribution of the shares of common stock to be registered hereby, other than underwriting discounts and commissions.

<TABLE>

| <S> | <C> |
|--|-----------|
| SEC Registration fee..... | \$ 12,769 |
| NASD filing fee..... | 5,093 |
| NASDAQ fee..... | 17,500 |
| Blue sky fees and expenses..... | 2,500 |
| Printing expenses..... | 125,000 |
| Legal fees and expenses..... | 175,000 |
| Accounting fees and expenses..... | 150,000 |
| Transfer Agent and Registrar fees..... | 5,000 |
| Miscellaneous expenses..... | 107,138 |
| | ----- |
| Total..... | \$600,000 |
| | ===== |

</TABLE>

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Tennessee Business Corporation Act ("TBCA") provides that a corporation may indemnify any director or officer against liability incurred in connection with a proceeding if (i) the director or officer acted in good faith, (ii) the director or officer reasonably believed, in the case of conduct in his or her official capacity with the corporation, that such conduct was in the corporation's best interest, or, in all other cases, that his or her conduct was not opposed to the best interests of the corporation, and (iii) in connection

with any criminal proceeding, the director or officer had no reasonable cause to believe that his or her conduct was unlawful. In actions brought by or in the right of the corporation, however, the TBCA provides that no indemnification may be made if the director or officer is adjudged to be liable to the corporation. Similarly, the TBCA prohibits indemnification in connection with any proceeding charging improper personal benefit to a director or officer, if such director or officer is adjudged liable on the basis that a personal benefit was improperly received. In cases where the director or officer is wholly successful, on the merits or otherwise, in the defense of any proceeding instigated because of his or her status as a director or officer of a corporation, the TBCA mandates that the corporation indemnify the director or officer against reasonable expenses incurred in the proceeding. Notwithstanding the foregoing, the TBCA provides that a court of competent jurisdiction, upon application, may order that a director or officer be indemnified for reasonable expense if, in consideration of all relevant circumstances, the court determines that such individual is fairly and reasonably entitled to indemnification, whether or not the standard of conduct set forth above was met.

The Bylaws of the Company provide that the Company will indemnify from liability, and advance expenses to, any present or former director or officer of the Company to the fullest extent allowed by law. Additionally, the Restated Charter of the Company limits the liability of directors of the Company to the Company or its shareholders to the fullest extent allowed by law.

The Company has purchased a directors and officers insurance policy providing for coverage for certain liabilities of the Company's directors and officers.

The form of the Underwriting Agreement filed as Exhibit 1.1 to this Registration Statement contains certain provisions relating to the indemnification of the Company and its controlling persons by the Underwriters and relating to the indemnification of the Underwriters by the Company and its controlling persons and the selling shareholders.

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ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits.

<TABLE>

<CAPTION>

EXHIBIT

NUMBER

DESCRIPTION

- - - - -

- - - - -

<C> <C> <S>

- 1.1 -- Form of Underwriting Agreement
- 2.1(a) -- Form of Distribution Agreement between Forward Air Corporation and Landair Corporation dated as of September 18, 1998
- 4.1(b) -- Restated Charter of the Registrant
- 4.2(c) -- Bylaws of the Registrant, as amended
- 4.3(c) -- Specimen Stock Certificate
- 5.1 -- Opinion of Richard H. Roberts
- 23.1(d) -- Consent of Ernst & Young LLP
- 23.2 -- Consent of Richard H. Roberts (included in Exhibit 5.1)
- 24 -- Power of Attorney (included in signature page)

</TABLE>

- - - - -

(a) Filed as an exhibit to Landair Corporation's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1998.

(b) Filed as an exhibit to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1998.

(c) Filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1998.

(d) Previously filed.

ITEM 17. UNDERTAKINGS.

(a) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described under Item 15 above, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer, or controlling person of the Registrant in the successful defense of any action, suit, or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered hereunder, the Registrant will, unless in the opinion of its counsel the question has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to

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Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective; and

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this amendment to the Registration Statement to be signed on its behalf by the undersigned, thereunto

duly authorized, in the City of Greeneville, State of Tennessee, on April 23, 1999.

FORWARD AIR CORPORATION

By: *

Scott M. Niswonger
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this amendment to the Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

| NAME | CAPACITY | DATE |
|--|---|--------------------------------|
| * ----- Scott M. Niswonger | <S> ----- Chairman and Chief Executive Officer (Principal Executive Officer) | <C> ----- April 23, 1999 |
| * ----- Bruce A. Campbell | President and Chief Operating Officer; ----- Director | April 23, 1999 |
| * ----- Edward W. Cook | Senior Vice President, Chief Financial Officer and Treasurer; Director ----- (Principal Financial and Accounting Officer) | April 23, 1999 |
| /s/ RICHARD H. ROBERTS ----- Richard H. Roberts | Senior Vice President, General Counsel and Secretary; Director | April 23, 1999 |
| * ----- James A. Cronin, III | Director | April 23, 1999 |
| * ----- Hon. Robert Keith Gray | Director | April 23, 1999 |
| * /s/ RICHARD H. ROBERTS ----- Richard H. Roberts, Attorney-in-Fact | | |

</TABLE>

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EXHIBIT INDEX

<TABLE>
<CAPTION>

| EXHIBIT NUMBER | DESCRIPTION |
|----------------|--|
| <C> <C> <S> | |
| 1.1 | -- Form of Underwriting Agreement |
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| 4.1(b) | -- Restated Charter of the Registrant |
| 4.2(c) | -- Bylaws of the Registrant, as amended |
| 4.3(c) | -- Specimen Stock Certificate |

5.1 -- Opinion of Richard H. Roberts
23.1(d) -- Consent of Ernst & Young LLP
23.2 -- Consent of Richard H. Roberts (included in Exhibit 5.1)
24 -- Power of Attorney (included in signature page)
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(b) Filed as an exhibit to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1998.

(c) Filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1998.

(d) Previously filed.

EXHIBIT 1.1

3,000,000 Shares

Forward Air Corporation

Common Stock

UNDERWRITING AGREEMENT

April __, 1999

BT Alex. Brown Incorporated
Morgan Keegan & Company, Inc.
Scott and Stringfellow, Inc.
As Representatives of the
Several Underwriters
c/o BT Alex. Brown Incorporated
One South Street
Baltimore, Maryland 21202

Ladies and Gentlemen:

Forward Air Corporation, a Tennessee corporation (the "Company"), and Scott M. Niswonger (the "Selling Shareholder") propose to sell to the several underwriters (the "Underwriters") named in Schedule I hereto, for whom you are acting as representatives (the "Representatives"), an aggregate of 3,000,000 shares of the Company's Common Stock, \$0.01 par value (the "Firm Shares"), of which 1,000,000 shares will be sold by the Company and 2,000,000 shares will be sold by the Selling Shareholder. Certain other shareholders of the Company's Common Stock named in Schedule II hereto (the "Option Shareholders") also propose to sell at the Underwriters' option an aggregate of up to 450,000 additional shares of the Company's Common Stock (the "Option Shares") as set forth below. The Company, the Selling Shareholder and the Option Shareholders are sometimes referred to herein collectively as the "Sellers." The respective amounts of the Firm Shares to be so purchased by the several Underwriters are set forth opposite their names in Schedule I hereto, and the amount to be sold by each of the Option Shareholders is set forth opposite each of their names in Schedule II hereto.

As the Representatives, you have advised the Company, the Selling Shareholder and the Option Shareholders (a) that you are authorized to enter into this Agreement on behalf of the several Underwriters and (b) that the several Underwriters are willing, acting severally and not jointly, to purchase the numbers of Firm Shares set forth opposite their respective names in

Schedule I, plus their pro rata portion of the Option Shares if you elect to exercise the over-allotment option in whole or in part for the accounts of the several Underwriters. The Firm Shares and the Option Shares (to the extent the option is exercised) are herein collectively called the "Shares."

In consideration of the mutual agreements contained herein and of the interests of the parties in the transactions contemplated hereby, the parties hereto agree as follows:

1. REPRESENTATIONS AND WARRANTIES OF THE COMPANY, THE SELLING SHAREHOLDER AND THE OPTION SHAREHOLDERS.

(a) The Company represents and warrants to each of the Underwriters as follows:

(i) A registration statement on Form S-3 (File No. 333-75853) with respect to the Shares has been prepared by the Company in conformity in all material respects with the requirements of the Securities Act of 1933, as amended (the "Act"), and the Rules and Regulations (the "Rules and Regulations")

of the Securities and Exchange Commission (the "Commission") thereunder and has been filed with the Commission. The Company has complied with the conditions for the use of Form S-3. Copies of such registration statement, including any amendments thereto, the preliminary prospectuses (meeting the requirements of the Rules and Regulations in all material respects) contained therein and the exhibits, financial statements and schedules, as finally amended and revised, have heretofore been delivered by the Company to you. Such registration statement, together with any registration statement filed by the Company pursuant to Rule 462(b) of the Act, herein referred to as the "Registration Statement," which shall be deemed to include all information omitted therefrom in reliance upon Rule 430A and contained in the Prospectus referred to below, has become effective under the Act, and no post-effective amendment to the Registration Statement has been filed as of the date of this Agreement. As used in this Agreement, "Prospectus" means (a) the form of prospectus first filed with the Commission pursuant to Rule 424(b) or (b) the last preliminary prospectus included in the Registration Statement filed prior to the time it becomes effective or filed pursuant to Rule 424(a) under the Act that is delivered by the Company to the Underwriters for delivery to purchasers of the Shares, together with any term sheet or abbreviated term sheet filed with the Commission pursuant to Rule 424(b)(7) under the Act. Each preliminary prospectus included in the Registration Statement prior to the time it becomes effective is herein referred to as a "Preliminary Prospectus." Any reference herein to the Registration Statement, any Preliminary Prospectus or to the Prospectus shall be deemed to refer to and include any documents incorporated by reference therein as of the date hereof or the date of the Prospectus, and, in the case of any reference herein to any Prospectus, also shall be deemed to include any documents incorporated by reference therein as of the date of the Prospectus, and any supplements or amendments thereto, filed with the Commission after the date of filing of the Prospectus under Rules 424(b) or 430A, and prior to the termination of the offering of the Shares by the Underwriters.

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(ii) The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Tennessee, with corporate power and authority to own or lease its properties and conduct its business as described in the Registration Statement. Each of the subsidiaries of the Company listed in Schedule III hereto (collectively, the "Subsidiaries") has been duly organized and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, with corporate power and authority to own or lease its properties and conduct its business as described in the Registration Statement. The Subsidiaries are the only subsidiaries, direct or indirect, of the Company. The Company and each of the Subsidiaries are duly qualified to transact business in all jurisdictions in which the conduct of their business requires such qualification, except where the failure to be so qualified would not have a material adverse effect on the Company and the Subsidiaries, taken as a whole. The outstanding shares of capital stock of each of the Subsidiaries have been duly authorized and validly issued, are fully paid and non-assessable and are owned by the Company or another Subsidiary free and clear of all liens, encumbrances and equities and claims, except as described in the Registration Statement, the Prospectus, on Schedule III hereto or those liens, encumbrances, equities and claims that do not materially affect the value of such securities; and except as described in the Registration Statement, the Prospectus or on Schedule III hereto, no options, warrants or other rights to purchase, agreements or other obligations to issue or other rights to convert any obligations into shares of capital stock or ownership interests in the Subsidiaries are outstanding.

(iii) The outstanding shares of Common Stock of the Company, including all shares to be sold by the Selling Shareholder and the Option Shareholders, have been duly authorized and validly issued and are fully paid and non-assessable; the portion of the Shares to be issued and sold by the Company have been duly authorized and when issued and paid for as contemplated herein will be validly issued, fully paid and non-assessable; and no preemptive rights of stockholders exist with respect to any of the Shares or the issue and sale thereof. Neither the filing of the Registration Statement nor the offering or sale of the Shares as contemplated by this Agreement gives rise to any rights, other than those which have been waived or satisfied, for or relating to the registration of any shares of Common Stock.

(iv) The information set forth under the caption "Capitalization" in

the Prospectus is true and correct in all material respects. All of the Shares conform in all material respects to the description thereof contained in the Registration Statement. The form of certificates for the Shares conforms in all material respects to the corporate law of the jurisdiction of the Company's incorporation.

(v) The Commission has not issued an order preventing or suspending the use of any Prospectus relating to the proposed offering of the Shares nor instituted, to the knowledge of the Company, proceedings for that purpose. The Registration Statement, when it was declared effective, the Prospectus, when it is filed with the Commission pursuant to Rule 424(b) and any amendment or supplement thereto, when it is filed with the Commission, contained or will contain, all statements that are required to be stated therein by, and will conform in all material

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respects to the requirements of the Act and the Rules and Regulations. The documents incorporated by reference in the Prospectus, at the time filed with the Commission, conformed in all material respects, to the requirements of the Securities Exchange Act of 1934 (the "Exchange Act") or the Act, as applicable, and the rules and regulations of the Commission thereunder. When declared effective and as of the date hereof, the Registration Statement and any amendment thereto did not contain, and does not contain, any untrue statement of a material fact and did not omit, and does not omit, to state any material fact required to be stated therein or necessary to make the statements therein not misleading. As of the date it is filed with the Commission pursuant to Rule 424(b) and as of the date hereof, the Prospectus and any amendments and supplements thereto did not contain, and will not contain, any untrue statement of material fact; and did not omit, and will not omit, to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the Company makes no representations or warranties as to information contained in or omitted from the Registration Statement or the Prospectus, or any such amendment or supplement, in reliance upon, and in conformity with, written information furnished to the Company by or on behalf of the Selling Shareholder, any Option Shareholder, or any Underwriter through the Representatives, specifically for use in the preparation thereof.

(vi) The consolidated financial statements of the Company and the Subsidiaries, together with related notes and schedules as set forth in the Registration Statement, present fairly the financial position and the results of operations and cash flows of the Company and the consolidated Subsidiaries, at the indicated dates and for the indicated periods. Such financial statements and related schedules have been prepared in accordance with generally accepted principles of accounting, consistently applied throughout the periods involved, except as disclosed therein, and all adjustments necessary for a fair presentation of results for such periods have been made. The summary financial and statistical data included or incorporated by reference in the Registration Statement presents fairly the information shown therein and such data has been compiled on a basis consistent with the financial statements presented therein and the books and records of the Company.

(vii) Ernst & Young L.L.P., who have certified certain of the financial statements filed with the Commission as part of, or incorporated by reference in, the Registration Statement, are independent public accountants as required by the Act and the Rules and Regulations.

(viii) There is no action, suit, claim or proceeding pending or, to the knowledge of the Company, threatened against the Company or any of the Subsidiaries before any court or administrative agency or otherwise that if determined adversely to the Company or any of its Subsidiaries might result in any material adverse change in the earnings, business, management, properties, assets, rights, operations, condition (financial or otherwise) or prospects of the Company and of the Subsidiaries taken as a whole or to prevent the consummation of the transactions contemplated hereby, except as set forth or incorporated by reference in the Registration Statement.

(ix) The Company and the Subsidiaries have good and marketable title to all of the properties and assets reflected in the financial statements (or as described in the Registration Statement or any document incorporated therein by reference) hereinabove described, subject to no lien, mortgage, pledge, charge or encumbrance of any kind except those reflected in such financial statements (or as described in the Registration Statement or any document incorporated therein by reference) or which are not material in amount. The Company and the Subsidiaries occupy their leased properties under valid and binding leases conforming in all material respects to the description thereof set forth in the Registration Statement or the documents incorporated therein by reference.

(x) The Company and the Subsidiaries have filed all Federal, state, local and foreign income tax returns that have been required to be filed and have paid all taxes indicated by said returns and all assessments received by them or any of them to the extent that such taxes have become due and are not being contested in good faith, except where the failure to file or pay would not reasonably be expected to have a material adverse effect of the Company and the Subsidiaries, taken as a whole. All tax liabilities have been adequately provided for in the financial statements of the Company.

(xi) Since the respective dates as of which information is given in the Registration Statement, as it may be amended or supplemented, there has not been any material adverse change or any development involving a prospective material adverse change in or affecting the earnings, business, management, properties, assets, rights, operations, condition (financial or otherwise) or prospects of the Company and its Subsidiaries taken as a whole, whether or not occurring in the ordinary course of business, and there has not been any material transaction entered into or any material transaction that is probable of being entered into by the Company or the Subsidiaries, other than transactions in the ordinary course of business and changes and transactions described in the Registration Statement, as it may be amended or supplemented. The Company and the Subsidiaries have no material contingent obligations that are not disclosed in the Company's financial statements that are included or incorporated by reference in the Registration Statement.

(xii) Neither the Company nor any of the Subsidiaries is, or with the giving of notice or lapse of time or both will be, in violation of or in default under its Charter, as amended or restated, or By-Laws, as amended or restated, or under any agreement, lease, contract, indenture or other instrument or obligation to which it is a party or by which it, or any of its properties, is bound and which violation or default would have a material adverse effect on the condition (financial or otherwise) of the Company and its Subsidiaries taken as a whole or the business, management, properties, assets, rights, operations, condition (financial or otherwise) or prospects of the Company and the Subsidiaries taken as a whole. The execution and delivery of this Agreement and the consummation of the transactions herein contemplated and the fulfillment of the terms hereof will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, any material indenture, mortgage, deed of trust or other agreement or instrument to which the Company or any Subsidiary is a party, or of the Charter, as amended or

restated, or By-Laws, as amended or restated, of the Company or any order, rule or regulation applicable to the Company or any Subsidiary of any court or of any regulatory body or administrative agency or other governmental body having jurisdiction.

(xiii) Each approval, consent, order, authorization, designation, declaration or filing by or with any regulatory, administrative or other governmental body necessary in connection with the execution and delivery by the Company of this Agreement and the consummation of the transactions herein contemplated (except such additional steps as may be required by the Commission or the National Association of Securities Dealers, Inc. (the "NASD")) has been obtained or made and is in full force and effect.

(xiv) The Company and each of the Subsidiaries holds all material licenses, certificates and permits from governmental authorities that are

necessary to the conduct of their businesses; and neither the Company nor any of the Subsidiaries has infringed any patents, patent rights, trade names, trademarks or copyrights, which infringement is material to the business of the Company and the Subsidiaries taken as a whole. The Company knows of no material infringement by others of patents, patent rights, trade names, trademarks or copyrights owned by or licensed to the Company.

(xv) Neither the Company, nor to the Company's best knowledge, any of its affiliates, has taken or will take, directly or indirectly, any action designed to cause or result in, or which has constituted or which would reasonably be expected to constitute, the stabilization or manipulation of the price of the shares of Common Stock to facilitate the sale or resale of the Shares. The Company acknowledges that the Underwriters may engage in passive market making transactions in the Shares on the Nasdaq National Market in accordance with Rule 103 under Regulation M of the Exchange Act.

(xvi) Neither the Company nor any Subsidiary is an "investment company" within the meaning of such term under the Investment Company Act of 1940, as amended (the "1940 Act") and the rules and regulations of the Commission thereunder.

(xvii) The Company maintains a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(xviii) The Company and each of its Subsidiaries carry, or are covered by, insurance in such amounts and covering such risks as management of the Company believes is adequate for the

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conduct of their respective businesses and the value of their respective properties and as is customary for companies engaged in similar industries.

(xix) The Company is in compliance in all material respects with all presently applicable provisions of the Employee Retirement Income Security Act of 1974, as amended, including the regulations and published interpretations thereunder ("ERISA"); no "reportable event" (as defined in ERISA) has occurred with respect to any "pension plan" (as defined in ERISA) for which the Company would have any liability; the Company has not incurred and does not expect to incur liability under (i) Title IV of ERISA with respect to termination of, or withdrawal from, any "pension plan" or (ii) Sections 412 or 4971 of the Internal Revenue Code of 1986, as amended, including the regulations and published interpretations thereunder (the "Code"); and each "pension plan" for which the Company would have any liability that is intended to be qualified under Section 401(a) of the Code is so qualified in all material respects and nothing has occurred, whether by action or by failure to act, that would cause the loss of such qualification.

(b) The Selling Shareholder and each of the Option Shareholders, severally and not jointly, represent and warrant as follows:

(i) The Selling Shareholder or such Option Shareholder at the Closing Date (as such date is hereinafter defined) will have good and marketable title to the Firm Shares or the Option Shares, as the case may be, to be sold by the Selling Shareholder or such Option Shareholder, free and clear of any liens, encumbrances, equities and claims, and full right, power and authority to effect the sale and delivery of such Firm Shares or Option Shares, as the case may be; and upon the delivery of, against payment for, such Firm Shares or Option Shares, as the case may be, pursuant to this Agreement, the Underwriters will acquire good and marketable title thereto, free and clear of any liens, encumbrances, equities and claims.

(ii) The Selling Shareholder or such Option Shareholder has full right,

power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement. The execution and delivery of this Agreement and the consummation by the Selling Shareholder or such Option Shareholder of the transactions herein contemplated and the fulfillment by the Selling Shareholder or such Option Shareholder of the terms hereof will not require any consent, approval, authorization, or other order of any court, regulatory body, administrative agency or other governmental body (except as may be required under the Act) and will not result in a breach of any of the terms and provisions of, or constitute a default under, any material indenture, mortgage, deed of trust or other agreement or instrument to which the Selling Shareholder or such Option Shareholder is a party, or of any order, rule or regulation applicable to the Selling Shareholder or such Option Shareholder of any court or of any regulatory body or administrative agency or other governmental body having jurisdiction.

(iii) The Selling Shareholder or such Option Shareholder has not taken and will not take, directly or indirectly, any action designed to, or which has constituted, or which would reasonably

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be expected to cause or result in the stabilization or manipulation of the price of the Common Stock of the Company and, other than as permitted by the Act, the Selling Shareholder or any Option Shareholder will not distribute any prospectus or other offering material in connection with the offering of the Shares.

(iv) Without having undertaken to determine independently the accuracy or completeness of the information contained or incorporated by reference in the Registration Statement, the Selling Shareholder or such Option Shareholder is familiar with the Registration Statement and has no knowledge of any material fact, condition or information not disclosed or incorporated by reference in the Registration Statement that has adversely affected or will adversely affect the business of the Company or any of the Subsidiaries taken as a whole; and the sale of the Firm Shares or Option Shares, as the case may be, by the Selling Shareholder or such Option Shareholder pursuant hereto is not prompted by any information concerning the Company or any of the Subsidiaries that is not set forth in the Registration Statement or the documents incorporated by reference therein. The information pertaining to the Selling Shareholder or such Option Shareholder under the captions "Principal and Selling Shareholders" and "Underwriting" in the Prospectus is complete and accurate in all material respects.

2. PURCHASE, SALE AND DELIVERY OF THE FIRM SHARES.

(a) On the basis of the representations, warranties and covenants herein contained, and subject to the conditions herein set forth, the Company and the Selling Shareholder agree to sell to the Underwriters and each Underwriter agrees, severally and not jointly, to purchase, at a price of \$ _____ per share, the number of Firm Shares set forth opposite the name of each Underwriter in Schedule I hereof, subject to adjustments in accordance with Section 9 hereof. The number of Firm Shares to be purchased by each Underwriter from each Seller shall be as nearly as practicable in the same proportion to the total number of Firm Shares being sold by each Seller as the number of Firm Shares being purchased by each Underwriter bears to the total number of Firm Shares to be sold hereunder. The obligations of the Company and of the Selling Shareholder shall be several and not joint.

(b) Certificates in negotiable form for the total number of the Shares to be sold hereunder by the Selling Shareholder have been placed in custody with Bass, Berry & Sims PLC as custodian (the "Custodian") pursuant to the Custody Agreement and Power of Attorney executed by the Selling Shareholder for delivery of all Firm Shares to be sold hereunder by the Selling Shareholder. The Selling Shareholder specifically agrees that the Firm Shares represented by the certificates held in custody for the Selling Shareholder under the Custody Agreement and Power of Attorney are subject to the interests of the Underwriters hereunder, that the arrangements made by the Selling Shareholder for such custody are to that extent irrevocable, and that the obligations of the Selling Shareholder hereunder shall not be terminable by any act or deed of the Selling Shareholder (or by any other person, firm or corporation including the Company, the Custodian or the Underwriters) or by operation of law (including the death

Shareholder) or by the occurrence of any other event or events, except as set forth in the Custody Agreement and Power of Attorney. If any such event should occur prior to the delivery to the Underwriters of the Firm Shares hereunder, certificates for the Firm Shares shall be delivered by the Custodian in accordance with the terms and conditions of this Agreement as if such event has not occurred. The Custodian is authorized to receive and acknowledge receipt of the proceeds of sale of the Shares held by it against delivery of such Shares.

(c) Payment for the Firm Shares to be sold hereunder is to be made in same day funds via wire transfer to the order of the Company for the shares to be sold by it and to the order of Bass, Berry & Sims PLC as Custodian for the Selling Shareholder for the shares to be sold by the Selling Shareholder, in each case against delivery of the Firm Shares to the Representatives for the several accounts of the Underwriters. Such payment and delivery are to be made at the offices of BT Alex. Brown Incorporated, 1 South Street, Baltimore, Maryland, at 10:00 a.m., Baltimore time, on the third business day after the date of this Agreement or at such other time and date not later than five business days thereafter as you and the Company shall agree upon, such time and date being herein referred to as the "Closing Date." As used herein, "business day" means a day on which the New York Stock Exchange is open for trading and on which banks in New York are open for business and not permitted by law or executive order to be closed.

(d) In addition, on the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Option Shareholders listed on Schedule II hereto hereby grant an option to the several Underwriters to purchase the Option Shares at the price per share as set forth in the first paragraph of this Section 2. The maximum number of Option Shares to be sold by the Option Shareholders is set forth opposite their respective names on Schedule II hereto. The option granted hereby may be exercised in whole or in part by giving written notice (i) at any time before the Closing Date and (ii) only once thereafter within 30 days after the date of this Agreement, by you, as Representatives of the several Underwriters, to the Company and the Option Shareholders setting forth the number of Option Shares as to which the several Underwriters are exercising the option, the names and denominations in which the Option Shares are to be registered and the time and date at which such certificates are to be delivered. The time and date at which certificates for Option Shares are to be delivered shall be determined by the Representatives but shall not be earlier than three nor later than 10 full business days after the exercise of such option, nor in any event prior to the Closing Date (such time and date being herein referred to as the "Option Closing Date"). If the date of exercise of the option is three or more days before the Closing Date, the notice of exercise shall set the Closing Date as the Option Closing Date. The number of Option Shares to be purchased by each Underwriter shall be in the same proportion to the total number of Option Shares being purchased as the number of Firm Shares being purchased by such Underwriter bears to the total number of Firm Shares, adjusted by you in such manner as to avoid fractional shares. The option with respect to the Option Shares granted hereunder may be exercised only to cover over-allotments in the sale of the Firm Shares by the Underwriters. You, as Representatives of the several Underwriters, may cancel such

option at any time prior to its expiration by giving written notice of such cancellation to the Company and the Option Shareholders. To the extent, if any, that the option is exercised, payment for the Option Shares shall be made on the Option Closing Date in same day funds via wire transfer to the order of the custodian for the Option Shareholders against delivery of the Option Shares at the offices of BT Alex. Brown Incorporated, 1 South Street, Baltimore, Maryland. The obligations of the Option Shareholders shall be several and not joint.

3. OFFERING BY THE UNDERWRITERS.

It is understood that the several Underwriters are to make a public offering of the Firm Shares as soon as the Representatives deem it advisable to

do so. The Firm Shares are to be initially offered to the public at the initial public offering price set forth in the Prospectus. The Representatives may from time to time thereafter change the public offering price and other selling terms. To the extent, if at all, that any Option Shares are purchased pursuant to Section 2 hereof, the Underwriters will offer them to the public on the foregoing terms.

It is further understood that you will act as the Representatives for the Underwriters in the offering and sale of the Shares in accordance with a Master Agreement Among Underwriters entered into by you and the several other Underwriters.

4. COVENANTS OF THE COMPANY, THE SELLING SHAREHOLDER AND THE OPTION SHAREHOLDERS.

(a) The Company covenants and agrees with the several Underwriters that:

(i) The Company will (A) use its reasonable best efforts to cause the Registration Statement to become effective or, if the procedure in Rule 430A of the Rules and Regulations is followed, to prepare and timely file with the Commission under Rule 424(b) of the Rules and Regulations a Prospectus in a form approved by the Representatives containing information previously omitted at the time of effectiveness of the Registration Statement in reliance on Rule 430A of the Rules and Regulations, (B) not file any amendment to the Registration Statement or supplement to the Prospectus or document incorporated by reference therein of which the Representatives shall not previously have been advised and furnished with a copy or to which the Representatives shall have reasonably objected in writing or that is not in compliance in all material respects with the Rules and Regulations and (C) file on a timely basis all reports and any definitive proxy or information statements required to be filed by the Company with the Commission subsequent to the date of the Prospectus and prior to the termination of the offering of the Shares by the Underwriters.

(ii) The Company will advise the Representatives promptly (A) when the Registration Statement or any post-effective amendment thereto shall have become effective, (B) of receipt of any comments from the Commission, (C) of any request of the Commission for amendment of the

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Registration Statement or for supplement to the Prospectus or for any additional information and (D) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the use of the Prospectus or of the institution of any proceedings for that purpose. The Company will use its reasonable best efforts to prevent the issuance of any such stop order preventing or suspending the use of the Prospectus and to obtain as soon as possible the lifting thereof, if issued.

(iii) The Company will cooperate with the Representatives in endeavoring to qualify or exempt the Shares for sale under the securities laws of such jurisdictions as the Representatives may reasonably have designated in writing and will make such applications, file such documents and furnish such information as may be reasonably required for that purpose, provided the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction where it is not now so qualified or required to file such a consent. The Company will, from time to time, prepare and file such statements, reports, and other documents, as are or may be required to continue such qualifications or exemptions in effect for so long a period as the Representatives may reasonably request for distribution of the Shares.

(iv) The Company will deliver to, or upon the order of, the Representatives, from time to time, as many copies of any Preliminary Prospectus as the Representatives may reasonably request. The Company will deliver to, or upon the order of, the Representatives during the period when delivery of a Prospectus is required under the Act, as many copies of the Prospectus in final form, or as thereafter amended or supplemented, as the Representatives may reasonably request. The Company will deliver to the Representatives at or before the Closing Date, four (4) signed copies of the Registration Statement and all amendments thereto including all exhibits filed therewith, and will deliver to

the Representatives such number of copies of the Registration Statement (including such number of copies of the exhibits filed therewith that may reasonably be requested), including documents incorporated by reference therein, and of all amendments thereto, as the Representatives may reasonably request.

(v) The Company will comply with the Act and the Rules and Regulations, and the Exchange Act, and the rules and regulations of the Commission thereunder, so as to permit the completion of the distribution of the Shares as contemplated in this Agreement and the Prospectus. If during the period in which a prospectus is required by law to be delivered by an Underwriter or dealer, any event shall occur as a result of which, in the judgment of the Company, it becomes necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances existing at the time the Prospectus is delivered to a purchaser, not misleading, or, if it is necessary at any time to amend or supplement the Prospectus to comply with any law, the Company promptly will either (i) prepare and file with the Commission an appropriate amendment to the Registration Statement or supplement to the Prospectus or (ii) prepare and file with the Commission an appropriate filing under the Exchange Act that shall be incorporated by reference in the Prospectus so that the Prospectus as so

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amended or supplemented will not, in the light of the circumstances existing when it is so delivered, be misleading, or so that the Prospectus will comply with the law.

(vi) The Company will make generally available to its security holders, as soon as it is practicable to do so, but in any event not later than 15 months after the effective date of the Registration Statement, an earnings statement (which need not be audited) in reasonable detail, covering a period of at least 12 consecutive months beginning after the effective date of the Registration Statement, which earnings statement shall satisfy the requirements of Section 11(a) of the Act and Rule 158 of the Rules and Regulations and will advise you in writing when such statement has been so made available.

(vii) The Company will, for a period of five years from the Closing Date, deliver to the Representatives copies of annual reports and copies of all other documents, reports and information furnished by the Company to its shareholders or filed with any securities exchange pursuant to the requirements of such exchange or with the Commission pursuant to the Act or the Exchange Act. The Company will deliver to the Representatives similar reports with respect to significant subsidiaries, as that term is defined in the Rules and Regulations, that are not consolidated in the Company's financial statements.

(viii) No offering, sale or other disposition of any shares of Common Stock of the Company or other securities convertible into or exchangeable or exercisable for shares of Common Stock or derivatives of Common Stock (or any agreement for such) will be made for a period of 90 days after the date of this Agreement, directly or indirectly, by the Company otherwise than hereunder or with the prior written consent of BT Alex. Brown Incorporated, except for (i) shares issued pursuant to the Company's stock incentive and stock purchase plans approved by the Board of Directors of the Company prior to the date hereof, (ii) shares issued as consideration for the Company's acquisition of businesses or (iii) shares issued to the extent necessary to comply with the Internal Revenue Service Private Letter Ruling issued to the Company in connection with the spin-off of the Company's truckload carrier business in September 1998.

(ix) The Company will use its reasonable best efforts to list, subject to notice of issuance, the Shares on the Nasdaq National Market.

(x) The Company will apply the net proceeds of its sale of the Shares as set forth in the Prospectus.

(xi) The Company will not invest or otherwise use the proceeds received by it from its sale of the Shares in such a manner as would require the Company or any of the Subsidiaries to register as an investment company under the 1940 Act.

(xii) The Company will maintain a transfer agent and, if necessary under the jurisdiction of incorporation of the Company, a registrar for the Common Stock.

(xiii) The Company will not take, directly or indirectly, any action designed to cause or result in, or that has constituted or would reasonably be expected to constitute, the stabilization or manipulation of the price of any securities of the Company.

(b) The Selling Shareholder and each of the Option Shareholders, severally and not jointly, covenant and agree with the several Underwriters that:

(i) No offering, sale, short sale, transfer, hypothecation, pledge or other disposition of any shares of Common Stock of the Company or other capital stock of the Company or other securities convertible, exchangeable or exercisable for Common Stock or derivative of Common Stock owned by the Selling Shareholder or the Option Shareholder either of record or beneficially or request for registration for the offer or sale of any of the foregoing (or as to which the Selling Shareholder or such Option Shareholder has the right to direct the disposition of) will be made for a period of 90 days after the date of this Agreement, directly or indirectly, by the Selling Shareholder or such Option Shareholder, other than bona fide gifts of shares of Common Stock if the first donee agrees in writing to be bound by the terms of this Section 4(b)(i), otherwise than hereunder or with the prior written consent of BT Alex. Brown Incorporated.

(ii) In order to document the Underwriters' compliance with the reporting and withholding provisions of the Tax Equity and Fiscal Responsibility Act of 1982 and the Interest and Dividend Tax Compliance Act of 1983 with respect to the transactions herein contemplated, the Selling Shareholder and each of the Option Shareholders agree to deliver to you prior to or at the Closing Date a properly completed and executed United States Treasury Department Form W-9 (or other applicable form or statement specified by Treasury Department regulations in lieu thereof).

(iii) The Selling Shareholder and each of the Option Shareholders will not take, directly or indirectly, any action designed to cause or result in, or that has constituted or would reasonably be expected to constitute, the stabilization or manipulation of the price of any securities of the Company.

5. COSTS AND EXPENSES.

The Company will pay all costs, expenses and fees incident to the performance of the obligations of the Sellers under this Agreement, including, without limiting the generality of the foregoing, the following: accounting fees of the Company; the fees and disbursements of counsel for the Company, the Selling Shareholder and the Option Shareholders; the cost of printing and delivering to, or as requested by, the Underwriters copies of the Registration Statement, Preliminary Prospectuses, the Prospectus, and this Agreement; the filing fees of the Commission;

the filing fee of the NASD; and the Listing Fee of the Nasdaq National Market. To the extent, if at all, that any of the Option Shareholders engage special legal counsel to represent them in connection with this offering, the fees and expenses of such counsel shall be borne by such Option Shareholder. Any transfer taxes imposed on the sale of the Shares to the several Underwriters will be paid by Sellers pro rata. The Sellers shall not, however, be required to pay for any of the Underwriters' expenses (other than those related to qualification under the NASD's regulations), except that, if this Agreement shall not be consummated because the conditions in Section 6 hereof are not satisfied, or because this Agreement is terminated by the Representatives pursuant to Section 11 hereof, or by reason of any failure, refusal or inability on the part of the Sellers to perform any undertaking or satisfy any condition of this Agreement or to comply with any of the terms hereof on their part to be performed, unless such failure to satisfy said condition or to comply with said terms be due to the default or

omission of any Underwriter, then the Company shall reimburse the several Underwriters for their reasonable out-of-pocket expenses, including fees and disbursements of counsel, reasonably incurred in connection with investigating, marketing and proposing to market the Shares or in contemplation of performing their obligations hereunder; but the Sellers shall not in any event be liable to any of the several Underwriters for damages on account of loss of anticipated profits from the sale by them of the Shares.

6. CONDITIONS OF OBLIGATIONS OF THE UNDERWRITERS.

The several obligations of the Underwriters to purchase the Firm Shares on the Closing Date and the Option Shares, if any, on the Option Closing Date are subject to the accuracy in all material respects, as of the Closing Date or the Option Closing Date, as the case may be, of the representations and warranties of the Company, the Selling Shareholder and the Option Shareholders contained herein, and to the performance by the Company, the Selling Shareholder and the Option Shareholders of their covenants and obligations hereunder and to the following additional conditions:

(a) The Registration Statement and all post-effective amendments thereto shall have become effective and any and all filings required by Rule 424 and Rule 430A of the Rules and Regulations shall have been made, and any request of the Commission for additional information (to be included in the Registration Statement or otherwise) shall have been disclosed to the Representatives and complied with to their reasonable satisfaction. No stop order suspending the effectiveness of the Registration Statement, as amended from time to time, shall have been issued and no proceedings for that purpose shall have been taken or, to the knowledge of the Company or the Selling Shareholder or any of the Option Shareholders, shall be contemplated by the Commission and no injunction, restraining order, or order of any nature by a Federal or state court of competent jurisdiction shall have been issued as of the Closing Date that would prevent the issuance of the Shares.

(b) The Representatives shall have received on the Closing Date or the Option Closing Date, as the case may be, the opinion of Bass, Berry & Sims PLC, counsel for the Company, the

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Selling Shareholder and certain of the Option Shareholders, the opinion of Woolf, McClane, Bright, Allen & Carpenter, PLLC, counsel for the East Tennessee Foundation, one of the Option Shareholders, and the opinion of Richard H. Roberts, Esq., Senior Vice President, General Counsel and Secretary of the Company as to certain matters described in this Section 6, dated the Closing Date or the Option Closing Date, as the case may be, addressed to the Underwriters (and both stating that such opinion may be relied upon by counsel to the Underwriters) to the effect that:

(i) The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Tennessee, with corporate power and authority to own or lease its properties and conduct its business as described in the Registration Statement; each of the Subsidiaries has been duly organized and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, with corporate power and authority to own or lease its properties and conduct its business as described in the Registration Statement; the Company and each of the Subsidiaries are duly qualified to transact business in all jurisdictions in which the conduct of their business requires such qualification, or in which the failure to qualify would have a materially adverse effect upon the business of the Company and the Subsidiaries taken as a whole; and the outstanding shares of capital stock of each of the Subsidiaries have been duly authorized and validly issued and are fully paid and non-assessable and are owned by the Company or a Subsidiary; and, to the best of such counsel's knowledge, except as set forth in the Registration Statement and the Prospectus or on Schedule III hereto, the outstanding shares of capital stock of each of the Subsidiaries is owned free and clear of all perfected liens, encumbrances, equities and claims, and no options, warrants or other rights to purchase, agreements or other obligations to issue or other rights to convert any obligations into any shares of capital stock or of ownership interests in the Subsidiaries are outstanding.

(ii) As of the date specified therein, the Company had authorized and

outstanding capital stock as set forth under the caption "Capitalization" in the Prospectus; the authorized shares of the Company's Common Stock have been duly authorized; the outstanding shares of the Company's Common Stock, including the Shares to be sold by the Option Shareholders, have been duly authorized and validly issued and are fully paid and non-assessable; all of the Shares conform in all material respects to the description thereof contained or incorporated by reference in the Prospectus; the certificates for the Shares, assuming they are in the form filed with the Commission, are in due and proper form; the shares of Common Stock to be sold by the Company pursuant to this Agreement have been duly authorized and will be validly issued, fully paid and non-assessable when issued and paid for as contemplated by this Agreement; and no preemptive rights of shareholders exist with respect to any of the Shares or the issue or sale thereof.

(iii) Except as described in or contemplated by the Prospectus, to the knowledge of such counsel, there are no outstanding securities of the Company convertible or exchangeable into or evidencing the right to purchase or subscribe for any shares of capital stock of the Company and there are no outstanding or authorized options, warrants or rights of any character obligating the

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Company to issue any shares of its capital stock or any securities convertible or exchangeable into or evidencing the right to purchase or subscribe for any shares of such stock; and except as described in the Prospectus, to the knowledge of such counsel, no holder of any securities of the Company or any other person has the right, contractual or otherwise, that has not been satisfied or effectively waived, to cause the Company to sell or otherwise issue to them, or to permit them to underwrite the sale of, any of the Shares or the right to have any Common Stock or other securities of the Company included in the Registration Statement or the right, as a result of the filing of the Registration Statement, to require registration under the Act of any shares of Common Stock or other securities of the Company.

(iv) The Registration Statement has become effective under the Act, and, to the best of the knowledge of such counsel, no stop order proceedings with respect thereto have been instituted or are pending or threatened under the Act.

(v) The Registration Statement, the Prospectus and each amendment or supplement thereto and document incorporated by reference therein, as of their respective effective or filing dates, complied as to form in all material respects with the requirements of the Act or the Exchange Act, as applicable, and the applicable rules and regulations thereunder (except that such counsel need express no opinion as to the financial statements and related schedules included or incorporated by reference therein). The conditions for the use of Form S-3, set forth in the General Instructions thereto, have been satisfied.

(vi) Such counsel does not know of any contracts or documents required to be filed as exhibits to or incorporated by reference in the Registration Statement or described in the Registration Statement or the Prospectus that are not so filed, incorporated by reference or described as required, and such contracts and documents as are summarized in the Registration Statement or the Prospectus are accurately summarized in all material respects.

(vii) Such counsel knows of no material legal or governmental proceedings pending or threatened against the Company or any of the Subsidiaries except as set forth or incorporated by reference in the Prospectus.

(viii) The execution and delivery of this Agreement and the consummation of the transactions herein contemplated do not and will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the Charter or By-Laws of the Company, as amended or restated, or any material agreement or instrument known to such counsel to which the Company or any of the Subsidiaries is a party or by which the Company or any of the Subsidiaries may be bound.

(ix) This Agreement has been duly authorized, executed and delivered by the Company.

(x) No approval, consent, order, authorization, designation, declaration or filing by or with any regulatory, administrative or other governmental body is necessary in connection with the execution and delivery of this Agreement and the consummation of the transactions herein contemplated (other than as may be required by the NASD), except such as have been obtained or made.

(xi) The Company is not, and will not become, as a result of the consummation of the transactions contemplated by this Agreement, and application of the net proceeds therefrom as described in the Prospectus, required to register as an investment company under the 1940 Act.

(xii) This Agreement has been duly authorized, executed and delivered by or on behalf of the Selling Shareholder and the Option Shareholders.

(xiii) To the knowledge of such counsel, the Selling Shareholder and each of the Option Shareholders has full legal right, power and authority, and any approval required by law, to sell, assign, transfer and deliver the portion of the Shares to be sold by the Selling Shareholder or the Option Shareholder.

(xiv) The Underwriters (assuming that they are bona fide purchasers within the meaning of the Uniform Commercial Code) have acquired good and marketable title to the Shares being sold by the Selling Shareholder on the Closing Date and the Option Shareholders on the Option Closing Date, as the case may be, free and clear of all liens, encumbrances, equities and claims.

In rendering such opinion, such counsel may rely as to matters governed by the laws of states other than Tennessee, Delaware or Federal laws on local counsel in such jurisdictions, provided that in each case Bass, such counsel shall state that they believe that they and the Underwriters are justified in relying on such other counsel. In addition to the matters set forth above, the opinion of Bass, Berry & Sims PLC shall also include a statement to the effect that nothing has come to the attention of such counsel which leads them to believe that (i) the Registration Statement, at the time it became effective under the Act (but after giving effect to any modifications incorporated therein pursuant to Rule 430A under the Act) and as of the Closing Date or the Option Closing Date, as the case may be, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and (ii) the Prospectus, or any supplement thereto, on the date it was filed pursuant to the Rules and Regulations and as of the Closing Date or the Option Closing Date, as the case may be, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements, in the light of the circumstances under which they are made, not misleading (except that such counsel need express no view as to financial statements, financial schedules or statistical information therein). With respect to such statement, Bass, Berry & Sims PLC may state that their belief is based upon the procedures set forth therein, but is without independent check and verification.

(c) The Representatives shall have received from Piper & Marbury L.L.P., counsel for the Underwriters, an opinion dated the Closing Date or the Option Closing Date, as the case may be, substantially to the effect specified in subparagraphs (ii), (iii), (iv), (ix) and (xii) of Paragraph (b) of this Section 6, and that the Company is a duly organized and validly existing corporation under the laws of the State of Tennessee. In rendering such opinion, Piper & Marbury L.L.P. may rely as to all matters governed other than by the laws of Maryland or Delaware or Federal laws on the opinion of counsel referred to in Paragraph (b) of this Section 6. In addition to the matters set forth above, such opinion shall also include a statement to the effect that nothing has come to the attention of such counsel that leads them to believe that (i) the Registration Statement, or any amendment thereto, as of the time it became effective under the Act (but after giving effect to any modifications incorporated therein pursuant to Rule 430A under the Act) as of the Closing Date

or the Option Closing Date, as the case may be, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and (ii) the Prospectus, or any supplement thereto, on the date it was filed pursuant to the Rules and Regulations and as of the Closing Date or the Option Closing Date, as the case may be, contained an untrue statement of a material fact or omitted to state a material fact, necessary in order to make the statements, in the light of the circumstances under which they are made, not misleading (except that such counsel need express no view as to financial statements, financial schedules or statistical information therein). With respect to such statement, Piper & Marbury L.L.P. may state that their belief is based upon the procedures set forth therein, but is without independent check and verification.

(d) You shall have received, on each of the date hereof, the Closing Date or the Option Closing Date, as the case may be, a letter dated the date hereof, the Closing Date or the Option Closing Date, as the case may be, in form and substance satisfactory to you, of Ernst & Young LLP confirming that they are independent public accountants within the meaning of the Act and the applicable published Rules and Regulations thereunder and stating that in their opinion the financial statements and schedules examined by them and included in the Registration Statement comply in form in all material respects with the applicable accounting requirements of the Act and the related published Rules and Regulations; and containing such other statements and information as is ordinarily included in accountants' "comfort letters" to Underwriters with respect to the financial statements and certain financial and statistical information contained in the Registration Statement and Prospectus.

(e) The Representatives shall have received on the Closing Date or the Option Closing Date, as the case may be, a certificate or certificates of the President and the Chief Financial Officer of the Company to the effect that, as of the Closing Date or the Option Closing Date, as the case may be, each of them severally represents as follows:

(i) The Registration Statement has become effective under the Act and no stop order suspending the effectiveness of the Registration Statement has been issued, and no

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proceedings for such purpose have been taken or are, to his knowledge, contemplated by the Commission;

(ii) The representations and warranties of the Company contained in Section 1 hereof are true and correct in all material respects as of the Closing Date or the Option Closing Date, as the case may be;

(iii) All filings required to have been made pursuant to Rules 424 or 430A under the Act have been made;

(iv) He has carefully examined the Registration Statement and the Prospectus and, in his opinion, as of the effective date of the Registration Statement and the date the Prospectus was filed with the Commission pursuant to Rule 424(b), the Registration Statement and the Prospectus, respectively, did not contain an untrue statement of material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, and since the effective date of the Registration Statement, no event has occurred that should have been set forth in a supplement to or an amendment of the Prospectus that has not been so set forth in such supplement or amendment; and

(v) Since the respective dates as of which information is given in the Registration Statement and Prospectus, there has not been any material adverse change or any development involving a prospective material adverse change in or affecting the condition, financial or otherwise, of the Company and its Subsidiaries taken as a whole or the earnings, business, management, properties, assets, rights, operations, condition (financial or otherwise) or prospects of the Company and the Subsidiaries taken as a whole, whether or not arising in the ordinary course of business.

(f) The Company, the Selling Shareholder and the Option Shareholders shall have furnished to the Representatives such further certificates and

documents confirming the representations and warranties, covenants and conditions contained herein and related matters as the Representatives may reasonably have requested.

(g) The Firm Shares have been approved for designation upon notice of issuance on the Nasdaq National Market.

(h) The Company has caused each officer and director to furnish to you, on or prior to the date of this agreement, a letter or letters, in form and substance satisfactory to the Underwriters, pursuant to which each such person has agreed not to offer, sell, sell short, contract to sell, transfer, hypothecate, pledge or otherwise dispose of any shares of Common Stock of the Company or other capital stock of the Company, or any other securities convertible, exchangeable or exercisable for shares of Common Stock or derivative of shares of Common Stock owned by such person or request the registration for the offer or sale of any of the foregoing (or as to

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which such person has the right to direct the disposition of) for a period of 90 days after the date of this Agreement, directly or indirectly, other than gifts of shares of the Company's common stock if the donee agrees in writing to be bound by the terms of this Agreement, except with the prior written consent of BT Alex. Brown Incorporated ("Lockup Agreements"). The Lockup Agreements shall be in full force and effect.

The opinions and certificates mentioned in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in all material respects reasonably satisfactory to the Representatives and to Piper & Marbury L.L.P., counsel for the Underwriters.

If any of the conditions hereinabove provided for in this Section 6 shall not have been fulfilled when and as required by this Agreement to be fulfilled, the obligations of the Underwriters hereunder may be terminated by the Representatives by notifying the Company, the Selling Shareholder and the Option Shareholders of such termination in writing at or prior to the Closing Date or the Option Closing Date, as the case may be.

In such event, the Selling Shareholder, the Option Shareholders, the Company and the Underwriters shall not be under any obligation to each other (except to the extent provided in Sections 5 and 8 hereof).

7. CONDITIONS OF THE OBLIGATIONS OF THE SELLERS.

The obligations of the Sellers to sell and deliver the portion of the Shares required to be delivered as and when specified in this Agreement are subject to the conditions that at the Closing Date or the Option Closing Date, as the case may be, no stop order suspending the effectiveness of the Registration Statement shall have been issued and in effect or proceedings therefor initiated or threatened.

8. INDEMNIFICATION.

(a) The Company and the Selling Shareholder agree to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of the Act, against any losses, claims, damages or liabilities to which such Underwriter or any such controlling person may become subject under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto or (ii) the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances under which they were made; and will reimburse each Underwriter and each such controlling person upon demand for any legal or other expenses reasonably incurred by such Underwriter or such controlling person in connection with investigating or defending any such

loss, claim, damage or liability, action or proceeding or in responding to a subpoena or governmental inquiry related to the offering of the Shares, whether or not such Underwriter or controlling person is a party to any action or proceeding; provided, however, that the Company and the Selling Shareholder will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement, or omission or alleged omission made in the Registration Statement, any Preliminary Prospectus, the Prospectus, or such amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by or through the Representatives specifically for use in the preparation thereof. The foregoing indemnity agreement with respect to any Preliminary Prospectus or the Prospectus shall not inure to the benefit of any Underwriter from whom the person asserting any such losses, claims, damages or liabilities purchased Shares, or any person controlling such Underwriter, if a copy of the Prospectus (as then amended or supplemented if the Company shall have furnished any amendments or supplements thereto) was not sent or given by or on behalf of such Underwriter to such person, if required by law so to have been delivered, at or prior to the written confirmation of the sale of the Shares to such person, and if the Prospectus (as amended or supplemented) would have cured the defect giving rise to such loss, claim, damage or liability. In no event, however, shall the liability of the Selling Shareholder for indemnification under this Section 8(a) exceed the lesser of (i) that proportion of the total of such losses, claims, damages or liabilities indemnified against equal to the proportion of the total Shares sold hereunder that is being sold by the Selling Shareholder, or (ii) the proceeds received by the Selling Shareholder from the Underwriters in the offering. This indemnity agreement will be in addition to any liability which the Company and the Selling Shareholder may otherwise have.

(b) Each of the Option Shareholders, severally and not jointly, agree to indemnify the Underwriters and each person, if any, who controls any Underwriter within the meaning of the Act, against any losses, claims, damages or liabilities to which such Underwriter or controlling person may become subject under the Act or otherwise, insofar as such losses, claims, damages and liabilities (or actions or proceedings in respect thereof) arise out of or are based upon (i) any untrue statement of any material fact concerning such Option Shareholder contained in the Registration Statement, any Preliminary Prospectus, the Prospectus, or any amendment or supplement thereto or (ii) the omission or alleged omission to state therein a material fact concerning such Option Shareholder required to be stated therein or necessary to make the statement therein not misleading in light of the circumstances under which they were made; and will reimburse each Underwriter and each such controlling person upon demand for any legal or other expenses reasonably incurred by such Underwriter or such controlling person in connection with investigating or defending any such loss, claim, damage or liability, action or proceeding or in responding to a subpoena or governmental inquiry related to the offering of the Shares, whether or not such Underwriter or controlling person is a party to any action or proceeding; provided, however, that the Company and such Option Shareholder will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an

untrue statement or alleged untrue statement, or omission or alleged omission made in the Registration Statement, any Preliminary Prospectus, the Prospectus, or such amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by or through the Representatives specifically for use in the preparation thereof. The foregoing indemnity agreement with respect to any Preliminary Prospectus or the Prospectus shall not inure to the benefit of any Underwriter from whom the person asserting any such losses, claims, damages or liabilities purchased Shares, or any person controlling such Underwriter, if a copy of the Prospectus (as then amended or supplemented if the Company shall have furnished any amendments or supplements thereto) was not sent or given by or on behalf of such Underwriter to such person, if required by law so to have been delivered, at or prior to the written confirmation of the sale of the Shares to such person, and if the Prospectus (as amended or supplemented) would have cured the defect giving rise to such loss, claim, damage or liability. In no event, however, shall the liability of any Option Shareholder for indemnification under this Section 8(b) exceed the

proceeds received by such Option Shareholder from the Underwriters in the offering. This indemnity obligation will be in addition to any liability which any Option Shareholder may otherwise have.

(c) Each Underwriter, severally and not jointly, will indemnify and hold harmless the Company, each of its directors, each of its officers who have signed the Registration Statement, the Selling Shareholder, the Option Shareholders and each person, if any, who controls the Company within the meaning of the Act, against any losses, claims, damages or liabilities to which the Company or any such director, officer, the Selling Shareholder, Option Shareholder or controlling person may become subject under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto or (ii) the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances under which they were made; and will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, the Selling Shareholder, Option Shareholder or controlling person upon demand for any legal or other expenses reasonably incurred by the Company or any such director, officer, Option Shareholder or controlling person in connection with investigating or defending any such loss, claim, damage, liability, action or proceeding or in responding to a subpoena or governmental inquiry relating to the offering of the Shares, whether or not the Company or any such director, officer, the Selling Shareholder, Option Shareholder or controlling person is a party to any action or proceeding; provided, however, that each Underwriter will be liable in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission has been made in the Registration Statement, any Preliminary Prospectus, the Prospectus or such amendment or supplement, in reliance upon and in conformity with written information furnished to the

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Company by or through the Representatives specifically for use in the preparation thereof. This indemnity agreement will be in addition to any liability that such Underwriter may otherwise have.

(d) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to this Section 8, such person (the "indemnified party") shall promptly notify the person against whom such indemnity may be sought (the "indemnifying party") in writing. No indemnification provided for in Section 8(a), (b) or (c) shall be available to any party who shall fail to give notice as provided in this Section 8(d) if the party to whom notice was not given was unaware of the proceeding to which such notice would have related and was materially prejudiced by the failure to give such notice, but the failure to give such notice shall not relieve the indemnifying party or parties from any liability that it or they may have to the indemnified party for contribution or otherwise than on account of the provisions of Section 8(a), (b) or (c). In case any such proceeding shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party and shall pay as incurred the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel at its own expense. Notwithstanding the foregoing, the indemnifying party shall pay as incurred (or within 30 days of presentation) the fees and expenses of the counsel retained by the indemnified party in the event (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel, (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them or (iii) the indemnifying party shall have failed to assume the defense and employ counsel reasonably acceptable to the indemnified party within a reasonable period of time after notice of commencement of the action. It is understood that the indemnifying party shall not, in connection

with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees and expenses of more than one separate firm for all such indemnified parties. Such firm shall be designated in writing by you in the case of parties indemnified pursuant to Section 8(a) or (b) and by the Company and the Option Shareholders in the case of parties indemnified pursuant to Section 8(c). The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. In addition, the indemnifying party will not, without the prior written consent of the indemnified party, settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding of which indemnification may be sought hereunder (whether or not any indemnified party is an actual or potential party to such claim, action or proceeding) unless such settlement, compromise or

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consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action or proceeding.

(e) If the indemnification provided for in this Section 8 is unavailable to or insufficient to hold harmless an indemnified party under Section 8(a), (b) or (c) above in respect of any losses, claims, damages or liabilities (or actions or proceedings in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company, the Selling Shareholder and the Option Shareholders on the one hand and the Underwriters on the other hand from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company, the Selling Shareholder and the Option Shareholders on the one hand and the Underwriters on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, (or actions or proceedings in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company, the Selling Shareholder and the Option Shareholders on the one hand and the Underwriters on the other hand shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company, the Selling Shareholder and the Option Shareholders bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, the Selling Shareholder or the Option Shareholders on the one hand or the Underwriters on the other hand and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company, the Selling Shareholder, each of the Option Shareholders and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section 8(e) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to above in this Section 8(e). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions or proceedings in respect thereof) referred to above in this Section 8(e) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (e), (i) no Underwriter shall be required to contribute any amount in excess of the underwriting discounts and commissions applicable to the Shares purchased by such Underwriter, (ii) no person guilty of

fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation and (iii) the Selling Shareholder or any of the Option Shareholders shall not be required to contribute any amount in excess of the lesser of (A) that proportion of the total of such losses, claims, damages or liabilities indemnified or contributed against equal to the proportion of the total Shares sold hereunder that are being sold by the Selling Shareholder or the Option Shareholders or (B) the proceeds received by the Selling Shareholder or any of the Option Shareholders from the Underwriters in the offering. The Underwriters' obligations in this Section 8(e) to contribute are several in proportion to their respective underwriting obligations and not joint.

(f) In any proceeding relating to the Registration Statement, any Preliminary Prospectus, the Prospectus or any supplement or amendment thereto, each party against whom contribution may be sought under this Section 8 hereby consents to the jurisdiction of any court having jurisdiction over any other contributing party, agrees that process issuing from such court may be served upon him or it by any other contributing party and consents to the service of such process and agrees that any other contributing party may join him or it as an additional defendant in any such proceeding in which such other contributing party is a party.

(g) Any losses, claims, damages, liabilities or expenses for which an indemnified party is entitled to indemnification or contribution under this Section 8 shall be paid by the indemnifying party to the indemnified party as such losses, claims, damages, liabilities or expenses are incurred. The indemnity and contribution agreements contained in this Section 8 and the representations and warranties of the Company set forth in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of any Underwriter or any person controlling any Underwriter, the Company, its directors or officers or any persons controlling the Company, (ii) acceptance of any Shares and payment therefor hereunder and (iii) any termination of this Agreement. A successor to any Underwriter, or to the Company, the Selling Shareholder, the Option Shareholders, its directors or officers, or any person controlling the Company, shall be entitled to the benefits of the indemnity, contribution and reimbursement agreements contained in this Section 8.

9. DEFAULT BY UNDERWRITERS.

If on the Closing Date or the Option Closing Date, as the case may be, any Underwriter shall fail to purchase and pay for the portion of the Shares that such Underwriter has agreed to purchase and pay for on such date (otherwise than by reason of any default on the part of the Company, the Selling Shareholder or any Option Shareholder), you, as Representatives of the Underwriters, shall use your reasonable efforts to procure within 36 hours thereafter one or more of the other Underwriters, or any others, to purchase from the Company, the Selling Shareholder and each of the Option Shareholders such amounts as may be agreed upon and upon the terms set forth herein, the Firm Shares or Option Shares, as the case may be, that the defaulting Underwriter or Underwriters failed to purchase. If during such 36 hours you, as such

Representatives, shall not have procured such other Underwriters, or any others, to purchase the Firm Shares or Option Shares, as the case may be, agreed to be purchased by the defaulting Underwriter or Underwriters, then (a) if the aggregate number of shares with respect to which such default shall occur does not exceed 10% of the Firm Shares or Option Shares, as the case may be, covered hereby, the other Underwriters shall be obligated, severally, in proportion to the respective numbers of Firm Shares or Option Shares, as the case may be, that they are obligated to purchase hereunder, to purchase the Firm Shares or Option Shares, as the case may be, that such defaulting Underwriter or Underwriters failed to purchase or (b) if the aggregate number of Firm Shares or Option Shares, as the case may be, with respect to which such default shall occur exceeds 10% of the Firm Shares or Option Shares, as the case may be, covered hereby, the Company, the Selling Shareholder and the Option Shareholders or you as the Representatives of the Underwriters will have the right, by written

notice given within the next 36-hour period to the parties to this Agreement, to terminate this Agreement without liability on the part of the non-defaulting Underwriters or of the Company or of the Selling Shareholder or of the Option Shareholders except to the extent provided in Section 8 hereof. In the event of a default by any Underwriter or Underwriters, as set forth in this Section 9, the Closing Date or Option Closing Date, as the case may be, may be postponed for such period, not exceeding seven days, as you, as Representatives, may determine in order that the required changes in the Registration Statement or in the Prospectus or in any other documents or arrangements may be effected. The term "Underwriter" includes any person substituted for a defaulting Underwriter. Any action taken under this Section 9 shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

10. NOTICES.

All communications hereunder shall be in writing and, except as otherwise provided herein, will be mailed, delivered, telecopied or telegraphed and confirmed as follows: if to the Underwriters, to BT Alex. Brown Incorporated, 1 South Street, Baltimore, MD 21202, Attention: Robert P. Irwin, Managing Director; with a copy to BT Alex. Brown Incorporated, 1 South Street, Baltimore, MD 21202, Attention: General Counsel; if to the Company, the Selling Shareholder or the Option Shareholders, to Forward Air Corporation, 430 Airport Road, Greenville, TN 37745 Attention: Richard H. Roberts, Senior Vice President; with a copy to Bass, Berry & Sims PLC, 2700 First American Center, Nashville, TN 37238, Attention: Leigh Walton, Esq.

11. TERMINATION.

This Agreement may be terminated by you by notice to the Sellers as follows:

(a) at any time prior to the earlier of (i) the time the Shares are released by you for sale by notice to the Underwriters or (ii) 11:30 a.m. on the date of this Agreement;

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(b) at any time prior to the Closing Date if any of the following has occurred: (i) since the respective dates as of which information is given in the Registration Statement and the Prospectus, any material adverse change or any development involving a prospective material adverse change in or affecting the condition, financial or otherwise, of the Company and its Subsidiaries taken as a whole or the earnings, business, management, properties, assets, rights, operations, condition (financial or otherwise) or prospects of the Company and its Subsidiaries taken as a whole, whether or not arising in the ordinary course of business; (ii) any outbreak or escalation of hostilities or declaration of war or national emergency or other national or international calamity or crisis or change in economic or political conditions if the effect of such outbreak, escalation, declaration, emergency, calamity, crisis or change on the financial markets of the United States would, in your reasonable judgment would make it impracticable to market the Shares or to enforce contracts for the sale of the Shares; (iii) trading generally shall have been suspended or materially limited on or by, as the case may be, any of the New York Stock Exchange, the American Stock Exchange, the NASD, the Chicago Board of Options Exchange, the Chicago Mercantile Exchange or the Chicago Board of Trade; (iv) the enactment, publication, decree or other promulgation of any statute, regulation, rule or order of any court or other governmental authority which in your opinion materially and adversely affects or may materially and adversely affect the business or operations of the Company; (v) declaration of a banking moratorium by United States or New York State authorities; (vi) any downgrading in the rating of the Company's debt securities by any "nationally recognized statistical rating organization" (as defined for purposes of Rule 436(g) under the Exchange Act); (vii) the suspension of trading of the Company's Common Stock on the Nasdaq National Market; or (viii) the taking of any action by any governmental body or agency in respect of its monetary or fiscal affairs that in your reasonable opinion has a material adverse effect on the securities markets in the United States or would make it impracticable to market the Shares or to enforce contracts for the sale of the Shares; or

(c) as provided in Sections 6 and 9 of this Agreement.

12. SUCCESSORS.

This Agreement has been and is made solely for the benefit of the Underwriters, the Company, the Selling Shareholder and each of the Option Shareholders and their respective successors, executors, administrators, heirs and assigns, and the officers, directors and controlling persons referred to herein, and no other person will have any right or obligation hereunder. No purchaser of any of the Shares from any Underwriter shall be deemed a successor or assign merely because of such purchase.

13. INFORMATION PROVIDED BY UNDERWRITERS.

The Company, the Selling Shareholder, each of the Option Shareholders and the Underwriters acknowledge and agree that the only information furnished or to be furnished by any

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Underwriter to the Company for inclusion in any Prospectus or the Registration Statement consists of the information set forth in the last paragraph on the front cover page (insofar as such information relates to the Underwriters), legends required by Item 502(d) of Regulation S-K under the Act and the information under the caption "Underwriting" in the Prospectus.

14. MISCELLANEOUS.

The reimbursement, indemnification and contribution agreements contained in this Agreement and the representations, warranties and covenants in this Agreement shall remain in full force and effect regardless of (a) any termination of this Agreement, (b) any investigation made by or on behalf of any Underwriter or controlling person thereof, or by or on behalf of the Company or its directors or officers, the Selling Shareholder or the Option Shareholders and (c) delivery of and payment for the Shares under this Agreement.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

This Agreement shall be governed by, and construed in accordance with, the laws of the State of Maryland.

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If the foregoing letter is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicates hereof, whereupon it will become a binding agreement among the Option Shareholders, the Company and the several Underwriters in accordance with its terms.

Very truly yours,

FORWARD AIR CORPORATION

By: _____
Name: _____
Title: _____

SCOTT M. NISWONGER

By: _____
Attorney-In-Fact

OPTION SHAREHOLDERS

By: _____
Attorney-In-Fact

The foregoing Underwriting Agreement is hereby confirmed and accepted as of the date first above written.

BT ALEX. BROWN INCORPORATED
MORGAN KEEGAN & COMPANY, INC.
SCOTT AND STRINGFELLOW, INC.

As Representatives of the several Underwriters listed on Schedule I

By: BT Alex. Brown Incorporated

By: _____
Authorized Officer

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SCHEDULE I

SCHEDULE OF UNDERWRITERS

<TABLE>
<CAPTION>

| Underwriter ----- | Number of Firm Shares to be Purchased ----- |
|---|---|
| <S> BT Alex. Brown Incorporated Morgan Keegan & Company, Inc. Scott and Stringfellow, Inc. | <C> |
| Total | 3,000,000 ===== |

</TABLE>

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SCHEDULE II

SCHEDULE OF OPTION SHARES

<TABLE>
<CAPTION>

| Name of Seller | Maximum Number of Option Shares to be Sold | Percentage of Total Number of Option Shares |
|----------------|--|---|
| <S> | <C> | <C> |

| | | |
|-------|----------------|------|
| Total | <u>450,000</u> | 100% |
|-------|----------------|------|

</TABLE>

SCHEDULE III

SCHEDULE OF SUBSIDIARIES AND ENCUMBRANCES

FORWARD AIR CORPORATION
430 Airport Road
Greeneville, Tennessee 37745

April 23, 1999

The Board of Directors of Forward Air Corporation
430 Airport Road
Greeneville, Tennessee 37745

Re: REGISTRATION STATEMENT ON FORM S-3

Gentlemen:

I am Senior Vice President, General Counsel and Secretary of Forward Air Corporation (the "Company"). In that capacity, I have acted as counsel for the Company in connection with the preparation of a Registration Statement on Form S-3 (the "Registration Statement") filed by the Company with the Securities and Exchange Commission on April 7, 1999, covering 3,450,000 shares of Company common stock, par value \$0.01 per share (the "Common Stock") to be sold by the Company and certain shareholders of the Company (the "Selling Shareholders") to the underwriters represented by BT Alex. Brown Incorporated, Morgan Keegan & Company, Inc. and Scott and Stringfellow, Inc. (the "Underwriters") for public distribution pursuant to the Underwriting Agreement between the Company, the Selling Shareholders, and the Underwriters to be filed as an exhibit to the Registration Statement. Such 3,450,000 shares of Common Stock include (i) 1,000,000 shares to be sold by the Company and (ii) 2,450,000 shares to be sold by the Selling Shareholders (including 450,000 shares that may be purchased by the Underwriters upon the exercise of an option to cover over-allotments).

In so acting, I have examined and relied upon such records, documents, certificates, and other instruments as in my judgment are necessary or appropriate in order to express the opinions hereinafter set forth and have assumed the genuineness of all signatures, the authenticity of all documents submitted to me as originals, and the conformity to original documents of all documents submitted to me as certified or photostatic copies.

On the basis of the foregoing, I am of the opinion that the shares of Common Stock to be sold by the Company, when issued and delivered in the manner and on the terms described in the Registration Statement (after the same is declared effective), will be validly issued, fully paid, and nonassessable, and that the shares of Common Stock to be sold by the Selling Shareholders are validly issued, fully paid, and nonassessable.

I hereby consent to the reference to me in the Registration Statement under the caption "Legal Matters" and to the use of this opinion as an exhibit to the Registration Statement.

Sincerely,

/s/ Richard H. Roberts

Richard H. Roberts
Senior Vice President, General Counsel and Secretary