

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

**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Quarterly Period Ended March 31, 2017  
Commission File No. 000-22490



**FORWARD AIR CORPORATION**

(Exact name of registrant as specified in its charter)

**Tennessee**  
(State or other jurisdiction of incorporation)  
**1915 Snapps Ferry Road, Building N**  
**Greeneville, Tennessee**  
(Address of principal executive offices)

**62-1120025**  
(I.R.S. Employer Identification No.)  
**37745**  
(Zip Code)

Registrant's telephone number, including area code: **(423) 636-7000**

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The number of shares outstanding of the registrant's common stock, \$0.01 par value, as of April 21, 2017 was 30,214,989.

---

## Table of Contents

### Forward Air Corporation

|  | Page<br>Number     |
|--|--------------------|
| <b>Part I. Financial Information</b>   |                    |
| <b>Item 1. Financial Statements (Unaudited)</b>  |                    |
| <a href="#">Condensed Consolidated Balance Sheets – March 31, 2017 and December 31, 2016</a>                           | <a href="#">3</a>  |
| <a href="#">Condensed Consolidated Statements of Comprehensive Income - Three months ended March 31, 2017 and 2016</a> | <a href="#">4</a>  |
| <a href="#">Condensed Consolidated Statements of Cash Flows – Three months ended March 31, 2017 and 2016</a>           | <a href="#">5</a>  |
| <a href="#">Notes to Condensed Consolidated Financial Statements – March 31, 2017</a>                                  | <a href="#">6</a>  |
| <b>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</b>                   | <a href="#">16</a> |
| <b>Item 3. Quantitative and Qualitative Disclosures About Market Risk</b>  | <a href="#">31</a> |
| <b>Item 4. Controls and Procedures</b>   | <a href="#">31</a> |
| <b>Part II. Other Information</b>  |                    |
| <b>Item 1. Legal Proceedings</b>   | <a href="#">32</a> |
| <b>Item 1A. Risk Factors</b>   | <a href="#">32</a> |
| <b>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</b>   | <a href="#">32</a> |
| <b>Item 3. Defaults Upon Senior Securities</b>   | <a href="#">32</a> |
| <b>Item 4. Mine Safety Disclosures</b>   | <a href="#">32</a> |
| <b>Item 5. Other Information</b>   | <a href="#">33</a> |
| <b>Item 6. Exhibits</b>  | <a href="#">34</a> |
| <a href="#">Signatures</a>   | <a href="#">35</a> |

**Part I. Financial Information**

**Item 1. Financial Statements (Unaudited).**

**Forward Air Corporation**  
**Condensed Consolidated Balance Sheets**  
**(Dollars in thousands, except share and per share amounts)**  
**(Unaudited)**

|   | <u>March 31,</u><br><u>2017</u> | <u>December 31,</u><br><u>2016</u> |
|---|---------------------------------|------------------------------------|
| <b>Assets</b>   |                                 |                                    |
| Current assets:   |                                 |                                    |
| Cash  | \$ 14,335                       | \$ 8,511                           |
| Accounts receivable, less allowance of \$1,610 in 2017 and \$1,714 in 2016  | 116,473                         | 116,602                            |
| Other current assets  | 8,394                           | 11,157                             |
| Total current assets  | <u>139,202</u>                  | <u>136,270</u>                     |
| Property and equipment  | 376,623                         | 379,021                            |
| Less accumulated depreciation and amortization  | 182,686                         | 178,816                            |
| Total property and equipment, net   | <u>193,937</u>                  | <u>200,205</u>                     |
| Goodwill and other acquired intangibles:  |                                 |                                    |
| Goodwill  | 184,675                         | 184,675                            |
| Other acquired intangibles, net of accumulated amortization of \$63,725 in 2017 and \$61,334 in 2016                                      | 104,259                         | 106,650                            |
| Total net goodwill and other acquired intangibles   | <u>288,934</u>                  | <u>291,325</u>                     |
| Other assets  | 13,795                          | 13,491                             |
| Total assets  | <u>\$ 635,868</u>               | <u>\$ 641,291</u>                  |
| <b>Liabilities and Shareholders' Equity</b>   |                                 |                                    |
| Current liabilities:  |                                 |                                    |
| Accounts payable  | \$ 15,800                       | \$ 18,012                          |
| Accrued expenses  | 34,007                          | 31,833                             |
| Income taxes payable  | 8,326                           | 70                                 |
| Current portion of debt and capital lease obligations   | 352                             | 28,012                             |
| Total current liabilities   | <u>58,485</u>                   | <u>77,927</u>                      |
| Long-term debt and capital lease obligations, less current portion  | 13,529                          | 725                                |
| Other long-term liabilities   | 21,440                          | 21,699                             |
| Deferred income taxes   | 41,786                          | 41,871                             |
| Shareholders' equity:   |                                 |                                    |
| Preferred stock   | —                               | —                                  |
| Common stock, \$0.01 par value: Authorized shares - 50,000,000, Issued and outstanding shares - 29,999,920 in 2017 and 30,090,335 in 2016 | 300                             | 301                                |
| Additional paid-in capital  | 182,999                         | 179,512                            |
| Retained earnings   | 317,329                         | 319,256                            |
| Total shareholders' equity  | <u>500,628</u>                  | <u>499,069</u>                     |
| Total liabilities and shareholders' equity  | <u>\$ 635,868</u>               | <u>\$ 641,291</u>                  |

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

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

|                                       | <b>Three months ended</b> |                           |
|---------------------------------------|---------------------------|---------------------------|
|                                       | <b>March 31,<br/>2017</b> | <b>March 31,<br/>2016</b> |
| <b>Operating revenue</b>              | \$ 246,982                | \$ 229,549                |
| <b>Operating expenses:</b>            |                           |                           |
| Purchased transportation              | 103,083                   | 96,476                    |
| Salaries, wages and employee benefits | 61,998                    | 58,678                    |
| Operating leases                      | 15,601                    | 13,868                    |
| Depreciation and amortization         | 10,033                    | 9,668                     |
| Insurance and claims                  | 5,806                     | 5,395                     |
| Fuel expense                          | 3,680                     | 2,961                     |
| Other operating expenses              | 23,592                    | 21,098                    |
| Total operating expenses              | 223,793                   | 208,144                   |
| Income from operations                | 23,189                    | 21,405                    |
| <b>Other income (expense):</b>        |                           |                           |
| Interest expense                      | (282)                     | (553)                     |
| Other, net                            | (26)                      | (29)                      |
| Total other income (expense)          | (308)                     | (582)                     |
| Income before income taxes            | 22,881                    | 20,823                    |
| Income tax expense                    | 8,638                     | 7,724                     |
| Net income and comprehensive income   | \$ 14,243                 | \$ 13,099                 |
| <b>Net income per share:</b>          |                           |                           |
| Basic                                 | \$ 0.47                   | \$ 0.43                   |
| Diluted                               | \$ 0.47                   | \$ 0.43                   |
| <b>Dividends per share:</b>           | \$ 0.15                   | \$ 0.12                   |

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

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

|  | <b>Three months ended</b> |                           |
|--|---------------------------|---------------------------|
|  | <b>March 31,<br/>2017</b> | <b>March 31,<br/>2016</b> |
| <b>Operating activities:</b>   |                           |                           |
| Net income   | \$ 14,243                 | \$ 13,099                 |
| Adjustments to reconcile net income to net cash provided by operating activities |                           |                           |
| Depreciation and amortization  | 10,033                    | 9,668                     |
| Share-based compensation   | 1,962                     | 1,952                     |
| Loss on disposal of property and equipment                                       | 488                       | 93                        |
| Provision for loss (recovery) on receivables                                     | 22                        | (196)                     |
| Provision for revenue adjustments  | 718                       | 799                       |
| Deferred income tax  | (85)                      | 5,031                     |
| Excess tax benefit for stock options exercised                                   | —                         | (38)                      |
| Changes in operating assets and liabilities                                      |                           |                           |
| Accounts receivable  | (611)                     | 4,245                     |
| Other current assets   | 2,153                     | 2,582                     |
| Accounts payable and accrued expenses  | 8,137                     | 206                       |
| Net cash provided by operating activities  | <u>37,060</u>             | <u>37,441</u>             |
| <b>Investing activities:</b>   |                           |                           |
| Proceeds from disposal of property and equipment                                 | 790                       | 155                       |
| Purchases of property and equipment  | (2,652)                   | (2,688)                   |
| Acquisition of business, net of cash acquired                                    | —                         | (1,700)                   |
| Other  | 129                       | 22                        |
| Net cash used in investing activities  | <u>(1,733)</u>            | <u>(4,211)</u>            |
| <b>Financing activities:</b>   |                           |                           |
| Payments of debt and capital lease obligations                                   | (27,857)                  | (13,969)                  |
| Proceeds from senior credit facility   | 13,000                    | —                         |
| Proceeds from exercise of stock options  | 1,524                     | 881                       |
| Payments of cash dividends   | (4,539)                   | (3,678)                   |
| Repurchase of common stock (repurchase program)                                  | (9,996)                   | (9,995)                   |
| Excess tax benefit for stock options exercised                                   | —                         | 38                        |
| Cash settlement of share-based awards for tax withholdings                       | (1,635)                   | (1,782)                   |
| Net cash used in financing activities  | <u>(29,503)</u>           | <u>(28,505)</u>           |
| Net increase in cash   | 5,824                     | 4,725                     |
| Cash at beginning of period  | 8,511                     | 33,312                    |
| Cash at end of period  | <u>\$ 14,335</u>          | <u>\$ 38,037</u>          |

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

**Forward Air Corporation**  
**Notes to Condensed Consolidated Financial Statements**  
**(In thousands, except share and per share data)**  
**(Unaudited)**  
**March 31, 2017**

**1. Description of Business and Basis of Presentation**

Forward Air Corporation is a leading asset-light freight and logistics company. 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 11).

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 unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by United States generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The Company's operating results are subject to seasonal trends when measured on a quarterly basis; therefore operating results for the three months ended March 31, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. For further information, refer to the consolidated financial statements and notes thereto included in the Forward Air Corporation Annual Report on Form 10-K for the year ended December 31, 2016.

The accompanying unaudited condensed consolidated financial statements of the Company include Forward Air Corporation and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. Certain reclassifications have been made to the prior period financial information to conform to the current year presentation.

**2. 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, and we elected, to account for forfeitures as they occur rather than on an estimated basis. We adopted this guidance in January 2017 and the elimination of APIC pools resulted in approximately \$300 of additional income tax expense during the first quarter of 2017. This guidance has been applied prospectively and no prior periods have been adjusted.

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

**Forward Air Corporation**  
**Notes to Condensed Consolidated Financial Statements**  
**(In thousands, except share and per share data)**  
**(Unaudited)**  
**March 31, 2017**

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.

### 3. Acquisitions and Goodwill

#### *Acquisition of Triumph and Ace*

As part of the Company's strategy to expand its Intermodal operations, 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. The assets, liabilities, and operating results of Triumph 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 January 2016, the Company also acquired certain assets of Ace Cargo, LLC ("Ace") for \$1,700. 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.

#### *Allocations of Purchase Prices*

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

|                                  | <b>Triumph &amp; Ace</b> |
|----------------------------------|--------------------------|
|                                  | <b>2016</b>              |
| <b>Tangible assets:</b>          |                          |
| Property and equipment           | \$ 1,294                 |
| <b>Total tangible assets</b>     | <b>1,294</b>             |
| <b>Intangible assets:</b>        |                          |
| Non-compete agreements           | 139                      |
| Customer relationships           | 5,335                    |
| Goodwill                         | 6,282                    |
| <b>Total intangible assets</b>   | <b>11,756</b>            |
| <b>Total assets acquired</b>     | <b>13,050</b>            |
| <b>Liabilities assumed:</b>      |                          |
| Other liabilities                | 1,250                    |
| <b>Total liabilities assumed</b> | <b>1,250</b>             |
| <b>Net assets acquired</b>       | <b>\$ 11,800</b>         |

**Forward Air Corporation**  
**Notes to Condensed Consolidated Financial Statements**  
(In thousands, except share and per share data)  
(Unaudited)  
**March 31, 2017**

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

|                        | <b>Useful Lives</b>      |
|------------------------|--------------------------|
|                        | <b>Triumph &amp; Ace</b> |
| Customer relationships | 15 years                 |
| Non-compete agreements | 5 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 believes that the level and timing of cash flows appropriately reflect market participant assumptions. Cash flows were assumed to extend through the remaining economic useful life of each class of intangible asset.

*Goodwill*

The Company conducts its annual impairment assessments and tests of goodwill for each reporting unit as of June 30. 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 reporting 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 this estimation of fair value indicates that 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 LTL, Intermodal and Pool Distribution indicated that, as of June 30, 2016, the fair value of each reporting unit exceeded their 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 Company reduced TQI's projected cash flows and as a result the estimate of TQI's fair value no longer exceeded the respective carrying value. As a result of these assessments, the Company concluded that an impairment loss was probable and could be reasonably estimated for the TQI reporting unit, which is included in the TLS reportable segment. Consequently, the Company recorded a goodwill impairment charge of \$25,686 for the TQI reporting unit during the three months ended June 30, 2016. During the three months ended March 31, 2017, there were no additional indicators of impairment.

As of March 31, 2017, the carrying values of goodwill for each segment summarized in the table below. There were no changes in the carrying amount of goodwill during the three months ended March 31, 2017. Approximately \$105,531 of goodwill is deductible for tax purposes.

|                                   | Expedited LTL |            | TLS         |             | Pool Distribution |            | Intermodal  |            | Total      |
|-----------------------------------|---------------|------------|-------------|-------------|-------------------|------------|-------------|------------|------------|
|                                   | Accumulated   |            | Accumulated |             | Accumulated       |            | Accumulated |            | Net        |
|                                   | Goodwill      | Impairment | Goodwill    | Impairment  | Goodwill          | Impairment | Goodwill    | Impairment |            |
| Ending balance,<br>March 31, 2017 | \$ 97,593     | \$ —       | \$ 45,164   | \$ (25,686) | \$ 12,359         | \$ (6,953) | \$ 62,198   | \$ —       | \$ 184,675 |

Additionally, 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



**Forward Air Corporation**  
**Notes to Condensed Consolidated Financial Statements**  
**(In thousands, except share and per share data)**  
**(Unaudited)**  
**March 31, 2017**

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 June 30, 2016, 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 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, the Company used cash flows discounted at rates considered appropriate given the inherent risks associated with each type of asset. The Company believes that the level and timing of cash flows appropriately reflect market participant assumptions. As a result of these estimates the Company recorded an impairment charge of \$16,501 related to TQI customer relationships during the three months ended June 30, 2016.

#### 4. 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 employee grants only in connection with new employment or promotions. Forms of share-based compensation granted to employees by the Company include stock options, non-vested shares of common stock ("non-vested share"), and performance shares. The Company also typically makes a single annual grant of non-vested shares to non-employee directors in conjunction with the annual election of non-employee directors to the Board of Directors. Share-based compensation is based on the grant date fair value of the instrument and is recognized ratably over the requisite service period, or vesting period. All share-based compensation expense is recognized in salaries, wages and employee benefits.

##### *Employee Activity - Stock Options*

Stock option grants to employees generally expire seven years from the grant date and typically vest ratably over a three-year period. The Company used the Black-Scholes option-pricing model to estimate the grant-date fair value of options granted. The weighted-average fair value of options granted and assumptions used to estimate their fair value during the three months ended March 31, 2017 and 2016 were as follows:

|  | <b>Three months ended</b> |                           |
|--|---------------------------|---------------------------|
|  | <b>March 31,<br/>2017</b> | <b>March 31,<br/>2016</b> |
| Expected dividend yield                  | 1.3%                      | 1.0%                      |
| Expected stock price volatility          | 28.7%                     | 29.0%                     |
| Weighted average risk-free interest rate | 2.0%                      | 1.3%                      |
| Expected life of options (years)         | 6.0                       | 6.0                       |
| Weighted average grant date fair value   | \$ 13                     | \$ 12                     |

**Forward Air Corporation**  
**Notes to Condensed Consolidated Financial Statements**  
(In thousands, except share and per share data)  
(Unaudited)  
**March 31, 2017**

The following tables summarize the Company's employee stock option activity and related information:

|                                  | <b>Three months ended March 31, 2017</b> |   |  |   |
|----------------------------------|--|---|--|---|
|                                  | <b>Options<br/>(000)</b>                 | <b>Weighted-<br/>Average<br/>Exercise<br/>Price</b> | <b>Aggregate<br/>Intrinsic<br/>Value<br/>(000)</b> | <b>Weighted-<br/>Average<br/>Remaining<br/>Contractual<br/>Term</b> |
| Outstanding at December 31, 2016 | 564                                      | \$ 41   |  |   |
| Granted                          | 118                                      | 48  |  |   |
| Exercised                        | (47)                                     | 32  |  |   |
| Forfeited                        | (13)                                     | 46  |  |   |
| Outstanding at March 31, 2017    | 622                                      | \$ 42   | \$ 3,765   | 4.4   |
| Exercisable at March 31, 2017    | 381                                      | \$ 40   | \$ 3,334   | 3.2   |

|   | <b>Three months ended</b> |                           |
|---|---------------------------|---------------------------|
|   | <b>March 31,<br/>2017</b> | <b>March 31,<br/>2016</b> |
| Share-based compensation for options  | \$ 363                    | \$ 348                    |
| Tax benefit for option compensation   | \$ 134                    | \$ 129                    |
| Unrecognized compensation cost for options, net of estimated forfeitures                | \$ 2,683                  | \$ 2,789                  |
| Weighted average period over which unrecognized compensation will be recognized (years) | 2.3                       |                           |

*Employee Activity - Non-vested Shares*

Non-vested share grants to employees vest ratably over a three-year period. The non-vested shares' fair values were estimated using closing market prices on the day of grant. The following tables summarize the Company's employee non-vested share activity and related information:

|   | <b>Three months ended March 31, 2017</b> |  |  |
|---|--|--|--|
|   | <b>Non-vested<br/>Shares<br/>(000)</b>   | <b>Weighted-<br/>Average<br/>Grant Date<br/>Fair Value</b> | <b>Aggregate<br/>Grant Date<br/>Fair Value<br/>(000)</b> |
| Outstanding and non-vested at December 31, 2016 | 222                                      | \$ 45  |  |
| Granted   | 126                                      | 48   |  |
| Vested  | (101)                                    | 45   |  |
| Forfeited                                       | (5)                                      | 46   |  |
| Outstanding and non-vested at March 31, 2017    | 242                                      | \$ 47  | \$ 11,320  |

**Forward Air Corporation**  
**Notes to Condensed Consolidated Financial Statements**  
(In thousands, except share and per share data)  
(Unaudited)  
**March 31, 2017**

|   | <b>Three months ended</b> |                           |
|---|---------------------------|---------------------------|
|   | <b>March 31,<br/>2017</b> | <b>March 31,<br/>2016</b> |
| Share-based compensation for non-vested shares  | \$ 1,246                  | \$ 1,082                  |
| Tax benefit for non-vested share compensation   | \$ 459                    | \$ 403                    |
| Unrecognized compensation cost for non-vested shares, net of estimated forfeitures      | \$ 10,470                 | \$ 9,363                  |
| Weighted average period over which unrecognized compensation will be recognized (years) | 2.3                       |                           |

*Employee Activity - Performance Shares*

The Company annually grants performance shares to key employees. Under the terms of the performance share agreements, following the end of a three-year performance period, 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 shareholder return of a selected peer group. No shares may be issued if the Company's total shareholder return outperforms 30% or less of the peer group, but the number of shares issued may be doubled if the Company's total shareholder return performs better than 90% of the peer group. The fair value of the performance shares was estimated using a Monte Carlo simulation. The weighted average assumptions used in the Monte Carlo estimate were as follows:

|  | <b>Three months ended</b> |                           |
|--|---------------------------|---------------------------|
|  | <b>March 31,<br/>2017</b> | <b>March 31,<br/>2016</b> |
| Expected stock price volatility          | 24.7%                     | 22.3%                     |
| Weighted average risk-free interest rate | 1.4%                      | 0.8%                      |

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

|   | <b>Three months ended March 31, 2017</b> |  |  |
|---|--|--|--|
|   | <b>Performance<br/>Shares<br/>(000)</b>  | <b>Weighted-<br/>Average<br/>Grant Date<br/>Fair Value</b> | <b>Aggregate<br/>Grant Date<br/>Fair Value<br/>(000)</b> |
| Outstanding and non-vested at December 31, 2016 | 80                                       | \$ 55  |  |
| Granted   | 25                                       | 56   |  |
| Forfeited                                       | (29)                                     | \$ 50  |  |
| Outstanding and non-vested at March 31, 2017    | <u>76</u>                                | <u>\$ 57</u>   | <u>\$ 4,327</u>  |

|   | <b>Three months ended</b> |                           |
|---|---------------------------|---------------------------|
|   | <b>March 31,<br/>2017</b> | <b>March 31,<br/>2016</b> |
| Share-based compensation for performance shares   | \$ 184                    | \$ 351                    |
| Tax benefit for performance share compensation  | \$ 68                     | \$ 131                    |
| Unrecognized compensation cost for performance shares, net of estimated forfeitures     | \$ 2,612                  | \$ 2,805                  |
| Weighted average period over which unrecognized compensation will be recognized (years) | 2.2                       |                           |

**Forward Air Corporation**  
**Notes to Condensed Consolidated Financial Statements**  
(In thousands, except share and per share data)  
(Unaudited)  
**March 31, 2017**

*Non-employee Director Activity - Non-vested Shares*

Grants of non-vested shares to non-employee directors vest ratably over the elected term to the Board of Directors, or approximately one year. The following tables summarize the Company's non-employee non-vested share activity and related information:

|   | <b>Three months ended March 31, 2017</b> |  |  |
|---|--|--|--|
|   | <b>Non-vested<br/>Shares<br/>(000)</b>   | <b>Weighted-<br/>Average<br/>Grant Date<br/>Fair Value</b> | <b>Aggregate<br/>Grant Date<br/>Fair Value<br/>(000)</b> |
| Outstanding and non-vested at December 31, 2016 | 16                                       | \$ 44  |  |
| Granted   | —  | —  |  |
| Vested  | —  | —  |  |
| Outstanding and non-vested at March 31, 2017    | 16                                       | \$ 44  | \$ 688   |

|   | <b>Three months ended</b> |                           |
|---|---------------------------|---------------------------|
|   | <b>March 31,<br/>2017</b> | <b>March 31,<br/>2016</b> |
| Share-based compensation for non-vested shares  | \$ 169                    | \$ 171                    |
| Tax benefit for non-vested share compensation   | \$ 63                     | \$ 64                     |
| Unrecognized compensation cost for non-vested shares, net of estimated forfeitures      | \$ 77                     | \$ 114                    |
| Weighted average period over which unrecognized compensation will be recognized (years) | 0.1                       |                           |

**5. Senior Credit Facility**

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 March 31, 2017, we had \$13,000 in borrowings outstanding under the revolving credit facility, \$7,514 utilized for outstanding letters of credit and \$129,486 of available borrowing capacity under the revolving credit facility. The interest rate on the outstanding borrowing under the revolving credit facility was 2.2% at March 31, 2017.

In March 2015, the Company borrowed \$125,000 on the available term loan. The term loan was payable in quarterly installments of 11.1% of the original principal amount of the term loan plus accrued and unpaid interest, and matured in March 2017.

**Forward Air Corporation**  
**Notes to Condensed Consolidated Financial Statements**  
(In thousands, except share and per share data)  
(Unaudited)  
**March 31, 2017**

**6. Net Income Per Share**

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

|   | <b>Three months ended</b> |                           |
|---|---------------------------|---------------------------|
|   | <b>March 31,<br/>2017</b> | <b>March 31,<br/>2016</b> |
| Numerator:  |                           |                           |
| Net income and comprehensive income   | \$ 14,243                 | \$ 13,099                 |
| Income allocated to participating securities                                | (119)                     | (64)                      |
| Numerator for basic and diluted income per share - net income               | <u>\$ 14,124</u>          | <u>\$ 13,035</u>          |
| Denominator (in thousands):   |                           |                           |
| Denominator for basic income per share - weighted-average shares            | 29,998                    | 30,420                    |
| Effect of dilutive stock options (in thousands)                             | 75                        | 165                       |
| Effect of dilutive performance shares (in thousands)                        | 33                        | 40                        |
| Denominator for diluted income per share - adjusted weighted-average shares | <u>30,106</u>             | <u>30,625</u>             |
| Basic net income per share  | <u>\$ 0.47</u>            | <u>\$ 0.43</u>            |
| Diluted net income per share  | <u>\$ 0.47</u>            | <u>\$ 0.43</u>            |

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:

|   | <b>March 31,<br/>2017</b> | <b>March 31,<br/>2016</b> |
|---|---------------------------|---------------------------|
| Anti-dilutive stock options (in thousands)                              | 282                       | 275                       |
| Anti-dilutive performance shares (in thousands)                         | 15                        | 44                        |
| Anti-dilutive non-vested shares and deferred stock units (in thousands) | —                         | 73                        |
| Total anti-dilutive shares (in thousands)                               | <u>297</u>                | <u>392</u>                |

**7. Income Taxes**

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 2010.

For the three months ended March 31, 2017 and 2016, the effective income tax rates varied from the statutory federal income tax rate of 35.0%, primarily as a result of the effect of state income taxes, net of the federal benefit, and permanent differences between book and tax net income. The combined federal and state effective tax rate for the three months ended March 31, 2017 was 37.8% compared to a rate of 37.1% for the same period in 2016. The higher effective tax rate for the first quarter of 2017 is primarily the result of our implementation of new Financial Accounting Standards Board ("FASB") guidance that requires we recognize the income tax effects of awards when the awards vest or are settled. Previously any income tax effect was recognized in additional paid in capital. See further discussion in the "Impact of Recent Accounting Pronouncements" section of this document.

**8. Financial Instruments***Fair Value of Financial Instruments*

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

**Forward Air Corporation**  
**Notes to Condensed Consolidated Financial Statements**  
**(In thousands, except share and per share data)**  
**(Unaudited)**  
**March 31, 2017**

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:

|                | <u>March 31, 2017</u> |                   |
|----------------|-----------------------|-------------------|
|                | <u>Carrying</u>       |                   |
|                | <u>Value</u>          | <u>Fair Value</u> |
| Capital leases | \$ 987                | \$ 1,058          |

The Company's fair value estimates for the above financial instruments are classified within level 3 of the fair value hierarchy.

## 9. Shareholders' Equity

During the fourth quarter of 2016 and the first quarter of 2017, our Board of Directors declared a cash dividend of \$0.15 per share of common stock. During the first, second and third quarters of 2016, the Company's Board of Directors declared a cash dividend of \$0.12 per share of common stock. 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.

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. During the three months ended March 31, 2017, we repurchased 204,809 for \$9,996, or \$48.81 per share. During the three months ended March 31, 2016, we repurchased 232,944 for \$9,995, or \$42.91 per share. The repurchases made for the three months ended March 31, 2016 were made under a previous share repurchase plan approved by our Board of Directors on February 7, 2014. This plan was cancelled and replaced on July 21, 2016. As of March 31, 2017, 2,561,675 shares remain to be purchased under the 2016 Plan.

## 10. 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 business, financial condition or results of operations.

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

The Company estimates its self-insurance loss exposure by evaluating the merits and circumstances surrounding individual known claims and by performing hindsight and actuarial analysis to determine an estimate of probable losses on claims incurred but not reported. Such losses should 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.

## 11. Segment Reporting

The Company operates in 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

**Forward Air Corporation**  
**Notes to Condensed Consolidated Financial Statements**  
(In thousands, except share and per share data)  
(Unaudited)  
**March 31, 2017**

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.

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 of the Forward Air Corporation Annual Report on Form 10-K for the year ended December 31, 2016. For workers compensation and vehicle claims each segment is charged an insurance premium and is also charged a deductible that corresponds with our corporate deductibles. 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 and shared costs. Costs of the corporate headquarters, shared services and shared assets, such as trailers, are allocated to the segments based on usage. The basis of shared assets are not allocated. Beginning in the first quarter of 2017, a trailer allocation was included in Pool's 2017 results from operations. 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 three months ended March 31, 2017 and 2016.

**Three months ended March 31, 2017**

|                                  | <b>Expedited<br/>LTL</b> | <b>Truckload<br/>Premium</b> | <b>Pool<br/>Distribution</b> | <b>Intermodal</b> | <b>Eliminations<br/>&amp; other</b> | <b>Consolidated</b> |
|----------------------------------|--------------------------|------------------------------|------------------------------|-------------------|-------------------------------------|---------------------|
| External revenues                | \$ 140,012               | \$ 40,937                    | \$ 37,753                    | \$ 28,280         | \$ —                                | \$ 246,982          |
| Intersegment revenues            | 586                      | 848                          | 70                           | 11                | (1,515)                             | —                   |
| Depreciation and amortization    | 5,563                    | 1,558                        | 1,802                        | 1,110             | —                                   | 10,033              |
| Share-based compensation expense | 1,645                    | 95                           | 88                           | 134               | —                                   | 1,962               |
| Interest expense                 | 1                        | —                            | —                            | 11                | 270                                 | 282                 |
| Income (loss) from operations    | 18,400                   | 1,704                        | 1,367                        | 2,580             | (862)                               | 23,189              |
| Total assets                     | 630,959                  | 55,523                       | 50,120                       | 131,801           | (232,535)                           | 635,868             |
| Capital expenditures             | 2,511                    | 6                            | 83                           | 52                | —                                   | 2,652               |

**Three months ended March 31, 2016**

|                                  | <b>Expedited<br/>LTL</b> | <b>Truckload<br/>Premium</b> | <b>Pool<br/>Distribution</b> | <b>Intermodal</b> | <b>Eliminations<br/>&amp; other</b> | <b>Consolidated</b> |
|----------------------------------|--------------------------|------------------------------|------------------------------|-------------------|-------------------------------------|---------------------|
| External revenues                | \$ 133,524               | \$ 38,415                    | \$ 33,057                    | \$ 24,553         | \$ —                                | \$ 229,549          |
| Intersegment revenues            | 855                      | 205                          | 135                          | 71                | (1,266)                             | —                   |
| Depreciation and amortization    | 5,531                    | 1,749                        | 1,497                        | 891               | —                                   | 9,668               |
| Share-based compensation expense | 1,724                    | 51                           | 81                           | 96                | —                                   | 1,952               |
| Interest expense                 | —                        | —                            | —                            | 36                | 517                                 | 553                 |
| Income (loss) from operations    | 17,084                   | 1,565                        | 114                          | 2,372             | 270                                 | 21,405              |
| Total assets                     | 635,283                  | 90,678                       | 47,877                       | 120,251           | (205,036)                           | 689,053             |
| Capital expenditures             | 2,078                    | 13                           | 545                          | 52                | —                                   | 2,688               |

**Forward Air Corporation**  
**Notes to Condensed Consolidated Financial Statements**  
**(In thousands, except share and per share data)**  
**(Unaudited)**  
**March 31, 2017**

**12. Subsequent Events**

On April 10, 2017, we announced that our wholly-owned subsidiary, Central States Trucking Co. ("CST"), entered into an agreement to acquire substantially all of the assets of Atlantic Trucking Company, Inc., Heavy Duty Equipment Leasing, LLC, Atlantic Logistics, LLC and Transportation Holdings, Inc. (together referred to as "Atlantic" in this note). The closing of the transaction is subject to various customary conditions, including but not limited to, compliance with the covenants and agreements in the definitive agreement in all material respects. The Company will pay approximately \$22,500 and provide an option for a \$1,000 earn-out. The acquisition will be funded by a combination of cash on hand and funds from our revolving credit facility.

Atlantic is a privately held provider of intermodal, drayage and related services headquartered in Charleston, South Carolina. It also has terminal operations in Atlanta, Charlotte, Houston, Jacksonville, Memphis, Nashville, Norfolk and Savannah. These locations allow Intermodal to significantly expand its footprint in the southeastern region. During calendar year 2016, Atlantic generated approximately \$62,300 in revenue.

CST is included in our Intermodal reportable segment.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

***Overview and Executive Summary***

Forward Air Corporation is a leading asset-light freight and logistics company. 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. 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***

***Acquisitions***

In January 2016, our Intermodal segment 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, our Intermodal segment 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 or add volumes to our existing locations.



### Results from Operations

The following table sets forth our consolidated historical financial data for the three months ended March 31, 2017 and 2016 (in millions):

|  | Three months ended March 31 |          |        |                |
|--|-----------------------------|----------|--------|----------------|
|  | 2017                        | 2016     | Change | Percent Change |
| Operating revenue:                     |                             |          |        |                |
| Expedited LTL                          | \$ 140.6                    | \$ 134.4 | \$ 6.2 | 4.6 %          |
| Truckload Premium Services             | 41.8                        | 38.6     | 3.2    | 8.3            |
| Pool Distribution                      | 37.8                        | 33.2     | 4.6    | 13.9           |
| Intermodal                             | 28.3                        | 24.6     | 3.7    | 15.0           |
| Eliminations and other operations      | (1.5)                       | (1.3)    | (0.2)  | 15.4           |
| Operating revenue                      | 247.0                       | 229.5    | 17.5   | 7.6            |
| Operating expenses:                    |                             |          |        |                |
| Purchased transportation               | 103.1                       | 96.5     | 6.6    | 6.8            |
| Salaries, wages, and employee benefits | 62.0                        | 58.7     | 3.3    | 5.6            |
| Operating leases                       | 15.6                        | 13.8     | 1.8    | 13.0           |
| Depreciation and amortization          | 10.0                        | 9.7      | 0.3    | 3.1            |
| Insurance and claims                   | 5.8                         | 5.4      | 0.4    | 7.4            |
| Fuel expense                           | 3.7                         | 2.9      | 0.8    | 27.6           |
| Other operating expenses               | 23.6                        | 21.1     | 2.5    | 11.8           |
| Total operating expenses               | 223.8                       | 208.1    | 15.7   | 7.5            |
| Income from operations:                |                             |          |        |                |
| Expedited LTL                          | 18.4                        | 17.1     | 1.3    | 7.6            |
| Truckload Premium Services             | 1.7                         | 1.6      | 0.1    | 6.3            |
| Pool Distribution                      | 1.4                         | 0.1      | 1.3    | 1,300.0        |
| Intermodal                             | 2.6                         | 2.4      | 0.2    | 8.3            |
| Other operations                       | (0.9)                       | 0.2      | (1.1)  | (550.0)        |
| Income from operations                 | 23.2                        | 21.4     | 1.8    | 8.4            |
| Other expense:                         |                             |          |        |                |
| Interest expense                       | (0.3)                       | (0.6)    | 0.3    | (50.0)         |
| Total other expense                    | (0.3)                       | (0.6)    | 0.3    | (50.0)         |
| Income before income taxes             | 22.9                        | 20.8     | 2.1    | 10.1           |
| Income taxes                           | 8.7                         | 7.7      | 1.0    | 13.0           |
| Net income                             | \$ 14.2                     | \$ 13.1  | \$ 1.1 | 8.4 %          |

During the three months ended March 31, 2017, we experienced a 7.6% increase in our consolidated revenues compared to the three months ended March 31, 2016. Operating income increased \$1.8 million, or 8.4%, from 2016 to \$23.2 million for the three months ended March 31, 2017.

### Segment Operations

Expedited LTL's revenue increased \$6.2 million, or 4.6%, while operating income increased \$1.3 million, or 7.6% for the three months ended March 31, 2017, compared to the same period in 2016. The increase of Expedited LTL's revenue was the result of higher LTL volumes, increased pick up and delivery shipments and increased net fuel surcharge revenue as a result of the increase in fuel prices since the first quarter of 2016. The revenue increase was furthered by operating efficiencies, primarily in our purchased transportation and terminal operations, leading to an increase in operating income.

TLS revenue increased \$3.2 million, or 8.3% and operating income increased \$0.1 million, or 6.3%, for the three months ended March 31, 2017, compared to the same period in 2016. The increase in revenue and operating income was due to an increase in overall miles and new business wins. The increase of TLS operating income was partially offset by revenue per mile declining while cost per mile remained consistent.

Pool Distribution revenue increased \$4.6 million, or 13.9%, while operating results increased \$1.3 million for the three months ended March 31, 2017, compared to the same period in 2016. The revenue increase was due to new business, rate increases and increased volumes. The increase in operating income was the result of improved leverage on fixed costs following the additional revenue.

Intermodal revenue increased \$3.7 million, or 15.0%, and operating income increased \$0.2 million, or 8.3%, for the three months ended March 31, 2017, compared to the same period in 2016. The increases in operating revenue and income were primarily attributable to the Ace and Triumph acquisitions and the positive impact of increased fuel surcharges.

#### *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 three months ended March 31, 2017, total net fuel surcharge revenue increased 53.7% as compared to the same period in 2016, mostly due to increased fuel prices and increased volumes in the Expedited LTL and Pool Distribution segment.

#### *Interest Expense*

Interest expense was \$0.3 million for the three months ended March 31, 2017 compared to \$0.6 million for the same period of 2016. The decrease in interest expense was attributable to principal payments made since March 2016 on our previously outstanding term loan.

#### *Income Taxes*

The combined federal and state effective tax rate for the first quarter of 2017 was 37.8% compared to a rate of 37.1% for the same period in 2016. The higher effective tax rate for the first quarter of 2017 is the result of our implementation of new Financial Accounting Standards Board ("FASB") guidance that requires we recognize the income tax effects of share-based awards when the awards vest or are settled. Previously any income tax effect was recognized in additional paid in capital. See further discussion in the "Impact of Recent Accounting Pronouncements" section of this document.

#### *Net Income*

As a result of the foregoing factors, net income increased by \$1.1 million, or 8.4%, to \$14.2 million for the first quarter of 2017 compared to \$13.1 million for the same period in 2016.

**Expedited LTL - Three Months Ended March 31, 2017 compared to Three Months Ended March 31, 2016**

The following table sets forth our historical financial data of the Expedited LTL segment for the three months ended March 31, 2017 and 2016 (in millions):

| <b>Expedited LTL Segment Information</b> |                   |                       |                   |                       |            |                   |
|--|-------------------|-----------------------|-------------------|-----------------------|------------|-------------------|
| (In millions)                            |                   |                       |                   |                       |            |                   |
| (Unaudited)                              |                   |                       |                   |                       |            |                   |
| Three months ended                       |                   |                       |                   |                       |            |                   |
|  | March 31,<br>2017 | Percent of<br>Revenue | March 31,<br>2016 | Percent of<br>Revenue | Change     | Percent<br>Change |
| Operating revenue                        | \$ 140.6          | 100.0%                | \$ 134.4          | 100.0%                | \$ 6.2     | 4.6%              |
| <b>Operating expenses:</b>               |                   |                       |                   |                       |            |                   |
| Purchased transportation                 | 55.4              | 39.4                  | 53.5              | 39.8                  | 1.9        | 3.6               |
| Salaries, wages and employee benefits    | 34.9              | 24.8                  | 34.9              | 26.0                  | —          | —                 |
| Operating leases                         | 9.2               | 6.5                   | 8.0               | 5.9                   | 1.2        | 15.0              |
| Depreciation and amortization            | 5.6               | 4.0                   | 5.5               | 4.1                   | 0.1        | 1.8               |
| Insurance and claims                     | 2.9               | 2.1                   | 2.8               | 2.1                   | 0.1        | 3.6               |
| Fuel expense                             | 0.9               | 0.6                   | 0.7               | 0.5                   | 0.2        | 28.6              |
| Other operating expenses                 | 13.3              | 9.5                   | 11.9              | 8.9                   | 1.4        | 11.8              |
| <b>Total operating expenses</b>          | <b>122.2</b>      | <b>86.9</b>           | <b>117.3</b>      | <b>87.3</b>           | <b>4.9</b> | <b>4.2</b>        |
| Income from operations                   | \$ 18.4           | 13.1%                 | \$ 17.1           | 12.7%                 | \$ 1.3     | 7.6%              |

**Expedited LTL Operating Statistics**

|                                       | Three months ended |                   |                   |
|---------------------------------------|--------------------|-------------------|-------------------|
|                                       | March 31,<br>2017  | March 31,<br>2016 | Percent<br>Change |
| Operating ratio                       | 86.9%              | 87.3%             | (0.5)%            |
| Business days                         | 64.0               | 64.0              | —                 |
| Business weeks                        | 12.8               | 12.8              | —                 |
| <b>Expedited LTL:</b>                 |                    |                   |                   |
| <b>Tonnage</b>                        |                    |                   |                   |
| Total pounds <sup>1</sup>             | 566,454            | 563,727           | 0.5               |
| Average weekly pounds <sup>1</sup>    | 44,254             | 44,041            | 0.5               |
| <b>Linehaul shipments</b>             |                    |                   |                   |
| Total linehaul                        | 896,311            | 876,476           | 2.3               |
| Average weekly                        | 70,024             | 68,475            | 2.3               |
| Forward Air Complete shipments        | 210,002            | 177,973           | 18.0              |
| As a percentage of linehaul shipments | 23.4%              | 20.3%             | 15.3              |
| Average linehaul shipment size        | 632                | 643               | (1.7)             |
| <b>Revenue per pound <sup>2</sup></b> |                    |                   |                   |
| Linehaul yield                        | \$ 17.50           | \$ 17.86          | (1.7)             |
| Fuel surcharge impact                 | 1.22               | 0.80              | 1.9               |
| Forward Air Complete impact           | 3.81               | 3.07              | 3.4               |
| <b>Total Expedited LTL yield</b>      | <b>\$ 22.53</b>    | <b>\$ 21.73</b>   | <b>3.7 %</b>      |

<sup>1</sup> - In thousands

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

### ***Revenues***

Expedited LTL had operating revenue increase \$6.2 million, or 4.6%, to \$140.6 million from \$134.4 million, accounting for 56.9% of consolidated operating revenue for the three months ended March 31, 2017 compared to 58.6% for the same period in 2016. The increase in revenue is mostly the result of increases to Forward Air Complete ("Complete") and fuel surcharge revenues. Linehaul revenue, which is the largest portion of Expedited LTL, decreased \$1.6 million, or 1.6%, due to the decrease in linehaul yield noted in the preceding table, partially offset by an increase in system tonnage. The decrease in average base revenue per pound was attributable to decreased length of haul as shipments have become more regionalized. The increase in tonnage is primarily due to a full quarter impact of our February 2016 change to our dim-factor standard. This change in dim-factor standard allows us to capture more billable tonnage on certain shipments.

The \$6.2 million revenue increase is primarily the result of a \$4.3 million, or 25.1%, increase in Complete revenue. The increase in Complete revenue was attributable to an increase in shipping volumes in our Expedited LTL network and a 15.3% increase in the attachment rate of Complete to linehaul shipments. Additionally, compared to the same period in 2016, net fuel surcharge revenue increased \$2.4 million largely due to the increase in fuel prices and volume increases. Other terminal based revenues, which includes dedicated local pickup and delivery services, warehousing and terminal handling, increased \$1.1 million, or 9.2%, to \$13.0 million in the first quarter of 2017 from \$11.9 million in the same period of 2016. The increase in other terminal revenue was mainly attributable to increases in local pickup and delivery.

### ***Purchased Transportation***

Expedited LTL's purchased transportation increased by \$1.9 million, or 3.6%, to \$55.4 million for the three months ended March 31, 2017 from \$53.5 million for the three months ended March 31, 2016. As a percentage of segment operating revenue, Expedited LTL purchased transportation was 39.4% during the three months ended March 31, 2017 compared to 39.8% for the same period in 2016. The increase in total dollars is due to a 0.7% increase in Expedited LTL cost per mile and increased complete attachment on higher linehaul volumes. Improved network efficiencies and the overall improvement in Expedited LTL yield resulted in a decrease in purchased transportation as a percentage of revenue.

### ***Salaries, Wages, and Benefits***

Salaries, wages and employee benefits of Expedited LTL was \$34.9 million in the first quarter of 2017 and 2016. Salaries, wages and employee benefits were 24.8% of Expedited LTL's operating revenue in the first quarter of 2017 compared to 26.0% for the same period of 2016. The decrease in salaries, wages and employee benefits as a percentage of revenue was primarily attributable to a 0.5% decrease in health insurance costs as a percentage of revenue and a 0.7% decrease in direct Expedited LTL terminal and management salaries as a percentage of revenue. The decrease in direct pay as a percentage of revenue is the impact of additional revenue on fixed salaries and improved operating efficiencies.

### ***Operating Leases***

Operating leases increased \$1.2 million, or 15.0%, to \$9.2 million for the three months ended March 31, 2017 from \$8.0 million for the same period in 2016. Operating leases were 6.5% of Expedited LTL operating revenue for the three months ended March 31, 2017 compared to 5.9% for the same period in 2016. The increase in cost is due to \$0.8 million of additional facility lease expenses and a \$0.4 million increase in truck, trailer and equipment rentals and leases. Facility leases increased due to the expansion of certain facilities. Vehicle leases increased due to the replacement of older owned power equipment with leased power equipment.

### ***Depreciation and Amortization***

Depreciation and amortization increased \$0.1 million or 1.8%, to \$5.6 million in the first quarter of 2017 from \$5.5 million in the same period of 2016. Depreciation and amortization expense as a percentage of Expedited LTL operating revenue was 4.0% in the first quarter of 2017 compared to 4.1% in the same period of 2016. The decrease as a percentage of revenue was due to the increase in leased equipment mentioned above instead of purchased equipment.

### ***Insurance and Claims***

Expedited LTL insurance and claims expense increased \$0.1 million, or 3.6%, to \$2.9 million for the three months ended March 31, 2017 from \$2.8 million for the same period of 2016. Insurance and claims was 2.1% of operating revenue for the three months ended March 31, 2017 and 2016. The increase in dollars was partly attributable to a \$0.6 million increase in insurance premiums associated with our insurance plan renewals mostly offset by decreases in claims and claim related legal and professional fees.

***Fuel Expense***

Expedited LTL fuel expense increased \$0.2 million, or 28.6%, to \$0.9 million for the first quarter of 2017 from \$0.7 million in the same period of 2016. Fuel expenses were 0.6% of Expedited LTL operating revenue in the first quarter of 2017 compared to 0.5% in the first quarter of 2016. Expedited LTL fuel expenses increased due to an increase in year-over-year fuel prices.

***Other Operating Expenses***

Other operating expenses increased \$1.4 million, or 11.8%, to \$13.3 million during the three months ended March 31, 2017 from \$11.9 million in the same period of 2016. Other operating expenses were 9.5% of Expedited LTL operating revenue in the first quarter of 2017 compared to 8.9% in the same period of 2016. The increase in total dollars and as percentage of revenue was primarily the result of a \$0.3 million increase in losses on disposed assets, a \$0.3 million increase in professional fees and a \$0.2 million increase in bad debt reserves. The remaining increase is due to increases in terminal and network costs resulting from increased revenue volumes discussed previously.

***Income from Operations***

Income from operations increased by \$1.3 million, or 7.6%, to \$18.4 million for the first quarter of 2017 compared with \$17.1 million for the same period in 2016. Income from operations as a percentage of Expedited LTL operating revenue was 13.1% for the three months ended March 31, 2017 compared with 12.7% in the same period of 2016. Improvement in income from operations was generated by purchased transportation and dock efficiencies, increased net fuel surcharge revenue, increased Complete activity and a full quarter of the first quarter 2016 change to our dim-factor standard.

**Expedited Truckload Services - Three Months Ended March 31, 2017 compared to Three Months Ended March 31, 2016**

The following table sets forth our historical financial data of the Expedited Truckload Services segment for the three months ended March 31, 2017 and 2016 (in millions):

**Truckload Premium Services Segment Information**

(In millions)

(Unaudited)

|                                       | Three months ended |                       |                   |                       |        |                   |
|---------------------------------------|--------------------|-----------------------|-------------------|-----------------------|--------|-------------------|
|                                       | March 31,<br>2017  | Percent of<br>Revenue | March 31,<br>2016 | Percent of<br>Revenue | Change | Percent<br>Change |
| Operating revenue                     | \$ 41.8            | 100.0%                | \$ 38.6           | 100.0%                | \$ 3.2 | 8.3 %             |
| Operating expenses:                   |                    |                       |                   |                       |        |                   |
| Purchased transportation              | 29.3               | 70.1                  | 26.5              | 68.6                  | 2.8    | 10.6              |
| Salaries, wages and employee benefits | 5.2                | 12.4                  | 5.0               | 13.0                  | 0.2    | 4.0               |
| Operating leases                      | 0.1                | 0.3                   | 0.1               | 0.3                   | —      | —                 |
| Depreciation and amortization         | 1.5                | 3.6                   | 1.7               | 4.4                   | (0.2)  | (11.8)            |
| Insurance and claims                  | 1.1                | 2.6                   | 0.9               | 2.3                   | 0.2    | 22.2              |
| Fuel expense                          | 0.8                | 1.9                   | 0.6               | 1.6                   | 0.2    | 33.3              |
| Other operating expenses              | 2.1                | 5.0                   | 2.2               | 5.7                   | (0.1)  | (4.5)             |
| Total operating expenses              | 40.1               | 95.9                  | 37.0              | 95.9                  | 3.1    | 8.4               |
| Income from operations                | \$ 1.7             | 4.1%                  | \$ 1.6            | 4.1%                  | \$ 0.1 | 6.3 %             |

**Truckload Premium Services Operating Statistics**

|                             | Three months ended |                   |                   |
|-----------------------------|--------------------|-------------------|-------------------|
|                             | March 31,<br>2017  | March 31,<br>2016 | Percent<br>Change |
| Company driver <sup>1</sup> | 1,907              | 1,769             | 7.8 %             |
| Owner operator <sup>1</sup> | 11,743             | 12,052            | (2.6)             |
| Third party <sup>1</sup>    | 9,082              | 7,074             | 28.4              |
| Total Miles                 | 22,732             | 20,895            | 8.8               |
| Revenue per mile            | \$ 1.79            | \$ 1.81           | (1.1)             |
| Cost per mile               | \$ 1.38            | \$ 1.38           | — %               |

<sup>1</sup> - In thousands

**Revenues**

TLS revenue increased \$3.2 million, or 8.3%, to \$41.8 million in the first quarter of 2017 from \$38.6 million in the first quarter of 2016. TLS revenue increased due to an 8.8% increase in overall miles on new business wins. TLS had a 1.1% decrease in average revenue per mile on a decrease in pharmaceutical revenue which historically has a higher revenue per mile than traditional truckload business.

### ***Purchased Transportation***

Purchased transportation costs for our TLS revenue increased \$2.8 million, or 10.6%, to \$29.3 million for the three months ended March 31, 2017 from \$26.5 million for the same period in 2016. For the three months ended March 31, 2017, TLS purchased transportation costs represented 70.1% of TLS revenue compared to 68.6% for the same period in 2016. The increase in TLS purchased transportation was attributable to a 8.9% increase in non-Company miles driven and a 1.0% increase in cost per mile during the three months ended March 31, 2017 compared to the same period in 2016. The increase in TLS non-Company miles driven was attributable to the business wins discussed above. The increase in cost per mile was due to TLS utilizing third party transportation to cover the additional miles, which are more costly than owner operators. The increase in TLS purchased transportation as a percentage of revenue was attributable to TLS cost per mile not decreasing despite the previously discussed decline in TLS revenue per mile.

### ***Salaries, Wages, and Benefits***

Salaries, wages and employee benefits of TLS increased by \$0.2 million, or 4.0%, to \$5.2 million in the first quarter of 2017 from \$5.0 million in the same period of 2016. Salaries, wages and employee benefits were 12.4% of TLS's operating revenue in the first quarter of 2017 compared to 13.0% for the same period of 2016. The decrease in salaries, wages and employee benefits as a percentage of revenue was mostly attributable to the increase in revenue outpacing the increase in pay to Company drivers and office staff.

### ***Depreciation and Amortization***

Depreciation and amortization decreased \$0.2 million, or 11.8%, to \$1.5 million in the first quarter of 2017 from \$1.7 million in the same period of 2016. Depreciation and amortization expense as a percentage of TLS operating revenue was 3.6% in the first quarter of 2017 compared to 4.4% in the same period of 2016. The decrease was due to the impairment of TQ1 intangible assets in the second quarter of 2016 leading to lower amortization expense. This decrease was partially offset by increased trailer depreciation on trailers purchased since the first quarter of 2016.

### ***Insurance and Claims***

TLS insurance and claims expense increased \$0.2 million, or 22.2%, to \$1.1 million for the three months ended March 31, 2017 from \$0.9 million for the same period of 2016. Insurance and claims were 2.6% of operating revenue for the three months ended March 31, 2017 compared to 2.3% in the same period of 2016. The increase was due to higher vehicle insurance premiums associated with our insurance plan renewals.

### ***Fuel Expense***

TLS fuel expense increased \$0.2 million, or 33.3%, to \$0.8 million for the first quarter of 2017 from \$0.6 million for the same period of 2016. Fuel expense as a percentage of TLS operating revenue was 1.9% in the first quarter of 2017 compared to 1.6% in the same period of 2016. The increase as a percentage of revenue was mostly attributable to an increase in year-over-year fuel prices and the increase in Company driver miles.

### ***Other Operating Expenses***

Other operating expenses decreased \$0.1 million, or 4.5%, to \$2.1 million during the three months ended March 31, 2017 from \$2.2 million in the same period of 2016. Other operating expenses were 5.0% of TLS operating revenue in the first quarter of 2016 compared to 5.7% in the same period of 2016. The decline in other operating expenses was due to a decline in recruiting fees and maintenance costs, partly offset by higher tolls on the increase in miles driven.

### ***Income from Operations***

Income from operations increased by \$0.1 million, or 6.3%, to \$1.7 million during the first quarter of 2017 compared with \$1.6 million of income from operations for the same period in 2016. The improvement in income from operations was primarily due to lower amortization expense partly offset by a decline in revenue per mile.

**Pool Distribution - Three Months Ended March 31, 2017 compared to Three Months Ended March 31, 2016**

The following table sets forth our historical financial data of the Pool Distribution segment for the three months ended March 31, 2017 and 2016 (in millions):

| <b>Pool Distribution Segment Information</b> |                  |                   |                  |                   |               |                |
|--|------------------|-------------------|------------------|-------------------|---------------|----------------|
| <b>(In millions)</b>                         |                  |                   |                  |                   |               |                |
| <b>(Unaudited)</b>                           |                  |                   |                  |                   |               |                |
| <b>Three months ended</b>                    |                  |                   |                  |                   |               |                |
|  | <b>March 31,</b> | <b>Percent of</b> | <b>March 31,</b> | <b>Percent of</b> |               | <b>Percent</b> |
|  | <b>2017</b>      | <b>Revenue</b>    | <b>2016</b>      | <b>Revenue</b>    | <b>Change</b> | <b>Change</b>  |
| Operating revenue                            | \$ 37.8          | 100.0%            | \$ 33.2          | 100.0%            | \$ 4.6        | 13.9 %         |
| <b>Operating expenses:</b>                   |                  |                   |                  |                   |               |                |
| Purchased transportation                     | 9.9              | 26.2              | 8.9              | 26.8              | 1.0           | 11.2           |
| Salaries, wages and employee benefits        | 14.4             | 38.1              | 12.7             | 38.3              | 1.7           | 13.4           |
| Operating leases                             | 3.2              | 8.5               | 2.9              | 8.7               | 0.3           | 10.3           |
| Depreciation and amortization                | 1.8              | 4.7               | 1.5              | 4.5               | 0.3           | 20.0           |
| Insurance and claims                         | 1.0              | 2.6               | 1.2              | 3.6               | (0.2)         | (16.7)         |
| Fuel expense                                 | 1.2              | 3.2               | 1.0              | 3.0               | 0.2           | 20.0           |
| Other operating expenses                     | 4.9              | 13.0              | 4.9              | 14.8              | —             | —              |
| <b>Total operating expenses</b>              | <b>36.4</b>      | <b>96.3</b>       | <b>33.1</b>      | <b>99.7</b>       | <b>3.3</b>    | <b>10.0</b>    |
| Income from operations                       | \$ 1.4           | 3.7%              | \$ 0.1           | 0.3%              | \$ 1.3        | 1,300.0 %      |

**Revenues**

Pool Distribution (Pool) operating revenue increased \$4.6 million, or 13.9%, to \$37.8 million for the three months ended March 31, 2017 from \$33.2 million for the same period in 2016. The increase was attributable to new customer business wins, current year rate increases and increased volume from previously existing customers.

**Purchased Transportation**

Pool purchased transportation increased \$1.0 million, or 11.2%, to \$9.9 million for the three months ended March 31, 2017 compared to \$8.9 million for the same period of 2016. Pool purchased transportation as a percentage of revenue was 26.2% for the three months ended March 31, 2017 compared to 26.8% for the same period of 2016. The improvement in Pool purchased transportation as a percentage of revenue was attributable to an increased utilization of owner operators over more costly third party carriers and revenue increases associated with rate increases.

**Salaries, Wages, and Benefits**

Pool salaries, wages and employee benefits increased \$1.7 million, or 13.4%, to \$14.4 million for the three months ended March 31, 2017 compared to \$12.7 million for the same period of 2016. As a percentage of Pool operating revenue, salaries, wages and benefits decreased to 38.1% for the three months ended March 31, 2017 compared to 38.3% for the same period in 2016. The decrease in salaries, wages and benefits as a percentage of revenue was the result of decreases in Company driver pay, administrative salaries, wages and benefits and workers' compensation costs as a percentage of revenue. These costs benefited from the revenue volumes discussed above. These decreases were mostly offset by an increase in dock pay as a percentage of revenue. Dock pay deteriorated as a percentage of revenue as increasing revenue volumes required the use of more costly contract labor.

**Operating Leases**

Operating leases increased \$0.3 million, or 10.3%, to \$3.2 million for the three months ended March 31, 2017 from \$2.9 million for the same period in 2016. Operating leases were 8.5% of Pool operating revenue for the three months ended March 31, 2017



compared with 8.7% in the same period of 2016. Operating leases increased due to additional truck leases and rentals used to provide capacity for additional business wins throughout the network.

***Depreciation and Amortization***

Pool depreciation and amortization increased \$0.3 million, or 20.0%, to \$1.8 million for the three months ended March 31, 2017 from \$1.5 million for the same period in 2016. Depreciation and amortization expense as a percentage of Pool operating revenue was 4.7% in the first quarter of 2017 compared to 4.5% in the same period of 2016. The increase in Pool depreciation and amortization is due to the allocation of trailer depreciation, which reflect Pool's increased utilization of our trailer fleet.

***Insurance and Claims***

Pool insurance and claims expense decreased \$0.2 million, or 16.7%, to \$1.0 million for the the three months ended March 31, 2017 from \$1.2 million for the same period of 2016. Insurance and claims were 2.6% of operating revenue for the three months ended March 31, 2017 compared to 3.6% in the same period of 2016. The decrease was due to a \$0.2 million decrease in cargo claims and claims related fees.

***Fuel Expense***

Pool fuel expense increased \$0.2 million, or 20.0%, to \$1.2 million for the first quarter of 2017 from \$1.0 million in the same period of 2016. Fuel expenses were 3.2% of Pool operating revenue in the first quarter of 2017 compared to 3.0% in the first quarter of 2016. Pool fuel expenses increased due to an increase in year-over-year fuel prices and higher revenue volumes. These increases were partially offset by increased utilization of owner operators.

***Other Operating Expenses***

Pool other operating expenses were \$4.9 million for the three months ended March 31, 2017 and 2016. Pool other operating expenses for the first quarter of 2017 were 13.0% compared to 14.8% for the same period of 2016. The decrease in percentage of revenue is due to improved margins of agent stations. This decrease was partly offset by increases in equipment maintenance and terminal expenses associated with the volume increases discussed previously.

***Income from Operations***

Income from operations increased to \$1.4 million for the first quarter of 2017 compared with \$0.1 million for the same period in 2016. Income from operations as a percentage of Pool operating revenue was 3.7% for the three months ended March 31, 2017 compared to 0.3% for the same period of 2016. The improvement in Pool operating results was primarily the result of increased revenue volumes, current year rate increases, the reduction of cargo claims, agent station margin improvements and purchased transportation efficiencies.

**Intermodal - Three Months Ended March 31, 2017 compared to Three Months Ended March 31, 2016**

The following table sets forth our historical financial data of the Intermodal segment for the three months ended March 31, 2017 and 2016 (in millions):

| <b>Intermodal Segment Information</b> |                  |                   |                  |                   |               |                |
|---------------------------------------|------------------|-------------------|------------------|-------------------|---------------|----------------|
| <b>(In millions)</b>                  |                  |                   |                  |                   |               |                |
| <b>(Unaudited)</b>                    |                  |                   |                  |                   |               |                |
| <b>Three months ended</b>             |                  |                   |                  |                   |               |                |
|                                       | <b>March 31,</b> | <b>Percent of</b> | <b>March 31,</b> | <b>Percent of</b> | <b>Change</b> | <b>Percent</b> |
|                                       | <b>2017</b>      | <b>Revenue</b>    | <b>2016</b>      | <b>Revenue</b>    | <b>Change</b> | <b>Change</b>  |
| Operating revenue                     | \$ 28.3          | 100.0%            | \$ 24.6          | 100.0%            | \$ 3.7        | 15.0%          |
| <b>Operating expenses:</b>            |                  |                   |                  |                   |               |                |
| Purchased transportation              | 9.7              | 34.3              | 8.4              | 34.1              | 1.3           | 15.5           |
| Salaries, wages and employee benefits | 6.7              | 23.7              | 6.0              | 24.4              | 0.7           | 11.7           |
| Operating leases                      | 3.1              | 10.9              | 3.0              | 12.2              | 0.1           | 3.3            |
| Depreciation and amortization         | 1.1              | 3.9               | 0.9              | 3.7               | 0.2           | 22.2           |
| Insurance and claims                  | 0.8              | 2.8               | 0.8              | 3.2               | —             | —              |
| Fuel expense                          | 0.7              | 2.5               | 0.6              | 2.4               | 0.1           | 16.7           |
| Other operating expenses              | 3.6              | 12.7              | 2.5              | 10.2              | 1.1           | 44.0           |
| <b>Total operating expenses</b>       | <b>25.7</b>      | <b>90.8</b>       | <b>22.2</b>      | <b>90.2</b>       | <b>3.5</b>    | <b>15.8</b>    |
| Income from operations                | \$ 2.6           | 9.2%              | \$ 2.4           | 9.8%              | \$ 0.2        | 8.3%           |

**Revenues**

Intermodal operating revenue increased \$3.7 million, or 15.0%, to \$28.3 million for the three months ended March 31, 2017 from \$24.6 million for the same period in 2016. The increases in operating revenue were primarily attributable to the acquisition of Ace and Triumph, the impact of increased fuel surcharges and increased rental and storage revenues.

**Purchased Transportation**

Intermodal purchased transportation increased \$1.3 million, or 15.5%, to \$9.7 million for the three months ended March 31, 2017 from \$8.4 million for the same period in 2016. Intermodal purchased transportation as a percentage of revenue was 34.3% for the three months ended March 31, 2017 compared to 34.1% for the three months ended March 31, 2016. 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 partly offset by a change in business mix as revenues, such as rental and storage revenues, that do not utilize purchased transportation increased in the first quarter of 2017 compared to the same period of 2016.

**Salaries, Wages, and Benefits**

Intermodal salaries, wages and employee benefits increased \$0.7 million, or 11.7%, to \$6.7 million for the three months ended March 31, 2017 compared to \$6.0 million for the three months ended March 31, 2016. As a percentage of Intermodal operating revenue, salaries, wages and benefits decreased to 23.7% for the three months ended March 31, 2017 compared to 24.4% for the same period in 2016. The improvement in salaries, wages and employee benefits as a percentage of revenue is attributable to less reliance on Company-employed drivers.

**Operating Leases**

Operating leases increased \$0.1 million, or 3.3%, to \$3.1 million for the three months ended March 31, 2017 compared to \$3.0 million for the same period of 2016. Operating leases were 10.9% of Intermodal operating revenue for the three months ended March 31, 2017 compared with 12.2% in the same period of 2016. Operating leases decreased as a percentage of revenue due to

reduced usage of truck rentals as Intermodal increased utilization of owner-operators. This reduction was partly offset by increases to facility rent from additional facilities assumed with the acquisitions.

***Depreciation and Amortization***

Depreciation and amortization increased \$0.2 million, or 22.2%, to \$1.1 million for the three months ended March 31, 2017 compared to \$0.9 million for the same period in 2016. Depreciation and amortization expense as a percentage of Intermodal operating revenue was 3.9% in the first quarter of 2017 compared to 3.7% in the same period of 2016. The higher depreciation and amortization was due to increased tractors and intangible assets acquired from Triumph.

***Insurance and Claims***

Intermodal insurance and claims was \$0.8 million for the three months ended March 31, 2017 and 2016. Intermodal insurance and claims were 2.8% of operating revenue for the three months ended March 31, 2017 compared with 3.2% for the same period in 2016. The decrease in Intermodal insurance and claims as a percentage of revenue was attributable to reduced accident damage repairs and lower claims.

***Fuel Expense***

Intermodal fuel expense increased \$0.1 million, or 16.7%, to \$0.7 million for the first quarter of 2017 from \$0.6 million in the same period of 2016. Fuel expenses were 2.5% of Intermodal operating revenue in the first quarter of 2017 compared to 2.4% in the first quarter of 2016. Intermodal fuel expenses increased due to an increase in year-over-year fuel prices and higher revenue volumes. These increases were partially offset by increased utilization of owner operators.

***Other Operating Expenses***

Intermodal other operating expenses increased \$1.1 million, or 44.0%, to \$3.6 million for the three months ended March 31, 2017 compared to \$2.5 million for the same period of 2016. Intermodal other operating expenses for the first quarter of 2017 were 12.7% compared to 10.2% for the same period of 2016. The increase in Intermodal other operating expenses was due mostly to a \$0.6 million increase in container related rental and storage charges associated with revenue increases discussed previously. The remaining increase was due to increasing terminal expenses and other variable costs, such as maintenance and tolls, corresponding with the increase in revenue.

***Income from Operations***

Intermodal's income from operations increased by \$0.2 million, or 8.3%, to \$2.6 million for the first quarter of 2017 compared with \$2.4 million for the same period in 2016. Income from operations as a percentage of Intermodal operating revenue was 9.2% for the three months ended March 31, 2017 compared to 9.8% in the same period of 2016. The increase in operating income was primarily attributable to the Ace and Triumph acquisitions. The decrease in income from operations as a percentage of revenue was attributable to increased depreciation and amortization associated with Intermodal's 2016 acquisitions and increased container related revenue which has a notably lower margin.

### ***Other Operations***

Other operating activity deteriorated from a \$0.2 million operating income during the three months ended March 31, 2016 to a \$0.9 million operating loss during the three months ended March 31, 2017. The three months ended March 31, 2017 includes \$0.5 million of executive severance costs and \$0.4 million in reserves for loss development factors resulting from increased vehicle and workers' compensation claims activity. These loss development adjustments were kept at the corporate level and not passed through to our segments.

The \$0.2 million in operating income included in other operations and corporate activities for the three months ended March 31, 2016 was primarily for reductions to loss development factors related to vehicle and workers' compensation claims. These loss development adjustments were kept at the corporate level and not passed through to our segments.

### ***Critical Accounting Policies***

Our unaudited condensed 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 unaudited condensed 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. A summary of significant accounting policies is disclosed in Note 1 to the Consolidated Financial Statements included in our 2016 Annual Report on Form 10-K. Our critical accounting policies are further described under the caption "Discussion of Critical Accounting Policies" in Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2016 Annual Report on Form 10-K.

### ***Valuation of Goodwill and Other Long Term Assets***

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 30<sup>th</sup>. 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, TLX Forward Air, Intermodal, Pool Distribution and Total Quality, Inc. ("TQI"). The TLX Forward Air and the TQI reporting units are assigned to the Expedited Truckload Services reporting 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 its reporting units 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, we perform sensitivity tests 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 TLX Forward Air 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 previous 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. We concluded that an impairment loss was probable and could be reasonably estimated. Consequently, we recorded an estimated 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 calculations we obtained fair value information or prepared new fair value calculations 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 calculate fair value, we used cash flows discounted at rates considered appropriate given the inherent risks associated with each type of asset. We believe that the level and timing of cash flows appropriately reflect market participant assumptions. As a result of these calculations, 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:

|                       | <b>LTL</b> | <b>Pool<br/>Distribution</b> | <b>TQI</b> |
|-----------------------|------------|------------------------------|------------|
| 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 estimates used to calculate 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.

#### *Impact of 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. We adopted this guidance in January 2017 and the elimination of APIC pools resulted in approximately \$0.3 million of additional income tax expense during the first quarter of 2017. This guidance has been applied prospectively and no prior periods have been adjusted.

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. Net cash provided by operating activities totaled approximately \$37.1 million for the three months ended March 31, 2017 compared to approximately \$37.4 million for the three months ended March 31, 2016. The \$0.3 million decrease in cash provided by operating activities is mainly attributable to a \$3.0 million decrease in net earnings after consideration of non-cash items and a \$4.9 million decrease in cash collected from accounts receivable. These decreases were net of a \$7.5 million improvement in cash used to fund accounts payable and prepaid assets. The improvements in cash used for accounts payable and prepaid assets is mainly attributable to reduced estimated income tax payments. The decrease in cash received from accounts receivables is attributable to the increase in revenue in the first quarter of 2017 from the first quarter of 2016 resulting in increased accounts receivable that are still pending collections.

Net cash used in investing activities was approximately \$1.7 million for the three months ended March 31, 2017 compared with approximately \$4.2 million during the three months ended March 31, 2016. Investing activities during the three months ended March 31, 2017 consisted primarily of net capital expenditures of \$1.9 million primarily for new computer hardware and internally developed software. Investing activities during the three months ended March 31, 2016 consisted primarily of \$1.7 million used to acquire Ace, which rolled into the Intermodal segment, and net capital expenditures of \$2.5 million primarily for new computer hardware and internally developed software. The proceeds from disposal of property and equipment during the three months ended March 31, 2017 and 2016 were primarily from sales of older trailers and vehicles.

Net cash used in financing activities totaled approximately \$29.5 million for the three months ended March 31, 2017 compared with net cash used in financing activities of \$28.5 million for the three months ended March 31, 2016. The \$1.0 million change in cash from financing activities was attributable to a \$13.9 million increase in payments on the term loan partly offset by \$13.0 million borrowing from our revolving credit facility. Additionally, there was a \$0.8 million increase in cash from employee stock transactions. This increase was mostly offset by a \$0.9 million increase in our quarterly cash dividend. The three months ended March 31, 2017 and 2016 also included \$10.0 million used to repurchase shares of our common stock.

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 \$125.0 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 our existing indebtedness 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, transactions or to incur liens or indebtedness, as set forth in the credit agreement. As of March 31, 2017, we had \$13.0 million in borrowings outstanding under the revolving credit facility, \$7.5 million utilized for outstanding letters of credit and \$129.5 million of available borrowing capacity under the revolving credit facility. The interest rate on the outstanding borrowing under the revolving credit facility was 2.2% at March 31, 2017.

In March 2015, we borrowed \$125.0 million on the available term loan facility. The term loan was payable in quarterly installments of 11.1% of the original principal amount of the term loan plus accrued and unpaid interest, and matured in March 2017.

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. During the three months ended March 31, 2017, we repurchased 204,809 for \$10.0 million, or \$48.81 per share. During the three months ended March 31, 2016, we repurchased 232,944 for \$10.0 million, or \$42.91 per share. The repurchases made for the three months ended March 31, 2016 were made under a previous share repurchase plan approved by our Board of Directors on February 7, 2014. This plan was cancelled and replaced on July 21, 2016. As of March 31, 2017, 2,561,675 shares remain to be purchased on the 2016 Plan.

During the fourth quarter of 2016 and the first quarter of 2017, our Board of Directors declared a cash dividend of \$0.15 per share of common stock. During the first, second and third quarter of 2016, our Board of Directors declared a cash dividend of \$0.12 per share of common stock. We expect to continue to pay regular quarterly cash dividends, though each subsequent quarterly dividend is subject to review and approval by the 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.

#### *Forward-Looking Statements*

This report contains "forward-looking statements," as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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-Q, 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 moving through our network 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 needed to serve our 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. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

#### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Our exposure to market risk related to our outstanding debt is not significant and has not changed materially since December 31, 2016.

#### **Item 4. Controls and Procedures.**

##### *Disclosure Controls and Procedures*

We maintain controls and procedures designed to ensure that we are able to collect the information required to be disclosed in the reports we file with the Securities and Exchange Commission ("SEC"), and to process, summarize and disclose this information within the time periods specified in the rules of the SEC. Based on an evaluation of our disclosure controls and procedures as of the end of the period covered by this report conducted by management, with the participation of the Chief Executive Officer and

Chief Financial Officer, the Chief Executive Officer and Chief Financial Officer believe that these controls and procedures are effective to ensure that we are able to collect, process and disclose the information we are required to disclose in the reports we file with the SEC within the required time periods.

#### *Changes in Internal Control*

There were no changes in our internal control over financial reporting during the three ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **Part II. Other Information**

### **Item 1. 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 and 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.

### **Item 1A. Risk Factors.**

A summary of factors which could affect results and cause results to differ materially from those expressed in any forward-looking statements made by us, or on our behalf, are further described under the caption "Risk Factors" in the Business portion of our 2016 Annual Report on Form 10-K. There have been no changes in the nature of these factors since December 31, 2016.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

#### **Issuer Purchases of Equity Securities**

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.

| <b>Period</b>       | <b>Total Number of Shares Purchased</b> | <b>Average Price Paid per Share</b> | <b>Total Number of Shares Purchased as Part of Publicly Announced 2016 Program</b> | <b>Maximum Number of Shares that May Yet Be Purchased Under the Program</b> |
|---------------------|---|-------------------------------------|--|---|
| January 1-31, 2017  | 204,809                                 | \$ 49                               | 204,809  | 2,561,675   |
| February 1-28, 2017 | —                                       | —                                   | —  | —   |
| March 1-31, 2017    | —                                       | —                                   | —  | —   |
| Total               | 204,809                                 | \$ 49                               | 204,809  | 2,561,675   |

### **Item 3. Defaults Upon Senior Securities.**

Not applicable.

### **Item 4. Mine Safety Disclosures.**

Not applicable.



**Item 5. Other Information.**

Not applicable.

**Item 6. Exhibits.**

In accordance with SEC Release No. 33-8212, Exhibits 32.1 and 32.2 are to be treated as “accompanying” this report rather than “filed” as part of the report.

| <b>No.</b> | <b>Exhibit</b>  |
|------------|---|
| 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 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       | Form of Performance Share Agreement under registrant's 2016 Omnibus Compensation Plan   |
| 10.2       | Executive Mortgage Assistance Agreement, dated January 23, 2017, by and between the registrant and Michael J. Morris  |
| 10.3       | Severance Agreement, dated March 24, 2017, by and between the registrant and Rodney L. Bell   |
| 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   |
| 101.INS    | XBRL Instance Document  |
| 101.SCH    | XBRL Taxonomy Extension Schema  |
| 101.CAL    | XBRL Taxonomy Extension Calculation Linkbase  |
| 101.DEF    | XBRL Taxonomy Extension Definition Linkbase   |
| 101.LAB    | XBRL Taxonomy Extension Label Linkbase  |
| 101.PRE    | XBRL Taxonomy Extension Presentation Linkbase   |

**Signatures**

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

Date: April 27, 2017

Forward Air Corporation  
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)

## 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 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    | Form of Performance Share Agreement under registrant's 2016 Omnibus Compensation Plan   |
| 10.2    | Executive Mortgage Assistance Agreement, dated January 23, 2017, by and between the registrant and Michael J. Morris  |
| 10.3    | Severance Agreement, dated March 24, 2017, by and between the registrant and Rodney L. Bell   |
| 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   |
| 101.INS | XBRL Instance Document  |
| 101.SCH | XBRL Taxonomy Extension Schema  |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase  |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase   |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase  |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase   |

**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:

|  |   |                     |  |
|--|---|---------------------|--|
| <b>Participant:</b>                          | _____   | <b>Employee ID:</b> |  |
| <b>Grant Date:</b>                           | _____   | <b>Grant No.:</b>   |  |
| <b>Target Number of Performance Shares:</b>  | [ _____ ], subject to adjustment as provided by the Agreement.  |                     |  |
| <b>Maximum Number of Performance Shares:</b> | [ _____ ], subject to adjustment as provided by the Agreement.  |                     |  |
| <b>Performance Metric:</b>                   | <u>Percentile Ranking of Total Shareholder Return within Peer Group</u>   |                     |  |
| <b>Performance Period:</b>                   | Three-year period beginning on the January 1 <sup>st</sup> that immediately precedes the Grant Date and ending on the December 31 <sup>st</sup> that immediately precedes the third anniversary of the Grant Date ( _____ - _____ )   |                     |  |
| <b>Performance Share Vesting Date:</b>       | The date that is 2½ months after the last day of the Performance Period, except as otherwise provided by the Agreement.<br><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> |                     |  |
| <b>Vested Performance Shares:</b>            |   |                     |  |
| <b>Settlement Date:</b>                      | The Performance Share Vesting Date, except as otherwise provided by the Agreement.  |                     |  |
| <b>Recoupment Policy:</b>                    | 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}*

## EXECUTIVE MORTGAGE ASSISTANCE AGREEMENT

This Agreement is entered into by and between Forward Air Corporation (the "Company") and Michael J. Morris ("Executive") on the 23rd day of January, 2017.

WHEREAS, in connection with Executive accepting employment with the Company, the Company requested Executive to relocate from Ann Arbor, Michigan to Atlanta, Georgia (the "Relocation");

WHEREAS, at the time of Executive's hiring, the Company agreed to provide certain relocation assistance to Executive in the form of reimbursement of certain agreed upon relocation expenses; and

WHEREAS, Executive and Company desire to add mortgage assistance payments to the relocation assistance package provided to Executive.

NOW, THEREFORE, the parties agree as follows:

1. Amount of Mortgage Assistance. Until the earlier of (i) such date that Executive sells his home in Ann Arbor, Michigan or (ii) August 31, 2017, the Company shall reimburse Executive or pay on his behalf up to \$32,400 in mortgage assistance ("Mortgage Assistance"), payable in monthly installments equal to the lower of (i) \$3,600 or (ii) the actual amount of the applicable month's mortgage payment as reported by Executive to the Company.

2. Recoupment of Relocation Expenses. Executive shall be required to repay all or a portion of the Mortgage Assistance paid hereunder as follows:

(i) In the event Executive voluntarily resigns from his position with the Company within one year of the date of this Agreement, Executive shall repay the Company the full amount of Mortgage Assistance provided to him or on his behalf within 15 days of written demand by the Company.

(ii) In the event Executive voluntarily resigns from his position with the Company within two years of the date of this Agreement, Executive shall repay the Company the portion of the Mortgage Assistance calculated by multiplying (1) the total Mortgage Assistance provided to him or on his behalf by (2) a fraction, (A) the numerator of which is twenty-four (24) less the number of full calendar months elapsed since the date of this Agreement and (B) the denominator of which shall be twenty-four (24).

(iii) In the event that the Company terminates the employment of Executive for "Cause," Executive shall repay the Company the full amount of Mortgage Assistance provided to him or on his behalf within 15 days of written demand by the Company. For purposes of this Agreement, "Cause" shall mean any one or more of the following, as determined by the Company in its sole discretion:

(a) any act or omission by Executive which, if convicted by a court of law, would constitute a felony or a crime of moral turpitude;

(b) Executive's dishonesty or material violation of standards of integrity in the course of fulfilling his employment duties to the Company or any Affiliate (as defined herein);

(c) 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;

(d) willful, repeated failure on the part of Executive to perform his 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 Employee and the Employer on a going-forward basis), and the period to correct shall be established by the Company;

(e) 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;

---

(f) 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; or

(g) 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.

(iv) For purposes of this Agreement, “Affiliate” means any person with whom the Company would be considered a single employer under Sections 414(b) and 414(c) of the Code and Treas. Reg. §1.409A-3(i)(5)(ii), except that in applying Sections 1563(a)(1), (2), and (3) of the Code for purposes of determining a controlled group of corporations under Section 414(b) of the Code; the language “at least 50 percent” shall be used instead of “at least 80 percent” in each place it appears in Sections 1563(a)(1), (2), and (3) of the Code, and in applying Treas. Reg. § 1.414(c)-(2) for purposes of determining a controlled group of trades or businesses under Section 414(c) of the Code, the language “at least 50 percent” shall be used instead of “at least 80 percent” in each place it appears in Treas. Reg. § 1.414(c)-(2).

3. Taxes. All payments required to be made by the Company hereunder to you shall be subject to the withholding of such amounts relating to federal, state, local or foreign taxes as the Company reasonably may determine it should withhold pursuant to any applicable law or regulation.

4. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in a writing that is signed by the Company and Executive. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. Nothing contained herein shall be held to alter, vary, or affect any of the terms, provisions, or conditions of your Employment Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Tennessee (regardless of the laws that might otherwise govern under principles of conflicts of law).

5. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

6. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

7. No Employment Contract. This Agreement shall not be deemed (i) to give Executive any right to continue to be retained in the employ of the Company, or (ii) to interfere with the right of the Company to discharge Executive at any time, with or without cause, which right is hereby reserved.

Executed by the parties on the date set forth above.

FORWARD AIR CORPORATION

EXECUTIVE

By: /s/ Michael L. Hance  
Michael L. Hance

/s/ Michael J. Morris  
Michael J. Morris

Title: SVP & CLO

**Scott Simmons**

Senior Vice President, Human Resources



4370 Old Dixie Road  
Hapeville, GA 30354

March 21, 2017

**Via Email [rbell@forwardair.com](mailto:rbell@forwardair.com)**

Rodney L. Bell

Dear Rodney:

You have advised us of your decision to retire from Forward Air Corporation and all of its affiliates and subsidiaries (collectively the "Company") effective March 17, 2017 (the "Retirement Date"). This letter, together with the agreements attached hereto as Appendix A and Appendix B when signed by you will constitute the full agreement between you and the Company on the terms of your retirement from employment (referred to herein as the "Retirement and Release Agreement" or the "Agreement"). By entering into this Agreement, neither you nor the Company makes any admission of any failing or wrongdoing. Rather, the parties have merely agreed to resolve amicably any existing or potential disputes arising out of your employment with the Company, provide for a smooth transition both for yourself and the Company and provide for your retirement therefrom.

1. **Payment of Accrued Wages, Vested Benefits, COBRA, and Amounts Otherwise Required by Law**. You and the Company acknowledge that all of your work and employment with the Company ends on the Retirement Date and that, regardless of whether you sign this Agreement:
  - a. The Company shall pay your regular wages, less all applicable withholding and payroll taxes, for all hours worked through the Retirement Date, and this amount shall be paid no later than the first scheduled pay day following the Retirement Date.
  - b. You shall be eligible for all fringe benefits in which you participated through the Retirement Date, and as otherwise provided pursuant to the terms of any applicable benefit plans. Your rights and interests in any equity awards granted to you by the Company will be controlled by the terms of the applicable equity plan and award agreement governing said awards. Accordingly, any stock options that are exercisable by you on the Retirement Date may be exercised for a period of 90 days from the Retirement Date. Any options not exercised during the afore-described 90-day period will be canceled and forfeited. Any shares of restricted stock awarded to you that are not vested on the Retirement Date will be immediately forfeited by you and transferred to the Company for no consideration. Your rights and interests in any unvested Performance Shares will be immediately forfeited on the Retirement Date and any awards of unvested Performance Shares will be canceled on the Retirement Date.
  - c. You shall receive notice of your right to elect continued coverage under the Company's group health care plan in accordance with the provisions of the Consolidated Omnibus Budget and

Reconciliation Act ("COBRA"), provided that you have coverage under such group health plan.

- d. The Company shall pay you any amounts otherwise required by law, less any applicable withholding and payroll taxes, no later than the first scheduled pay day following the Retirement Date.
- e. You hereby acknowledge and agree that you have delivered to the Company requests for any and all expenses incurred by you for which you believe you are entitled to reimbursement by the Company, and you hereby agree and acknowledge that you will not be entitled to reimbursement by the Company for any other expenses you incur or have incurred. Provided however, the Company, in its sole discretion, may reimburse you for any other usual and customary Company business expenses that are submitted for reimbursement in writing, with all necessary and supporting documentation, within 30 days of the Retirement Date.

2. **Severance and Consideration.** In addition to the amounts the Company shall pay you under Section 1 of this Agreement, as consideration for this Agreement, you will be entitled to the following items:

- a. An amount equal to your annual base salary of \$367,110 determined as of the Retirement Date (the "Severance Payment"). The Severance Payment shall be paid in a single lump sum payment. The Severance Payment shall be made no more than 60 days after the Retirement Date, provided applicable conditions of Section 5 below have been satisfied.
- b. Your pro-rata annual incentive for the 2017 fiscal year in the amount of \$68,830 (the Pro-rata Annual Incentive"). The Pro-rata Annual Incentive shall be paid in a single lump sum payment and shall be made no more than 60 days after the Retirement Date, provided applicable conditions of Section 5 below have been satisfied.
- c. As of the Retirement Date, you shall no longer be eligible to participate in the Company's group health and dental plans as an active employee participant and your Retirement Date shall be considered a "qualifying event" for purposes of triggering your right to continue your group health and dental insurance pursuant to federal law. Subject to Section 5, you will be provided a lump sum payment of \$16,300 (the "Healthcare Assistance Payment") to assist with your premiums for continuation coverage under COBRA for you and your eligible dependents. The Healthcare Assistance Payment shall be made no more than 60 days after the Retirement Date, provided applicable conditions of Section 5 below have been satisfied.
- d. Subject to Section 5, for a period of one year measured from the Retirement Date, the Company shall provide outplacement services to you not to exceed \$20,000 in value through an outplacement service provider reasonably selected by the Company.

3. **Termination of Benefits.** Except as stated in this Agreement, all other benefits, bonuses, and compensation end on the Retirement Date. However, this Agreement does not affect any existing vested rights that you may have in the Company's 401(k) plan. Benefits provided under this Agreement are intended to be exempt from, or comply with, Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), which is the law that regulates severance pay. This Agreement shall be construed, administered, and governed in a manner that affects such intent, and the Company shall not take any action that would be inconsistent with such intent. Without

---

limiting the foregoing, the payments and benefits provided under this Agreement may not be deferred, accelerated, extended, paid out, or modified in a manner that would result in a the imposition of additional tax under Code Section 409A. Although the Company shall use its best efforts to avoid the imposition of taxation, interest, and penalties under Code Section 409A, the tax treatment of the benefits provided under this Agreement is not warranted or guaranteed. As required by Code Section 409A and the regulatory and other guidance promulgated thereunder, all reimbursements provided in this Agreement shall be made such that the amount eligible for reimbursement during a calendar year will not affect the expenses eligible for reimbursement in another calendar year; and any reimbursement shall be paid to you no later than the last day of the calendar year following the calendar year in which the expense was incurred; and your right to reimbursements under this Agreement shall not be subject to liquidation or exchange for another benefit. Neither the Company nor its affiliates nor its or their directors, officers, employees, or advisers shall be held liable for any taxes, interest, penalties, or other monetary amounts owed by you or any other taxpayer as a result of this Agreement.

4. **Return of Property.** You agree to return immediately all Company property of any kind, including, without limitation, keys, documents, computer software and hardware, discs and media, and policy and procedures manuals.
  5. **General Release and Restrictive Covenants Agreement Required.** Any and all amounts payable and benefits or additional rights provided pursuant to this Agreement other than the accrued obligations described in Section 1 shall only be payable if the following conditions are satisfied:
    - a. within sixty (60) days following the Retirement Date, you timely deliver to the Company and do not revoke the general waiver and release of claims in favor of the Company and related parties (“Company Parties”) in substantially the form attached hereto as Appendix A, and the revocation period related to such general waiver and release has expired; **and**
    - b. within sixty (60) days following the Retirement Date, you timely deliver to the Company a signed Restrictive Covenants Agreement in substantially the form attached hereto as Appendix B.
  6. **Recoupment Policy.** The payments and benefits provided under this Agreement shall be subject to recovery under the Company’s existing Recoupment Policy and you hereby expressly agree to be subject to the Recoupment Policy notwithstanding your termination of employment; provided that the Recoupment Policy shall be applied to you in the same manner as it is applied to the senior executives of the Company including the compensation subject to such recoupment.
  7. **No Reinstatement Entitlement.** You understand and agree that this Agreement contemplates and memorializes an unequivocal, complete, and final dissolution of your employment relationship with the Company, and that, therefore, you have no automatic right to be reinstated to employment with or rehired by the Company, and that in the future, the Company and its affiliated and related entities and their successors and assigns shall have no obligation to consider you for employment, although it may voluntarily choose to do so.
  8. **Recoupment Upon Breach.** When permitted by applicable law, you agree that in the event that you breach any of your obligations under this Agreement, the Company is entitled to stop any of the payments or other consideration to be provided to you pursuant to this Agreement and to recover any payments or other consideration already paid you. This includes, when allowed by applicable
-

law the value of other benefits already paid to you pursuant to this Agreement prior to your proceeding with any Claim (as defined in the General Release and Waiver) in court against any of the Released Parties (as defined in the General Release and Waiver). You further agree that in the event of a breach by you, the Company shall be entitled to obtain any and all other relief provided by law or equity including the payment of its attorneys' fees and costs.

9. **No Admission of Wrongdoing.** It is agreed that neither you nor the Company, nor any of its officers, directors, or employees, make any admission of any failing or wrongdoing or violation of any local, state, or federal law by entering into this Agreement, and that the parties have entered into this Agreement simply to resolve your employment relationship in an amicable manner and to assist you as you transition to retirement. While considering this Agreement and at all times thereafter, both parties agree to act in a professional manner.

Nothing in this Agreement restricts or prohibits you from initiating communications directly with, responding to any inquiries from, providing testimony before, providing confidential information to, reporting possible violations of law or regulation to, or from filing a claim or assisting with an investigation directly with a self-regulatory authority or a government agency or entity, including the U.S. Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General (collectively, the "Regulators"), or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation. You do not need the prior authorization of the Company to engage in such communications with the Regulators, respond to such inquiries from the Regulators, provide confidential information or documents to the Regulators, or make any such reports or disclosures to the Regulators. Moreover, you are not required to notify the Company that you have engaged in such communications with the Regulators.

10. **Cooperation/Consulting.** You and the Company agree that certain matters in which you have been involved during your employment may necessitate your cooperation with the Company in the future. You agree, upon reasonable notice, to advise and assist the Company and its counsel in preparing such operational, financial, and other reports, or other filings and documents, as the Company may reasonably request, and otherwise cooperate with the Company and its affiliates with any request for information. You also agree to assist the Company and its counsel in prosecuting or defending against any litigation, complaints, or claims against or involving the Company or its affiliates. The Company shall pay your necessary travel costs and expenses in the event it requires you to assist it under this Section. In addition, subject to your availability and negotiation of a consulting agreement on terms acceptable to both you and the Company, you agree to provide from time to time as may be reasonably requested by the Chief Executive Officer (with approval of the Company's Lead Independent Director) consulting services to the Company on a project basis.
  11. **Entire Agreement.** You acknowledge and agree that this Agreement together with the General Release and Waiver attached hereto as Appendix A and the Restrictive Covenants Agreement attached hereto as Appendix B set forth the entire understanding between the parties concerning the matters discussed herein, that no promise or inducement has been offered to you to enter into this Agreement except as expressly set forth herein, that the provisions of this Agreement are severable such that if any part of the Agreement is found to be unenforceable, the other parts shall remain fully valid and enforceable, and that a court is authorized to amend the relevant provisions of the Agreement to carry out the intent of the parties to the extent legally permissible. Any employment security agreement or change in control agreement, employment agreement, severance agreement or other agreement, policy, or practice relating to severance benefits or monies to be
-



paid to you upon your termination from employment with the Company is expressly rendered null and void by this Agreement.

Sincerely,

/s/ Scott Simmons

Scott Simmons

Senior Vice President, Human Resources

I have read all of the foregoing, understand the foregoing, and agree to all of the provisions contained in this Agreement.

Agreed to this 24th day of March, 2017.

/s/ Rodney L. Bell

Rodney L. Bell

---

## APPENDIX A

### GENERAL RELEASE AND WAIVER

1. I, Rodney L. Bell, in consideration of and subject to the performance by Forward Air Corporation (together with its affiliates and subsidiaries, the "Company Parties"), of its obligations under that certain Letter Agreement between me and Forward Air Corporation dated March 21, 2017 (the "Letter Agreement"), do hereby release and forever discharge as of the date hereof the Company Parties and their respective affiliates, subsidiaries and direct or indirect parent entities and all present, former and future shareholders, directors, officers, agents, representatives, employees, successors and assigns of the Company and/or its respective affiliates, subsidiaries and direct or indirect parent entities (collectively, the "Released Parties") to the extent provided below (this "General Release"). The Released Parties are intended to be third-party beneficiaries of this General Release, and this General Release may be enforced by each of them in accordance with the terms hereof in respect of the rights granted to such Released Parties hereunder. Terms used herein but not otherwise defined shall have the meanings given to them in the Letter Agreement.

2. I understand that any payments or benefits paid or granted to me under Section 2 of the Letter Agreement represent, in part, consideration for signing this General Release and are not salary, wages or benefits to which I was already entitled. I understand and agree that I will not receive certain of the payments and benefits specified in the Letter Agreement unless I execute this General Release and do not revoke this General Release within the time period permitted hereafter. Such payments and benefits will not be considered compensation for purposes of any employee benefit plan, program, policy or arrangement maintained or hereafter established by the Company or its Affiliates.

3. Except as provided in paragraphs 4, 5, and 11 below and except for the provisions of the Letter Agreement which expressly survive the termination of my employment with the Company, I knowingly and voluntarily (for myself, my heirs, executors, administrators and assigns) release and forever discharge the Company and the other Released Parties from any and all claims, suits, controversies, actions, causes of action, cross-claims, counter-claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, or liabilities of any nature whatsoever in law and in equity, both past and present (through the date that this General Release becomes effective and enforceable) and whether known or unknown, suspected, or claimed against the Company or any of the Released Parties which I, my spouse, or any of my heirs, executors, administrators or assigns, may have, which arise out of or are connected with my employment with, or my separation or termination from (including by way of my retirement), the Company Parties, including, but not limited to (all of the following collectively referred to herein as the "Claims"):

(a) any and all claims that in any way result from, or relate to, my hire, employment with or separation from employment with the Company Parties, whether pursuant to federal, state or local law, statute, regulation, ordinance, executive order or common law including, but not limited to, wrongful discharge of employment, constructive discharge from employment, termination in violation of public policy, discrimination, harassment, retaliation, breach of contract, both express and implied, breach of a covenant of good faith and fair dealing, both express and implied; promissory estoppel, negligent or intentional infliction of emotional distress, negligent or intentional misrepresentation, negligent or intentional interference with contract or prospective economic advantage, unfair business practices, defamation, libel, slander, negligence, personal injury, assault, battery, invasion of privacy, false imprisonment, and conversion, including costs and attorneys' fees;

(b) any and all claims for violation of any federal, state or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Worker Adjustment Retraining and Notification Act; the Employee Retirement Income Security Act of 1974; any applicable Executive Order Programs; the Fair Labor Standards Act, and any other statute that pertains or relates to, or otherwise touches upon, the employment relationship between the Company Parties and me.

4. I agree that this General Release does not waive or release any rights or claims that I may have under the Age Discrimination in Employment Act of 1967 which arise after the date I execute this General Release and does not extend to any claims that, by statute, may not be waived. I acknowledge and agree that my separation from employment with the Company Parties in compliance with the terms of the Letter Agreement shall not serve as the basis for any claim or action (including, without limitation, any claim under the Age Discrimination in Employment Act of 1967).

5. I agree that I hereby waive all rights to sue or obtain equitable, remedial or punitive relief from any or all Released Parties of any kind whatsoever in respect of any Claim, including, without limitation, reinstatement, back pay, front pay, and any form of injunctive relief. Notwithstanding the above, I further acknowledge that I am not waiving

---

and am not being required to waive any right that cannot be waived under law, including the right to file an administrative charge or participate in an administrative investigation or proceeding; provided, however, that I disclaim and waive any right to share or participate in any monetary award resulting from the prosecution of such charge or investigation or proceeding. Additionally, I am not waiving (i) any right to the accrued obligations or any severance benefits to which I am entitled under the Letter Agreement, (ii) any claim relating to directors' and officers' liability insurance coverage or any right of indemnification under the Company's organizational documents or otherwise, (iii) my rights as an equity or security holder in the Company or its Affiliates, (iv) my rights under any equity awards that survive termination of employment; or (v) my rights under any retirement plan that is "qualified" under Section 401(a) of the Internal Revenue Code of 1986.

6. In signing this General Release, I acknowledge and intend that it shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied. I expressly consent that this General Release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Claims (notwithstanding any state or local statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Claims), if any, as well as those relating to any other Claims hereinabove mentioned or implied. I acknowledge and agree that this waiver is an essential and material term of this General Release and that without such waiver I would not be entitled to any of the payments described in Section 2 of the Letter Agreement. I further agree that in the event I should bring a Claim seeking damages against the Company, or in the event I should seek to recover against the Company in any Claim brought by a governmental agency on my behalf, this General Release shall serve as a complete defense to such Claims to the maximum extent permitted by law.

7. I agree that neither this General Release, nor the furnishing of the consideration for this General Release, shall be deemed or construed at any time to be an admission by the Company, any Released Party or myself of any improper or unlawful conduct.

8. I agree that this General Release and the Letter Agreement are confidential and agree not to disclose any information regarding the terms of this General Release or the Letter Agreement, except to my immediate family and any tax, legal or other counsel that I have consulted regarding the meaning or effect hereof or to a successor employer respecting the terms of any restrictive covenants to which I may be subject, or as required by law, and I will instruct each of the foregoing not to further disclose the same to anyone.

9. Any non-disclosure provision in this General Release does not prohibit or restrict me (or my attorney) from responding to any inquiry about this General Release or its underlying facts and circumstances by the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), any other securities regulatory organization or any governmental entity.

10. I represent that I am not aware of any claim by me other than the claims that are released by this General Release. I acknowledge that I may hereafter discover claims or facts in addition to or different than those which I now know or believe to exist with respect to the subject matter of the release set forth in paragraph 3 above and which, if known or suspected at the time of entering into this General Release, may have materially affected this General Release and my decision to enter into it. I represent and warrant that I have never suffered an on the job or occupational injury or incurred any leave, wage or overtime claims, whether pursuant to the Fair Labor Standards Act, Family Medical Leave Act, or otherwise, during my employment, or in the alternative that any such claims have been resolved to my complete satisfaction, and as such, no such claims by me or on my behalf exist as of the date of this General Release.

11. Notwithstanding anything in this General Release to the contrary, this General Release shall not relinquish, diminish, or in any way affect any rights or claims arising out of any breach by the Company or by any Released Party of the Letter Agreement after the date hereof.

12. The Parties understand and acknowledge that this General Release constitutes a compromise and settlement of actual or potential disputed claims. No action taken by the Parties hereto, or either of them, either previously or in connection with this General Release shall be deemed or construed to be:

- (a) an admission of the truth or falsity of any claims made or any potential claims; or
- (b) an acknowledgment or admission by either Party of any fault or liability whatsoever to the other Party or to any third party.

13. I waive any claim to reinstatement or re-employment with the Released Parties and agree not to bring any claim based upon the failure or refusal of the Released Parties to employ me hereafter. If I seek employment or

---

become employed with the Released Parties (knowingly or unknowingly), this General Release shall conclusively be deemed the sole and exclusive reason for denying such application for employment with the Released Parties and/or the basis for my discharge if hired.

14. In entering into this General Release, neither Party has relied upon any representations or statements made by the other Party hereto which are not specifically set forth in this General Release.

15. The language in all parts of this General Release will be construed, in all cases, according to its fair meaning, and not for or against either Party hereto. The Parties acknowledge that each Party and its counsel have reviewed and revised this General Release and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party will not be employed in the interpretation of this General Release. The captions of the Paragraphs of this General Release are for convenience of reference only and in no way define, limit or affect the scope or substance of any Paragraph of this General Release.

16. Whenever possible, each provision of this General Release shall be interpreted in, such manner as to be effective and valid under applicable law, but if any provision of this General Release is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this General Release shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

17. BY SIGNING THIS GENERAL RELEASE, I REPRESENT AND AGREE THAT:

(a) I HAVE READ IT CAREFULLY; AND I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING BUT NOT LIMITED TO, RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED; THE EQUAL PAY ACT OF 1963, THE AMERICANS WITH DISABILITIES ACT OF 1990; AND THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED;

(b) I VOLUNTARILY CONSENT TO EVERYTHING IN IT;

(c) I HAVE BEEN ADVISED TO CONSULT WITH AN ATTORNEY BEFORE EXECUTING IT AND I HAVE DONE SO OR, AFTER CAREFUL READING AND CONSIDERATION, I HAVE CHOSEN NOT TO DO SO OF MY OWN VOLITION;

(d) I HAVE HAD AT LEAST 21 DAYS FROM THE DATE OF MY RECEIPT OF THIS RELEASE TO CONSIDER IT, AND THE CHANGES MADE SINCE MY RECEIPT OF THIS RELEASE ARE NOT MATERIAL OR WERE MADE AT MY REQUEST AND WILL NOT RESTART THE REQUIRED 21-DAY PERIOD;

(e) I UNDERSTAND THAT I HAVE SEVEN (7) DAYS AFTER THE EXECUTION OF THIS RELEASE TO REVOKE IT AND THAT THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE REVOCATION PERIOD HAS EXPIRED;

(f) I HAVE SIGNED THIS GENERAL RELEASE KNOWINGLY AND VOLUNTARILY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT; AND

(g) I AGREE THAT THE PROVISIONS OF THIS GENERAL RELEASE MAY NOT BE AMENDED, WAIVED, CHANGED OR MODIFIED EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY AND BY ME.

SIGNED: /s/ Rodney L. Bell  
Rodney L. Bell

DATED: 3/24/17

---

## RESTRICTIVE COVENANTS AGREEMENT

This RESTRICTIVE COVENANTS AGREEMENT (this "Agreement" or this "Restrictive Covenants Agreement") is entered into as of March 24, 2017, between Forward Air Corporation (the "Company") and Rodney L. Bell (the "Executive") (jointly the "Parties") pursuant to which the Executive accepts the benefits provided by that certain Letter Agreement dated March 21, 2017 by and between the Company and Executive (the "Letter Agreement").

REASONS FOR THIS AGREEMENT: During Executive's relationship with the Company, Executive has learned and has had access to, important proprietary information related to the operations and business of Forward Air Corporation and its subsidiaries and affiliates (collectively, the "Company's Business"). Executive acknowledges that the proprietary customer, operations, financial, and business information that has been or will be learned or accessible has been and will be developed through the Company's expenditure of substantial effort, time and money; and together with relationships developed with customers and employees, could be used to compete unfairly with the Company. The Company's ability to sell its products and services on a competitive basis depends, in part, on its proprietary information and customer relationships, and the Company would not share this information, provide training or promote Executive's relationship with customers if the Company believed that it would be used in competition with the Company, which non-disclosure would cause Executive's performance and opportunities to suffer. Further, the value of the Company to any potential buyer will be based in part upon the restrictive covenants and commitments contained herein.

In consideration of the benefits provided by Section 2 of the Letter Agreement, the receipt and sufficiency of which are acknowledged, the Company and Executive agree:

1. DEFINITIONS: For this Restricted Covenants Agreement, the following terms shall have the meaning specified below:

(a) PERSON: Any individual, corporation, limited liability company, partnership, joint venture, association, unincorporated organization or other entity.

(b) RETIREMENT DATE: March 17, 2017.

(c) CUSTOMERS: All customers of the Company who did business with the Company during the one year period immediately prior to the Executive's Retirement Date.

(d) CONFIDENTIAL INFORMATION: "Confidential information" as defined herein shall exclude company trade secrets and is defined as such other information not rising to the level of a trade secret, relating to the Company's customers, operation, finances, and business that derives value, actual or potential, from not being generally known to other Persons, including, but not limited to, technical or non-technical data, formulas, patterns, compilations (including compilations of customer information), programs (including fulfillment and marketing programs), devices, methods (including fulfillment methods), techniques, processes, financial data (including sales forecasts), or lists of actual or potential customers or suppliers (including identifying information about those customers), whether or not reduced to writing. Confidential Information includes information disclosed to the Company by third parties that the Company is obligated to maintain as confidential. Confidential Information does not include information that: (i) was generally known to the relevant public at the time of disclosure; (ii) was lawfully received by Executive from a third party; (iii) was known to Executive prior to receipt from the Company; or (iv) was independently developed by Executive or independent third parties; in each of the foregoing circumstances, this exception applies only if such public knowledge or possession by an independent third party was without breach by Executive or any third party of any obligation of confidentiality or non-use, including but not limited to the obligations and restrictions set forth in this Agreement.

(e) TERRITORY: the term "Territory" as used in this Restrictive Covenants Agreement means the continental United States, Mexico and Canada. Executive acknowledges and agrees that the direct and indirect scope of Executive's duties and responsibilities and the breadth of the geography impacted by the Confidential Information to which the Executive may be exposed during Executive's employment with the Company are throughout the Territory.

(f) COMPETING BUSINESS: any Person (other than the Company) providing or offering goods or services identical to or reasonably substitutable for the Company's Business.

2. TRADE SECRETS AND CONFIDENTIAL INFORMATION: Executive shall not use or disclose the Company's trade secrets during or after employment. Executive shall not use or disclose Confidential Information following the termination of employment for any reason, except in connection with his duties performed in accordance with his employment or except with the prior written consent of the Chairman of the Board of the Company; provided, however, Executive may make disclosures required by a valid order or subpoena issued by a court or administrative agency of competent jurisdiction, in which event Executive will promptly notify the Company of such order or subpoena to provide the Company an opportunity to protect its interests.

---

3. RETURN OF PROPERTY AND MATERIALS: On the Retirement Date or for any reason or at any time at the Company's request, Executive will deliver promptly to the Company all of the Company's property, including without limitation all materials, documents, plans, records, notes, or other papers and any copies, summaries or excerpts of any kind, and computerized or electronic media in any format whatsoever, and any Company access keys or key cards, identification or credit cards, computer or electronic hardware or software, in Executive's possession or control relating in any way to the Company's Business, which at all times shall be the property of the Company.

4. NON-SOLICITATION OF EMPLOYEES: During a period of 12 months following his Retirement Date (the "Restricted Period"), Executive will not **either on his own behalf or on behalf of any third party, except on behalf of the Company, directly or indirectly**, solicit or induce or in any manner attempt to solicit or induce, any person employed by the Company to leave such employment, whether or not such employment is pursuant to a written contract with the Company or at will.

5. NON-SOLICITATION OF CUSTOMERS: During the Restricted Period, Executive will not **either on his own behalf or on behalf of any third party, except on behalf of the Company, directly or indirectly**, solicit Customers for the purpose of providing or offering products or services identical to or reasonably substitutable for the Company's Business.

6. NON-COMPETITION: During the Restricted Period, Executive will not, within the Territory, be employed or engaged by a Competing Business to provide services similar to those that Executive provided to the Company, or directly or indirectly, own, manage, operate, join, control, finance or participate in the ownership, management, operation, control, or financing of, or be connected as a proprietor, partner, stockholder, officer, director, principal, agent, representative, joint venturer, investor, lender, consultant or otherwise with, or use or permit his name to be used in connection with a Competing Business.

7. DISPARAGEMENT: Executive shall not at any time make false, misleading or disparaging statements about the Company or any subsidiary of the Company, including its products, management, employees, and customers. "Disparaging" statements are those that impugn the character, honesty, integrity, morality, business acumen, or abilities of the individual or entity being disparaged.

8. OWNERSHIP OF CONFIDENTIAL INFORMATION: The Executive hereby agrees that any and all improvements, inventions, discoveries, formulas, processes, methods, know-how, confidential data, trade secrets and other proprietary information (collectively "Work Product") within the scope of any business of the Company or any affiliate which the Executive may have conceived or made during his employment with the Company shall be and are the sole and exclusive property of the Company, and that the Executive shall, wherever requested to do so by the Company, at its expense, execute and sign any and all applications, assignments or other instruments and do all other things which the Company may deem necessary or appropriate (i) in order to apply for, obtain, maintain, enforce or defend letters patent of the United States or any foreign country for any Work Product, or (ii) in order to assign, transfer, convey or otherwise make available to the Company the sole and exclusive right, title and interest in and to any Work Product.

9. NO WAIVER: The failure of the Company to insist upon the performance of any of the terms and conditions in this Agreement, or the failure to prosecute any breach of any of the terms and conditions of this Agreement, shall not be construed thereafter as a waiver of any such terms or conditions. This entire Agreement shall remain in full force and effect as if no such forbearance or failure of performance had occurred.

10. INJUNCTIVE RELIEF: Executive understands that, in the event of a breach or threatened breach of this Agreement by Executive, the Company may suffer irreparable harm and will therefore be entitled to injunctive relief, without prior notice to Executive and without the posting of a bond or other guarantee, to enforce this Agreement. This provision is not a waiver of any other rights which the Company may have under this Agreement, including the right to recover attorneys' fees and costs to cover the expenses it incurs in seeking to enforce this Agreement, as well as to any other remedies available to it, including money damages.

11. CONSTRUCTION: The Parties agree that the covenants set forth herein are reasonable with respect to their duration, geographical area and scope. If any provision of this Agreement is deemed or held to be illegal, invalid, or unenforceable under present or future laws effective during the Term hereof, this Agreement shall be considered divisible and inoperative as to such provision to the extent it is deemed to be illegal, invalid or unenforceable, and in all other respects this Agreement shall remain in full force and effect; provided, however, that if any provision of this Agreement is deemed or held to be illegal, invalid or unenforceable there shall be added hereto automatically a provision as similar as possible to such illegal, invalid or unenforceable provision as shall be legal, valid or enforceable; and provided further that if any provision of this Agreement is deemed or held to be illegal, invalid or unenforceable by any judicial body of competent jurisdiction, it shall have the power to reduce the scope, duration, or area of the term or provision, to delete specific words or phrases, or to replace any illegal, invalid or unenforceable term or provision with

---

a term or provision that is valid and enforceable and that comes closest to expressing the intention of the illegal, invalid or unenforceable term or provision. Further, should any provision contained in this Agreement ever be reformed or rewritten by any judicial body of competent jurisdiction, such provision as so reformed or rewritten shall be binding upon the Executive and the Company.

(a) Executive agrees and acknowledges that the restrictions contained in this Agreement do not preclude Executive from earning a livelihood, nor do they unreasonably impose limitations on Executive's ability to earn a living. Executive agrees and acknowledges that the potential harm to the Company, and any of its subsidiaries and affiliates, of the non-enforcement of the provisions of this Agreement outweighs any potential harm to Executive of their enforcement by injunction or otherwise. Executive expressly acknowledges and agrees that each and every restraint imposed by the provisions of this Agreement is reasonable with respect to subject matter, activity restraints, time period and geographical area.

(b) In the event of a breach or violation by Executive of any of the provisions of this Agreement, the time period for the respective restrictive covenant breached or violated shall be tolled until such breach or violation has been duly cured.

(c) The language in all parts of this Agreement will be construed, in all cases, according to its fair meaning, and not for or against either Party hereto. The Parties acknowledge that each Party and its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party will not be employed in the interpretation of this Agreement.

(d) The captions of the Paragraphs of this Agreement are for convenience of reference only and in no way define, limit or affect the scope or substance of any Paragraph of this Agreement.

12. FORUM SELECTION AND CHOICE OF LAW: This Agreement shall be interpreted, construed and governed by and under the laws of the State of Tennessee. Each party irrevocably (i) consents to the exclusive jurisdiction and venue of the courts of Greene County, State of Tennessee and federal courts in the Eastern District of Tennessee, in any and all actions arising under or relating to this Agreement, and (ii) waives any jurisdictional defenses (including personal jurisdiction and venue) to any such action. .

IN WITNESS WHEREOF, the Company and the Executive have executed this Restrictive Covenants Agreement as of the date first written above.

/s/ Rodney L. Bell

RODNEY L. BELL

FORWARD AIR CORPORTATION

By:/s/ Michael L. Hance

Its:SVP & CLO

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO EXCHANGE ACT RULE 13a-14(a) (17 CFR 240.13a-14(a))**

I, Bruce A. Campbell, certify that:

- 1 I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2017 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: April 27, 2017

/s/ Bruce A. Campbell

Bruce A. Campbell  
Chairman, President and Chief Executive Officer



**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO EXCHANGE ACT RULE 13a-14(a) (17 CFR 240.13a-14(a))**

I, Michael J. Morris, certify that:

- 1 I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2017 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: April 27, 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 Quarterly Report on Form 10Q of Forward Air Corporation (the "Company") for the period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bruce A. Campbell, Chief Executive Officer of the Company, certify, 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; 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: April 27, 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 Quarterly Report on Form 10Q of Forward Air Corporation (the "Company") for the period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael J. Morris, Chief Financial Officer of the Company, certify, 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; 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: April 27, 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.