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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2016
Commission File No. 000-22490

FORWARD AIR CORPORATION

(Exact name of registrant as specified in its charter)

Tennessee

(State or other jurisdiction
of incorporation or organization)

62-1120025

(I.R.S. Employer Identification No.)

1915 Snapps Ferry Road, Building N

Greeneville, Tennessee

(Address of principal executive offices)

37745

(Zip Code)

(423) 636-7000

(Registrant's telephone number, including area code)

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

Common Stock, \$0.01 par value

(Title of class)

The NASDAQ Stock Market LLC

(Name of exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting Company ☐

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2016 was approximately \$1,324,483,176 based upon the \$44.53 closing price of the stock as reported on The NASDAQ Stock Market LLC on that date. For purposes of this computation, all directors and executive officers of the registrant are assumed to be affiliates. This assumption is not a conclusive determination for purposes other than this calculation.

The number of shares outstanding of the registrant's common stock, \$0.01 par value per share as of February 17, 2017 was 30,229,809.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the 2017 Annual Meeting of Shareholders are incorporated by reference into Part III of this report.

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Introductory Note

This Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (this “Form 10-K”) contains “forward-looking statements,” as defined in Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements are statements other than historical information or statements of current condition and relate to future events or our future financial performance. In this Form 10-K, forward-looking statements include, but are not limited to, any projections of earnings, revenues, or other financial items; any statement of plans, strategies, and objectives of management for future operations; any statements regarding future insurance and claims; any statements concerning proposed or intended new services or developments; any statements regarding intended expansion through acquisition or greenfield startups; any statements regarding future economic conditions or performance; and any statements of belief and any statements of assumptions underlying any of the foregoing. Some forward-looking statements may be identified by use of such terms as “believes,” “anticipates,” “intends,” “plans,” “estimates,” “projects” or “expects.” Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The following is a list of factors, among others, that could cause actual results to differ materially from those contemplated by the forward-looking statements: economic factors such as recessions, inflation, higher interest rates and downturns in customer business cycles, our inability to maintain our historical growth rate because of a decreased volume of freight or decreased average revenue per pound of freight moving through our network, increasing competition and pricing pressure, surplus inventories, loss of a major customer, the creditworthiness of our customers and their ability to pay for services rendered, our ability to secure terminal facilities in desirable locations at reasonable rates, the inability of our information systems to handle an increased volume of freight moving through our network, changes in fuel prices, claims for property damage, personal injuries or workers’ compensation, employment matters including rising health care costs, enforcement of and changes in governmental regulations, environmental and tax matters, the handling of hazardous materials, the availability and compensation of qualified independent owner-operators and freight handlers as well as contracted, third party carriers needed to serve our customers’ transportation needs and our inability to successfully integrate acquisitions. As a result of the foregoing, no assurance can be given as to future financial condition, cash flows or results of operations. Except as required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Part I

Item 1. Business

Overview

Forward Air is a leading asset-light freight and logistics company. We provide less-than-truckload (“LTL”), truckload, intermodal and pool distribution services across the United States and in Canada. We utilize an asset-light strategy to minimize our investments in equipment and facilities and to reduce our capital expenditures. Forward Air was formed as a corporation under the laws of the State of Tennessee on October 23, 1981. Our common stock is listed on the Nasdaq Global Select Market under the symbol “FWRD”.

Services Provided

Our services can be classified into four principal reportable segments: Expedited LTL, Truckload Premium Services (“TLS”), Intermodal and Pool Distribution. For financial information relating to each of our business segments, see Note 10, “Segment Reporting,” in the Notes to consolidated Financial Statements included in this Form 10-K.

Expedited LTL. We operate a comprehensive national network to provide expedited regional, inter-regional and national LTL services. Expedited LTL offers customers local pick-up and delivery and other services including shipment consolidation and deconsolidation, warehousing, customs brokerage and other handling. Because of our roots in serving the deferred air freight market, our terminal network is located at or near airports in the United States and Canada. During the year ended December 31, 2016, Expedited LTL accounted for 58.1% of our consolidated revenue.

TLS. We provide expedited truckload brokerage, dedicated fleet services, as well as high security and temperature-controlled logistics services in the United States and Canada. During the year ended December 31, 2016, TLS accounted for 16.7% of our consolidated revenue.

Intermodal. We provide first- and last-mile high value intermodal container drayage services both to and from seaports

and railheads. Intermodal also offers dedicated contract and Container Freight Station (“CFS”) warehouse and handling services. Today, Intermodal operates primarily in the Midwest, with a smaller operational presence in the Southwest and Southeast. We plan to grow Intermodal’s geographic footprint through acquisitions as well as greenfield start-ups where we do not have an acceptable acquisition target. During the year ended December 31, 2016, Intermodal accounted for 10.6% of our consolidated revenue.

Pool Distribution. We provide high-frequency handling and distribution of time sensitive product to numerous destinations within a specific geographic region. We offer this service throughout the Mid-Atlantic, Southeast, Midwest and Southwest United States. During the year ended December 31, 2016, Pool Distribution accounted for 15.1% of our consolidated revenue.

Strategy

Our strategy is to take advantage of our core competencies to provide asset-light freight and logistics services in order to grow in the premium or high service level segments of the markets we serve. Principal components of our efforts include:

- *Expand Service Offerings.* We believe we can increase freight volumes and revenues by offering new and enhanced services that address more of our customers’ premium transportation needs. In the past few years, we have added or enhanced LTL pickup and delivery, customer label integration, expedited truckload, temperature-controlled shipments, warehousing, drayage, customs brokerage and shipment consolidation and handling services. These services benefit our existing customers and increase our ability to attract new customers.
- *Enhance Information Systems.* We are committed to the development and enhancement of our information systems in order to provide us competitive service advantages and increased productivity. We believe our information systems have and will assist us in capitalizing on new business opportunities with existing and new customers.
- *Pursue Strategic Acquisitions.* We continue to evaluate and pursue acquisitions that can increase our penetration of a geographic area; add new customers, business verticals and services; and increase freight volume. For example, we acquired Central States Trucking Co. (“CST”) in 2014. CST provides industry-leading container and intermodal drayage services within the Midwest, Southeast and Southwest regions of the United States. CST also provides linehaul service within the LTL space as well as dedicated contract and CFS warehouse services. Since our acquisition of CST in 2014, CST has completed four acquisitions. In 2016, CST acquired substantially all of the assets of ACE Cargo, LLC (“Ace”) and Triumph Transport, Inc. and Triumph Repair Service, Inc. (together referred to as “Triumph”).

Operations

The following describes in more detail the operations of each of our reportable segments: Expedited LTL, Truckload Premium Services, Intermodal and Pool Distribution.

Expedited LTL

Overview

Our Expedited LTL segment provides expedited regional, inter-regional and national LTL services. We market our Expedited LTL services primarily to freight and logistics intermediaries (such as freight forwarders and third party logistics companies) and airlines (such as integrated air cargo carriers, and passenger and cargo airlines). We offer our customers a high level of service with a focus on on-time, damage-free deliveries. Our terminals are located on or near airports in the United States and Canada and maintain regularly scheduled transportation service between major cities.

Operations

Our Expedited LTL network consists of terminals located in the following 90 cities:

City	Airport Served	City	Airport Served
Albany, NY	ALB	Louisville, KY	SDF
Albuquerque, NM*	ABQ	Memphis, TN	MEM
Allentown, PA*	ABE	McAllen, TX	MFE
Atlanta, GA	ATL	Miami, FL	MIA
Austin, TX	AUS	Milwaukee, WI	MKE
Baltimore, MD	BWI	Minneapolis, MN	MSP
Baton Rouge, LA*	BTR	Mobile, AL*	MOB
Birmingham, AL*	BHM	Moline, IA	MLI
Blountville, TN*	TRI	Montgomery, AL*	MGM
Boston, MA	BOS	Nashville, TN	BNA
Buffalo, NY	BUF	Newark, NJ	EWK
Burlington, IA	BRL	Newburgh, NY	SWF
Cedar Rapids, IA	CID	New Orleans, LA	MSY
Charleston, SC****	CHS	New York, NY	JFK
Charlotte, NC	CLT	Norfolk, VA	ORF
Chicago, IL	ORD	Oklahoma City, OK	OKC
Cincinnati, OH	CVG	Omaha, NE	OMA
Cleveland, OH	CLE	Orlando, FL	MCO
Columbia, SC*	CAE	Pensacola, FL*	PNS
Columbus, OH***	CMH	Philadelphia, PA	PHL
Corpus Christi, TX*	CRP	Phoenix, AZ	PHX
Dallas/Ft. Worth, TX	DFW	Pittsburgh, PA	PIT
Dayton, OH*	DAY	Portland, OR	PDX
Denver, CO	DEN	Raleigh, NC	RDU
Des Moines, IA**	DSM	Richmond, VA	RIC
Detroit, MI	DTW	Rochester, NY	ROC
El Paso, TX	ELP	Sacramento, CA	SMF
Evansville, IN	EVV	Saginaw, MI	MBS
Fort Wayne, IN	FWA	Salt Lake City, UT	SLC
Grand Rapids, MI	GRR	San Antonio, TX	SAT
Greensboro, NC	GSO	San Diego, CA	SAN
Greenville, SC	GSP	San Francisco, CA	SFO
Hartford, CT	BDL	Seattle, WA	SEA
Harrisburg, PA	MDT	Shreveport, LA*	SHV
Houston, TX	IAH	South Bend, IN	SBN
Huntsville, AL*	HSV	St. Louis, MO	STL
Indianapolis, IN	IND	Syracuse, NY	SYR
Jacksonville, FL	JAX	Tampa, FL	TPA
Kansas City, MO	MCI	Toledo, OH*	TOL
Knoxville, TN*	TYS	Traverse City, MI*	TVC
Lafayette, LA*	LFT	Tucson, AZ*	TUS
Laredo, TX	LRD	Tulsa, OK**	TUL
Las Vegas, NV	LAS	Washington, DC	IAD
Little Rock, AR*	LIT	Montreal, Canada*	YUL
Los Angeles, CA	LAX	Toronto, Canada	YYZ

* Denotes an independent agent location.

** Denotes a location with combined Expedited LTL and Pool Distribution operations.

*** Denotes a location in which Expedited LTL is an agent for Pool Distribution.

****Denotes a location with combined Expedited LTL and Intermodal operations.

Independent agents operate 20 of our Expedited LTL locations. These locations typically handle lower volumes of freight relative to our Company-operated facilities.

Shipments

During 2016, approximately 29.2% of the freight handled by Expedited LTL was for overnight delivery, approximately 56.1% was for delivery within two to three days and the balance was for delivery in four or more days.

The average weekly volume of freight moving through our Expedited LTL network was approximately 46.5 million pounds per week in 2016. During 2016, our average shipment weighed approximately 631 pounds. Although we impose no significant size or weight restrictions, we focus our marketing and price structure on shipments of 200 pounds or more.

Expedited LTL generally does not market its services directly to shippers (where such services might compete with our freight and logistics intermediary customers). Also, because Expedited LTL does not place significant size or weight restrictions on shipments, we generally do not compete directly with integrated air cargo carriers such as United Parcel Service and FedEx Corporation in the overnight delivery of small parcels.

The table below summarizes the average weekly volume of freight moving through our network for each year since 2002.

Year	Average Weekly Volume in Pounds
	(In millions)
2002	24.5
2003	25.3
2004	28.7
2005	31.2
2006	32.2
2007	32.8
2008	34.2
2009	28.5
2010	32.6
2011	34.0
2012	34.9
2013	35.4
2014	37.4
2015	47.2
2016	46.5

Purchased Transportation

Our licensed property broker places our customers' cargo with qualified motor carriers, including our own, and other third-party transportation companies. Expedited LTL's licensed motor carrier contracts with owner-operators for most of its transportation services. The owner-operators own, operate and maintain their own tractors and employ their own drivers. Our freight handlers load and unload our trailers and vehicles for hauling by owner-operators between our terminals.

We seek to establish long-term relationships with owner-operators to assure dependable service and availability. Historically, Expedited LTL has experienced significantly higher-than-industry average retention of owner-operators. Expedited LTL has established specific 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, Expedited LTL's rates are generally above prevailing market rates and our owner-operators often are able to negotiate a consistent work schedule for their drivers. Usually, owner-operators negotiate schedules for their drivers that are between the same two cities or along a consistent route, improving quality of work life for the drivers of our owner-operators and, in turn, increasing our driver retention.

As a result of efforts to expand our logistics and other services, seasonal demands and volume surges in particular markets, we also purchase transportation from other surface transportation providers to handle overflow volume. Of the \$225.1 million incurred for Expedited LTL's purchased transportation during 2016, we purchased 63.2% from the owner-operators of our licensed motor carrier and 36.8% from other surface transportation providers.

Other Services

Expedited LTL customers increasingly demand more than the movement of freight from their transportation providers. To meet these demands, we continually seek ways to customize and add new services.

Other Expedited LTL services allow customers to access the following services from a single source:

- customs brokerage;
- warehousing, dock and office space;
- hotshot or ad-hoc ultra expedited services; and
- shipment consolidation and handling, such as shipment build-up and break-down and reconsolidation of air or ocean pallets or containers.

Customers

Our wholesale customer base is primarily comprised of freight forwarders, third party logistics companies, integrated air cargo carriers and passenger, cargo airlines and steamship lines. Expedited LTL's freight forwarder customers vary in size from small, independent, single facility companies to large, international logistics companies. Our dependable service and wide-ranging service offerings also make Expedited LTL an attractive option for third party logistic providers ("3PL"), which is one of the fastest growing segments in the transportation industry. Because we deliver dependable service, integrated air cargo carriers use our network to provide overflow capacity and other services, including shipment of bigger packages and pallet-loaded cargo. In 2016, no single customer accounted for more than 10% of Expedited LTL's revenue.

Truckload Premium Services

Overview

Our TLS segment is an asset-light provider of transportation management services, including, but not limited to, expedited truckload brokerage, dedicated fleet services, as well as high security and temperature-controlled logistics services. We market our TLS services to integrated air cargo carriers, airlines, freight forwarders and LTL carriers, as well as life-science companies, and their distributors and other shippers of high value cargo. TLS offers long haul, regional and local services through a dedicated fleet and third party transportation providers. TLS also utilizes a wide assortment of equipment to meet our customers' critical on-time expectations in the United States and Canada.

Operations

TLS' primary operations are located in Columbus, Ohio. TLS also has satellite operations in South Bend, Indiana; Grand Rapids, Michigan; Greeneville, Tennessee; and Sacramento, California.

Operating Statistics

The table below summarizes the average weekly miles driven for each year since 2003.

Year	Average Weekly Miles (In thousands)
2003	211
2004	260
2005	248
2006	331
2007	529
2008	676
2009	672
2010	788
2011	876
2012	1,005
2013	1,201
2014	1,185
2015	1,459
2016	1,756

Transportation

TLS utilizes a dedicated fleet of owner-operators, company drivers and third party transportation providers in its operations. The owner-operators own, operate and maintain their own tractors and employ their own drivers. We also maintain a fleet of company drivers, which primarily services our life science and high value cargo customers. In many instances, our customers request team (driver) service. Through team service, we are able to provide quicker, more secure, transit service to our TLS customers.

We seek to establish long-term relationships with owner-operators and company drivers to assure dependable service and availability. To enhance our relationship with the owner-operators and our company drivers, TLS strives to set its owner-operator and company driver pay rates above prevailing market rates.

TLS has established specific guidelines relating to safety records, driving experience and personal evaluations that we use to qualify and select our drivers (leased and employed).

In addition to our owner operators and company fleet, we also purchase transportation from other surface transportation providers (including Expedited LTL) to serve our customers' needs. TLS' brokerage operation has relationships with over 4,700 qualified carriers. Of the \$123.3 million incurred for TLS transportation during 2016, we purchased 44.7% from the owner-operators of our licensed motor carrier, 8.5% from our company fleet and 46.8% from other surface transportation providers.

We have access to over 5,700 trailers and we utilize a variety of equipment in our TLS operations including dry van, refrigerated, and roller-bed trailers, as well as straight trucks and cargo vans. We service our life science and high-security cargo customers with industry-leading TAPA (Transported Asset Protection Association) Level 1 certified equipment that has layered security measures to prevent theft, qualified and calibrated refrigerated trailers and temperature systems that minimize the chance of damage to cargo caused by temperature excursions. All of the TLS trailers have global positioning trailer-tracking technology that allows us to more effectively manage our trailer pool.

All of our TLS company and independent contractor tractors are equipped with in-cab communication devices, which enable us to communicate with our drivers, plan and monitor shipment progress and monitor and record our drivers' hours of service. We use the real-time global positioning data obtained from these devices to improve customer and driver service.

Customers

Our customer base is primarily comprised of freight forwarders, third party logistics companies, integrated air cargo carriers and passenger, cargo airlines, and LTL carriers, as well as retail, life-science companies, and their distributors. TLS' customers include Fortune 500 pharmaceutical manufacturers and distributors, as well as transportation companies. In 2016, TLS' ten largest customers accounted for approximately 73.5% of its operating revenue but revenues from these customers do not exceed 10% of our consolidated revenue.

Intermodal

Overview

Our Intermodal segment provides high value intermodal container drayage services. We market our Intermodal services to import and export customers. Intermodal offers first- and last-mile transportation of freight both to and from seaports and railheads through a dedicated fleet and third party transportation providers. Today, Intermodal operates primarily in the Midwest, with a smaller presence in the Southeast and Southwest. We plan to expand beyond our current geographic footprint through acquisitions as well as greenfield start-ups where no suitable acquisition is available. Intermodal also provides linehaul and local less-than-truckload service in the Midwest, as well as CFS warehousing services (e.g. devanning, unit load device ("ULD") build-up/tear-down, and security screening) for air and ocean import/export freight at five (5) of its Midwest terminals (Chicago, Cleveland, Milwaukee, Indianapolis and Detroit). Our Intermodal service differentiators include:

- Immediate proof of delivery ("POD") and Signature Capture capability via tablets;
- All drivers receive dispatch orders on hand-held units and are trackable via GPS; and
- Daily container visibility and per diem management reports.

Operations

Intermodal's primary office is located in Oak Brook, Illinois. Intermodal's network consists of terminals in the following locations:

City	
Charleston, SC*	Kansas City, MO
Chicago/Joliet, IL	Minneapolis, MN
Cincinnati, OH	Milwaukee, WI
Cleveland, OH	Rochelle, IL
Dallas, TX	Romulus, MI
Houston, TX	Savannah, GA
Indianapolis, IN	

* Denotes a location with combined Intermodal and Expedited LTL operations.

Transportation

Intermodal utilizes a mix of Company-employed drivers, owner-operators and third party carriers. During 2016, approximately 20.0% of Intermodal's direct transportation expenses were provided by Company-employed drivers, 77.7% by owner-operators and 2.3% was provided by third party carriers.

All of our Intermodal company and independent contractor tractors are equipped with computer tablets, which enable us to communicate with our drivers, plan and monitor shipment progress and monitor our drivers' hours of service. We use the real-time global positioning data obtained from these devices to improve customer and driver service and provide a high-level of shipment visibility to our customers (including immediate POD signature capture). We believe that our technology is a key differentiator and enables us to provide a higher level of service than our competitors.

Customers

Intermodal's customer base is primarily comprised of international freight forwarders, passenger and cargo airlines and steamship lines. In 2016, Intermodal's ten largest customers accounted for approximately 39.1% of its operating revenue but revenues from these customers do not exceed 10% of our consolidated revenue.

Pool Distribution

Overview

Our Pool Distribution (or "Pool") segment provides pool distribution services through a network of terminals and service locations in 27 cities throughout the Mid-Atlantic, Southeast, Midwest and Southwest United States. Pool distribution involves managing high-frequency handling and distribution of time-sensitive product to numerous destinations in specific geographic regions. We market these services to national and regional retailers and distributors.

Operations

Our Pool Distribution network consists of terminals and service locations in the following 27 cities:

City	
Albuquerque, NM*	Kansas City, MO
Atlanta, GA	Lakeland, FL
Baltimore, MD	Las Vegas, NV
Baton Rouge, LA*	Little Rock, AR*
Charlotte, NC	Miami, FL
Chicago, IL*	Montgomery, AL
Columbus, OH**	Nashville, TN
Dallas/Ft. Worth, TX	Raleigh, NC
Des Moines, IA***	Richmond, VA
Detroit, MI*	Rochester, NY
Houston, TX	San Antonio, TX
Jacksonville, FL	St. Louis, MO*
Jacksonville, TX	Tulsa, OK***
Jeffersonville, OH	

* Denotes an independent agent station.

** Denotes a location in which Expedited LTL is an agent for Pool Distribution.

*** Denotes a location with combined Expedited LTL and Pool Distribution operations.

Transportation

Pool Distribution provides transportation services through a mix of Company-employed drivers, owner-operators and third party carriers. The mix of sources utilized to provide Pool transportation services is dependent on the individual markets and related customer routes. During 2016, approximately 38.1% of Pool's direct transportation expenses were provided by Company-employed drivers, 33.6% by owner-operators and 28.3% was provided by third party carriers.

Customers

Pool Distribution's customer base is primarily composed of national and regional retailers and distributors. Pool's three largest customers accounted for approximately 42.4% of Pool Distribution's 2016 operating revenue, but revenues from these three customers do not exceed 10% of our consolidated revenue. No other customers accounted for more than 10% of Pool's operating revenue.

Competition

We compete in the North American transportation and logistics services industry, and the markets in which we operate are highly competitive, very fragmented and historically have few barriers to entry. We compete with a large number of other asset-light logistics companies, asset-based carriers, integrated logistics companies, and third-party freight brokers. To a lesser extent, we also compete with integrated air cargo carriers and passenger airlines. Our competition ranges from small operators that compete within a limited geographic area to companies with substantially greater financial and other resources, including greater freight capacity.

Our Expedited LTL, TLS and Pool Distribution segments primarily compete with other national and regional truckload carriers. Expedited LTL also competes with less-than-truckload carriers, and to a lesser extent, integrated air cargo carriers and passenger and cargo airlines, while our TLS segment also competes with property brokers and 3PLs. Our Intermodal segment primarily competes with national and regional drayage providers.

We believe competition in our segments is based primarily on quality service, available capacity, on-time delivery, flexibility, reliability and security, transportation rates, location of facilities and business relationships, and we believe we compete favorably with other transportation service companies. To that end, we believe our Expedited LTL segment has an advantage over other truckload and less-than-truckload carriers because Expedited LTL delivers faster, more reliable services between cities at rates that are generally significantly below the charge to transport the same shipments to the same destinations by air. We believe our TLS and Intermodal segments have a competitive advantage over other truckload carriers and drayage providers because we deliver faster, more reliable service while offering greater shipment visibility and security. Additionally, we believe our Intermodal

segment is one of the leading providers of drayage and related services in North America today. We believe that our presence in several regions across the continental United States enables our Pool Distribution segment to provide consistent, high-quality service to our customers regardless of location, which is a competitive advantage over other pool distribution providers.

Marketing

We market all of our services through a sales and marketing staff located in major markets of the United States. Senior management also is actively involved in sales and marketing at the national and local account levels. We participate in trade shows and advertise our services through direct mail programs and through the Internet via www.forwardaircorp.com, www.forwardair.com, www.forwardairsolutions.com, www.shiptqi.com, and www.cstruck.com. We market our services through all of our websites. The information contained on our websites is not part of this filing and is therefore not incorporated by reference unless such information is otherwise specifically referenced elsewhere in this report.

Seasonality

Historically, our operating results have been subject to seasonal trends when measured on a quarterly basis. The first quarter has traditionally been the weakest and the third and fourth quarters have traditionally been the strongest. Typically, this pattern has been the result of factors such as economic conditions, customer demand, weather and national holidays. Additionally, a significant portion of our revenue is derived from customers whose business levels are impacted by the economy. The impact of seasonal trends and the economy is more pronounced on our pool distribution business, whose operating revenues and results tend to improve in the third and fourth quarters compared to the first and second quarters.

Employees and Equipment

As of December 31, 2016, we had 3,689 full-time employees, 1,314 of whom were freight handlers. Also, as of that date, we had an additional 999 part-time employees, of whom the majority were freight handlers. None of our employees are 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.

We manage a trailer pool that is utilized by all of our reportable segments to move freight through our networks. Our trailer pool includes dry van, refrigerated and roller-bed trailers, and substantially all of our trailers are 53 feet long. We own the majority of the trailers we use, but we supplement at times with leased trailers. At December 31, 2016, we had 4,868 owned trailers in our fleet with an average age of approximately 5.2 years. In addition, at December 31, 2016, we also had 913 leased trailers in our fleet. At December 31, 2016, we had 695 owned tractors and straight trucks in our fleet, with an average age of approximately 5.4 years. In addition, at December 31, 2016, we also had 240 leased tractors and straight trucks in our fleet.

Risk Management and Litigation

Under U.S. Department of Transportation (“DOT”) regulations, we are liable for property damage and personal injuries caused by owner-operators and Company-employed drivers while they are operating on our behalf. We currently maintain liability insurance coverage that we believe is adequate to cover third-party claims. We have a self-insured retention of \$0.8 million per occurrence for vehicle and general liability claims. We may also be subject to claims for workers’ compensation. We maintain workers’ compensation insurance coverage that we believe is adequate to cover such claims. We have a self-insured retention of approximately \$0.3 million for each such claim, except in Ohio, where we are a qualified self-insured entity with an approximately \$0.5 million self-insured retention. We could incur claims in excess of our policy limits or incur claims not covered by our insurance.

From time to time, we are a party to litigation arising in the normal course of our business, most of which involve claims for personal injury, property damage related to the transportation and handling of freight, or workers’ compensation. We do not believe that any of these 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 regulated by various United States and state agencies, including but not limited to the DOT. These regulatory authorities have broad powers, generally governing matters such as authority to engage in motor carrier operations, as well as motor carrier registration, driver hours of service, safety and fitness of transportation equipment and drivers, transportation of hazardous materials, certain mergers and acquisitions and periodic financial reporting. The trucking industry is also subject to regulatory and legislative changes from a variety of other governmental authorities, which address matters such as: increasingly

stringent environmental, occupational safety and health regulations, limits on vehicle weight and size, ergonomics, port security, and hours of service. In addition, we are subject to compliance with cargo-security and transportation regulations issued by the Transportation Security Administration (“TSA”) and Customs and Border Protection (“CBP”) within the U.S. Department of Homeland Security, and our domestic customs brokerage operations are licensed by CBP. Additionally, our Canada business activities are subject to similar requirements imposed by the laws and regulations of Canada, as well as its provincial laws and regulations. Regulatory requirements, and changes in regulatory requirements, may affect our business or the economics of the industry by requiring changes in operating practices or by influencing the demand for and increasing the costs of providing transportation services.

Service Marks

Through one of our subsidiaries, we hold federal trademark registrations or applications for federal trademark registration, associated with the following service marks: Forward Air, Inc.®, North America’s Most Complete Roadfeeder Network®, Keeping Your Business Moving ForwardSM, Forward AirSM, Forward Air SolutionsSM, Forward Air Complete®, PROUD®, Total Quality, Inc.®, TQI, Inc.®, TQI®, Central States Trucking Co.® and CSTSM. These marks are of significant value to our business.

Available Information

We file reports with the Securities and Exchange Commission (the “SEC”), including annual reports on Form 10-K, quarterly reports on Form 10-Q and other reports from time to time. We are an electronic filer and the SEC maintains an Internet site at www.sec.gov that contains these reports and other information filed electronically. We make available free of charge through our website our Code of Business Conduct and Ethics and our reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Our website address is www.forwardaircorp.com. Our goal is to maintain our website as a portal through which investors can easily find or navigate to pertinent information about us. The information provided on the website is not part of this report, and is therefore not incorporated by reference unless such information is otherwise specifically referenced elsewhere in this report.

Item 1A. Risk Factors

In addition to the other information in this Form 10-K and other documents we have filed with the SEC from time to time, the following factors should be carefully considered in evaluating our business. Such factors could affect results and cause results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, us. Some or all of these factors may apply to our business.

Overall economic conditions that reduce freight volumes could have a material adverse impact on our operating results and ability to achieve growth.

We are sensitive to changes in overall economic conditions that impact customer shipping volumes, industry freight demand and industry truck capacity. The transportation industry historically has experienced cyclical fluctuations in financial results due to economic recession, downturns in business cycles of our customers, interest rate fluctuations, inflation and other economic factors beyond our control. Deterioration in the economic environment subjects our business to various risks, including the following, that may have a material and adverse impact on our operating results and cause us not to maintain profitability or achieve growth:

- A reduction in overall freight volumes reduces our opportunities for growth. In addition, a decline in the volume of freight shipped due to a downturn in customers’ business cycles or other factors (including our ability to assess dimensional-based weight increases) generally results in decreases in freight pricing and decreases in average revenue per pound of freight, as carriers compete for loads to maintain truck productivity.
- Our base transportation rates are determined based on numerous factors such as length of haul, weight per shipment and freight class. During economic downturns, we may also have to lower our base transportation rates based on competitive pricing pressures and market factors.
- Some of our customers may face economic difficulties and may not be able to pay us, and some may go out of business. In addition, some customers may not pay us as quickly as they have in the past, causing our working capital needs to increase.
- A significant number of our transportation providers may go out of business and we may be unable to secure sufficient equipment or other transportation services to meet our commitments to our customers.

- We may not be able to appropriately adjust our expenses to changing market demands. In order to maintain high variability in our business model, it is necessary to adjust staffing levels to changing market demands. In periods of rapid change, it is more difficult to match our staffing levels to our business needs.

If we have difficulty attracting and retaining owner-operators or freight handlers, or are unable to contract with a sufficient number of third-party carriers to supplement our owner-operator fleet, our profitability and results of operations could be adversely affected.

We depend on owner-operators for most of our transportation needs. In 2016, owner-operators provided 61.5% of our purchased transportation. 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. During periods of low unemployment in the areas where our terminals are located, we may have difficulty hiring and retaining a sufficient number of freight handlers. If we have difficulty attracting and retaining enough qualified freight handlers and owner-operators, we may be forced to increase wages and benefits or to increase the cost at which we contract with our owner-operators, either of which would increase our operating costs. This difficulty may also impede our ability to maintain our delivery schedules, which could make our service less competitive and force us to curtail our planned growth. A capacity deficit may lead to a loss of customers and a decline in the volume of freight we receive from customers.

To augment our fleet of owner-operators, from time to time we purchase transportation from third-party carriers at a higher cost. As with owner-operators, competition for third-party carriers is intense, and sometimes there are shortages of available third-party carriers. If we cannot secure a sufficient number of owner-operators and have to purchase transportation from third-party carriers, our operating costs will increase. If our labor costs increase, we may be unable to offset the increased labor costs by increasing rates without adversely affecting our business. As a result, our profitability and results of operations could be adversely affected.

A determination by regulators that our independent owner-operators are employees rather than independent contractors could expose us to various liabilities and additional ongoing expenses, and related litigation can subject us to substantial costs, which could have a material adverse effect on our results of operations and our financial condition.

At times, the Internal Revenue Service, the Department of Labor and state authorities have asserted that owner-operators are “employees,” rather than “independent contractors.” In addition, the topic of the classification of individuals as employees or independent contractors has gained increased attention among the plaintiffs’ bar. One or more governmental authorities may challenge our position that the owner-operators we use are not our employees. A determination by regulators that our independent owner-operators are employees rather than independent contractors could expose us to various liabilities and additional ongoing expenses, including but not limited to, employment-related expenses such as workers’ compensation insurance coverage and reimbursement of work-related expenses. Our exposure could include prior period compensation, as well as potential liability for employee benefits and tax withholdings. In addition, certain states have recently seen numerous class action lawsuits filed against transportation companies that engage independent contractors, some of which have resulted in significant damage awards and/or monetary settlements for workers who have been allegedly misclassified as independent contractors. The legal and other costs associated with any of these matters can be substantial and could have a material adverse effect on our results of operations and our financial condition.

We may have difficulty effectively managing our growth, which could adversely affect our business, results of operations and financial condition.

Our growth strategy includes increasing freight volume from existing customers, expanding our service offerings and pursuing strategic transactions. 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, among other things, regularly enhance our operating and management information systems, evaluate and change our service offerings and continue to attract, retain, train, motivate and manage key employees, including through training and development programs. If we are unable to manage our growth effectively, our business, results of operations and financial condition may be adversely affected.

Volatility in fuel prices, shortages of fuel or the ineffectiveness of our fuel surcharge program can have a material adverse effect on our results of operations and profitability.

We are subject to risks associated with the availability and price of fuel, which are subject to political, economic and market factors that are outside of our control. Fuel prices have fluctuated dramatically over recent years. Over time we have been able to mitigate the impact of the fluctuations through our fuel surcharge programs. Our fuel surcharge rates are set weekly based on the national average for fuel prices as published by the U.S. Department of Energy and our fuel surcharge table. Our

net fuel surcharge revenue is the result of our fuel surcharge rates and the tonnage transiting our networks. The fuel surcharge revenue is then netted with the fuel surcharge we pay to our owner-operators and third party transportation providers. There can be no assurance that our fuel surcharge revenue programs will be effective in the future as the fuel surcharge may not capture the entire amount of the increase in fuel prices. Additionally, decreases in fuel prices reduce the cost of transportation services and accordingly, could reduce our revenues and may reduce margins for certain lines of business. In addition to changing fuel prices, fluctuations in volumes and related load factors may subject us to volatility in our net fuel surcharge revenue. Fuel shortages, changes in fuel prices and the potential volatility in net fuel surcharge revenue may adversely impact our results of operations and overall profitability.

Because a portion of our network costs are fixed, any factors that result in a decrease in the volume or revenue per pound of freight shipped through our networks will adversely affect our results of operations.

Our operations, particularly our networks of hubs and terminals, represent substantial fixed costs. As a result, any decline in the volume or revenue per pound of freight we handle will have an adverse effect on our operating margin and our results of operations. Several factors can result in such declines, including adverse business and economic conditions affecting shippers of freight as discussed above. In addition, volumes shipped through our network may be negatively impacted by lack of customer contractual obligations or cancellations of existing customer contracts. Typically, we do not enter into long-term contracts with our customers. Rather, our customer contracts typically allow for cancellation within 30 to 60 days. As a result, we cannot guarantee that our current customers will continue to utilize our services or that they will continue at the same levels. Any one of the foregoing factors that results in a decrease in the volume or revenue per pound of freight shipped will adversely affect our results of operations.

We derive a significant portion of our revenue from a few major customers, the loss of one or more of which could have a material adverse effect on our business.

For the calendar year ended December 31, 2016, our top 10 customers, based on revenue, accounted for approximately 34.1% of our revenue. Our Expedited LTL, TLS and Intermodal segments typically do not have long-term contracts with their customers. While our Pool segment business may involve a long-term written contract, those contracts may contain cancellation clauses, and there is no assurance that our current customers will continue to utilize our services or continue at the same levels. A reduction in or termination of our services by one or more of our major customers could have a material adverse effect on our business and operating results.

We operate in highly competitive and fragmented segments of our industry, and our business will suffer if we are unable to adequately address downward pricing pressures and other factors that may adversely affect our results of operations, growth prospects and profitability.

The segments of the freight transportation industry in which we participate are highly competitive, very fragmented and historically have few barriers to entry. We compete with a large number of other asset-light logistics companies, asset-based carriers, integrated logistics companies, and third-party freight brokers. To a lesser extent, we also compete with integrated air cargo carriers and passenger airlines. Our competition ranges from small operators that compete within a limited geographic area to companies with substantially greater financial and other resources, including greater freight capacity. We also face competition from freight forwarders who decide to establish their own networks to transport expedited ground freight, as well as from logistics companies, internet matching services and internet and third party freight brokers and new entrants to the market. In addition, customers can bring in-house some of the services we provide to them. We believe competition is based primarily on quality service, available capacity, on-time delivery, flexibility, reliability and security, transportation rates as well as the ability to acquire and maintain terminal facilities in desirable locations at reasonable rates. Many of our competitors periodically reduce their rates to gain business, especially during times of economic decline. In the past several years, several of our competitors have reduced their rates to unusually low levels that we believe are unsustainable in the long-term, but that may materially adversely affect our business in the short-term.

In addition, competitors may pursue other strategies to gain a competitive advantage such as developing superior information technology systems or establishing cooperative relationships to increase their ability to address customer needs. Furthermore, the transportation industry continues to consolidate. As a result of consolidation, our competitors may increase their market share and improve their financial capacity, and may strengthen their competitive positions. Business combinations could also result in competitors providing a wider variety of services at competitive prices, which could adversely affect our financial performance. These competitive pressures may cause a decrease in our volume of freight, require us to lower the prices we charge for our services and adversely affect our results of operations, growth prospects and profitability.

Our results of operations will be materially and adversely affected if our new service offerings do not gain market acceptance or result in the loss of our current customer base.

One element of our growth strategy is to expand our service offerings to customers. As a result, we have added additional services in the past few years. We may not succeed in making our customers sufficiently aware of existing and future services or in creating customer acceptance of these services at the prices we would want to charge. In addition, we may be required to devote substantial resources to educate our customers, with no assurance that a sufficient number of customers will use our services for commercial success to be achieved. We may not identify trends correctly, or may not be able to bring new services to market as quickly, effectively or price-competitively as our competitors. In addition, new services may alienate existing customers or cause us to lose business to our competitors. If any of the foregoing occurs, it could have a material adverse effect on our results of operations.

We have grown and may grow, in part, through acquisitions, which involve various risks, and we may not be able to identify or acquire companies consistent with our growth strategy or successfully integrate acquired businesses into our operations.

We have grown through acquisitions, and we intend to pursue opportunities to expand our business by acquiring other companies in the future. Acquisitions involve risks, including those relating to:

- identification of appropriate acquisition candidates;
- negotiation of acquisitions on favorable terms and valuations;
- integration of acquired businesses and personnel;
- implementation of proper business and accounting controls;
- ability to obtain financing, at favorable terms or at all;
- diversion of management attention;
- retention of employees and customers;
- unexpected liabilities;
- potential erosion of operating profits as new acquisitions may be unable to achieve profitability comparable with our Expedited LTL business; and
- detrimental issues not discovered during due diligence.

Acquisitions also may affect our short-term cash flow and net income as we expend funds, potentially increase indebtedness and incur additional expenses. If we are not able to identify or acquire companies consistent with our growth strategy, or if we fail to successfully integrate any acquired companies into our operations, we may not achieve anticipated increases in revenue, cost savings and economies of scale, our operating results may actually decline and acquired goodwill may become impaired.

We could be required to record a material non-cash charge to income if our recorded intangible assets or goodwill are determined to be impaired.

We have \$106.7 million of recorded net definite-lived intangible assets on our consolidated balance sheet at December 31, 2016. Our definite-lived intangible assets primarily represent the value of customer relationships and non-compete agreements that were recorded in conjunction with our various acquisitions. We review our long-lived assets, such as our definite-lived intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is recognized on these assets when the sum of undiscounted estimated cash flows expected to result from the use of the asset is less than the carrying value. If such measurement indicates an impairment, we would be required to record a non-cash impairment charge to our consolidated statement of comprehensive income in the amount that the carrying value of these assets exceed the estimated fair value of the assets.

We also have recorded goodwill of \$184.7 million on our consolidated balance sheet at December 31, 2016. Goodwill is assessed for impairment annually (or more frequently if circumstances indicate possible impairment) for each of our reporting units. This assessment includes comparing the fair value of each reporting unit to the carrying value of the assets assigned to each reporting unit. If the carrying value of the reporting unit was to exceed our estimated fair value of the reporting unit, we would then be required to estimate the fair value of the individual assets and liabilities within the reporting unit to ascertain the amount of fair value of goodwill and any potential impairment. If we determine that our fair value of goodwill is less than the related book value, we could be required to record a non-cash impairment charge to our consolidated statement of comprehensive income, which could have a material adverse effect on our earnings.

We are dependent on our senior management team and other key employees, and the loss of any such personnel could materially and adversely affect our business, operating results and financial condition.

Our future performance depends, in significant part, upon the continued service of our senior management team and other key employees. We cannot be certain that we can retain these employees. The loss of the services of one or more of these or other key personnel could have a material adverse effect on our business, operating results and financial condition if we are unable to secure replacement personnel that have sufficient experience in our industry or in the management of our business. If we fail to develop and retain a core group of senior management and other key employees and address issues of succession planning, it could hinder our ability to execute on our business strategies and maintain our level of service.

If we fail to maintain our information technology systems, or if we fail to successfully implement new technology or enhancements, we may be at a competitive disadvantage and experience a decrease in revenues.

We rely heavily on our information technology systems to efficiently run our business, and they are a key component of our growth strategy and competitive advantage. We expect our customers to continue to demand more sophisticated, fully integrated information systems from their transportation providers. To keep pace with changing technologies and customer demands, we must correctly interpret and address market trends and enhance the features and functionality of our information technology systems in response to these trends, which may lead to significant ongoing software development costs. We may be unable to accurately determine the needs of our customers and the trends in the transportation services industry or to design and implement the appropriate features and functionality of our information technology systems in a timely and cost-effective manner, which could put us at a competitive disadvantage and result in a decline in our efficiency, decreased demand for our services and a corresponding decrease in our revenues. Furthermore, as technology improves, our customers may be able to find alternatives to our services for matching shipments with available freight hauling capacity. We must continue to develop innovative services and capabilities in order to continue to attract and maintain customer demand for our services.

Our information technology systems are subject to risks, many of which are outside of our control.

Our information technology systems are dependent upon global communications providers, web browsers, telephone systems and other aspects of the Internet infrastructure that have experienced significant system failures and electrical outages in the past. While we take measures to ensure our major systems have redundant capabilities, our systems are susceptible to outages from fire, floods, power loss, telecommunications failures, data leakage, human error, break-ins, cyber-attacks and similar events. Despite our implementation of network security measures, our servers are vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems. The occurrence of any of these events could disrupt or damage our information technology systems and hamper our internal operations, our customers to access our information technology systems and adversely impact our customer service, volumes, and revenues and result in increased cost. Furthermore, a material network breach in the security of our information technology systems could result in the theft of our intellectual property or trade secrets, personal information of our employees and confidential information of our customers. To the extent that any disruptions or security breach results in a loss or damage to our data, or in inappropriate disclosure of confidential information, it could cause significant damage to our reputation, affect our relationships with our customers, reduce the demand for our services, lead to claims against us and ultimately harm our business. In addition, we may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future.

Claims for property damage, personal injuries or workers' compensation and related expenses could significantly reduce our earnings.

Under DOT regulations, we are liable for property damage and personal injuries caused by owner-operators and Company-employed drivers while they are operating on our behalf. We currently maintain liability insurance coverage that we believe is adequate to cover third-party claims. We have a self-insured retention of \$0.8 million per occurrence for vehicle and general liability claims. We may also be subject to claims for workers' compensation. We maintain workers' compensation insurance coverage that we believe is adequate to cover such claims. We have a self-insured retention of approximately \$0.3 million for each such claim, except in Ohio, where we are a qualified self-insured entity with an approximately \$0.5 million self-insured retention. 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 may have a material adverse effect on us. Because we do not carry "stop loss" insurance, a significant increase in the number of claims that we must cover under our self-insurance retainage could adversely affect our profitability. In addition, we may be unable to maintain insurance coverage at a reasonable cost or in sufficient amounts or scope to protect us against losses.

We face risks related to self-insurance and third-party insurance that can be volatile to our earnings.

We self-insure a significant portion of our claims exposure and related expenses for cargo loss, employee medical expense, bodily injury, workers' compensation and property damage, and maintain insurance with insurance companies above our limits of self-insurance. Self-insurance retention and other limitations are detailed in Part II, Item 7, under "Self-Insurance Loss Reserves." Our large self-insured retention limits can make our insurance and claims expense higher or more volatile. Additionally, if our third-party insurance carriers or underwriters leave the trucking sector, as was the case during 2016, it could materially increase our insurance costs or collateral requirements, or create difficulties in finding insurance in excess of our self-insured retention limits. Additionally, we could find it necessary to raise our self-insured retention, pay higher premiums or decrease our aggregate coverage limits when our policies are renewed or replaced, any of which will negatively impact our earnings.

We accrue for the costs of the uninsured portion of pending claims, based on the nature and severity of individual claims and historical claims development trends. Estimating the number and severity of claims, as well as related judgment or settlement amounts is inherently difficult. This, along with legal expenses, incurred but not reported claims, and other uncertainties can cause unfavorable differences between actual self-insurance costs and our reserve estimates.

Our business is subject to seasonal trends.

Historically, our operating results have been subject to seasonal trends when measured on a quarterly basis. Our first and second quarters have traditionally been the weakest compared with our third and fourth quarters. This trend is dependent on numerous factors including economic conditions, customer demand and weather. Because revenue is directly related to the available working days of shippers, national holidays and the number of business days during a given period may also create seasonal impact on our results of operations. After the winter holiday season and during the remaining winter months, our freight volumes are typically lower because some customers reduce shipment levels. In addition, a substantial portion of our revenue is derived from customers in industries whose shipping patterns are tied closely to consumer demand which can sometimes be difficult to predict or are based on just-in-time production schedules. Therefore, our revenue is, to a large degree, affected by factors that are outside of our control. There can be no assurance that our historic operating patterns will continue in future periods as we cannot influence or forecast many of these factors.

Our results of operations may be affected by harsh weather conditions and disasters.

Certain weather-related conditions such as ice and snow can disrupt our operations. Our operating expenses have historically been higher in the winter months because of cold temperatures and other adverse winter weather conditions which result in decreased fuel efficiency, increased cold weather-related maintenance costs of revenue equipment and increased insurance and claims costs. Harsh weather could also reduce our ability to transport freight, which could result in decreased revenues. Disasters, whether natural or man-made can also adversely affect our performance by reducing demand and reducing our ability to transport freight, which could result in decreased revenue and increased operating expenses.

We operate in a regulated industry, and increased costs of compliance with, or liability for violation of, existing or future regulations could have a material adverse effect on our business.

The DOT and various state and federal agencies have been granted broad regulatory powers over our business in the United States, and we are licensed by the DOT and U.S. Customs. Additionally, our Canada business activities are subject to the similar laws and regulations of Canada and its provinces. If we fail to comply with any applicable regulations, our licenses may be revoked or we could be subject to substantial fines or penalties and to civil and criminal liability.

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. The Federal Motor Carrier Safety Administration ("FMCSA") has implemented a requirement that electronic driver logs be monitored by Electronic Log Devices ("ELDs") for most interstate commercial motor vehicle drivers by no later than December 18, 2017. The cost associated with the ELD mandate, together with other regulations, could result in a reduction in the pool of owner-operators and other third-party carriers available to us to service our customers' demands, which could increase driver turnover, decrease asset utilization, limit growth and adversely impact our results of operations. Further, heightened security concerns may continue to result in increased regulations, including the implementation of various security measures, checkpoints or travel restrictions on trucks.

In addition, there may be changes in applicable federal or state tax or other laws or interpretations of those laws. If this happens, we may 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.

We are subject to various environmental laws and regulations, and costs of compliance with, or liabilities for violations of, existing or future laws and regulations could significantly increase our costs of doing business.

Our operations are subject to environmental laws and regulations dealing with, among other things, the handling of hazardous materials and discharge and retention of stormwater. We operate in industrial areas, where truck terminals and other industrial activities are located, and where groundwater or other forms of environmental contamination may have occurred. Our operations involve the risks of fuel spillage, environmental damage, and hazardous waste disposal, among others. If we are involved in a spill or other accident involving hazardous substances, or if we are found to be in violation of applicable environmental laws or regulations, it could significantly increase our cost of doing business. Under specific environmental laws and regulations, we could be held responsible for all of the costs relating to any contamination at our past or present terminals and at third-party waste disposal sites. If we fail to comply with applicable environmental laws and regulations, we could be subject to substantial fines or penalties and to civil and criminal liability.

In addition, as global warming issues become more prevalent, federal and local governments and our customers are beginning to respond to these issues. This increased focus on sustainability may result in new regulations and customer requirements that could negatively affect us. This could cause us to incur additional direct costs or to make changes to our operations in order to comply with any new regulations and customer requirements, as well as increased indirect costs or loss of revenue resulting from, among other things, our customers incurring additional compliance costs that affect our costs and revenues. We could also lose revenue if our customers divert business from us because we have not complied with their sustainability requirements. These costs, changes and loss of revenue could have a material adverse effect on our business, financial condition and results of operations.

The FMCSA's CSA initiative could adversely impact our ability to hire qualified drivers or contract with qualified owner-operators or third-party carriers, meet our growth projections and maintain our customer relationships, each of which could adversely impact our results of operations.

The FMCSA's Compliance, Safety, Accountability initiative ("CSA") is an enforcement and compliance program designed to monitor and improve commercial motor vehicle safety by measuring the safety record of both the motor carrier and the driver. These measurements are scored and used by the FMCSA to identify potential safety risks and to direct enforcement action. CSA scores are dependent upon safety and compliance experience, which could change at any time. In addition, the safety standards prescribed in CSA could change and our ability as well as our independent contractors' ability to maintain an acceptable score could be adversely impacted. Public disclosure of certain CSA scores was restricted through the enactment of the Fixing America's Surface Transportation Act of 2015 (the "FAST Act") on December 4, 2015; however, the FAST Act does not restrict public disclosure of all data collected by the FMCSA. If we receive unacceptable CSA scores, and this data is made available to the public, our relationships with our customers could be damaged, which could result in a loss of business.

The requirements of CSA could also shrink the industry's pool of drivers as those with unfavorable scores could leave the industry. As a result, the costs to attract, train and retain qualified drivers, owner-operators or third-party carriers could increase. In addition, a shortage of qualified drivers could increase driver turnover, decrease asset utilization, limit growth and adversely impact our results of operations.

If our employees were to unionize, our operating costs would likely increase.

None of our employees is currently represented by a collective bargaining agreement. However, we have no assurance that our employees will not unionize in the future, which could increase our operating costs and force us to alter our operating methods. This could have a material adverse effect on our operating results.

Our charter and bylaws and provisions of Tennessee law could discourage or prevent a takeover that may be considered favorable.

Our charter and bylaws and provisions of Tennessee law may discourage, delay or prevent a merger, acquisition or change in control that may be considered favorable. These provisions could also discourage proxy contests and make it more difficult for shareholders to elect directors and take other corporate actions. Among other things, these provisions:

- authorize us to issue preferred stock, the terms of which may be determined at the sole discretion of our Board of Directors and may adversely affect the voting or economic rights of our shareholders; and
- establish advance notice requirements for nominations for election to the Board of Directors and for proposing matters that can be acted on by shareholders at a meeting.

Our charter and bylaws and provisions of Tennessee law may discourage transactions that otherwise could provide for the payment of a premium over prevailing market prices for our Common Stock and also could limit the price that investors are willing to pay in the future for shares of our Common Stock.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Properties

We believe that we have adequate facilities for conducting our business, including properties owned and leased. Management further believes that in the event replacement property is needed, it will be available on terms and at costs substantially similar to the terms and costs experienced by competitors within the transportation industry.

We own our Columbus, Ohio central sorting facility which is used by our Expedited LTL and TLS segments. The Columbus, Ohio facility is 125,000 square feet with 168 trailer doors. This premier facility can unload, sort and load upwards of 3.7 million pounds in five hours.

We also own facilities near Dallas/Fort Worth, Texas, Chicago, Illinois and Atlanta, Georgia, all of which are used by the Expedited LTL segment. The Dallas/Fort Worth, Texas facility has over 216,000 square feet with 134 trailer doors and approximately 28,000 square feet of office space. The Chicago, Illinois facility is over 125,000 square feet with 110 trailer doors and over 10,000 square feet of office space. The Atlanta, Georgia facility is over 142,000 square feet with 118 trailer doors and approximately 12,000 square feet of office space. We lease our shared services headquarters in Greeneville, Tennessee. During 2016, we renewed the lease through 2023. Our executives are headquartered within our Atlanta, Georgia and Dallas, Texas facilities.

We lease and maintain 100 additional terminals, office spaces and other properties located in major cities throughout the United States and Canada. Lease terms for these terminals are typically for three to seven years. As a result of the Towne acquisition, we currently have 8 idle facilities that we are still leasing. Our plan is to buyout or sublease these remaining facilities. In addition, we have operations in 27 cities operated by independent agents who handle freight for us on a commission basis.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Our Common Stock trades on The NASDAQ Global Select Stock Market™ under the symbol "FWRD." The following table sets forth the high and low sales prices for Common Stock as reported by The NASDAQ Global Select Stock Market™ for each full quarterly period within the two most recent fiscal years.

2016	High	Low	Dividends
First Quarter	\$ 49.01	\$ 36.00	\$ 0.12
Second Quarter	48.69	41.48	0.12
Third Quarter	47.78	41.70	0.12
Fourth Quarter	50.72	40.07	0.15

2015	High	Low	Dividends
First Quarter	\$ 57.65	\$ 43.30	\$ 0.12
Second Quarter	54.99	50.21	0.12
Third Quarter	53.30	41.44	0.12
Fourth Quarter	50.47	40.52	0.12

There were approximately 616 shareholders of record of our Common Stock as of January 13, 2017.

Subsequent to December 31, 2016, our Board of Directors declared a cash dividend of \$0.15 per share that will be paid in the first quarter of 2017. The Company expects to continue to pay regular quarterly cash dividends, though each subsequent quarterly dividend is subject to review and approval by the Board of Directors.

There are no material restrictions on our ability to declare dividends.

None of our securities were sold during fiscal year 2016 without registration under the Securities Act.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2016 with respect to shares of our Common Stock that may be issued under the following existing equity compensation plans: the 1999 Stock Option and Incentive Plan (the “1999 Plan”), the Amended and Restated Stock Option and Incentive Plan (“1999 Amended Plan”), the 2016 Omnibus Incentive Compensation Plan (the “2016 Plan”), the Non-Employee Director Stock Option Plan (the “NED Plan”), the 2000 Non-Employee Director Award (the “2000 NED Award”), the 2005 Employee Stock Purchase Plan (the “ESPP”) and the Amended and Restated Non-Employee Director Stock Plan (the “Amended Plan”). Our shareholders have approved each of these plans.

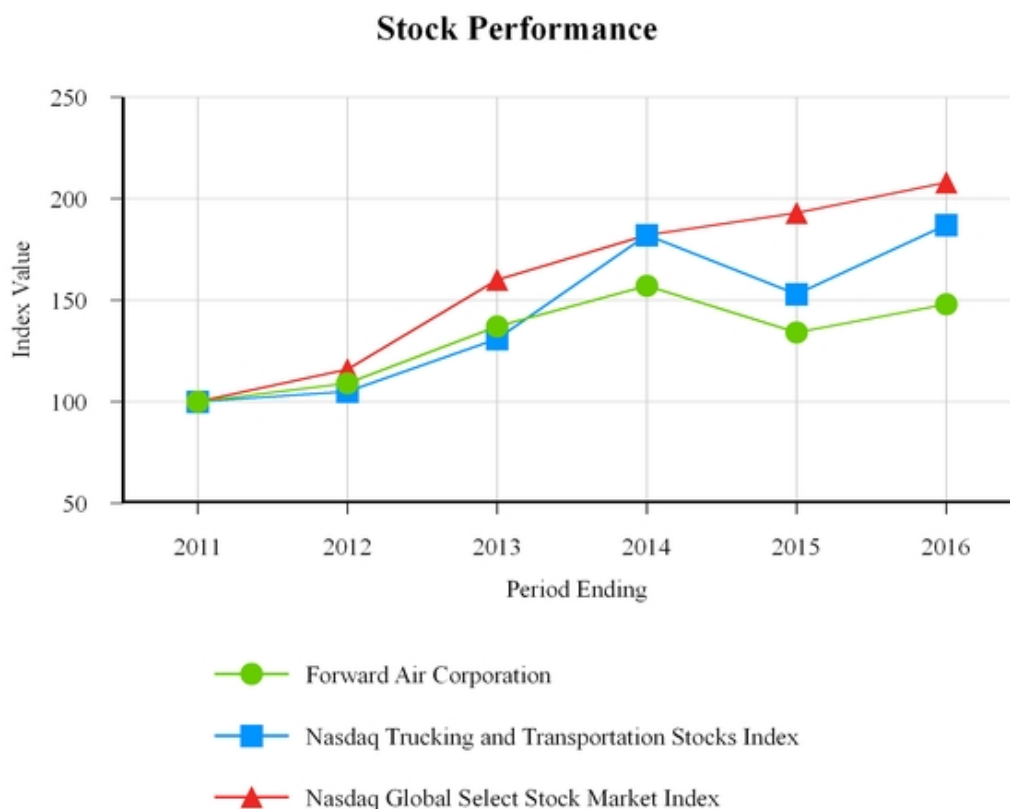
Equity Compensation Plan Information			
Plan Category	Number of Securities to be Issued upon Exercise or Vesting of Outstanding/Unvested Shares, Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
		(a)	(b)
Equity Compensation Plans Approved by Shareholders	881,654	\$ 41	3,284,142
Equity Compensation Plans Not Approved by Shareholders	—	—	—
Total	881,654	\$ 41	3,284,142

- (a) Excludes purchase rights accruing under the ESPP, which has an original shareholder-approved reserve of 500,000 shares. Under the ESPP, each eligible employee may purchase up to 2,000 shares of Common Stock at semi-annual intervals each year at a purchase price per share equal to 90.0% of the lower of the fair market value of the Common Stock at the close of (i) the first trading day of an option period or (ii) the last trading day of an option period.
- (b) Includes shares available for future issuance under the ESPP. As of December 31, 2016, an aggregate of 381,813 shares of Common Stock were available for issuance under the ESPP.

Stock Performance Graph

The following graph compares the percentage change in the cumulative shareholder return on our Common Stock with The NASDAQ Trucking and Transportation Stocks Index and The NASDAQ Global Select Stock Market™ Index commencing on the last trading day of December 2011 and ending on the last trading day of December 2016. The graph assumes a base investment of \$100 made on December 31, 2011 and the respective returns assume reinvestment of all dividends. The comparisons in this graph are required by the SEC and, therefore, are not intended to forecast or necessarily be indicative of any future return on our Common Stock.

The performance graph and related information shall not be deemed “soliciting material” or be “filed” with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference into such filing.



	2011	2012	2013	2014	2015	2016
Forward Air Corporation	\$ 100	\$ 109	\$ 137	\$ 157	\$ 134	\$ 148
Nasdaq Trucking and Transportation Stocks Index	100	105	131	182	153	187
Nasdaq Global Select Stock Market Index	100	116	160	182	193	208

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased Under the Program (1)
October 1-31, 2016	—	\$ —	—	—
November 1-30, 2016	233,516	43	233,516	2,766,484
December 1-31, 2016	—	—	—	—
Total	233,516	\$ 43	233,516	2,766,484

(1) On July 21, 2016, the Board of Directors approved a stock repurchase program for up to 3.0 million shares of the Company's common stock.

Item 6. Selected Financial Data

The following table sets forth our selected financial data. The selected financial data should be read in conjunction with our "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes thereto, included elsewhere in this report.

	Year ended				
	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
(In thousands, except per share data)					
Income Statement Data:					
Operating revenue	\$ 982,530	\$ 959,125	\$ 780,959	\$ 652,481	\$ 584,446
Income from operations	59,979	81,772	96,406	84,355	83,532
Operating margin (1)	6.1%	8.5%	12.3%	12.9%	14.3%
Net income	27,670	55,575	61,169	54,467	52,668
Net income per share:					
Basic	\$ 0.91	\$ 1.80	\$ 1.99	\$ 1.81	\$ 1.82
Diluted	\$ 0.90	\$ 1.78	\$ 1.96	\$ 1.77	\$ 1.78
Cash dividends declared per common share	\$ 0.51	\$ 0.48	\$ 0.48	\$ 0.40	\$ 0.34
Balance Sheet Data (at end of period):					
Total assets	\$ 641,291	\$ 699,932	\$ 539,309	\$ 506,269	\$ 399,187
Long-term obligations, net of current portion	725	28,856	1,275	3	58
Shareholders' equity	499,069	510,055	463,563	435,865	351,671

(1) Income from operations as a percentage of operating revenue

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview and Executive Summary

Our services are classified into four reportable segments: Expedited LTL, TLS, Intermodal and Pool Distribution.

Through the Expedited LTL segment, we operate a comprehensive national network to provide expedited regional, inter-regional and national LTL services. Expedited LTL offers customers local pick-up and delivery and other services including shipment consolidation and deconsolidation, warehousing, customs brokerage and other handling. Because of our roots in serving the deferred air freight market, our terminal network is located at or near airports in the United States and Canada.

Through our TLS segment, we provide expedited truckload brokerage, dedicated fleet services, as well as high security and temperature-controlled logistics services in the United States and Canada.

Our Intermodal segment provides first- and last-mile high value intermodal container drayage services both to and from seaports and railheads. Intermodal also offers dedicated contract and CFS warehouse and handling services. Today, Intermodal operates primarily in the Midwest, with a smaller operational presence in the Southwest and Southeast. We plan to grow Intermodal's geographic footprint through acquisitions as well as greenfield start-ups where we do not have an acceptable acquisition target.

In our Pool Distribution segment, we provide high-frequency handling and distribution of time sensitive product to numerous destinations within a specific geographic region. We offer this service throughout the Mid-Atlantic, Southeast, Midwest and Southwest United States.

Our operations, particularly our network of hubs and terminals, represent substantial fixed costs. Consequently, our ability to increase our earnings depends in significant part on our ability to increase the amount of freight and the revenue per pound for the freight shipped through our networks and to grow other lines of businesses, such as TLS, Intermodal and Pool Distribution, which will allow us to maintain revenue growth in challenging shipping environments.

Trends and Developments

Acquisition of Towne

On March 9, 2015, we completed the acquisition of CLP Towne Inc. ("Towne"). Towne is a full-service trucking provider offering time-sensitive less-than-truckload shipping, full truckload service, an extensive cartage network, container freight stations and dedicated trucking. For the acquisition of Towne, we paid \$61.9 million in net cash and assumed \$59.5 million in debt and capital leases. The transaction was funded with proceeds from a \$125.0 million two year term loan. The assets, liabilities, and operating results of Towne have been included in the Expedited LTL reportable segment since its acquisition in 2015.

Acquisitions of CST and Related Companies

On February 2, 2014, we acquired all of the outstanding capital stock of CST. CST provides industry leading container and intermodal drayage services primarily within the Midwest region of the United States. CST also provides dedicated contract and CFS warehouse and handling services. We acquired all of the outstanding capital stock of CST in exchange for \$83.0 million in net cash and \$11.2 million in assumed debt. With the exception of the assumed capital leases, the assumed debt was immediately paid in full after funding of the acquisition. The acquisition and settlement of the assumed debt were funded using our cash on hand.

The acquisition of CST provided us with a scalable platform for which to enter the intermodal drayage space and thereby continue to expand and diversify our service offerings. As part of our strategy to scale CST's operations, in September 2014, CST acquired certain assets of Recob Great Lakes Express, Inc. ("RGL") for \$1.4 million and in November 2014, acquired Multi-Modal Trucking, Inc. and Multi-Modal Services, Inc. (together referred to as "MMT") for approximately \$5.8 million. In January 2016, we acquired certain assets of Ace for \$1.7 million. The assets, liabilities, and operating results of Ace have been included in the Company's consolidated financial statements from the date of acquisition and have been assigned to the Intermodal reportable segment. In August 2016, we acquired certain assets of Triumph for \$10.1 million and a potential earnout of \$1.3 million. These acquisitions provide an opportunity for our Intermodal segment to expand into additional geographic markets.

Change in Reportable Segments

During the first quarter of 2016, we changed our reportable segments to separate our truckload and intermodal businesses from our Expedited LTL service and to aggregate our reporting for truckload services into a single segment. We previously reported three segments: Forward Air, Forward Air Solutions and Total Quality, Inc. Consequently, we now report four segments: Expedited LTL, TLS, Intermodal and Pool Distribution. All prior year segment amounts have been restated to reflect this new reporting structure.

Goodwill

In 2013, we acquired TQI Holdings, Inc. for total consideration of \$65.4 million and established the Total Quality, Inc. reporting unit ("TQI"). In conjunction with our policy to annually test goodwill for impairment as of June 30, 2016, we determined there were indicators of potential impairment of the goodwill and other long lived assets assigned to the acquisition of TQI Holdings, Inc. This determination was based on TQI's financial performance falling notably short of previous projections, declining revenue from significant customers and strategic initiatives not having the required impact on financial results. As a result of these factors we reduced TQI's projected cash flows and consequently the estimate of TQI's fair value no longer exceeded its respective carrying value. Based on the results of the impairment test, we concluded that an impairment loss was probable and could be reasonably estimated. Therefore, during the second quarter of 2016, we recorded impairment charges for goodwill, intangibles and other assets of \$42.4 million related to the TQI reporting unit, which is part of the TLS reporting segment.

Results from Operations

The following table sets forth our consolidated historical financial data for the year ended December 31, 2016 and 2015 (in millions):

	Year ended December 31,			
	2016	2015	Change	Percent Change
Operating revenue:				
Expedited LTL	\$ 570.8	\$ 577.0	\$ (6.2)	(1.1)%
Truckload Premium Services	164.3	153.3	11.0	7.2
Pool Distribution	148.6	130.0	18.6	14.3
Intermodal	103.7	104.3	(0.6)	(0.6)
Eliminations and other operations	(4.9)	(5.5)	0.6	(10.9)
Operating revenue	982.5	959.1	23.4	2.4
Operating expenses:				
Purchased transportation	413.4	408.8	4.6	1.1
Salaries, wages, and employee benefits	242.0	240.6	1.4	0.6
Operating leases	60.5	66.3	(5.8)	(8.7)
Depreciation and amortization	38.2	37.1	1.1	3.0
Insurance and claims	25.4	21.5	3.9	18.1
Fuel expense	13.2	15.9	(2.7)	(17.0)
Other operating expenses	87.4	87.1	0.3	0.3
Impairment of goodwill, intangibles and other assets	42.4	—	42.4	100.0
Total operating expenses	922.5	877.3	45.2	5.2
Income (loss) from operations:				
Expedited LTL	83.5	79.2	4.3	5.4
Truckload Premium Services	(35.4)	13.3	(48.7)	(366.2)
Pool Distribution	3.6	3.9	(0.3)	(7.7)
Intermodal	11.0	11.9	(0.9)	(7.6)
Other operations	(2.7)	(26.5)	23.8	(89.8)
Income from operations	60.0	81.8	(21.8)	(26.7)
Other expense:				
Interest expense	(1.6)	(2.0)	0.4	(20.0)
Other, net	—	(0.1)	0.1	(100.0)
Total other expense	(1.6)	(2.1)	0.5	(23.8)
Income before income taxes	58.4	79.7	(21.3)	(26.7)
Income taxes	30.7	24.1	6.6	27.4
Net income	\$ 27.7	\$ 55.6	\$ (27.9)	(50.2)%

During the year ended December 31, 2016, we experienced a 2.4% increase in our consolidated revenues compared to the year ended December 31, 2015. Operating income decreased \$21.8 million, or 26.7%, from 2015 to \$60.0 million for the year ended December 31, 2016.

Segment Operations

Expedited LTL's revenue decreased \$6.2 million, or 1.1%, while operating income increased \$4.3 million, or 5.4% for the year ended December 31, 2016, compared to the same period in 2015. The decrease of Expedited LTL's revenue was the result of lower volumes due to a sluggish economic environment and reduced net fuel surcharge revenue as a result of lower fuel prices

for most of 2016. The revenue decrease was more than offset by improved linehaul pricing, the February 2016 implementation of our new dim-factor standard and further operating efficiencies resulting in an increase in operating income in total dollars and as a percentage of revenue.

TLS revenue increased \$11.0 million, or 7.2%, but operating income decreased \$48.7 million for the year ended December 31, 2016, compared to the same period in 2015. The increase in revenue was due to an increase in overall miles from new business wins. The decrease of TLS' operating income was largely the result of the \$42.4 million impairment charges related to the TQI reporting unit. Excluding the impairment charges, the deterioration in income from operations was due to the revenue decline of pharmaceutical business and revenue per mile declining at a faster pace than our cost per mile.

Pool Distribution revenue increased \$18.6 million, or 14.3%, while operating income decreased \$0.3 million, or 7.7%, for the year ended December 31, 2016, compared to the same period in 2015. The revenue increase was due to new business, rate increases and increased volumes. The decline in Pool Distribution operating income was primarily the result of higher lease costs as Pool Distribution opened new facilities and relocated others to support business wins and dock labor inefficiencies during the onboarding of new business.

Intermodal revenue decreased \$0.6 million, or 0.6%, and operating income decreased \$0.9 million, or 7.6%, for the year ended December 31, 2016, compared to the same period in 2015. The decreases in operating revenue and income were primarily attributable to suppressed market conditions, the negative impact of lower fuel surcharges and decreased chassis rental and rail storage revenues, partially offset by increased volumes from the Ace and Triumph acquisitions.

Fuel Surcharge

Our net fuel surcharge revenue is the result of our fuel surcharge rates, which are set weekly using the national average for diesel price per gallon, and volume transiting our network. During the year ended December 31, 2016, total net fuel surcharge revenue decreased 24.0% as compared to the same period in 2015, mostly due to decreased fuel prices and decreased volumes in the Expedited LTL and Intermodal segments.

Interest Expense

Interest expense was \$1.6 million for the year ended December 31, 2016 compared to \$2.0 million for the same period of 2015. The decrease in interest expense was attributable to principal payments made on the term loan used to finance the Towne acquisition in March 2015.

Income Taxes

The combined federal and state effective tax rate for the year ended December 31, 2016 was 52.6% compared to a rate of 30.2% for the same period in 2015. The higher effective tax rate for 2016 is the result of the impairment of goodwill in the second quarter of 2016 that is non-deductible for tax purposes. Also, 2015 benefited from the amending of prior year federal and state income tax returns to take advantage of qualified production property deductions.

Net Income

As a result of the foregoing factors, net income decreased by \$27.9 million, or 50.2%, to \$27.7 million for the year ended December 31, 2016 compared to \$55.6 million for the same period in 2015.

Expedited LTL - Year Ended December 31, 2016 compared to Year Ended December 31, 2015

The following table sets forth our historical financial data of the Expedited LTL segment for the year ended December 31, 2016 and 2015 (in millions):

Expedited LTL Segment Information						
(In millions)						
(Unaudited)						
	Year ended					
	December 31, 2016	Percent of Revenue	December 31, 2015	Percent of Revenue	Change	Percent Change
Operating revenue	\$ 570.8	100.0%	\$ 577.0	100.0%	\$ (6.2)	(1.1)%
Operating expenses:						
Purchased transportation	225.1	39.4	242.5	42.0	(17.4)	(7.2)
Salaries, wages and employee benefits	139.0	24.4	143.2	24.8	(4.2)	(2.9)
Operating leases	34.4	6.0	30.7	5.3	3.7	12.1
Depreciation and amortization	21.9	3.8	21.1	3.7	0.8	3.8
Insurance and claims	13.2	2.3	10.1	1.8	3.1	30.7
Fuel expense	3.3	0.6	4.0	0.7	(0.7)	(17.5)
Other operating expenses	50.4	8.8	46.2	8.0	4.2	9.1
Total operating expenses	487.3	85.4	497.8	86.3	(10.5)	(2.1)
Income from operations	\$ 83.5	14.6%	\$ 79.2	13.7%	\$ 4.3	5.4 %

Expedited LTL Operating Statistics			
	Year ended		
	December 31, 2016	December 31, 2015	Percent Change
Operating ratio	85.4%	86.3%	(1.0)%
Business days	255.0	255.0	—
Business weeks	51.0	51.0	—
Expedited LTL:			
Tonnage			
Total pounds ¹	2,370,788	2,408,424	(1.6)
Average weekly pounds ¹	46,486	47,224	(1.6)
Linehaul shipments			
Total linehaul	3,757,275	3,764,310	(0.2)
Average weekly	73,672	73,810	(0.2)
Forward Air Complete shipments	782,425	848,325	(7.8)
As a percentage of linehaul shipments	20.8%	22.5%	(7.6)
Average linehaul shipment size	631	640	(1.4)
Revenue per pound ²			
Linehaul yield	\$ 17.64	\$ 17.27	1.7
Fuel surcharge impact	0.95	1.15	(0.9)
Forward Air Complete impact	3.33	3.33	—
Total Expedited LTL yield	\$ 21.92	\$ 21.75	0.8 %

¹ - In thousands

² - In dollars per hundred pound; percentage change is expressed as a percent of total yield.

Revenues

Expedited LTL operating revenue decreased \$6.2 million, or 1.1%, to \$570.8 million for the year ended December 31, 2016 from \$577.0 million for the same period of 2015. The decrease in revenue is mostly the result of a \$7.8 million decrease in net fuel surcharge revenue, our local pick-up and delivery "Complete" revenue and other terminal based revenues, partly offset by a \$1.6 million increase in linehaul revenue. The increase in linehaul revenue is attributable to the linehaul yield changes noted in the preceding table. The increase in average linehaul revenue per pound was attributable to targeted rate increases implemented in the fourth quarter of 2015. Tonnage was slightly down primarily due to the attrition of acquired, poorly-priced Towne revenue since 2015 and a sluggish economic environment mostly offset by the tonnage increases attributable to a February 2016 change to our dim-factor standard. This change in dim-factor standard allows us to capture more billable tonnage on certain shipments.

Complete revenue decreased \$1.2 million, or 1.6%, during the year ended December 31, 2016 compared to the same period of 2015. The decrease in Complete revenue was attributable to declines in linehaul shipment counts and a 7.6% decrease in the attachment rate of Complete activity to linehaul shipments. These declines in Complete activity are in conjunction with the attrition of Towne revenue discussed above. Compared to the same period in 2015, net fuel surcharge revenue decreased \$5.0 million largely due to the decline in fuel prices. Other terminal based revenues, which includes warehousing services and terminal handling, decreased \$1.6 million, or 3.0%, to \$51.0 million for the year ended December 31, 2016 from \$52.6 million in the same period of 2015. The decrease in other terminal revenue was mainly attributable to attrition of acquired Towne activity.

Purchased Transportation

Expedited LTL's purchased transportation decreased by \$17.4 million, or 7.2%, to \$225.1 million for the year ended December 31, 2016 from \$242.5 million for the year ended December 31, 2015. As a percentage of segment operating revenue, Expedited LTL purchased transportation was 39.4% during the year ended December 31, 2016 compared to 42.0% for the same period of 2015. The decrease in total dollars and as a percentage of revenue is due to a 4.0% decrease in Expedited LTL cost per mile, improved revenue per mile due to yield and dim-factor changes discussed previously and improved network efficiency. The Expedited LTL cost per mile decrease and improvement in network efficiencies were largely the result of higher utilization of owner operators instead of more costly third party transportation providers.

Salaries, Wages, and Benefits

Salaries, wages and employee benefits of Expedited LTL decreased by \$4.2 million, or 2.9%, to \$139.0 million for the year ended December 31, 2016 from \$143.2 million in the same period of 2015. Salaries, wages and employee benefits were 24.4% of Expedited LTL's operating revenue for the year ended December 31, 2016 compared to 24.8% for the same period of 2015. The decrease in salaries, wages and employee benefits in total dollars was primarily attributable to a \$9.9 million, or 8.4%, decrease in wages associated with the decrease in shipping volumes discussed previously as well as improved synergies in 2016 compared to 2015. This decrease was partly offset by higher workers' compensation and health insurance costs, which accounted for a \$1.3 million and \$2.8 million increase, respectively, and a \$1.6 million increase to incentives and share based compensation.

Operating Leases

Operating leases increased \$3.7 million, or 12.1%, to \$34.4 million for the year ended December 31, 2016 from \$30.7 million for the year ended December 31, 2015. Operating leases were 6.0% of Expedited LTL's operating revenue for the year ended December 31, 2016 compared with 5.3% for the year ended December 31, 2015. The increase in cost is due to a \$2.6 million increase in facility lease expenses resulting from a full year of Towne activity and \$1.1 million of additional truck, trailer and equipment rentals and leases.

Depreciation and Amortization

Expedited LTL depreciation and amortization increased \$0.8 million, or 3.8%, to \$21.9 million for the year ended December 31, 2016 from \$21.1 million for the year ended December 31, 2015. Depreciation and amortization expense as a percentage of Expedited LTL operating revenue was 3.8% in the year ended December 31, 2016 compared to 3.7% for the year ended December 31, 2015. The increase was primarily the result of trailers purchased during 2016, added trailers from the Towne acquisition and information technology upgrades.

Insurance and Claims

Expedited LTL insurance and claims expense increased \$3.1 million, or 30.7%, to \$13.2 million for the year ended December 31, 2016 from \$10.1 million for the year ended December 31, 2015. Insurance and claims as a percentage of Expedited LTL's operating revenue was 2.3% for the year ended December 31, 2016 compared to 1.8% for the year ended December 31,

2015. The increase was due to a \$3.3 million increase in insurance premiums and a \$0.4 million increase in cargo claims. These increases were partly offset by a \$0.6 million decrease in claims related legal and professional fees. The increase in insurance premiums is driven by higher premiums from our insurance providers as well as the addition of new trailers and equipment discussed above.

Fuel Expense

Expedited LTL fuel expense decreased \$0.7 million, or 17.5%, to \$3.3 million for the year ended December 31, 2016 from \$4.0 million in the year ended December 31, 2015. Fuel expense was 0.6% of Expedited LTL's operating revenue for the years ended December 31, 2016 compared to 0.7% for the year ended December 31, 2015. Expedited LTL fuel expenses decreased due to the decline in year-over-year fuel prices.

Other Operating Expenses

Expedited LTL other operating expenses increased \$4.2 million, or 9.1%, to \$50.4 million for the year ended December 31, 2016 from \$46.2 million for the year ended December 31, 2015. Expedited LTL other operating expenses were 8.8% of operating revenue for the year ended December 31, 2016 compared to 8.0% for the year ended December 31, 2015. The increase in total dollars and as percentage of revenue was the result of increases in sales promotions for a customer appreciation event during the third quarter of 2016, higher vehicle maintenance expenses and increased costs, such as tolls, associated with our increased utilization of owner operators. Also, during 2016, additional costs were incurred for the redesign of a new logo and brand image and for legal and professional fees in a successful response to a union movement at one of our locations.

Income from Operations

Expedited LTL income from operations increased by \$4.3 million, or 5.4%, to \$83.5 million for the year ended December 31, 2016 compared with \$79.2 million for the year ended December 31, 2015. Expedited LTL's income from operations was 14.6% of operating revenue for the year ended December 31, 2016 compared with 13.7% for the year ended December 31, 2015. The improvement in income from operations was mostly due to improved pricing, the change to our dim-factor standard and operating efficiencies in purchased transportation.

Truckload Premium Services - Year Ended December 31, 2016 compared to Year Ended December 31, 2015

The following table sets forth our historical financial data for the Truckload Premium Services segment for the year ended December 31, 2016 and 2015 (in millions):

Truckload Premium Services Segment Information

(In millions)

(Unaudited)

	Year ended					
	December 31, 2016	Percent of Revenue	December 31, 2015	Percent of Revenue	Change	Percent Change
Operating revenue	\$ 164.3	100.0 %	\$ 153.3	100.0%	\$ 11.0	7.2 %
Operating expenses:						
Purchased transportation	115.4	70.2	101.0	65.9	14.4	14.3
Salaries, wages and employee benefits	19.3	11.7	19.1	12.5	0.2	1.0
Operating leases	0.3	0.2	0.5	0.3	(0.2)	(40.0)
Depreciation and amortization	6.5	4.0	6.2	4.0	0.3	4.8
Insurance and claims	4.8	2.9	2.9	1.9	1.9	65.5
Fuel expense	2.6	1.6	3.3	2.2	(0.7)	(21.2)
Other operating expenses	8.4	5.1	7.0	4.6	1.4	20.0
Impairment of goodwill, intangibles and other assets	42.4	25.8	—	—	42.4	100.0
Total operating expenses	199.7	121.5	140.0	91.3	59.7	42.6
(Loss) income from operations	\$ (35.4)	(21.5)%	\$ 13.3	8.7%	\$ (48.7)	(366.2)%

Truckload Premium Services Operating Statistics

	Year ended		
	December 31, 2016	December 31, 2015	Percent Change
Company driver ¹	6,740	7,291	(7.6)%
Owner operator ¹	50,442	37,597	34.2
Third party ¹	32,358	29,517	9.6
Total Miles	89,540	74,405	20.3
Revenue per mile	\$ 1.79	\$ 1.97	(9.1)
Cost per mile	\$ 1.38	\$ 1.44	(4.2)%

¹ - In thousands

Revenues

TLS revenue increased \$11.0 million, or 7.2%, to \$164.3 million for the year ended December 31, 2016 from \$153.3 million in the same period of 2015. TLS' revenue increase was the result of a 20.3% mileage increase due to new business wins, partly offset by a 9.1% decrease in revenue per mile. Revenue per mile declined due to the decrease in pharmaceutical revenue

which historically has a higher revenue per mile than traditional truckload business. TLS' revenue per mile also decreased as a result of a shift in business mix away from accounts that require use of more expensive third party transportation providers.

Purchased Transportation

Purchased transportation costs for our TLS revenue increased \$14.4 million, or 14.3%, to \$115.4 million for the year ended December 31, 2016 from \$101.0 million for the year ended December 31, 2015. For the year ended December 31, 2016, TLS purchased transportation costs represented 70.2% of TLS revenue compared to 65.9% for the same period in 2015. The increase in TLS purchased transportation was attributable to a 23.4% increase in non-Company miles driven during the year ended December 31, 2016 compared to the same period in 2015. The increase in miles was slightly offset by a 5.1% decrease in non-Company cost per mile during the year ended December 31, 2016 compared to the same period of 2015. The increase in TLS miles driven was attributable to new business wins discussed above. The decrease in cost per mile was due to TLS' ability to utilize owner operators to cover the additional miles instead of more costly third party transportation providers. The increase in TLS purchased transportation as a percentage of revenue was attributable to TLS cost per mile not decreasing in proportion with the decline in TLS revenue per mile.

Salaries, Wages, and Benefits

Salaries, wages and employee benefits of TLS increased by \$0.2 million, or 1.0%, to \$19.3 million in the year ended December 31, 2016 from \$19.1 million in the same period of 2015. Salaries, wages and employee benefits were 11.7% of TLS's operating revenue in the year ended December 31, 2016 compared to 12.5% for the same period of 2015. The decrease in salaries, wages and employee benefits as a percentage of revenue was mostly attributable to TLS maintaining relatively flat salaries, wages and employee benefits during a period of revenue growth.

Operating Leases

Operating leases decreased \$0.2 million, or 40.0%, to \$0.3 million for the year ended December 31, 2016 from \$0.5 million for the same period in 2015. Operating leases were 0.2% of TLS operating revenue for the year ended December 31, 2016 compared to 0.3% for the same period of 2015. The decrease in expense is due to reduced trailer rentals.

Depreciation and Amortization

Depreciation and amortization increased \$0.3 million, or 4.8%, to \$6.5 million for the year ended December 31, 2016 from \$6.2 million for the year ended December 31, 2015. Depreciation and amortization expense as a percentage of TLS operating revenue was 4.0% for the years ended December 31, 2016 and 2015. The increase in total dollars was due to trailers purchased during 2016 and a full year of depreciation for tractors purchased during 2015. These increases were partly offset by the impairment of TQI intangible assets in the second quarter of 2016 leading to a lower amortization expense of acquired customer relationships and non-compete agreements.

Insurance and Claims

TLS insurance and claims increased \$1.9 million, or 65.5%, to \$4.8 million for the year ended December 31, 2016 from \$2.9 million for the year ended December 31, 2015. As a percentage of operating revenue, insurance and claims was 2.9% for the year ended December 31, 2016 compared to 1.9% for the year ended December 31, 2015. The increase was due to a \$0.8 million increase in vehicle insurance premiums, a \$0.9 million increase in vehicle accident claim reserves and a \$0.2 increase in vehicle accident damage repairs. The higher insurance premiums were driven by current year insurance renewals and the increase in vehicle accident claim reserves was due to a single accident that resulted in a \$0.8 million reserve.

Fuel Expense

TLS fuel expense decreased \$0.7 million, or 21.2%, to \$2.6 million for the year ended December 31, 2016 from \$3.3 million for the year ended December 31, 2015. Fuel expenses were 1.6% of TLS operating revenue during the year ended December 31, 2016 compared to 2.2% for the year ended December 31, 2015. The decrease was attributable to a decline in year-over-year fuel prices and a decrease in Company-employed driver miles, which are primarily for our pharmaceutical business.

Other Operating Expenses

TLS other operating expenses increased \$1.4 million, or 20.0%, to \$8.4 million for the year ended December 31, 2016 compared to \$7.0 million for the year ended December 31, 2015. TLS other operating expenses were 5.1% of operating revenue

for the year ended December 31, 2016 compared to 4.6% for the year ended December 31, 2015. The increase was attributable to owner operator and company driver recruiting costs increasing \$0.2 million on efforts to add additional drivers throughout the network. An additional \$0.5 million was attributable to a \$0.2 million loss on destroyed trailers in 2016 compared to a \$0.3 million gain on the sale of trailers during 2015. The remaining increase was due to \$0.3 million in legal expenses and \$0.4 million in additional costs to handle the expanding TLS business mentioned above, such as tolls and vehicle maintenance.

Impairment of goodwill, intangibles and other assets

In conjunction with our policy to test goodwill annually for impairment, as of June 30, we determined there were indicators of potential impairment of goodwill and other long lived assets assigned to the TQI reporting unit. As a result, we performed fair value estimates as of June 30, 2016. Based on these estimates, we recorded \$42.4 million in total impairment charges related to TQI's goodwill and other long lived assets.

Income from Operations

TLS results from operations decreased by \$48.7 million to a \$35.4 million loss from operations for the year ended December 31, 2016 compared with \$13.3 million in income from operations for the same period in 2015. In addition to the impairment charges, the deterioration in results from operations was due to the revenue decline in the pharmaceutical business and TLS revenue per mile declining at a faster pace than our cost per mile.

Pool Distribution - Year Ended December 31, 2016 compared to Year Ended December 31, 2015

The following table sets forth our historical financial data of the Pool Distribution segment for the year ended December 31, 2016 and 2015 (in millions):

Pool Distribution Segment Information
(In millions)
(Unaudited)

	Year ended					
	December 31, 2016	Percent of Revenue	December 31, 2015	Percent of Revenue	Change	Percent Change
Operating revenue	\$ 148.6	100.0%	\$ 130.0	100.0%	\$ 18.6	14.3 %
Operating expenses:						
Purchased transportation	40.0	26.9	35.0	26.9	5.0	14.3
Salaries, wages and employee benefits	56.8	38.2	48.8	37.5	8.0	16.4
Operating leases	12.7	8.5	10.2	7.8	2.5	24.5
Depreciation and amortization	6.0	4.0	6.0	4.6	—	—
Insurance and claims	4.4	3.0	3.7	2.8	0.7	18.9
Fuel expense	4.8	3.2	5.4	4.2	(0.6)	(11.1)
Other operating expenses	20.3	13.7	17.0	13.1	3.3	19.4
Total operating expenses	145.0	97.6	126.1	97.0	18.9	15.0
Income from operations	\$ 3.6	2.4%	\$ 3.9	3.0%	\$ (0.3)	(7.7)%

Revenues

Pool operating revenue increased \$18.6 million, or 14.3%, to \$148.6 million for the year ended December 31, 2016 from \$130.0 million for the year ended December 31, 2015. The increase was attributable to new customer business wins, current year rate increases and increased volumes from previously existing customers. These increases were partially offset by a decrease in net fuel surcharge revenue.

Purchased Transportation

Pool purchased transportation increased \$5.0 million, or 14.3%, to \$40.0 million for the year ended December 31, 2016 from \$35.0 million for the year ended December 31, 2015. Pool purchased transportation as a percentage of revenue was 26.9% for the years ended December 31, 2016 and 2015. The \$5.0 million increase in Pool purchased transportation was attributable to an increase in owner operator and third party carrier usage to handle the additional revenue mentioned above.

Salaries, Wages, and Benefits

Salaries, wages and employee benefits of Pool increased by \$8.0 million, or 16.4%, to \$56.8 million for the year ended December 31, 2016 from \$48.8 million for the year ended December 31, 2015. As a percentage of Pool operating revenue, salaries, wages and benefits increased to 38.2% for the year ended December 31, 2016 compared to 37.5% for the year ended December 31, 2015. The increase in salaries, wages and benefits as a percentage of revenue was the result of a 1.3% increase as a percentage of revenue in dock pay. The increase in dock pay is attributable to dock inefficiencies created by the onboarding of new business. This was partly offset by decreases as a percentage of revenue in administrative salaries, wages and benefits and driver pay.

Operating Leases

Operating leases increased \$2.5 million, or 24.5%, to \$12.7 million for the year ended December 31, 2016 from \$10.2 million for the year ended December 31, 2015. Operating leases were 8.5% of Pool operating revenue for the year ended December 31, 2016 compared with 7.8% for the year ended December 31, 2015. Operating leases increased due to \$2.0 million of additional

facility rent expense as certain terminals moved to larger facilities to handle additional business wins. The remaining \$0.5 million increase is attributable to higher truck rentals for additional business wins throughout the network.

Depreciation and Amortization

Depreciation and amortization was \$6.0 million for the year ended December 31, 2016 and 2015. Depreciation and amortization expense as a percentage of Pool operating revenue was 4.0% for the year ended December 31, 2016 compared to 4.6% for the year ended December 31, 2015. Depreciation and amortization decreased as a percentage of revenue as Pool utilized more truck rentals, owner operators and purchased transportation instead of Company-owned equipment to provide the capacity for the increase in revenue.

Insurance and Claims

Pool insurance and claims increased \$0.7 million, or 18.9%, to \$4.4 million for the year ended December 31, 2016 from \$3.7 million for the year ended December 31, 2015. As a percentage of operating revenue, insurance and claims was 3.0% for the year ended December 31, 2016 compared to 2.8% for the year ended December 31, 2015. The increase in Pool insurance and claims in total dollars and as a percentage of revenue was attributable to a \$0.4 million increase in claims related fees, a \$0.3 million increase in insurance premiums and a \$0.2 increase in vehicle accident claims. These increases were slightly offset by a \$0.2 million decrease cargo claims.

Fuel Expense

Pool fuel expense decreased \$0.6 million, or 11.1%, to \$4.8 million for the year ended December 31, 2016 from \$5.4 million for the year ended December 31, 2015. Fuel expenses were 3.2% of Pool operating revenue during the year ended December 31, 2016 compared to 4.2% for the year ended December 31, 2015. Pool fuel expenses decreased due to a decline in year-over-year fuel prices, but were partially offset by the impact of higher revenue volumes.

Other Operating Expenses

Pool other operating expenses increased \$3.3 million, or 19.4%, to \$20.3 million for the year ended December 31, 2016 compared to \$17.0 million for the year ended December 31, 2015. Pool other operating expenses were 13.7% of operating revenue for the year ended December 31, 2016 compared to 13.1% for the year ended December 31, 2015. As a percentage of revenue the increase was attributable to a 0.4% increase in dock and facility related costs and a 0.2% increase in legal fees. The dock and facility related cost increase was mainly attributable to the start up of new business. The legal fees are primarily related to a Department of Transportation safety audit.

Income from Operations

Pool income from operations deteriorated by \$0.3 million, or 7.7% to \$3.6 million for the year ended December 31, 2016 from \$3.9 million for the year ended December 31, 2015. Pool income from operations was 2.4% of operating revenue for the year ended December 31, 2016 compared with 3.0% of operating revenue for the year ended December 31, 2015. The decline in Pool operating results was primarily the result of increased facility and dock handling costs for the on-boarding of new business. These increases in expenses were partly negated by the increased revenue from new business wins and current year customer rate increases.

Intermodal - Year Ended December 31, 2016 compared to Year Ended December 31, 2015

The following table sets forth our historical financial data of the Intermodal segment for the year ended December 31, 2016 and 2015 (in millions):

Intermodal Segment Information (In millions) (Unaudited)						
	Year ended					
	December 31, 2016	Percent of Revenue	December 31, 2015	Percent of Revenue	Change	Percent Change
Operating revenue	\$ 103.7	100.0%	\$ 104.3	100.0%	\$ (0.6)	(0.6)%
Operating expenses:						
Purchased transportation	36.2	34.9	33.8	32.4	2.4	7.1
Salaries, wages and employee benefits	25.2	24.3	24.4	23.4	0.8	3.3
Operating leases	12.0	11.6	11.7	11.2	0.3	2.6
Depreciation and amortization	3.9	3.8	3.8	3.6	0.1	2.6
Insurance and claims	3.0	2.9	2.6	2.5	0.4	15.4
Fuel expense	2.5	2.4	3.2	3.1	(0.7)	(21.9)
Other operating expenses	9.9	9.5	12.9	12.4	(3.0)	(23.3)
Total operating expenses	92.7	89.4	92.4	88.6	0.3	0.3
Income from operations	\$ 11.0	10.6%	\$ 11.9	11.4%	\$ (0.9)	(7.6)%

Revenues

Intermodal operating revenue decreased \$0.6 million, or 0.6%, to \$103.7 million for the year ended December 31, 2016 from \$104.3 million for the same period in 2015. The decrease in operating revenue was primarily attributable to the negative impact of reduced fuel surcharges, decreased rental and storage revenues and suppressed market conditions. The decrease was partially alleviated by increased volumes associated with the acquisition of Ace and Triumph.

Purchased Transportation

Intermodal purchased transportation increased \$2.4 million, or 7.1%, to \$36.2 million for the year ended December 31, 2016 from \$33.8 million for the same period in 2015. Intermodal purchased transportation as a percentage of revenue was 34.9% for the year ended December 31, 2016 compared to 32.4% for the year ended December 31, 2015. The increase in Intermodal purchased transportation as a percentage of revenue was attributable to higher utilization of owner-operators as opposed to Company-employed drivers in select markets. The increase as a percentage of revenue was also due to a change in business mix as revenues, such as rental and storage revenues, that do not utilize owner operators decreased during the year ended December 31, 2016 compared to the same period of 2015.

Salaries, Wages, and Benefits

Intermodal salaries, wages and employee benefits increased \$0.8 million, or 3.3%, to \$25.2 million for the year ended December 31, 2016 compared to \$24.4 million for the year ended December 31, 2015. As a percentage of Intermodal operating revenue, salaries, wages and benefits increased to 24.3% for the year ended December 31, 2016 compared to 23.4% for the same period in 2015. The deterioration in salaries, wages and employee benefits as a percentage of revenue is attributable to increased administrative staffing due to the acquisitions, merit increases and increased workers' compensation and health insurance costs. These increases were partially offset by less reliance on Company-employed drivers.

Operating Leases

Operating leases increased \$0.3 million, or 2.6% to \$12.0 million for the year ended December 31, 2016 from \$11.7 million for the same period in 2015. Operating leases were 11.6% of Intermodal operating revenue for the year ended December 31, 2016 compared with 11.2% in the same period of 2015. Operating leases increased due to a \$0.6 million increase in rent expense for additional facilities assumed with the acquisitions, partly offset by a decrease in tractor rentals.

Depreciation and Amortization

Depreciation and amortization increased \$0.1 million, or 2.6%, to \$3.9 million for the year ended December 31, 2016 from \$3.8 million for the same period in 2015. Depreciation and amortization expense as a percentage of Intermodal operating revenue was 3.8% for the year ended December 31, 2016 compared to 3.6% for the same period of 2015. The increase in depreciation and amortization was due to increased tractor depreciation due to additional tractors acquired from Triumph.

Insurance and Claims

Intermodal insurance and claims expense increased \$0.4 million, or 15.4%, to \$3.0 million for the year ended December 31, 2016 from \$2.6 million for the year ended December 31, 2015. Intermodal insurance and claims were 2.9% of operating revenue for the year ended December 31, 2016 compared with 2.5% for the same period in 2015. The increase in Intermodal insurance and claims was attributable to higher insurance premiums and an increased vehicle fleet as a result of the acquisitions.

Fuel Expense

Intermodal fuel expense decreased \$0.7 million, or 21.9%, to \$2.5 million for the year ended December 31, 2016 from \$3.2 million in the same period of 2015. Fuel expenses were 2.4% of Intermodal operating revenue for the year ended December 31, 2016 compared to 3.1% in the same period of 2015. Intermodal fuel expenses decreased primarily as a result of the year-over-year decline in fuel prices, declining revenue and increased utilization of owner-operators.

Other Operating Expenses

Intermodal other operating expenses decreased \$3.0 million, or 23.3%, to \$9.9 million for the year ended December 31, 2016 compared to \$12.9 million for the same period of 2015. Intermodal other operating expenses for the year ended December 31, 2016 were 9.5% compared to 12.4% for the same period of 2015. The decrease in Intermodal other operating expenses was due mostly to a decline in container related rental and storage charges.

Income from Operations

Intermodal's income from operations decreased by \$0.9 million, or 7.6%, to \$11.0 million for the year ended December 31, 2016 compared with \$11.9 million for the same period in 2015. Income from operations as a percentage of Intermodal operating revenue was 10.6% for the year ended December 31, 2016 compared to 11.4% in the same period of 2015. The deterioration in operating income was primarily attributable to decreased fuel surcharges, decreased rental and storage revenues and suppressed market conditions. The deterioration was partially offset by the operating income contributed by the Ace and Triumph acquisitions.

Other Operations

Other operations improved from a \$26.5 million operating loss during the year ended December 31, 2015 to a \$2.7 million operating loss during the year ended December 31, 2016. The year-over-year improvement in other operations and corporate activities was largely due to \$23.5 million of Towne acquisition and integration costs included in results for the year ended December 31, 2015 and no similar costs being included in the same period of 2016. The prior year acquisition and integration costs included \$2.6 million of severance obligations and \$11.7 million in reserves for remaining net payments, on duplicate facilities vacated during the year ended December 31, 2015. The expenses associated with the severance obligations and vacated, duplicate facility costs were recognized in the salaries, wages and benefits and operating lease line items, respectively. During the year ended December 31, 2015, we also incurred expense of \$9.2 million for various other integration and transaction related costs which are largely included in other operating expenses. Other operations for the year ended December 31, 2015 also included approximately \$3.0 million of additional expenses associated with our semi-annual actuarial analyses of vehicle and workers' compensation claims. The \$2.7 million in operating loss included in other operations and corporate activities for the year ended December 31, 2016, was primarily for \$1.7 million in loss development reserves resulting from our semi-annual actuarial analyses of our workers' compensation claims. Other operations for the year ended December 31, 2016 also included a \$1.0 million increase to our reserve for remaining net payments on duplicate facilities vacated following the Towne acquisition, as several facilities have yet to be sub-leased.

Results of Operations

The following table sets forth our historical financial data for the years ended December 31, 2015 and 2014 (in millions):

	Year ended December 31,			
	2015	2014	Change	Percent Change
Operating revenue:				
Expedited LTL	\$ 577.0	\$ 458.9	\$ 118.1	25.7 %
Truckload Premium Services	153.3	133.3	20.0	15.0
Pool Distribution	130.0	118.3	11.7	9.9
Intermodal	104.3	75.9	28.4	37.4
Eliminations and other operations	(5.5)	(5.4)	(0.1)	1.9
Operating revenue	959.1	781.0	178.1	22.8
Operating expenses:				
Purchased transportation	408.8	334.6	74.2	22.2
Salaries, wages, and employee benefits	240.6	182.1	58.5	32.1
Operating leases	66.3	34.0	32.3	95.0
Depreciation and amortization	37.1	31.1	6.0	19.3
Insurance and claims	21.5	15.7	5.8	36.9
Fuel expense	15.9	20.2	(4.3)	(21.3)
Other operating expenses	87.1	66.9	20.2	30.2
Total operating expenses	877.3	684.6	192.7	28.1
Income (loss) from operations:				
Expedited LTL	79.2	75.8	3.4	4.5
Truckload Premium Services	13.3	9.0	4.3	47.8
Pool Distribution	3.9	4.5	(0.6)	(13.3)
Intermodal	11.9	7.4	4.5	60.8
Other operations	(26.5)	(0.3)	(26.2)	NM
Income from operations	81.8	96.4	(14.6)	(15.1)
Other expense:				
Interest expense	(2.0)	(0.6)	(1.4)	233.3
Other, net	(0.1)	0.3	(0.4)	(133.3)
Total other expense	(2.1)	(0.3)	(1.8)	600.0
Income before income taxes	79.7	96.1	(16.4)	(17.1)
Income taxes	24.1	34.9	(10.8)	(30.9)
Net income	\$ 55.6	\$ 61.2	\$ (5.6)	(9.2)%

Expedited LTL - Year Ended December 31, 2015 compared to Year Ended December 31, 2014

The following table sets forth our historical financial data of the Expedited LTL segment for the year ended December 31, 2015 and 2014 (in millions):

Expedited LTL Segment Information						
(In millions)						
(Unaudited)						
	Year ended					
	December 31, 2015	Percent of Revenue	December 31, 2014	Percent of Revenue	Change	Percent Change
Operating revenue	\$ 577.0	100.0%	\$ 458.9	100.0%	\$ 118.1	25.7%
Operating expenses:						
Purchased transportation	242.5	42.0	192.0	41.8	50.5	26.3
Salaries, wages and employee benefits	143.2	24.8	106.2	23.1	37.0	34.8
Operating leases	30.7	5.3	19.7	4.3	11.0	55.8
Depreciation and amortization	21.1	3.7	16.6	3.6	4.5	27.1
Insurance and claims	10.1	1.8	8.6	1.9	1.5	17.4
Fuel expense	4.0	0.7	4.0	0.9	—	—
Other operating expenses	46.2	8.0	36.0	7.8	10.2	28.3
Total operating expenses	497.8	86.3	383.1	83.5	114.7	29.9
Income from operations	\$ 79.2	13.7%	\$ 75.8	16.5%	\$ 3.4	4.5%

Expedited LTL Operating Statistics			
	Year ended		
	December 31, 2015	December 31, 2014	Percent Change
Operating ratio	86.3%	83.5%	3.4 %
Business days	255.0	254.0	0.4
Business weeks	51.0	50.8	0.4
Expedited LTL:			
Tonnage			
Total pounds ¹	2,408,424	1,902,218	26.6
Average weekly pounds ¹	47,224	37,445	26.1
Linehaul shipments			
Total linehaul	3,764,310	2,925,257	28.7
Average weekly	73,810	57,584	28.2
Forward Air Complete shipments	848,325	528,422	60.5
As a percentage of linehaul shipments	22.5%	18.1%	24.3
Average linehaul shipment size	640	650	(1.5)
Revenue per pound ²			
Linehaul yield	\$ 17.27	\$ 17.61	(1.5)
Fuel surcharge impact	1.15	1.93	(3.5)
Forward Air Complete impact	3.33	3.03	1.3
Total Expedited LTL yield	\$ 21.75	\$ 22.57	(3.6)%

¹ - In thousands

² - In dollars per hundred pound; percentage change is expressed as a percent of total yield.

Revenues

Expedited LTL operating revenue increased \$118.1 million, or 25.7%, to \$577.0 million from \$458.9 million for the year ended December 31, 2014. The increase is partially attributable to a 26.6% increase in tonnage offset by a 1.5% decrease in our base revenue per pound, excluding net fuel surcharge revenue and Complete revenue. This accounted for \$84.8 million of the increase in Expedited LTL revenue. The decrease in average base revenue per pound was attributable to the acquisition of Towne, as Towne's base revenue per pound was notably lower than our legacy Expedited LTL base revenue per pound. Targeted rate increases implemented in September 2015 helped partially mitigate Towne's impact on base revenue per pound. The increase in tonnage is mainly due to the Towne acquisition.

The increase in Expedited LTL revenue is also the result of increased revenue from our Complete pick-up and delivery service offset by a decrease in net fuel surcharge revenue. Complete revenue increased \$19.3 million, or 33.6%, during the year ended December 31, 2015 compared to the same period of 2014. The increase in Complete revenue was attributable to improved shipping volumes in our Expedited LTL network and a 24.3% increase in the attachment rate of Complete activity to linehaul shipments, both of which were largely attributable to the Towne acquisition. Compared to the same period in 2014, net fuel surcharge revenue decreased largely due to the decline in fuel prices. The decline in net fuel surcharge revenue due to lower fuel prices was partially offset by volume increases related to the acquisition of Towne for a net decrease of \$9.1 million during the year ended December 31, 2015 compared to the same period in 2014.

Other revenue, which includes warehousing services and terminal handling, accounts for the final component of Expedited LTL operating revenue. Other revenue increased \$23.1 million, or 78.2%, to \$52.6 million during the year ended December 31, 2015 from \$29.5 million during the year ended December 31, 2014. The increase in other revenue was mainly attributable to other revenue obtained with the acquisition of Towne.

Purchased Transportation

Expedited LTL's purchased transportation increased by \$50.5 million, or 26.3%, to \$242.5 million for the year ended December 31, 2015 from \$192.0 million for the year ended December 31, 2014. As a percentage of segment operating revenue, Expedited LTL purchased transportation was 42.0% during the year ended December 31, 2015 compared to 41.8% for the same period of 2014. The increase is mostly attributable to an 18.3% increase in miles driven by our network of owner-operators or third party transportation providers and a 4.1% increase in the cost per mile paid to our network of owner-operators or third party transportation providers. The higher miles increased purchased transportation by \$26.4 million while the higher cost per mile increased purchased transportation by \$2.9 million. The increase in miles was attributable to the increase in revenue activity discussed previously. The increase in Expedited LTL cost per mile was attributable to a rate increase awarded to our network of owner-operators in January 2015 and higher rates charged by third party transportation providers.

Expedited LTL purchased transportation also increased due to a \$12.8 million increase in third party transportation costs associated with the higher Complete revenue discussed above. Purchased transportation costs related to our other revenue increased \$8.4 million, or 92.3%, to \$17.6 million for the year ended December 31, 2015 from \$9.2 million for the year ended December 31, 2014. Other purchased transportation costs as a percentage of other revenue increased to 33.5% of other revenue for the year ended December 31, 2015 from 31.2% for the year ended December 31, 2014. The increase as a percentage of the associated revenue was primarily due to dedicated pick up and delivery activity associated with the Towne acquisition.

Salaries, Wages, and Benefits

Salaries, wages and employee benefits of Expedited LTL increased by \$37.0 million, or 34.8%, to \$143.2 million for the year ended December 31, 2015 from \$106.2 million in the same period of 2014. Salaries, wages and employee benefits were 24.8% of Expedited LTL's operating revenue for the year ended December 31, 2015 compared to 23.1% for the same period of 2014. The increase in salaries, wages and employee benefits in total dollars was primarily attributable to a \$33.4 million, or 39.3%, increase in wages associated with the increase in shipping volumes discussed previously. The remaining increase was due to a \$2.6 million increase in employee incentives and share based compensation and a \$1.6 million increase in health insurance costs. These increases were slightly offset by a \$0.6 million decrease in workers' compensation costs.

Operating Leases

Operating leases increased \$11.0 million, or 55.8%, to \$30.7 million for the year ended December 31, 2015 from \$19.7 million for the year ended December 31, 2014. Operating leases were 5.3% of Expedited LTL's operating revenue for the year ended December 31, 2015 compared with 4.3% for the year ended December 31, 2014. The increase was due to \$6.2 million in

additional facility lease expenses and a \$4.8 million increase in truck, trailer and equipment rentals and leases, both primarily as a result of the Towne acquisition.

Depreciation and Amortization

Expedited LTL depreciation and amortization increased \$4.5 million, or 27.1%, to \$21.1 million for the year ended December 31, 2015 from \$16.6 million for the year ended December 31, 2014. Depreciation and amortization expense as a percentage of Expedited LTL operating revenue was 3.7% for the year ended December 31, 2015 compared to 3.6% for the year ended December 31, 2014. Amortization on acquired Towne intangible assets increased amortization expense by \$1.9 million. The remaining increase was primarily the result of trailers, tractors and forklifts added with the Towne acquisition or purchased during 2015.

Insurance and Claims

Expedited LTL insurance and claims expense increased \$1.5 million, or 17.4%, to \$10.1 million for the year ended December 31, 2015 from \$8.6 million for the year ended December 31, 2014. Insurance and claims as a percentage of Expedited LTL's operating revenue was 1.8% for the year ended December 31, 2015 compared to 1.9% for the year ended December 31, 2014. The increase in total dollars is attributable to a \$1.0 million increase in vehicle accident damage repairs, a \$0.4 million increase in vehicle insurance premiums and a \$0.3 million increase in claims related legal and professional fees. These increases were slightly offset by a \$0.2 million decrease in cargo claims. These increases were primarily the result of the Towne acquisition and the additional equipment required to handle the volumes previously mentioned.

Fuel Expense

Expedited LTL fuel expense was \$4.0 million for the year ended December 31, 2015 and 2014. Fuel expense was 0.7% of Expedited LTL's operating revenue for the years ended December 31, 2015 compared to 0.9% for the year ended December 31, 2014. The decrease in fuel expense as a percentage of revenue was attributable to a decrease in fuel price per gallon compared to the same period in 2014. The decrease in fuel prices was partly offset by the impact of the Towne acquisition.

Other Operating Expenses

Expedited LTL other operating expenses increased \$10.2 million, or 28.3%, to \$46.2 million for the year ended December 31, 2015 from \$36.0 million for the year ended December 31, 2014. Expedited LTL other operating expenses were 8.0% of operating revenue for the year ended December 31, 2015 compared to 7.8% for the year ended December 31, 2014. The increase was attributable to variable costs, such as vehicle maintenance and dock and terminal supplies, which increased in conjunction with the Towne related volume increases discussed previously.

Income from Operations

Expedited LTL income from operations increased by \$3.4 million, or 4.5%, to \$79.2 million for the year ended December 31, 2015 compared with \$75.8 million for the year ended December 31, 2014. Expedited LTL's income from operations was 13.7% of operating revenue for the year ended December 31, 2015 compared with 16.5% for the year ended December 31, 2014. The deterioration in income from operations as a percent of revenue was mostly due to reduced net fuel surcharge and increased network costs attributable to the Towne acquisition. These costs were partially mitigated by the impact of rate increases initiated in 2015 as well as improved cost management in the second half of the year.

Truckload Premium Services - Year Ended December 31, 2015 compared to Year Ended December 31, 2014

The following table sets forth our historical financial data of the Truckload Premium Services segment for the year ended December 31, 2015 and 2014 (in millions):

Truckload Premium Services Segment Information

(In millions)

(Unaudited)

	Year ended					
	December 31, 2015	Percent of Revenue	December 31, 2014	Percent of Revenue	Change	Percent Change
Operating revenue	\$ 153.3	100.0%	\$ 133.3	100.0%	\$ 20.0	15.0 %
Operating expenses:						
Purchased transportation	101.0	65.9	90.2	67.7	10.8	12.0
Salaries, wages and employee benefits	19.1	12.5	16.1	12.1	3.0	18.6
Operating leases	0.5	0.3	0.4	0.3	0.1	25.0
Depreciation and amortization	6.2	4.0	5.4	4.1	0.8	14.8
Insurance and claims	2.9	1.9	2.1	1.6	0.8	38.1
Fuel expense	3.3	2.2	4.5	3.4	(1.2)	(26.7)
Other operating expenses	7.0	4.6	5.6	4.2	1.4	25.0
Total operating expenses	140.0	91.3	124.3	93.2	15.7	12.6
Income from operations	\$ 13.3	8.7%	\$ 9.0	6.8%	\$ 4.3	47.8 %

Truckload Premium Services Operating Statistics

	Year ended		
	December 31, 2015	December 31, 2014	Percent Change
Company driver ¹	7,291	6,656	9.5 %
Owner operator ¹	37,597	28,523	31.8
Third party ¹	29,517	25,019	18.0
Total Miles	74,405	60,198	23.6
Revenue per mile	\$ 1.97	\$ 2.07	(4.8)
Cost per mile	\$ 1.44	\$ 1.56	(7.7)%
¹ - In thousands			

Revenues

TLS revenue increased \$20.0 million, or 15.0%, to \$153.3 million for the year ended December 31, 2015 from \$133.3 million in the same period of 2014. The increase in TLS revenue was attributable to business obtained with the Towne acquisition in our legacy truckload services partially offset by a decline in pharmaceutical revenue. TLS had an 4.8% decrease in average revenue per mile and a 23.6% increase in miles driven to support revenue. Revenue per mile declined due to the decrease in pharmaceutical revenue which historically has a higher revenue per mile than traditional truckload business. TLS' revenue per

mile also decreased on a shift in business mix that moved away from revenue requiring use of more expensive third party transportation providers.

Purchased Transportation

Purchased transportation costs for our TLS revenue increased \$10.8 million, or 12.0%, to \$101.0 million for the year ended December 31, 2015 from \$90.2 million for the year ended December 31, 2014. For the year ended December 31, 2015, TLS purchased transportation costs represented 65.9% of TLS revenue compared to 67.7% for the same period in 2014. The increase in TLS purchased transportation was attributable to a 25.4% increase in non-Company miles driven during the year ended December 31, 2015 compared to the same period in 2014. The increase in miles was slightly offset by a 8.3% decrease in non-Company cost per mile during the year ended December 31, 2015 compared to the same period of 2014. The increase in TLS miles driven was attributable to additional business obtained with the Towne acquisition discussed above. The decrease in cost per mile and TLS purchased transportation as a percentage of revenue was due to TLS' ability to utilize owner operators to cover the additional miles instead of more costly third party transportation providers.

Salaries, Wages, and Benefits

Salaries, wages and employee benefits of TLS increased by \$3.0 million, or 18.6%, to \$19.1 million in the year ended December 31, 2015 from \$16.1 million in the same period of 2014. Salaries, wages and employee benefits were 12.5% of TLS's operating revenue in the year ended December 31, 2015 compared to 12.1% for the same period of 2014. Approximately \$2.0 million was attributable to increased TLS management and operations salaries, wages and employee benefits associated with the additional business discussed previously and 2015 wage increases for previously existing TLS employees. Another \$0.4 million was due to incentive and share based compensation increases as well as a \$0.6 million increase in workers' compensation and health insurance costs.

Operating Leases

Operating leases increased \$0.1 million, or 25.0%, to \$0.5 million for the year ended December 31, 2015 from \$0.4 million for the same period in 2014. Operating leases were 0.3% of TLS operating revenue for the year ended December 31, 2015 and 2014. The increase in expense is due to additional trailer rentals to handle additional business discussed above.

Depreciation and Amortization

Depreciation and amortization increased \$0.8 million, or 14.8%, to \$6.2 million for the year ended December 31, 2015 from \$5.4 million for the year ended December 31, 2014. Depreciation and amortization expense as a percentage of TLS operating revenue was 4.0% for the year ended December 31, 2015 compared to 4.1% for the year ended December 31, 2014. These increases were primarily the result of trailers and tractors added with the Towne acquisition or purchased during 2015.

Insurance and Claims

TLS insurance and claims increased \$0.8 million, or 38.1%, to \$2.9 million for the year ended December 31, 2015 from \$2.1 million for the year ended December 31, 2014. As a percentage of operating revenue, insurance and claims was 1.9% for the year ended December 31, 2015 compared to 1.6% for the year ended December 31, 2014. These increases were attributable to higher insurance premiums as a result of the increase in tractor and trailer count and higher vehicle accident damage repairs. These increases were primarily the result of the Towne acquisition and the additional equipment required to handle the volumes previously mentioned.

Fuel Expense

TLS fuel expense decreased \$1.2 million, or 26.7%, to \$3.3 million for the year ended December 31, 2015 from \$4.5 million for the year ended December 31, 2014. Fuel expenses were 2.2% of TLS operating revenue during the year ended December 31, 2015 compared to 3.4% for the year ended December 31, 2014. The decrease was attributable to a decline in year-over-year fuel prices and was slightly offset by an increase in Company-employed driver miles, which are primarily for our pharmaceutical business.

Other Operating Expenses

TLS other operating expenses increased \$1.4 million, or 25.0%, to \$7.0 million for the year ended December 31, 2015 compared to \$5.6 million for the year ended December 31, 2014. TLS other operating expenses were 4.6% of operating revenue

for the year ended December 31, 2015 compared to 4.2% for the year ended December 31, 2014. The increase was attributable to approximately \$0.5 million in higher vehicle maintenance costs due to the additional equipment acquired to handle the increased business volumes previously discussed. Owner operator and company driver recruiting and on-boarding costs increased \$0.5 million in efforts to add additional drivers throughout the network. The remaining \$0.4 million increase was due to \$0.6 million of additional costs to handle the expanding business mentioned above, such as tolls, and licenses and permits, partly offset by a \$0.2 million gain on the sale of trailers during 2015.

Income from Operations

TLS income from operations improved by \$4.3 million, or 47.8%, to \$13.3 million for the year ended December 31, 2015 from \$9.0 million for the year ended December 31, 2014. TLS income from operations was 8.7% of operating revenue for the year ended December 31, 2015 compared with 6.8% of operating revenue for the year ended December 31, 2014. Improvement in income from operations as percentage of revenue was mainly attributable to additional business from the Towne acquisition and decreased utilization of more expensive third party transportation providers in favor of owner operators and company drivers.

Pool Distribution - Year Ended December 31, 2015 compared to Year Ended December 31, 2014

The following table sets forth our historical financial data of the Pool Distribution segment for the year ended December 31, 2015 and 2014 (in millions):

Pool Distribution Segment Information
(In millions)
(Unaudited)

	Year ended					
	December 31, 2015	Percent of Revenue	December 31, 2014	Percent of Revenue	Change	Percent Change
Operating revenue	\$ 130.0	100.0%	\$ 118.3	100.0%	\$ 11.7	9.9 %
Operating expenses:						
Purchased transportation	35.0	26.9	31.4	26.5	3.6	11.5
Salaries, wages and employee benefits	48.8	37.5	41.8	35.3	7.0	16.7
Operating leases	10.2	7.8	9.0	7.6	1.2	13.3
Depreciation and amortization	6.0	4.6	5.8	4.9	0.2	3.4
Insurance and claims	3.7	2.8	3.1	2.6	0.6	19.4
Fuel expense	5.4	4.2	7.3	6.2	(1.9)	(26.0)
Other operating expenses	17.0	13.1	15.4	13.0	1.6	10.4
Total operating expenses	126.1	97.0	113.8	96.2	12.3	10.8
Income from operations	\$ 3.9	3.0%	\$ 4.5	3.8%	\$ (0.6)	(13.3)%

Revenues

Pool operating revenue increased \$11.7 million, or 9.9%, to \$130.0 million for the year ended December 31, 2015 from \$118.3 million for the year ended December 31, 2014. The increase was attributable to current year rate increases, increased volume from previously existing customers and new revenue from business wins. These increases were partially offset by a decrease in net fuel surcharge revenue.

Purchased Transportation

Pool purchased transportation decreased \$3.6 million, or 11.5%, to \$35.0 million for the year ended December 31, 2015 from \$31.4 million for the year ended December 31, 2014. Pool purchased transportation as a percentage of revenue was 26.9% for the year ended December 31, 2015 compared to 26.5% for the year ended December 31, 2014. The increase in Pool purchased transportation as a percentage of revenue was attributable to an increase in owner operator usage, as opposed to Company drivers to handle the additional revenue mentioned above.

Salaries, Wages, and Benefits

Salaries, wages and employee benefits of Pool increased by \$7.0 million, or 16.7%, to \$48.8 million for the year ended December 31, 2015 from \$41.8 million for the year ended December 31, 2014. As a percentage of Pool operating revenue, salaries, wages and benefits increased to 37.5% for the year ended December 31, 2015 compared to 35.3% for the year ended December 31, 2014. The \$7.0 million increase is partly due to a \$3.9 million increase in dock and driver pay to handle the additional business discussed previously. New administrative hires and 2015 pay increases accounted for an additional \$2.1 million increase from the same period in 2014. The remaining increase of \$1.0 million was due to increases in health insurance and workers' compensation costs.

Operating Leases

Operating leases increased \$1.2 million, or 13.3%, to \$10.2 million for the year ended December 31, 2015 from \$9.0 million for the year ended December 31, 2014. Operating leases were 7.8% of Pool operating revenue for the year ended

December 31, 2015 compared with 7.6% for the year ended December 31, 2014. The \$1.2 million increase is attributable to a \$0.8 million increase in facility rent expense due to the opening of a new terminal in the second quarter of 2015 and certain terminals moving into larger facilities to handle additional business. The remaining \$0.4 million increase is due to truck rental expense primarily associated with the new terminal opened in the second quarter of 2015.

Depreciation and Amortization

Depreciation and amortization increased \$0.2 million, or 3.4%, to \$6.0 million for the year ended December 31, 2015 from \$5.8 million for the year ended December 31, 2014. Depreciation and amortization expense as a percentage of Pool operating revenue was 4.6% for the year ended December 31, 2015 compared to 4.9% for the year ended December 31, 2014. The increase in Pool depreciation in total dollars is attributable to information technology equipment, conveyors and conveyor improvements purchased during 2015.

Insurance and Claims

Pool insurance and claims increased \$0.6 million, or 19.4%, to \$3.7 million for the year ended December 31, 2015 from \$3.1 million for the year ended December 31, 2014. As a percentage of operating revenue, insurance and claims was 2.8% for the year ended December 31, 2015 compared to 2.6% for the year ended December 31, 2014. The increase in Pool insurance and claims in total dollars was attributable to a \$0.6 million increase in cargo claims and a \$0.2 increase in vehicle accident damage repairs. The increases were slightly offset by a \$0.1 million decrease in vehicle insurance claims as 2014 included a large reserve for a fourth quarter 2014 accident.

Fuel Expense

Pool fuel expense decreased \$1.9 million, or 26.0%, to \$5.4 million for the year ended December 31, 2015 from \$7.3 million for the year ended December 31, 2014. Fuel expenses were 4.2% of Pool operating revenue during the year ended December 31, 2015 compared to 6.2% for the year ended December 31, 2014. Pool fuel expenses decreased due to a decline in year-over-year fuel prices.

Other Operating Expenses

Pool other operating expenses increased \$1.6 million, or 10.4%, to \$17.0 million for the year ended December 31, 2015 compared to \$15.4 million for the year ended December 31, 2014. Pool other operating expenses were 13.1% of operating revenue for the year ended December 31, 2015 compared to 13.0% for the year ended December 31, 2014. Pool's slight increase as a percent of revenue was attributable to vehicle and dock maintenance costs, largely due to opening a new facility in the second quarter of 2015 and moving certain facilities in the third quarter of 2015 to accommodate business wins mentioned above.

Income from Operations

Pool income from operations deteriorated by \$0.6 million, or 13.3% to \$3.9 million for the year ended December 31, 2015 from \$4.5 million for the year ended December 31, 2014. Pool income from operations was 3.0% of operating revenue for the year ended December 31, 2015 compared with 3.8% of operating revenue for the year ended December 31, 2014. The decline in Pool operating income was primarily the result of increases in health insurance costs, reduced net fuel surcharge revenue, cargo claims and costs associated with opening new facilities during 2015.

Intermodal - Year Ended December 31, 2015 compared to Year Ended December 31, 2014

The following table sets forth our historical financial data of the Intermodal segment for the year ended December 31, 2015 and 2014 (in millions):

Intermodal Segment Information (In millions) (Unaudited)						
	Year ended					
	December 31, 2015	Percent of Revenue	December 31, 2014	Percent of Revenue	Change	Percent Change
Operating revenue	\$ 104.3	100.0%	\$ 75.9	100.0%	\$ 28.4	37.4 %
Operating expenses:						
Purchased transportation	33.8	32.4	25.0	32.9	8.8	35.2
Salaries, wages and employee benefits	24.4	23.4	18.1	23.8	6.3	34.8
Operating leases	11.7	11.2	4.8	6.3	6.9	143.8
Depreciation and amortization	3.8	3.6	3.4	4.5	0.4	11.8
Insurance and claims	2.6	2.5	1.7	2.2	0.9	52.9
Fuel expense	3.2	3.1	4.3	5.7	(1.1)	(25.6)
Other operating expenses	12.9	12.4	11.2	14.8	1.7	15.2
Total operating expenses	92.4	88.6	68.5	90.3	23.9	34.9
Income from operations	\$ 11.9	11.4%	\$ 7.4	9.7%	\$ 4.5	60.8 %

Revenues

Intermodal operating revenue increased \$28.4 million, or 37.4%, to \$104.3 million for the year ended December 31, 2015 from \$75.9 million for the same period in 2014. The increase in operating revenue was primarily attributable to 2015 including a full year of CST, RGL and MMT compared to the same period of 2014.

Purchased Transportation

Intermodal purchased transportation increased \$8.8 million, or 35.2%, to \$33.8 million for the year ended December 31, 2015 from \$25.0 million for the same period in 2014. Intermodal purchased transportation as a percentage of revenue was 32.4% for the year ended December 31, 2015 compared to 32.9% for the year ended December 31, 2014. The decrease as a percentage of revenue was due to a change in business mix as revenues, such as rental and storage revenues, that do not utilize owner operators increased for the year ended December 31, 2015 compared to the same period of 2014.

Salaries, Wages, and Benefits

Intermodal salaries, wages and employee benefits increased \$6.3 million, or 34.8%, to \$24.4 million for the year ended December 31, 2015 compared to \$18.1 million for the year ended December 31, 2014. As a percentage of Intermodal operating revenue, salaries, wages and benefits decreased to 23.4% for the year ended December 31, 2015 compared to 23.8% for the same period in 2014. The improvement as a percentage of revenue was due to a change in business mix as revenues, such as rental and storage revenues, that do not utilize Company-employed drivers increased for the year ended December 31, 2015 compared to the same period of 2014.

Operating Leases

Operating leases increased \$6.9 million to \$11.7 million for the year ended December 31, 2015 from \$4.8 million for the same period in 2014. Operating leases were 11.2% of Intermodal operating revenue for the year ended December 31, 2015 compared with 6.3% in the same period of 2014. Operating leases increased due to a \$6.3 million increase in trailer and tractor rentals to handle additional revenue and a \$0.6 million increase in rent expense for additional facilities assumed with the acquisitions.

Depreciation and Amortization

Depreciation and amortization increased \$0.4 million, or 11.8%, to \$3.8 million for the year ended December 31, 2015 from \$3.4 million for the same period in 2014. Depreciation and amortization expense as a percentage of Intermodal operating revenue was 3.6% for the year ended December 31, 2015 compared to 4.5% for the same period of 2015. Depreciation and amortization increased in total dollars due to 2015 including a full year of amortization on intangible assets for the CST, RGL and MMT acquisitions.

Insurance and Claims

Intermodal insurance and claims expense increased \$0.9 million, or 52.9%, to \$2.6 million for the year ended December 31, 2015 from \$1.7 million for the year ended December 31, 2014. Intermodal insurance and claims were 2.5% of operating revenue for the year ended December 31, 2015 compared with 2.2% for the same period in 2014. The increase in Intermodal insurance and claims was attributable to a full year of insurance premiums for the CST, RGL and MMT acquisitions.

Fuel Expense

Intermodal fuel expense decreased \$1.1 million, or 25.6%, to \$3.2 million for the year ended December 31, 2015 from \$4.3 million in the same period of 2014. Fuel expenses were 3.1% of Intermodal operating revenue for the year ended December 31, 2015 compared to 5.7% in the same period of 2014. Intermodal fuel expenses decreased primarily as a result of the year-over-year decline in fuel prices offset by increased revenue from a full year of the CST, RGL and MMT acquisitions.

Other Operating Expenses

Intermodal other operating expenses increased \$1.7 million, or 15.2%, to \$12.9 million for the year ended December 31, 2015 compared to \$11.2 million for the same period of 2015. Intermodal other operating expenses for the year ended December 31, 2015 were 12.4% compared to 14.8% for the same period of 2014. The increase in Intermodal other operating expenses was due mostly to a \$1.6 million increase in container related rental and storage charges. The remaining increase was due to terminal expenses and other variable costs corresponding with a full year of CST, RGL and MMT acquisitions.

Income from Operations

Intermodal's income from operations increased by \$4.5 million, or 60.8%, to \$11.9 million for the year ended December 31, 2015 compared with \$7.4 million for the same period in 2014. Income from operations as a percentage of Intermodal operating revenue was 11.4% for the year ended December 31, 2015 compared to 9.7% in the same period of 2014. The improvement in operating income was primarily attributable to a full year of operating income contributions for the CST, RGL and MMT acquisitions.

Other Operations

Other operations deteriorated to a \$26.5 million operating loss during the year ended December 31, 2015 from a \$0.3 million operating loss during the year ended December 31, 2014. The year-over-year decline in other operations and corporate activities was largely due to \$23.5 million of Towne acquisition and integration costs included in results for the year ended December 31, 2015 and no similar costs being included in the same period of 2014. The acquisition and integration costs included \$2.6 million of severance obligations and \$11.7 million in reserves for remaining net payments, on duplicate facilities vacated during the year ended December 31, 2015. The expenses associated with the severance obligations and vacated, duplicate facility costs were recognized in the salaries, wages and benefits and operating lease line items, respectively. During the year ended December 31, 2015, we also incurred expense of \$9.2 million for various other integration and transaction related costs which are largely included in other operating expenses. Other operations for the year ended December 31, 2015 also included approximately \$3.0 million of additional expenses associated with our semi-annual actuarial analyses of workers' compensation and vehicles claims. The \$0.3 million in operating loss included in other operations and corporate activities for the year ended December 31, 2014 was primarily for increases to loss development reserves resulting from our semi-annual actuary analyses of our vehicle claims.

Discussion of Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP"). The preparation of financial statements in accordance with GAAP requires our management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Our estimates and assumptions are based on historical experience and changes in the business environment. However, actual results may differ from estimates under different conditions, sometimes materially. Critical accounting policies and estimates are defined as those that are both most important to the portrayal of our financial condition and results and require management's most subjective judgments.

Allowance for Doubtful Accounts

The Company evaluates the collectability of its accounts receivable based on a combination of factors. In circumstances in which the Company is aware of a specific customer's inability to meet its financial obligations to the Company (for example, bankruptcy filings, accounts turned over for collection or litigation), the Company records a specific reserve for these bad debts against amounts due to reduce the net recognized receivable to the amount the Company reasonably believes will be collected. For all other customers, the Company recognizes reserves for these bad debts based on the length of time the receivables are past due. Specifically, amounts that are 90 days or more past due are reserved at 50.0% for Expedited LTL, 10.0% for Intermodal, 25.0% for Pool and up to 50.0% for TLS. If circumstances change (i.e., the Company experiences higher than expected defaults or an unexpected material adverse change in a customer's ability to meet its financial obligations to the Company), the estimates of the recoverability of amounts due to the Company could be changed by a material amount. Accounts are written off after all means of collection, including legal action, have been exhausted.

Allowance for Revenue Adjustments

Our allowance for revenue adjustments consists of amounts reserved for billing rate changes that are not captured upon load initiation. These adjustments generally arise: (i) when the sales department contemporaneously grants small rate changes ("spot quotes") to customers that differ from the standard rates in the system; (ii) when freight requires dimensionalization or is reweighed resulting in a different required rate; (iii) when billing errors occur; and (iv) when data entry errors occur. When appropriate, permanent rate changes are initiated and reflected in the system. We monitor the manual revenue adjustments closely through the employment of various controls that are in place to ensure that revenue recognition is not compromised and that fraud does not occur. During 2016, average revenue adjustments per month were approximately \$0.2 million, on average revenue per month of approximately \$81.9 million (approximately 0.2% of monthly revenue). In order to estimate the allowance for revenue adjustments related to ending accounts receivable, we prepare an analysis that considers average monthly revenue adjustments and the average lag for identifying and quantifying these revenue adjustments. Based on this analysis, we establish an allowance for approximately 35-65 days (dependent upon experience by operating segment in the preceding twelve months) of average revenue adjustments, adjusted for rebates and billing errors. The lag is periodically adjusted based on actual historical experience. Additionally, the average amount of revenue adjustments per month can vary in relation to the level of sales or based on other factors (such as personnel issues that could result in excessive manual errors or in excessive spot quotes being granted). Both of these significant assumptions are continually evaluated for appropriateness.

Self-Insurance Loss Reserves

Given the nature of our operating environment, we are subject to vehicle and general liability, workers' compensation and employee health insurance claims. To mitigate a portion of these risks, we maintain insurance for individual vehicle and general liability claims exceeding \$0.8 million and workers' compensation claims and employee health insurance claims exceeding approximately \$0.3 million, except in Ohio, where we are a qualified self-insured entity with an approximately \$0.5 million self-insured retention. The amount of self-insurance loss reserves and loss adjustment expenses is determined based on an estimation process that uses information obtained from both company-specific and industry data, as well as general economic information. The estimation process for self-insurance loss exposure requires management to continuously monitor and evaluate the life cycle of claims. Using data obtained from this monitoring and our assumptions about the emerging trends, management develops information about the size of ultimate claims based on its historical experience and other available market information. The most significant assumptions used in the estimation process include determining the trend in loss costs, the expected consistency in the frequency and severity of claims incurred but not yet reported, changes in the timing of the reporting of losses from the loss date to the notification date, and expected costs to settle unpaid claims. We utilize semi-annual actuarial analysis to evaluate the open vehicle liability and workers' compensation claims and estimate the ongoing development exposure.

Changes in the inputs described above, such as claim life cycles, severity of claims and trends in loss costs, can result in material changes to our self-insurance loss reserves. Historically, significant changes in one assumption or changes in several assumptions have resulted in both increases and decreases to self-insurance loss reserves. Based on facts and circumstances one significant claim, such as a dock or vehicle accident, could result in an immediate increase in our self-insurance loss reserves of at least \$0.3 million to \$0.8 million, our self-insured retention limits. Significant facts and circumstances for a claim would involve the degree of injuries, whether fatalities occurred, the amount of property damage, the degree of our involvement and whether or not our employees or representatives followed our processes and procedures. However, changes in the above variables could also reduce our self-insurance loss reserves. For example, in previous periods we have reduced our workers' compensation loss reserve by over \$1.0 million as the result of improvements in our loss experience and in the severity of claims incurred over a certain period of time.

As of December 31, 2016, we have recognized an offsetting insurance proceeds receivable and claims payable of \$6.7 million for open vehicle and workers' compensation claims in excess of our stop-loss limits.

Revenue Recognition

Operating revenue and related costs are recognized as of the date shipments are completed. The transportation rates we charge our customers consist of base transportation rates and fuel surcharge rates. The revenues earned and related direct freight expenses incurred from our base transportation services are recognized on a gross basis in revenue and in purchased transportation. Transportation revenue is recognized on a gross basis as we are the primary obligor. The fuel surcharges billed to customers and paid to owner-operators and third party transportation providers are recorded on a net basis in revenue as we are not the primary obligor with regards to the fuel surcharges.

Income Taxes

We account for income taxes using the liability method, whereby deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to be recovered or settled. Also, we report a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. We recognize interest and penalties, if any, related to unrecognized tax benefits in interest expense and operating expenses, respectively.

At December 31, 2016, we had state net operating loss carryforwards of \$18.2 million for certain legal entities that will expire between 2016 and 2030. The use of these state net operating losses is limited to the future taxable income of separate legal entities. Based on expectations of future taxable income, management believes that it is more likely than not that the results of operations for the certain legal entities will not generate sufficient taxable income to realize the net operating loss benefits for these state loss carryforwards. As a result, a valuation allowance has been provided for these specific state loss carryforwards. The valuation allowance on these certain state loss carryforwards was approximately \$0.3 million at December 31, 2016 and 2015.

Valuation of Goodwill

We test our goodwill for impairment annually or more frequently if events or circumstances indicate impairment may exist. Examples of such events or circumstances could include a significant change in business climate or a loss of significant

customers. We complete our annual analysis of our reporting units as of the last day of our second quarter, June 30th. We first consider our reporting unit and related components in accordance with U.S. GAAP. Goodwill is allocated to reporting units that are expected to benefit from the business combinations generating the goodwill. We have five reporting units - Expedited LTL, Truckload Expedited, Intermodal, Pool Distribution and TQI. The Truckload Expedited and the TQI reporting units are included in the Truckload Premium Services reportable segment. In evaluating reporting units, we first assess qualitative factors to determine whether it is more likely than not that the fair value of any of the reporting unit is less than its carrying amount, including goodwill. When performing the qualitative assessment, we consider the impact of factors including, but not limited to, macroeconomic and industry conditions, overall financial performance of each reporting unit, litigation and new legislation. If based on the qualitative assessments, we believe it is more likely than not that the fair value of any reporting unit is less than the reporting unit's carrying amount, or periodically as deemed appropriate by management, we will prepare an estimation of the respective reporting unit's fair value utilizing a quantitative approach. If this estimation of fair value indicates that impairment potentially exists, we will then measure the amount of the impairment, if any. Goodwill impairment exists when the calculated implied fair value of goodwill is less than its carrying value.

We determine the fair value of our reporting units based on a combination of a market approach, which considers comparable companies, and the income approach, using a discounted cash flow model. Under the market approach, valuation multiples are derived based on a selection of comparable companies and applied to projected operating data for each reporting unit to arrive at an indication of fair value. Under the income approach, the discounted cash flow model determines fair value based on the present value of management prepared projected cash flows over a specific projection period and a residual value related to future cash flows beyond the projection period. Both values are discounted using a rate which reflects our best estimate of the weighted average cost of capital of a market participant, and is adjusted for appropriate risk factors. We believe the most sensitive estimate used in our income approach is the management prepared projected cash flows. Consequently, as necessary we perform sensitivity tests on select reporting units to ensure reductions of the present value of the projected cash flows by at least 10% would not adversely impact the results of the goodwill impairment tests. Historically, we have equally weighted the income and market approaches as we believed the quality and quantity of the collected information were approximately equal. The inputs used in the fair value calculations for goodwill are classified within level 3 of the fair value hierarchy as defined in the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles.

In 2016, we performed a fair value estimation for each reporting unit, except Intermodal as we did not believe it was more likely than not that Intermodal's fair value was less than the carrying amount. Currently, there is no goodwill assigned to the Truckload Expedited reporting unit. Our 2016 calculations for LTL and Pool Distribution indicated that, as of June 30, 2016, the fair value of each reporting unit exceeded their carrying value by approximately 122.0% and 76.0%, respectively. However, due to TQI's financial performance falling notably short of our prior year projections, declining revenue from significant customers and strategic initiatives not having the required impact on financial results, we reduced TQI's projected cash flows and as a result our estimate of TQI's fair value no longer exceeded the respective carrying value as of June 30, 2016. We concluded that an impairment loss was probable and could be reasonably estimated. Consequently, we recorded a goodwill impairment charge of \$25.7 million for the TQI reporting unit.

Additionally, the Company reviews its other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In conjunction with the TQI impairment analysis we obtained fair value information or prepared new fair value estimates for TQI's other long term assets. Impairment is recognized on assets classified as held and used when the sum of undiscounted estimated cash flows expected to result from the use of the asset is less than the carrying value. If such measurement indicates a possible impairment, the estimated fair value of the asset is compared to its net book value to measure the impairment charge, if any. Through our TQI goodwill impairment calculations we determined there were indicators that TQI's customer relationship and non-compete intangible assets were impaired as the undiscounted cash flows associated with the applicable assets no longer exceeded the related assets' net book values. We then estimated the current market values of the customer relationship and non-compete assets using an income approach (level 3). Under this method, an intangible asset's fair value is equal to the present value of the incremental after-tax cash flows (excess earnings) attributable solely to the intangible asset over its remaining useful life. To estimate fair value, we used cash flows discounted at rates considered appropriate given the inherent risks associated with each type of asset. We believe the level and timing of cash flows appropriately reflect market participant assumptions. As a result of these analyses, we recorded an impairment charge of \$16.5 million.

In addition, during the three months ended June 30, 2016, we also discontinued use of an owned maintenance facility and began efforts to sell the property. In conjunction with these actions, we incurred a \$0.2 million impairment charge that was estimated using current offers we received to sell the property (level 1).

For our 2016 analysis, the significant assumptions used for the income approach were 10 years of projected net cash flows and the following discount and long-term growth rates:

	LTL	Pool Distribution	TQI
Discount rate	12.5%	17.0%	14.5%
Long-term growth rate	5.0%	5.0%	4.0%

As shown with the TQI impairment, these assumptions used to estimate the fair value of each reporting unit change from year to year based on operating results, market conditions, and other factors. Changes in these estimates and assumptions could materially affect the determination of the reporting unit's fair value and goodwill impairment for the reporting unit.

Share-Based Compensation

Our general practice has been to make a single annual grant to key employees and to make other grants only in connection with new employment or promotions. In addition, we make annual grants to non-employee directors in conjunction with their annual election to our Board of Directors or at the time of their appointment to the Board of Directors. For employees, we have granted stock options, non-vested shares and performance shares. For non-employee directors, we have granted non-vested shares annually beginning in 2006.

Stock options typically expire seven years from the grant date and vest ratably over a three-year period. The share-based compensation for stock options are recognized, net of estimated forfeitures, ratably over the requisite service period, or vesting period. Forfeitures were estimated based on our historical experience. We used the Black-Scholes option-pricing model to estimate the grant-date fair value of options granted. The following table contains the weighted-average assumptions used to estimate the fair value of options granted. These assumptions are highly subjective and changes in these assumptions can materially affect the fair value estimate.

	December 31, 2016	December 31, 2015	December 31, 2014
Expected dividend yield	1.0%	1.0%	1.2%
Expected stock price volatility	28.9%	33.3%	38.5%
Weighted average risk-free interest rate	1.3%	1.6%	1.6%
Expected life of options (years)	5.8	5.9	5.3

The fair value of non-vested shares issued were estimated using the closing market prices for the business day of the grant. The share-based compensation for the non-vested shares is recognized, net of estimated forfeitures, ratably over the requisite service period or vesting period. Forfeitures are estimated based on our historical experience, but will be adjusted for future changes in forfeiture experience.

We have also granted performance shares to key employees. Under the terms of the performance share agreements, on the third anniversary of the grant date, we will issue to the employees a calculated number of common stock shares based on the three year performance of our total shareholder return as compared to the total shareholder return of a selected peer group. No shares may be issued if the total shareholder return performance outperforms 30% or less of the peer group, but the number of shares issued may be doubled if the total shareholder return performs better than 90% of the peer group. The share-based compensation for performance shares are recognized, net of estimated forfeitures, ratably over the requisite service period, or vesting period. The fair value of the performance shares was estimated using a Monte Carlo simulation. The following table contains the weighted-average assumptions used to estimate the fair value of performance shares granted. These assumptions are highly subjective and changes in these assumptions can materially affect the fair value estimate.

	Year ended		
	December 31, 2016	December 31, 2015	December 31, 2014
Expected stock price volatility	22.3%	23.5%	32.5%
Weighted average risk-free interest rate	0.8%	1.0%	0.7%

Under the ESPP, which has been approved by our shareholders, we are authorized to issue shares of Common Stock to our employees. These shares may be issued at a price equal to 90% of the lesser of the market value on the first day or the last

day of each six-month purchase period. Common Stock purchases are paid for through periodic payroll deductions and/or up to two large lump sum contributions. We recognize share-based compensation on the date of purchase based on the difference between the purchase date fair market value and the employee purchase price.

Operating Leases

Certain operating leases include rent increases during the initial lease term. For these leases, we recognize the related rental expenses on a straight-line basis over the term of the lease, which includes any rent holiday period, and record the difference between the amounts charged to operations and amount paid as a rent liability. Leasehold improvements are amortized over the shorter of the estimated useful life or the initial term of the lease. Reserves for idle facilities are initially measured at fair value of the portion of the lease payments associated with the vacated facilities, reduced by estimated sublease rentals.

Recent Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board ("FASB") issued guidance that changes the accounting for certain aspects of share-based payments to employees. The guidance requires the recognition of the income tax effects of awards in the income statement when the awards vest or are settled, thus eliminating additional paid in capital ("APIC") pools. The guidance also allows for the employer to repurchase more of an employee's shares for tax withholding purposes without triggering liability accounting. In addition, the guidance allows for a policy election to account for forfeitures as they occur rather than on an estimated basis. The guidance is effective in 2017 with early adoption permitted. We plan to adopt this guidance in January 2017 and while the elimination of APIC pools will result in increased volatility of our effective tax rate, the overall impact is expected to be minimal.

In February 2016, the FASB, issued ASU 2016-02, Leases, which introduces the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous guidance. The guidance will be effective for annual reporting periods beginning after December 15, 2018 and interim periods within those fiscal years with early adoption permitted. We are evaluating the impact of the future adoption of this standard on our consolidated financial statements.

In May 2014, the FASB issued guidance on revenue from contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is effective for the interim and annual periods beginning on or after December 15, 2017 (early adoption is permitted for interim and annual periods beginning on or after December 15, 2016). The guidance permits the use of either a full retrospective or modified retrospective adoption approach with a cumulative effect adjustment recorded in either scenario as necessary upon transition. Based on a review of our customer shipping arrangements, we currently believe the implementation of this standard will change our revenue recognition policy from recognizing revenue upon shipment completion to recognizing revenue over time based on the progress toward completion of shipments in transit as of each period end. While the timing of revenue recognition will be accelerated, due to the short duration of our transit times the anticipated impact on our consolidated financial position, revenue, results from operations and related disclosures is expected to be minor. At this time we have not determined our transition method.

Liquidity and Capital Resources

We have historically financed our working capital needs, including capital expenditures, with cash flows from operations and borrowings under our bank lines of credit.

Year Ended December 31, 2016 Cash Flows compared to December 31, 2015 Cash Flows

Net cash provided by operating activities totaled approximately \$130.4 million for the year ended December 31, 2016 compared to approximately \$85.7 million for the year ended December 31, 2015. The \$44.7 million increase in cash provided by operating activities is mainly attributable to a \$7.1 million increase in net earnings after consideration of non-cash items and a \$52.7 million decrease in cash used to fund accounts payable and prepaid assets, partially offset by a \$15.1 million decrease in cash collected from accounts receivable. The decreases in cash used for accounts payable and prepaid assets is mainly attributable to the prior year having cash paid to settle trade payables assumed with the Towne acquisition and reduced estimated income tax

payments. The decrease in cash received from accounts receivables is attributable to collections on acquired accounts receivable in 2015 related to the Towne acquisition.

Net cash used in investing activities was approximately \$52.4 million for the year ended December 31, 2016 compared with approximately \$100.9 million during the year ended December 31, 2015. Investing activities during the year ended December 31, 2016 consisted primarily of \$11.8 million used to acquire Ace and Triumph, which is included in the Intermodal segment, and net capital expenditures of \$40.3 million for new trailers, forklifts, computer hardware and internally developed software. Investing activities during the year ended December 31, 2015 consisted primarily of \$61.9 million used to acquire Towne and net capital expenditures of \$38.8 million for new tractors and trailers to replace aging units. The proceeds from disposal of property and equipment during the year ended December 31, 2016 and 2015 were primarily from sales of older trailers and vehicles.

Net cash used in financing activities totaled approximately \$102.8 million for the year ended December 31, 2016 compared with net cash provided by financing activities of \$7.1 million for the year ended December 31, 2015. The \$109.9 million change in cash from financing activities was attributable to the prior year including \$125.0 million of proceeds from executing a two year term loan in conjunction with the Towne acquisition. The decrease in cash from term loan proceeds was partly offset by a \$45.6 million decrease in payments on debt and capital leases. Additionally, there was a \$9.7 million decrease in cash from employee stock transactions and related tax benefits. Payments on debt and capital leases decreased as 2015 included the settlement of debt assumed with the acquisition of Towne. The year ended December 31, 2016 also included \$40.0 million used to repurchase shares of our Common Stock, compared to \$20.0 million used to repurchase shares of our Common Stock during the year ended December 31, 2015. Dividends increased on new shares issued through stock option exercises and our Board of Directors increasing the quarterly cash dividend from \$0.12 per share to \$0.15 per share during the fourth quarter of 2016.

Year Ended December 31, 2015 Cash Flows compared to December 31, 2014 Cash Flows

Net cash provided by operating activities totaled approximately \$85.7 million for the year ended December 31, 2015 compared to approximately \$91.7 million for the year ended December 31, 2014. The \$6.0 million decrease in cash provided by operating activities is mainly attributable to a \$41.4 million increase in cash used to fund accounts payable and income tax receivables, net of a \$17.8 million increase in net earnings after consideration of non-cash items and a \$17.6 million increase in cash collected from accounts receivable. The increases in cash used for accounts payable is mainly attributable to cash paid to settle trade payables assumed with the Towne acquisition. Favorable amendments to prior year returns and net operating loss carryforwards acquired with Towne and applied to current year earnings increased the income tax receivable, driving a \$22.9 million increase in cash used for income taxes. The increase in net earnings after consideration of non-cash items is primarily attributable to the increase in deferred income taxes due to provisions for bonus tax depreciation offset by a decrease in net income. Decrease in net income was driven by Towne transaction and integration costs previously discussed. The increase in cash received from accounts receivables is attributable to the collection of acquired Towne trade receivables.

Net cash used in investing activities was approximately \$100.9 million for the year ended December 31, 2015 compared with approximately \$127.7 million used in investing activities during the year ended December 31, 2014. Investing activities during the year ended December 31, 2015 consisted primarily of \$61.9 million used to acquire Towne and net capital expenditures of \$38.8 million primarily for new tractors and trailers to replace aging units. Investing activities during the year ended December 31, 2014 consisted primarily of \$90.2 million used to acquire CST and RGL and MMT and net capital expenditures of \$37.5 million primarily for new trailers, vehicles and forklifts to replace aging units. The proceeds from disposal of property and equipment during the year ended December 31, 2015 and 2014 were primarily from sales of older trailers and vehicles.

Net cash provided by financing activities totaled approximately \$7.1 million for the year ended December 31, 2015 compared with net cash used in financing activities of \$49.9 million for the year ended December 31, 2014. The \$57.0 million change in cash from financing activities was attributable to \$125.0 million of proceeds from executing a two year term loan in conjunction with the Towne acquisition partly offset by a \$91.6 million increase in payments on debt and capital leases. Additionally, there was a \$3.6 million decrease in cash from employee stock transactions and related tax benefits. Payments on debt and capital leases increased as the result of higher debt assumed and settled with the acquisition of Towne as compared to CST. The year ended December 31, 2015 also included \$20.0 million used to repurchase shares of our common stock, compared to \$40.0 million used to repurchase shares of our common stock for the same period in 2014.

Liquidity and Capital Resources

On February 4, 2015, we entered into a five-year senior, unsecured credit facility (the "Facility") with a maximum aggregate principal amount of \$275.0 million, including a revolving credit facility of \$150.0 million and a term loan facility of \$125 million. The revolving credit facility has a sublimit of \$25.0 million for letters of credit and a sublimit of \$15.0 million for swing line loans. The revolving credit facility is scheduled to expire in February 2020 and may be used to refinance existing

indebtedness of the Company and for working capital, capital expenditures and other general corporate purposes. Unless we elect otherwise under the credit agreement, interest on borrowings under the Facility are based on the highest of (a) the federal funds rate plus 0.5%, (b) the administrative agent's prime rate and (c) the LIBOR Rate plus 1.0%, in each case plus a margin that can range from 0.1% to 0.6% with respect to the term loan facility and from 0.3% to 0.8% with respect to the revolving credit facility depending on our ratio of consolidated funded indebtedness to earnings as set forth in the credit agreement. The Facility contains financial covenants and other covenants that, among other things, restrict our ability, without the approval of the lenders, to engage in certain mergers, consolidations, asset sales, investments, other transactions or to incur liens or indebtedness, as set forth in the credit agreement. As of December 31, 2016, we had no borrowings outstanding under the revolving credit facility. At December 31, 2016, we had utilized \$7.5 million of availability for outstanding letters of credit and had \$142.5 million of available borrowing capacity outstanding under the revolving credit facility.

In conjunction with the acquisition of Towne (see note 2 to our consolidated financial statements), we borrowed \$125.0 million on the available term loan. The term loan is payable in quarterly installments of 11.1% of the original principal amount of the term loan plus accrued and unpaid interest, and matures in March 2017. The interest rate on the term loan was 2.0% at December 31, 2016. The remaining balance on the term loan was \$27.8 million as of December 31, 2016 and is a current liability.

On February 7, 2014, our Board of Directors approved a stock repurchase authorization for up to two million shares of the Company's Common Stock. In connection with this action, the board cancelled the Company's remaining stock repurchase authorization under its previous program. During the year ended December 31, 2016, we repurchased 676,773 shares for \$30.0 million, or an average of \$44.31 per share on the 2014 plan.

On July 21, 2016, our Board of Directors approved a stock repurchase authorization for up to three million shares of the Company's Common Stock. In connection with this action, the board cancelled the Company's 2014 repurchase plan. During the year ended December 31, 2016, we repurchased 233,516 shares of Common Stock for \$10.0 million, or \$42.80 per share under the 2016 plan. When combining the stock repurchases under the 2014 and 2016 plans, we repurchased 910,289 shares of Common Stock for \$40.0 million, or \$43.92 per share during the year ended December 31, 2016. As of December 31, 2016, 2,766,484 shares remain that may be repurchased under the 2016 plan.

During each quarter of 2014 and 2015 and the first, second and third quarters of 2016, our Board of Directors declared a cash dividend of \$0.12 per share. During the fourth quarter of 2016, our Board of Directors declared a cash dividend of \$0.15 per share. We expect to continue to pay regular quarterly cash dividends, though each subsequent quarterly dividend is subject to review and approval by our Board of Directors.

We believe that our available cash, investments, expected cash generated from future operations and borrowings under the available credit facility will be sufficient to satisfy our anticipated cash needs for at least the next twelve months. However, we continue to evaluate and pursue acquisitions that can increase our penetration into a geographic area, add new customers, add new business verticals, increase freight volume and add new service offerings. Acquisitions may affect our short-term cash flow, liquidity and net income as we expend funds, potentially increase indebtedness and incur additional expenses.

Off-Balance Sheet Arrangements

At December 31, 2016, we had letters of credit outstanding from banks totaling \$7.5 million required primarily by our workers' compensation and vehicle liability insurance providers.

Contractual Obligations and Commercial Commitments

Our contractual obligations and other commercial commitments as of December 31, 2016 (in thousands) are summarized below:

Contractual Obligations	Payment Due Period (in thousands)				
	Total	2017	2018-2019	2020-2021	2022 and Thereafter
Capital lease obligations	\$ 1,171	\$ 395	\$ 716	\$ 60	—
Equipment purchase commitments	2,122	2,122	—	—	—
Operating leases	103,923	36,106	46,769	18,058	2,990
Term loan payments	27,788	27,788	—	—	—
Total contractual cash obligations	\$ 135,004	\$ 66,411	\$ 47,485	\$ 18,118	\$ 2,990

Not included in the above table are reserves for unrecognized tax benefits and self insurance claims of \$0.8 million and \$18.8 million, respectively. The equipment purchase commitments are for various trailers, vehicles and forklifts. All of the above commitments are expected to be funded by cash on hand and cash flows from operations.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk relates principally to changes in interest rates and fuel prices. Our interest rate exposure relates principally to changes in interest rates for borrowings under our senior unsecured credit facility. The revolving credit and term loan facilities had \$27.8 million outstanding at December 31, 2016 and bear interest at variable rates. However, a hypothetical increase in our credit facility borrowing rate of 150 basis points, or an increase in the total effective interest rate from 1.8% to 3.3%, would increase our annual interest expense by approximately \$0.9 million and would have decreased our annual cash flow from operations by approximately \$0.9 million.

Our only other debt is capital lease obligations totaling \$1.1 million. These lease obligations all bear interest at a fixed rate. Accordingly, there is no exposure to market risk related to these capital lease obligations.

We are exposed to the effects of changes in the price and availability of diesel fuel, as more fully discussed in Item 1A, “Risk Factors.”

Our cash and cash equivalents are also subject to market risk, primarily interest-rate and credit risk.

Item 8. Financial Statements and Supplementary Data

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

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Our management, including our principal executive and principal financial officers, has evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2016. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed in this annual report on Form 10-K has been appropriately recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, to allow timely decisions regarding required disclosure. Based on that evaluation, our principal executive and principal financial officers have concluded that our disclosure controls and procedures are effective at the reasonable assurance level.

Management’s Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rules 13a-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance to management and the Board of Directors regarding the preparation and fair presentation of financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we assessed the effectiveness of our internal control over financial reporting as of December 31, 2016. In making this assessment, management used the framework set forth by the Committee on Sponsoring Organizations of the Treadway

Commission in *Internal Control — Integrated Framework* ("2013 Framework"). Based on our assessment, we have concluded, as of December 31, 2016, that our internal control over financial reporting was effective based on those criteria.

Ernst & Young LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements for the year ended December 31, 2016, has issued an attestation report on the Company's internal control over financial reporting.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the fourth quarter of 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Forward Air Corporation,

We have audited Forward Air Corporation's internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Forward Air Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Forward Air Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2016 of Forward Air Corporation and our report dated February 22, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Nashville, Tennessee
February 22, 2017

Item 9B. Other Information

Not applicable.

Part III**Item 10. Directors, Executive Officers and Corporate Governance****Executive Officers of the Registrant**

Pursuant to Instruction 3 to Item 401(b) of Regulation S-K of the Securities Act and General Instruction G(3) to Form 10-K, the following information is included in Part III of this report. The ages listed below are as of December 31, 2016.

The following are our executive officers:

Name	Age	Position
Bruce A. Campbell	65	Chairman, President and Chief Executive Officer
Michael J. Morris	48	Chief Financial Officer, Senior Vice President and Treasurer
Craig A. Drum	61	Senior Vice President, Sales
Michael L. Hance	45	Senior Vice President, Chief Legal Officer & Secretary
Matthew J. Jewell	50	President - Logistics Services
Michael P. McLean	43	Chief Accounting Officer, Vice President & Controller
Chris C. Ruble	54	President - Expedited Services

There are no family relationships between any of our executive officers. All officers hold office until the earliest to occur of their resignation or removal by the Board of Directors.

Bruce A. Campbell has served as a director since April 1993, as President since August 1998, as Chief Executive Officer since October 2003 and as Chairman of the Board since May 2007. Mr. Campbell was Chief Operating Officer from April 1990 until October 2003 and 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.

Michael J. Morris began serving as Chief Financial Officer, Senior Vice President and Treasurer in June 2016. From 2010 to 2015, Mr. Morris was the Senior Vice President of Finance & Treasurer at Con-way Inc. ("Con-way") and in 2016 he transitioned to be the Senior Vice President of Finance & Treasurer at XPO Logistics Inc. ("XPO") following XPO's acquisition of Con-way.

Craig A. Drum has served as Senior Vice President, Sales since July 2001 after joining us in January 2000 as Vice President, Sales for one of our subsidiaries. In February 2001, Mr. Drum was promoted to Vice President of National Accounts. Prior to January 2000, Mr. Drum spent most of his 24-year career in air freight with Delta Air Lines, Inc., most recently as the Director of Sales and Marketing - Cargo.

Michael L. Hance has served as Senior Vice President, Chief Legal Officer and Secretary since May 2014. From May 2010 until May 2014, he served as Senior Vice President of Human Resources and General Counsel. From January 2008 until May 2010, he served as Senior Vice President and General Counsel, and from August 2006 until January 2008, he served as Vice President and Staff Counsel. Before joining us, Mr. Hance practiced law with the law firms of Baker, Donelson, Bearman, Caldwell and Berkowitz, P.C. from October 2003 until August 2006 and with Bass, Berry & Sims, PLC from September 1999 to September 2003.

Matthew J. Jewell was promoted to President - Logistics Services, effective January 2016. Prior to this promotion, he served as Executive Vice President, Intermodal Services & Chief Strategy Officer since May 2014. From January 2008 until May 2014, he served as Executive Vice President and Chief Legal Officer. From July 2002 until January 2008, he served as Senior Vice President and General Counsel. In October 2002, he was also appointed Secretary. From July 2002 until May 2004, Mr. Jewell was also the Senior Vice President, General Counsel and Secretary of Landair Corporation. From January 2000 until joining us in July 2002, Mr. Jewell was a partner with the law firm of Austin & Sparks, P.C. Mr. Jewell was an associate at Dennis, Corry & Porter, L.L.P. from July 1991 to December 1998 and a partner from January 1999 to January 2000.

Michael P. McLean began serving as Chief Accounting Officer, Vice President and Controller in February 2008. From June 2006 until February 2008, Mr. McLean, who is a Certified Public Accountant, served as Vice President of Accounting and Controller. Mr. McLean joined the Company as Vice President, Accounting in February 2006 and served in that position until May 2006. Prior to joining us in February 2006, Mr. McLean served as Director of Financial Reporting at CTI Molecular Imaging, Inc., a publicly-traded medical technology company since February 2003. From July 2001 until January 2003, Mr. McLean was an audit manager with the accounting firm of Coulter & Justus, PC in Knoxville, Tennessee.

Chris C. Ruble was promoted to President - Expedited Services, effective January 2016. Prior to this promotion, he served as Executive Vice President, Operations since August 2007. From October 2001 until August 2007, he served as Senior Vice President, Operations. He was a Regional Vice President from September 1997 to October 2001 and a regional manager from February 1997 to September 1997, after starting with us as a terminal manager in January 1996. From June 1986 to August 1995, Mr. Ruble served in various management capacities at Roadway Package System, Inc.

Other information required by this item with respect to our directors is incorporated herein by reference to our proxy statement for the 2017 Annual Meeting of Shareholders (the "2017 Proxy Statement"). The 2017 Proxy Statement will be filed with the SEC not later than 120 days subsequent to December 31, 2016.

Item 11. Executive Compensation

The information required by this item is incorporated herein by reference to the 2017 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

The information required by this item is incorporated herein by reference to the 2017 Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated herein by reference to the 2017 Proxy Statement.

Item 14. Principle Accounting Fees and Services

The information required by this item is incorporated herein by reference to the 2017 Proxy Statement.

Part IV

Item 15. Exhibits, Financial Statement Schedules

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

The response to this portion of Item 15 is submitted as a separate section of this report.

- (a)(3) List of Exhibits.

The response to this portion of Item 15 is submitted as a separate section of this report.

- (b) Exhibits.

The response to this portion of Item 15 is submitted as a separate section of this report.

- (c) Financial Statement Schedules.

The response to this portion of Item 15 is submitted as a separate section of this report.

SIGNATURES

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

Forward Air Corporation

Date: February 22, 2017

By:

/s/ Michael J. Morris

Michael J. Morris

Chief Financial Officer, Senior Vice

President

and Treasurer (Principal Financial Officer)

By:

/s/ Michael P. McLean

Michael P. McLean

Chief Accounting Officer, Vice President

and Controller (Principal Accounting
Officer)

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

Signature	Title	Date
<u>/s/ Bruce A. Campbell</u> Bruce A. Campbell	Chairman, President and Chief Executive Officer (Principal Executive Officer)	February 22, 2017
<u>/s/ Michael J. Morris</u> Michael J. Morris	Chief Financial Officer, Senior Vice President and Treasurer (Principal Financial Officer)	February 22, 2017
<u>/s/ Michael P. McLean</u> Michael P. McLean	Chief Accounting Officer, Vice President and Controller (Principal Accounting Officer)	February 22, 2017
<u>/s/ C. Robert Campbell</u> C. Robert Campbell	Lead Director	February 22, 2017
<u>/s/ Ronald W. Allen</u> Ronald W. Allen	Director	February 22, 2017
<u>/s/ Craig Carlock</u> Craig Carlock	Director	February 22, 2017
<u>/s/ C. John Langley, Jr.</u> C. John Langley, Jr.	Director	February 22, 2017
<u>/s/ Tracy A. Leinbach</u> Tracy A. Leinbach	Director	February 22, 2017
<u>/s/ Larry D. Leinweber</u> Larry D. Leinweber	Director	February 22, 2017
<u>/s/ G. Michael Lynch</u> G. Michael Lynch	Director	February 22, 2017
<u>/s/ Douglas M. Madden</u> Douglas M. Madden	Director	February 22, 2017

Annual Report on Form 10-K

Item 8, Item 15(a)(1) and (2), (a)(3), (b) and (c)

List of Financial Statements and Financial Statement Schedule

Financial Statements and Supplementary Data

Certain Exhibits

Financial Statement Schedule

Year Ended December 31, 2016

Forward Air Corporation

Greeneville, Tennessee

Forward Air Corporation

Form 10-K — Item 8 and Item 15(a)(1) and (2)

Index to Financial Statements and Financial Statement Schedule

The following consolidated financial statements of Forward Air Corporation are included as a separate section of this report:

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Report of Ernst & Young LLP, Independent Registered Public Accounting Firm	F-3
Consolidated Balance Sheets — December 31, 2016 and 2015	F-4
Consolidated Statements of Comprehensive Income — Years Ended December 31, 2016, 2015 and 2014	F-6
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The following financial statement schedule of Forward Air Corporation is included as a separate section of this report.

Schedule II - Valuation and Qualifying Accounts	S-1
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All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Forward Air Corporation

We have audited the accompanying consolidated balance sheets of Forward Air Corporation as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Forward Air Corporation's internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 22, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Nashville, Tennessee
February 22, 2017

Forward Air Corporation
Consolidated Balance Sheets
(Dollars in thousands)

	December 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,511	\$ 33,312
Accounts receivable, less allowance of \$1,714 in 2016 and \$2,405 in 2015	116,602	109,165
Inventories	1,306	1,310
Prepaid expenses and other current assets	9,851	10,794
Income tax receivable	—	18,876
Total current assets	136,270	173,457
Property and equipment:		
Land	16,928	16,998
Buildings	65,857	66,502
Equipment	273,463	241,391
Leasehold improvements	10,694	9,228
Construction in progress	12,079	9,028
Total property and equipment	379,021	343,147
Less accumulated depreciation and amortization	178,816	155,859
Net property and equipment	200,205	187,288
Goodwill and other acquired intangibles:		
Goodwill	184,675	205,609
Other acquired intangibles, net of accumulated amortization of \$61,334 in 2016 and \$51,212 in 2015	106,650	127,800
Total net goodwill and other acquired intangibles	291,325	333,409
Other assets	13,491	5,778
Total assets	\$ 641,291	\$ 699,932

The accompanying notes are an integral part of the consolidated financial statements.

Forward Air Corporation
Consolidated Balance Sheets (Continued)
(Dollars in thousands)

	December 31, 2016	December 31, 2015
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 18,012	\$ 23,334
Accrued payroll and related items	11,522	10,051
Insurance and claims accruals	10,122	8,935
Payables to owner-operators	5,597	7,901
Collections on behalf of customers	349	517
Other accrued expenses	4,243	2,419
Income taxes payable	70	—
Current portion of capital lease obligations	347	331
Current portion of long-term debt	27,665	55,556
Total current liabilities	77,927	109,044
Capital lease obligations, less current portion	725	1,074
Long-term debt, less current portion	—	27,543
Other long-term liabilities	21,699	12,340
Deferred income taxes	41,871	39,876
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Preferred stock, \$0.01 par value: Authorized shares - 5,000,000; no shares issued	—	—
Common stock, \$0.01 par value: Authorized shares - 50,000,000; issued and outstanding shares - 30,090,335 in 2016 and 30,543,864 in 2015	301	305
Additional paid-in capital	179,512	160,855
Retained earnings	319,256	348,895
Total shareholders' equity	499,069	510,055
Total liabilities and shareholders' equity	\$ 641,291	\$ 699,932

The accompanying notes are an integral part of the consolidated financial statements.

Forward Air Corporation
Consolidated Statements of Comprehensive Income
(In thousands, except per share data)

	Year ended		
	December 31, 2016	December 31, 2015	December 31, 2014
Operating revenue	\$ 982,530	\$ 959,125	\$ 780,959
Operating expenses:			
Purchased transportation	413,355	408,769	334,576
Salaries, wages and employee benefits	242,002	240,604	182,105
Operating leases	60,492	66,272	33,994
Depreciation and amortization	38,210	37,157	31,133
Insurance and claims	25,392	21,483	15,736
Fuel expense	13,233	15,903	20,148
Other operating expenses	87,425	87,165	66,861
Impairment of goodwill and other intangible assets	42,442	—	—
Total operating expenses	922,551	877,353	684,553
Income from operations	59,979	81,772	96,406
Other income (expense):			
Interest expense	(1,597)	(2,047)	(610)
Other, net	4	(58)	289
Total other expense	(1,593)	(2,105)	(321)
Income before income taxes	58,386	79,667	96,085
Income taxes	30,716	24,092	34,916
Net income and comprehensive income	\$ 27,670	\$ 55,575	\$ 61,169
Net income per share:			
Basic	\$ 0.91	\$ 1.80	\$ 1.99
Diluted	\$ 0.90	\$ 1.78	\$ 1.96
Dividends per share:	\$ 0.51	\$ 0.48	\$ 0.48

The accompanying notes are an integral part of the consolidated financial statements.

Forward Air Corporation
Consolidated Statements of Shareholders' Equity
(In thousands, except per share data)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Shareholders' Equity
	Shares	Amount			
Balance at December 31, 2013	30,522	305	107,726	327,834	435,865
Net income and comprehensive income for 2014	—	—	—	61,169	61,169
Exercise of stock options	469	5	13,230	—	13,235
Common stock issued under employee stock purchase plan	9	—	354	—	354
Share-based compensation	—	—	6,681	—	6,681
Dividends (\$0.48 per share)	—	—	9	(14,804)	(14,795)
Cash settlement of share-based awards for minimum tax withholdings	(25)	—	—	(1,083)	(1,083)
Share repurchases	(882)	(9)	—	(39,963)	(39,972)
Vesting of previously non-vested shares	162	2	(2)	—	—
Income tax benefit from stock options exercised	—	—	2,109	—	2,109
Balance at December 31, 2014	30,255	303	130,107	333,153	463,563
Net income and comprehensive income for 2015	—	—	—	55,575	55,575
Exercise of stock options	605	6	17,394	(3,087)	14,313
Common stock issued under employee stock purchase plan	11	—	449	—	449
Share-based compensation	—	—	7,486	—	7,486
Dividends (\$0.48 per share)	—	—	7	(14,828)	(14,821)
Cash settlement of share-based awards for minimum tax withholdings	(38)	—	—	(1,931)	(1,931)
Share repurchases	(423)	(5)	—	(19,987)	(19,992)
Vesting of previously non-vested shares	134	1	(1)	—	—
Income tax benefit from stock options exercised	—	—	5,413	—	5,413
Balance at December 31, 2015	30,544	305	160,855	348,895	510,055
Net income and comprehensive income for 2016	—	—	—	27,670	27,670
Exercise of stock options	346	3	8,145	—	8,148
Common stock issued under employee stock purchase plan	11	—	442	—	442
Share-based compensation	—	—	8,334	—	8,334
Dividends (\$0.51 per share)	—	—	6	(15,535)	(15,529)
Cash settlement of share-based awards for minimum tax withholdings	(42)	—	—	(1,800)	(1,800)
Share repurchases	(910)	(9)	—	(39,974)	(39,983)
Vesting of previously non-vested shares	141	2	(2)	—	—
Income tax benefit from stock options exercised	—	—	1,732	—	1,732
Balance at December 31, 2016	30,090	\$ 301	\$ 179,512	\$ 319,256	\$ 499,069

The accompanying notes are an integral part of the consolidated financial statements.

Forward Air Corporation
Consolidated Statements of Cash Flows
(In thousands)

	Year ended		
	December 31, 2016	December 31, 2015	December 31, 2014
Operating activities:			
Net income	\$ 27,670	\$ 55,575	\$ 61,169
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	38,210	37,157	31,133
Impairment of goodwill, intangible and other assets	42,442	—	—
Share-based compensation	8,334	7,486	6,681
Loss (gain) on disposal of property and equipment	291	(181)	(383)
Provision for loss on receivables	258	33	241
Provision for revenue adjustments	2,020	4,793	2,465
Deferred income taxes	3,525	14,531	(3,021)
Tax benefit for stock options exercised	(1,732)	(5,413)	(2,109)
Changes in operating assets and liabilities, net of acquisition of business			
Accounts receivable	(9,715)	5,403	(12,193)
Prepaid expenses and other assets	283	(1,378)	(280)
Accounts payable and accrued expenses	(1,413)	(17,513)	(199)
Income taxes	20,177	(14,771)	8,156
Net cash provided by operating activities	130,350	85,722	91,660
Investing activities:			
Proceeds from disposal of property and equipment	1,929	1,720	1,947
Purchases of property and equipment	(42,186)	(40,495)	(39,487)
Acquisition of business, net of cash acquired	(11,800)	(61,878)	(90,172)
Other	(336)	(265)	2
Net cash used in investing activities	(52,393)	(100,918)	(127,710)
Financing activities:			
Proceeds from term loan	—	125,000	—
Payments of debt and capital lease obligations	(55,768)	(101,352)	(9,736)
Proceeds from exercise of stock options	8,148	14,313	13,235
Payments of cash dividends	(15,529)	(14,821)	(14,795)
Purchase of common stock under repurchase program	(39,983)	(19,992)	(39,972)
Common stock issued under employee stock purchase plan	442	449	354
Cash settlement of share-based awards for minimum tax withholdings	(1,800)	(1,931)	(1,083)
Tax benefit for stock options exercised	1,732	5,413	2,109
Net cash (used in) provided by financing activities	(102,758)	7,079	(49,888)
Net decrease in cash	(24,801)	(8,117)	(85,938)
Cash at beginning of year	33,312	41,429	127,367
Cash at end of year	\$ 8,511	\$ 33,312	\$ 41,429

The accompanying notes are an integral part of the consolidated financial statements

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016
(In thousands, except share and per share data)

1. Accounting Policies

Basis of Presentation and Principles of Consolidation

Forward Air Corporation's ("the Company", "We", "Our") services can be classified into four principal reportable segments: Expedited LTL, Truckload Premium Services ("TLS"), Intermodal and Pool Distribution ("Pool") (See note 10).

Through the Expedited LTL segment, we operate a comprehensive national network to provide expedited regional, inter-regional and national less-than-truckload ("LTL") services. Expedited LTL offers customers local pick-up and delivery and other services including shipment consolidation and deconsolidation, warehousing, customs brokerage and other handling.

Through our TLS segment, we provide expedited truckload brokerage, dedicated fleet services, as well as high security and temperature-controlled logistics services in the United States and Canada.

Our Intermodal segment provides first- and last-mile high value intermodal container drayage services both to and from seaports and railheads. Intermodal also offers dedicated contract and CFS warehouse and handling services. Today, Intermodal operates primarily in the Midwest, with a smaller operational presence in the Southwest and Southeast.

In our Pool Distribution segment, we provide high-frequency handling and distribution of time sensitive product to numerous destinations within a specific geographic region. We offer this service throughout the Mid-Atlantic, Southeast, Midwest and Southwest United States.

The accompanying consolidated financial statements of the Company include Forward Air Corporation and its subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Significant areas requiring management estimates include the following key financial areas:

Allowance for Doubtful Accounts

The Company evaluates the collectability of its accounts receivable based on a combination of factors. In circumstances in which the Company is aware of a specific customer's inability to meet its financial obligations to the Company (for example, bankruptcy filings, accounts turned over for collection or litigation), the Company records a specific reserve for these bad debts against amounts due to reduce the net recognized receivable to the amount the Company reasonably believes will be collected. For all other customers, the Company recognizes reserves for these bad debts based on the length of time the receivables are past due. Specifically, amounts that are 90 days or more past due are reserved at 50.0% for Expedited LTL, 10.0% for Intermodal, 25.0% for Pool and up to 50.0% for TLS. If circumstances change (i.e., the Company experiences higher than expected defaults or an unexpected material adverse change in a customer's ability to meet its financial obligations to the Company), the estimates of the recoverability of amounts due to the Company could be changed by a material amount. Accounts are written off after all means of collection, including legal action, have been exhausted.

Allowance for Revenue Adjustments

The Company's allowance for revenue adjustments consists of amounts reserved for billing rate changes that are not captured upon load initiation. These adjustments generally arise: (1) when the sales department contemporaneously grants small rate changes ("spot quotes") to customers that differ from the standard rates in the system; (2) when freight requires dimensionalization or is reweighed resulting in a different required rate; (3) when billing errors occur; and (4) when data entry errors occur. When appropriate, permanent rate changes are initiated and reflected in the system. The Company monitors the manual revenue adjustments closely through the employment of various controls that are in place to ensure that revenue recognition is not compromised and that fraud does not occur. During 2016, average revenue adjustments per month were approximately \$168

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2016
(In thousands, except share and per share data)

on average revenue per month of approximately \$81,878 (0.2% of monthly revenue). In order to estimate the allowance for revenue adjustments related to ending accounts receivable, the Company prepares an analysis that considers average monthly revenue adjustments and the average lag for identifying and quantifying these revenue adjustments. Based on this analysis, the Company establishes an allowance covering approximately 35-65 days (dependent upon experience in the last twelve months) of average revenue adjustments, adjusted for rebates and billing errors. The lag is periodically adjusted based on actual historical experience. Additionally, the average amount of revenue adjustments per month can vary in relation to the level of sales or based on other factors (such as personnel issues that could result in excessive manual errors or in excessive spot quotes being granted). Both of these significant assumptions are continually evaluated for appropriateness.

Self-Insurance Loss Reserves

Given the nature of the Company's operating environment, the Company is subject to vehicle and general liability, workers' compensation and employee health insurance claims. To mitigate a portion of these risks, the Company maintains insurance for individual vehicle and general liability claims exceeding \$750 and workers' compensation claims and employee health insurance claims exceeding \$250, except in Ohio, where for workers' compensation we are a qualified self-insured entity with a \$500 self-insured retention. The amount of self-insurance loss reserves and loss adjustment expenses is determined based on an estimation process that uses information obtained from both company-specific and industry data, as well as general economic information. The estimation process for self-insurance loss exposure requires management to continuously monitor and evaluate the life cycle of claims. Using data obtained from this monitoring and the Company's assumptions about the emerging trends, management develops information about the size of ultimate claims based on its historical experience and other available market information. The most significant assumptions used in the estimation process include determining the trend in loss costs, the expected consistency in the frequency and severity of claims incurred but not yet reported, changes in the timing of the reporting of losses from the loss date to the notification date, and expected costs to settle unpaid claims. The Company utilizes a semi-annual actuarial analyses to evaluate open claims and estimate the ongoing development exposure.

As of December 31, 2016, we have recognized an insurance proceeds receivable and claims payable of \$6,711 for open vehicle and workers' compensation claims in excess of our stop-loss limits.

Revenue Recognition

Operating revenue and related costs are recognized as of the date shipments are completed. The transportation rates the Company charges its customers consist of base transportation rates and fuel surcharge rates. The revenues earned and related direct freight expenses incurred from the Company's base transportation services are recognized on a gross basis in revenue and in purchased transportation. Transportation revenue is recognized on a gross basis as the Company is the primary obligor. The fuel surcharges billed to customers and paid to owner-operators and third party transportation providers are recorded on a net basis as the Company is not the primary obligor with regards to the fuel surcharges.

Cash and Cash Equivalents

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

Inventories

Inventories of tires, replacement parts, supplies, and fuel for equipment are stated at the lower of cost or market utilizing the FIFO (first-in, first-out) method of determining cost. Inventories of tires and replacement parts are not material in the aggregate. Replacement parts are expensed when placed in service, while tires are capitalized and amortized over their expected life. Replacement parts and tires are included as a component of other operating expenses in the consolidated statements of comprehensive income.

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2016
(In thousands, except share and per share data)

Property and Equipment

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

Buildings	30-40 years
Equipment	3-10 years
Leasehold improvements	Lesser of Useful Life or Initial Lease Term

Depreciation expense for each of the three years ended December 31, 2016, 2015 and 2014 was \$28,088, \$26,252 and \$22,616 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. Impairment is recognized on assets classified as held and used when the sum of undiscounted estimated cash flows expected to result from the use of the asset is less than the carrying value. If such measurement indicates a possible impairment, the estimated fair value of the asset is compared to its net book value to measure the impairment charge, if any. When the criteria have been met for long-lived assets to be classified as held for sale, the assets are recorded at the lower of carrying value or fair market value (less selling costs). See additional discussion in Note 2, Acquisition, Goodwill and Other Long-Lived Assets.

Operating Leases

Certain operating leases include rent increases during the initial lease term. For these leases, the Company recognizes the related rental expenses on a straight-line basis over the term of the lease, which includes any rent holiday period, and records the difference between the amounts charged to operations and amount paid as rent as a rent liability. Reserves for idle facilities are initially measured at the fair value of the portion of the lease payments associated with the vacated facilities, reduced by estimated sublease rentals. See additional discussion in Note 2, Acquisition, Goodwill and Other Long-Lived Assets.

Goodwill and Other Intangible Assets

Goodwill is recorded at cost based on the excess of purchase price over the fair value of net assets acquired. Goodwill and intangible assets with indefinite lives are not amortized but the Company conducts an annual (or more frequently if circumstances indicate possible impairment) impairment test of goodwill for each reportable segment at June 30 of each year. Other intangible assets are amortized over their useful lives. Results of impairment testing are described in Note 2, Acquisition, Goodwill and Other Long-Lived Assets.

Acquisitions are accounted for using the purchase method. The definite-lived intangible assets of the Company resulting from acquisition activity and the related amortization are described in Note 2, Acquisition, Goodwill and Other Long-Lived Assets.

Software Development

Costs related to software developed or acquired for internal use are expensed or capitalized based on the applicable stage of software development and any capitalized costs are amortized over their estimated useful life. The Company typically uses a five-year straight line amortization for the capitalized amounts of software development costs. At December 31, 2016 and 2015 the Company had \$16,268 and \$14,866, respectively, of capitalized software development costs included in property and equipment. Accumulated amortization on these assets was \$10,716 and \$10,584 at December 31, 2016 and 2015, respectively. Included in depreciation expense is amortization of capitalized software development costs. Amortization of capitalized software development for the years ended December 31, 2016, 2015 and 2014 was \$1,658, \$1,526 and \$1,464 respectively. As of December 31, 2016 the estimated amortization expense for the next five years of capitalized software development costs is as follows:

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2016
(In thousands, except share and per share data)

2017	\$	1,719
2018		1,400
2019		1,142
2020		849
2021		368
Total	\$	<u>5,478</u>

Income Taxes

The Company accounts for income taxes using the liability method, whereby deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to be recovered or settled. We report a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. We recognize interest and penalties, if any, related to unrecognized tax benefits in interest expense and operating expenses, respectively.

Net Income Per Share

The Company calculates net income per share in accordance with the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, Earnings per Share (the "ASC 260"). Under the FASB Codification 260, basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. The Company's non-vested shares contain non-forfeitable rights to dividends and are therefore considered participating securities for purposes of computing net income per share pursuant to the two-class method. Net income allocated to participating securities was \$212 and \$369 in 2016 and 2015, respectively. Net losses are not allocated to participating securities in periods in which the Company incurs a net loss. Diluted net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding after considering the additional dilution from any dilutive non-participating securities. The Company's non-participating securities include options and performance shares.

Share-Based Payments

The Company's general practice has been to make a single annual grant of share-based compensation to key employees and to make other grants only in connection with new employment or promotions. In addition, the Company makes annual grants to non-employee directors in conjunction with their annual election to our Board of Directors or at the time of their appointment to the Board of Directors. For employees, the Company has granted stock options, non-vested shares and performance shares. For non-employee directors, the Company has generally issued non-vested shares.

Stock options typically expire seven years from the grant date and vest ratably over a three-year period. The share-based compensation for stock options is recognized, net of estimated forfeitures, ratably over the requisite service period, or vesting period. Based on the Company's historical experience, forfeitures have been estimated. The Company uses the Black-Scholes option-pricing model to estimate the grant-date fair value of options granted. The following table contains the weighted-average assumptions used to estimate the fair value of options granted. These assumptions are highly subjective and changes in these assumptions can materially affect the fair value estimate.

	December 31, 2016	December 31, 2015	December 31, 2014
Expected dividend yield	1.0%	1.0%	1.2%
Expected stock price volatility	28.9%	33.3%	38.5%
Weighted average risk-free interest rate	1.3%	1.6%	1.6%
Expected life of options (years)	5.8	5.9	5.3

The fair value of non-vested shares issued were estimated using the closing market prices for the business day of the grant. The share-based compensation for the non-vested shares is recognized, net of estimated forfeitures, ratably over the requisite

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2016
(In thousands, except share and per share data)

service period or vesting period. Forfeitures are estimated based on historical experience, and are adjusted for future changes in forfeiture experience.

The fair value of the performance shares was estimated using a Monte Carlo simulation. The share-based compensation for performance shares are recognized, net of estimated forfeitures, ratably over the requisite service period, or vesting period. The following table contains the weighted-average assumptions used to estimate the fair value of performance shares granted. These assumptions are subjective and changes in these assumptions can materially affect the fair value estimate.

	Year ended		
	December 31, 2016	December 31, 2015	December 31, 2014
Expected stock price volatility	22.3%	23.5%	32.5%
Weighted average risk-free interest rate	0.8%	1.0%	0.7%

Under the 2005 Employee Stock Purchase Plan (the "ESPP"), the Company is authorized to issue shares of Common Stock to eligible employees. These shares may be issued at a price equal to 90% of the lesser of the market value on the first day or the last day of each six-month purchase period. Common Stock purchases are paid for through periodic payroll deductions and/or up to two large lump sum contributions. The Company recognize share-based compensation on the date of purchase based on the difference between the purchase date fair market value and the employee purchase price.

Recent Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board ("FASB") issued guidance that changes the accounting for certain aspects of share-based payments to employees. The guidance requires the recognition of the income tax effects of awards in the income statement when the awards vest or are settled, thus eliminating additional paid in capital ("APIC") pools. The guidance also allows for the employer to repurchase more of an employee's shares for tax withholding purposes without triggering liability accounting. In addition, the guidance allows for a policy election to account for forfeitures as they occur rather than on an estimated basis. The guidance is effective in 2017 with early adoption permitted. We plan to adopt this guidance in January 2017 and while the elimination of APIC pools will result in increased volatility of our effective tax rate, the overall impact is expected to be minimal.

In February 2016, the FASB, issued ASU 2016-02, Leases, which introduces the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous guidance. The guidance will be effective for annual reporting periods beginning after December 15, 2018 and interim periods within those fiscal years with early adoption permitted. We are evaluating the impact of the future adoption of this standard on our consolidated financial statements.

In May 2014, the FASB issued guidance on revenue from contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is effective for the interim and annual periods beginning on or after December 15, 2017. The guidance permits the use of either a full retrospective or modified retrospective adoption approach with a cumulative effect adjustment recorded in either scenario as necessary upon transition. Based on a review of our customer shipping arrangements, we currently believe the implementation of this standard will change our revenue recognition policy from recognizing revenue upon shipment completion to recognizing revenue over time based on the progress toward completion of shipments in transit as of each period end. While the timing of revenue recognition will be accelerated, due to the short duration of our transit times the anticipated impact on our consolidated financial position, revenue, results from operations and related disclosures is expected to be minor. At this time we have not determined our transition method.

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2. Acquisitions, Goodwill and Other Long-Lived Assets

Acquisition of Towne

On March 9, 2015, the Company acquired CLP Towne Inc. ("Towne") pursuant to the Agreement and Plan of Merger (the "Merger Agreement") resulting in Towne becoming an indirect, wholly-owned subsidiary of the Company. For the acquisition of Towne, the Company paid \$61,878 in net cash and assumed \$59,544 in debt and capital leases. With the exception of assumed capital leases, the assumed debt was immediately paid in full after funding of the acquisition. Of the total aggregate cash consideration paid, \$16,500 was placed into an escrow account, with \$2,000 of such amount being available to settle any shortfall in Towne's net working capital and with \$14,500 of such amount being available for a period of time to settle certain possible claims against Towne's common stockholders for indemnification. To the extent the escrow fund is insufficient, certain equity holders have agreed to indemnify Forward Air, subject to certain limitations set forth in the Merger Agreement, as a result of inaccuracies in or breaches of certain of Towne's representations, warranties, covenants and agreements and other matters. Forward Air financed the Merger Agreement with a \$125,000 2 year term loan available under the senior credit facility discussed in note 3.

Towne was a full-service trucking provider offering time-sensitive less-than-truckload shipping, full truckload service, an extensive cartage network, container freight stations and dedicated trucking. Towne's LTL network provided scheduled deliveries to 61 service points. A fleet of approximately 525 independent contractor tractors provided the line-haul between those service points. The acquisition of Towne provided the Expedited LTL segment with opportunities to expand its service points and service offerings, such as pick up and delivery services. Additional benefits of the acquisition included increased linehaul network shipping density and a significant increase to our owner operator fleet, both of which are key to the profitability of Expedited LTL.

Towne had 2014 revenue of approximately \$230,000. The assets, liabilities, and operating results of Towne have been included in the Company's consolidated financial statements from the date of acquisition and have been included in the Expedited LTL reportable segment. As the operations of Towne were fully integrated into the existing Expedited LTL network and operations, the Company is not able to provide the revenue and operating results of Towne which are included in the consolidated revenue and results since the date of acquisition.

Effective with the acquisition of Towne, the Company immediately entered into a restructuring plan to remove duplicate costs, primarily in the form of, but not limited to salaries, wages and benefits and facility leases. As a result of these plans, during the year ended December 31, 2015, the Company recognized expense of \$2,624 and \$11,722 for severance obligations and reserves for idle facilities, respectively. The expenses associated with the severance obligations and idle facilities were recognized in the salaries, wages and benefits and operating lease line items, respectively. The Company also incurred expense of \$9,197 for various other integration and transaction related costs which are largely included in other operating expenses.

During 2015, the Company vacated certain duplicate facilities under long-term non-cancelable leases and recorded contract termination costs. The following is a summary of the vacated facility reserve:

Balance at December 31, 2015	\$ 6,731
Reserves for vacated facilities	990
Payments	(4,058)
Balance at December 31, 2016	<u>\$ 3,663</u>

Acquisition of CST

On February 2, 2014, the Company acquired all of the outstanding capital stock of Central States Trucking Co. and Central States Logistics, Inc. (collectively referred to as "CST"). Pursuant to the terms of the Agreement and concurrently with the execution of the Agreement, the Company acquired all of the outstanding capital stock of CST in exchange for \$82,997 in net cash and \$11,215 in assumed debt. With the exception of capital leases, the assumed debt was immediately paid in full after funding of the acquisition. The acquisition and settlement of the assumed debt were funded using the Company's cash on hand. Under the purchase agreement, \$10,000 of the purchase price was paid into an escrow account to protect the Company against potential unknown liabilities. The amount held in escrow was remitted to the sellers in February 2015.

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CST provides industry leading container and intermodal drayage services primarily within the Midwest region of the United States. CST also provides dedicated contract and Container Freight Station ("CFS") warehouse and handling services. The acquisition of CST provides us with a scalable platform for which to enter the intermodal drayage space and thereby continuing to expand and diversify our service offerings.

For the acquisition of CST, the Company incurred total transaction costs related to the acquisitions of approximately \$900, which were expensed during the year ended December 31, 2014. These transaction costs were primarily included in "Other operating expenses" in the consolidated statements of comprehensive income.

The assets, liabilities, and operating results of CST have been included in the Company's consolidated financial statements from the date of acquisition and are included in the Intermodal reportable segment. The results of CST operations are reflected in the Company's consolidated statements of comprehensive income for the year ended December 31, 2014 from the dates of acquisition are as follows (in thousands, except per share data):

	Dates of Acquisition to December 31, 2014	
Intermodal revenue	\$	72,314
Operating income		7,525
Net income		4,586
Net income per share		
Basic	\$	0.15
Diluted	\$	0.15

As part of our strategy to scale Intermodal operations, we have executed several smaller acquisitions in the Intermodal market. In September 2014, we acquired certain assets of Recob Great Lakes Express, Inc. ("RGL") for \$1,350 and in November 2014, acquired Multi-Modal Trucking, Inc. and Multi-Modal Services, Inc. (together referred to as "MMT") for approximately \$5,825 in cash and \$1,000 in available earn out. The earn out was fully settled in 2016. In January 2016, the Company also acquired certain assets of Ace Cargo, LLC ("Ace") for \$1,700, and in August 2016, we acquired certain assets of Triumph Transport, Inc. and Triumph Repair Service, Inc. (together referred to as "Triumph") for \$10,100 and a potential earnout of \$1,250. These acquisitions provided an opportunity for our Intermodal operations to expand into additional Midwest markets. The assets, liabilities, and operating results of these collective acquisitions have been included in the Company's consolidated financial statements from their dates of acquisition and have been included in the Intermodal reportable segment.

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Allocations of Purchase Prices

The following table presents the allocations of the previously discussed purchase prices to the assets acquired and liabilities assumed based on their estimated fair values and resulting residual goodwill (in thousands):

	Towne	CST	Ace & Triumph	RGL & MMT
	March 9, 2015	February 2, 2014	January & August 2016	September & November 2014
Tangible assets:				
Accounts receivable	\$ 24,068	\$ 9,339	\$ —	\$ —
Prepaid expenses and other current assets	2,916	101	—	—
Property and equipment	2,095	2,132	1,294	287
Other assets	614	35	—	—
Deferred income taxes	—	—	—	—
Total tangible assets	29,693	11,607	1,294	287
Intangible assets:				
Non-compete agreements	—	930	139	92
Trade name	—	500	—	—
Customer relationships	66,000	36,000	5,335	3,590
Goodwill	59,666	51,710	6,282	4,206
Total intangible assets	125,666	89,140	11,756	7,888
Total assets acquired	155,359	100,747	13,050	8,175
Liabilities assumed:				
Current liabilities	28,920	6,535	—	1,000
Other liabilities	3,886	—	1,250	—
Debt and capital lease obligations	59,544	11,215	—	—
Deferred income taxes	1,131	—	—	—
Total liabilities assumed	93,481	17,750	1,250	1,000
Net assets acquired	\$ 61,878	\$ 82,997	\$ 11,800	\$ 7,175

The acquired definite-life intangible assets have the following useful lives:

	Useful Lives			
	Towne	CST	Ace & Triumph	RGL & MMT
Customer relationships	20 years	15 years	15 years	15 years
Non-competes	-	5 years	5 years	5 years
Trade names	-	2 years	-	-

The fair value of the non-compete agreements and customer relationships assets were estimated using an income approach (level 3). Under this method, an intangible asset's fair value is equal to the present value of the incremental after-tax cash flows (excess earnings) attributable solely to the intangible asset over its remaining useful life. To estimate fair value, the Company used cash flows discounted at rates considered appropriate given the inherent risks associated with each type of asset. The Company believed the level and timing of cash flows appropriately reflected market participant assumptions. The fair value of the acquired trade names were estimated using an income approach, specifically known as the relief from royalty method. The relief from

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royalty method is based on a hypothetical royalty stream that would be paid if the Company did not own the applicable names and had to license the trade name. The Company derived the hypothetical royalty income from the projected revenues of CST. Cash flows were assumed to extend through the remaining economic useful life of each class of intangible asset.

The following unaudited pro forma information presents a summary of the Company's consolidated results of operations as if the Towne and CST acquisition occurred as of January 1, 2014 (in thousands, except per share data).

	Year ended		
	December 31, 2016	December 31, 2015	December 31, 2014
Operating revenue	\$ 982,530	\$ 993,352	\$ 1,017,005
Income from operations	59,979	79,465	89,650
Net income	27,670	53,096	56,092
Net income per share			
Basic	\$ 0.91	\$ 1.72	\$ 1.82
Diluted	\$ 0.90	\$ 1.70	\$ 1.79

Goodwill

The Company conducted its annual impairment assessments and tests of goodwill for each reporting unit as of June 30, 2016. The first step of the goodwill impairment test is the Company's assessment of qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than the reporting unit's carrying amount, including goodwill. When performing the qualitative assessment, the Company considers the impact of factors including, but not limited to, macroeconomic and industry conditions, overall financial performance of each reporting unit, litigation and new legislation. If based on the qualitative assessments, the Company believes it more likely than not that the fair value of a reporting unit is less than the reporting unit's carrying amount, or periodically as deemed appropriate by management, the Company will prepare an estimation of the respective reporting unit's fair value utilizing a quantitative approach. If a quantitative fair value estimation is required, the Company estimates the fair value of the applicable reportable units, using a combination of discounted projected cash flows and market valuations for comparable companies as of the valuation date. The Company's inputs into the fair value estimates for goodwill are classified within level 3 of the fair value hierarchy as defined in the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles ("the FASB Codification"). If the estimation of fair value indicates the impairment potentially exists, the Company will then measure the amount of the impairment, if any. Goodwill impairment exists when the estimated implied fair value of goodwill is less than its carrying value. Changes in strategy or market conditions could significantly impact these fair value estimates and require adjustments to recorded asset balances.

Our 2016 assessments and calculations for Expedited LTL, Intermodal and Pool Distribution indicated that, as of June 30, 2016, the fair value of each reporting unit exceeded the carrying value. However, due to the financial performance of the Total Quality, Inc. ("TQI") reporting unit falling notably short of previous projections, declining revenue from significant customers and strategic initiatives not having the required impact on financial results, the estimate of TQI's fair value no longer exceeded the respective carrying value. As a result, the Company recorded a goodwill impairment charge of \$25,686 for the TQI reporting unit during the year ended December 31, 2016.

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The following is a summary of the changes in goodwill for the year ended December 31, 2016. Approximately \$105,531 of goodwill is deductible for tax purposes.

	Expedited LTL		Truckload Premium		Pool Distribution		Intermodal		Total
	Accumulated		Accumulated		Accumulated		Accumulated		
	Goodwill	Impairment	Goodwill	Impairment	Goodwill	Impairment	Goodwill	Impairment	Net
Beginning balance, December 31, 2015	\$ 99,123	\$ —	\$ 45,164	\$ —	\$ 12,359	\$ (6,953)	\$ 55,916	\$ —	\$205,609
Ace & Triumph acquisitions	—	—	—	—	—	—	6,282	—	6,282
TQI Impairment	—	—	—	(25,686)	—	—	—	—	(25,686)
Adjustment of Towne acquisition	(1,530)	—	—	—	—	—	—	—	(1,530)
Ending balance, December 31, 2016	\$ 97,593	\$ —	\$ 45,164	\$ (25,686)	\$ 12,359	\$ (6,953)	\$ 62,198	\$ —	\$184,675

Other Acquired Intangibles

Through acquisitions, the Company acquired customer relationships, non-compete agreements and trade names having weighted-average useful lives of 16.0, 5.3 and 4.0 years, respectively. Amortization expense on acquired customer relationships, non-compete agreements and trade names for each of the years ended December 31, 2016, 2015 and 2014 was \$10,122, \$10,905 and \$8,517, respectively.

As of December 31, 2016, definite-lived intangible assets are comprised of the following:

	Acquired Intangibles	Accumulated Amortization	Accumulated Impairment	Net Acquired Intangibles
Customer relationships	\$ 179,575	\$ 57,390	\$ 16,501	\$ 105,684
Non-compete agreements	3,410	2,677	—	733
Trade name	1,500	1,267	—	233
Total	\$ 184,485	\$ 61,334	\$ 16,501	\$ 106,650

The estimated amortization expense for the next five years on definite-lived intangible assets as of December 31, 2016 is as follows:

	2017	2018	2019	2020	2021
Customer relationships	\$ 8,995	\$ 7,490	\$ 7,410	\$ 7,410	\$ 7,267
Non-compete agreements	244	232	58	28	15
Trade name	200	33	—	—	—
Total	\$ 9,439	\$ 7,755	\$ 7,468	\$ 7,438	\$ 7,282

Additionally, the Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Impairment is recognized on assets classified as held and used when the sum of undiscounted estimated cash flows expected to result from the use of the asset is less than the carrying value. If such measurement indicates a possible impairment, the estimated fair value of the asset is compared to its net book value to measure the impairment charge, if any. In conjunction with the TQI goodwill impairment assessment the Company determined there were indicators that TQI's customer relationship and non-compete intangible assets were impaired, as the undiscounted cash flows associated with the applicable assets no longer exceeded the related assets' net book values. The Company estimated the current market values of the customer relationship and non-compete assets using an income approach (level 3). Under this method, an intangible asset's fair value is equal to the present value of the incremental after-tax cash flows (excess earnings) attributable solely

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to the intangible asset over its remaining useful life. To estimate fair value, the Company used cash flows discounted at rates considered appropriate given the inherent risks associated with each type of asset. The Company believed the level and timing of cash flows appropriately reflected market participant assumptions. As a result of these estimates the Company recorded an impairment charge of \$16,501 related to TQI customer relationships.

In addition, during the year ended December 31, 2016, the Company discontinued use of an owned maintenance facility and began efforts to sell the property. In conjunction with these actions, the Company incurred a \$255 impairment charge that was estimated using current offers received to sell the property less estimated selling costs.

3. Debt and Capital Lease Obligations

Credit Facilities

On February 4, 2015, the Company entered into a five-year senior, unsecured credit facility (the "Facility") with a maximum aggregate principal amount of \$275,000, including a revolving credit facility of \$150,000 and a term loan facility of \$125,000. The revolving credit facility has a sublimit of \$25,000 for letters of credit and a sublimit of \$15,000 for swing line loans. The revolving credit facility is scheduled to expire in February 2020 and may be used to refinance existing indebtedness of the Company and for working capital, capital expenditures and other general corporate purposes. Unless the Company elects otherwise under the credit agreement, interest on borrowings under the Facility are based on the highest of (a) the federal funds rate plus 0.5%, (b) the administrative agent's prime rate and (c) the LIBOR Rate plus 1.0%, in each case plus a margin that can range from 0.1% to 0.6% with respect to the term loan facility and from 0.3% to 0.8% with respect to the revolving credit facility depending on the Company's ratio of consolidated funded indebtedness to earnings as set forth in the credit agreement. The Facility contains financial covenants and other covenants that, among other things, restrict the ability of the Company, without the approval of the lenders, to engage in certain mergers, consolidations, asset sales, investments, transactions or to incur liens or indebtedness, as set forth in the credit agreement. As of December 31, 2016, the Company had no borrowings outstanding under the revolving credit facility. At December 31, 2016, the Company had utilized \$7,514 of availability for outstanding letters of credit and had \$142,486 of available borrowing capacity outstanding under the revolving credit facility.

In conjunction with the acquisition of Towne (see note 2), the Company borrowed \$125,000 on the available term loan. The term loan is payable in quarterly installments of 11.1% of the original principal amount of the term loan plus accrued and unpaid interest, and matures in March 2017. The interest rate on the term loan was 2.0% at December 31, 2016. The remaining balance on the term loan was \$27,788 as of December 31, 2016 and will be paid in March 2017.

Capital Leases

Primarily through acquisitions, the Company assumed several equipment leases that met the criteria for classification as a capital lease. The leased equipment is being amortized over the shorter of the lease term or useful life.

Property and equipment include the following amounts for assets under capital leases:

	December 31, 2016	December 31, 2015
Equipment	\$ 635	\$ 635
Accumulated amortization	(307)	(105)
	<u>\$ 328</u>	<u>\$ 530</u>

Amortization of assets under capital leases is included in depreciation and amortization expense.

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Future minimum payments, by year and in the aggregate, under non-cancelable capital leases with initial or remaining terms of one year or more consist of the following at December 31, 2016:

2017	\$	395
2018		391
2019		325
2020		60
2021		—
Thereafter		—
Total		1,171
Less amounts representing interest		99
Present value of net minimum lease payments (including current portion of \$347)	\$	1,072

Interest Payments

Interest payments during 2016, 2015 and 2014 were \$1,770, \$2,017 and \$495, respectively. No interest was capitalized during the years ended December 31, 2016, 2015 and 2014.

4. Shareholders' Equity, Stock Options and Net Income per Share

Preferred Stock

There are 5,000,000 shares of preferred stock with a par value of \$0.01 authorized, but no shares have been issued to date.

Cash Dividends

During the fourth quarter of 2016, the Company's Board of Directors declared a cash dividend of \$0.15 per share of Common Stock. During the first, second and third quarters of 2016 and each quarter of 2015 and 2014, the Company's Board of Directors declared a cash dividend of \$0.12 per share of Common Stock. On February 7, 2017, the Company's Board of Directors declared a \$0.15 per share dividend that will be paid in the first quarter of 2017. The Company expects to continue to pay regular quarterly cash dividends, though each subsequent quarterly dividend is subject to review and approval by the Board of Directors.

Repurchase of Common Stock

On February 7, 2014, our Board of Directors approved a stock repurchase authorization for up to 2,000,000 shares of the Company's Common Stock. During the years ended December 31, 2016, 2015 and 2014, we repurchased 676,773 shares of common stock for \$29,986, or \$44.31 per share, 422,404 shares of common stock for \$19,992, or \$47.33 per share and 881,979 shares of common stock for \$39,972, or \$45.32 per share, respectively.

On July 21, 2016, our Board of Directors canceled the Company's 2014 repurchase plan and approved a stock repurchase plan that authorized the repurchase of up to 3,000,000 shares of the Company's Common Stock. Under the 2016 repurchase plan, during the year ended December 31, 2016, we repurchased 233,516 shares of Common Stock for \$9,997, or \$42.80 per share. As of December 31, 2016, 2,766,484 shares remain that may be repurchased.

Share-Based Compensation

The Company had previously reserved for issuance 4,500,000 common shares under the 1999 Stock Option and Incentive Plan (the "1999 Plan"). In May 2008, with the approval of shareholders, the Company amended and restated the 1999 Stock Option and Incentive Plan (the "1999 Amended Plan") to reserve for issuance an additional 3,000,000 common shares, increasing the total number of reserved common shares under the 1999 Amended Plan to 7,500,000. Options issued under these plans have seven to ten-year terms and vested over a one to five year period.

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In May 2016, with the approval of shareholders, the Company adopted the 2016 Omnibus Incentive Compensation Plan (the “Omnibus Plan”) to reserve for issuance 2,000,000 common shares. With the adoption of the Omnibus Plan, no further awards will be issued under the 1999 Amended Plan. As of December 31, 2016, there were approximately 1,976,119 shares remaining available for grant under the Omnibus Plan.

Employee Activity - Options

The following tables summarize the Company’s employee stock option activity and related information for the years ended December 31, 2016, 2015 and 2014:

	2016		2015		2014	
	Options (000)	Weighted- Average Exercise Price	Options (000)	Weighted- Average Exercise Price	Options (000)	Weighted- Average Exercise Price
Outstanding at beginning of year	786	\$ 32	1,363	\$ 28	1,732	\$ 27
Granted	137	44	96	50	106	43
Exercised	(346)	24	(659)	26	(450)	28
Forfeited	(13)	35	(14)	29	(25)	37
Outstanding at end of year	564	\$ 41	786	\$ 32	1,363	\$ 28
Exercisable at end of year	331	\$ 37	586	\$ 28	1,160	\$ 26
Weighted-average fair value of options granted during the year	\$ 12		\$ 15		\$ 14	
Aggregate intrinsic value for options exercised	\$ 7,803		\$ 16,191		\$ 7,259	
Average aggregate intrinsic value for options outstanding	\$ 2,305					
Average aggregate intrinsic value for exercisable options	\$ 2,516					

Range of Exercise Price	Number Outstanding (000)	Weighted- Average Remaining Contractual Life	Outstanding Weighted- Average Exercise Price	Number Exercisable (000)	Exercisable Weighted- Average Exercise Price
\$ 22.47 - 22.47	14	0.1	\$ 22.47	14	\$ 22.47
28.61 - 28.61	76	1.1	28.61	76	28.61
36.55 - 37.14	138	2.6	36.87	138	36.87
41.32 - 43.67	210	5.3	43.15	56	42.48
44.49 - 48.32	40	5.2	45.93	18	45.20
50.71 - 52.03	86	5.1	50.79	29	50.79
\$ 22.47 - 52.03	564	3.9	\$ 40.52	331	\$ 37.00

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	Year ended		
	December 31, 2016	December 31, 2015	December 31, 2014
Shared-based compensation for options	\$ 1,473	\$ 1,386	\$ 1,302
Tax benefit for option compensation	\$ 546	\$ 542	\$ 497
Unrecognized compensation cost for options, net of estimated forfeitures	\$ 1,784		
Weighted average period over which unrecognized compensation will be recognized (years)	1.8		

Employee Activity – Non-vested shares

Non-vested share grants to employees vest ratably over a three-year period. The following tables summarize the Company's employee non-vested share activity and related information:

	Year ended					
	2016		2015		2014	
	Non-vested Shares (000)	Weighted- Average Grant Date Fair Value	Non-vested Shares (000)	Weighted- Average Grant Date Fair Value	Non-vested Shares (000)	Weighted- Average Grant Date Fair Value
Outstanding and non-vested at beginning of year	191	\$ 46	190	\$ 40	186	\$ 35
Granted	134	44	100	51	99	42
Vested	(94)	44	(93)	39	(94)	43
Forfeited	(9)	45	(6)	45	(1)	37
Outstanding and non-vested at end of year	222	\$ 45	191	\$ 46	190	\$ 40
Aggregate grant date fair value	\$ 10,108		\$ 8,773		\$ 7,585	
Total fair value of shares vested during the year	\$ 4,064		\$ 4,694		\$ 4,008	

	Year ended		
	December 31, 2016	December 31, 2015	December 31, 2014
Shared-based compensation for non-vested shares	\$ 4,614	\$ 4,070	\$ 3,626
Tax benefit for non-vested share compensation	\$ 1,712	\$ 1,591	\$ 1,385
Unrecognized compensation cost for non-vested shares, net of estimated forfeitures	\$ 5,900		
Weighted average period over which unrecognized compensation will be recognized (years)	1.8		

Employee Activity – Performance shares

In 2016, 2015 and 2014, the Company granted performance shares to key employees. Under the terms of the performance share agreements, on the third anniversary of the grant date, the Company will issue to the employees a calculated number of common stock shares based on the three year performance of the Company's total shareholder return as compared to the total

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shareholder return of a selected peer group. No shares may be issued if the Company total shareholder return outperforms 30% or less of the peer group, but the number of shares issued may be doubled if the Company total shareholder return performs better than 90% of the peer group.

The following tables summarize the Company's employee performance share activity, assuming median share awards, and related information:

	Year ended					
	2016		2015		2014	
	Non-vested Shares (000)	Weighted- Average Grant Date Fair Value	Non-vested Shares (000)	Weighted- Average Grant Date Fair Value	Non-vested Shares (000)	Weighted- Average Grant Date Fair Value
Outstanding and non-vested at beginning of year	77	\$ 52	74	\$ 44	88	\$ 37
Granted	29	49	27	67	23	48
Additional shares awarded based on performance	7	40	—	—	19	30
Vested	(33)	40	(24)	45	(56)	30
Forfeited	—	—	—	—	—	—
Outstanding and non-vested at end of year	80	\$ 55	77	\$ 52	74	\$ 44
Aggregate grant date fair value	\$ 4,373		\$ 4,016		\$ 3,279	

	Year ended		
	December 31, 2016	December 31, 2015	December 31, 2014
Shared-based compensation for performance shares	\$ 1,447	\$ 1,308	\$ 1,098
Tax benefit for performance share compensation	\$ 537	\$ 512	\$ 419
Unrecognized compensation cost for performance shares, net of estimated forfeitures	\$ 1,709		
Weighted average period over which unrecognized compensation will be recognized (years)	1.7		

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Employee Activity – Employee Stock Purchase Plan

Under the ESPP, at December 31, 2016, the Company is authorized to issue up to a remaining 381,813 shares of Common Stock to employees of the Company. For the years ended December 31, 2016, 2015 and 2014, participants under the ESPP purchased 11,174, 10,805, and 8,530 shares, respectively, at an average price of \$39.50, \$41.55, and \$41.51 per share, respectively. The weighted-average fair value of each purchase right under the ESPP granted for the years ended December 31, 2016, 2015 and 2014, which is equal to the discount from the market value of the Common Stock at the end of each six month purchase period, was \$6.46, \$5.82, and \$7.74 per share, respectively. Share-based compensation expense of \$72, \$61, and \$66 was recognized in salaries, wages and employee benefits, during the years ended December 31, 2016, 2015 and 2014, respectively.

Non-employee Directors – Non-vested shares

In May 2006, the Company's shareholders approved the Company's 2006 Non-Employee Director Stock Plan (the "2006 Plan"). The Company's shareholders then approved the Company's Amended and Restated Non-Employee Director Stock Plan (the "Amended Plan") on May 22, 2007. The Amended Plan was then further amended and restated on December 17, 2008. Under the Amended Plan, on the first business day after each Annual Meeting of Shareholders, each non-employee director will automatically be granted an award (the "Annual Grant"), in such form and size as the Board determines from year to year. Unless otherwise determined by the Board, Annual Grants will become vested and nonforfeitable one year after the date of grant so long as the non-employee director's service with the Company does not earlier terminate. Each director may elect to defer receipt of the shares under a non-vested share award until the director terminates service on the Board of Directors. If a director elects to defer receipt, the Company will issue deferred stock units to the director, which do not represent actual ownership in shares and the director will not have voting rights or other incidents of ownership until the shares are issued. However, the Company will credit the director with dividend equivalent payments in the form of additional deferred stock units for each cash dividend payment made by the Company.

In May 2016, with the approval of shareholders, the Company further amended the Amended Plan to reserve for issuance an additional 160,000 common shares, increasing the total number of reserved common shares and shares available for grant under the Amended Plan to 360,000 and 159,259, respectively.

The following tables summarize the Company's non-employee non-vested share activity and related information:

	Year ended					
	2016		2015		2014	
	Non-vested Shares and Deferred Stock Units (000)	Weighted- Average Grant Date Fair Value	Non-vested Shares and Deferred Stock Units (000)	Weighted- Average Grant Date Fair Value	Non-vested Shares and Deferred Stock Units (000)	Weighted- Average Grant Date Fair Value
Outstanding and non-vested at beginning of year	15	\$ 51	15	\$ 44	15	\$ 38
Granted	16	44	14	51	15	44
Vested	(15)	51	(14)	43	(15)	38
Forfeited	—	—	—	—	—	—
Outstanding and non-vested at end of year	16	\$ 44	15	\$ 51	15	\$ 44
Aggregate grant date fair value	\$ 688		\$ 740		\$ 650	
Total fair value of shares vested during the year	\$ 639		\$ 727		\$ 632	

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	Year ended		
	December 31, 2016	December 31, 2015	December 31, 2014
Shared-based compensation for non-vested shares	\$ 728	\$ 661	\$ 589
Tax benefit for non-vested share compensation	\$ 263	\$ 259	\$ 225
Unrecognized compensation cost for non-vested shares, net of estimated forfeitures	\$ 246		
Weighted average period over which unrecognized compensation will be recognized (years)	0.4		

Non-employee Directors - Options

In addition to the above activity, each May from 1995 to 2005, options were granted to the non-employee directors of the Company. The options have terms of ten years and are fully exercisable. The following table summarizes the Company's non-employee stock option activity and related information for the years ended December 31, 2015 and 2014:

	2015		2014	
	Options (000)	Weighted- Average Exercise Price	Options (000)	Weighted- Average Exercise Price
Outstanding at beginning of year	8	\$ 26	26	\$ 23
Granted	—	—	—	—
Exercised	(8)	26	(18)	22
Forfeited	—	—	—	—
Outstanding and exercisable at end of year	—	\$ —	8	\$ 26
Aggregate intrinsic value for options exercised	\$ 208		\$ 412	
Average aggregate intrinsic value for options outstanding and exercisable				

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Net Income per Share

The following table sets forth the computation of net income per basic and diluted share:

	2016	2015	2014
Numerator:			
Net income and comprehensive income	\$ 27,670	\$ 55,575	\$ 61,169
Income allocated to participating securities	(212)	(369)	(404)
Numerator for basic and diluted income per share - net income	27,458	55,206	60,765
Denominator:			
Denominator for basic net income per share - weighted-average shares (in thousands)	30,283	30,728	30,599
Effect of dilutive stock options (in thousands)	130	277	431
Effect of dilutive performance shares (in thousands)	31	35	42
Denominator for diluted net income per share - adjusted weighted-average shares (in thousands)	30,444	31,040	31,072
Basic net income per share	\$ 0.91	\$ 1.80	\$ 1.99
Diluted net income per share	\$ 0.90	\$ 1.78	\$ 1.96

The number of instruments that could potentially dilute net income per basic share in the future, but that were not included in the computation of net income per diluted share because to do so would have been anti-dilutive for the periods presented, are as follows:

	2016	2015	2014
Anti-dilutive stock options (in thousands)	310	184	99
Anti-dilutive performance shares (in thousands)	—	24	—
Total anti-dilutive shares (in thousands)	310	208	99

5. Income Taxes

The provision for income taxes consists of the following:

	2016	2015	2014
Current:			
Federal	\$ 24,139	\$ 8,319	\$ 33,631
State	3,052	1,242	4,306
	27,191	9,561	37,937
Deferred:			
Federal	3,256	12,477	(2,102)
State	269	2,054	(919)
	3,525	14,531	(3,021)
	\$ 30,716	\$ 24,092	\$ 34,916

The tax benefit associated with the exercise of stock options and the vesting of non-vested shares recorded to additional paid in capital during the years ended December 31, 2016, 2015 and 2014 were \$1,732, \$5,413 and \$2,109, respectively, and are reflected as an increase in additional paid-in capital in the accompanying consolidated statements of shareholders' equity.

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The historical income tax expense differs from the amounts computed by applying the federal statutory rate of 35.0% to income before income taxes as follows:

	2016	2015	2014
Tax expense at the statutory rate	\$ 20,435	\$ 27,883	\$ 33,630
State income taxes, net of federal benefit	2,229	2,178	1,879
Non-deductible transaction costs	—	394	—
Incentive stock options	(88)	(120)	(96)
Other permanent differences	474	216	186
TQI goodwill impairment	8,990	—	—
Deferred tax asset valuation allowance	(2)	(11)	39
Federal qualified property deductions	(1,311)	(6,066)	—
Federal income tax credits	—	(732)	(533)
Other	(11)	350	(189)
	<u>\$ 30,716</u>	<u>\$ 24,092</u>	<u>\$ 34,916</u>

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:

	December 31, 2016	December 31, 2015
Deferred tax assets:		
Accrued expenses	\$ 9,647	\$ 11,952
Allowance for doubtful accounts	662	936
Share-based compensation	5,005	5,242
Accruals for income tax contingencies	252	268
Net operating loss carryforwards	10,231	13,620
Total deferred tax assets	25,797	32,018
Valuation allowance	(282)	(284)
Total deferred tax assets, net of valuation allowance	25,515	31,734
Deferred tax liabilities:		
Tax over book depreciation	29,416	28,027
Intangible assets	17,588	25,399
Prepaid expenses deductible when paid	4,862	5,018
Goodwill	15,520	13,166
Total deferred tax liabilities	67,386	71,610
Net deferred tax liabilities	<u>\$ (41,871)</u>	<u>\$ (39,876)</u>

Total income tax payments, net of refunds, during fiscal years 2016, 2015 and 2014 were \$10,628, \$25,264 and \$30,087, respectively.

As a result of the Towne acquisition the Company has approximately \$27,050 and \$36,034 of federal net operating losses as of December 31, 2016 and 2015 respectively, that will expire between 2020 and 2030. The Company expects to be able to fully utilize these federal net operating losses before they expire.

At December 31, 2016 and 2015, the Company had state net operating loss carryforwards of \$18,155 and \$23,595, respectively, that will expire between 2016 and 2030. Also, the use of these state net operating losses is limited to the future taxable income of separate legal entities. Based on expectations of future taxable income, management believes that it is more

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likely than not that the results of operations for certain separate legal entities will not generate sufficient taxable income to realize portions of these net operating loss benefits for state loss carryforwards. As a result, a valuation allowance has been provided for the state loss carryforwards for these specific legal entities. The valuation allowance on these state loss carryforwards decreased \$2 during 2016, but the valuation allowance increased \$11 during 2015.

Income Tax Contingencies

The Company, or one of its subsidiaries, files income tax returns in the U.S. federal jurisdiction, various states and Canada. With a few exceptions, the Company is no longer subject to U.S. federal, state and local, or Canadian examinations by tax authorities for years before 2012.

A reconciliation of the beginning and ending amount of unrecognized tax benefit is as follows:

	Liability for Unrecognized Tax Benefits
Balance at December 31, 2013	\$ 1,339
Reductions for settlement with state taxing authorities	(697)
Additions for tax positions of prior years - TQI	63
Additions for tax positions of current year	66
Balance at December 31, 2014	771
Reductions for settlement with state taxing authorities	(64)
Additions for tax positions of current year	66
Balance at December 31, 2015	773
Reductions for settlement with state taxing authorities	(247)
Additions for tax positions of current year	56
<u>Balance at December 31, 2016</u>	<u>\$ 582</u>

Included in the liability for unrecognized tax benefits at December 31, 2016 and December 31, 2015 are tax positions of \$582 and \$773, respectively, which represents tax positions where the realization of the ultimate benefit is uncertain and the disallowance of which would affect the Company's annual effective income tax rate.

Included in the liability for unrecognized tax benefits at December 31, 2016 and December 31, 2015, are accrued penalties of \$103 and \$156, respectively. The liability for unrecognized tax benefits at December 31, 2016 and December 31, 2015 also included accrued interest of \$184 and \$371, respectively.

6. Operating Leases

The Company leases certain facilities under noncancellable operating leases that expire in various years through 2024. Certain leases may be renewed for periods varying from one to ten years. The Company has entered into or assumed through acquisition several operating leases for tractors, straight trucks and trailers with original lease terms between three and five years. These leases expire in various years through 2020 and may not be renewed beyond the original term.

Sublease rental income, was \$1,517, \$1,611 and \$980 in 2016, 2015 and 2014, respectively. In 2017, the Company expects to receive aggregate future minimum rental payments under noncancellable subleases of approximately \$1,011. Noncancellable subleases expire between 2017 and 2019.

Future minimum rental payments under noncancellable operating leases with initial or remaining terms in excess of one year consisted of the following at December 31, 2016:

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2017	\$	36,106
2018		27,320
2019		19,449
2020		12,604
2021		5,454
Thereafter		2,990
Total	\$	<u>103,923</u>

7. Commitments and Contingencies

From time to time, the Company is party to ordinary, routine litigation incidental to and arising in the normal course of business. The Company does not believe that any of these pending actions, individually or in the aggregate, will have a material adverse effect on its financial condition, results of operations or cash flows.

The primary claims in the Company's business relate to workers' compensation, property damage, vehicle liability and employee 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. Such insurance coverage above the applicable self-insurance levels continues to be an important part of the Company's risk management process.

In the opinion of management, adequate provision has been made for all incurred claims up to the self-insured limits, including provision for estimated claims incurred but not reported.

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

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

As of December 31, 2016, the Company had commitments to purchase forklifts and other equipment for approximately \$2,122 during 2017.

8. 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 90 days 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 2.0% to 80.0% of their annual compensation. For all periods presented, employer contributions were made at 25.0% of the employee's contribution up to a maximum of 6.0% of total annual compensation, except where government limitations prohibit.

Employer contributions vest 20.0% after two years of service and continue vesting 20.0% per year until fully vested. The Company's matching contributions expensed in 2016, 2015 and 2014 were approximately \$1,056, \$1,178 and \$895, respectively.

9. Financial Instruments

Off Balance Sheet Risk

At December 31, 2016, the Company had letters of credit outstanding totaling \$7,514.

Fair Value of Financial Instruments

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

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Accounts receivable and accounts payable: The carrying amounts reported in the balance sheet for accounts receivable and accounts payable approximate their fair value based on their short-term nature.

The Company's revolving credit facility and term loan bear variable interest rates plus additional basis points based upon covenants related to total indebtedness to earnings. As the term loan bears a variable interest rate, the carrying value approximates fair value. Using interest rate quotes and discounted cash flows, the Company estimated the fair value of its outstanding capital lease obligations as follows:

	December 31, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Capital lease obligations	\$ 1,072	\$ 1,139	\$ 1,405	\$ 1,434

The Company's fair value calculations for the above financial instruments are classified within level 3 of the fair value hierarchy as defined in the FASB Codification.

10. Segment Reporting

The Company has four reportable segments based on information available to and used by the chief operating decision maker. Expedited LTL operates a comprehensive national network that provides expedited regional, inter-regional and national LTL services. The TLS segment provides expedited truckload brokerage, dedicated fleet services and high security and temperature-controlled logistics services. The Intermodal segment primarily provides first- and last-mile high value intermodal container drayage services both to and from seaports and railheads. Pool Distribution provides high-frequency handling and distribution of time sensitive product to numerous destinations.

During the first quarter of 2016, the Company changed its reportable segments to separate its truckload and intermodal businesses from our Expedited LTL service and to aggregate reporting for truckload services into a single segment. The Company previously reported three segments: Forward Air, Forward Air Solutions and Total Quality, Inc. Consequently, the Company now reports four segments: Expedited LTL, Truckload Premium Services, Intermodal and Pool Distribution. All prior year segment amounts have been restated to reflect this new reporting structure.

Except for certain insurance activity, the accounting policies of the segments are the same as those described in the summary of significant accounting policies disclosed in Note 1. For workers compensation and vehicle claims each segment is charged an insurance premium and is also charged a deductible that corresponds with the our corporate deductibles disclosed in Note 1. However, any losses beyond our deductibles and any loss development factors applied to our outstanding claims as a result of actuary analysis are not passed to the segments, but kept at the corporate level.

Segment data includes intersegment revenues. Costs of the corporate headquarters and shared services are allocated to the segments based on usage. The expense associated with shared operating assets, such as trailers, are allocated between operating segments based on usage. However, asset basis is not allocated. The Company evaluates the performance of its segments based on income from operations. The Company's business is conducted in the U.S. and Canada.

The following tables summarize segment information about results from operations and assets used by the chief operating decision maker of the Company in making decisions regarding allocation of assets and resources as of and for the years ended December 31, 2016, 2015 and 2014.

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Year ended December 31, 2016	Expedited LTL	Truckload Premium Services	Pool Distribution	Intermodal	Eliminations & Other	Consolidated
External revenues	\$ 567,711	\$ 163,254	\$ 148,054	\$ 103,511	\$ —	\$ 982,530
Intersegment revenues	3,067	1,018	607	160	(4,852)	—
Depreciation and amortization	21,919	6,441	5,975	3,876	(1)	38,210
Share-based compensation expense	7,209	332	334	459	—	8,334
Impairment of goodwill and other intangible assets	—	42,442	—	—	—	42,442
Interest expense	1,687	3	—	83	(176)	1,597
Income (loss) from operations	83,518	(35,405)	3,633	10,956	(2,723)	59,979
Total assets	632,698	53,695	50,271	129,714	(225,087)	641,291
Capital expenditures	37,501	1,828	2,637	220	—	42,186

Year ended December 31, 2015	Expedited LTL	Truckload Premium Services	Pool Distribution	Intermodal	Eliminations & Other	Consolidated
External revenues	\$ 573,476	\$ 152,251	\$ 128,826	\$ 103,977	\$ 595	\$ 959,125
Intersegment revenues	3,550	1,080	1,169	315	(6,114)	—
Depreciation and amortization	21,125	6,206	6,003	3,773	50	37,157
Share-based compensation expense	6,088	840	300	258	—	7,486
Interest expense	1,959	5	—	83	—	2,047
Income (loss) from operations	79,193	13,288	3,820	11,949	(26,478)	81,772
Total assets	641,360	89,312	46,970	118,081	(195,791)	699,932
Capital expenditures	29,995	5,972	3,983	545	—	40,495

Year ended December 31, 2014	Expedited LTL	Truckload Premium Services	Pool Distribution	Intermodal	Eliminations & Other	Consolidated
External revenues	\$ 456,230	\$ 131,478	\$ 117,429	\$ 75,822	\$ —	\$ 780,959
Intersegment revenues	2,673	1,788	831	123	(5,415)	—
Depreciation and amortization	16,580	5,405	5,754	3,365	29	31,133
Share-based compensation expense	5,561	717	259	144	—	6,681
Interest expense	523	6	2	79	—	610
Income (loss) from operations	75,754	8,986	4,543	7,428	(305)	96,406
Total assets	494,522	88,789	45,428	110,055	(199,485)	539,309
Capital expenditures	25,764	6,184	7,133	406	—	39,487

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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11. Quarterly Results of Operations (Unaudited)

The following is a summary of the quarterly results of operations for the years ended December 31, 2016 and 2015:

	2016			
	March 31	June 30	September 30	December 31
Operating revenue	229,548	238,637	249,552	264,793
Income from operations	21,404	(14,348)	24,700	28,223
Net income	13,099	(10,066)	11,931	12,706
Net income per share:				
Basic	\$ 0.43	\$ (0.33)	\$ 0.39	\$ 0.42
Diluted	\$ 0.43	\$ (0.33)	\$ 0.39	\$ 0.42

	2015			
	March 31	June 30	September 30	December 31
Operating revenue	\$ 205,918	\$ 249,694	\$ 247,093	\$ 256,420
Income from operations	8,248	19,908	24,601	29,015
Net income	4,836	11,824	15,687	23,228
Net income per share:				
Basic	\$ 0.16	\$ 0.38	\$ 0.51	\$ 0.75
Diluted	\$ 0.16	\$ 0.38	\$ 0.50	\$ 0.75

Forward Air Corporation
Schedule II — Valuation and Qualifying Accounts
(In thousands)

Col. A	Col. B	Col. C		Col. D	Col. E
	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts Described	Deductions -Describe	Balance at End of Period
Year ended December 31, 2016					
Allowance for doubtful accounts	\$ 1,310	\$ 258	\$ —	\$ 259 ⁽²⁾	\$ 1,309
Allowance for revenue adjustments ⁽¹⁾	1,095	2,020	—	2,710 ⁽³⁾	405
Income tax valuation	284	(2)	—	—	282
	2,689	2,276	—	2,969	1,996
Year ended December 31, 2015					
Allowance for doubtful accounts	\$ 2,155	\$ 33	\$ —	\$ 878 ⁽²⁾	\$ 1,310
Allowance for revenue adjustments ⁽¹⁾	408	4,793	—	4,106 ⁽³⁾	1,095
Income tax valuation	273	11	—	—	284
	2,836	4,837	—	4,984	2,689
Year ended December 31, 2014					
Allowance for doubtful accounts	\$ 1,583	\$ 241	\$ —	\$ (331) ⁽²⁾	\$ 2,155
Allowance for revenue adjustments ⁽¹⁾	336	2,465	—	2,393 ⁽³⁾	408
Income tax valuation	234	39	—	—	273
	2,153	2,745	—	2,062	2,836

(1) Represents an allowance for adjustments to accounts receivable due to disputed rates, accessorial charges and other aspects of previously billed shipments.

(2) Represents uncollectible accounts written off, net of recoveries

(3) Represents adjustments to billed accounts receivable

EXHIBIT INDEX

No.	Exhibit
3.1	Restated Charter of the registrant (incorporated herein by reference to Exhibit 3 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 28, 1999 (File No. 0-22490))
3.2	Amended and Restated Bylaws of the registrant (incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 6, 2009 (File No. 0-22490))
4.1	Form of Forward Air Corporation Common Stock Certificate (incorporated herein by reference to Exhibit 4.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1998 filed with the Securities and Exchange Commission on November 16, 1998 (File No. 0-22490))
10.1	* Forward Air Corporation 2005 Employee Stock Purchase Plan (incorporated herein by reference to the registrant's Proxy Statement filed with the Securities and Exchange Commission on April 20, 2005 (File No. 0-22490))
10.2	Air Carrier Certificate, effective August 28, 2003 (incorporated herein by reference to Exhibit 10.5 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 filed with the Securities and Exchange Commission on March 11, 2004 (File No. 0-22490))
10.3	* Amendment to the Non-Employee Director Stock Plan (incorporated herein by reference to Exhibit 10.7 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 filed with the Securities and Exchange Commission on March 11, 2004 (File No. 0-22490))
10.4	Credit Agreement dated February 14, 2012 among the registrant and certain of its subsidiaries and Bank of America, N.A., as administrative agent and other lenders party thereto (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 21, 2012 (File No. 0-22490))
10.5	* Employment Agreement dated October 30, 2007, between Forward Air Corporation and Bruce A. Campbell, including Attachment B, Restrictive Covenants Agreement entered into contemporaneously with and as part of the Employment Agreement (incorporated herein by reference to Exhibit 99.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 31, 2007 (File No. 0-22490))
10.6	* Amendment dated December 30, 2008 to Employment Agreement dated October 30, 2007, between Forward Air Corporation and Bruce A. Campbell (incorporated herein by reference to Exhibit 10.9 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 filed with the Securities and Exchange Commission on February 26, 2009 (File No. 0-22490))
10.7	* Second Amendment dated February 24, 2009 to Employment Agreement dated October 30, 2007, between Forward Air Corporation and Bruce A. Campbell (incorporated herein by reference to Exhibit 10.10 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 filed with the Securities and Exchange Commission on February 26, 2009 (File No. 0-22490))
10.8	* Third Amendment dated December 15, 2010 to Employment Agreement dated October 30, 2007, between Forward Air Corporation and Bruce A. Campbell (incorporated herein by reference to Exhibit 10.10 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 filed with the Securities and Exchange Commission on February 24, 2011 (File No. 0-22490))
10.9	* Form of Incentive Stock Option Agreement under the registrant's Amended and Restated Stock Option and Incentive Plan, as amended and 1999 Stock Option and Incentive Plan, as amended, for grants prior to February 12, 2006 (incorporated herein by reference to Exhibit 10.12 to the registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2005 filed with the Securities and Exchange Commission on March 22, 2006 (File No. 0-22490))
10.10	* Form of Non-Qualified Stock Option Agreement under the registrant's Non-Employee Director Stock Option Plan, as amended, for grants prior to February 12, 2006 (incorporated herein by reference to Exhibit 10.13 to the registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2005 filed with the Securities and Exchange Commission on March 22, 2006 (File No. 0-22490))
10.11	* Forward Air Corporation Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Appendix A of the registrant's Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on April 3, 2008 (File No. 0-22490))

10.12	* Form of Incentive Stock Option Agreement under the registrant's Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.19 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 filed with the Securities and Exchange Commission on February 26, 2009 (File No. 0-22490))
10.13	* Form of Non-Qualified Stock Option Agreement under the registrant's Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.16 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 filed with the Securities and Exchange Commission on February 24, 2011 (File No. 0-22490))
10.14	* Form of Restricted Stock Agreement for an award of restricted stock under the registrant's 1999 Stock Option and Incentive Plan, as amended, granted during 2006 (incorporated herein by reference to Exhibit 10.19 to the registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2005 filed with the Securities and Exchange Commission on March 22, 2006 (File No. 0-22490))
10.15	* Form of Restricted Stock Agreement under the registrant's Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.19 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 filed with the Securities and Exchange Commission on February 24, 2011 (File No. 0-22490))
10.16	* Form of Non-Employee Director Restricted Stock Agreement for an award of restricted stock under the registrant's 2006 Non-Employee Director Stock Plan (incorporated herein by reference to Exhibit 99.2 to the registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on May 19, 2006 (File No. 0-22490))
10.17	* Form of Performance Share Agreement for performance shares granted in February 2011, under the registrant's Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, filed with the Securities and Exchange Commission on April 25, 2011 (File No. 0-22490))
10.18	* Forward Air Corporation Executive Severance and Change in Control Plan, effective as of January 1, 2013 (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 14, 2012 (File No. 0-22490))
10.19	* Forward Air Corporation Recoupment Policy, effective as of January 1, 2013 (incorporated herein by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 14, 2012 (File No. 0-22490))
10.20	* Forward Air Corporation Amended and Restated Stock Option and Incentive Plan, as further amended and restated on February 7, 2013 (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 13, 2013 (File No. 0-22490))
10.21	* Form of Performance Share Agreement for performance shares granted in February 2013, under the registrant's Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013, filed with the Securities and Exchange Commission on April 25, 2013 (File No. 0-22490))
10.22	* Form of Restricted Stock Agreement for an award granted in February 2013, under the registrant's Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013, filed with the Securities and Exchange Commission on April 25, 2013 (File No. 0-22490))
10.23	* Form of Non-Qualified Stock Option Agreement for an award granted in February 2013, under the registrant's Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013, filed with the Securities and Exchange Commission on April 25, 2013 (File No. 0-22490))
10.24	* Amended and Restated Non-Employee Director Stock Plan, as further amended and restated on February 8, 2013 (incorporated herein by reference to Exhibit 10.5 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013, filed with the Securities and Exchange Commission on April 25, 2013 (File No. 0-22490))
10.25	Stock Purchase Agreement dated March 4, 2013, by and among Forward Air Corporation, TQI Holdings, Inc. and the sellers named therein (incorporated herein by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 4, 2013 (File No. 0-22490))
10.26	Stock Purchase Agreement dated January 23, 2014, by and among Forward Air Corporation, Central States Trucking Co., Central States Logistics, Inc., Central States, Inc., and the stockholders of Central States, Inc. (incorporated herein by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 6, 2014 (File No. 0-22490))
10.27	Agreement and Plan of Merger, dated February 4, 2015 by and among CLP Towne Inc., Forward Air, Inc., FAC Subsidiary, Inc., ZM Private Equity Fund I, L.P., as the Equity Holders' Representative, and the Indemnifying Equity Holders party thereto (incorporated herein by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 5, 2015 (File No. 0-22490))

10.28	Credit Agreement dated February 4, 2015 among Forward Air Corporation and Forward Air, Inc., as borrowers, the subsidiaries of the borrowers identified therein, Bank of America, N.A., First Tennessee Bank, N.A. and the other lenders party thereto (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 5, 2015 (File No. 0-22490))
10.29	First Amendment dated June 19, 2015 to the Credit Agreement dated February 4, 2015 among Forward Air Corporation and Forward Air, Inc., as borrowers, the subsidiaries of the borrowers identified therein, Bank of America, N.A., First Tennessee Bank, N.A. and the other lenders party thereto (incorporated herein by reference to Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on July 24, 2015 (File No. 0-22490))
10.30	First Amendment to the Forward Air Corporation Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016, filed with the Securities and Exchange Commission on April 27, 2016 (File No. 0-22490))
10.31	* Form of Nonqualified Stock Option Agreement under the registrant's Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 12, 2016 (File No. 0-22490))
10.32	* Form of CEO Nonqualified Stock Option Agreement under the registrant's Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 12, 2016 (File No. 0-22490))
10.33	* Form of Restricted Stock Agreement under the registrant's Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.3 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 12, 2016 (File No. 0-22490))
10.34	* Form of CEO Restricted Stock Agreement under the registrant's Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.4 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 12, 2016 (File No. 0-22490))
10.35	* Form of Performance Share Agreement under the registrant's Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.5 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 12, 2016 (File No. 0-22490))
10.36	* Form of CEO Performance Share Agreement under the registrant's Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.6 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 12, 2016 (File No. 0-22490))
10.37	* Form of Non-Employee Director Restricted Stock Units Agreement under the registrant's Amended and Restated Non-Employee Director Stock Plan (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 10, 2016 (File No. 0-22490))
10.38	* Form of Non-Employee Director Restricted Stock Agreement under the registrant's Amended and Restated Non-Employee Director Stock Plan (incorporated herein by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 10, 2016 (File No. 0-22490))
10.39	* Michael J. Morris Offer Letter dated as of May 24, 2016 (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 26, 2016 (File No. 0-22490))
10.40	* Form of Employee Restricted Share Agreement under the registrant's 2016 Omnibus Incentive Compensation Plan (incorporated herein by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2016 filed with the Securities and Exchange Commission on July 27, 2016))
10.41	* Form of CEO Nonqualified Stock Option Agreement under the registrant's 2016 Omnibus Incentive Compensation Plan
10.42	* Form of CEO Performance Share Agreement under the registrant's 2016 Omnibus Incentive Compensation Plan
10.43	* Form of CEO Restricted Stock Agreement under the registrant's 2016 Omnibus Incentive Compensation Plan
10.44	* Form of Nonqualified Stock Option Agreement under the registrant's 2016 Omnibus Incentive Compensation Plan
10.45	* Form of Performance Share Agreement under the registrant's 2016 Omnibus Compensation Plan
21.1	Subsidiaries of the registrant
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a) (17 CFR 240.13a-14(a))
31.2	Certification of Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a) (17 CFR 240.13a-14(a))
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

*Denotes a management contract or compensatory plan or arrangement.

FORWARD AIR CORPORATION

NOTICE OF GRANT OF NONQUALIFIED STOCK OPTIONS

The Participant has been granted an award (the "**Award**") of nonqualified stock options (each, an "**Option**," and collectively, the "**Options**") to purchase all or any part of the number of common shares (the "**Shares**") set forth below of Forward Air Corporation, a Tennessee corporation (the "**Company**"), pursuant to the Forward Air Corporation 2016 Omnibus Incentive Compensation Plan (the "**Plan**") and the CEO Nonqualified Stock Option Agreement attached hereto (the "**Agreement**"). Each Option, once vested and exercisable, enables the purchase of one Share from the Company at the option price specified below, subject to the provisions of the Agreement.

Participant: Bruce A. Campbell **Employee ID:** _____
Grant Date: _____ **Grant No.:** _____
Number of Options: [____], subject to adjustment as provided by the Plan.
Option Price: \$____ per Share

None of the Options are vested nor exercisable as of the Grant Date, and they are forfeitable until vested. Subject to the terms and conditions described in the Agreement, the Options shall become vested and exercisable in accordance with the schedule below provided that the Performance Condition is first satisfied and the Participant remains continually employed by the Company through the relevant vesting date:

Vesting Schedule:

Vesting Date	Cumulative Percentage of the Options That May Be Exercised
_____, 20__	33-1/3%
_____, 20__	66-2/3%
_____, 20__	100%

The Award Agreement provides additional details regarding vesting of the Options.

For purposes of this Vesting Schedule, satisfaction of the "**Performance Condition**" means the Company's achievement of any of the following target levels of Income From Operations for the relevant fiscal year of the Company:

In Fiscal Year:	The Company achieves this target level of Income From Operations:
20__	75% of Income From Operations Achieved in Fiscal Year 20__
20__	75% of Income From Operations Achieved in Fiscal Year 20__
20__	75% of Income From Operations Achieved in Fiscal Year 20__

For purposes of this Vesting Schedule and the determination of whether the Performance Condition has been satisfied, "**Income From Operations**" means the Income From Operations reported in the Company's audited Consolidated Statements of Income filed with the Securities and Exchange Commission for the relevant fiscal year. The Options shall terminate in their entirety on the date that the Company files with the Securities and Exchange Commission its audited Consolidated Statements of Income for fiscal year 20__ if the Performance Condition has not been satisfied on or before that date and the Options have not otherwise earlier become vested and exercisable under the terms of the Agreement.

Expiration Date: The Options, if not sooner exercised, forfeited or otherwise terminated, expire on _____, 20__.
The Award shall be subject to the terms and conditions of such policy on the recoupment of incentive compensation as shall be adopted by the Company to implement the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Recoupment Policy:

By their signatures below, the Company and the Participant agree that the Award is governed by this Notice of Grant of Nonqualified Stock Options and by the provisions of the Plan and the Agreement, both of which are made a part of this document. The Participant acknowledges receipt of a copy of the Plan, the Agreement and the prospectus for the Plan, represents that the Participant has read and is familiar with the provisions of the Plan and the Agreement, and hereby accepts the Award subject to all of its terms and conditions. In order for the grant of the Options to be effective, the Participant must indicate his or her acceptance of the Options by signing and delivering this Notice of Grant of Nonqualified Stock Options to Administrator of the Forward Air Corporation 2016 Omnibus Incentive Compensation Plan, c/o Staff Accountant, Accounting Department, 1915 Snapps Ferry Road, Bldg. N, Greeneville, Tennessee 37745 by no later than _____, 20__.

FORWARD AIR CORPORATION

PARTICIPANT

By: _____

Signature

Its: _____

Date

ATTACHMENT: CEO Nonqualified Stock Option Agreement

**FORWARD AIR CORPORATION
CEO NONQUALIFIED STOCK OPTION AGREEMENT**

Forward Air Corporation, a Tennessee corporation (the "**Company**"), has granted to the Participant named in the *Notice of Grant of Nonqualified Stock Options* (the "**Grant Notice**") to which this CEO Nonqualified Stock Option Agreement (the "**Agreement**") is attached an Award consisting of stock options (the "**Options**") subject to the terms and conditions set forth in the Grant Notice and this Agreement. The Award has been granted pursuant to the Forward Air Corporation 2016 Omnibus Incentive Compensation Plan (the "**Plan**"), as amended to the Grant Date, the provisions of which are incorporated herein by reference.

1. Terminology. Unless otherwise defined herein, including within the Glossary at the end of this Agreement, capitalized terms shall have the meanings assigned to such terms in the Grant Notice or the Plan.

2. Tax Status of Options. The Options are nonqualified stock options that are not intended to qualify as incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "**Code**"), and this Agreement shall be so construed. The Company does not warrant any particular tax consequences of the Options. Upon exercise of the Options, you will recognize compensation income in an amount equal to the excess of the then Fair Market Value of the Shares over the Option Price of the Shares and must comply with the provisions of Section 6(f) of this Agreement with respect to any tax withholding obligations that arise as a result of such exercise.

3. Option Price. The purchase price per Share shall be the "Option Price" as set forth on the Grant Notice, representing one hundred percent (100%) of the Fair Market Value of a Share as determined pursuant to the Plan as of the Grant Date set forth on the Grant Notice.

4. Term of Option. The term of the Options shall commence on the Grant Date and all rights to purchase Shares hereunder shall cease at 5:00 p.m. U.S. Eastern Time on the Expiration Date set forth on the Grant Notice, subject to earlier termination as provided in the Plan and this Agreement.

5. Vesting.

(a) Vested Status upon Grant Date. All of the Options are nonvested and forfeitable as of the Grant Date. For clarity, as used in this Agreement, the term "vest" means that the Options become exercisable for the purchase of Shares. The fact that an Option has become vested does not mean or otherwise indicate that you have an unconditional or nonforfeitable right to such Option. A vested Option remains subject to the terms, conditions and forfeiture provisions provided for in the Plan and in this Agreement.

(b) Vesting Schedule. So long as your Service is continuous from the Grant Date through the applicable date upon which vesting is scheduled to occur and the performance condition(s) (if any) set forth on the Grant Notice are satisfied, as further detailed on the Grant Notice, the Options will vest and become exercisable on the vesting dates as set forth in the correlating Grant Notice.

(c) Vesting upon Death or Disability. All of the Options that have not already vested or been previously forfeited will vest and become exercisable upon your death or termination of Service due to your Disability.

(d) Double-trigger Vesting. If a Change in Control occurs, the vesting and exercisability of the Options shall not be altered or accelerated solely as a result of such occurrence unless otherwise determined by the Administrator in its discretion, and the Options may be assumed or an equivalent award substituted by the successor corporation to the Company or a parent or subsidiary of such successor corporation (each such assumed or equivalent substituted award, a "**Substitute Award**"). If a Substitute Award is not issued nor the Options assumed in connection with the Change in Control, as determined in the discretion of the Administrator, then the Administrator shall provide for full vesting and exercisability of the outstanding Options immediately before the effective time of the Change in Control. In the event that you suffer a Qualifying Termination coincident with or within 24 months following the occurrence of a Change in Control, the outstanding Options or Substitute Award, to the extent not previously vested nor earlier forfeited or terminated, shall become fully vested and exercisable as of the date of such Qualifying Termination.

6. Exercise of Options.

(a) Exercisability. None of the Options are exercisable as of the Grant Date. The Options will become exercisable as and when they vest as set forth in Section 5 above.

(b) Option Exercise Rights.

(i) You may exercise the Options, to the extent they have become exercisable, on any business day on or before the Expiration Date or the earlier termination of the Options, unless otherwise provided under applicable law. For this purpose, a business day is any day, other than a weekend or U.S. federal holiday, on which Forward Air Corporation's principal executive offices (currently in Greeneville, Tennessee) are open for business. You are not required to exercise your Options when they vest. Vested Options will accumulate and be exercisable by you, in whole or in part, at any time before the Options expire or are otherwise forfeited or terminated.

(ii) Notwithstanding the foregoing, if at any time the Administrator determines that the delivery of Shares under the Plan or this Agreement is or may be unlawful under the laws of any applicable jurisdiction, or federal, state or foreign (non-United States) securities laws, your right to exercise the Options or receive Shares pursuant to the Options will be suspended until the Administrator determines that such delivery is lawful. Likewise, if at any time the Administrator determines that the delivery of Common Stock under the Plan or this Agreement is or may violate the rules of the national securities exchange on which the Shares are then listed for trade, your right to exercise the Options or receive Shares pursuant to the Options will be suspended until the Administrator determines that such exercise or delivery would not violate such rules. Any suspension of your right to exercise the Options under this paragraph will not extend the Expiration Date of the Options and your Options could expire unexercisable during such a suspension.

(iii) Section 7 and Section 8 below describe certain limitations on exercise of the Options that apply in the event of your death, Disability, or termination of Service which limitations could terminate your right to exercise the Options earlier than the Expiration Date.

(iv) You may exercise the Options only in multiples of whole shares. No fractional Shares will be issued under the Options.

(c) Exercise Procedure. In order to initiate an exercise of your Options, you must deliver the following items to the Secretary of the Company or his or her delegate:

(i) an exercise notice, in such manner and form (including, without limitation, electronic on-line format) as the Administrator may require from time to time, that specifies the number of Shares you then desire to purchase under the Options and your method of payment of the aggregate Option Price; and

(ii) full payment of the aggregate Option Price for the Shares specified in the exercise notice or properly executed, irrevocable instructions, in such manner and form as the Administrator may require from time to time, to effectuate a broker-assisted cashless exercise, each in accordance with Section 6(e) of this Agreement.

(d) Date Exercise becomes Effective.

(i) Your exercise will become effective (the "**Exercise Date**") as follows, provided that such exercise otherwise is permitted under and complies with all applicable laws:

(A) on the date on which both the exercise notice and payment of the aggregate Option Price is received by the Secretary of the Company or his or her delegate, if such items are received by 5:00 p.m. U.S. Eastern Time on a business day;

(B) on the first business day after the date on which both the exercise notice and payment of the aggregate Option Price is received by Secretary of the Company or his or her delegate,

if such items are received after 5:00 p.m. U.S. Eastern Time or are received on a day that is not a business day; or

(C) on the date on which the sale of Shares is executed via a broker-assisted cashless exercise, as confirmed by the brokerage firm, if the exercise notice is accompanied by instructions to effectuate a broker-assisted cashless exercise.

(ii) You are responsible for ensuring that your exercise notice and payment of the aggregate Option Price or instructions to effectuate a broker-assisted cashless exercise are received by Secretary of the Company or his or her delegate, with sufficient time to enable the Exercise Date to occur in accordance with the foregoing rules before the Options expire, are forfeited or otherwise terminated. Because The Nasdaq Stock Market closes at 4:00 p.m. U.S. Eastern Time, any broker-assisted cashless exercise instruction received by Secretary of the Company or his or her delegate, after 4:00 p.m. U.S. Eastern Time cannot be processed until the next business day on which The Nasdaq Stock Market is open for trading. If your broker-assisted cashless exercise instruction results in the sale of Shares over a number of days, each day on which a sale occurs will constitute the Exercise Date of the Options with respect to the Shares sold on such day.

(e) Methods of Payment

(i) You may pay the aggregate Option Price for the shares specified in the exercise notice by:

(A) delivering cash, wire or fund transfer, check, bank draft, postal or express money order payable to the order of the Company, or other cash equivalent acceptable to the Administrator in its discretion, in each such case in currency acceptable to the Administrator;

(B) executing a broker-assisted cashless exercise, through a "same day sale" commitment, in accordance with Regulation T of the Board of Governors of the Federal Reserve System through a brokerage firm designated or approved by the Administrator that is a member of the Financial Industry Regulatory Authority (a "FINRA Dealer"), under which the FINRA Dealer is irrevocably instructed to deliver to the Company on your behalf an amount, in cash or acceptable cash equivalents, sufficient to pay the aggregate Option Price for the Shares you then desire to purchase under the Options (plus applicable Withholding Taxes, if any), and the Company is instructed to deliver the Shares to the FINRA Dealer upon receipt of such amount;

(C) unless limited by the Administrator, tendering to the Company (via attestation in a form satisfactory to the Administrator) other unrestricted Shares owned by you, in which case the Company will attribute to the tendered Shares a value equal to the closing price per Share for the regular market session of The Nasdaq Stock Market (or the principal market for the Shares as determined by the Administrator if the Shares are not listed for trade on The Nasdaq Stock Market or are listed or admitted to trading on more than one exchange or market) on the Exercise Date or, if no sale is reported for that date, on the last preceding day on which a sale was reported, all as reported by such source as the Administrator may select;

(D) unless limited by the Administrator, electing net share settlement;

(E) by cancellation of indebtedness of the Company to you;

(F) by waiver of compensation from the Company due or accrued to you for services rendered;

(G) any other method approved by the Administrator; or

(H) any combination of the foregoing.

(ii) The Administrator in its discretion may place limitations on the extent, if any, to which you may pay the aggregate Option Price by tendering Shares or electing net share settlement, and in no event may you pay the Option Price through either of those two methods if you are a resident of

Canada. If the Shares tendered or withheld are insufficient in value to pay the aggregate Option Price, you must deliver the net unpaid amount to the Secretary of the Company or his or her delegate on the Exercise Date in cash or in one of the specified forms of acceptable cash equivalents; provided, however, that if the net unpaid amount is less than the value of one Share and you are not an executive officer of the Company, the Company may allow you to pay such amount by having it withheld from your next paycheck.

(f) Tax Withholding. By accepting the Options, you agree to make adequate provision for foreign (non-United States), federal, state and local taxes and social insurance contributions (collectively, "**Withholding Taxes**") required by law to be withheld, if any, which arise in connection with the Options. The Company shall have the right to deduct from any compensation or any other payment of any kind due you (including withholding the issuance or delivery of Shares under the Options) the amount of any Withholding Taxes required by law to be withheld as a result of the grant, vesting or exercise of the Options, in whole or in part, or as otherwise may be required by applicable law. In lieu of such deduction, the Company may require you to make a cash payment to the Company equal to the amount required to be withheld. If you do not make such payment when requested, the Company may refuse to issue any Shares or deliver any stock certificate under this Agreement or otherwise release for transfer any such Shares until arrangements satisfactory to the Company for such payment have been made. The Company may, in its sole discretion, permit or require you to satisfy, in whole or in part, any Withholding Tax obligation which may arise in connection with the Options either by having the Company withhold from the Shares to be issued upon exercise that number of Shares, or by delivering to the Company already-owned unrestricted Shares, in either case having a fair market value equal to the amount necessary to satisfy the withholding amount due.

(g) Issuance of Shares upon Exercise. The Company will issue to you the Shares underlying the Options you exercise as soon as practicable after the exercise date, subject to the Company's receipt of the aggregate Option Price and the requisite Withholding Taxes, if any. Unless and until you request the Company to deliver a share certificate to you, or deliver Shares electronically or in certificate form to your designated broker, bank or nominee on your behalf, the Company will retain the Shares that you purchased through exercise of the Options in uncertificated book entry form. Any share certificates delivered will, unless the Shares are registered or an exemption from registration is available under applicable federal and state law, bear a legend restricting transferability of such Shares.

7. Forfeiture of Options upon Termination of Service If your Service ceases for any reason, all Options that are not then vested, after giving effect to the applicable provisions of Section 5 above, will be immediately forfeited upon such cessation for no consideration. If your Service terminates for Cause, the Options, to the extent not theretofore exercised, shall terminate for no consideration on the date of your termination of Service regardless of their vested status.

8. Exercise Periods upon Termination of Service.

(a) Termination of Service. Except as provided otherwise in this Agreement, your vested Options will terminate 90 days after the date on which your Service terminates, but in no event later than the Expiration Date.

(b) Qualifying Termination Following a Change in Control. In the event that you suffer a Qualifying Termination coincident with or within 24 months following the occurrence of a Change in Control, your vested Options may be exercised for a period of 90 days from the date of such Qualifying Termination or until the Expiration Date set forth on the Grant Notice, whichever period is shorter.

(c) Retirement. If your Service terminates by reason of your Retirement, your Options may thereafter be exercised, to the extent vested at the time of such Retirement, at any time for a period of 5 years from the date your Service terminated or until the Expiration Date, whichever period is shorter.

(d) Disability. If your Service terminates by reason of your Disability, your vested Options may thereafter be exercised for a period of 12 months from the date your Service terminated or until the Expiration Date, whichever period is shorter.

(e) Death. If your death occurs prior to your termination of Service or during any of the periods described in Sections 8(a), 8(b), 8(c), or 8(d) of this Agreement during which your vested Options remained exercisable by you, then your estate, personal representative or any beneficiary, heir or legatee to whom the

Options have been transferred will be permitted to exercise such vested Options for a period of 12 months from the date your Service terminated or until the Expiration Date, whichever period is shorter. Any person seeking to exercise your Options following your death must provide to the Company appropriate documentation as may be requested by the Administrator to establish your death and such person's right to exercise the Options.

9. Nontransferability. The Options are not transferable other than by will or the laws of descent and distribution, or, with the prior written consent of the Administrator, by you to a Family Member as a gift. The Administrator shall not permit any transfer of the Options for value and shall not permit any transfer of the Options pursuant to a domestic relations order in settlement of marital property rights. The Options may be exercised during your lifetime, only by you or your Family Member to whom the Options have been transferred with the Administrator's consent or, during the period you are under a legal disability, by your guardian or legal representative, unless otherwise determined by the Administrator. The Options shall not be subject in any manner to alienation, anticipation, sale, transfer, assignment, pledge, or encumbrance, except as otherwise determined by the Administrator. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Options contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the Options, shall be null and void and without effect.

10. Adjustments for Corporate Transactions and Other Events

(a) Mandatory Adjustments. In the event of a merger, consolidation, stock rights offering, liquidation, statutory share exchange or similar event affecting the Company (each, a "**Corporate Event**") or a stock dividend, stock split, reverse stock split, separation, spinoff, reorganization, extraordinary dividend of cash or other property, share combination or subdivision, or recapitalization or similar event affecting the capital structure of the Company (each, a "**Share Change**"), the Administrator shall make equitable and appropriate substitutions or proportionate adjustments to the number of outstanding Options, the Option Price per Share, and the number of Options eligible to vest on each subsequent vesting date under the vesting schedule set forth on the Grant Notice to reflect such event; provided, however, that any fractional Options resulting from any such adjustment shall be eliminated. Adjustments under this paragraph will be made by the Administrator, whose determination as to what adjustments will be made and the extent thereof will be final, binding and conclusive.

(b) Discretionary Adjustments. In the case of Corporate Events, the Administrator may make such other adjustments to outstanding Options as it determines to be appropriate and desirable, which adjustments may include, without limitation, (i) the cancellation of outstanding Options in exchange for payments of cash, securities or other property or a combination thereof having an aggregate value equal to the value of such Options, as determined by the Administrator in its sole discretion (it being understood that in the case of a Corporate Event with respect to which shareholders of the Company receive consideration other than publicly traded equity securities of the ultimate surviving entity, any such determination by the Administrator that the value of an Option shall for this purpose be deemed to equal the excess, if any, of the value of the consideration being paid for each Share pursuant to such Corporate Event over the Option Price per Share of such Option shall conclusively be deemed valid and that any Option may be cancelled for no consideration upon a Corporate Event if its Option Price per Share is not less than the value of the consideration being paid for each Share pursuant to such Corporate Event), (ii) the substitution of securities or other property (including, without limitation, cash or other securities of the Company and securities of entities other than the Company) for the Shares subject to outstanding Options, and (iii) the substitution of equivalent awards, as determined in the sole discretion of the Administrator, of the surviving or successor entity or a parent thereof.

(c) Dissolution or Liquidation. Unless the Administrator determines otherwise, all of the Options shall terminate upon the dissolution or liquidation of the Company.

(d) Change in Control. Notwithstanding anything in this Agreement or the Plan to the contrary, in the event that a Change in Control occurs, outstanding Options will terminate upon the effective time of such Change in Control unless provision is made in connection with the transaction for the continuation or assumption of such Options by, or for the substitution of equivalent options, as determined in the sole discretion of the Administrator, of, the surviving or successor entity or a parent thereof. In the event of such termination, (i) the outstanding Options that will terminate upon the effective time of the Change in Control shall, immediately before the effective time of the Change in Control, become fully exercisable, (ii) you will be permitted, immediately before the Change in Control, to exercise the Options, and (iii) the Administrator may take any of the actions set forth in Section 9(a) and 9(b) with respect to any or all of the Options. Implementation of the provisions of the immediately foregoing sentence shall be conditioned upon consummation of the Change in Control.

11. Rights as Stockholder. You shall not have any of the rights of a shareholder with respect to the Shares subject to purchase under the Options until such Shares have been issued to you upon the due exercise of the Options. No adjustment will be made for dividends or distributions or other rights for which the record date is prior to the date such Shares are issued to you.

12. The Company's Rights. The existence of the Options will not affect in any way the right or power of the Company or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or other stocks with preference ahead of or convertible into, or otherwise affecting the Shares or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of the Company's assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

13. Notice. All notices and other communications made or given pursuant to this Agreement shall be in writing and shall be sufficiently made or given if hand delivered or mailed by certified mail, addressed to you at the address contained in the records of the Company, or addressed to the Administrator, care of Forward Air Corporation, Attention: Legal Department, 1915 Snapps Ferry Road, Bldg. N, Greeneville, TN 37745 or, if the receiving party consents in advance, transmitted and received via telecopy or via such other electronic transmission mechanism as may be available to the parties.

14. No Agreement to Employ. Nothing in the Plan or this Agreement shall alter your employment status with the Company, nor be construed as a contract of employment between the Company and you, or as a contractual right of you to continue in the employ of the Company for any period of time, or as a limitation of the right of the Company to discharge you at any time with or without cause or notice, subject to applicable law, and whether or not such discharge results in the forfeiture of any Options or any other adverse effect on your interests under the Plan.

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

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

17. Recoupment. Notwithstanding anything to the contrary in this Agreement, the Options (including any income, capital gains, proceeds realized or other economic benefit actually or constructively received by you upon the receipt, vesting or exercise of the Options, and your sale or other disposition of the Shares acquired through exercise of the Options) shall be subject to recovery under any clawback, recovery or recoupment policy which the Company may adopt from time to time, including without limitation the Company's existing Recoupment Policy, as amended from time to time or any successor thereto, and any policy which the Company may be required to adopt under Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law, the rules and regulations of the U.S. Securities and Exchange Commission, or the requirements of any national securities exchange on which the Company's Shares may be listed. By accepting the Options, you expressly acknowledge and agree that the Options are subject to the terms of the foregoing policies, whether retroactively or prospectively adopted, and agree to cooperate fully with the Administrator to facilitate the recovery of the Options, any Shares acquired through the exercise of the Options or proceeds realized from your sale or other disposition of the Shares acquired through exercise of the Options that the Administrator determines in its sole discretion is required or entitled to be recovered pursuant to the terms of such policies.

18. Retention. Notwithstanding anything to the contrary in this Agreement, you acknowledge and agree that the terms and conditions of the Company's existing Executive Stock Ownership and Retention Guideline, as amended from time to time or any successor thereto (the "**Ownership Guideline**"), are incorporated by reference into this Agreement and shall apply to the Options if you on the Grant Date are or subsequently become an employee who is subject to the Ownership Guideline.

19. Electronic Delivery of Documents.

(a) Methods of Delivery. The Company may from time to time electronically deliver, via e-mail or posting on the Company's website, this Agreement, information with respect to the Plan or the Options, any amendments to the Agreement, and any reports of the Company provided generally to the Company's shareholders. You may receive from the Company, at no cost to you, a paper copy of any electronically delivered documents. Requests should be made to the Secretary of the Company at 1915 Snapps Ferry Road, Bldg. N, Greeneville, TN 37745 (Telephone: (423) 636 7000).

(b) Consent and Acknowledgment. By your accepting the Grant Notice correlating to this Agreement, you (i) consent to the electronic delivery of this Agreement, all information with respect to the Plan and the Options and any reports of the Company provided generally to the Company's shareholders; (ii) acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost to you by contacting the Company by telephone or in writing; (iii) further acknowledge that you may revoke your consent to the electronic delivery of documents at any time by notifying the Company of such revoked consent by telephone, postal service or electronic mail; and (iv) further acknowledge that you understand that you are not required to consent to electronic delivery of documents.

20. Amendment. Except as otherwise provided in the Plan, the Administrator may unilaterally amend the terms of this Agreement, but no such amendment shall materially impair your rights with respect to your Options without your consent, except such an amendment made to cause the Plan or the Agreement to comply with applicable law, applicable rule of any securities exchange on which the Shares are listed or admitted for trading, or to prevent adverse tax or accounting consequences for you or the Company or any of its Affiliates. The Company shall give written notice to you of any such alteration or amendment of this Agreement by the Administrator as promptly as practical after the adoption thereof. The foregoing shall not restrict the ability of you and the Company by mutual consent to alter or amend this Agreement in any manner which is consistent with the Plan and approved by the Administrator.

21. Section 409A. This Agreement and the Options granted hereunder are intended to comply with, or otherwise be exempt from, Section 409A of the Code and shall be so construed. Nothing in the Plan or this Agreement shall be construed as including any feature for the deferral of compensation other than the deferral of recognition of income until the exercise of the Options. Should any provision of the Plan or this Agreement be found not to comply with, or otherwise be exempt from, the provisions of Section 409A of the Code, it may be modified and given effect, in the sole discretion of the Administrator and without requiring your consent, in such manner as the Administrator determines to be necessary or appropriate to comply with, or to effectuate an exemption from, Section 409A of the Code. The foregoing, however, shall not be construed as a guarantee by the Company of any particular tax effect to you.

22. Governing Law. The validity, construction, and effect of this Agreement, and of any determinations or decisions made by the Administrator relating to this Agreement, and the rights of any and all persons having or claiming to have any interest under this Agreement, shall be determined exclusively in accordance with the laws of the State of Tennessee, without regard to its provisions concerning the applicability of laws of other jurisdictions. As a condition of this Agreement, you agree that you will not bring any action arising under, as a result of, pursuant to or relating to, this Agreement in any court other than a federal or state court in the districts which include Greeneville, Tennessee, and you hereby agree and submit to the personal jurisdiction of any federal court located in the district which includes Greeneville, Tennessee or any state court in the district which includes Greeneville, Tennessee. You further agree that you will not deny or attempt to defeat such personal jurisdiction or object to venue by motion or other request for leave from any such court.

23. Resolution of Disputes. Any dispute or disagreement which shall arise under, or as a result of, or pursuant to or relating to, this Agreement shall be determined by the Administrator in good faith in its absolute and uncontrolled discretion, and any such determination or any other determination by the Administrator under or pursuant to this Agreement and any interpretation by the Administrator of the terms of this Agreement, will be final, binding and conclusive on all persons affected thereby. You agree that before you may bring any legal action arising under, as a result of, pursuant to or relating to, this Agreement you will first exhaust your administrative remedies before the Administrator. You further agree that in the event that the Administrator does not resolve any dispute or disagreement arising under, as a result of, pursuant to or relating to, this Agreement to your satisfaction,

no legal action may be commenced or maintained relating to this Agreement more than 24 months after the Administrator's decision is rendered.

24. General. The Company shall at all times during the term of the Options reserve and keep available such number of shares of Common Stock as will be sufficient to satisfy the requirements of this Agreement, shall pay all original issue and transfer taxes with respect to the issue and transfer of shares pursuant hereto and all other fees and expenses necessarily incurred by the Company in connection therewith, and will from time to time use its best efforts to comply with all laws and regulations, which, in the opinion of counsel for the Company, shall be applicable thereto. To the extent that this Agreement conflicts with the terms of the Plan, the terms of the Plan shall control. The headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

{Glossary begins on next page}

GLOSSARY

(a) “**Administrator**” means the Compensation Committee of the Board of Directors of Forward Air Corporation, or such other committee(s) or officer(s) duly appointed by such Board or the Compensation Committee to administer the Plan or delegated limited authority to perform administrative actions under the Plan, and having such powers as shall be specified by such Board or the Compensation Committee; provided, however, that at any time the Board of Directors of Forward Air Corporation may serve as the Administrator in lieu of or in addition to the Compensation Committee or such other committee(s) or officer(s) to whom administrative authority has been delegated.

(b) “**Affiliate**” means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with, Forward Air Corporation or any successor to Forward Air Corporation. For this purpose, “control” (including the correlative meanings of the terms “controlled by” and “under common control with”) shall mean ownership, directly or indirectly, of 50% or more of the total combined voting power of all classes of voting securities issued by such entity, or the possession, directly or indirectly, of the power to direct the management and policies of such entity, by contract or otherwise.

(c) “**Cause**” means (A) your fraud, malfeasance, self-dealing, embezzlement or dishonesty with respect to business affairs of the Company or its successor whether or not the Company or its successor is materially harmed; (B) your conviction of or failure to contest prosecution for a felony or a crime involving moral turpitude; (C) your material breach of the employment agreement between the Company or its successor and you; (D) your failure, after reasonable notice, to comply promptly with any valid and legal directive of the Board of Directors of the Company or its successor; or (E) your failure to perform adequately your responsibilities under the employment agreement between the Company or its successor and you as demonstrated by objective and verifiable evidence showing that the business operations under your control have been materially harmed as a result of your gross negligence or willful misconduct.

(d) “**Change in Control**” shall have the meaning ascribed thereto in the Plan.

(e) “**Company**” means Forward Air Corporation and its Affiliates, except where the context otherwise requires. For purposes of determining whether a Change in Control has occurred, Company shall mean only Forward Air Corporation.

(f) “**Disability**” means that you are (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last until your death or result in death, or (ii) determined to be totally disabled by the Social Security Administration or other governmental or quasi-governmental body that administers a comparable social insurance program outside of the United States in which you participate and which conditions the right to receive benefits under such program on your being unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last until your death or result in death. The Administrator shall have sole authority to determine whether you have suffered a Disability and may require such medical or other evidence as it deems necessary to judge the nature and permanency of your condition.

(g) “**Expiration Date**” means the date set forth on the Grant Notice indicating when the Options expire if not sooner exercised, forfeited or otherwise terminated.

(h) “**Family Member**” means any of your children, stepchildren, grandchildren, parents, stepparents, grandparents, spouse (but expressly excluding ex-spouse), siblings, nieces, nephews, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing your household (other than a tenant or employee), a trust in which these persons have more than fifty percent of the beneficial interest, a foundation in which these persons (or you) control the management of assets, and any other entity in which these persons (or you) own more than fifty percent (50%) of the voting interests.

(i) “**Material Change In Duties**” shall be deemed to have occurred when, without your consent, you are assigned any duties inconsistent in any material respect with your position (including status, offices, titles, and reporting requirements), authority, duties or responsibilities as in effect on the effective date of the

Change in Control, or any other action by the Company or its successor which results in a materially demonstrable diminution in such position, authority, duties or responsibilities. No Material Change in Duties shall be deemed to have occurred unless (i) you notify the Company or its successor in writing within 90 days after the assignment of materially inconsistent duties, and the Company or its successor fails to cure this material inconsistency within 30 days after receipt of the notice, and (ii) the termination of employment occurs no later than one year after the initial assignment of materially inconsistent duties.

(j) **"Qualifying Termination"** means your termination of Service provided that such termination is either (i) initiated by the Company or a parent or subsidiary of the Company, or a successor to any such entity for a reason other than Disability, death, Retirement or for Cause, or (ii) initiated by you for a Material Change in Duties.

(k) **"Retirement"** means your termination of Service with the Company and its Affiliates on or after attainment of age 65.

(l) **"Service"** means your employment with the Company and its Affiliates. Your Service will be considered to have ceased with the Company and its Affiliates if, immediately after a sale, merger or other corporate transaction, the trade, business or entity with which you are employed or otherwise have a service relationship is not Forward Air Corporation or its successor or an Affiliate of Forward Air Corporation or Forward Air Corporation's successor.

(m) **"Withholding Taxes"** means any foreign (non-United States), federal, state and local taxes and social insurance contributions required by law to be withheld.

(n) **"You"; "Your"**. You means the recipient of the Options as reflected in the Grant Notice. Whenever the word "you" or "your" is used in any provision of this Agreement under circumstances where the provision should logically be construed, as determined by the Administrator, to apply to the estate, personal representative, or beneficiary to whom the Options may be transferred by will or by the laws of descent and distribution, the words "you" and "your" shall be deemed to include such person.

{End of Agreement}

FORWARD AIR CORPORATION
NOTICE OF GRANT OF PERFORMANCE SHARES

The Participant has been granted an award of an opportunity to receive a number of Performance Shares (the "**Award**") pursuant to the Forward Air Corporation 2016 Omnibus Incentive Compensation Plan (the "**Plan**") and the CEO Performance Share Agreement attached hereto (the "**Agreement**"), as follows:

Participant:	<u>Bruce A. Campbell</u>	Employee ID:	
Grant Date:	_____	Grant No.:	
Target Number of Performance Shares:	[_____], subject to adjustment as provided by the Agreement.		
Maximum Number of Performance Shares:	[_____], subject to adjustment as provided by the Agreement.		
Performance Metric:	<u>Percentile Ranking of Total Shareholder Return within Peer Group</u>		
Performance Period:	Three-year period beginning on the January 1 st that immediately precedes the Grant Date and ending on the December 31 st that immediately precedes the third anniversary of the Grant Date (_____ - _____)		
Performance Share Vesting Date:	The date that is 2½ months after the last day of the Performance Period, except as otherwise provided by the Agreement. <u>Provided that the Participant's Service has not terminated prior to the Performance Share Vesting Date, except as provided by the Agreement, on the Performance Share Vesting Date the number of Vested Performance Shares (not to exceed the Maximum Number of Performance Shares) shall be determined by multiplying the Target Number of Performance Shares by the TSR Multiplier (as defined by the Agreement).</u>		
Vested Performance Shares:			
Settlement Date:	The Performance Share Vesting Date, except as otherwise provided by the Agreement.		
Recoupment Policy:	The Award shall be subject to the terms and conditions of such policy on the recoupment of incentive compensation as shall be adopted by the Company to implement the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.		

By their signatures below, the Company and the Participant agree that the Award is governed by this Notice and by the provisions of the Plan and the Agreement, both of which are made a part of this document. The Participant acknowledges receipt of a copy of the Plan, the Agreement and the prospectus for the Plan, represents that the Participant has read and is familiar with the provisions of the Plan and the Agreement, and hereby accepts the Award subject to all of its terms and conditions.

FORWARD AIR CORPORATION

PARTICIPANT

By: _____

Signature

Its: _____

Date

ATTACHMENT: CEO Performance Share Agreement

FORWARD AIR CORPORATION CEO PERFORMANCE SHARE AGREEMENT

Forward Air Corporation, a Tennessee corporation (the “**Company**”), has granted to the Participant named in the *Notice of Grant of Performance Shares* (the “**Grant Notice**”) to which this CEO Performance Share Agreement (the “**Agreement**”) is attached an Award consisting of Performance Shares subject to the terms and conditions set forth in the Grant Notice and this Agreement. The Award has been granted pursuant to the Forward Air Corporation 2016 Omnibus Incentive Compensation Plan (the “**Plan**”), as amended to the Grant Date, the provisions of which are incorporated herein by reference.

1. **Definitions and Construction.**

1.1 **Definitions.** Unless otherwise defined herein, including within the Glossary at the end of this Agreement, capitalized terms shall have the meanings assigned to such terms in the Grant Notice or the Plan.

1.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. The Company intends that the Award made under this Agreement constitute qualified performance-based compensation within the meaning of Section 162(m) of the Code and the regulations thereunder, and the provisions of this Agreement shall be construed and administered in a manner consistent with this intent. The Company intends that the Award made under this Agreement comply with, or otherwise be exempt from, Section 409A (including any amendments or replacements of such section), and the provisions of this Agreement shall be construed and administered in a manner consistent with this intent.

2. **Administration.**

All questions of interpretation concerning the Grant Notice, this Agreement and the Plan shall be determined by the Committee. All determinations by the Committee shall be final, binding and conclusive upon all persons having an interest in the Award.

3. **The Award.**

3.1 **Grant of Performance Shares.** On the Grant Date, the Participant has acquired, subject to the provisions of this Agreement, an opportunity to receive a number of Performance Shares, which shall not exceed the Maximum Number of Performance Shares set forth in the Grant Notice, subject to adjustment as provided in Section 9. The number of Performance Shares, if any, ultimately earned by the Participant, shall be that number of Performance Shares which become Vested Performance Shares.

3.2 **No Monetary Payment Required.** The Participant is not required to make any monetary payment (other than applicable tax withholding, if any) as a condition to receiving the Performance Shares or the Common Shares issued upon settlement of the Performance Shares, the consideration for which shall be past services actually rendered and/or future services to be rendered to the Company (or any Affiliate) or for its benefit. Notwithstanding the foregoing, if required by applicable state corporate law, the Participant shall furnish consideration in the form of cash or past services rendered to the Company (or any Affiliate) or for its benefit having a value not less than the par value of the Common Shares issued upon settlement of the Vested Performance Shares.

4. **Certification by the Committee.**

4.1 **Percentile Ranking of Peer Group Total Shareholder Return.** As soon as practicable following completion of the Performance Period, and in any event on or before the Performance Share Vesting Date, the Committee shall certify in writing the TSR Percentile Ranking of the Company for the Performance Period and the resulting number of Performance Shares, if any, which shall become Vested Performance Shares on the Performance Share Vesting Date, subject to the Participant's continued Service until the Performance Share Vesting Date, except as otherwise provided by Section 5 or Section 8. The number of Performance Shares which shall become Vested Performance Shares on the Performance Share Vesting Date, subject to the Participant's continued Service until the Performance Share Vesting Date, shall be determined by multiplying the Target Number of Performance Shares specified on the Grant Notice by the TSR Multiplier specified below, based on the

Company's Total Shareholder Return for the Performance Period relative to the Total Shareholder Return of the Peer Companies, rounding up to the nearest whole share:

TSR Percentile Ranking	TSR Multiplier
90th percentile or higher	200%
70th percentile	150%
50th percentile	100%
25th percentile	50%
Below 25th percentile	0%

The TSR Multiplier for an achieved TSR Percentile Ranking falling between the percentages set forth in the table above shall be determined by straight-line interpolation. The Company shall promptly notify the Participant of the determination by the Committee.

4.2 Adjustment to Performance Period. Notwithstanding anything on the Grant Notice or in this Agreement to the contrary, if for any reason the Company ceases to have its Common Stock listed for public trade on any national securities exchange or market before the last day of the Performance Period specified on the Grant Notice, the Performance Period shall end as of the last date that the Company's Common Stock is listed for public trade on a national securities exchange or market. Any temporary halt in trading, including without limitation any period during which trade is suspended while the Company comes into compliance with the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, shall be disregarded for this purpose.

5. Vesting of Performance Shares

5.1 In General. Except as provided by this Section 5 and Section 8, the Performance Shares shall vest and become Vested Performance Shares as provided in the Grant Notice and Section 4.1, as certified by the Committee.

5.2 Termination of Service Other Than By Reason of Retirement, Death, Disability or in Connection With a Change in Control of the Company. In the event the Participant's Service terminates for any reason prior to the Performance Share Vesting Date, other than by reason of Retirement, death, Disability, or Qualifying Termination coincident with or within 24 months after a Change in Control of the Company, the Participant shall immediately forfeit, without requiring any act of the Participant or the Company to effectuate such forfeiture, all rights to and interests in the Performance Shares subject to the Award and the Award shall be cancelled as of the last day of the Participant's Service. The Participant shall not be entitled to any payment for such forfeited Performance Shares.

5.3 Termination of Service by Reason of Death or Disability. In the event the Participant's Service terminates by reason of death or Disability prior to the Performance Share Vesting Date, a number of Performance Shares shall become Vested Performance Shares on the last day of the Participant's Service as follows. The number of Performance Shares which shall become Vested Performance Shares shall be the product, rounded up to the nearest whole share, of (a) the Target Number of Performance Shares specified on the Grant Notice, multiplied by (b) a TSR Multiplier of 100%, multiplied by (c) a percentage equal to the ratio of the number of whole and partial months (rounded up to the nearest integer) of the Participant's Service during the Performance Period to the number of full months contained in the Performance Period. Notwithstanding the foregoing, in the event the Participant's Service terminates by reason of death or Disability after the end of the Performance Period but prior to the Performance Share Vesting Date, the TSR Multiplier to be used in the equation set forth in the immediately preceding sentence shall be the TSR Multiplier applicable for the Performance Period as determined under Section 4.1. The Participant shall forfeit, without requiring any act of the Participant, his personal representative or the Company to effectuate such forfeiture, all rights to and interests in any Performance Shares subject to the Award that do not become Vested Performance Shares under this Section 5.3 and the Award shall be cancelled with respect to such unvested Performance Shares on the last day of the Participant's Service. Neither the Participant nor any person claiming through the Participant shall be entitled to any payment for such forfeited Performance Shares.

5.4 Termination of Service by Reason of Retirement. In the event the Participant's Service terminates by reason of Retirement prior to the Performance Share Vesting Date, then, except as otherwise provided in Section 8.1, on the Performance Share Vesting Date the number of Performance Shares that shall become Vested Performance Shares, rounded up to the nearest whole share, shall be determined by multiplying (a) that number of Performance Shares that would have become Vested Performance Shares under Section 4.1 had no such termination occurred by (b) a percentage equal to the ratio of the number of whole and partial months (rounded up to the nearest integer) of the Participant's Service during the Performance Period to the number of full months contained in the Performance Period.

5.5 Vesting Upon Qualifying Termination Following a Change In Control. In the event the Participant suffers a Qualifying Termination coincident with or within 24 months following the CIC Date of a Change in Control but before the Performance Share Vesting Date, vesting of the Participant's outstanding Award (or outstanding Substitute Award, as the case may be) shall be accelerated so that the greater of (a) 100% of the Target Number of Performance Shares specified on the Grant Notice or (b) the number of Performance Shares that otherwise would have become vested as of the Performance Share Vesting Date, based on the TSR Multiplier attained for the Performance Period, determined as if the Participant's last day of Service is the last day of the Performance Period, shall become Vested Performance Shares effective as of the last day of the Participant's Service; provided, however, that if the outstanding Substitute Award provides for valuation by reference to anything other than Performance Shares following the CIC Date then the Participant shall become 100% vested in such value as of the last day of the Participant's Service. In either such case, the Participant's Award or Substitute Award shall be settled as soon as practicable, generally within 30 days, after the Participant's last day of Service, except to the extent that settlement of such Award (or outstanding Substitute Award, as the case may be) must be made pursuant to its original schedule in order to comply with Section 409A of the Code. The Participant shall forfeit, without requiring any act of the Participant, his personal representative or the Company to effectuate such forfeiture, all rights to and interests in any Performance Shares subject to the Award or Substitute Award that do not become Vested Performance Shares under this Section 5.5. Neither the Participant nor any person claiming through the Participant shall be entitled to any payment for such forfeited Performance Shares.

5.6 Forfeiture of Unvested Performance Shares. Except as otherwise provided by this Section 5 or Section 8, on the Performance Share Vesting Date, the Participant shall forfeit, without requiring any act of the Participant or the Company to effectuate such forfeiture, all rights to and interests in any Performance Shares subject to the Award that have not become Vested Performance Shares and the Award shall be cancelled with respect to such unvested Performance Shares. The Participant shall not be entitled to any payment for such forfeited Performance Shares.

6. Settlement of the Award.

6.1 Issuance of Common Shares. Subject to the provisions of Section 6.3, Section 7.2 and Section 8.1 below, the Company shall issue to the Participant on the Settlement Date with respect to each Vested Performance Share one (1) Common Share. Common Shares issued in settlement of Performance Shares shall be subject to any restrictions as may be required pursuant to Section 6.3, Section 7 or the Insider Trading Policy.

6.2 Beneficial Ownership of Common Shares. Upon issuance of Common Shares in settlement of the Award, the Company will determine the form of delivery (e.g., a stock certificate or electronic entry evidencing such shares) and may deliver such shares on the Participant's behalf electronically to the Company's designated stock plan administrator or such other broker-dealer as the Company may choose at its sole discretion, within reason. Except as otherwise provided by this Section 6.2, the Common Shares as to which the Award is settled shall be registered in the name of the Participant, or, if applicable, in the names of the heirs or estate of the Participant.

6.3 Restrictions on Grant of the Award and Issuance of Common Shares The grant of the Award and issuance of Common Shares upon settlement of the Award shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. No Common Shares may be issued hereunder if the issuance of such shares would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Common Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance of any Common Shares subject to the Award shall relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority shall not have been obtained. As a condition to the

settlement of the Award, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

6.4 Fractional Shares. The Company shall not be required to issue fractional Common Shares upon the settlement of the Award. Any fractional share resulting from the determination of the number of Vested Performance Shares shall be rounded up to the nearest whole number.

7. Tax Matters.

7.1 In General. At the time the Grant Notice is executed, or at any time thereafter as requested by the Company, the Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant, and otherwise agrees to make adequate provision for, any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company, if any, which arise in connection with the Award or the issuance of Common Shares in settlement thereof. The Company shall have no obligation to process the settlement of the Award or to deliver Common Shares until the tax withholding obligations as described in this Section have been satisfied by the Participant.

7.2 Withholding in Common Shares. Subject to applicable law, the Company may, in its sole discretion, permit the Participant to satisfy any tax withholding obligations that arise in connection with the Award by directing that the Company reduce the number of shares of Common Shares otherwise issuable to the Participant in settlement of the Award by a number of whole Common Shares having a fair market value, as determined by the Company as of the date on which the tax withholding obligations arise, up to the amount of such tax withholding obligations determined by the applicable statutory withholding rates.

8. Change In Control.

8.1 Treatment of Award Upon a Change in Control. In the event of the consummation of a Change in Control before the Settlement Date, the outstanding Award shall be assumed or an equivalent award, as determined in the discretion of the Committee, shall be granted by the successor corporation to the Company or a parent or subsidiary of such successor corporation in substitution for the outstanding Award (each such assumed Award or equivalent award granted, a "**Substitute Award**") and, except as provided by Section 5, this Section 8, or the terms of the Substitute Award, the Substitute Award shall vest and become Vested Performance Shares as provided in the Grant Notice and Section 4.1.

(a) If neither such successor corporation, nor a parent or subsidiary of such successor corporation, agrees to assume the Award or to substitute an equivalent award, as determined in the discretion of the Committee, then vesting of the outstanding Award shall be accelerated so that the greater of (a) 100% of the Target Number of Performance Shares specified on the Grant Notice or (b) the number of Performance Shares that would have become vested as of the Performance Share Vesting Date, based on the TSR Multiplier attained for the Performance Period, determined as if the CIC Date is the last day of the Performance Period, shall become Vested Performance Shares effective as of the CIC Date, provided that the Participant's Service has not terminated prior to the CIC Date. Under these circumstances, the Settlement Date shall be the CIC Date or as soon as practicable thereafter.

(b) Notwithstanding the foregoing, if the Participant's Service terminates due to Retirement and a Change in Control is consummated before the Participant's Award is settled and no Substitute Award is assumed or granted, vesting of the Participant's outstanding Award shall be accelerated so that a number of Performance Shares shall become Vested Performance Shares effective as of the CIC Date determined, rounded up to the nearest whole share, by multiplying (a) that number of Performance Shares that would have become Vested Performance Shares under this Section 8.1 had no such Retirement occurred by (b) a percentage equal to the ratio of the number of whole and partial months (rounded up to the nearest integer) of the Participant's Service during the Performance Period to the number of full months contained in the Performance Period as reflected on the Grant Notice.

(c) Notwithstanding anything herein to the contrary, the Committee may, in its discretion, determine that upon a Change in Control, each Award outstanding immediately prior to the Change in Control shall be canceled in exchange for payment with respect to the number of Performance Shares that otherwise would become Vested Performance Shares by reason of this Section 8.1, in (a) cash, (b) stock of the Company or the acquiring entity or any parent company of the acquiring entity, or (c) other property. In any such case, the payment shall be in an amount having a Fair Market Value equal to the Fair Market Value of the consideration to be paid per share of Common Stock in the Change in Control for each such Vested Performance

Share (subject to any required tax withholding). Such payment shall be made within 30 days following the Change in Control.

(d) All of the foregoing provisions of this Section 8.1 may be revised or eliminated, in whole or in part, in the discretion of the Committee and without the consent of the Participant, to the extent that the Committee determines such action to be appropriate or desirable after obtaining in connection with a Change in Control transaction a shareholder advisory vote required by Section 951 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, or any successor provision, on golden parachute compensation arrangements, provided that this Agreement is a subject of that advisory vote.

8.2 Federal Excise Tax Under Section 4999 of the Code.

(a) **Excess Parachute Payment.** In the event that any acceleration of vesting of the Performance Shares and any other payment or benefit received or to be received by the Participant would subject the Participant to any excise tax pursuant to Section 4999 of the Code due to the characterization of such acceleration of vesting, payment or benefit as an "excess parachute payment" under Section 280G of the Code, the Participant may elect, in his or her sole discretion before the consummation of the Change in Control transaction, to reduce the amount of any acceleration of vesting called for by this Agreement in order to avoid such characterization.

(b) **Determination by Independent Accountants.** To aid the Participant in making any election called for under Section 8.2(a), no later than ten (10) days before the anticipated date of the occurrence of any event that might reasonably be anticipated to result in an "excess parachute payment" to the Participant as described in Section 8.2(a) (an "**Event**"), the Company shall request a determination in writing by independent public accountants selected by the Company (the "**Accountants**"). Unless the Company and the Participant otherwise agree in writing, the Accountants shall determine and report to the Company and the Participant within three (3) days before the date of the Event the amount of such acceleration of vesting, payments and benefits which would produce the greatest after-tax benefit to the Participant. For the purposes of such determination, the Accountants may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code and make reasonable assumptions and projections needed to make their required determination. The Company and the Participant shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make their required determination. The Company shall bear all fees and expenses the Accountants may reasonably charge in connection with their services contemplated by this Section 8.2(b).

9. Adjustments for Changes in Capital Structure.

Subject to any required action by the stockholders of the Company, in the event of any change in the Common Shares effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Common Shares (excepting normal cash dividends) that has a material effect on the Fair Market Value of the Common Shares, appropriate adjustments shall be made by the Committee in the number of Performance Shares and/or the number and kind of shares to be issued in settlement of the Award, in order to prevent dilution or enlargement of the Participant's rights under the Award. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." Any fractional share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number. Such adjustments shall be determined by the Committee, and its determination shall be final, binding and conclusive. The Committee shall have discretion to make appropriate adjustments, as determined by the Committee, to the Total Shareholder Return calculation for the Company or any Peer Company in the event that the common securities of the Company or such Peer Company are affected by a stock split, reverse stock split, stock dividend, or similar change in capitalization.

10. Rights as a Stockholder or Employee

The Participant shall have no rights as a stockholder with respect to any Common Shares which may be issued in settlement of this Award until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date

such shares are issued, except as provided in Section 9. Except as otherwise provided in a separate, written employment agreement between the Company or any Affiliate and the Participant, the Participant's employment is "at will" and is for no specified term. Nothing in the Grant Notice or this Agreement shall confer upon the Participant any right to continue in Service with the Company or any Affiliate or interfere in any way with any right of the Company or any Affiliate to terminate the Participant's Service with the Company or any Affiliate at any time.

11. **Compliance with Section 409A.**

11.1 General Rule of Interpretation. This Agreement and the Performance Shares granted hereunder are intended to fit within the "short-term deferral" exemption from Section 409A as set forth in Treas. Reg. § 1.409A-1(b)(4). In administering this Agreement, the Committee shall interpret this Agreement in a manner consistent with such exemption.

11.2 Required Delay in Payment to Specified Employee. Notwithstanding the foregoing, if it is determined that the Performance Shares fail to satisfy the requirements of the short-term deferral rule and otherwise result in Section 409A Deferred Compensation, and if the Participant is a "specified employee" (within the meaning set forth Section 409A(a)(2)(B)(i) of the Code) as of the date of the Participant's separation from service (within the meaning of Treas. Reg. § 1.409A-1(h)), then the issuance of any shares that would otherwise be made in connection with a "separation from service" (as determined for purposes of Section 409A) upon the date of the separation from service or within the first six (6) months thereafter will not be made on the originally scheduled date(s) and will instead be issued in a lump sum on the date that is six (6) months and one day after the date of the separation from service, but if and only if such delay in the issuance of the shares is necessary to avoid the imposition of additional taxation on the Participant in respect of the shares under Section 409A.

11.3 Other Delays in Payment. Neither the Participant nor the Company shall take any action to accelerate or delay the payment of any benefits under this Agreement in any manner which would not be in compliance with Code Section 409A. Notwithstanding the foregoing:

(a) If any payment is due to the Participant upon a Change in Control but such Change in Control does not constitute a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company as defined in Section 409A(a)(2)(A)(v), then such payment which constitutes Section 409A Deferred Compensation shall be deferred until another permissible payment event contained in Section 409A occurs (e.g., death, Disability, separation from service from the Company and its affiliated companies as defined for purposes of Section 409A).

(b) If any payment is due to the Participant upon the Participant's termination of Service but such termination of Service does not constitute a "separation from service" as defined in Section 409A(a)(2)(A)(i), then such payment which constitutes Section 409A Deferred Compensation shall be deferred until another permissible payment event contained in Section 409A occurs.

(c) If any payment is due to the Participant upon the Participant's becoming Disabled but such disability does not meet the requirements of a disability under Section 409A(a)(2)(C), then such payment which constitutes Section 409A Deferred Compensation shall be deferred until another permissible payment event contained in Section 409A occurs.

11.4 Amendments to Comply with Section 409A; Indemnification. Notwithstanding any other provision of this Agreement to the contrary, the Company is authorized to amend this Agreement, to void or amend any election made by the Participant under this Agreement and/or to delay the payment of any monies and/or provision of any benefits in such manner as may be determined by the Company, in its discretion, to be necessary or appropriate to comply with Section 409A without prior notice to or consent of the Participant. The Participant hereby releases and holds harmless the Company, its directors, officers and stockholders from any and all claims that may arise from or relate to any tax liability, penalties, interest, costs, fees or other liability incurred by the Participant in connection with the Award, including as a result of the application of Section 409A.

11.5 Advice of Independent Tax Advisor. The Company has not obtained a tax ruling or other confirmation from the Internal Revenue Service with regard to the application of Section 409A to the Award, and the Company does not represent or warrant that this Agreement will avoid adverse tax consequences to the Participant, including as a result of the application of Section 409A to the Award. The Participant hereby acknowledges that he or she has been advised to seek the advice of his or her own independent tax advisor prior to entering into this

Agreement and is not relying upon any representations of the Company or any of its agents as to the effect of or the advisability of entering into this Agreement.

12. **Miscellaneous Provisions.**

12.1 Termination or Amendment. The Committee may terminate or amend the Plan or this Agreement at any time; provided, however, that except as provided in Section 8 in connection with a Change in Control, no such termination or amendment may materially adversely affect the Participant's rights under this Agreement, as determined in good faith in the discretion of the Committee, without the consent of the Participant unless such termination or amendment is necessary to comply with applicable law or government regulation, including, but not limited to, Section 409A. No amendment or addition to this Agreement shall be effective unless in writing.

12.2 Nontransferability of the Award. Prior the issuance of Common Shares, neither this Award nor any Performance Shares subject to this Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, garnishment by creditors of the Participant or the Participant's beneficiary, or in any other manner made subject to a hedging transaction or puts and calls, except transfer by will or by the laws of descent and distribution. All rights with respect to the Award shall be exercisable during the Participant's lifetime only by the Participant or the Participant's guardian or legal representative.

12.3 Unfunded Obligation. The Participant shall have the status of a general unsecured creditor of the Company. Any amounts payable to the Participant pursuant to the Award shall be an unfunded and unsecured obligation for all purposes, including, without limitation, Title I of the Employee Retirement Income Security Act of 1974. The Company shall not be required to segregate any monies from its general funds, or to create any trusts, or establish any special accounts with respect to such obligations. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any Participant account shall not create or constitute a trust or fiduciary relationship between the Committee or the Company and the Participant, or otherwise create any vested or beneficial interest in the Participant or the Participant's creditors in any assets of the Company. The Participant shall have no claim against the Company for any changes in the value of any assets which may be invested or reinvested by the Company with respect to the Award.

12.4 Further Instruments. The Company and the Participant agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

12.5 Binding Effect. This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Participant and the Participant's heirs, executors, administrators, successors and assigns.

12.6 Delivery of Documents and Notices. Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by the Company or any Affiliate, or upon deposit in the U.S. Post Office, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed as applicable to the last known address of the Participant or the address of the principal executive office of the Company, in care of its General Counsel, or at such other address as such party may designate in writing from time to time to the other party.

(a) **Description of Electronic Delivery.** The Plan documents, which may include but do not necessarily include: the Plan, the Grant Notice, this Agreement, the Plan prospectus, and any reports of the Company provided generally to the Company's stockholders, may be delivered to the Participant electronically. In addition, the Participant may deliver electronically the Grant Notice to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

(b) **Consent to Electronic Delivery.** The Participant acknowledges that the Participant has read Section 12.6(a) of this Agreement and consents to the electronic delivery of the Plan documents and Grant Notice, as described in Section 12.6(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 12.6(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 12.6(a).

12.7 Recoupment. Notwithstanding anything to the contrary in this Agreement, the Performance Shares (including any income, capital gains, proceeds realized or other economic benefit actually or constructively received by you upon the receipt, vesting or settlement of the Performance Shares, and your sale or other disposition of the Common Shares received in settlement of the Performance Shares) shall be subject to recovery under any clawback, recovery or recoupment policy which the Company may adopt from time to time, including without limitation the Company's existing Recoupment Policy, as amended from time to time or any successor thereto, and any policy which the Company may be required to adopt under Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law, the rules and regulations of the U.S. Securities and Exchange Commission, or the requirements of any national securities exchange on which the Company's Common Shares may be listed. By accepting the Performance Shares, you expressly acknowledge and agree that the Performance Shares are subject to the terms of the foregoing policies, whether retroactively or prospectively adopted, and agree to cooperate fully with the Committee to facilitate the recovery of any Performance Shares or proceeds realized from your sale or other disposition of the Common Shares received in settlement of the Performance Shares that the Committee determines in its sole discretion is required or entitled to be recovered pursuant to the terms of such policies.

12.8 Retention. Notwithstanding anything to the contrary in this Agreement, you acknowledge and agree that the terms and conditions of the Company's existing Executive Stock Ownership and Retention Guideline, as amended from time to time or any successor thereto (the "**Ownership Guideline**"), are incorporated by reference into this Agreement and shall apply to your Performance Shares if you on the Grant Date are or subsequently become an employee who is subject to the Ownership Guideline.

12.9 Integrated Agreement. The Grant Notice, this Agreement, the Ownership Guideline, and the Plan shall constitute the entire understanding and agreement of the Participant and the Company with respect to the subject matter contained herein or therein and supersedes any prior agreements, understandings, restrictions, representations, or warranties between the Participant and the Company with respect to such subject matter other than those as set forth or provided for herein or therein. To the extent contemplated herein or therein, the provisions of the Grant Notice and the Agreement shall survive any settlement of the Award and shall remain in full force and effect.

12.10 Applicable Law. The validity, construction and effect of this Agreement, and of any determinations or decisions made by the Committee relating to this Agreement, and the rights of any and all persons having or claiming to have any interest under this Agreement, shall be determined exclusively in accordance with the laws of the State of Tennessee, without regard to its provisions concerning the applicability of laws of other jurisdictions. Any suit with respect hereto will be brought in the federal or state courts in the districts which include Greeneville, Tennessee, and you hereby agree and submit to the personal jurisdiction and venue thereof.

12.11 Counterparts. The Grant Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

{Glossary begins on next page}

GLOSSARY

(a) “**Affiliate**” means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with, Forward Air Corporation or any successor to Forward Air Corporation. For this purpose, “control” (including the correlative meanings of the terms “controlled by” and “under common control with”) shall mean ownership, directly or indirectly, of 50% or more of the total combined voting power of all classes of voting securities issued by such entity, or the possession, directly or indirectly, of the power to direct the management and policies of such entity, by contract or otherwise.

(b) “**Average Price**” means the average last reported sale price of the company’s common stock over the 30 consecutive trading days ending with and including the applicable day, determined based on the last reported sale price for the regular market session.

(c) “**Cause**” means (A) the Participant’s fraud, malfeasance, self-dealing, embezzlement or dishonesty with respect to business affairs of the Company or its successor whether or not the Company or its successor is materially harmed; (B) the Participant’s conviction of or failure to contest prosecution for a felony or a crime involving moral turpitude; (C) the Participant’s material breach of the employment agreement between the Company or its successor and the Participant; (D) failure of the Participant, after reasonable notice, to comply promptly with any valid and legal directive of the Board of Directors of the Company or its successor; or (E) a failure by the Participant to perform adequately his responsibilities under the employment agreement between the Company or its successor and the Participant as demonstrated by objective and verifiable evidence showing that the business operations under the Participant’s control have been materially harmed as a result of the Participant’s gross negligence or willful misconduct.

(d) “**Change in Control**” shall have the meaning ascribed thereto in the Plan.

(e) “**CIC Date**” means the date on which the relevant Change in Control shall have occurred.

(f) “**Committee**” means the Board of Directors of Forward Air Corporation or such committee or committees appointed by the Board to administer the Plan.

(g) “**Common Shares**” means shares of Common Stock issued in settlement of the Award.

(h) “**Company**” means Forward Air Corporation and its Affiliates, except where the context otherwise requires. For purposes of determining whether a Change in Control has occurred, Company shall mean only Forward Air Corporation.

(i) “**Disability**” means that the Participant is (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last until the Participant’s death or result in death, or (ii) determined to be totally disabled by the Social Security Administration or other governmental or quasi-governmental body that administers a comparable social insurance program outside of the United States in which the Participant participates and which conditions the right to receive benefits under such program on the Participant being unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last until the Participant’s death or result in death so long as such disability is within the meaning specified under Treas. Reg. § 1.409A-3(a)(4). The Administrator shall have sole authority to determine whether the Participant has suffered a Disability and may require such medical or other evidence as it deems necessary to judge the nature and permanency of the Participant’s condition.

(j) “**Insider Trading Policy**” means the written policy of the Company pertaining to the sale, transfer or other disposition of the Company’s equity securities by members of the Board, officers or other employees who may possess material, non-public information regarding the Company, as in effect at the time of a disposition of any Common Shares.

(k) “**Material Change In Duties**” shall be deemed to have occurred when, without the Participant’s consent, the Participant is assigned any duties inconsistent in any material respect with the Participant’s position (including status, offices, titles, and reporting requirements), authority, duties or responsibilities

as in effect on the CIC Date of the Change in Control, or any other action by the Company or its successor which results in a materially demonstrable diminution in such position, authority, duties or responsibilities. No Material Change in Duties shall be deemed to have occurred unless (i) the Participant notifies the Company or its successor in writing within 90 days after the assignment of materially inconsistent duties, and the Company or its successor fails to cure this material inconsistency within 30 days after receipt of the notice, and (ii) the termination of employment occurs no later than one year after the initial assignment of materially inconsistent duties.

(l) “**Qualifying Termination**” means the termination of Service of the Participant provided that such termination is either (a) initiated by the Company or a parent or subsidiary of the Company, or a successor to any such entity for a reason other than Disability, death, Retirement or for Cause, or (b) initiated by the Participant for a Material Change in Duties.

(m) “**Peer Company**” means each of C.H. Robinson Worldwide, Inc.; Expeditors International of Washington, Inc.; FedEx Corporation; Hub Group, Inc.; J.B. Hunt Transport Services, Inc.; Knight Transportation, Inc.; Landstar System, Inc.; Old Dominion Freight Line, Inc.; Roadrunner Transportation Systems, Inc.; United Parcel Service, Inc.; Werner Enterprises, Inc.; and, XPO Logistics, Inc.; and each Peer Company’s successor; so long as each Peer Company has a class of common securities listed for public trade on a national securities exchange or market from the beginning through the end of the Performance Period. The Peer Companies shall be changed as follows:

(A) In the event that, at any time during the Performance Period, a Peer Company is no longer included in the same Standard & Poor’s Global Industry Classification Standard (“GICS”) industry group as the Company, such company shall no longer be a Peer Company.

(B) In the event of a merger, acquisition or business combination transaction of a Peer Company with or by another Peer Company, the surviving entity shall remain a Peer Company, without adjustment to its financial or market structure, provided that the surviving entity is still in the same GICS industry group as the Company.

(C) In the event of a merger of a Peer Company with or by an entity that is not a Peer Company, or the acquisition or business combination transaction of a Peer Company with an entity that is not a Peer Company, in each case, where the Peer Company is the surviving entity, the surviving entity shall remain a Peer Company, without adjustment to its financial or market structure, provided that the surviving entity is still in the same GICS industry group as the Company.

(D) In the event of a merger or acquisition or business combination transaction of a Peer Company with or by an entity that is not a Peer Company, other form of “going private” transaction relating to any Peer Company or the liquidation of any Peer Company, where such Peer Company is not the surviving entity or is otherwise no longer publicly traded, the company shall no longer be a Peer Company.

(E) In the event of a bankruptcy of a Peer Company, such company shall remain a Peer Company, without adjustment to its financial or market condition.

(n) “**Performance Period**” means the period over which Total Shareholder Return is measured.

(o) “**Performance Share**” means a right to receive on the Settlement Date one (1) Common Share, subject to further restrictions as provided by this Agreement.

(p) “**Retirement**” means the Participant’s termination of Service with the Company and its Affiliates on or after attainment of age 65.

(q) “**Section 409A**” means Section 409A of the Code and any applicable regulations or administrative guidelines promulgated thereunder.

(r) “**Section 409A Deferred Compensation**” means compensation payable pursuant to the Award granted to a Participant subject to United States income taxation that constitutes nonqualified deferred compensation for purposes of Section 409A.

(s) “**Service**” means the Participant’s employment with the Company and its Affiliates. The Participant’s Service will be considered to have ceased with the Company and its Affiliates if, immediately after a sale, merger or other corporate transaction, the trade, business or entity with which the Participant is employed or otherwise has a service relationship is not Forward Air Corporation or an Affiliate of Forward Air Corporation.

(t) “**Settlement Date**” means the date so specified on the Grant Notice; provided, however, that in the event of termination of the Participant’s Service by reason of death or Disability, the term “Settlement Date” shall mean the sixtieth (60th) day after the day on which the Participant’s Service terminates.

(u) “**Substitute Award**” means, upon the occurrence of a Change in Control, the outstanding Award that is assumed or an equivalent award, as determined in the discretion of the Committee, that is granted in substitution for the outstanding Award by the successor corporation to the Company or a parent or subsidiary of such successor corporation. For the avoidance of doubt, a Substitute Award with respect to the Award outstanding as of immediately before the Change in Control may include, without limitation, an award that consists of a notional account that, as of the CIC Date, is credited with an amount equal to the product of (a) the Fair Market Value of the consideration to be paid per share of Common Stock in the Change in Control multiplied by (b) the greater of (i) 100% of the Target Number of Performance Shares specified on the Grant Notice or (ii) the number of Performance Shares that would have become vested as of the Performance Share Vesting Date, based on the TSR Multiplier attained for the Performance Period, determined as if the CIC Date is the last day of the Performance Period, and which notional account becomes vested and shall be paid to the Participant on the original Performance Share Vesting Date specified on the Grant Notice provided that the Participant’s Service with the Company or its successor, or a parent or subsidiary of such successor corporation, continues through such date, subject to earlier payment pursuant to Section 5.5 of this Agreement. The value of the notional account may, but need not, be credited with interest, earnings and losses or otherwise fluctuate by reference to stock of the Company or the acquiring entity or any parent company of the acquiring entity, and the notional account may be settled in cash, stock of the Company or the acquiring entity or any parent company of the acquiring entity, or other property.

(v) “**Total Shareholder Return**” means an issuer’s total appreciation realized in its common stock value over the Performance Period, inclusive of dividends and other distributions paid during the Performance Period, expressed as a percentage and determined by dividing (A) the sum of (I) the Average Price of the issuer’s shares at the end of the Performance Period minus the Average Price of the issuer’s shares at the beginning of the Performance Period plus (II) all dividends and other distributions paid on the issuer’s common shares during the Performance Period, by (B) the Average Price of the issuer’s shares at the beginning of the Performance Period, rounded to one decimal place (e.g., 3.3%). In calculating Total Shareholder Return, all dividends are assumed to have been reinvested in shares on the ex-dividend date.

(w) “**TSR Multiplier**” means a number determined as follows:

TSR Percentile Ranking	TSR Multiplier
90th percentile or higher	200%
70th percentile	150%
50th percentile	100%
25th percentile	50%
Below 25th percentile	0%

The TSR Multiplier for an achieved TSR Percentile Ranking falling between the percentages set forth in the table above shall be determined by straight-line interpolation.

(x) “**TSR Percentile Ranking**” means the Company’s percentile ranking relative to the Peer Companies, based on Total Shareholder Return, calculated as follows: $1 - [(Company\ Rank - 1) / (Total\ Number\ of\ Peer\ Companies + the\ Company - 1)]$, rounding to the nearest whole percentile. For example, if the Company is ranked third out of a group of 13 consisting of the 12 Peer Companies plus the Company, the TSR Percentile Ranking is calculated as $1 - [(3 - 1) / (12 + 1 - 1)]$ or $1 - (2/12)$ or $1 - 0.1667$ or the 83rd percentile. The Company’s rank is determined by ordering the Peer Companies and the Company from highest to lowest based on Total Shareholder Return for the Performance Period and counting down from the entity with the highest Total Shareholder Return (ranked first) to the Company’s position on the list. If two entities are ranked equally, the

ranking of the next entity shall account for the tie, so that if one entity is ranked first and two entities are tied for second, the next entity is ranked fourth.

{End of Agreement}

FORWARD AIR CORPORATION
NOTICE OF GRANT OF RESTRICTED SHARES

The Participant has been granted an award (the "**Award**") of _____ restricted shares (each, an "**Award Share**," and collectively, the "**Award Shares**") of the Common Stock of Forward Air Corporation, a Tennessee corporation (the "**Company**"), pursuant to the Forward Air Corporation 2016 Omnibus Incentive Compensation Plan (the "**Plan**") and the CEO Restricted Share Agreement attached hereto (the "**Agreement**"), as follows:

Participant:	<u>Bruce A. Campbell</u>	Employee ID:	
Grant Date:	_____	Grant No.:	
Number of Award Shares:	[_____] , subject to adjustment as provided by the Plan. All of the Award Shares are nonvested and forfeitable as of the Grant Date. So long as your Service with the Company is continuous from the Grant Date through the applicable date upon which vesting is scheduled to occur, one-third (1/3 rd) of the Award Shares will vest and become nonforfeitable on each of the following dates: _____, 20__; _____, 20__; _____, 20__.		
Vesting Schedule:	The Award Agreement provides additional details regarding vesting of the Award Shares. The Award shall be subject to the terms and conditions of such policy on the recoupment of incentive compensation as shall be adopted by the Company to implement the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.		
Recoupment Policy:			

By their signatures below, the Company and the Participant agree that the Award is governed by this Notice of Grant of Restricted Shares and by the provisions of the Plan and the Agreement, both of which are made a part of this document. The Participant acknowledges receipt of a copy of the Plan, the Agreement and the prospectus for the Plan, represents that the Participant has read and is familiar with the provisions of the Plan and the Agreement, and hereby accepts the Award subject to all of its terms and conditions.

FORWARD AIR CORPORATION

PARTICIPANT

By: _____

Signature

Its: _____

Date

ATTACHMENT: CEO Restricted Share Agreement

**FORWARD AIR CORPORATION
CEO RESTRICTED SHARE AGREEMENT**

Forward Air Corporation, a Tennessee corporation (the “**Company**”), has granted to the Participant named in the *Notice of Grant of Restricted Shares* (the “**Grant Notice**”) to which this Employee Restricted Share Agreement (the “**Agreement**”) is attached an Award consisting of Award Shares subject to the terms and conditions set forth in the Grant Notice and this Agreement. The Award has been granted pursuant to the Forward Air Corporation 2016 Omnibus Incentive Compensation Plan (the “**Plan**”), as amended to the Grant Date, the provisions of which are incorporated herein by reference.

1. Terminology. Unless otherwise defined herein, including within the Glossary at the end of this Agreement, capitalized terms shall have the meanings assigned to such terms in the Grant Notice or the Plan.

2. Vesting.

(a) All of the Award Shares are nonvested and forfeitable as of the Grant Date.

(b) So long as your Service with the Company is continuous from the Grant Date through the applicable date upon which vesting is scheduled to occur, the Award Shares will vest and become nonforfeitable on the dates set forth on the Grant Notice.

(c) If you die while in the Service of the Company or your Service terminates by reason of Disability, all of the Award Shares will become vested and nonforfeitable as of your death or such termination of employment.

(d) Unless otherwise determined by the Administrator or as specified herein, none of the Award Shares will become vested and nonforfeitable after your Service with the Company ceases.

(e) If a Change in Control occurs, the vesting and forfeitability of the Award Shares shall not be altered or accelerated solely as a result of such occurrence unless otherwise determined by the Administrator in its discretion, and the Award Shares shall be assumed or an equivalent award shall be substituted by the successor corporation to the Company or a parent or subsidiary of such successor corporation (each such assumed or equivalent award, a “**Substitute Award**”). In the event that you suffer a Qualifying Termination coincident with or within 24 months following the occurrence of a Change in Control, the Award Shares or Substitute Award, to the extent not previously vested nor earlier forfeited, shall become fully vested and nonforfeitable as of the date of such Qualifying Termination. If a Substitute Award is not issued or the Award Shares assumed in connection with the Change in Control, as determined in the discretion of the Administrator, then the Administrator shall provide for full vesting and lapse of restrictions on the Award Shares immediately before the effective time of the Change in Control.

3. Termination of Employment or Service.

(a) Unless otherwise determined by the Administrator or as specified herein, if your Service with the Company ceases for any reason other than death or Disability, all Award Shares that are not then vested and nonforfeitable will be immediately forfeited by you and transferred to the Company upon such cessation for no consideration.

(b) You acknowledge and agree that upon the forfeiture of any unvested Award Shares in accordance with Section 3(a), (i) your right to vote and to receive cash dividends on, and all other rights, title or interest in, to or with respect to, the forfeited Award Shares shall automatically, without further act, terminate and (ii) the forfeited Award Shares shall be returned to the Company. You hereby irrevocably appoint (which appointment is coupled with an interest) the Company as your agent and attorney-in-fact to take any necessary or appropriate action to cause the forfeited Award Shares to be returned to the Company, including without limitation executing and delivering stock powers and instruments of transfer, making endorsements and/or making, initiating or issuing instructions or entitlement orders, all in your name and on your behalf. You hereby ratify and approve all acts done by the Company as such attorney-in-fact. Without limiting the foregoing, you expressly acknowledge and agree that

any transfer agent for the Common Stock of the Company is fully authorized and protected in relying on, and shall incur no liability in acting on, any documents, instruments, endorsements, instructions, orders or communications from the Company in connection with the forfeited Award Shares or the transfer thereof, and that any such transfer agent is a third party beneficiary of this Agreement.

4. Restrictions on Transfer.

(a) Until an Award Share becomes vested and nonforfeitable, it may not be sold, assigned, transferred, pledged, hypothecated or disposed of in any way (whether by operation of law or otherwise), except by will or the laws of descent and distribution, and shall not be subject to execution, attachment or similar process.

(b) Any attempt to dispose of any such Award Shares in contravention of the restrictions set forth in [Section 4\(a\)](#) of this Agreement shall be null and void and without effect. The Company shall not be required to (i) transfer on its books any Award Shares that have been sold or transferred in contravention of this Agreement or (ii) treat as the owner of Award Shares, or otherwise accord voting, dividend or liquidation rights to, any transferee to whom Award Shares have been transferred in contravention of this Agreement.

5. Stock Certificates. You are reflected as the owner of record of the Award Shares as of the Grant Date on the Company's books. The Company or an escrow agent appointed by the Administrator will hold in escrow the share certificates for safekeeping, or the Company may otherwise retain the Award Shares in uncertificated book entry form, until the Award Shares become vested and nonforfeitable. Until the Award Shares become vested and nonforfeitable, any share certificates representing such shares will include a legend to the effect that you may not sell, assign, transfer, pledge, or hypothecate the Award Shares. All regular cash dividends on the Award Shares held by the Company will be paid directly to you on the dividend payment date. As soon as practicable after vesting of an Award Share, the Company will continue to retain the Award Share in uncertificated book entry form but remove the restrictions on transfer on its books with respect to that Award Share. Alternatively, upon your request, the Company will deliver a share certificate to you or deliver a share electronically or in certificate form to your designated broker on your behalf, for the vested Award Share.

6. Tax Election and Tax Withholding.

(a) You hereby agree to make adequate provision for foreign, federal, state and local taxes required by law to be withheld, if any, which arise in connection with the grant or vesting of the Award Shares. The Company shall have the right to deduct from any compensation or any other payment of any kind due you (including withholding the issuance or delivery of shares of Common Stock or redeeming Award Shares) the amount of any federal, state, local or foreign taxes required by law to be withheld as a result of the grant or vesting of the Award Shares in whole or in part. In lieu of such deduction, the Company may require you to make a cash payment to the Company equal to the amount required to be withheld. If you do not make such payment when requested, the Company may refuse to issue any Common Stock certificate under this Agreement until arrangements satisfactory to the Administrator for such payment have been made.

(b) You hereby acknowledge that you have been advised by the Company to seek independent tax advice from your own advisors regarding the availability and advisability of making an election under Section 83(b) of the Internal Revenue Code of 1986, as amended, and that any such election, if made, must be made within 30 days of the Grant Date. You expressly acknowledge that you are solely responsible for filing any such Section 83(b) election with the appropriate governmental authorities, irrespective of the fact that such election is also delivered to the Company. You may not rely on the Company or any of its officers, directors or employees for tax or legal advice regarding this award. You acknowledge that you have sought tax and legal advice from your own advisors regarding this award or have voluntarily and knowingly foregone such consultation.

7. Adjustments for Corporate Transactions and Other Events.

(a) Stock Dividend, Stock Split and Reverse Stock Split Upon a stock dividend of, or stock split or reverse stock split affecting, the Common Stock, the number of Award Shares and the number of such Award Shares that are nonvested and forfeitable shall, without further action of the Administrator, be adjusted to reflect such event. Fractional shares that result from such adjustments shall be eliminated. Adjustments under this [Section 7](#) will be made by the Administrator, whose determination as to what adjustments, if any, will be made and the extent thereof will be final, binding and conclusive.

(b) Binding Nature of Agreement. The terms and conditions of this Agreement shall apply with equal force to any additional and/or substitute securities received by you in exchange for, or by virtue of your ownership of, the Award Shares, to the same extent as the Award Shares with respect to which such additional and/or substitute securities are distributed, whether as a result of any spin-off, stock split-up, stock dividend, stock distribution, other reclassification of the Common Stock of the Company, or similar event. If the Award Shares are converted into or exchanged for, or stockholders of the Company receive by reason of any distribution in total or partial liquidation or pursuant to any merger of the Company or acquisition of its assets, securities of another entity, or other property (including cash), then the rights of the Company under this Agreement shall inure to the benefit of the Company's successor, and this Agreement shall apply to the securities or other property received upon such conversion, exchange or distribution in the same manner and to the same extent as the Award Shares.

8. Federal Excise Tax Under Section 4999 of the Code.

(a) Excess Parachute Payment. In the event that any acceleration of vesting of the Award Shares and any other payment or benefit received or to be received by you would subject you to any excise tax pursuant to Section 4999 of the Code due to the characterization of such acceleration of vesting, payment or benefit as an "excess parachute payment" under Section 280G of the Code, you may elect, in your sole discretion before the consummation of the Change in Control transaction, to reduce the amount of any acceleration of vesting called for by this Agreement in order to avoid such characterization.

(b) Determination by Independent Accountants. To aid you in making any election called for under Section 8(a), no later than ten (10) days before the anticipated date of the occurrence of any event that might reasonably be anticipated to result in an "excess parachute payment" to you as described in Section 8(a) (an "**Event**"), the Company shall request a determination in writing by independent public accountants selected by the Company (the "**Accountants**"). Unless the Company and you otherwise agree in writing, the Accountants shall determine and report to the Company and you within three (3) days before the date of the Event the amount of such acceleration of vesting, payments and benefits which would produce the greatest after-tax benefit to you. For the purposes of such determination, the Accountants may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code and make reasonable assumptions and projections needed to make their required determination. The Company and you shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make their required determination. The Company shall bear all fees and expenses the Accountants may reasonably charge in connection with their services contemplated by this Section 8(b).

9. Recoupment. Notwithstanding anything to the contrary in this Agreement, the Award Shares (including any income, capital gains, proceeds realized or other economic benefit actually or constructively received by you upon the receipt or vesting of the Award Shares, and your sale or other disposition of the Award Shares) shall be subject to recovery under any clawback, recovery or recoupment policy which the Company may adopt from time to time, including without limitation the Company's existing Recoupment Policy, as amended from time to time or any successor thereto, and any policy which the Company may be required to adopt under Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law, the rules and regulations of the U.S. Securities and Exchange Commission, or the requirements of any national securities exchange on which the Company's Common Stock may be listed. By accepting the Award Shares, you expressly acknowledge and agree that the Award Shares are subject to the terms of the foregoing policies, whether retroactively or prospectively adopted, and agree to cooperate fully with the Administrator to facilitate the recovery of any Award Shares or proceeds realized from your sale or other disposition of the Award Shares that the Administrator determines in its sole discretion is required or entitled to be recovered pursuant to the terms of such policies.

9. Retention. Notwithstanding anything to the contrary in this Agreement, you acknowledge and agree that the terms and conditions of the Company's existing Executive Stock Ownership and Retention Guideline, as amended from time to time or any successor thereto (the "**Ownership Guideline**"), are incorporated by reference into this Agreement and shall apply to your Award Shares if you on the Grant Date are or subsequently become an employee who is subject to the Ownership Guideline.

10. Non-Guarantee of Employment or Service Relationship. Nothing in the Plan or this Agreement shall alter your at-will or other employment status or other service relationship with the Company, nor be construed as a contract of employment or service relationship between the Company and you, or as a contractual right of you to continue in the employ of, or in a service relationship with, the Company for any period of time, or as a limitation

of the right of the Company to discharge you at any time with or without cause or notice and whether or not such discharge results in the forfeiture of any Award Shares or any other adverse effect on your interests under the Plan.

11. Rights as Stockholder. Except as otherwise provided in this Agreement with respect to the nonvested and forfeitable Award Shares, you will possess all incidents of ownership of the Award Shares, including the right to vote the Award Shares and receive dividends and/or other distributions declared on the Award Shares.

12. The Company's Rights. The existence of the Award Shares shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or other stocks with preference ahead of or convertible into, or otherwise affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of the Company's assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

13. Notices. All notices and other communications made or given pursuant to this Agreement shall be in writing and shall be sufficiently made or given if hand delivered or mailed by certified mail, addressed to you at the address contained in the records of the Company, or addressed to the Administrator, care of the Company for the attention of its Corporate Secretary at its principal executive office or, if the receiving party consents in advance, transmitted and received via telecopy or via such other electronic transmission mechanism as may be available to the parties.

14. Electronic Delivery of Documents.

(a) Delivery of Documents and Notices. Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery, electronic delivery at the e-mail address, if any, provided for you by the Company or any Affiliate, or upon deposit in the U.S. Post Office, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed as applicable to your last known address or the address of the principal executive office of the Company, in care of its General Counsel, or at such other address as such party may designate in writing from time to time to the other party.

(b) Description of Electronic Delivery. The Plan documents, which may include but do not necessarily include: the Plan, the Grant Notice, this Agreement, the Plan prospectus, and any reports of the Company provided generally to the Company's shareholders, may be delivered to you electronically. In addition, you may deliver electronically the Grant Notice to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

(c) Consent to Electronic Delivery. You acknowledge that you have read Section 14(b) of this Agreement and consent to the electronic delivery of the Plan documents and Grant Notice, as described in Section 14(b). You acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost to you by contacting the Company by telephone or in writing. Requests should be made to the Secretary of the Company at 1915 Snapps Ferry Road, Bldg. N, Greeneville, TN 37745 (Telephone: (423) 636 7000). You may revoke your consent to the electronic delivery of documents described in Section 14(b) or may change the electronic mail address to which such documents are to be delivered (if you have provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, you understand that you are not required to consent to electronic delivery of documents described in Section 14(b).

15. Entire Agreement. This Agreement, inclusive of the Grant Notice and the Plan, contains the entire agreement between the parties with respect to the Award Shares granted hereunder. Any oral or written agreements, representations, warranties, written inducements, or other communications made prior to the execution of this Agreement with respect to the Award Shares granted hereunder shall be void and ineffective for all purposes.

16. Amendment. This Agreement may be amended from time to time by the Administrator in its discretion; provided, however, that this Agreement may not be modified in a manner that would have a materially adverse effect on the Award Shares as determined in the discretion of the Administrator, except as provided in the Plan or in a written document signed by each of the parties hereto.

17. Conformity with Plan. This Agreement is intended to conform in all respects with, and is subject to all applicable provisions of, the Plan. Conflicts between this Agreement and the Plan shall be resolved in accordance with the terms of the Plan. In the event of any ambiguity in this Agreement or any matters as to which this Agreement is silent, the Plan shall govern. A copy of the Plan is available upon request to the Administrator.

18. Governing Law. The validity, construction and effect of this Agreement, and of any determinations or decisions made by the Administrator relating to this Agreement, and the rights of any and all persons having or claiming to have any interest under this Agreement, shall be determined exclusively in accordance with the laws of the State of Tennessee, without regard to its provisions concerning the applicability of laws of other jurisdictions. Any suit with respect hereto will be brought in the federal or state courts in the districts which include Greeneville, Tennessee, and you hereby agree and submit to the personal jurisdiction and venue thereof.

19. Headings. The headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

20. Counterparts. The Grant Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

{Glossary begins on next page}

GLOSSARY

(a) “**Administrator**” means the Compensation Committee of the Board of Directors of Forward Air Corporation, or such other committee(s) or officer(s) duly appointed by such Board or the Compensation Committee to administer the Plan or delegated limited authority to perform administrative actions under the Plan, and having such powers as shall be specified by such Board or the Compensation Committee; provided, however, that at any time the Board of Directors of Forward Air Corporation may serve as the Administrator in lieu of or in addition to the Compensation Committee or such other committee(s) or officer(s) to whom administrative authority has been delegated.

(b) “**Affiliate**” means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with, Forward Air Corporation or any successor to Forward Air Corporation. For this purpose, “control” (including the correlative meanings of the terms “controlled by” and “under common control with”) shall mean ownership, directly or indirectly, of 50% or more of the total combined voting power of all classes of voting securities issued by such entity, or the possession, directly or indirectly, of the power to direct the management and policies of such entity, by contract or otherwise.

(c) “**Cause**” means (A) your fraud, malfeasance, self-dealing, embezzlement or dishonesty with respect to business affairs of the Company or its successor whether or not the Company or its successor is materially harmed; (B) your conviction of or failure to contest prosecution for a felony or a crime involving moral turpitude; (C) your material breach of the employment agreement between the Company or its successor and you; (D) your failure, after reasonable notice, to comply promptly with any valid and legal directive of the Board of Directors of the Company or its successor; or (E) your failure to perform adequately your responsibilities under the employment agreement between the Company or its successor and you as demonstrated by objective and verifiable evidence showing that the business operations under your control have been materially harmed as a result of your gross negligence or willful misconduct.

(d) “**Change in Control**” shall have the meaning ascribed thereto in the Plan.

(e) “**Company**” means Forward Air Corporation and its Affiliates, except where the context otherwise requires. For purposes of determining whether a Change in Control has occurred, Company shall mean only Forward Air Corporation.

(f) “**Disability**” means that you are (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last until your death or result in death, or (ii) determined to be totally disabled by the Social Security Administration or other governmental or quasi-governmental body that administers a comparable social insurance program outside of the United States in which you participate and which conditions the right to receive benefits under such program on your being unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last until your death or result in death. The Administrator shall have sole authority to determine whether you have suffered a Disability and may require such medical or other evidence as it deems necessary to judge the nature and permanency of your condition.

(g) “**Material Change In Duties**” shall be deemed to have occurred when, without your consent, you are assigned any duties inconsistent in any material respect with your position (including status, offices, titles, and reporting requirements), authority, duties or responsibilities as in effect on the CIC Date of the Change in Control, or any other action by the Company or its successor which results in a materially demonstrable diminution in such position, authority, duties or responsibilities. No Material Change in Duties shall be deemed to have occurred unless (i) you notify the Company or its successor in writing within 90 days after the assignment of materially inconsistent duties, and the Company or its successor fails to cure this material inconsistency within 30 days after receipt of the notice, and (ii) your termination of employment occurs no later than one year after the initial assignment of materially inconsistent duties.

(h) “**Qualifying Termination**” means your termination of Service with the Company or its successor provided that the termination is either (a) initiated by the Company or a parent or subsidiary of the Company, or a successor to any such entity for a reason other than Disability, death, Retirement or for Cause, or (b) initiated by you for a Material Change in Duties.

(i) “**Retirement**” means your termination of Service with the Company and its Affiliates on or after attainment of age 65.

(j) “**Service**” means your employment with the Company and its Affiliates. Your Service will be considered to have ceased with the Company and its Affiliates if, immediately after a sale, merger or other corporate transaction, the trade, business or entity with which you are employed or otherwise have a service relationship is not Forward Air Corporation or an Affiliate of Forward Air Corporation.

(k) “**You**”; “**Your**”. You means the recipient of the Award Shares as reflected in the Grant Notice. Whenever the word “you” or “your” is used in any provision of this Agreement under circumstances where the provision should logically be construed, as determined by the Administrator, to apply to the estate, personal representative, or beneficiary to whom the Award Shares may be transferred by will or by the laws of descent and distribution, the words “you” and “your” shall be deemed to include such person.

{*End of Agreement*}

IMPORTANT TAX INFORMATION

INSTRUCTIONS REGARDING SECTION 83(b) ELECTIONS

1. **The 83(b) Election is Irrevocable.** The 83(b) Election is a voluntary election that is available to you. It is your decision whether to file an 83(b) Election.
 2. **If you choose to make an 83(b) Election, the 83(b) Election Form must be filed with the Internal Revenue Service within 30 days of the Grant Date; no exceptions to this rule are made.**
 3. **If you choose to make an 83(b) Election, you must provide a copy of the 83(b) Election Form to the Corporate Secretary or other designated officer of the Company. This copy should be provided to the Company at the same time that you file your 83(b) Election Form with the Internal Revenue Service.**
 4. **In addition to making the filing under Item 2 above, you must attach a copy of your 83(b) Election Form to your tax return for the taxable year that includes the Grant Date.**
 5. **If you make an 83(b) Election and later forfeit the Award Shares, you will not be entitled to a refund of the taxes paid with respect to the gross income you recognized under the 83(b) Election.**
 6. **You must consult your personal tax advisor before making an 83(b) Election. The attached election forms are intended as samples only, they must be tailored to your circumstances and may not be relied upon without consultation with a personal tax advisor.**
-

SECTION 83(b) ELECTION FORM***Election Pursuant to Section 83(b) of the Internal Revenue Code to Include Property in Gross Income in Year of Transfer***

The undersigned hereby makes an election pursuant to Section 83(b) of the Internal Revenue Code with respect to the property described below and supplies the following information in accordance with the regulations promulgated thereunder:

1. The name, address, and taxpayer identification number of the undersigned are:

 ____-____-____

2. The property with respect to which the election is made is _____ shares of Common Stock, par value \$.01 per share, of Forward Air Corporation, a Tennessee corporation (the "Company").

3. The date on which the property was transferred was _____, 20____, the date on which the taxpayer received the property pursuant to a grant of restricted stock.

4. The taxable year to which this election relates is calendar year 20____.

5. The property is subject to restrictions in that the property is not transferable and is subject to a substantial risk of forfeiture until the taxpayer vests in the property. The taxpayer will vest in one-third of the shares of Common Stock on _____ of each of calendar years 20____, 20____ and 20____, provided the taxpayer is in the employ of the Company on such dates. Vesting also may accelerate upon the occurrence of certain events.

6. The fair market value at the time of transfer (determined without regard to any restrictions other than restrictions which by their terms will never lapse) of the property with respect to which this election is being made is \$_____ per share; with a cumulative fair market value of \$_____. The taxpayer did not pay any amount for the property transferred.

7. A copy of this statement was furnished to Forward Air Corporation, for whom the taxpayer rendered the services underlying the transfer of such property.

8. This election is made to the same effect, and with the same limitations, for purposes of any applicable state statute corresponding to Section 83(b) of the Internal Revenue Code.

The undersigned understands that the foregoing election may not be revoked except with the consent of the Commissioner of Internal Revenue.

Signed: _____

Date: _____

Letter for filing §83(b) Election Form

[Date]

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Internal Revenue Service Center

(the Service Center to which individual income tax return is filed)

Re: 83(b) Election of [Name]
Social Security Number: _____

Dear Sir/Madam:

Enclosed is an election under §83(b) of the Internal Revenue Code of 1986, as amended, with respect to certain shares of stock of Forward Air Corporation, a Tennessee corporation, that were transferred to me on _____, 20__.

Please file this election.

Sincerely,

[Name]

cc: Corporate Secretary of Forward Air Corporation

FORWARD AIR CORPORATION

NOTICE OF GRANT OF NONQUALIFIED STOCK OPTIONS

The Participant has been granted an award (the "**Award**") of nonqualified stock options (each, an "**Option**," and collectively, the "**Options**") to purchase all or any part of the number of common shares (the "**Shares**") set forth below of Forward Air Corporation, a Tennessee corporation (the "**Company**"), pursuant to the Forward Air Corporation 2016 Omnibus Incentive Compensation Plan (the "**Plan**") and the Employee Nonqualified Stock Option Agreement attached hereto (the "**Agreement**"). Each Option, once vested and exercisable, enables the purchase of one Share from the Company at the option price specified below, subject to the provisions of the Agreement.

Participant: _____ **Employee ID:** _____
Grant Date: _____ **Grant No.:** _____
Number of Options: [_____], subject to adjustment as provided by the Plan.
Option Price: \$ _____ per Share

Vesting Schedule Note to draft: Vesting schedule to be revised as appropriate.: None of the Options are vested nor exercisable as of the Grant Date, and they are forfeitable until vested. So long as the Participant's Service with the Company is continuous from the Grant Date through the applicable date upon which vesting is scheduled to occur, one-third (1/3rd) of the Options will become vested and exercisable on each of the following dates:

Vesting Date	Cumulative Percentage of the Options That May Be Exercised
_____, 20__	33-1/3%
_____, 20__	66-2/3%
_____, 20__	100%

Expiration Date: The Award Agreement provides additional details regarding vesting of the Options.
The Options, if not sooner exercised, forfeited or otherwise terminated, expire on _____, 20__.
The Award shall be subject to the terms and conditions of such policy on the recoupment of incentive compensation as shall be adopted by the Company to implement the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Recoupment Policy:

By their signatures below, the Company and the Participant agree that the Award is governed by this Notice of Grant of Nonqualified Stock Options and by the provisions of the Plan and the Agreement, both of which are made a part of this document. The Participant acknowledges receipt of a copy of the Plan, the Agreement and the prospectus for the Plan, represents that the Participant has read and is familiar with the provisions of the Plan and the Agreement, and hereby accepts the Award subject to all of its terms and conditions. In order for the grant of the Options to be effective, the Participant must indicate his or her acceptance of the Options by signing and delivering this Notice of Grant of Nonqualified Stock Options to Administrator of the Forward Air Corporation 2016 Omnibus Incentive Compensation Plan, c/o Staff Accountant, Accounting Department, 1915 Snapps Ferry Road, Bldg. N, Greeneville, Tennessee 37745 by no later than _____, 20__.

FORWARD AIR CORPORATION PARTICIPANT

By: _____ Signature

Its: _____ Date

ATTACHMENT: Employee Nonqualified Stock Option Agreement

**FORWARD AIR CORPORATION
EMPLOYEE NONQUALIFIED STOCK OPTION AGREEMENT**

Forward Air Corporation, a Tennessee corporation (the "**Company**"), has granted to the Participant named in the *Notice of Grant of Nonqualified Stock Options* (the "**Grant Notice**") to which this Employee Nonqualified Stock Option Agreement (the "**Agreement**") is attached an Award consisting of stock options (the "**Options**") subject to the terms and conditions set forth in the Grant Notice and this Agreement. The Award has been granted pursuant to the Forward Air Corporation 2016 Omnibus Incentive Compensation Plan (the "**Plan**"), as amended to the Grant Date, the provisions of which are incorporated herein by reference.

1. Terminology. Unless otherwise defined herein, including within the Glossary at the end of this Agreement, capitalized terms shall have the meanings assigned to such terms in the Grant Notice or the Plan.

2. Tax Status of Options. The Options are nonqualified stock options that are not intended to qualify as incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "**Code**"), and this Agreement shall be so construed. The Company does not warrant any particular tax consequences of the Options. Upon exercise of the Options, you will recognize compensation income in an amount equal to the excess of the then Fair Market Value of the Shares over the Option Price of the Shares and must comply with the provisions of Section 6(f) of this Agreement with respect to any tax withholding obligations that arise as a result of such exercise.

3. Option Price. The purchase price per Share shall be the "Option Price" as set forth on the Grant Notice, representing one hundred percent (100%) of the Fair Market Value of a Share as determined pursuant to the Plan as of the Grant Date set forth on the Grant Notice.

4. Term of Option. The term of the Options shall commence on the Grant Date and all rights to purchase Shares hereunder shall cease at 5:00 p.m. U.S. Eastern Time on the Expiration Date set forth on the Grant Notice, subject to earlier termination as provided in the Plan and this Agreement.

5. Vesting.

(a) Vested Status upon Grant Date. All of the Options are nonvested and forfeitable as of the Grant Date. For clarity, as used in this Agreement, the term "vest" means that the Options become exercisable for the purchase of Shares. The fact that an Option has become vested does not mean or otherwise indicate that you have an unconditional or nonforfeitable right to such Option. A vested Option remains subject to the terms, conditions and forfeiture provisions provided for in the Plan and in this Agreement.

(b) Vesting Schedule. So long as your Service is continuous from the Grant Date through the applicable date upon which vesting is scheduled to occur and the performance condition(s) (if any) set forth on the Grant Notice are satisfied, as further detailed on the Grant Notice, the Options will vest and become exercisable on the vesting dates as set forth in the correlating Grant Notice.

(c) Vesting upon Death or Disability. All of the Options that have not already vested or been previously forfeited will vest and become exercisable upon your death or termination of Service due to your Disability.

(d) Double-trigger Vesting. If a Change in Control occurs, the vesting and exercisability of the Options shall not be altered or accelerated solely as a result of such occurrence unless otherwise determined by the Administrator in its discretion, and the Options may be assumed or an equivalent award substituted by the successor corporation to the Company or a parent or subsidiary of such successor corporation (each such assumed or equivalent substituted award, a "**Substitute Award**"). If a Substitute Award is not issued nor the Options assumed in connection with the Change in Control, as determined in the discretion of the Administrator, then the Administrator shall provide for full vesting and exercisability of the outstanding Options immediately before the effective time of the Change in Control. In the event that you suffer an Involuntary Termination coincident with or within 24 months following the occurrence of a Change in Control, the outstanding Options or Substitute Award, to the extent not previously vested nor earlier forfeited or terminated, shall become fully vested and exercisable as of the date of such Involuntary Termination.

6. Exercise of Options.

(a) Exercisability. None of the Options are exercisable as of the Grant Date. The Options will become exercisable as and when they vest as set forth in Section 5 above.

(b) Option Exercise Rights.

(i) You may exercise the Options, to the extent they have become exercisable, on any business day on or before the Expiration Date or the earlier termination of the Options, unless otherwise provided under applicable law. For this purpose, a business day is any day, other than a weekend or U.S. federal holiday, on which Forward Air Corporation's principal executive offices (currently in Greeneville, Tennessee) are open for business. You are not required to exercise your Options when they vest. Vested Options will accumulate and be exercisable by you, in whole or in part, at any time before the Options expire or are otherwise forfeited or terminated.

(ii) Notwithstanding the foregoing, if at any time the Administrator determines that the delivery of Shares under the Plan or this Agreement is or may be unlawful under the laws of any applicable jurisdiction, or federal, state or foreign (non-United States) securities laws, your right to exercise the Options or receive Shares pursuant to the Options will be suspended until the Administrator determines that such delivery is lawful. Likewise, if at any time the Administrator determines that the delivery of Common Stock under the Plan or this Agreement is or may violate the rules of the national securities exchange on which the Shares are then listed for trade, your right to exercise the Options or receive Shares pursuant to the Options will be suspended until the Administrator determines that such exercise or delivery would not violate such rules. Any suspension of your right to exercise the Options under this paragraph will not extend the Expiration Date of the Options and your Options could expire unexercisable during such a suspension.

(iii) Section 7 and Section 8 below describe certain limitations on exercise of the Options that apply in the event of your death, Disability, or termination of Service which limitations could terminate your right to exercise the Options earlier than the Expiration Date.

(iv) You may exercise the Options only in multiples of whole shares. No fractional Shares will be issued under the Options.

(c) Exercise Procedure. In order to initiate an exercise of your Options, you must deliver the following items to the Secretary of the Company or his or her delegate:

(i) an exercise notice, in such manner and form (including, without limitation, electronic on-line format) as the Administrator may require from time to time, that specifies the number of Shares you then desire to purchase under the Options and your method of payment of the aggregate Option Price; and

(ii) full payment of the aggregate Option Price for the Shares specified in the exercise notice or properly executed, irrevocable instructions, in such manner and form as the Administrator may require from time to time, to effectuate a broker-assisted cashless exercise, each in accordance with Section 6(e) of this Agreement.

(d) Date Exercise becomes Effective.

(i) Your exercise will become effective (the "**Exercise Date**") as follows, provided that such exercise otherwise is permitted under and complies with all applicable laws:

(A) on the date on which both the exercise notice and payment of the aggregate Option Price is received by the Secretary of the Company or his or her delegate, if such items are received by 5:00 p.m. U.S. Eastern Time on a business day;

(B) on the first business day after the date on which both the exercise notice and payment of the aggregate Option Price is received by the Secretary of the Company or his or her

delegate, if such items are received after 5:00 p.m. U.S. Eastern Time or are received on a day that is not a business day; or

(C) on the date on which the sale of Shares is executed via a broker-assisted cashless exercise, as confirmed by the brokerage firm, if the exercise notice is accompanied by instructions to effectuate a broker-assisted cashless exercise.

(ii) You are responsible for ensuring that your exercise notice and payment of the aggregate Option Price or instructions to effectuate a broker-assisted cashless exercise are received by the Secretary of the Company or his or her delegate, with sufficient time to enable the Exercise Date to occur in accordance with the foregoing rules before the Options expire, are forfeited or otherwise terminated. Because The Nasdaq Stock Market closes at 4:00 p.m. U.S. Eastern Time, any broker-assisted cashless exercise instruction received by the Secretary of the Company or his or her delegate, after 4:00 p.m. U.S. Eastern Time cannot be processed until the next business day on which The Nasdaq Stock Market is open for trading. If your broker-assisted cashless exercise instruction results in the sale of Shares over a number of days, each day on which a sale occurs will constitute the Exercise Date of the Options with respect to the Shares sold on such day.

(e) Methods of Payment

(i) You may pay the aggregate Option Price for the shares specified in the exercise notice by:

(A) delivering cash, wire or fund transfer, check, bank draft, postal or express money order payable to the order of the Company, or other cash equivalent acceptable to the Administrator in its discretion, in each such case in currency acceptable to the Administrator;

(B) executing a broker-assisted cashless exercise, through a "same day sale" commitment, in accordance with Regulation T of the Board of Governors of the Federal Reserve System through a brokerage firm designated or approved by the Administrator that is a member of the Financial Industry Regulatory Authority (a "FINRA Dealer"), under which the FINRA Dealer is irrevocably instructed to deliver to the Company on your behalf an amount, in cash or acceptable cash equivalents, sufficient to pay the aggregate Option Price for the Shares you then desire to purchase under the Options (plus applicable Withholding Taxes, if any), and the Company is instructed to deliver the Shares to the FINRA Dealer upon receipt of such amount;

(C) unless limited by the Administrator, tendering to the Company (via attestation in a form satisfactory to the Administrator) other unrestricted Shares owned by you, in which case the Company will attribute to the tendered Shares a value equal to the closing price per Share for the regular market session of The Nasdaq Stock Market (or the principal market for the Shares as determined by the Administrator if the Shares are not listed for trade on The Nasdaq Stock Market or are listed or admitted to trading on more than one exchange or market) on the Exercise Date or, if no sale is reported for that date, on the last preceding day on which a sale was reported, all as reported by such source as the Administrator may select;

(D) unless limited by the Administrator, electing net share settlement;

(E) by cancellation of indebtedness of the Company to you;

(F) by waiver of compensation from the Company due or accrued to you for services rendered;

(G) any other method approved by the Administrator; or

(H) any combination of the foregoing.

(ii) The Administrator in its discretion may place limitations on the extent, if any, to which you may pay the aggregate Option Price by tendering Shares or electing net share settlement, and in no event may you pay the Option Price through either of those two methods if you are a resident of

Canada. If the Shares tendered or withheld are insufficient in value to pay the aggregate Option Price, you must deliver the net unpaid amount to the Secretary of the Company or his or her delegate on the Exercise Date in cash or in one of the specified forms of acceptable cash equivalents; provided, however, that if the net unpaid amount is less than the value of one Share and you are not an executive officer of the Company, the Company may allow you to pay such amount by having it withheld from your next paycheck.

(f) Tax Withholding. By accepting the Options, you agree to make adequate provision for foreign (non-United States), federal, state and local taxes and social insurance contributions (collectively, "**Withholding Taxes**") required by law to be withheld, if any, which arise in connection with the Options. The Company shall have the right to deduct from any compensation or any other payment of any kind due you (including withholding the issuance or delivery of Shares under the Options) the amount of any Withholding Taxes required by law to be withheld as a result of the grant, vesting or exercise of the Options, in whole or in part, or as otherwise may be required by applicable law. In lieu of such deduction, the Company may require you to make a cash payment to the Company equal to the amount required to be withheld. If you do not make such payment when requested, the Company may refuse to issue any Shares or deliver any stock certificate under this Agreement or otherwise release for transfer any such Shares until arrangements satisfactory to the Company for such payment have been made. The Company may, in its sole discretion, permit or require you to satisfy, in whole or in part, any Withholding Tax obligation which may arise in connection with the Options either by having the Company withhold from the Shares to be issued upon exercise that number of Shares, or by delivering to the Company already-owned unrestricted Shares, in either case having a fair market value equal to the amount necessary to satisfy the withholding amount due.

(g) Issuance of Shares upon Exercise. The Company will issue to you the Shares underlying the Options you exercise as soon as practicable after the exercise date, subject to the Company's receipt of the aggregate Option Price and the requisite Withholding Taxes, if any. Unless and until you request the Company to deliver a share certificate to you, or deliver Shares electronically or in certificate form to your designated broker, bank or nominee on your behalf, the Company will retain the Shares that you purchased through exercise of the Options in uncertificated book entry form. Any share certificates delivered will, unless the Shares are registered or an exemption from registration is available under applicable federal and state law, bear a legend restricting transferability of such Shares.

7. Forfeiture of Options upon Termination of Service If your Service ceases for any reason, all Options that are not then vested, after giving effect to the applicable provisions of Section 5 above, will be immediately forfeited upon such cessation for no consideration. If your Service terminates for Cause, the Options, to the extent not theretofore exercised, shall terminate for no consideration on the date of your termination of Service regardless of their vested status.

8. Exercise Periods upon Termination of Service.

(a) Termination of Service. Except as provided otherwise in this Agreement, your vested Options will terminate 90 days after the date on which your Service terminates, but in no event later than the Expiration Date.

(b) Involuntary Termination Following a Change in Control. In the event that you suffer an Involuntary Termination coincident with or within 24 months following the occurrence of a Change in Control, your vested Options may be exercised for a period of 90 days from the date of such Involuntary Termination or until the Expiration Date set forth on the Grant Notice, whichever period is shorter.

(c) Retirement. If your Service terminates by reason of your Retirement, your Options may thereafter be exercised, to the extent vested at the time of such Retirement, for a period of 5 years from the date your Service terminated or until the Expiration Date, whichever period is shorter.

(d) Disability. If your Service terminates by reason of your Disability, your vested Options may thereafter be exercised for a period of 12 months from the date your Service terminated or until the Expiration Date, whichever period is shorter.

(e) Death. If your death occurs prior to your termination of Service or during any of the periods described in Sections 8(a), 8(b), 8(c), or 8(d) of this Agreement during which your vested Options remained exercisable by you, then your estate, personal representative or any beneficiary, heir or legatee to whom the

Options have been transferred will be permitted to exercise such vested Options for a period of 12 months from the date your Service terminated or until the Expiration Date, whichever period is shorter. Any person seeking to exercise your Options following your death must provide to the Company appropriate documentation as may be requested by the Administrator to establish your death and such person's right to exercise the Options.

9. Nontransferability. The Options are not transferable other than by will or the laws of descent and distribution, or, with the prior written consent of the Administrator, by you to a Family Member as a gift. The Administrator shall not permit any transfer of the Options for value and shall not permit any transfer of the Options pursuant to a domestic relations order in settlement of marital property rights. The Options may be exercised during your lifetime, only by you or your Family Member to whom the Options have been transferred with the Administrator's consent or, during the period you are under a legal disability, by your guardian or legal representative, unless otherwise determined by the Administrator. The Options shall not be subject in any manner to alienation, anticipation, sale, transfer, assignment, pledge, or encumbrance, except as otherwise determined by the Administrator. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Options contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the Options, shall be null and void and without effect.

10. Adjustments for Corporate Transactions and Other Events

(a) Mandatory Adjustments. In the event of a merger, consolidation, stock rights offering, liquidation, statutory share exchange or similar event affecting the Company (each, a "**Corporate Event**") or a stock dividend, stock split, reverse stock split, separation, spinoff, reorganization, extraordinary dividend of cash or other property, share combination or subdivision, or recapitalization or similar event affecting the capital structure of the Company (each, a "**Share Change**"), the Administrator shall make equitable and appropriate substitutions or proportionate adjustments to the number of outstanding Options, the Option Price per Share, and the number of Options eligible to vest on each subsequent vesting date under the vesting schedule set forth on the Grant Notice to reflect such event; provided, however, that any fractional Options resulting from any such adjustment shall be eliminated. Adjustments under this paragraph will be made by the Administrator, whose determination as to what adjustments will be made and the extent thereof will be final, binding and conclusive.

(b) Discretionary Adjustments. In the case of Corporate Events, the Administrator may make such other adjustments to outstanding Options as it determines to be appropriate and desirable, which adjustments may include, without limitation, (i) the cancellation of outstanding Options in exchange for payments of cash, securities or other property or a combination thereof having an aggregate value equal to the value of such Options, as determined by the Administrator in its sole discretion (it being understood that in the case of a Corporate Event with respect to which shareholders of the Company receive consideration other than publicly traded equity securities of the ultimate surviving entity, any such determination by the Administrator that the value of an Option shall for this purpose be deemed to equal the excess, if any, of the value of the consideration being paid for each Share pursuant to such Corporate Event over the Option Price per Share of such Option shall conclusively be deemed valid and that any Option may be cancelled for no consideration upon a Corporate Event if its Option Price per Share is not less than the value of the consideration being paid for each Share pursuant to such Corporate Event), (ii) the substitution of securities or other property (including, without limitation, cash or other securities of the Company and securities of entities other than the Company) for the Shares subject to outstanding Options, and (iii) the substitution of equivalent awards, as determined in the sole discretion of the Administrator, of the surviving or successor entity or a parent thereof.

(c) Dissolution or Liquidation. Unless the Administrator determines otherwise, all of the Options shall terminate upon the dissolution or liquidation of the Company.

(d) Change in Control. Notwithstanding anything in this Agreement or the Plan to the contrary, in the event that a Change in Control occurs, outstanding Options will terminate upon the effective time of such Change in Control unless provision is made in connection with the transaction for the continuation or assumption of such Options by, or for the substitution of equivalent options, as determined in the sole discretion of the Administrator, of, the surviving or successor entity or a parent thereof. In the event of such termination, (i) the outstanding Options that will terminate upon the effective time of the Change in Control shall, immediately before the effective time of the Change in Control, become fully exercisable, (ii) you will be permitted, immediately before the Change in Control, to exercise the Options, and (iii) the Administrator may take any of the actions set forth in Section 9(a) and 9(b) with respect to any or all of the Options. Implementation of the provisions of the immediately foregoing sentence shall be conditioned upon consummation of the Change in Control.

11. Rights as Stockholder. You shall not have any of the rights of a shareholder with respect to the Shares subject to purchase under the Options until such Shares have been issued to you upon the due exercise of the Options. No adjustment will be made for dividends or distributions or other rights for which the record date is prior to the date such Shares are issued to you.

12. The Company's Rights. The existence of the Options will not affect in any way the right or power of the Company or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or other stocks with preference ahead of or convertible into, or otherwise affecting the Shares or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of the Company's assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

13. Notice. All notices and other communications made or given pursuant to this Agreement shall be in writing and shall be sufficiently made or given if hand delivered or mailed by certified mail, addressed to you at the address contained in the records of the Company, or addressed to the Administrator, care of Forward Air Corporation, Attention: Legal Department, 1915 Snapps Ferry Road, Bldg. N, Greeneville, Tennessee 37745 or, if the receiving party consents in advance, transmitted and received via telecopy or via such other electronic transmission mechanism as may be available to the parties.

14. No Agreement to Employ. Nothing in the Plan or this Agreement shall alter your employment status with the Company, nor be construed as a contract of employment between the Company and you, or as a contractual right of you to continue in the employ of the Company for any period of time, or as a limitation of the right of the Company to discharge you at any time with or without cause or notice, subject to applicable law, and whether or not such discharge results in the forfeiture of any Options or any other adverse effect on your interests under the Plan.

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

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

17. Recoupment. Notwithstanding anything to the contrary in this Agreement, the Options (including any income, capital gains, proceeds realized or other economic benefit actually or constructively received by you upon the receipt, vesting or exercise of the Options, and your sale or other disposition of the Shares acquired through exercise of the Options) shall be subject to recovery under any clawback, recovery or recoupment policy which the Company may adopt from time to time, including without limitation the Company's existing Recoupment Policy, as amended from time to time or any successor thereto, and any policy which the Company may be required to adopt under Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law, the rules and regulations of the U.S. Securities and Exchange Commission, or the requirements of any national securities exchange on which the Company's Shares may be listed. By accepting the Options, you expressly acknowledge and agree that the Options are subject to the terms of the foregoing policies, whether retroactively or prospectively adopted, and agree to cooperate fully with the Administrator to facilitate the recovery of the Options, any Shares acquired through the exercise of the Options or proceeds realized from your sale or other disposition of the Shares acquired through exercise of the Options that the Administrator determines in its sole discretion is required or entitled to be recovered pursuant to the terms of such policies.

18. Retention. Notwithstanding anything to the contrary in this Agreement, you acknowledge and agree that the terms and conditions of the Company's existing Executive Stock Ownership and Retention Guideline, as amended from time to time or any successor thereto (the "**Ownership Guideline**"), are incorporated by reference into this Agreement and shall apply to the Options if you on the Grant Date are or subsequently become an employee who is subject to the Ownership Guideline.

19. Electronic Delivery of Documents.

(a) Methods of Delivery. The Company may from time to time electronically deliver, via e-mail or posting on the Company's website, this Agreement, information with respect to the Plan or the Options, any amendments to the Agreement, and any reports of the Company provided generally to the Company's shareholders. You may receive from the Company, at no cost to you, a paper copy of any electronically delivered documents. Requests should be made to the Secretary of the Company at 1915 Snapps Ferry Road, Bldg. N, Greeneville, Tennessee 37745 (Telephone: (423) 636 7000).

(b) Consent and Acknowledgment. By your accepting the Grant Notice correlating to this Agreement, you (i) consent to the electronic delivery of this Agreement, all information with respect to the Plan and the Options and any reports of the Company provided generally to the Company's shareholders; (ii) acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost to you by contacting the Company by telephone or in writing; (iii) further acknowledge that you may revoke your consent to the electronic delivery of documents at any time by notifying the Company of such revoked consent by telephone, postal service or electronic mail; and (iv) further acknowledge that you understand that you are not required to consent to electronic delivery of documents.

20. Amendment. Except as otherwise provided in the Plan, the Administrator may unilaterally amend the terms of this Agreement, but no such amendment shall materially impair your rights with respect to your Options without your consent, except such an amendment made to cause the Plan or the Agreement to comply with applicable law, applicable rule of any securities exchange on which the Shares are listed or admitted for trading, or to prevent adverse tax or accounting consequences for you or the Company or any of its Affiliates. The Company shall give written notice to you of any such alteration or amendment of this Agreement by the Administrator as promptly as practical after the adoption thereof. The foregoing shall not restrict the ability of you and the Company by mutual consent to alter or amend this Agreement in any manner which is consistent with the Plan and approved by the Administrator.

21. Section 409A. This Agreement and the Options granted hereunder are intended to comply with, or otherwise be exempt from, Section 409A of the Code and shall be so construed. Nothing in the Plan or this Agreement shall be construed as including any feature for the deferral of compensation other than the deferral of recognition of income until the exercise of the Options. Should any provision of the Plan or this Agreement be found not to comply with, or otherwise be exempt from, the provisions of Section 409A of the Code, it may be modified and given effect, in the sole discretion of the Administrator and without requiring your consent, in such manner as the Administrator determines to be necessary or appropriate to comply with, or to effectuate an exemption from, Section 409A of the Code. The foregoing, however, shall not be construed as a guarantee by the Company of any particular tax effect to you.

22. Governing Law. The validity, construction, and effect of this Agreement, and of any determinations or decisions made by the Administrator relating to this Agreement, and the rights of any and all persons having or claiming to have any interest under this Agreement, shall be determined exclusively in accordance with the laws of the State of Tennessee, without regard to its provisions concerning the applicability of laws of other jurisdictions. As a condition of this Agreement, you agree that you will not bring any action arising under, as a result of, pursuant to or relating to, this Agreement in any court other than a federal or state court in the districts which include Greeneville, Tennessee, and you hereby agree and submit to the personal jurisdiction of any federal court located in the district which includes Greeneville, Tennessee or any state court in the district which includes Greeneville, Tennessee. You further agree that you will not deny or attempt to defeat such personal jurisdiction or object to venue by motion or other request for leave from any such court.

23. Resolution of Disputes. Any dispute or disagreement which shall arise under, or as a result of, or pursuant to or relating to, this Agreement shall be determined by the Administrator in good faith in its absolute and uncontrolled discretion, and any such determination or any other determination by the Administrator under or pursuant to this Agreement and any interpretation by the Administrator of the terms of this Agreement, will be final, binding and conclusive on all persons affected thereby. You agree that before you may bring any legal action arising under, as a result of, pursuant to or relating to, this Agreement you will first exhaust your administrative remedies before the Administrator. You further agree that in the event that the Administrator does not resolve any dispute or disagreement arising under, as a result of, pursuant to or relating to, this Agreement to your satisfaction,

no legal action may be commenced or maintained relating to this Agreement more than 24 months after the Administrator's decision is rendered.

24. General. The Company shall at all times during the term of the Options reserve and keep available such number of shares of Common Stock as will be sufficient to satisfy the requirements of this Agreement, shall pay all original issue and transfer taxes with respect to the issue and transfer of shares pursuant hereto and all other fees and expenses necessarily incurred by the Company in connection therewith, and will from time to time use its best efforts to comply with all laws and regulations, which, in the opinion of counsel for the Company, shall be applicable thereto. To the extent that this Agreement conflicts with the terms of the Plan, the terms of the Plan shall control. The headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

{Glossary begins on next page}

GLOSSARY

(a) “**Administrator**” means the Compensation Committee of the Board of Directors of Forward Air Corporation, or such other committee(s) or officer(s) duly appointed by such Board or the Compensation Committee to administer the Plan or delegated limited authority to perform administrative actions under the Plan, and having such powers as shall be specified by such Board or the Compensation Committee; provided, however, that at any time the Board of Directors of Forward Air Corporation may serve as the Administrator in lieu of or in addition to the Compensation Committee or such other committee(s) or officer(s) to whom administrative authority has been delegated.

(b) “**Affiliate**” means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with, Forward Air Corporation or any successor to Forward Air Corporation. For this purpose, “control” (including the correlative meanings of the terms “controlled by” and “under common control with”) shall mean ownership, directly or indirectly, of 50% or more of the total combined voting power of all classes of voting securities issued by such entity, or the possession, directly or indirectly, of the power to direct the management and policies of such entity, by contract or otherwise.

(c) “**Cause**” means any one or more of the following, as determined by the Administrator or its delegate in its sole discretion, which determination will be conclusive: (i) any act or omission by you which, if convicted by a court of law, would constitute a felony or a crime of moral turpitude; (ii) your dishonesty or material violation of standards of integrity in the course of fulfilling his or her employment duties to the Company or any Affiliate; (iii) your insubordination or a material violation of a material written policy of the Company or any Affiliate, violation of which would be grounds for dismissal under applicable Company policy; (iv) your willful, repeated failure to perform your employment duties (provided that such duties are ethical and proper under applicable law) in any material respect, after reasonable written notice of such failure and an opportunity to correct it under a circumstance where the conduct constituting “Cause” is reasonably open to a cure (for instance, where the conduct does not involve a violation of trust or otherwise adversely affect the relationship between you and the Company on a going-forward basis), and the period to correct shall be established by the Administrator; (v) any act or omission materially adverse to the interest of the Company or any Affiliate, or reasonably likely to result in material harm to the Company or any Affiliate; (vi) your failure to comply in any material respect with the Company’s Code of Business Conduct and Ethics or Insider Trading Policy, or willful, repeated failure to comply in any material respect with the Company’s Executive Stock Ownership and Retention Guidelines, if applicable; or (vii) failure to comply in any material respect with the Foreign Corrupt Practices Act, the Securities Act of 1933, the Securities Exchange Act of 1934, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or any rules or regulations thereunder, or any similar, applicable statute, regulation or legal requirement.

(d) “**Change in Control**” shall have the meaning ascribed thereto in the Plan.

(e) “**Company**” means Forward Air Corporation and its Affiliates, except where the context otherwise requires. For purposes of determining whether a Change in Control has occurred, Company shall mean only Forward Air Corporation.

(f) “**Disability**” means that you are (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last until your death or result in death, or (ii) determined to be totally disabled by the Social Security Administration or other governmental or quasi-governmental body that administers a comparable social insurance program outside of the United States in which you participate and which conditions the right to receive benefits under such program on your being unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last until your death or result in death. The Administrator shall have sole authority to determine whether you have suffered a Disability and may require such medical or other evidence as it deems necessary to judge the nature and permanency of your condition.

(g) “**Executive Severance Plan**” means the Company’s Executive Severance and Change in Control Plan or any successor plan thereto.

(h) “**Expiration Date**” means the date set forth on the Grant Notice indicating when the Options expire if not sooner exercised, forfeited or otherwise terminated.

(i) **"Family Member"** means any of your children, stepchildren, grandchildren, parents, stepparents, grandparents, spouse (but expressly excluding ex-spouse), siblings, nieces, nephews, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing your household (other than a tenant or employee), a trust in which these persons have more than fifty percent of the beneficial interest, a foundation in which these persons (or you) control the management of assets, and any other entity in which these persons (or you) own more than fifty percent (50%) of the voting interests.

(j) **"Involuntary Termination"** means your termination of Service with the Company or its successor provided that the termination is either (i) initiated by the Company or a parent or subsidiary of the Company, or a successor to any such entity for a reason other than Disability, death, Retirement or for Cause, or (ii) initiated by you for Good Reason, as defined under the Executive Severance Plan with respect to a termination of employment following a Change Date, as defined in the Executive Severance Plan, and provided that you are a participant in the Executive Severance Plan at the time of such Involuntary Termination.

(k) **"Retirement"** means your termination of Service with the Company and its Affiliates on or after attainment of age 65.

(l) **"Service"** means your employment with the Company and its Affiliates. Your Service will be considered to have ceased with the Company and its Affiliates if, immediately after a sale, merger or other corporate transaction, the trade, business or entity with which you are employed or otherwise have a service relationship is not Forward Air Corporation or its successor or an Affiliate of Forward Air Corporation or Forward Air Corporation's successor.

(m) **"Withholding Taxes"** means any foreign (non-United States), federal, state and local taxes and social insurance contributions required by law to be withheld.

(n) **"You"; "Your"**. You means the recipient of the Options as reflected in the Grant Notice. Whenever the word "you" or "your" is used in any provision of this Agreement under circumstances where the provision should logically be construed, as determined by the Administrator, to apply to the estate, personal representative, or beneficiary to whom the Options may be transferred by will or by the laws of descent and distribution, the words "you" and "your" shall be deemed to include such person.

{End of Agreement}

FORWARD AIR CORPORATION
NOTICE OF GRANT OF PERFORMANCE SHARES

The Participant has been granted an award of an opportunity to receive a number of Performance Shares (the “**Award**”) pursuant to the Forward Air Corporation 2016 Omnibus Incentive Compensation Plan (the “**Plan**”) and the Employee Performance Share Agreement attached hereto (the “**Agreement**”), as follows:

Participant:	_____	Employee ID:	
Grant Date:	_____	Grant No.:	
Target Number of Performance Shares:	[_____], subject to adjustment as provided by the Agreement.		
Maximum Number of Performance Shares:	[_____], subject to adjustment as provided by the Agreement.		
Performance Metric:	<u>Percentile Ranking of Total Shareholder Return within Peer Group</u>		
Performance Period:	The period that begins on the Grant Date and ends on December 31, ____.		
Performance Share Vesting Date:	The date that is 2½ months after the last day of the Performance Period, except as otherwise provided by the Agreement.		
Vested Performance Shares:	<u>Provided that the Participant’s Service has not terminated prior to the Performance Share Vesting Date, except as provided by the Agreement, on the Performance Share Vesting Date the number of Vested Performance Shares (not to exceed the Maximum Number of Performance Shares) shall be determined by multiplying the Target Number of Performance Shares by the TSR Multiplier (as defined by the Agreement).</u>		
Settlement Date:	The Performance Share Vesting Date, except as otherwise provided by the Agreement.		
Recoupment Policy:	The Award shall be subject to the terms and conditions of such policy on the recoupment of incentive compensation as shall be adopted by the Company to implement the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.		

By their signatures below, the Company and the Participant agree that the Award is governed by this Notice and by the provisions of the Plan and the Agreement, both of which are made a part of this document. The Participant acknowledges receipt of a copy of the Plan, the Agreement and the prospectus for the Plan, represents that the Participant has read and is familiar with the provisions of the Plan and the Agreement, and hereby accepts the Award subject to all of its terms and conditions.

FORWARD AIR CORPORATION

PARTICIPANT

By: _____

Signature

Its: _____

Date

ATTACHMENT: Employee Performance Share
 Agreement

**FORWARD AIR CORPORATION
EMPLOYEE PERFORMANCE SHARE AGREEMENT**

Forward Air Corporation, a Tennessee corporation (the “**Company**”), has granted to the Participant named in the *Notice of Grant of Performance Shares* (the “**Grant Notice**”) to which this Employee Performance Share Agreement (the “**Agreement**”) is attached an Award consisting of Performance Shares subject to the terms and conditions set forth in the Grant Notice and this Agreement. The Award has been granted pursuant to the Forward Air Corporation 2016 Omnibus Incentive Compensation Plan (the “**Plan**”), as amended to the Grant Date, the provisions of which are incorporated herein by reference.

1. **Definitions and Construction.**

1.1 **Definitions.** Unless otherwise defined herein, including within the Glossary at the end of this Agreement, capitalized terms shall have the meanings assigned to such terms in the Grant Notice or the Plan.

1.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. The Company intends that the Award made under this Agreement constitute qualified performance-based compensation within the meaning of Section 162(m) of the Code and the regulations thereunder, and the provisions of this Agreement shall be construed and administered in a manner consistent with this intent. The Company intends that the Award made under this Agreement comply with, or otherwise be exempt from, Section 409A (including any amendments or replacements of such section), and the provisions of this Agreement shall be construed and administered in a manner consistent with this intent.

2. **Administration.**

All questions of interpretation concerning the Grant Notice, this Agreement and the Plan shall be determined by the Committee. All determinations by the Committee shall be final, binding and conclusive upon all persons having an interest in the Award.

3. **The Award.**

3.1 **Grant of Performance Shares.** On the Grant Date, the Participant has acquired, subject to the provisions of this Agreement, an opportunity to receive a number of Performance Shares, which shall not exceed the Maximum Number of Performance Shares set forth in the Grant Notice, subject to adjustment as provided in Section 9. The number of Performance Shares, if any, ultimately earned by the Participant, shall be that number of Performance Shares which become Vested Performance Shares.

3.2 **No Monetary Payment Required.** The Participant is not required to make any monetary payment (other than applicable tax withholding, if any) as a condition to receiving the Performance Shares or the Common Shares issued upon settlement of the Performance Shares, the consideration for which shall be past services actually rendered and/or future services to be rendered to the Company (or any Affiliate) or for its benefit. Notwithstanding the foregoing, if required by applicable state corporate law, the Participant shall furnish consideration in the form of cash or past services rendered to the Company (or any Affiliate) or for its benefit having a value not less than the par value of the Common Shares issued upon settlement of the Vested Performance Shares.

4. **Certification by the Committee.**

4.1 **Percentile Ranking of Peer Group Total Shareholder Return.** As soon as practicable following completion of the Performance Period, and in any event on or before the Performance Share Vesting Date, the Committee shall certify in writing the TSR Percentile Ranking of the Company for the Performance Period and the resulting number of Performance Shares, if any, which shall become Vested Performance Shares on the Performance Share Vesting Date, subject to the Participant's continued Service until the Performance Share Vesting Date, except as otherwise provided by Section 5 or Section 8. The number of Performance Shares which shall become Vested Performance Shares on the Performance Share Vesting Date, subject to the Participant's continued Service until the Performance Share Vesting Date, shall be determined by multiplying the Target Number

of Performance Shares specified on the Grant Notice by the TSR Multiplier specified below, based on the Company's Total Shareholder Return for the Performance Period relative to the Total Shareholder Return of the Peer Companies, rounding up to the nearest whole share:

TSR Percentile Ranking	TSR Multiplier
90th percentile or higher	200%
70th percentile	150%
50th percentile	100%
25th percentile	50%
Below 25th percentile	0%

The TSR Multiplier for an achieved TSR Percentile Ranking falling between the percentages set forth in the table above shall be determined by straight-line interpolation. The Company shall promptly notify the Participant of the determination by the Committee.

4.2 Adjustment to Performance Period. Notwithstanding anything on the Grant Notice or in this Agreement to the contrary, if for any reason the Company ceases to have its Common Stock listed for public trade on any national securities exchange or market before the last day of the Performance Period specified on the Grant Notice, the Performance Period shall end as of the last date that the Company's Common Stock is listed for public trade on a national securities exchange or market. Any temporary halt in trading, including without limitation any period during which trade is suspended while the Company comes into compliance with the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, shall be disregarded for this purpose.

5. **Vesting of Performance Shares**

5.1 In General. Except as provided by this Section 5 and Section 8, the Performance Shares shall vest and become Vested Performance Shares as provided in the Grant Notice and Section 4.1, as certified by the Committee.

5.2 Termination of Service Other Than By Reason of Retirement, Death, Disability or in Connection With a Change in Control of the Company. In the event the Participant's Service terminates for any reason prior to the Performance Share Vesting Date, other than by reason of Retirement, death, Disability, or Involuntary Termination coincident with or within 24 months after a Change in Control of the Company, the Participant shall immediately forfeit, without requiring any act of the Participant or the Company to effectuate such forfeiture, all rights to and interests in the Performance Shares subject to the Award and the Award shall be cancelled as of the last day of the Participant's Service. The Participant shall not be entitled to any payment for such forfeited Performance Shares.

5.3 Termination of Service by Reason of Death or Disability. In the event the Participant's Service terminates by reason of death or Disability prior to the Performance Share Vesting Date, a number of Performance Shares shall become Vested Performance Shares on the last day of the Participant's Service as follows. The number of Performance Shares which shall become Vested Performance Shares shall be the product, rounded up to the nearest whole share, of (a) the Target Number of Performance Shares specified on the Grant Notice, multiplied by (b) a TSR Multiplier of 100%, multiplied by (c) a percentage equal to the ratio of the number of whole and partial months (rounded up to the nearest integer) of the Participant's Service during the Performance Period to the number of full months contained in the Performance Period. Notwithstanding the foregoing, in the event the Participant's Service terminates by reason of death or Disability after the end of the Performance Period but prior to the Performance Share Vesting Date, the TSR Multiplier to be used in the equation set forth in the immediately preceding sentence shall be the TSR Multiplier applicable for the Performance Period as determined under Section 4.1. The Participant shall forfeit, without requiring any act of the Participant, his personal representative or the Company to effectuate such forfeiture, all rights to and interests in any Performance Shares subject to the Award that do not become Vested Performance Shares under this Section 5.3 and the Award shall be cancelled with respect to such unvested Performance Shares on the last day of the Participant's Service. Neither the Participant nor any person claiming through the Participant shall be entitled to any payment for such forfeited Performance Shares.

5.4 Termination of Service by Reason of Retirement. In the event the Participant's Service terminates by reason of Retirement prior to the Performance Share Vesting Date, then, except as otherwise provided in Section 8.1, on the Performance Share Vesting Date the number of Performance Shares that shall become Vested Performance Shares, rounded up to the nearest whole share, shall be determined by multiplying (a) that number of Performance Shares that would have become Vested Performance Shares under Section 4.1 had no such termination occurred by (b) a percentage equal to the ratio of the number of whole and partial months (rounded up to the nearest integer) of the Participant's Service during the Performance Period to the number of full months contained in the Performance Period.

5.5 Vesting Upon Involuntary Termination Following a Change In Control. In the event the Participant suffers an Involuntary Termination coincident with or within 24 months following the CIC Date of a Change in Control but before the Performance Share Vesting Date, vesting of the Participant's outstanding Award (or outstanding Substitute Award, as the case may be) shall be accelerated so that the greater of (a) 100% of the Target Number of Performance Shares specified on the Grant Notice or (b) the number of Performance Shares that otherwise would have become vested as of the Performance Share Vesting Date, based on the TSR Multiplier attained for the Performance Period, determined as if the Participant's last day of Service is the last day of the Performance Period, shall become Vested Performance Shares effective as of the last day of the Participant's Service; provided, however, that if the outstanding Substitute Award provides for valuation by reference to anything other than Performance Shares following the CIC Date then the Participant shall become 100% vested in such value as of the last day of the Participant's Service. In either such case, the Participant's Award or Substitute Award shall be settled as soon as practicable, generally within 30 days, after the Participant's last day of Service, except to the extent that settlement of such Award (or outstanding Substitute Award, as the case may be) must be made pursuant to its original schedule in order to comply with Section 409A of the Code. The Participant shall forfeit, without requiring any act of the Participant, his personal representative or the Company to effectuate such forfeiture, all rights to and interests in any Performance Shares subject to the Award or Substitute Award that do not become Vested Performance Shares under this Section 5.5. Neither the Participant nor any person claiming through the Participant shall be entitled to any payment for such forfeited Performance Shares.

5.6 Forfeiture of Unvested Performance Shares. Except as otherwise provided by this Section 5 or Section 8, on the Performance Share Vesting Date, the Participant shall forfeit, without requiring any act of the Participant or the Company to effectuate such forfeiture, all rights to and interests in any Performance Shares subject to the Award that have not become Vested Performance Shares and the Award shall be cancelled with respect to such unvested Performance Shares. The Participant shall not be entitled to any payment for such forfeited Performance Shares.

6. **Settlement of the Award.**

6.1 Issuance of Common Shares. Subject to the provisions of Section 6.3, Section 7.2 and Section 8.1 below, the Company shall issue to the Participant on the Settlement Date with respect to each Vested Performance Share one (1) Common Share. Common Shares issued in settlement of Performance Shares shall be subject to any restrictions as may be required pursuant to Section 6.3, Section 7 or the Insider Trading Policy.

6.2 Beneficial Ownership of Common Shares. Upon issuance of Common Shares in settlement of the Award, the Company will determine the form of delivery (e.g., a stock certificate or electronic entry evidencing such shares) and may deliver such shares on the Participant's behalf electronically to the Company's designated stock plan administrator or such other broker-dealer as the Company may choose at its sole discretion, within reason. Except as otherwise provided by this Section 6.2, the Common Shares as to which the Award is settled shall be registered in the name of the Participant, or, if applicable, in the names of the heirs or estate of the Participant.

6.3 Restrictions on Grant of the Award and Issuance of Common Shares The grant of the Award and issuance of Common Shares upon settlement of the Award shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. No Common Shares may be issued hereunder if the issuance of such shares would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Common Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance of any Common Shares subject to the Award shall relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority shall not have been obtained. As a condition to the

settlement of the Award, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

6.4 Fractional Shares. The Company shall not be required to issue fractional Common Shares upon the settlement of the Award. Any fractional share resulting from the determination of the number of Vested Performance Shares shall be rounded up to the nearest whole number.

7. **Tax Matters.**

7.1 In General. At the time the Grant Notice is executed, or at any time thereafter as requested by the Company, the Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant, and otherwise agrees to make adequate provision for, any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company, if any, which arise in connection with the Award or the issuance of Common Shares in settlement thereof. The Company shall have no obligation to process the settlement of the Award or to deliver Common Shares until the tax withholding obligations as described in this Section have been satisfied by the Participant.

7.2 Withholding in Common Shares. Subject to applicable law, the Company may, in its sole discretion, permit the Participant to satisfy any tax withholding obligations that arise in connection with the Award by directing that the Company reduce the number of shares of Common Shares otherwise issuable to the Participant in settlement of the Award by a number of whole Common Shares having a fair market value, as determined by the Company as of the date on which the tax withholding obligations arise, up to the amount of such tax withholding obligations determined by the applicable statutory withholding rates.

8. **Change In Control.**

8.1 Treatment of Award Upon a Change in Control. In the event of the consummation of a Change in Control before the Settlement Date, the outstanding Award shall be assumed or an equivalent award, as determined in the discretion of the Committee, shall be granted by the successor corporation to the Company or a parent or subsidiary of such successor corporation in substitution for the outstanding Award (each such assumed Award or equivalent award granted, a "**Substitute Award**") and, except as provided by Section 5, this Section 8, or the terms of the Substitute Award, the Substitute Award shall vest and become Vested Performance Shares as provided in the Grant Notice and Section 4.1.

(a) If neither such successor corporation, nor a parent or subsidiary of such successor corporation, agrees to assume the Award or to substitute an equivalent award, as determined in the discretion of the Committee, then vesting of the outstanding Award shall be accelerated so that the greater of (a) 100% of the Target Number of Performance Shares specified on the Grant Notice or (b) the number of Performance Shares that would have become vested as of the Performance Share Vesting Date, based on the TSR Multiplier attained for the Performance Period, determined as if the CIC Date is the last day of the Performance Period, shall become Vested Performance Shares effective as of the CIC Date, provided that the Participant's Service has not terminated prior to the CIC Date. Under these circumstances, the Settlement Date shall be the CIC Date or as soon as practicable thereafter.

(b) Notwithstanding the foregoing, if the Participant's Service terminates due to Retirement and a Change in Control is consummated before the Participant's Award is settled and no Substitute Award is assumed or granted, vesting of the Participant's outstanding Award shall be accelerated so that a number of Performance Shares shall become Vested Performance Shares effective as of the CIC Date determined, rounded up to the nearest whole share, by multiplying (a) that number of Performance Shares that would have become Vested Performance Shares under this Section 8.1 had no such Retirement occurred by (b) a percentage equal to the ratio of the number of whole and partial months (rounded up to the nearest integer) of the Participant's Service during the Performance Period to the number of full months contained in the Performance Period as reflected on the Grant Notice.

(c) Notwithstanding anything herein to the contrary, the Committee may, in its discretion, determine that upon a Change in Control, each Award outstanding immediately prior to the Change in Control shall be canceled in exchange for payment with respect to the number of Performance Shares that otherwise would become Vested Performance Shares by reason of this Section 8.1, in (a) cash, (b) stock of the Company or the acquiring entity or any parent company of the acquiring entity, or (c) other property. In any such case, the payment shall be in an amount having a Fair Market Value equal to the Fair Market Value of the

consideration to be paid per share of Common Stock in the Change in Control for each such Vested Performance Share (subject to any required tax withholding). Such payment shall be made within 30 days following the Change in Control.

(d) All of the foregoing provisions of this Section 8.1 may be revised or eliminated, in whole or in part, in the discretion of the Committee and without the consent of the Participant, to the extent that the Committee determines such action to be appropriate or desirable after obtaining in connection with a Change in Control transaction a shareholder advisory vote required by Section 951 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, or any successor provision, on golden parachute compensation arrangements, provided that this Agreement is a subject of that advisory vote.

8.2 Federal Excise Tax Under Section 4999 of the Code.

(a) **Excess Parachute Payment.** In the event that any acceleration of vesting of the Performance Shares and any other payment or benefit received or to be received by the Participant would subject the Participant to any excise tax pursuant to Section 4999 of the Code due to the characterization of such acceleration of vesting, payment or benefit as an “excess parachute payment” under Section 280G of the Code, the Participant may elect, in his or her sole discretion before the consummation of the Change in Control transaction, to reduce the amount of any acceleration of vesting called for by this Agreement in order to avoid such characterization.

(b) **Determination by Independent Accountants.** To aid the Participant in making any election called for under Section 8.2(a), no later than ten (10) days before the anticipated date of the occurrence of any event that might reasonably be anticipated to result in an “excess parachute payment” to the Participant as described in Section 8.2(a) (an “**Event**”), the Company shall request a determination in writing by independent public accountants selected by the Company (the “**Accountants**”). Unless the Company and the Participant otherwise agree in writing, the Accountants shall determine and report to the Company and the Participant within three (3) days before the date of the Event the amount of such acceleration of vesting, payments and benefits which would produce the greatest after-tax benefit to the Participant. For the purposes of such determination, the Accountants may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code and make reasonable assumptions and projections needed to make their required determination. The Company and the Participant shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make their required determination. The Company shall bear all fees and expenses the Accountants may reasonably charge in connection with their services contemplated by this Section 8.2(b).

9. Adjustments for Changes in Capital Structure.

Subject to any required action by the stockholders of the Company, in the event of any change in the Common Shares effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Common Shares (excepting normal cash dividends) that has a material effect on the Fair Market Value of the Common Shares, appropriate adjustments shall be made by the Committee in the number of Performance Shares and/or the number and kind of shares to be issued in settlement of the Award, in order to prevent dilution or enlargement of the Participant’s rights under the Award. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as “effected without receipt of consideration by the Company.” Any fractional share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number. Such adjustments shall be determined by the Committee, and its determination shall be final, binding and conclusive. The Committee shall have discretion to make appropriate adjustments, as determined by the Committee, to the Total Shareholder Return calculation for the Company or any Peer Company in the event that the common securities of the Company or such Peer Company are affected by a stock split, reverse stock split, stock dividend, or similar change in capitalization.

10. Rights as a Stockholder or Employee

The Participant shall have no rights as a stockholder with respect to any Common Shares which may be issued in settlement of this Award until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No

adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such shares are issued, except as provided in Section 9. Except as otherwise provided in a separate, written employment agreement between the Company or any Affiliate and the Participant, the Participant's employment is "at will" and is for no specified term. Nothing in the Grant Notice or this Agreement shall confer upon the Participant any right to continue in Service with the Company or any Affiliate or interfere in any way with any right of the Company or any Affiliate to terminate the Participant's Service with the Company or any Affiliate at any time.

11. **Compliance with Section 409A.**

11.1 General Rule of Interpretation. This Agreement and the Performance Shares granted hereunder are intended to fit within the "short-term deferral" exemption from Section 409A as set forth in Treas. Reg. § 1.409A-1(b)(4). In administering this Agreement, the Committee shall interpret this Agreement in a manner consistent with such exemption.

11.2 Required Delay in Payment to Specified Employee. Notwithstanding the foregoing, if it is determined that the Performance Shares fail to satisfy the requirements of the short-term deferral rule and otherwise result in Section 409A Deferred Compensation, and if the Participant is a "specified employee" (within the meaning set forth Section 409A(a)(2)(B)(i) of the Code) as of the date of the Participant's separation from service (within the meaning of Treas. Reg. § 1.409A-1(h)), then the issuance of any shares that would otherwise be made in connection with a "separation from service" (as determined for purposes of Section 409A) upon the date of the separation from service or within the first six (6) months thereafter will not be made on the originally scheduled date(s) and will instead be issued in a lump sum on the date that is six (6) months and one day after the date of the separation from service, but if and only if such delay in the issuance of the shares is necessary to avoid the imposition of additional taxation on the Participant in respect of the shares under Section 409A.

11.3 Other Delays in Payment. Neither the Participant nor the Company shall take any action to accelerate or delay the payment of any benefits under this Agreement in any manner which would not be in compliance with Code Section 409A. Notwithstanding the foregoing:

(a) If any payment is due to the Participant upon a Change in Control but such Change in Control does not constitute a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company as defined in Section 409A(a)(2)(A)(v), then such payment which constitutes Section 409A Deferred Compensation shall be deferred until another permissible payment event contained in Section 409A occurs (e.g., death, Disability, separation from service from the Company and its affiliated companies as defined for purposes of Section 409A).

(b) If any payment is due to the Participant upon the Participant's termination of Service but such termination of Service does not constitute a "separation from service" as defined in Section 409A(a)(2)(A)(i), then such payment which constitutes Section 409A Deferred Compensation shall be deferred until another permissible payment event contained in Section 409A occurs.

(c) If any payment is due to the Participant upon the Participant's becoming Disabled but such disability does not meet the requirements of a disability under Section 409A(a)(2)(C), then such payment which constitutes Section 409A Deferred Compensation shall be deferred until another permissible payment event contained in Section 409A occurs.

11.4 Amendments to Comply with Section 409A; Indemnification. Notwithstanding any other provision of this Agreement to the contrary, the Company is authorized to amend this Agreement, to void or amend any election made by the Participant under this Agreement and/or to delay the payment of any monies and/or provision of any benefits in such manner as may be determined by the Company, in its discretion, to be necessary or appropriate to comply with Section 409A without prior notice to or consent of the Participant. The Participant hereby releases and holds harmless the Company, its directors, officers and stockholders from any and all claims that may arise from or relate to any tax liability, penalties, interest, costs, fees or other liability incurred by the Participant in connection with the Award, including as a result of the application of Section 409A.

11.5 Advice of Independent Tax Advisor. The Company has not obtained a tax ruling or other confirmation from the Internal Revenue Service with regard to the application of Section 409A to the Award, and the Company does not represent or warrant that this Agreement will avoid adverse tax consequences to the Participant, including as a result of the application of Section 409A to the Award. The Participant hereby acknowledges that he or she has been advised to seek the advice of his or her own independent tax advisor prior to entering into this Agreement and is not relying upon any representations of the Company or any of its agents as to the effect of or the advisability of entering into this Agreement.

12. Miscellaneous Provisions.

12.1 Termination or Amendment. The Committee may terminate or amend the Plan or this Agreement at any time; provided, however, that except as provided in Section 8 in connection with a Change in Control, no such termination or amendment may materially adversely affect the Participant's rights under this Agreement, as determined in good faith in the discretion of the Committee, without the consent of the Participant unless such termination or amendment is necessary to comply with applicable law or government regulation, including, but not limited to, Section 409A. No amendment or addition to this Agreement shall be effective unless in writing.

12.2 Nontransferability of the Award. Prior the issuance of Common Shares, neither this Award nor any Performance Shares subject to this Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, garnishment by creditors of the Participant or the Participant's beneficiary, or in any other manner made subject to a hedging transaction or puts and calls, except transfer by will or by the laws of descent and distribution. All rights with respect to the Award shall be exercisable during the Participant's lifetime only by the Participant or the Participant's guardian or legal representative.

12.3 Unfunded Obligation. The Participant shall have the status of a general unsecured creditor of the Company. Any amounts payable to the Participant pursuant to the Award shall be an unfunded and unsecured obligation for all purposes, including, without limitation, Title I of the Employee Retirement Income Security Act of 1974. The Company shall not be required to segregate any monies from its general funds, or to create any trusts, or establish any special accounts with respect to such obligations. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any Participant account shall not create or constitute a trust or fiduciary relationship between the Committee or the Company and the Participant, or otherwise create any vested or beneficial interest in the Participant or the Participant's creditors in any assets of the Company. The Participant shall have no claim against the Company for any changes in the value of any assets which may be invested or reinvested by the Company with respect to the Award.

12.4 Further Instruments. The Company and the Participant agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

12.5 Binding Effect. This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Participant and the Participant's heirs, executors, administrators, successors and assigns.

12.6 Delivery of Documents and Notices. Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by the Company or any Affiliate, or upon deposit in the U.S. Post Office, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed as applicable to the last known address of the Participant or the address of the principal executive office of the Company, in care of its General Counsel, or at such other address as such party may designate in writing from time to time to the other party.

(a) **Description of Electronic Delivery.** The Plan documents, which may include but do not necessarily include: the Plan, the Grant Notice, this Agreement, the Plan prospectus, and any reports of the Company provided generally to the Company's stockholders, may be delivered to the Participant electronically. In addition, the Participant may deliver electronically the Grant Notice to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

(b) **Consent to Electronic Delivery.** The Participant acknowledges that the Participant has read Section 12.6(a) of this Agreement and consents to the electronic delivery of the Plan documents and Grant Notice, as described in Section 12.6(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly,

the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 12.6(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 12.6(a).

12.7 Recoupment. Notwithstanding anything to the contrary in this Agreement, the Performance Shares (including any income, capital gains, proceeds realized or other economic benefit actually or constructively received by you upon the receipt, vesting or settlement of the Performance Shares, and your sale or other disposition of the Common Shares received in settlement of the Performance Shares) shall be subject to recovery under any clawback, recovery or recoupment policy which the Company may adopt from time to time, including without limitation the Company's existing Recoupment Policy, as amended from time to time or any successor thereto, and any policy which the Company may be required to adopt under Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law, the rules and regulations of the U.S. Securities and Exchange Commission, or the requirements of any national securities exchange on which the Company's Common Shares may be listed. By accepting the Performance Shares, you expressly acknowledge and agree that the Performance Shares are subject to the terms of the foregoing policies, whether retroactively or prospectively adopted, and agree to cooperate fully with the Committee to facilitate the recovery of any Performance Shares or proceeds realized from your sale or other disposition of the Common Shares received in settlement of the Performance Shares that the Committee determines in its sole discretion is required or entitled to be recovered pursuant to the terms of such policies.

12.8 Retention. Notwithstanding anything to the contrary in this Agreement, you acknowledge and agree that the terms and conditions of the Company's existing Executive Stock Ownership and Retention Guideline, as amended from time to time or any successor thereto (the "**Ownership Guideline**"), are incorporated by reference into this Agreement and shall apply to your Performance Shares if you on the Grant Date are or subsequently become an employee who is subject to the Ownership Guideline.

12.9 Integrated Agreement. The Grant Notice, this Agreement, the Ownership Guideline, and the Plan shall constitute the entire understanding and agreement of the Participant and the Company with respect to the subject matter contained herein or therein and supersedes any prior agreements, understandings, restrictions, representations, or warranties between the Participant and the Company with respect to such subject matter other than those as set forth or provided for herein or therein. To the extent contemplated herein or therein, the provisions of the Grant Notice and the Agreement shall survive any settlement of the Award and shall remain in full force and effect.

12.10 Applicable Law. The validity, construction and effect of this Agreement, and of any determinations or decisions made by the Committee relating to this Agreement, and the rights of any and all persons having or claiming to have any interest under this Agreement, shall be determined exclusively in accordance with the laws of the State of Tennessee, without regard to its provisions concerning the applicability of laws of other jurisdictions. Any suit with respect hereto will be brought in the federal or state courts in the districts which include Greeneville, Tennessee, and you hereby agree and submit to the personal jurisdiction and venue thereof.

12.11 Counterparts. The Grant Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

{Glossary begins on next page}

GLOSSARY

(a) “**Affiliate**” means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with, Forward Air Corporation or any successor to Forward Air Corporation. For this purpose, “control” (including the correlative meanings of the terms “controlled by” and “under common control with”) shall mean ownership, directly or indirectly, of 50% or more of the total combined voting power of all classes of voting securities issued by such entity, or the possession, directly or indirectly, of the power to direct the management and policies of such entity, by contract or otherwise.

(b) “**Average Price**” means the average last reported sale price of the company’s common stock over the 30 consecutive trading days ending with and including the applicable day, determined based on the last reported sale price for the regular market session.

(c) “**Cause**” means any one or more of the following, as determined by the Committee or its delegate in its sole discretion, which determination will be conclusive: (i) any act or omission by the Participant which, if convicted by a court of law, would constitute a felony or a crime of moral turpitude; (ii) the Participant’s dishonesty or material violation of standards of integrity in the course of fulfilling his or her employment duties to the Company or any Affiliate; (iii) insubordination or a material violation of a material written policy of the Company or any Affiliate, violation of which would be grounds for dismissal under applicable Company policy; (iv) willful, repeated failure on the part of the Participant to perform his or her employment duties (provided that such duties are ethical and proper under applicable law) in any material respect, after reasonable written notice of such failure and an opportunity to correct it under a circumstance where the conduct constituting “Cause” is reasonably open to a cure (for instance, where the conduct does not involve a violation of trust or otherwise adversely affect the relationship between the Participant and the Company on a going-forward basis), and the period to correct shall be established by the Committee; (v) any act or omission materially adverse to the interest of the Company or any Affiliate, or reasonably likely to result in material harm to the Company or any Affiliate; (vi) failure to comply in any material respect with the Company’s Code of Business Conduct and Ethics or Insider Trading Policy, or willful, repeated failure to comply in any material respect with the Company’s Executive Stock Ownership and Retention Guidelines, if applicable; or (vii) failure to comply in any material respect with the Foreign Corrupt Practices Act, the Securities Act of 1933, the Securities Exchange Act of 1934, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or any rules or regulations thereunder, or any similar, applicable statute, regulation or legal requirement.

(d) “**Change in Control**” shall have the meaning ascribed thereto in the Plan.

(e) “**CIC Date**” means the date on which the relevant Change in Control shall have occurred.

(f) “**Committee**” means the Board of Directors of Forward Air Corporation or such committee or committees appointed by the Board to administer the Plan.

(g) “**Common Shares**” means shares of Common Stock issued in settlement of the Award.

(h) “**Company**” means Forward Air Corporation and its Affiliates, except where the context otherwise requires. For purposes of determining whether a Change in Control has occurred, Company shall mean only Forward Air Corporation.

(i) “**Disability**” means that the Participant is (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last until the Participant’s death or result in death, or (ii) determined to be totally disabled by the Social Security Administration or other governmental or quasi-governmental body that administers a comparable social insurance program outside of the United States in which the Participant participates and which conditions the right to receive benefits under such program on the Participant being unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last until the Participant’s death or result in death so long as such disability is within the meaning specified under Treas. Reg. § 1.409A-3(a)(4). The Committee shall have sole authority to determine whether the Participant has suffered a Disability and may require such medical or other evidence as it deems necessary to judge the nature and permanency of the Participant’s condition.

(j) “**Executive Severance Plan**” means the Company’s Executive Severance and Change in Control Plan, as amended from time to time, or any successor plan thereto.

(k) “**Insider Trading Policy**” means the written policy of the Company pertaining to the sale, transfer or other disposition of the Company’s equity securities by members of the Board, officers or other employees who may possess material, non-public information regarding the Company, as in effect at the time of a disposition of any Common Shares.

(l) “**Involuntary Termination**” means the termination of Service of the Participant provided that such termination is either (a) initiated by the Company or a parent or subsidiary of the Company, or a successor to any such entity for a reason other than Disability, death, Retirement or for Cause, or (b) if the Participant is, at the time of such termination, a participant in the Executive Severance Plan, initiated by the Participant for “Good Reason” following a “Change Date,” as such terms are defined under the Executive Severance Plan.

(m) “**Peer Company**” means each of C.H. Robinson Worldwide, Inc.; Expeditors International of Washington, Inc.; FedEx Corporation; Hub Group, Inc.; J.B. Hunt Transport Services, Inc.; Knight Transportation, Inc.; Landstar System, Inc.; Old Dominion Freight Line, Inc.; Roadrunner Transportation Systems, Inc.; United Parcel Service, Inc.; Werner Enterprises, Inc.; and, XPO Logistics, Inc.; and each Peer Company’s successor; so long as each Peer Company has a class of common securities listed for public trade on a national securities exchange or market from the beginning through the end of the Performance Period. The Peer Companies shall be changed as follows:

(A) In the event that, at any time during the Performance Period, a Peer Company is no longer included in the same Standard & Poor’s Global Industry Classification Standard (“GICS”) industry group as the Company, such company shall no longer be a Peer Company.

(B) In the event of a merger, acquisition or business combination transaction of a Peer Company with or by another Peer Company, the surviving entity shall remain a Peer Company, without adjustment to its financial or market structure, provided that the surviving entity is still in the same GICS industry group as the Company.

(C) In the event of a merger of a Peer Company with or by an entity that is not a Peer Company, or the acquisition or business combination transaction of a Peer Company with an entity that is not a Peer Company, in each case, where the Peer Company is the surviving entity, the surviving entity shall remain a Peer Company, without adjustment to its financial or market structure, provided that the surviving entity is still in the same GICS industry group as the Company.

(D) In the event of a merger or acquisition or business combination transaction of a Peer Company with or by an entity that is not a Peer Company, other form of “going private” transaction relating to any Peer Company or the liquidation of any Peer Company, where such Peer Company is not the surviving entity or is otherwise no longer publicly traded, the company shall no longer be a Peer Company.

(E) In the event of a bankruptcy of a Peer Company, such company shall remain a Peer Company, without adjustment to its financial or market condition.

(n) “**Performance Period**” means the period over which Total Shareholder Return is measured.

(o) “**Performance Share**” means a right to receive on the Settlement Date one (1) Common Share, subject to further restrictions as provided by this Agreement.

(p) “**Retirement**” means the Participant’s termination of Service with the Company and its Affiliates on or after attainment of age 65.

(q) “**Section 409A**” means Section 409A of the Code and any applicable regulations or administrative guidelines promulgated thereunder.

(r) “**Section 409A Deferred Compensation**” means compensation payable pursuant to the Award granted to a Participant subject to United States income taxation that constitutes nonqualified deferred compensation for purposes of Section 409A.

(s) “**Service**” means the Participant’s employment with the Company and its Affiliates. The Participant’s Service will be considered to have ceased with the Company and its Affiliates if, immediately after a sale, merger or other corporate transaction, the trade, business or entity with which the Participant is employed or otherwise has a service relationship is not Forward Air Corporation or an Affiliate of Forward Air Corporation.

(t) “**Settlement Date**” means the date so specified on the Grant Notice; provided, however, that in the event of termination of the Participant’s Service by reason of death or Disability, the term “Settlement Date” shall mean the sixtieth (60th) day after the day on which the Participant’s Service terminates.

(u) “**Substitute Award**” means, upon the occurrence of a Change in Control, the outstanding Award that is assumed or an equivalent award, as determined in the discretion of the Committee, that is granted in substitution for the outstanding Award by the successor corporation to the Company or a parent or subsidiary of such successor corporation. For the avoidance of doubt, a Substitute Award with respect to the Award outstanding as of immediately before the Change in Control may include, without limitation, an award that consists of a notional account that, as of the CIC Date, is credited with an amount equal to the product of (a) the Fair Market Value of the consideration to be paid per share of Common Stock in the Change in Control multiplied by (b) the greater of (i) 100% of the Target Number of Performance Shares specified on the Grant Notice or (ii) the number of Performance Shares that would have become vested as of the Performance Share Vesting Date, based on the TSR Multiplier attained for the Performance Period, determined as if the CIC Date is the last day of the Performance Period, and which notional account becomes vested and shall be paid to the Participant on the original Performance Share Vesting Date specified on the Grant Notice provided that the Participant’s Service with the Company or its successor, or a parent or subsidiary of such successor corporation, continues through such date, subject to earlier payment pursuant to Section 5.5 of this Agreement. The value of the notional account may, but need not, be credited with interest, earnings and losses or otherwise fluctuate by reference to stock of the Company or the acquiring entity or any parent company of the acquiring entity, and the notional account may be settled in cash, stock of the Company or the acquiring entity or any parent company of the acquiring entity, or other property.

(v) “**Total Shareholder Return**” means an issuer’s total appreciation realized in its common stock value over the Performance Period, inclusive of dividends and other distributions paid during the Performance Period, expressed as a percentage and determined by dividing (A) the sum of (I) the Average Price of the issuer’s shares at the end of the Performance Period minus the Average Price of the issuer’s shares at the beginning of the Performance Period plus (II) all dividends and other distributions paid on the issuer’s common shares during the Performance Period, by (B) the Average Price of the issuer’s shares at the beginning of the Performance Period, rounded to one decimal place (e.g., 3.3%). In calculating Total Shareholder Return, all dividends are assumed to have been reinvested in shares on the ex-dividend date.

(w) “**TSR Multiplier**” means a number determined as follows:

TSR Percentile Ranking	TSR Multiplier
90th percentile or higher	200%
70th percentile	150%
50th percentile	100%
25th percentile	50%
Below 25th percentile	0%

The TSR Multiplier for an achieved TSR Percentile Ranking falling between the percentages set forth in the table above shall be determined by straight-line interpolation.

(x) “**TSR Percentile Ranking**” means the Company’s percentile ranking relative to the Peer Companies, based on Total Shareholder Return, calculated as follows: $1 - [(Company\ Rank - 1) / (Total\ Number\ of\ Peer\ Companies + the\ Company - 1)]$, rounding to the nearest whole percentile. For example, if the Company is ranked third out of a group of 13 consisting of the 12 Peer Companies plus the Company, the TSR Percentile Ranking is calculated as $1 - [(3 - 1) / (12 + 1 - 1)]$ or $1 - (2/12)$ or $1 - 0.1667$ or the 83rd percentile. The Company’s

rank is determined by ordering the Peer Companies and the Company from highest to lowest based on Total Shareholder Return for the Performance Period and counting down from the entity with the highest Total Shareholder Return (ranked first) to the Company's position on the list. If two entities are ranked equally, the ranking of the next entity shall account for the tie, so that if one entity is ranked first and two entities are tied for second, the next entity is ranked fourth.

{End of Agreement}

FORWARD AIR CORPORATION

SUBSIDIARIES

	State of Incorporation
FAF, Inc.	Tennessee
Forward Air, Inc.	Tennessee
Forward Air Solutions, Inc.	Tennessee
Forward Air International Airlines, Inc.	Tennessee
Central States Trucking Co.	Delaware
Central States Logistics, Inc.	Illinois
TQI Holdings, Inc.	Delaware

FORWARD AIR, INC.

SUBSIDIARIES

	State of Incorporation
Forward Air Royalty, LLC	Delaware
Forward Air Technology and Logistics Services, Inc.	Tennessee
FACSBI, LLC	Delaware
Towne Holdings, LLC	Delaware
Synergy Cargo Logistics, Inc.	California
TAF, LLC	Indiana
Towne Air Freight, LLC	Indiana

TQI HOLDINGS, INC.

SUBSIDIARIES

	State of Incorporation
Total Quality, Inc.	Michigan
TQI, Inc.	Michigan

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-151198) pertaining to the Forward Air Corporation Amended and Restated Stock Option and Incentive Plan,
- (2) Registration Statement (Form S-8 No. 033-77944) pertaining to the Forward Air Corporation Stock Option and Incentive Plan and the Employee Stock Purchase Plan,
- (3) Registration Statement (Form S-8 No. 333-134294) pertaining to the Forward Air Corporation 2006 Non-Employee Director Stock Plan,
- (4) Registration Statement (Form S-8 No. 333-125872) pertaining to the Forward Air Corporation 2005 Employee Stock Purchase Plan,
- (5) Registration Statement (Form S-8 No. 333-120250) pertaining to the Forward Air Corporation 2000 Non-Employee Director Stock Option Award,
- (6) Registration Statement (Form S-8 No. 333-120249) pertaining to the Forward Air Corporation Non-Employee Director Stock Plan, as amended, and the Forward Air Corporation 1999 Stock Option and Incentive Plan, as amended,
- (7) Registration Statement (Form S-8 No. 333-94249) pertaining to the Forward Air Corporation 1999 Stock Option and Incentive Plan,
- (8) Registration Statement (Form S-8 No. 333-211256) pertaining to the Forward Air Corporation 2016 Omnibus Incentive Compensation Plan and the Forward Air Corporation Amended and Restated Non-Employee Director Stock Plan -

of our reports dated February 22, 2017, with respect to the consolidated financial statements and schedule of Forward Air Corporation and the effectiveness of internal control over financial reporting of Forward Air Corporation included in this Annual Report (Form 10-K) of Forward Air Corporation for the year ended December 31, 2016.

Nashville, Tennessee
February 22, 2017

/s/ Ernst & Young LLP

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULE 13a-14(a) (17 CFR 240.13a-14(a))**

I, Bruce A. Campbell, Chairman, President, and Chief Executive Officer of Forward Air Corporation, certify that:

1. I have reviewed this report on Form 10-K for the year ended December 31, 2016 of Forward Air Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2017

/s/ Bruce A. Campbell

Bruce A. Campbell
Chairman, President and Chief
Executive Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULE 13a-14(a) (17 CFR 240.13a-14(a))**

I, Michael J. Morris, Chief Financial Officer, Senior Vice President and Treasurer of Forward Air Corporation, certify that:

1. I have reviewed this report on Form 10-K for the year ended December 31, 2016 of Forward Air Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2017

/s/ Michael J. Morris

Michael J. Morris
Chief Financial Officer, Senior Vice
President and Treasurer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Forward Air Corporation (the "Company") for the period ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Bruce A. Campbell, Chairman, President, and Chief Executive Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 22, 2017

/s/ Bruce A. Campbell

Bruce A. Campbell
Chairman, President, and Chief
Executive Officer

A signed original of this written statement required by Section 906 has been provided to Forward Air Corporation and will be retained by Forward Air Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Forward Air Corporation (the “Company”) for the period ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Michael J. Morris, Chief Financial Officer, Senior Vice President and Treasurer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 22, 2017

/s/ Michael J. Morris

Michael J. Morris
Chief Financial Officer, Senior Vice
President and Treasurer

A signed original of this written statement required by Section 906 has been provided to Forward Air Corporation and will be retained by Forward Air Corporation and furnished to the Securities and Exchange Commission or its staff upon request.